

IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the attached Offering Circular relating to PANDORA A/S (the “Company”). You are advised to read this carefully before reading, accessing or making any other use of the Offering Circular. Recipients of this electronic transmission who intend to subscribe for or purchase the Offer Shares are reminded that any subscription or purchase may only be made on the basis of the information contained in this Offering Circular and the pricing statement to be published. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Offering Circular is intended for you only and you agree you will not forward this electronic transmission or the attached Offering Circular to any other person.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS IN THE UNITED STATES, OR UNDER THE APPLICABLE SECURITIES LAWS OF AUSTRALIA, CANADA OR JAPAN. SUBJECT TO CERTAIN EXCEPTIONS, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD WITHIN AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES. GOLDMAN SACHS INTERNATIONAL, J.P. MORGAN SECURITIES LTD., MORGAN STANLEY & CO. INTERNATIONAL PLC AND NORDEA MARKETS (DIVISION OF NORDEA BANK DANMARK A/S) (TOGETHER, THE “JOINT GLOBAL COORDINATORS”), CARNEGIE BANK A/S AND SEB ENSKILDA, SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), COPENHAGEN BRANCH (TOGETHER, THE “CO-LEAD MANAGERS” AND, TOGETHER WITH THE JOINT GLOBAL COORDINATORS, THE “MANAGERS”), OR THEIR RESPECTIVE AFFILIATES, MAY ARRANGE FOR THE OFFER AND SALE OF OFFER SHARES IN THE UNITED STATES TO PERSONS REASONABLY BELIEVED BY THEM TO BE “QUALIFIED INSTITUTIONAL BUYERS” (“QIBS”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. OFFER SHARES BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES ARE BEING OFFERED PURSUANT TO, AND IN ACCORDANCE WITH, REGULATION S UNDER THE SECURITIES ACT AND APPLICABLE SECURITIES REGULATIONS IN EACH JURISDICTION IN WHICH THE OFFER SHARES ARE OFFERED. PROSPECTIVE INVESTORS IN THE OFFER SHARES ARE HEREBY NOTIFIED THAT SELLERS OF THE OFFER SHARES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE OFFER SHARES ARE NOT TRANSFERABLE EXCEPT IN COMPLIANCE WITH THE RESTRICTIONS DESCRIBED IN THE OFFERING CIRCULAR.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE OFFER SHARES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Offer Shares, investors must be outside the United States. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are outside the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission.

The Offering Circular may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (the “FSMA”) does not apply and may be distributed in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets

Act 2000 (Financial Promotion) Order 2005 (as amended) (the “Order”), or (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the Offering Circular is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

In addition, this electronic transmission and the attached Offering Circular are directed only at persons in member states of the European Economic Area who are “Qualified Investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC).

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person. Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Company in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Company, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PANDORA

Offering of up to 47,981,480 Ordinary Shares

(a public limited company incorporated in Denmark registered under CVR no. 28505116)

This offering circular (the "Offering Circular") relates to the offering of up to 47,981,480 ordinary shares of DKK 1 nominal value each (the "Offering") of PANDORA A/S (the "Company"). The Company is offering up to 3,428,571 new ordinary shares (the "New Shares"), such number of Shares to be based on the Company raising gross proceeds of approximately DKK 600 million, and Prometheus Invest ApS (the "Selling Shareholder") is offering 44,552,909 ordinary shares (the "Existing Offer Shares" and, together with the New Shares, the "Offer Shares"). Certain members of our Board of Directors, Executive Management and Key Employees are shareholders, directly or indirectly, in the Selling Shareholder and will be receiving proceeds through the sale of the Existing Offer Shares. See "Ownership Structure and Related Party Transactions." In addition, it is expected that the holders of Warrants (including members of the Board of Directors, the Executive Management and certain Key Employees) will sell to the Selling Shareholder at the Offer Price 35% of the Shares received by them upon their exercise of the Warrants in connection with the Offering. See "Management and Employees — Incentive Programs — Warrant Program."

The Offering consists of: (i) an initial public offering in Denmark, (ii) a private placement in the United States to persons who are "qualified institutional buyers" or "QIBs" (as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")), in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act and (iii) private placements to institutional investors in the rest of the world. The Offering outside the United States will be made in compliance with Regulation S ("Regulation S") under the U.S. Securities Act.

In connection with the Company's purchase of the minority interests in the distribution subsidiaries Ad Astra Holding Pty Ltd. and PANDORA Jewelry Central Western Europe A/S ("PANDORA Jewelry CWE"), the sellers have agreed to invest a portion of the proceeds received from such sale (approximately DKK 137 million) in New Shares, and the Company will allocate such New Shares to the sellers in the Offering. See "Use of Proceeds."

The Selling Shareholder has granted the Joint Global Coordinators, on behalf of the Managers, an option to purchase up to 6,682,936 additional Shares at the Offer Price (the "Overallotment Option"), exercisable, in whole or in part, from the first day of trading in, and official listing of, the Shares until 30 calendar days thereafter, solely to cover overallotments or short positions, if any, incurred in connection with the Offering. As used herein, the term "Offer Shares" shall include any Shares purchased pursuant to the Overallotment Option (unless the context indicates otherwise), and "Shares" shall refer to all outstanding ordinary shares of the Company, DKK 1 nominal value each.

Prior to the Offering, there has been no public market for the Shares. Application has been made for the Shares to be admitted to trading and official listing on NASDAQ OMX Copenhagen A/S ("NASDAQ OMX Copenhagen") under the symbol "PNDORA" (ISIN: DK0060252690).

You are advised to examine all risks and legal requirements that might be relevant in connection with an investment in the Offer Shares. Investing in the Offer Shares involves a high degree of risk. See "Risk Factors" beginning on page 12 for a discussion of certain risks that prospective investors should consider before investing in the Offer Shares.

OFFER PRICE RANGE: DKK 175 – DKK 225 PER OFFER SHARE

The offer price (the "Offer Price") is expected to be within the offer price range set forth above and will be determined through book-building. The Offer Price and the exact number of Offer Shares to be sold will be determined by the Selling Shareholder and our Board of Directors in consultation with the Joint Global Coordinators and is expected to be announced through NASDAQ OMX Copenhagen no later than 8:00 a.m. (Central European Time) on 5 October 2010. The first day of trading in, and official listing of, the Shares on NASDAQ OMX Copenhagen is expected to be on 5 October 2010.

The offer period (the "Offer Period") will commence on 23 September 2010 and will close no later than 4 October 2010 at 5:00 p.m. (Central European Time). The Offer Period may be closed prior to 4 October 2010; however, the Offer Period will not be closed wholly or in part before 28 September 2010 at 12:01 a.m. (Central European Time). The Offer Period in respect of applications for purchases of amounts up to, and including, DKK 3 million may be closed before the remainder of the Offering is closed. If the Offering is closed in whole or in part before 4 October 2010, the first day of trading and official listing and the date of payment and settlement will be moved forward accordingly. Any such early closing, in whole or in part, will be announced through NASDAQ OMX Copenhagen.

The Managers expect to deliver the Offer Shares against payment in immediately available funds in book-entry form to investors' accounts with VP Securities A/S ("VP Securities") and through the facilities of Euroclear Bank S.A./N.A., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), starting no later than 8 October 2010. All dealings in the Offer Shares prior to settlement will be for the account of, and at the sole risk of, the parties involved.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any of the Offer Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer in such a jurisdiction.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold (a) in the United States only to persons who are QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, and (b) outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on transfer of the Offer Shares, see "Transfer Restrictions." The distribution of the Offering Circular and the offer of the Offer Shares in certain jurisdictions is restricted by law. Persons into whose possession the Offering Circular comes are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. See "Plan of Distribution — Selling Restrictions."

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International

J.P. Morgan

Morgan Stanley

Nordea

Co-Lead Managers

Carnegie

SEB Enskilda

Financial Advisors to the Company and the Selling Shareholder

Rothschild

FIH Partners

Introduction

Certain Information with respect to the Offering

In this Offering Circular, “we,” “our,” “us,” the “Company,” “PANDORA” and the “Group” refer to PANDORA A/S or PANDORA A/S and its subsidiaries and, prior to the Acquisitions (as defined herein), to the predecessor entities and the underlying businesses subject to the Acquisitions, in each case as the context may require.

No representation or warranty, express or implied, is made by Goldman Sachs International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, or Nordea Markets (Division of Nordea Bank Danmark A/S) (together, the “Joint Global Coordinators”), Carnegie Bank A/S or SEB Enskilda, Skandinaviska Enskilda Banken AB (publ), Copenhagen Branch (“SEB Enskilda”) (together, the “Co-Lead Managers” and, together with the Joint Global Coordinators, the “Managers”) or N M Rothschild and Sons Limited (“Rothschild”) or FIH Partners A/S (“FIH Partners” and, together with Rothschild, the “Financial Advisors”) as to the accuracy or completeness of any information contained in this Offering Circular.

The information in this Offering Circular is as at the date printed on the front of the cover, unless expressly stated otherwise. The delivery of this Offering Circular at any time does not imply that there has been no change in our business or affairs since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof. In the event of any material changes to the information in this Offering Circular during the period from the date of announcement to the first day of trading, such changes will be announced pursuant to the rules in the Danish Executive Order No. 223 of 10 March 2010, *inter alia*, which governs the publication of prospectus supplements.

In connection with the Offering, we have prepared two versions of this offering document: the Danish Prospectus for purposes of the Offering in Denmark and this Offering Circular in English for purposes of the Offering outside of Denmark. The Danish Prospectus has been prepared in compliance with the standards and requirements of Danish law, including the rules issued by NASDAQ OMX Copenhagen. The Danish Prospectus contains certain statements which are required under European Commission Regulation No. 809/2004, as amended, and/or the rules for the issuers of shares issued by NASDAQ OMX Copenhagen, including responsibility statements made by the auditors and the Joint Global Coordinators, which are not included in this Offering Circular.

In making an investment decision, investors must rely on their own examination of us and the terms of this Offering, including the merits and risks involved. Any purchase of the Offer Shares should be based on the examinations that the investor in question may deem necessary, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether or not to invest in the Offer Shares. In addition to their own examination of PANDORA and the terms of the Offering, investors should rely only on the information contained in this Offering Circular, including the risk factors described herein, and any notices which are published by the Company under current legislation, including the rules of NASDAQ OMX Copenhagen applying to issuers of shares.

The Offering will be completed under Danish law, and neither the Selling Shareholder, the Managers, the Financial Advisors nor we have taken any action or will take any action in any jurisdiction with the exception of Denmark that may result in a public offering of the Offer Shares.

No person has been authorized to give any information or make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Selling Shareholder, the Managers, the Financial Advisors or us. Neither we, the Selling Shareholder, the Managers or the Financial Advisors accept any liability for any such information or representation.

The distribution of this Offering Circular and the offer or sale of the Offer Shares in certain jurisdictions are restricted by law. No action has been or will be taken by the Selling Shareholder, the Managers, the Financial Advisors or us to permit a public offering in any jurisdiction other than Denmark. Persons into whose possession this Offering Circular may come are required by the Selling Shareholder, the Managers, the Financial Advisors and us to inform themselves about and to observe such restrictions. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. For further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Offering Circular, see “Plan of Distribution — Selling Restrictions.” This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer. This Offering Circular may not be forwarded, reproduced or in any other way redistributed by anyone but the Managers

and the Company. Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose the content of this Offering Circular or use any information herein for any purpose other than considering the purchase of Offer Shares. Investors agree to the foregoing by accepting delivery of this Offering Circular.

The Managers and the Financial Advisors are acting for the Selling Shareholder and us and no one else in relation to the Offering. The Managers and the Financial Advisors will not be responsible to anyone other than the Selling Shareholder and us for providing the protections afforded to clients of the Financial Advisors or the Managers nor for providing advice in relation to the Offering.

Stabilization

IN CONNECTION WITH THE OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC AS THE STABILIZING MANAGER, OR ITS AGENTS, ON BEHALF OF THE MANAGERS, MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR UP TO 30 DAYS FROM THE COMMENCEMENT OF TRADING AND OFFICIAL LISTING OF THE SHARES ON NASDAQ OMX COPENHAGEN. SPECIFICALLY, THE MANAGERS MAY OVER-ALLOT OFFER SHARES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THE STABILIZING MANAGER AND ITS AGENTS ARE NOT REQUIRED TO ENGAGE IN ANY OF THESE ACTIVITIES AND, AS SUCH, THERE IS NO ASSURANCE THAT THESE ACTIVITIES WILL BE UNDERTAKEN; IF UNDERTAKEN, THE STABILIZING MANAGER OR ITS AGENTS MAY END ANY OF THESE ACTIVITIES AT ANY TIME AND THEY MUST BE BROUGHT TO AN END AT THE END OF THE 30-DAY PERIOD MENTIONED ABOVE. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILIZING MANAGER DOES NOT INTEND TO DISCLOSE THE EXTENT OF ANY STABILIZATION TRANSACTIONS UNDER THE OFFERING. SEE “PLAN OF DISTRIBUTION.”

Notice to Investors in the United States

The Offer Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold (a) in the United States only to persons who are QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, and (b) outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on transfer of the Offer Shares, see “Transfer Restrictions.”

In the United States, this Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Offering Circular has been provided by us and other sources identified herein. Distribution of this Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited. Any reproduction or distribution of this Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

European Economic Area (“EEA”) Restrictions

In any EEA member state other than Denmark that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, the “Prospectus Directive”), this Offering Circular is only addressed to, and is only directed at, investors in that member state who fulfill the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Directive as implemented in each such member state.

This Offering Circular has been prepared on the basis that all offers of Offer Shares, other than the offer contemplated in Denmark once the Danish Prospectus has been approved by the Danish FSA and published in accordance with the Prospectus Directive as implemented in Denmark, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for us, the Selling Shareholder or any of the Managers to produce a prospectus for such offer. Neither we, the Selling Shareholder nor the Managers have authorized, nor do we, the Selling Shareholder or the Managers authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Offering Circular.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the European Economic Area that has implemented the Prospectus Directive, excluding Denmark (a “Relevant Member State”). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- exclusively to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- exclusively to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than EUR 43 million, and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than a person that is a qualified investor within the meaning of Article 2(1)(c) of the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

United Kingdom Restrictions

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which the Offering Circular relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or high net worth entities falling within Article 49(2), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of the Offering Circular and should not act or rely on it.

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RESPONSIBILITY AND STATEMENT

The Company's responsibility

PANDORA A/S is responsible for this Offering Circular in accordance with Danish law.

The Company's statement

We hereby declare that we, as the persons responsible for this Offering Circular, have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of its contents.

Glostrup, 20 September 2010

PANDORA A/S

Board of Directors

Allan Leighton
Chairman

Torben Ballegaard Sørensen
Deputy chairman

Andrea Alvey

Marcello V. Bottoli

Sten Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

Executive Management

Mikkel Vendelin Olesen
Chief Executive Officer

Henrik Holmark
Chief Financial Officer

Summary

The following summary should be read as an introduction to this Offering Circular, and in conjunction with, and as qualified in its entirety by, the more detailed information that appears elsewhere in this Offering Circular including our Audited Annual Financial Statements for the years ended and as at 31 December 2009, 2008 and 2007 and our Unaudited Interim Financial Statements for the six months ended and as at 30 June 2010 and 2009, included elsewhere herein, which have been reviewed by Ernst & Young, independent auditors. Any decision to invest in the Offer Shares should be based on this Offering Circular as a whole. See “Risk Factors” for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. Certain terms used in this summary are defined elsewhere in this Offering Circular. See “Glossary.”

Overview of Our Business

We are a designer, manufacturer, marketer and distributor of hand-finished and modern jewelry made from genuine materials – primarily sterling silver, gold, precious and semi-precious stones and Murano glass. As at 30 June 2010, our jewelry was sold in 47 countries on six continents through approximately 10,000 points of sale. The United States is our largest market, accounting for 40.8% of our revenue in H1 2010. The United Kingdom, Australia and Germany are our next largest markets, accounting for 13.2%, 12.5% and 11.8% of our revenue, respectively, in H1 2010.

We believe that the PANDORA brand represents one of our most important assets. Our brand DNA is the sum of our core brand values – affordable luxury, contemporary design and personal storytelling – which permeate all of our collections. Our jewelry collections incorporate our “Create & Combine” concept which allows for the personalization of the jewelry by adding, combining and composing products in a way that is unique to each end-consumer. Because much of our jewelry can be combined with each other, our end-consumers are encouraged to purchase individual products or combinations of products to commemorate special moments and events in their lives. The collective nature of our jewelry enables end-consumers to purchase as many products as their budget allows at any point in time and to complete their individual jewelry collection over time, enabling it to evolve with their changing tastes and budgets.

Our target end-consumers are women between the ages of 25 and 50. Our portfolio of jewelry includes five collections: Moments, Stories, Compose, LovePods and Liquid Silver, each of which offers end-consumers the opportunity to combine products and create unique and personalized compositions. Our charm bracelets made from sterling silver or gold and charms made from different genuine materials, which are featured in our Moments collection, constitute our core product offering. They represented in aggregate 89.2% and 86.2% of our revenue in FY 2009 and H1 2010, respectively. In addition to charm bracelets and charms, our collections include other pieces of jewelry, such as rings, bracelets, necklaces, pendants and earrings. Through our use of genuine materials and hand-finished craftsmanship, we seek to create high-quality jewelry.

We expect, in the coming years, to expand our portfolio of jewelry and develop a limited selection of non-jewelry products, including PANDORA-branded watches and sunglasses. Through this development we seek to strengthen and build our brand while providing the potential for additional revenue streams and facilitating increased utilization of the selling space at our points of sale.

We operate a vertically integrated business model from design through in-house production to distribution of our jewelry. In-house designers located in Denmark create our designs and continuously enhance our jewelry product range. We produce almost all our jewelry at our production facilities located in Gemopolis, a jewelry business zone on the outskirts of Bangkok, Thailand, from where the products are distributed to points of sale primarily through our distribution subsidiaries (direct distribution), but also through third party distributors.

As at 30 June 2010, our approximately 10,000 points of sale to end-consumers, included 2,452 PANDORA-branded points of sale, consisting of 262 Concept Stores (of which 47 were directly operated by us), 725 Shop-in-shops (of which 23 were directly operated by us) and 1,465 Gold Level points of sale. As of such date, our products were also offered in 2,217 Silver Level points of sale and 5,253 White Level points of sale as well as through travel retail outlets, including onboard sales on a variety of international airlines and cruise ships.

Strengths & Strategy

Key strengths

We believe that our competitive strengths and advantages include:

- *Attractive company positioning and industry dynamics.* We are the world's third largest jewelry brand, in terms of estimated revenues at retail value in 2009. We have gained an international presence and built increasing brand awareness in our key markets. While the USD 145 billion global fine jewelry market (in terms of estimated revenues at retail value in 2009) remains largely unbranded, this market has experienced increased branding in recent years, particularly in the affordable segment of which we are a part, and we believe we are well-positioned to continue to take advantage of this trend due to the strength of our brand and our product offering.
- *Successful product concept.* We offer a universe of hand-finished and modern jewelry made from genuine materials with a number of attractive features. For example, our jewelry features timeless design, high quality at affordable prices and, for our charm bracelets, patented functionality. All our jewelry is built upon our brand DNA including our "Create & Combine" concept which allows end-consumers over time to build a personal charm bracelet or a selection of our jewelry. At the same time, this provides our points of sale with the potential for increased store traffic, making us attractive to retailers as well as end-consumers.
- *Increasingly diversified geographic presence and proven ability to enter new geographical markets.* As at 30 June 2010, our products were sold in 47 countries on six continents across different sales channels through approximately 10,000 points of sale as compared with only being sold in Denmark prior to 2000. We have a proven ability to enter new geographical markets, having successfully entered a number of new markets in the last decade and, in particular, having developed a strong presence in our key geographical markets, namely, the United States, Australia, Germany and the United Kingdom since the launch of our products in these markets in 2003, 2004 and 2005, respectively. In FY 2009, 45.0%, 34.9% and 20.1% of our revenue was derived from the Americas, Europe and Asia Pacific, respectively (46.0%, 40.2% and 13.8% in H1 2010, respectively).
- *Vertically integrated business model.* In recent years, we have developed our vertically integrated business model from design through in-house production to distribution while, at the same time, realizing strong organic growth in our business and maintaining the high quality of our products and production processes. Designers located in Denmark create our designs and seek to continuously enhance our jewelry product range. We have more than 20 years experience in the production of jewelry in Thailand, where we benefit from the long jewelry crafting tradition, the availability of skilled and experienced labor and cost efficiencies of local production. We also benefit from our standardized production processes at our three modern production facilities, which have helped us to achieve efficient, order-driven production with six to eight weeks, lead time. We have increased significantly our level of direct distribution to points of sale, which accounted for 92.6% of our total revenues in H1 2010. Today, we distribute our products directly to each of our key markets, while using third party distributors in strategically selected growth markets. The development of this business model, and our limited portfolio of directly operated stores, has allowed us to capture a higher proportion of the total revenue from the ultimate retail sale of our products when compared to selling through third party distributors. This underpins the strong profit margins we have been able to achieve.
- *Strong financial performance.* We have experienced significant growth in recent years, increasing our production volumes from approximately 3.0 million SKUs in FY 2004 to over 42 million SKUs in FY 2009. During the periods under review in this Offering Circular, we have achieved strong financial performance, both in terms of our revenue and margin growth, driven by a combination of strong organic growth and significant structural changes. From 2008 (adjusted to reflect operations for the 12-month period ended 31 December 2008) to FY 2009, our consolidated revenue increased from DKK 1,904 million to DKK 3,461 million (growth of 81.7%), EBITDA increased from DKK 778 million to DKK 1,572 million (growth of 102.0%) and operating profit increased from DKK 738 million to DKK 1,424 million (growth of 92.9%). From H1 2009 to H1 2010, our consolidated revenue increased from DKK 1,262 million to DKK 2,581 million (growth of 104.5%), EBITDA increased from DKK 654 million to DKK 1,020 million (growth of 56.0%) and operating profit increased from DKK 632 million to DKK 892 million (growth of 41.1%). Our EBITDA margin was 39.5% in H1 2010, 45.4% in FY 2009 and 40.9% in 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008) and 40.2% in FY 2008, respectively. Our cash conversion ratio was 65.7% in H1 2010, 113.8% in FY 2009 and 160.6% in FY 2008, respectively. However, due to the significant structural changes since the Acquisitions in March 2008, any comparison between successive or

comparable periods is not necessarily meaningful and may not be indicative of future results. See “Operating and Financial Review-Events Affecting Comparability of Our Results of Operations.”

- *Efficient management structure geared for growth.* Our management team includes members with considerable PANDORA experience and members with substantial relevant outside experience. Following the Acquisitions in March 2008, this team has been instrumental to the significant growth in our business and operations, including having played a central role in the shift in our business model from a primarily production and export-oriented business model to a vertically integrated business model. Our management structure features our Executive Management and other leadership and support in Denmark as well as local management and centers of competencies in our markets. We believe this structure allows us to facilitate the centralized control needed to pursue our global strategies, while benefitting from local entrepreneurship, flexibility and know-how in our markets.

Business strategy

Our long-term vision is to become the world’s most recognized global jewelry brand. To work towards this vision, we have identified the following strategic objectives for the short- to medium-term:

- *Focus on PANDORA-branded sales channels.* We intend to increase the number of PANDORA-branded points of sale in select markets to derive a significantly higher proportion of our revenues from PANDORA-branded sales channels in the future. PANDORA-branded sales channels allow us to strengthen the perception of our brand in the retail environment and typically permit an expanded product offering compared with our other points of sale. We plan to increase our PANDORA-branded points of sale, in part, by establishing new Concept Stores and Shop-in-shops through franchise or other arrangements as well as launching a limited number of directly operated stores. We also plan to continue to encourage upgrades of existing points of sale to increase the number of Gold Level points of sale and Shop-in-shops.
- *Capitalize on our product offering.* In recent years, we have significantly broadened our jewelry portfolio, including through the introduction of our Compose, LovePods and Liquid Silver collections in 2007, 2008 and 2009, respectively. We expect in the coming years to capitalize on the potential of these collections as well on as the potential in the Moments and Stories collections, both in existing and new markets. We seek to achieve this through a strong focus on marketing and sales execution. At the same time we plan to renew our jewelry portfolio and expand our current product offering with a limited selection of non-jewelry products in close alignment with our brand DNA. Through these expansions, we seek to strengthen and build our brand, increase revenue streams and facilitate increased utilization of the selling space of our points of sale.
- *Tailor approach to new geographical markets.* We intend to continue entering into new geographical markets and expanding our presence in existing markets where we currently have little or no market presence. In particular, we see potential for our products in certain well-established European markets for luxury goods such as France and Italy, where the fine jewelry markets were estimated to be worth USD 4.5 billion and USD 6.9 billion, respectively, in 2009 and in emerging countries such as the BRIC countries (Brazil, Russia, India and China), where the fine jewelry markets were estimated to be worth USD 2.3 billion, USD 3.0 billion, USD 13.0 billion and USD 13.8 billion, respectively, in 2009. We entered France and Brazil in 2008 and 2009, respectively, through third party distributors and the Italian market in the summer of 2010 through our distribution subsidiary. We seek to enter the Russian and Chinese markets in the fall or winter of 2010 and the Indian market in 2011 or later. Based on our significant experience from having entered into 47 countries, we adopt a specific market entry strategy for each new market, taking into account local market characteristics with the aim of promoting widespread sales and penetration as quickly as possible given the market, while ensuring consistent brand positioning. 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.
- *Implement global marketing.* 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 spend in the high single digits of our revenues in a particular period for marketing (our marketing costs in H1 2010 were equal to 9.5% of our total revenue). This is supplemented by further marketing performed by our third party distributors and points of sale (our distribution and franchise agreements require a certain proportion of revenue to be used for marketing). Furthermore, 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, including through our PANDORA club. In the medium-term, we expect to build an online sales platform to

enhance further brand awareness and maximize customer reach as well as to foster the potential for additional revenue opportunities.

Risk Factors

An investment in equity securities such as the Offer Shares involves a high degree of financial risk. There are risks associated with an investment in the Offer Shares including risks relating to our business and industry, and with the Offering, which you should consider carefully before you decide to buy the Offer Shares. Some of the most significant risks facing our business and industry include:

- *The strength of our brand is crucial to our success. If we do not succeed in continuing to maintain and develop our brand, this could have a material adverse effect on our business, results of operations or financial condition.*
- *We are dependent upon revenues generated from sales of our charm bracelets and charms.*
- *Any inability to respond to changes in consumer demands and market trends in a timely manner could have a material adverse effect on our business, results of operations or financial condition.*
- *Changes or a continued downturn in economic conditions, in particular in our principal markets, may affect consumer purchases of discretionary items, such as our products, and could have a material adverse effect on our business, results of operations or financial condition.*
- *Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially adversely affect our business, results of operations or financial condition.*
- *Any inability to manage our significant growth and recent structural changes may have a material adverse effect on our business, results of operations or financial condition.*
- *Any inability to implement successfully our growth strategies may have a material adverse effect on our business, results of operations or financial condition.*
- *Competition in the markets in which we operate is intense and may have a material adverse effect on our business, results of operations or financial condition.*
- *Our business and results of operations are dependent upon the degree to which we are able to continue to import raw materials to, manufacture products in, and export from, Thailand.*
- *Given the significant international aspects of our business, our results of operations could be materially adversely affected by various governmental authorities questioning our intra-group transfer pricing policies and asserting alternative claims over the taxation of our profits or changing local tax rules and interpretation of tax rules.*
- *We benefit from certain concessions granted by Thailand's Board of Investment as well as from a temporary suspension of U.S. import duties for Thai goods. The expiration or repeal of any or all of these may result in significantly increased tax costs which could have a material adverse effect on our business, results of operations or financial condition.*
- *The concentration of a substantial portion of our industry's sales in relatively brief selling periods during the year means that our performance is susceptible to significant periodic fluctuations, which may have a material adverse effect on our business, results of operations or financial condition.*
- *The failure to continue to adapt successfully our systems, including internal controls and procedures over financial reporting, as a result of increasing business complexity may have a material adverse effect on our business, results of operations or financial condition.*
- *We rely upon certain key personnel. If they leave or become unable or unwilling to fulfill their roles, this may have a material adverse effect on our business, results of operations or financial condition.*
- *Fluctuations in foreign currency exchange rates and interest rates could have a material adverse effect on our results of operations and financial condition.*
- *Failure to protect adequately our intellectual property could have a material adverse effect on our business, results of operations or financial condition.*

- *The projected financial information included in this Offering Circular may differ materially from our actual results.*
- *We may be involved in litigation and arbitration proceedings which, if determined against us, could have a material adverse effect on our business, results of operations or financial condition, and we remain exposed to such liability in the future.*
- *Breach or failure to implement our CSR policy could have a material adverse effect on our business, results of operations or financial condition.*
- *The Selling Shareholder will continue to be a significant shareholder in us and may control or otherwise influence important actions we take.*

In addition, there are certain risks relating to the Offering which could adversely impact the value of the Offer Shares:

- *The Offer Shares have not previously been publicly traded, and their price may be volatile and fluctuate significantly in response to various factors.*
- *Public sales of Shares after the Offering may cause a decline in the market price of the Shares.*
- *Your percentage ownership in us may be diluted by future issuances of Shares, which could reduce your influence over matters on which stockholders vote.*
- *Differences in exchange rates may materially adversely affect the value of shareholdings or dividends paid.*

For more information about these risks, see “Risk Factors.”

Corporate Information

Our principal executive office is located at Hovedvejen 2, 2600 Glostrup, Denmark, and our telephone number is +45 36 72 00 44.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The summary consolidated financial information set forth below has been derived from (i) the Audited Annual Financial Statements for the years ended and as at 31 December 2009 and 2008 and (ii) the Unaudited Interim Financial Statements for the six months ended and as at 30 June 2010 and 2009. The Audited Annual Financial Statements have been prepared in accordance with IFRS. The Unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”). The Audited Financial Statements have been audited and the Unaudited Interim Financial Statements have been reviewed by Ernst & Young, independent auditors. The summary operating information set forth below has been derived from our regularly maintained records and operating systems. Investors should read the following information together with the Audited Annual Financial Statements and the Unaudited Interim Financial Statements, including the notes to those financial statements, included in this Offering Circular and “Operating and Financial Review.”

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Income Statement Data:				
Revenue	2,581	1,262	3,461	1,658
Cost of sales	(775)	(412)	(1,073)	(647)
Gain and losses on raw material derivatives ⁽¹⁾	—	62	83	(19)
Gross profit	1,806	912	2,471	992
Distribution costs	(644)	(216)	(743)	(290)
Administrative expenses	(270)	(64)	(304)	(69)
Operating profit	892	632	1,424	633
Financial income	37	30	79	23
Financial expenses	(111)	(131)	(314)	(240)
Profit before tax	818	531	1,189	416
Income tax expense	(147)	(84)	(184)	(110)
Net profit for the year	671	447	1,005	306
Attributable to				
Equity holders of PANDORA A/S	649	447	970	306
Non-controlling interests	22	—	35	—

(1) Includes, for all periods prior to H1 2010, realized and unrealized gains and losses on raw material derivatives. In H1 2009, FY 2009 and FY 2008, we had DKK 18 million, DKK 64 million and DKK 0 million, respectively, of realized gains and losses, and DKK 44 million, DKK 19 million, and DKK (19) million, respectively, of unrealized gains and losses. From 1 January 2010, we have recorded unrealized gains and losses, and certain realized gains and losses related to hedging, in other comprehensive income. In addition, from 1 January 2010, we recorded realized gains and losses, and the release of unrealized and realized gains and losses from other comprehensive income when the hedged inventory is sold, in our Income Statement under cost of sales. See “Operating and Financial Review – Principal Factors Affecting our Results of Operations-Fluctuations in raw material costs.” For a description of the applicable accounting policies, see our Unaudited Interim Financial Statements included under “Financial Information” elsewhere in this Offering Circular.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

<u>DKK million</u>	<u>As at 30 June 2010</u>	<u>As at 30 June 2009</u>	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>
Balance Sheet Data:				
Total non-current assets	4,957	3,416	3,838	3,435
Total current assets	2,044	1,275	1,978	847
Cash and short-term deposits ⁽¹⁾	178	680	824	305
Total assets	7,001	4,691	5,816	4,282
Non-controlling interests	622	—	197	—
Total shareholders’ equity	2,996	899	1,648	427
Non-current liabilities	2,413	3,201	3,267	3,281
Current liabilities	1,592	591	900	573
Total equity and liabilities	7,001	4,691	5,816	4,282

(1) Included in total current assets.

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁾</u>
Cash Flow Data:				
Net cash flow from operating activities	316	556	1,066	393
Net cash flow from investing activities	(151)	(26)	(207)	(2,972)
Net cash flow from financing activities	(863)	(157)	(343)	2,883
Net increase in cash and cash equivalents.	<u>(698)</u>	<u>373</u>	<u>516</u>	<u>304</u>

(1) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁰⁾</u>
Other Financial and Operational Information:				
Financial Information:				
Gross margin (%)	70.0	72.3	71.4	59.8
EBITDA ⁽¹⁾ (DKK millions)	1,020	654	1,572	666
EBITDA margin ⁽¹⁾ (%)	39.5	51.8	45.4	40.2
Operating profit margin (%)	34.6	50.1	41.1	38.2
Earnings per Share ⁽²⁾	543	894	1,939	612
Cash conversion ratio ⁽³⁾ (%)	65.7	140.5	113.8	160.6
Equity ratio ⁽⁴⁾ (%)	42.8	19.2	28.3	10.0
Return on invested capital ⁽⁵⁾ (%)	31.1	—	37.5	20.3
Net debt to EBITDA ratio ⁽⁶⁾	1.0	—	1.4	4.0
Operational Information:				
Products produced (thousands SKUs ⁽⁷⁾)	28,886	16,525	42,045	24,535
Products sold ⁽⁸⁾ (thousands SKUs ⁽⁷⁾)	23,444	16,449	41,412	23,903
FTEs ⁽⁹⁾	3,892	1,710	2,337	1,288

(1) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated. See “Selected Financial Information” for a reconciliation of EBITDA to our operating profit.

(2) Calculated by dividing the net profit for the period attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

(3) Defined as free cash flow over net profit, free cash flow being defined as net cash flows from operating activities adjusted for interest received and paid less net cash used in investing activities adjusted for acquisitions of subsidiaries.

(4) Defined as total shareholders’ equity divided by total assets.

(5) Calculated as operating profit divided by invested capital at the end of the reporting period. We define invested capital as total assets less cash and short-term deposits and non-interest bearing debt (provisions, deferred tax liability, deposits, payables to parent company, trade payables, income tax payables and other payables).

(6) Defined as net borrowings (defined as bank loans, the subordinated loan from parent company (prior to its repayment in February 2010), mortgage debts and other current interest-bearing loans and borrowings less cash and short-term deposits) divided by EBITDA.

(7) SKU (Stock Keeping Unit) designates a piece of jewelry that can be separately purchased. For example, a pair of earrings or a single charm would count as one SKU.

(8) This includes products provided to customers as replacement for defective products.

(9) Average number of full-time equivalents (“FTEs”) during the particular period.

(10) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

OVERVIEW OF THE OFFERING

Issuer PANDORA A/S, a public limited company organized under the laws of Denmark with its registered office at Hovedvejen 2, 2600 Glostrup, Denmark.

The Offering An aggregate of up to 47,981,480 Offer Shares are being offered in connection with the Offering, excluding shares subject to the Overallotment Option. The Company is offering up to 3,428,571 New Shares and the Selling Shareholder is offering 44,552,909 Existing Offer Shares. The exact number of Offer Shares to be sold is expected to be announced through NASDAQ OMX Copenhagen no later than 8:00 a.m. (Central European Time) on 5 October 2010.

The Offering consists of: (i) a public offering in Denmark, (ii) a private placement in the United States to persons who are “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act and (iii) private placements to institutional investors in the rest of the world. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act.

In connection with the Company’s purchase of the minority interests in the distribution subsidiaries Ad Astra Holding Pty Ltd. and PANDORA Jewelry CWE, the sellers have agreed to invest a portion of the proceeds received from such sale (approximately DKK 137 million) in New Shares, and the Company will allocate such New Shares to the Sellers in the Offering. See “Use of Proceeds.”

Selling Shareholder. Prometheus Invest ApS, a limited liability company organized under the laws of Denmark with its registered office at Sankt Annæ Plads 10, 1250 Copenhagen K. Upon completion of the Offering, the Selling Shareholder will hold 62.6% of our Shares, assuming the Overallotment Option is not exercised and assuming further (i) an Offer Price at the mid-point of the Offer Price Range and (ii) exercise of all outstanding Warrants in connection with the Offering and sale by the holders of Warrants of 35% of the Shares received upon exercise of the Warrants to the Selling Shareholder in connection with the Offering, as contemplated under “Management and Employees — Incentive Programs — Warrant Program.” Assuming the exercise of the Overallotment Option and the other assumptions listed above, the Selling Shareholder will hold 57.5% of our Shares upon completion of the Offering.

Certain members of our Board of Directors, Executive Management and Key Employees are shareholders, directly or indirectly, in the Selling Shareholder and will be receiving proceeds through the sale of the Existing Offer Shares. See “Ownership Structure and Related Party Transactions.” In addition, it is expected that the holders of Warrants (including members of the Board of Directors, the Executive Management and certain Key Employees) will sell to the Selling Shareholder at the Offer Price 35% of the Shares received by them upon their exercise of the Warrants in connection with the Offering. Shares received by the holders of the Warrants upon their exercise in connection with the Offering are to be sold primarily to cover tax liabilities arising from the exercise of the Warrants. See “Management and Employees — Incentive Programs — Warrant Program.”

Offer Price	The Offer Price is currently expected to be between DKK 175 and DKK 225 per Offer Share (the “Offer Price Range”). The Offer Price is expected to be announced through NASDAQ OMX Copenhagen no later than 8:00 a.m. (Central European Time) on 5 October 2010.
Share Lending Agreements to deliver Offer Shares to investors in connection with settlement and payment	The Selling Shareholder has agreed with the Joint Global Coordinators and the Joint Bookrunners that the Selling Shareholder will make available up to 10,111,507 Shares for the purpose of delivering the Offer Shares to investors in connection with the settlement of, and payment for, the Offer Shares, and the Overallotment Option.
Overallotment Option	The Selling Shareholder has granted the Joint Global Coordinators, on behalf of the Managers, an option to purchase up to 6,682,936 Shares at the Offer Price, exercisable, in whole or in part, from the first day of trading in and official listing of the Shares until 30 calendar days thereafter, solely to cover over-allotments or short positions, if any, incurred in connection with the Offering. See “Plan of Distribution.”
Shares Outstanding after the Offering	130,286,116 Shares, assuming the exercise of all the Warrants in connection with the Offering and an Offer Price at the mid-point of the Offer Price Range.
Offer Period	The Offer Period will commence on 23 September 2010 and will close no later than 4 October 2010 at 5:00 p.m. (Central European Time). The Offer Period may be closed prior to 4 October 2010; however, the Offer Period will not be closed wholly or in part before 28 September 2010 at 12:01 a.m. (Central European Time). If the Offering is closed in whole or in part before 4 October 2010, the first day of trading and official listing and the date of payment and settlement will be moved forward accordingly. The Offer Period in respect of applications for purchases of amounts up to, and including, DKK 3 million may be closed before the remainder of the Offering is closed. Any such early closing, in whole or in part, will be announced through NASDAQ OMX Copenhagen.
Lock-up	<p>The Company has agreed with the Joint Global Coordinators that for a period of 180 days from the first day of trading and official listing of the Shares, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (i) issue, offer, pledge, sell, contract to issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) submit to its shareholders a proposal to effect any of the foregoing.</p> <p>The foregoing shall not apply to (i) the sale of the New Shares in the Offering or (ii) the issue of Shares as a result of an exercise of the Warrants outstanding as of the date hereof. See “Management and Employees — Incentive Programs — Warrant Program.”</p> <p>The Selling Shareholder has agreed with the Joint Global Coordinators that, for a period of 360 days from the first day of trading and official listing of the Shares, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators, (i) offer, pledge,</p>

sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions described in (i) or (ii) above are to be settled by delivery of the Shares or such other securities, in cash or otherwise, or (iii) submit to the Company's shareholders a proposal to effect any of the foregoing. The foregoing shall not apply to (i) the sale of the Existing Offer Shares in the Offering; (ii) the lending of Shares under the Share Lending Agreements (see "The Offering — Share Lending Agreements"); or (iii) the transfer of Shares to the direct or indirect existing shareholders of the Selling Shareholder in connection with or arising out of any dividend or other distribution, or any liquidation, dissolution, reorganization or other similar event affecting the Selling Shareholder or any of its affiliates; provided, however, that if any such distribution or other event takes place during the 360 day lock-up period of the Selling Shareholder, the restrictions set forth above shall apply to the shareholders of the Selling Shareholder receiving the Shares as part of any such distribution or other event.

In addition, the members of our Board of Directors, Executive Management and holders of Warrants listed under "Ownership Structure and Related Party Transactions" have agreed with the Joint Global Coordinators that, for a period of 720 days from the first day of trading in, and official listing of, the Offer Shares, they will be subject to the same restrictions as the Selling Shareholder set forth above in respect of (i) any Warrants directly or indirectly held by them, (ii) any Shares issued to them (directly or indirectly) upon exercise of the Warrants, and (iii) any Shares received by them (directly or indirectly) upon any dividend or other distribution of Shares by the Selling Shareholder or as a result of any liquidation, dissolution, reorganization or other similar event affecting the Selling Shareholder. The foregoing shall not apply to the sale by holders of the Warrants to the Selling Shareholder in connection with the Offering of 35% of the Shares received by them from the exercise of the Warrants. See "Management and Employees — Incentive Programs — Warrant Program" and "Ownership Structure and Related Party Transactions." In addition, a transfer by one of these individuals shall be exempt from the restrictions set forth in respect of the Selling Shareholder above, to the extent that it is (i) as a result of the death of the holder, (ii) due to the holder becoming incapacitated or unable to carry on employment due to disability or illness for a specified period or (iii) required as a result of a divorce proceeding or in furtherance of a settlement thereof.

See "Plan of Distribution."

Listing and Trading Prior to the Offering, there has been no public market for the Shares. An application has been made for the Shares to be admitted to, and listed for trading and official listing on, NASDAQ OMX Copenhagen. Trading of the Shares is expected to commence on 5 October 2010.

Dividends The Offer Shares will rank *pari passu* with all outstanding Shares and will, upon completion of the Offering, be entitled to dividends, to the extent any dividends are declared and payable. There can be no assurance that in any given year a dividend will be proposed or declared. See "Description of the Shares and Share Capital" and "Dividends and Dividend Policy."

Voting Rights	Each Share entitles its holder to one vote at our shareholders' meetings. See "Description of the Shares and Share Capital."
Taxation	See "Taxation" for a discussion of Danish withholding taxes payable in respect of dividends declared on our Shares and certain other Danish and U.S. federal income tax considerations relevant to the purchase or holding of Shares.
Expenses Relating to the Offering . . .	<p>The total expenses in relation to the Offering, excluding commissions paid to the Managers, are estimated to be approximately DKK 84 million, of which DKK 62 million is expected to be paid by the Selling Shareholder and DKK 22 million is expected to be paid by the Company.</p> <p>Assuming (i) an Offer Price at the mid-point of the Offer Price Range, (ii) the Selling Shareholder selling the number of Existing Shares indicated on the cover of this Offering Circular, and (iii) the Overallotment Option being exercised in full, the total expenses in relation to the Offering, including commissions (fixed and discretionary) paid to the Managers, are estimated to be approximately DKK 409 million.</p> <p>Further, each of us and the Selling Shareholder have each agreed to pay a selling commission to account-holding banks (unless such account-holding bank is a Manager) equivalent to 0.25% of the price of the Offer Shares that are allocated in respect of purchase orders of up to and including DKK 3 million submitted through the account-holding banks.</p>
Transfer Restrictions	The Offer Shares will be subject to certain transfer restrictions. See "Transfer Restrictions."
Payment and Settlement	It is expected that the Offer Shares will be ready for delivery in book-entry form through the facilities of VP Securities, Euroclear and Clearstream, starting no later than 8 October 2010, against payment therefor in immediately available funds. All dealings in the Offer Shares prior to settlement will be for the account of, and at the sole risk of, the parties involved.
Identification Numbers	ISIN: DK0060252690
Trading Symbol	"PNDORA"
Joint Global Coordinators and Joint Bookrunners	Goldman Sachs International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, and Nordea Markets (Division of Nordea Bank Danmark A/S).
Co-Lead Managers	Carnegie Bank A/S and SEB Enskilda.

RISK FACTORS

An investment in the Offer Shares involves a high degree of financial risk. You should carefully consider all information in this Offering Circular, including the risks described below, before you decide to buy the Offer Shares. This section addresses both general risks associated with the industry in which we operate and the specific risks associated with our business. If any such risks were to materialize, our business, results of operations, cash flows or financial condition could be materially and adversely affected, resulting in a decline in the value of the Offer Shares. Further, this section describes certain risks relating to the Offering which could also adversely impact the value of the Offer Shares.

The risks and uncertainties discussed below are those that our management currently views as material, but these risks and uncertainties are not the only ones that we face. Additional risks and uncertainties, including risks which are not known to us at present or which our management currently deems immaterial, may also arise or become material in the future, which could lead to a decline in the value of the Offer Shares and a loss of part or all of your investment. The following risk factors are not listed in any particular order of priority.

Risks Relating to Our Business and Our Industry

The strength of our brand is crucial to our success. If we do not succeed in continuing to maintain and develop our brand, this could have a material adverse effect on our business, results of operations or financial condition.

We consider our PANDORA brand to be one of our most important assets. Our business and results of operations are influenced by the strength of the PANDORA brand, including the level of consumer recognition and perception of our brand. The strength of our brand depends on factors such as our growth, our ability to control the perception of our brand, our product design, the materials used to make the products, the quality of our products, the distinct character and presentation of our products as well as the image of the stores in which our products are sold and the PANDORA brand is displayed. Public communication activities such as advertising, public relations and marketing as well as the general perception of our business also impact our brand. Failure to manage any of the above factors or failure of our promotion and other activities to differentiate and further strengthen our brand could adversely affect the value and perception of our brand and our ability to maintain existing and attract new distributors, points of sale and end-consumers, and, as a result, have a material adverse effect on our business, results of operations or financial condition.

Due to the competitive nature of the market in which we operate, if we do not continue to develop our brand and products, we may fail to attract the critical mass of end-consumers required to continue growing our business. Developing, promoting and positioning our brand will depend largely on the success of our marketing and merchandising efforts, the relationships we have with our points of sale and third party distributors and our ability to provide a consistent, high quality experience for our end-consumers. In particular, we may face brand dilution to the extent we fail to develop, promote and position our brand effectively and consistently with respect to new products or any new product categories, such as watches and sunglasses. To promote our brand and products, we have incurred, and expect to continue to incur, substantial expenses related to advertising and other marketing efforts, including magazine and television advertising, sponsorships, public relations events, outdoor marketing and producing brochures, but there can be no assurance that these efforts are or will be successful and result in increased sales.

A critical component of our brand promotion strategy is maintaining the quality of our products and of the experience end-consumers associate with the brand. Our ability to provide a high quality experience for our end-consumers is dependent on internal and external factors, such as the reliability and performance of our suppliers, points of sale and third party distributors. We rely on our relationships with our points of sale and third party distributors to ensure that our products are sold in an environment that is consistent with the perception of our brand. The failure by any point of sale or third party distributor to present PANDORA products consistent with our brand positioning, or to adopt and maintain uniform brand standards, could be damaging to the perception of our brand and have a negative impact on the experience of our end-consumers. Our failure, or the failure of our points of sale or third party distributors, to provide our end-consumers with high quality customer experiences for any reason could substantially harm our reputation and adversely impact the PANDORA brand.

In addition, several competitors and non-competitors use the name “PANDORA” to market their own products or business, which could lead to brand confusion among potential end-consumers. In particular, certain competing charm bracelet and charm sellers sell their products under their own name but claim their charms are compatible with PANDORA charm bracelets, thereby potentially limiting the sales of our own charms and diluting our brand.

If, as a result, we are unable to differentiate our products through brand recognition and perception, our ability to sell our charms and other products may be materially adversely affected, and this may have a material adverse effect on our business, results of operations or financial condition.

We are dependent upon revenues generated from sales of our charm bracelets and charms.

Sales of charm bracelets made from sterling silver or gold and charms made from different genuine materials represented in aggregate 89.2% and 86.2% of our revenue in FY 2009 and H1 2010, respectively. While we have experienced significant demand in recent years for our charm bracelets and charms, there can be no assurance that this demand will continue, or that new charm bracelets or charms will continue to appeal to end-consumers. Moreover, the initial reaction of end-consumers to our charms or charm bracelets in new markets that we have recently entered may not be indicative of how our charm bracelets or charms will appeal to local tastes and perform in those and other new markets going forward. In light of their significance to our total revenue, if we were to experience a decline in sales of charm bracelets and charms, we would likely not be able to offset such a decline in demand with sales of our other jewelry and non-jewelry products, regardless of whether or not we predict any such decline. Consequently, such a decline could have a material adverse effect on our business, results of operations or financial condition.

Any inability to respond to changes in consumer demands and market trends in a timely manner could have a material adverse effect on our business, results of operations or financial condition.

Our success depends on our ability to identify, originate and define product and market trends as well as to anticipate, gauge and react to rapidly changing consumer demands in a timely manner. Our products must also appeal to a broad range of end-consumers whose preferences may vary significantly across regions and cannot be predicted with certainty. We cannot assure you that the popularity of our products with end-consumers will continue or that we will be able to continue to develop appealing styles or meet rapidly changing consumer demands in the future. If we misjudge the market for our jewelry or non-jewelry products or fail to anticipate a shift in consumer preferences, we may be faced with significant excess inventories for some products and missed opportunities for other products. Furthermore, our brand may suffer if our end-consumers perceive our products not to be in line with market trends for jewelry.

In addition, we expect to expand our product portfolio to include non-jewelry products, starting with a collection of PANDORA-branded watches in the fall of 2010. We have no previous experience outside of the jewelry market, and our attempts to enter the non-jewelry market may not be successful if we are unable to translate our knowledge and experience of end-consumers and fashion trends for jewelry to non-jewelry products.

Changes or a continued downturn in economic conditions, in particular in our principal markets, may affect consumer purchases of discretionary items, such as our products, and could have a material adverse effect on our business, results of operations or financial condition.

Our revenues and results of operations are impacted by global economic conditions as well as the specific economic conditions in our principal markets such as the United States, the United Kingdom, Australia and Germany. The United States is our largest market, accounting for 40.8% of our revenue in H1 2010. The United Kingdom, Australia and Germany are our next largest markets, accounting for 13.2%, 12.5% and 11.8% of our revenue, respectively, in H1 2010. Such conditions include levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, stock market performance, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and consumer willingness to spend, all of which are beyond our control. An economic downturn or an otherwise uncertain economic outlook in one or more of our principal markets, in any other markets in which we operate or will operate, or on a global scale could adversely affect our end-consumer spending habits and traffic, which could have a material adverse effect on our business, results of operations and financial condition.

Consumer purchases of discretionary items, such as our products, tend to decline during recessionary periods when the disposable income is lower. If the recent economic downturn continues or intensifies in our markets, our business, results of operations or financial condition may be materially adversely affected, particularly if our end-consumers reduce or eliminate discretionary spending. Conversely, as we primarily offer products in the affordable segment of the fine jewelry market, we could suffer if consumers choose to switch their discretionary spending to competitors offering products in other fine jewelry segments. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially adversely affect our business, results of operations or financial condition.

Our principal raw materials are silver and gold. Our purchase of silver and gold together represents the largest component of our cost of sales, and fluctuations in the prices of these raw materials can have a significant effect on our business, results of operations or financial condition. We also use diamonds, other precious and semi-precious stones, pearls and other raw materials, such as Murano glass, wood, leather and various alloys to create our jewelry.

The supply of silver and gold in the global market consists of a combination of new mine production and existing stocks of bullion and fabricated silver and gold held by governments, public and private financial institutions, industrial organizations and private individuals. During the period 1 January 2007 to 30 June 2010, the price of recovered silver peaked at USD 20.8 per ounce on 5 March 2008 and experienced a low of USD 9.0 per ounce on 20 November 2008 while the price of gold peaked at USD 1,257.4 per ounce on 18 June 2010 and experienced a low of USD 607.4 per ounce on 5 January 2007. The average daily market price for recovered silver and gold, per ounce, was USD 14.7 and USD 974.1, respectively, in FY 2009 compared with USD 15.0 and USD 872.2, respectively, in FY 2008 and USD 13.4 and USD 697.2 per ounce in FY 2007. Gold and silver prices continued to increase and, in Q1 2010 and Q2 2010, the average daily market price for recovered silver per ounce was USD 16.9 and USD 18.3, respectively, and for recovered gold per ounce USD 1,110.2 and USD 1,196.5, respectively, which both represent historically high price levels.

Silver prices may be affected by numerous factors, including technical developments, substitution trends and regulation, as well as specific factors including industrial and jewelry demand, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar (the currency in which the price of silver is generally quoted) and other currencies, interest rates, central bank sales and purchases, forward sales by producers, global or regional economic, political, regulatory, judicial or other events, as well as levels of production, production costs and disruptions in major silver producing countries such as Mexico and Peru. In addition, the price of silver has on occasion been subject to rapid short-term changes in supply and demand due to speculative activities.

Gold prices may be affected by a number of factors such as industrial and jewelry demand, lending, sales and purchases of gold by government agencies, including central banks, multilateral institutions that hold gold and other proprietary trading, and the sales of recycled gold, levels of gold production, production costs and disruptions in major gold-producing nations such as South Africa, the United States and Australia. Gold prices may also be affected by factors resulting from how the gold markets are structured, such as non-concurrent trading hours of gold markets and, at times, rapid short-term changes in supply and demand because of speculative trading activities. Other economic factors affecting the price of gold include the structure of, and confidence in, the global monetary system, expectations of the rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates, gold borrowing and lending rates, and global or regional economic, political, regulatory, judicial or other events as well as wars and political and other upheavals.

While a significant percentage of our raw materials are commodities, attainable through a variety of sources, if the availability of, our access to, or the cost of purchasing certain quality raw materials that we require for our products is adversely affected (for example, due to a decrease in the number of suppliers of such materials, or a reduction in the overall availability of such materials, whether due to a lack of supply, the loss of a supply contract, increased demand from our competitors or fluctuations in world market prices), we may have to pay more for, or be unable to acquire, these raw materials. For instance, we use diamonds in certain of our jewelry and a majority of the world's supply of rough diamonds is controlled by a small number of diamond mining firms. As a result, any decisions made to restrict the supply of rough diamonds by these firms to our suppliers could substantially impair our ability to acquire diamonds at commercially reasonable prices, if at all. Any such adverse changes, or similar changes in the supply of other raw materials, may require us to increase prices or stop producing certain products and could materially adversely impact our business, results of operations or financial condition.

We seek to use forward contracts in order to mitigate the majority of our exposure to short-term price fluctuations of silver and gold, but there can be no assurance that our hedging strategy will adequately protect our results of operations from the effects of fluctuations in the prices of silver and gold either in the short- or long-term. In addition, no established hedging instruments are available for many of the other raw materials that we use in our products. Unavailability of the raw materials we require or an increase in the prices of such raw materials together with an inability to transfer such increased costs to our end-consumers may have a material adverse effect on our business, results of operations or financial condition.

Any inability to manage our significant growth and recent structural changes may have a material adverse effect on our business, results of operations or financial condition.

In recent years, our business has experienced significant organic growth and we have undergone significant structural changes. See “Business — History” and “Operating and Financial Review — Events Affecting Comparability of Our Results of Operations.”

Structural changes in recent years have contributed to a shift in our business model from a primarily production and export-oriented business model to a vertically integrated business model. These changes, together with our significant organic growth and development, have meant that our business and organization have become, and are expected to continue to become, considerably more complex. This requires us to adapt continuously to meet the needs of our growing business and could expose us to a number of factors which may negatively impact our business, financial condition and results of operations. In particular, our success will depend on our ability to:

- adapt successfully our systems, including internal controls and procedures over financial reporting. See “— The failure to continue to successfully adapt our systems, including internal controls and procedures over financial reporting, as a result of increasing business complexity, may have a material adverse effect on our business, results of operations or financial condition”;
- maintain and develop a consistent and strong brand identity and further develop our brand strength across a growing international organization and increasing number of markets and points of sale, especially in light of the decentralized nature of our business and across expanding and new product categories. See “— The strength of our brand is crucial to our success. If we do not succeed in continuing to maintain and develop our brand, this could have a material adverse effect on our business, results of operations or financial condition;”
- increase production, either through new production facilities or through outsourcing arrangements, sufficiently to match demand for our jewelry and planned non-jewelry products;
- source, at appropriate prices, the amount of raw materials required for increased production;
- procure adequate warehousing, logistics and information technology operations and deliver products in a timely and efficient manner; and
- attract and retain experienced, high quality management and other key employees.

Failure to achieve these objectives or to address successfully other unexpected risks, could have a material effect on our business, results of operations or financial condition.

Any inability to implement successfully our growth strategies may have a material adverse effect on our business, results of operations or financial condition.

We intend to continue to grow our business both in our existing markets, including through the upgrade of stores, and in new markets. Our ability to do this will depend on the degree to which we are able to establish a presence in new markets as well as to increase our market share in existing markets, which we could fail to do as a result of adverse economic conditions, changes in consumer demand or preferences, market saturation for our product offering or otherwise. Furthermore, our expansion will require us to secure suitable and reliable points of sale, including franchise partners, as well as to expand our own distribution network or identify new third party distributors. In particular, we may not be able to identify prospective franchise partners with enough experience and resources (financial or other) to be effective operators of the franchised stores. Even if we are able to identify suitable franchise partners and new third party distributors in the relevant markets, we may not be able to reach commercially acceptable agreements with them in a timely manner or at all. Also, our franchise and other sales channel partners may be unable to identify and secure suitable store locations. Furthermore, franchise operations are also subject to regulation and oversight by local agencies in many of the jurisdictions in which we currently, and will potentially in the future, operate. We may incur additional costs associated with complying with such laws and regulations, which are subject to change beyond our control. Any failure to comply with such laws and regulations could have a material adverse affect on our ability to operate franchises in those jurisdictions. In addition, if our points of sale and distributors fail to operate their businesses effectively, and under the guidelines set out by us, on ethical and commercially reasonable terms and in compliance with applicable laws and regulations, this may materially adversely affect the value of the PANDORA brand or our reputation.

Further, we may not succeed in entering new markets because of intense local competition, for example due to a high number of local competitors or otherwise. Moreover, our ability to achieve growth in new markets may be

more limited than our ability to achieve growth in our existing markets due to a number of factors, including that we have considerably less knowledge and experience with respect to the distinct tastes and preferences of customers in new markets than those in which we have a developed presence, that our brand will be accepted in new markets or that laws and regulations may frustrate our ability to enter new markets or otherwise adversely affect our ability to succeed in such markets.

We expect, in the coming years, to build further upon our brand by expanding our portfolio of jewelry and by developing a selection of non-jewelry products. We plan to launch a PANDORA-branded watch collection in the fall of 2010 and PANDORA-branded sunglasses collection in 2011. Although we believe that these products complement and leverage the perception of our brand and existing product portfolio, the development of these products represents an expansion beyond our core competencies of designing, producing and distributing jewelry. As the production and after-sale service for these non-jewelry products are expected to be outsourced, we will have less control in designing the new products and ensuring quality, timely production. Furthermore, many of our point of sale staff have no or limited experience in selling non-jewelry products. In addition, if the outsourcing partners of our non-jewelry products fail to provide us with goods in a timely manner or if they provide us with goods of varying or poor quality, we may miss sales opportunities, fail to earn a return on our investment or the perception of our providing quality products or brand may become tarnished. In the spring of 2010, we sought to introduce PANDORA-branded sunglasses. However, due to quality concerns, we decided, after an initial distribution of sunglasses, to delay the launch of these products. We have since terminated our contract with the original outsourcing partner and are in the process of selecting a new outsourcing partner to launch PANDORA-branded sunglasses in 2011. Although we are taking steps to address the quality concerns with products that we outsource, such as those that we experienced in the spring of 2010, there can be no assurance that these efforts will be successful.

In addition, as we plan to be a new entrant into the market for watches starting in the fall of 2010 and for sunglasses in 2011, we expect to compete against longer-established competitors in those markets, or any other non-jewelry markets we may enter into in the future, who enjoy better brand recognition and customer loyalty among our target end-consumer bases for those product ranges.

We also intend to establish in the medium-term an online sales platform to maximize end-consumer reach and foster the potential for additional revenue opportunities. In establishing our online sales platform, we face the risk that the website may not be stable or may not properly perform the functions which we intend it to perform, which could result in the loss of revenues and potential damage to the PANDORA brand.

Our inability to successfully implement these growth strategies may have a material adverse effect on our business, results of operations or financial condition.

Competition in the markets in which we operate is intense and may have a material adverse effect on our business, results of operations or financial condition.

The markets in which we operate are highly competitive. Our competitors include specialized charms providers and a few large fine jewelry players competing in the affordable segment. See “Industry – PANDORA Target Market.” In addition, we increasingly compete with luxury brands that have, in recent years, targeted our affordable luxury segment in order to diversify their product mix and price point and to take better advantage of developing fashion and consumer trends. We also compete with a number of local and specialized players who seek to respond to local tastes and trends, including in the affordable luxury segment. Some of our competitors, primarily in the luxury brand segment, have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing, bargaining power with suppliers and other resources than we have. Industry consolidation, either by virtue of mergers and acquisitions or by a shift in market power among competitors, may accentuate these trends.

We believe that our principal competitive factors include brand name, product style, product range, quality, the patented functionality of our charm bracelets, display, price, personalized service to our end-consumers through our points of sale, scalability of production, store location, design, advertising and promotion. We cannot give assurance that we will be able to compete successfully on all of these factors against existing or future competitors. Moreover, although significant production volumes are typically necessary to compete effectively, the number of our competitors in the fine jewelry market may increase due to the availability of contract manufacturing.

To compete effectively and to attract end-consumers in diverse markets, we must market and competitively price our products, and we may experience downward pricing pressures, increased marketing expenditures and loss of market share. Within this competitive pricing environment, we may, nevertheless, be forced to raise prices due to

rising costs of goods sold, such as gold, silver and other raw material costs, labor costs or other factors beyond our control. If we implement significant price increases across a wide range of our products, the impact on our earnings and profit margin will depend on, among other factors, the pricing by competitors of similar products and the response by end-consumers to higher prices. Such price increases may reduce the quantity of products we sell and materially adversely affect our business, results of operations or financial condition.

Other consumer goods and forms of leisure, such as travel, compete with jewelry for consumers' discretionary expenditure. Therefore, the price of jewelry relative to other consumer products and services influences the proportion of end-consumers' discretionary expenditure that is spent on jewelry. If our end-consumers perceive our jewelry to be expensive compared to competing leisure and entertainment products and services, this could have a material adverse effect on our business, results of operations or financial condition.

Our business and results of operations are dependent upon the degree to which we are able to continue to import raw materials to, manufacture products in, and export from, Thailand.

Almost all of our jewelry is currently manufactured in our production facilities located in Gemopolis, a jewelry business zone on the outskirts of Bangkok, Thailand, with our U.S. subsidiary sourcing a small number of glass charms from an external producer in Chiang Mai, Thailand. The concentration of all our production facilities in a single geographical location in Thailand means that our business and results of operations are dependent upon the degree to which we are able to continue to import raw materials into, manufacture products in, and export products from, Thailand. Our ability to do so could be adversely impacted due to changes in Thai governmental rules and regulations, political unrest, the adoption of more restrictive import and export policies in Thailand or elsewhere, foreign investment policies or tax policies (in particular, certain concessions granted by Thailand's Board of Investment described below). Further, our ability to do so could also be adversely impacted due to changes in local economic conditions, trade issues, a general strike or other labor unrest in, or affecting, our production facilities, widespread public health problems in Thailand (such as, a renewed outbreak of SARS, avian flu, swine flu or similar pandemics), delays in shipments to or from Thailand, or other disruptions due to natural disasters, terrorism or other factors. For example, in late 2008, political unrest resulted in the shutdown of the airports in Bangkok, which adversely affected our ability to ship our products out of the country for a few days, thereby temporarily disrupting our supply chain. Since then, Thailand has experienced further political unrest, including earlier in 2010, with mass protests against the government carried out, in particular, in public venues and in the proximity of government buildings in the Bangkok area. While the unrest in Thailand earlier in 2010 had limited impact on us, mainly resulting in production curtailment as a result of official curfews having been imposed, there can be no assurance that further unrest will not arise in Thailand, which could adversely affect our production. Any of the above factors could render our production in Thailand impracticable or undesirable and may have a material adverse effect on our business, results of operations or financial condition.

We do not have disaster recovery plans in place in case of the destruction, standstill or other disruption of any or all of our production facilities. Further, although we have business interruption insurance for a period of up to twelve months in the event of certain business interruptions, which do not include political unrest, this coverage is capped at approximately DKK 1,500 million. As a result, if our losses result from business interruptions not covered by our insurance or exceed any amounts otherwise covered by our insurance, they may have a material adverse effect on our business, results of operations or financial condition.

Given the significant international aspects of our business, our results of operations could be materially adversely affected by various governmental authorities questioning our intra-group transfer pricing policies and asserting alternative claims over the taxation of our profits or changing local tax rules and interpretation of tax rules.

We operate our business through legal entities in a number of jurisdictions throughout the world. Although we follow generally accepted transfer pricing practices, which are in accordance with the Organization for Economic Co-operation and Development ("OECD") transfer pricing guidelines, and consult with external professionals to assist us with our methodology, we cannot guarantee that tax authorities around the world will not have different interpretations when looking at our operations as to how pricing remuneration should work within our group. From time to time, our local tax filings have been, and will continue to be, investigated by local tax authorities. It is possible that governmental authorities will question our intra-group transfer pricing policies and seek to tax an increased amount of our profits under local laws, thus, there is a risk that our overall effective tax rate could increase or our results of operations could be otherwise materially adversely affected.

If our intra-group transfer pricing practices were to be challenged, in particular in relation to the method upon which we set our intra-group transfer prices, whether as a result of current inquiries by tax authorities or any future tax audits, this could have a material adverse effect on our results of operations.

Further, local tax rules and interpretation of tax rules in different jurisdictions regularly change, from time to time, and any changes may be implemented with retroactive effect. We regularly evaluate our tax position and tax exposures, particularly where tax rules or interpretation of tax rules have changed. If a change in a prior tax filing or a change in tax provisions becomes more likely than not, we adjust the provisions made in order to reflect the expected outcome. Irrespective of these adjustments, a change in tax rules or interpretation of tax rules in one or more jurisdiction may also increase our overall effective tax rate or our results of operations could be otherwise materially adversely effected.

We benefit from certain concessions granted by Thailand's Board of Investment as well as from a temporary suspension of U.S. import duties for Thai goods. The expiration or repeal of any or all of these may result in significantly increased tax costs, which could have a material adverse effect on our business, results of operations or financial condition.

We benefit from certain tax-based incentives, tax exemptions and tariff exemptions granted, subject to certain conditions, by Thailand's Board of Investment under the Thai Investment Promotion Act B.E. 2520 to our Thai production subsidiary, PANDORA Production Co., Ltd. These concessions include exemptions from Thai income tax assessed on PANDORA Production Co., Ltd. and on dividends paid by PANDORA Production Co., Ltd. to its shareholders until August 2012, as well as exemptions from import duties paid on certain machinery and raw materials imported into Thailand. The expiration or repeal of any or all of these concessions, including due to the failure to comply with any of the conditions under which these concessions have been granted, may result in significantly increased tax costs which could have a material adverse effect on our results of operations or financial condition. In August 2010, Thailand's Board of Investment approved our application for tax-based incentives, tax exemptions and tariff exemptions for a five-year period, capped at the value of our investment during such period. We are continuing the application process for similar tax-based incentives, tax exemptions and tariff exemptions to those currently in effect beyond 2012, but there can be no assurance that such further tax-based incentives, tax exemptions and tariff exemptions will be granted on equally favorable terms, or at all. If we did not have the benefits of the tax-based incentives, tax exemptions and tariff exemptions in H1 2010, we calculate that our average effective tax rate in H1 2010 would have been approximately 30.0% (our average effective tax rate in H1 2010 was 18.0%).

Likewise, our imports into the United States from Thailand benefit from the current suspension from certain U.S. import duties on goods manufactured in Thailand under the U.S. Generalized System of Preferences program. This suspension is scheduled to expire on 31 December 2010, unless extended by an act of the U.S. Congress. The expiration of the suspension or the reinstatement of the duties would reduce our gross margins in the United States to a limited degree.

The concentration of a substantial portion of our industry's sales in relatively brief selling periods during the year means that our performance is susceptible to significant periodic fluctuations, which may have a material adverse effect on our business, results of operations or financial condition.

While the organic growth and significant structural changes in our business during the periods under review do not permit us to distinguish distinct seasonal patterns for comparability during these periods, we believe that there is a seasonal concentration of sales of our products in the period leading up to, and around, the Christmas holiday season. As a result of this seasonality, our financial performance for the full financial year is in part dependent on the success of our sales for the Christmas holiday season, and our results for the first half of a year are not indicative of our results for the full year. Moreover, if our products experience a weak Christmas selling season, our results of operations for a particular year, and the following periods, could be materially adversely affected. For instance, adverse weather (such as blizzards or typhoons), a significant interruption in the receipt of products (whether because of supplier, supply chain and logistics or other product delivery problems), or a sharp decline in traffic in department stores, shopping malls or other shopping centers where our products are sold, occurring during peak sales periods, such as the Christmas holiday season, could materially affect sales of our products during the relevant financial year. Moreover, we incur additional expenses in the preparation for the increased demand we typically expect leading up to, and around, the Christmas holiday season. If we over-estimate the demand for our products during the end of a given year, we may experience significant excesses in inventory for which we will have incurred expenses. These factors could each materially adversely affect our business, results of operations or financial condition not only for the relevant financial period, but also in future periods as our points of sale may purchase less of our products due to excess stock levels.

The failure to continue to adapt successfully our systems, including internal controls and procedures over financial reporting, as a result of increasing business complexity may have a material adverse effect on our business, results of operations or financial condition.

The increasing business complexity of our operations may place additional requirements on our systems, controls, procedures and management and, as a result, may strain our ability to manage our future growth. As part of this, we have designed, implemented and continue to improve a variety of new governance and management policies. While we have historically utilized a decentralized financial reporting system based on reporting structures in our local markets, we are currently in the process of implementing a more comprehensive group-wide system of internal controls over financial reporting. As a result, some of our group-wide internal controls are relatively new and have not been employed for a full reporting cycle and may possibly require further adjustments or modifications.

In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, as a result of our growth strategy and the operating complexity of our business, internal controls over financial reporting need to be kept under regular review which may place strain on our managerial and operational resources.

While we continue to improve our systems, we believe that the systems in place today enable us to be compliant with the disclosure obligations applying to issuers of shares quoted on NASDAQ OMX Copenhagen. See “Management and Employees — Description of Internal Control and Procedures over Financial Reporting Systems.”

We rely upon certain key personnel. If they leave or become unable or unwilling to fulfill their roles, this may have a material adverse effect on our business, results of operations or financial condition.

Our success depends significantly on the efforts and abilities of certain key individuals who have valuable experience and knowledge of our products and industry and who have made substantial contributions to the development of our operations. If we were to lose one or more members of our global management team, one of our design teams or other key employees, or if these individuals were to not devote the same amount of time and effort to our business as they have done in the past, there can be no assurance that we would be able to replace such individual or individuals with new personnel capable of making the same contribution in the near-term or at all. As such, the loss of the services of one or more of these key individuals and any negative market or industry perception arising from such loss could have a material adverse effect on our business, results of operations or financial condition. See “Ownership Structure and Related Party Transactions” for a discussion of management’s ownership in the Selling Shareholder and “Management and Employees — Incentive Programs” for a discussion of management incentive programs.

Fluctuations in foreign currency exchange rates and interest rates could have a material adverse effect on our results of operations and financial condition.

Our reporting currency is Danish kroner, but most of our revenues and costs are derived in other currencies, including U.S. dollars, euros, Australian dollars, U.K. pounds sterling and Thai baht, which may expose us to adverse movements in foreign currency exchange rates. Exchange rate fluctuations affect the translated value of our results of operations associated with non-Danish operations, as well as the translation of asset or liability positions that are denominated in foreign currencies.

We purchase a substantial portion of our raw materials from suppliers who price their products in currencies other than Danish kroner, in particular in U.S. dollars and Thai baht. Currency exchange rate fluctuations could make raw materials and labor more expensive for us, resulting in higher costs and decreased margins for our products, which may have a material adverse effect on our business, results of operations or financial condition. In addition, we sell a substantial portion of our products in currencies other than Danish kroner, in particular in U.S. dollars, euros, Australian dollars and U.K. pounds sterling. Therefore, we bear the foreign currency exposure associated with revenues earned in these currencies.

While we seek to mitigate the majority of our aggregate exposure to fluctuations in currencies, in which our revenues and costs are derived through hedging arrangements, there can be no assurance that our hedging strategy will adequately protect our results of operations from the effects of future exchange rate fluctuations. See “Operating and Financial Review — Principal Factors Affecting our Results of Operations — Foreign Exchange”

and Note 21 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of our exposures to fluctuations in currency exchange rates and associated risk management.

Failure to protect adequately our intellectual property could have a material adverse effect on our business, results of operations or financial condition.

The success of our business is dependent on developing and enforcing intellectual property rights. Our ability to implement a comprehensive intellectual property rights strategy will have a significant impact on the growth and protection of our intellectual property rights. We aim to expand and safeguard our intangible assets by securing key trademarks and patenting key innovations in key markets, vigorously defending our patents and trademarks, and selectively registering and defending our designs. See “Business — Intellectual Property” for more information about our intellectual property rights and related strategy.

Prior to the Acquisitions in March 2008, we did not uniformly register our trademarks and, consequently, have had limited or no protection for these trademarks in certain countries. In furtherance of our revised strategy, we are currently in the process of uniformly registering certain word marks, such as “PANDORA” and “LovePods,” our figure mark “PANDORA with a crowned O” and our “single crowned O” logo in our current and planned key markets. However, there is no assurance that we will be able to acquire such registrations, due to existing senior rights of other parties or otherwise. For example, our application for the mark “PANDORA with a crowned O” is currently being challenged in Spain for the leather goods and clothing classes, putting the registration for the remainder of the European Union on hold while it is determined whether we can acquire the rights to the mark in Spain. Likewise, the initial registration application for our “PANDORA” mark has been rejected in China because of its similarity with an existing senior mark. The failure to acquire such registrations or the failure to implement any of the other elements of our intellectual property rights strategy may require us to change our branding materials or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all, and this may have a material adverse effect on our business, results of operations and financial condition.

Similarly, we cannot ensure that the patent that covers certain features of our bracelets and helps to distinguish us from our competitors will provide the protection we desire. Third parties have unsuccessfully claimed in the past, and may claim in the future, that the patent is invalid or cannot be enforced, and, while we have successfully prevailed in or settled such claims in the past, other third parties may make claims in the future with respect to any of our current or future patents. Any such claims, whether or not successful, could be extremely costly to defend, divert management’s time, attention and resources, damage our reputation and brand, and substantially harm our business, results of operations or financial condition.

In order to protect or enforce our intellectual property rights, we have initiated in the past, and may initiate in the future, litigation or other proceedings against third parties. Litigation or other proceedings may be necessary to assert claims of infringement, enforce our intellectual property rights, or determine the enforceability of the proprietary rights of others. The enforcement of our intellectual property rights, including the initiation of lawsuits, could be expensive, require significant time and resources and could potentially divert management’s attention from other business concerns. Even in cases in which we prevail, the damages or other remedies awarded may not be commercially valuable. Litigation also puts our intellectual property at risk of being invalidated, interpreted narrowly or our patent or trademark applications not being issued. Additionally, such measures may provoke third parties to assert claims against us.

Despite our efforts to protect our intellectual property rights, other parties have attempted, and may continue to attempt, to counterfeit our products, sell PANDORA “look-a-likes” or make unauthorized use of our trademarks and proprietary information, including the content on our website. Intellectual property laws and our policies and procedures provide only limited protection, and the strength of intellectual property protection varies from country to country. We may not be successful, particularly in developing countries or in new markets which we choose to enter, in securing protection for our intellectual property rights, combating the production and sale of counterfeit PANDORA products and preventing or halting other infringements on our intellectual property rights. Moreover, our intellectual property is more likely to be challenged in new markets in which competitors or others may have more senior intellectual property rights than we do. Any failure by us to protect and enforce our intellectual property rights could have a material adverse impact on our business, results of operations or financial condition.

Finally, we note that the basic concept of a charm bracelet, our design methodology and processes, as well as our fundamental production technology, do not benefit from any intellectual property protection. The word “PANDORA” embodies various concepts and images which many businesses use to identify themselves or their products. Some of our competitors, and others who are not our competitors, have adopted and may adopt in the

future, trademarks or names similar to ours, which could impede our ability to build brand identity, weaken our ability to enforce our trademarks and possibly lead to confusion among end-consumers. Any customer confusion related to our trademarks or designs could damage our reputation and brand, and have a material adverse effect on our business, results of operations or financial conditions.

Our website can be accessed through www.pandora.net, www.pandoragroup.com and www.pandora-jewelry.com, but we do not own or control some of the other PANDORA top-level website domain names, including www.pandora.com, and www.pandora.org. In addition, while many of our points of sale have registered domain names that contain the name "PANDORA," our ability to control such domain names may be limited. Domain names are generally regulated by internet regulatory bodies, and the regulation of domain names in a particular country is subject to change. If we are restricted from using, or lose the ability to use, a PANDORA domain name in a particular country, we may be forced to incur significant additional expenses, either in order to acquire the right to use such domain name or to market our products within that country through alternative means, and this may have a material adverse effect on our business, results of operations or financial condition.

The projected financial information included in this Offering Circular may differ materially from our actual results.

The financial projections set forth in this Offering Circular, including under "Operating and Financial Review," "Consolidated Prospective Financial Information for FY 2010" and elsewhere, are our projections of the results of operations for FY 2010. The "Consolidated Prospective Financial Information for FY 2010" includes financial projections that qualify as profit forecasts. For profit forecasts, the Prospectus Directive requires us, among other things, to disclose the principal assumptions on which we base the forecast and to include a report prepared by our independent auditors on such forecasts and assumptions. We have prepared our financial projections in accordance with the Prospectus Directive.

These financial projections are based upon a number of assumptions (including the success of our business strategies), some of which may not materialize, or may change. In addition, unanticipated events may adversely affect the actual results that we achieve in future periods whether or not our assumptions relating to FY 2010 or future periods otherwise prove to be correct. Our ability to forecast financial performance is also adversely impacted by the short order cycle that certain of our third party operated points of sale apply when ordering products from us, often at less than one week's notice. As a result, our actual results may vary materially from these projections. See also "Special Notice Regarding Forward-Looking Statements."

We may become involved in litigation and arbitration proceedings which, if determined against us, could have a material adverse effect on our business, results of operations or financial condition, and we remain exposed to such liability in the future.

We may become involved in litigation and arbitration proceedings which could materially adversely affect our business, results of operations or financial condition, if determined against us. Even if we would be successful in defending the cases, we still suffer from the distraction of management resources to such litigation, incur certain expenses and possibly face harm to our reputation from case-related publicity. This could have a material adverse effect on our business, results of operations or financial condition.

Breach or failure to implement our CSR policy could have a material adverse effect on our business, results of operations or financial condition.

We have adopted a group corporate social responsibility ("CSR") policy, which includes a code of conduct for our suppliers based on the U.N. Global Compact in the areas of human rights, labor, environment and anti-corruption. Proper conduct in these areas is a focus of public concern, particularly in the retail industry. If we fail to implement or enforce this policy or if we or any one of our suppliers fail to operate in compliance with applicable laws and regulations or are perceived by the public as failing to meet certain labor and ethical standards, including employing unfair labor practices, our reputation and business could be materially adversely affected. Current global workplace concerns of the public include focus on wages, working conditions and environment. These issues may affect the available supply of certain manufacturers' products, which may result in increased costs to us. Furthermore, a negative end-consumer perception of any of our key suppliers may hurt our brand and result in lower demand for our products, which could have a material adverse effect on our business, results of operations or financial condition.

The Selling Shareholder will continue to be a significant shareholder in us and may control or otherwise influence important actions we take.

Upon completion of the Offering, the Selling Shareholder will hold 62.6% of our Shares, assuming the Overallotment Option is not exercised and assuming further (i) an Offer Price at the mid-point of the Offer Price Range, and (ii) exercise of all outstanding Warrants in connection with the Offering and sale by the holders of Warrants of 35% of the Shares received upon exercise of the Warrants to the Selling Shareholder in connection with the Offering, as contemplated under “Management and Employees — Incentive Program — Warrant Program.” Assuming the exercise of the Overallotment Option and the other assumptions listed above, the Selling Shareholder will hold 57.5% of our Shares upon completion of the Offering. Axcel, Per Enevoldsen and his family, other longstanding contributors to our business (the founders of our U.S. sales and distribution business, designers, and a former sales director) and certain members of our Board of Directors, Executive Management and other participants in our Warrant Program will hold, directly or indirectly, 59.3%, 21.0%, 18.5% and 1.2%, respectively, of the shares of the Selling Shareholder immediately prior to, and upon completion of, the Offering and prior to any such dilution. For a discussion on the ownership structure of the shares of the Selling Shareholder immediately prior to and after the Offering, see “Ownership Structure and Related Party Transactions.”

Accordingly, Axcel and the other shareholders of the Selling Shareholder will have significant influence in matters submitted to a vote of shareholders, such as the adoption of the financial information, decisions on dividend distributions, amendments of the Articles of Association, increases of share capital and election or dismissal of members of the Board of Directors. The interests of any or all of these shareholders may not be aligned with the interests of other shareholders with respect to such voting decisions.

Axcel currently have a controlling interest in Georg Jensen A/S, which offers products that may compete with ours. In addition, Axcel or their affiliates may make future investments in companies or operate businesses which compete directly or indirectly with us. Should this happen, Axcel are not required to inform us or involve us in such acquisitions or other complementary business opportunities.

Risks Related to the Offering

The Offer Shares have not previously been publicly traded, and their price may be volatile and fluctuate significantly in response to various factors.

There is currently no public market for the Offer Shares, and an active and liquid trading market may not develop or be sustained after the Offering. The market price of the Shares may subsequently vary from the Offer Price and may be higher or lower than the price you pay. The trading price of the Shares may fluctuate in response to many factors, including extraneous factors beyond our control, which may include, but are not limited to

- our or our competitors’ growth rates;
- variations in our or our competitors’ actual or anticipated operating results;
- fluctuations in exchange rates;
- recruitment or departure of key personnel;
- investor perceptions of our future performance or changes in estimates of our operating performance or changes in recommendations by any securities analysts that follow our Shares;
- speculation in the press or the investment community;
- changes in factors affecting general market valuations of companies in our industry, including fluctuating prices of the raw materials we use; announcement by us or others of significant developments, contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- substantial sales of our Shares;
- future changes in accounting principles;
- general market economic or political conditions; and
- changes in laws and regulations.

In addition, NASDAQ OMX Copenhagen or the global securities markets may experience significant price and volume fluctuations, as they have done in recent years, which may have a material adverse effect on the market

price of the Offer Shares and create a risk that investors may not be able to sell their shares at the Offer Price or a higher price.

Public sales of Shares after the Offering may cause a decline in the market price of the Shares.

The market price of the Offer Shares could decline as a result of sales by the Selling Shareholder, members of our Board of Directors, Executive Management or other Key Employees of Shares in the market after the Offering or the perception that these sales could occur. These sales also may make it difficult for us to sell equity securities in the future at a time and a price that we deem appropriate. Following the Offering, the Company, the Selling Shareholder, members of our Board of Directors, Executive Management and other participants in the Warrant Program will be subject to certain contractual lock-up provisions, in each case for a limited period only. See “Plan of Distribution.”

Your percentage ownership in us may be diluted by future issuances of Shares which could reduce your influence over matters on which stockholders vote.

Subject to the contractual lock-up provisions described in “Plan of Distribution,” the Board of Directors is, pursuant to the Articles of Association, authorized to increase the Company’s share capital. In accordance with article 4.4 of our Articles of Association, the Board of Directors is, until 31 December 2010, authorized to increase the share capital up to a total of DKK 600 million in one or more issues through subscription of new shares of DKK 1 each. The Board of Directors is authorized to increase the capital by way of non-cash contribution (e.g., by acquiring existing enterprises), conversion of debt and/or cash contribution, and, if the shares are issued at market price, the Board of Directors may, at its own discretion, decide whether the Company’s shareholders shall have pre-emptive rights to subscribe for the shares issued for the capital increase. See “Description of the Shares and Share Capital — Authorization to Increase the Share Capital.” Future issues of Shares would reduce your influence in shareholders’ meetings, dilute your ownership interest and could otherwise lower the value of your investment.

Differences in exchange rates may materially adversely affect the value of shareholdings or dividends paid.

The Offer Shares will be quoted in Danish kroner only, and any dividends will be paid in Danish kroner. As a result, shareholders outside Denmark may experience material adverse effects on the value of their shareholding and their dividends, when converted into other currencies if the Danish kroner depreciates against the relevant currency.

Special Notice Regarding Forward-Looking Statements

Certain statements in this Offering Circular constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Circular, including, without limitation, under the headings “Summary,” “Risk Factors,” “Dividends and Dividend Policy,” “Business,” “Operating and Financial Review” and “Consolidated Prospective Financial Information for FY 2010” and include, among other things, statements addressing matters such as:

- our future results of operations, in particular, the Outlook Statement for FY 2010;
- our financial condition;
- our working capital, cash flows and capital expenditures;
- our future dividends;
- our business strategy, plans and objectives for future operations and events, including those relating to expansion into new markets, future product launches, points of sale and production facilities; and
- the use of proceeds from the Offering.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance, achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- global and local economic conditions;
- changes in market trends and end-consumer preferences;
- fluctuations in the prices of raw materials, currency exchange rates and interest rates;
- our plans or objectives for future operations or products, including our ability to introduce new jewelry and non-jewelry products;
- our ability to expand in existing and new markets;
- risks associated with doing business globally, in particular in emerging markets;
- competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate;
- the protection and strengthening of our intellectual property, including patents and trademarks;
- the future adequacy of our current warehousing, logistics and information technology operations;
- changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business;
- increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and
- other factors referenced in this Offering Circular.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. We urge investors to read the sections of this Offering Circular entitled “Risk Factors,” “Business” and “Operating and Financial Review” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

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

Enforcement of Civil Liabilities and Service of Process

The Company and the Selling Shareholder are each organized under the laws of Denmark. Most of our directors and officers, and those of the Selling Shareholder, reside in countries other than the United States, and a majority of our assets and all of the assets of the Selling Shareholder are located outside of the United States. As a result, it may not be possible for investors to effect service of process upon us, the Selling Shareholder or such directors and officers or to enforce against any of the aforementioned parties a judgment obtained in a United States court.

Original actions, or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Denmark.

The United States and Denmark do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a United States court based on civil liability will not be directly enforceable in Denmark. However, if the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Denmark, that party may submit to the Danish court the final judgment that has been rendered in the United States. A judgment by a federal or state court in the United States against us will neither be recognized nor enforced by a Danish court, but such judgment may serve as evidence in a similar action in a Danish court.

Presentation of Financial and Certain Other Information

On 7 March 2008, PANDORA A/S completed the acquisitions (the “Acquisitions”) of 100% of the share capital of each of Pilisar ApS, Populair A/S, PANDORA Production Co. Ltd. and PANDORA Jewelry America ApS. The operations of the acquired entities were not under common control prior to the Acquisitions. Prior to the completion of the Acquisitions, PANDORA A/S was a dormant company. Since the date of the Acquisitions, 7 March 2008, the financial results of the acquired entities have been consolidated in the financial statements of PANDORA A/S.

PANDORA A/S has applied IFRS effective 1 January 2009 with retroactive application for the years ended 31 December 2008 and 2007, and, accordingly, the financial statements of PANDORA A/S and any financial data extracted therefrom included in this Offering Circular have been prepared in accordance with IFRS. Unless otherwise indicated, the financial information included in this Offering Circular consists of, or has been extracted from, the following:

- our audited consolidated financial statements for the years ended and as at 31 December 2009, 2008 and 2007, each prepared in accordance with IFRS (together, the “Audited Annual Financial Statements”);
- our unaudited condensed consolidated interim financial statements for the six months ended and as at 30 June 2010 and 2009 prepared in accordance with IAS 34, which have been reviewed by Ernst & Young, independent auditors, (the “Unaudited Interim Financial Statements”); and
- the audited consolidated financial statements for the year ended and as at 31 December 2007 of Pilisar ApS, Populair A/S, PANDORA Production Co. Ltd. and PANDORA Jewelry America ApS, together being the entities holding our underlying business prior to the Acquisitions, each prepared in accordance with applicable accounting principles, which are incorporated by reference herein.

Since PANDORA A/S was a dormant company up and until the completion of the Acquisitions, our results of operations for FY 2007 are negligible and our results of operations between FY 2007 and FY 2008 are not comparable. Our consolidated results of operations for FY 2008 reflect approximately 10 months of these acquired operations from 7 March 2008, which adversely affects the comparability of our results of operations between FY 2008 and FY 2009 (which reflect operations for the 12 month period ended 31 December 2009). See “Operating and Financial Review — Events Affecting Comparability of Our Results of Operations — The Acquisitions.”

To provide further financial information on FY 2007 in light of our complex financial history and to satisfy the requirements of the Prospectus Directive as implemented in Denmark, the audited consolidated financial statements for the year ended and as at 31 December 2007 of Pilisar ApS, Populair A/S, PANDORA Production Co. Ltd. and PANDORA Jewelry America ApS, together being the entities holding the underlying business prior to the Acquisitions, have been incorporated by reference into this Offering Circular and can be obtained from the registered office of the Company or on our website at www.pandoragroup.com. Information included on our website otherwise does not form part of this Offering Circular.

Notwithstanding the foregoing, the incorporated audited consolidated financial statements of these entities are of limited relevance and usefulness in evaluating our historical results of operations or financial condition or in judging our future performance, and therefore should be read with particular care. In particular, the following factors should be noted: (i) the four entities were not consolidated under a single predecessor entity for FY 2007; (ii) the four entities were not under common control for FY 2007; and (iii) the financial statements were not prepared under IFRS or otherwise under a common set of accounting principles (for Pilisar ApS, Populair A/S and PANDORA Jewelry America ApS, they were prepared in accordance with the Danish Financial Statements Act and, for PANDORA Production Co. Ltd., in accordance with generally accepted accounting principles in Thailand).

This Offering Circular also contains limited financial information for 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008). Such financial information is based on a hypothetical situation and has been prepared solely for illustrative purposes to reflect the effect on the consolidated assets, liabilities, financial position and results of operations of the Acquisitions, as though they had been completed on 1 January 2008. Accordingly, it does not reflect our actual results of operations for the 12 month period ended 31 December 2008, nor does it purport to present the results of operations that we might have achieved had the Acquisitions taken place on 1 January 2008, and should not be used as the basis for projections of our results of operations for any future period. See Note 3 to our Audited Annual Financial Statements included under “Financial Information.”

The limited financial information for 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008) is included in the business combinations note in our consolidated financial statements and has been prepared in accordance with the requirements in IFRS 3 (R) (business combinations). The financial information for 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008) is based on the consolidated income statements of PANDORA A/S for 2008 plus the income statements extracted from the internal accounting records for the period 1 January to 6 March 2008 of PANDORA Production Co. Ltd., Populair A/S, Pilisar ApS and PANDORA Jewelry America ApS. Furthermore, the purchase price allocation adjustments made to individual assets and liabilities have been reflected as if the acquisitions had been made as at 1 January 2008, including that amortization of the intangible assets amortized has been included for 1 January to 6 March 2008. Finally, related party transactions with the companies have been subsequently eliminated.

Financial information that we have previously published for any financial years or interim periods can differ from subsequently published financial information due to the retrospective implementation of subsequent changes in accounting policies and other retrospective adjustments made in accordance with IFRS.

Certain percentages presented in the tables in this Offering Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

As used herein, references to (i) “Danish kroner” or “DKK” are to the Danish kroner, the lawful currency of Denmark, (ii) “euro,” “EUR” or “€” are to the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community, (iii) “U.S. dollar,” or “USD” are to the United States dollar, the lawful currency of the United States of America, (iv) Thai baht are to the lawful currency of Thailand and (v) “AUS” are to the Australian dollar, the lawful currency of Australia. For information regarding recent rates of exchange between the Danish kroner and the euro and between the Danish kroner and the U.S. Dollar, see “Exchange Rates.”

Non-GAAP Financial Measures

Certain parts of this Offering Circular contain non-GAAP financial measures and ratios, including EBITDA, invested capital, return on invested capital, cash conversion and net borrowings data, which are not recognized measures of financial performance or liquidity under IFRS or U.S. GAAP. These measures are presented as we believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company’s operating performance and liquidity. However, they may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in our consolidated financial statements.

Although certain of this data has been extracted or derived from our audited consolidated financial statements contained in this Offering Circular, this data has not been audited by our independent accountants. We have calculated: (i) EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering, (ii) net borrowings as bank loans, the subordinated loan from parent company (prior to its repayment in February 2010), mortgage debts and other current interest-bearing loans and borrowings less cash and short-term deposits, (iii) invested capital as total assets less cash and short-term deposits and non-interest bearing debt (provisions, deferred tax liability, deposits, payables to parent company, trade payables, income tax payables and other payables), (iv) return on invested capital as EBIT divided by invested capital and (v) cash conversion as free cash flow divided by net profit, with free cash flow being defined as net cash flows from operating activities adjusted for interest received and interest paid less net cash used in investing activities adjusted for acquisitions of subsidiaries.

The non-GAAP financial measures presented herein may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results. EBITDA and net borrowings are measures used by management to monitor the underlying performance of our business and operations. We have presented these non-GAAP measures in this Offering Circular because we consider them an important supplemental measure of our performance and believe that they are widely used by investors in comparing performance between companies. In particular, we believe that, EBITDA is an additional measure of a company’s operating performance and debt servicing ability which allows for comparison of performance on a consistent basis between companies without regard to amortization and depreciation accounting methods, which can vary significantly from company to company depending on accounting methods applied.

However, not all companies may calculate EBITDA and net borrowings in the same manner or on a consistent basis, and, as a result, our presentation of EBITDA and net borrowings may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the EBITDA and net borrowings data contained in this Offering Circular. Investors should in particular not consider EBITDA as an alternative to (a) net income as a measure of our Group's operating performance, (b) net cash flows from operating, investing and financing activities as a measure of our Group's ability to meet its cash needs or (c) any other measure of performance under IFRS.

Adjustments

In preparing our Unaudited Interim Financial Statements and our Audited Annual Financial Statements, we present certain numerical figures in thousands of Danish kroner. For the convenience of the reader of this Offering Circular, we have rounded most numerical figures in this Offering Circular to the nearest one million. As a result of this rounding, certain numerical figures presented herein may vary slightly from the corresponding numerical figures presented in our Audited Annual Financial Statements and the Unaudited Interim Consolidated Financial Statements. In addition, we have further rounded certain numerical figures so that figures shown as totals in certain tables are the arithmetic sum of the numerical figures that precede them. Due to roundings, certain figures shown for the same category presented in different tables may vary slightly.

The percentages (as a percentage of revenues or costs and period-on-period percentage changes) presented in the tabular and textual financial disclosure in this Offering Circular are derived directly from the results of operations and financial condition information contained in our Unaudited Interim Financial Statements and our Audited Annual Financial Statements. The computation of such percentages presented in certain tables with figures rounded to one-tenths of a million may be computed on the numerical figures expressed in thousands of Danish kroner in our Unaudited Interim Financial Statements and our Audited Annual Financial Statements. Therefore, such percentages are not calculated on the basis of the financial information that has been subjected to rounding adjustments in this Offering Circular.

Foreign Currency Presentation

We publish our financial information in Danish kroner. Unless we note otherwise, all amounts in this Offering Circular are expressed in Danish kroner. Solely for the convenience of the reader, this Offering Circular contains translations of certain U.S. dollar, euro and Australian dollar amounts into Danish kroner amounts at specified rates. These translations should not be construed as representations that those U.S. dollar, euro or Australian dollar amounts could have been, or can be, converted into Danish kroner amounts at any particular rate, at the rates stated below, or at all.

Unless otherwise indicated, in this Offering Circular we have used a conversion rate of DKK 7.445 for one euro, a conversion rate of DKK 5.871 for one U.S. dollar and a conversion rate of DKK 5.205 for one Australian dollar (Source: Danmarks Nationalbank (the “Danish Central Bank”)) on 31 August 2010. The euro buying rate as at 31 August 2010 was DKK 7.445 for one euro, the U.S. dollar buying rate as at 31 August 2010 was DKK 5.871 for one U.S. dollar and the Australian dollar buying rate as at 31 August 2010 was DKK 5.205 for one Australian dollar (Source: the Danish Central Bank).

For historical information regarding rates of exchange between the Danish kroner and the euro and between the Danish kroner and U.S. dollar, see “Exchange Rates.”

Exchange Rates

The following table sets forth, for the periods and dates indicated, the average, high, low and period-end euro buying rates expressed in Danish kroner per one euro. The Danish Central Bank fixes exchange rates vis-à-vis selected currencies daily on the basis of market rates prevailing at 2:30 p.m. (Central European Time). The average rates for each calendar year represent the average of the euro buying rates on the last business day of each month for such calendar year except for September 2010, for which the date used is 16 September 2010, and the average rates for each month represent the daily average of the euro buying rates for such month. The exchange rate of Danish kroner per euro is regulated by the Exchange Rate Mechanism (ERM II), a system originally established in 1979 for controlling exchange rates within the European Monetary System of the E.U. Under this system, Denmark sets its central exchange rate to 7.46 kroner per euro and allows fluctuations of the exchange rate within a 2.25% band. This means that the exchange rate can fluctuate from a high of DKK 7.63 per €1.00 to a low of DKK 7.29 per €1.00. If the market determined floating exchange rate rises above, or falls below the band, the Danish Central Bank, must intervene.

	Reference Rates of Danish kroner per €1.00			
	Average	High	Low	Period End
Calendar Year				
2006.....	7.459	7.467	7.453	7.456
2007.....	7.451	7.462	7.440	7.457
2008.....	7.456	7.463	7.443	7.451
2009.....	7.446	7.456	7.441	7.442
2010 (through 16 September 2010).....	7.445	7.456	7.438	7.446
Month				
January 2010.....	7.442	7.446	7.440	7.443
February 2010.....	7.444	7.445	7.443	7.443
March 2010.....	7.442	7.445	7.440	7.445
April 2010.....	7.443	7.444	7.442	7.442
May 2010.....	7.442	7.444	7.440	7.440
June 2010.....	7.441	7.449	7.438	7.449
July 2010.....	7.452	7.456	7.449	7.451
August 2010.....	7.450	7.452	7.445	7.445
September 2010 (through 16 September 2010).....	7.446	7.447	7.445	7.446

As at 16 September 2010, the latest practicable date for which exchange rate information was available prior to the printing of this Offering Circular, the euro buying rate based on the Danish Central Bank's foreign exchange reference rate was DKK 7.446 per €1.00.

The following table sets forth, for the periods and dates indicated, the average, high, low and period-end U.S. dollar buying rates based on the Danish Central Bank's foreign exchange reference rate expressed in Danish kroner per one U.S. dollar. The Danish Central Bank fixes exchange rates vis-à-vis selected currencies daily on the basis of market rates prevailing at 2:30 p.m. (Central European Time). The average rates for each calendar year represent the average of the U.S. dollar buying rates on the last business day of each month for such calendar year except for September 2010, for which the date used is 16 September 2010, and the average rates for each month represent the daily average of the U.S. dollar buying rates for such month.

	Reference Rates of Danish kroner per \$1.00			
	Average	High	Low	Period End
Calendar Year				
2006.....	5.947	6.318	5.592	5.661
2007.....	5.445	5.792	5.013	5.075
2008.....	5.099	5.099	4.665	5.285
2009.....	5.355	5.934	4.922	5.190
2010 (through 16 September 2010).....	5.681	6.229	5.109	5.694

Reference Rates of Danish kroner per \$1.00

Month	Average	High	Low	Period End
January 2010	5.216	5.371	5.109	5.330
February 2010	5.440	5.518	5.324	5.485
March 2010	5.485	5.578	5.406	5.523
April 2010	5.552	5.619	5.467	5.614
May 2010	5.919	6.087	5.622	6.045
June 2010	6.095	6.229	6.005	6.070
July 2010	5.837	6.042	5.701	5.719
August 2010	5.779	5.907	5.622	5.871
September 2010 (through 16 September 2010)	5.805	5.864	5.733	5.694

As at 16 September 2010, the latest practicable date for which exchange rate information was available prior to the printing of this Offering Circular, the U.S. dollar buying rate based on the Danish Central Bank's foreign exchange reference rate was DKK 5.694 per one \$1.00.

Available Information

Copies of the following documents may be inspected and obtained during usual business hours on any day (excluding Saturdays, Sundays and Danish public holidays) at the Company's registered office, at Hovedvejen 2, 2600 Glostrup, Denmark during the period in which this Offering Circular is in effect:

- (i) our memorandum of association and our Articles of Association;
- (ii) our annual reports, including the consolidated financial statements, for the years ended and as at 31 December 2009, 2008 and 2007;
- (iii) our interim report, including the condensed consolidated financial statements, for the six months ended and as at 30 June 2010;
- (iv) the annual reports of our principal subsidiaries for the years ended and as at 31 December 2009, 2008 and 2007; and
- (v) this Offering Circular.

The Danish Companies Act requires us to make our audited annual reports, including the financial statements and the Independent Auditors' Opinion contained therein, available to our shareholders at our registered office three weeks before our annual general meeting. At the same time, we are required to send these documents to registered shareholders who have so requested.

We have agreed that, for so long as any Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

Market and Industry Information

This Offering Circular contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to our business and markets. Unless otherwise indicated, such information is based on our analysis of multiple sources, including a market study we commissioned from Bain & Company (the “Company Market Study”) and information otherwise obtained from Verdict, A&M Mindpower Solutions and IBIS World. Such information has been accurately reproduced, and, as far as we are aware from such information, no facts have been omitted which would render the information provided inaccurate or misleading.

We understand from Bain & Company that the Company Market Study is based on primary interviews and field visits it conducted with industry experts and participants, its secondary market research and internal financial and operational information supplied by, or on behalf of, us. Bain & Company has informed us that the Company Market Study includes or is otherwise based on information obtained from (i) data providers, including Euromonitor, Datamonitor, Gobi, Afrifocus, Mintel, FACTIVE, Thomson Research, OneSource, Verdict, Freedonia, IBIS World and Planet Retail; (ii) Bain & Company’s proprietary Altagamma luxury study; (iii) industry associations and country organizations, including chambers of commerce, jewelry producers and retailers associations, industry research reports and national statistics providers and (iv) publicly available information from other sources, such as information publicly released by our competitors.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified and cannot give any assurance as to the accuracy of market data contained in this Offering Circular that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

Expected Timetable of Offering and Financial Calendar

Expected Timetable of Principal Events

Offer Period Starts	23 September 2010
Offer Period Expires	4 October 2010 at 5:00 p.m. (CET)
Publication of the Pricing Statement containing the Offer Price and number of Offer Shares	5 October 2010 at 8:00 a.m. (CET)
First Day of Trading and Official Listing of Shares on NASDAQ OMX Copenhagen	5 October 2010 at 9:00 a.m. (CET)
Completion of the Offering, including Settlement of Offer Shares (excluding the Overallotment Option, unless exercised by that date)	8 October 2010

Financial Calendar

We expect to publish our interim report for the three months ended 30 September 2010 on 11 November 2010.

We will publish our financial calendar for 2011 in accordance with the rules of NASDAQ OMX Copenhagen before the end of 2010.

Use of Proceeds

At the time of the Offering, the Company will issue such number of New Shares as would result in gross proceeds of approximately DKK 600 million. Based on the mid-point of the Offer Price Range, the Company would issue 3,000,000 New Shares.

The net proceeds to the Company from the sale of New Shares are expected to be approximately DKK 560 million, after deduction of commissions and estimated Offering costs payable by the Company, with the assumptions set forth in “The Offering — Costs of the Offering.”

We intend to use the net proceeds primarily in connection with certain payments we are required to make as a result of our exercise of the options to acquire the remaining interests in Ad Astra Holdings Pty Ltd., our distribution subsidiary in Australia, and PANDORA Jewelry CWE, our distribution subsidiary in Germany, subject to admission of the Shares for listing on NASDAQ OMX Copenhagen. To acquire the remaining 40% interest in Ad Astra Holdings Pty Ltd., we expect to make a cash payment of AUS 40 million (corresponding to approximately DKK 213 million as at 16 September 2010, being the latest practicable date before publication of this Offering Circular). We expect to use a further DKK 308 million as part of our payment to acquire the remaining 49% interest in PANDORA Jewelry CWE. Please see “Additional Information — Material Contracts” for a discussion of all our payment obligations for the acquisition of the 49% interest in PANDORA Jewelry CWE. In addition, we expect to use DKK 40 million of the proceeds to acquire Shares from the Selling Shareholder at the Offer Price to meet our obligations in respect of the Long-Term Incentive Program (“LTIP”) (see “Management and Employees — Long Term Incentive Plan” and “Description of the Shares and the Share Capital”) and for other general corporate purposes.

The minority shareholders of Ad Astra Holdings Pty Ltd. and PANDORA Jewelry CWE have agreed to use AUS 20 million (corresponding to approximately DKK 107 million as at 16 September 2010, being the latest practicable date before publication of this Offering Circular) and DKK 30 million, respectively, of the proceeds from the sale of the minority interests to acquire New Shares in the Offering at the Offer Price. The Company will allocate New Shares to these persons in the Offering in connection with these acquisitions. See “Ownership Structure and Related Party Transactions” and “Plan of Distribution.”

We will not receive any part of the proceeds from the sale of Offer Shares held by the Selling Shareholder. For more information about the ownership in the Selling Shareholder, please see “Ownership Structure and Related Party Transactions — Ownership Structure.”

Dividends and Dividend Policy

General

All Offer Shares will rank *pari passu* with the outstanding Shares and will be eligible for all dividends, if any, declared and payable following the completion of the Offering.

If a dividend is to be declared by a Danish company, it must be proposed or approved by the Board of Directors and approved by the general meeting of shareholders. In deciding whether to propose a dividend and in determining the dividend amount, our Board of Directors is subject to the legal restrictions set out in the Danish Companies Act.

Our ability to pay dividends will be dependent upon, amongst other things, the availability of sufficient distributable reserves, our financial condition, results of operations, capital requirements and such other factors as the Board of Directors may deem relevant. Pursuant to the Senior Facility Agreement, we are subject to certain restrictions on our ability to declare and pay out dividends to our shareholders. See “Additional Information Material Contracts — Senior Facility Agreement.”

The Board of Directors intends to target an average dividend payout ratio of approximately 35% of our consolidated net profit for the year in accordance with IFRS. The Board of Directors may revisit our dividend policy from time to time. There can be no assurance that in any given year a dividend will be proposed or declared.

Recent Dividends

In February 2010, we declared a dividend of DKK 1,000 million, of which DKK 113 million was paid out to Prometheus Invest ApS at that time. The remaining amount of DKK 887 million was recorded as a liability to Prometheus Invest ApS. In Q2 2010, DKK 800 million of this amount was converted into ordinary shares of PANDORA A/S with no cash flow effects. Of the remaining DKK 87 million, DKK 53 million was paid out to Prometheus Invest ApS later in H1 2010 and DKK 34 million (which represents the total unpaid dividend as at 30 June 2010 to the Selling Shareholder) is expected to be paid in H2 2010 prior to completion of the Offering. We did not pay any dividends in FY 2008 and FY 2007.

Dividends that we paid historically are not representative of dividends to be paid in the future and should not be considered indicative of our future dividends, if any.

Legal and Regulatory Requirements and Interim Dividends

In accordance with the Danish Companies Act, dividends, if any, are declared with respect to a financial year at the annual general meeting of shareholders in the following year, at the same time as the audited annual accounts for that financial year are approved. Further, the general meeting may resolve to distribute interim dividends or authorize the Board of Directors to decide on the distribution of interim dividends. Dividends and interim dividends may not exceed the amount recommended by the Board of Directors for approval by shareholders. Moreover, dividends and interim dividends may only be made out of distributable reserves and must not exceed what is considered sound and adequate with regard to the financial condition of the company.

Other Requirements

Dividends, if any, will be paid out in accordance with the rules of VP Securities, as in force from time to time, and will be paid to shareholders' accounts with their account-holding banks. See “Taxation” for a description of Danish withholding taxes relating to dividends.

Capitalization and Indebtedness

The following table sets forth our capitalization and indebtedness as at 30 June 2010:

- on an actual basis;
- on an as adjusted basis to reflect (i) the issuance of New Shares and the use of net proceeds from the sale of the New Shares, as discussed in “Use of Proceeds,” (ii) our exercise of the options to acquire the remaining interests in Ad Astra Holdings Pty Ltd and PANDORA Jewelry CWE and (iii) the acquisition of Shares from the Selling Shareholder at the Offer Price to meet our obligations in respect of the LTIP.

See “Description of the Shares and Share Capital” for information relating to our issued share capital and outstanding Shares. You should read this table in conjunction with our consolidated financial information and the notes thereto included elsewhere in this Offering Circular and “Operating and Financial Review.”

Capitalization and Indebtedness

<u>DKK million</u>	<u>As at 30 June 2010</u>	
	<u>Actual</u>	<u>As Adjusted</u>
Total current debt:	825	825
Guaranteed	0	0
Secured ⁽¹⁾	693	693
Unguaranteed/Unsecured	132	132
Total non-current debt (excluding current portion of long-term debt)	1,772	1,807
Guaranteed	0	0
Secured ⁽²⁾	1,337	1,337
Unguaranteed/Unsecured	435	470 ⁽³⁾
Shareholders equity:	2,374	2,874
Share capital	126	129 ⁽⁴⁾
Share premium	0	579 ⁽⁵⁾
Other Reserves	2,248	2,198 ⁽⁶⁾
Non-controlling interests:	622	(1)⁽⁷⁾
Total capitalization	5,593	5,537

(1) Includes DKK 661 million of current debt that is both secured and guaranteed.

(2) Includes DKK 1,321 million of non-current debt that is both secured and guaranteed.

(3) Reflects the present value of the earn-out payment, which is due in 2015, as a result of our acquisition of the remaining interest in PANDORA Jewelry CWE. See “Additional Information — Material Contracts — Shareholders’ Agreement Relating to PANDORA Jewelry CWE.”

(4) Reflects the increase in the nominal value share capital as a result of the Offering. If all Warrants are exercised by members of our Board of Directors, Executive Management Key Employees and other participants in the Warrant Program, as described in “Ownership Structure and Related Party Transactions — Ownership Structure,” our nominal value share capital would increase to DKK 131 million.

(5) Reflects the gross proceeds from the Offering minus the change in the nominal share capital and total commissions (fixed and discretionary) paid by the Company to the Managers, assuming an Offer Price at the mid-point of the Offer Price Range.

(6) The net decrease in other reserves is attributable to the exercise of the options to acquire the remaining interests in Ad Astra Holdings Pty Ltd. and PANDORA Jewelry CWE and the acquisition of Shares from the Selling Shareholder at the Offer Price to meet our obligations in respect of the LTIP, which are partially offset by an increase in retained earnings as a result of our acquisition of the remaining interest in Ad Astra Holdings Pty Ltd. (see “Additional Information — Material Contracts — Shareholders’ Agreement relating to Ad Astra Holdings Pty Ltd.”).

(7) Reflects a decrease in non-controlling interests attributable to the acquisition of the remaining interests in PANDORA Jewelry CWE and Ad Astra Holdings Pty Ltd.

Net Indebtedness

DKK million	As at 30 June 2010	
	Actual	As Adjusted
Cash	178	199 ⁽⁴⁾
Cash equivalent	0	0
Trading securities	0	0
Liquidity	0	0
Current financial receivable	178	199
Current bank debt ⁽¹⁾⁽²⁾⁽³⁾	32	32
Current portion of non-current debt	661	661
Other current financial debt	132	132
Current financial debt	825	825
Net current financial indebtedness	647	626
Non-current bank loans	1,321	1,321
Bonds Issued	0	0
Other non-current loans	451	486 ⁽⁵⁾
Non-current financial indebtedness	1,772	1,807
Net financial indebtedness	2,419	2,433

- (1) As at 30 June 2010, we had a DKK 35 million revolving credit facility with Nordea Bank Danmark, which was increased to DKK 55 million on 2 July 2010. As at 31 August 2010, we had drawn DKK 24 million under this facility (DKK 7.5 million as at 30 June 2010).
- (2) On 6 September 2010, Nordea Bank Danmark made a EUR 15 million revolving credit facility available to PANDORA Jewelry CWE. As at 17 September 2010, PANDORA Jewelry CWE had fully drawn the facility.
- (3) As at 30 June 2010, subsidiaries of Ad Astra Holdings Pty Ltd. had credit facilities in the aggregate amount of AUS 18 million with Westpac Banking Corporation. As at 31 August 2010, these subsidiaries had drawn, in aggregate, AUS 18 million (AUS 6.2 million as at 30 June 2010) under these facilities.
- (4) Reflects the use of proceeds and cash otherwise required to fund the remaining part of the transactions for which proceeds from the Offering are being used. See "Use of Proceeds".
- (5) Includes the present value of the earn-out payment, which is due in 2015, as a result of our acquisition of the remaining interest in PANDORA Jewelry CWE. See "Additional Information — Material Contracts — Shareholders' Agreement Relating to PANDORA Jewelry CWE."

Declaration of Capitalization

Except as set forth above, we have no reason to believe that there has been any material change to our actual capitalization since 30 June 2010, other than changes resulting from the ordinary course of business.

Industry

Market and Industry Information

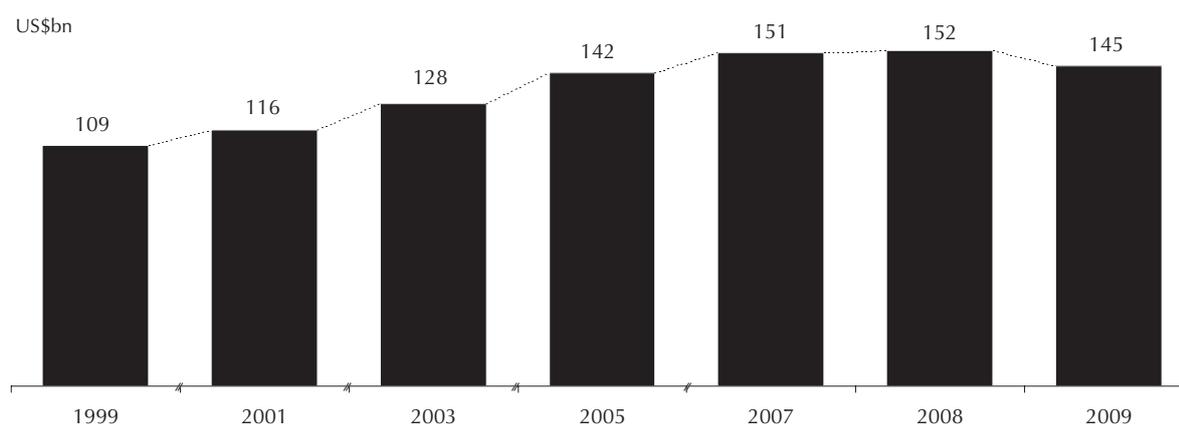
This Offering Circular contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to our business and markets. Unless otherwise indicated, such information is based on our analysis of multiple sources, including a market study we commissioned from Bain & Company (the “Company Market Study”) and information otherwise obtained from Verdict, A&M Mindpower Solutions and IBIS World. Such information has been accurately reproduced, and, as far as we are aware from such information, no facts have been omitted which would render the information provided inaccurate or misleading.

We understand from Bain & Company that the Company Market Study is based on primary interviews and field visits it conducted with industry experts and participants, its secondary market research and internal financial and operational information supplied by, or on behalf of, us. Bain & Company has informed us that the Company Market Study includes or is otherwise based on information obtained from (i) data providers, including Euromonitor, Datamonitor, Gobi, Afrifocus, Mintel, FACTIVA, Thomson Research, OneSource, Verdict, Freedonia, IBIS World and Planet Retail; (ii) Bain & Company’s proprietary Altagama luxury study; (iii) industry associations and country organizations, including chambers of commerce, jewelry producers and retailers associations, industry research reports and national statistics providers and (iv) publicly available information from other sources, such as information publicly released by our competitors.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified and cannot give any assurance as to the accuracy of market data contained in this Offering Circular that were taken or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

Global Fine Jewelry Market

In 2009, the global fine jewelry segment, defined as the market for jewelry made of precious metals (silver, gold and platinum) often combined with precious and semi-precious stones, was estimated to be valued at approximately USD 145 billion (measured by estimated revenues at retail value), of which approximately USD 27 billion was related to the market for bracelets. Our market share of this fine jewelry market (measured by estimated revenues at retail value) was 1.2% in 2009. The chart below shows the retail value (measured by estimated revenues at retail value) of the global fine jewelry market for the periods indicated:



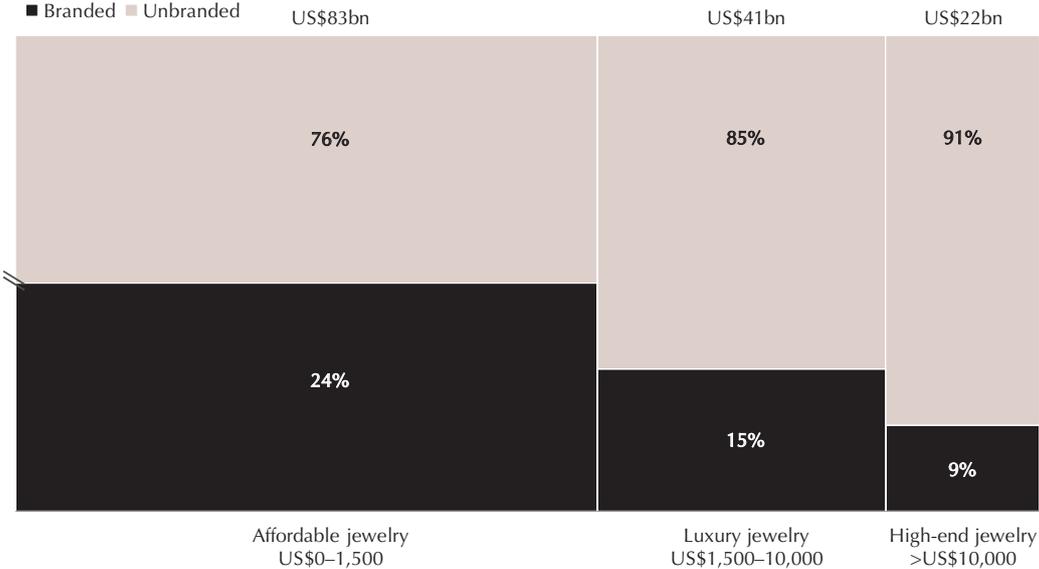
From 1999 to 2009, the compound annual growth rate (“CAGR”) in the global fine jewelry market was approximately 2.9%. This CAGR includes a decline in the estimated value of the market in 2009 resulting from the recent global economic downturn in 2008 and 2009 (CAGR between 1999 and 2007 was 4.2%).

In the last decade, there have been several long-term trends impacting the global fine jewelry market:

- branding: brands entering the market and taking market share from local jewelry workshops and artisans;
- fashionability: jewelry increasingly perceived as an accessory which is changing spending habits;
- customization: increasing demand for personalized jewelry;
- new customer segmentation: for example, more female self-purchasers driven by increasing number of working women; and
- growth in consumer base from large emerging markets with higher disposable income and more sophisticated consumption patterns.

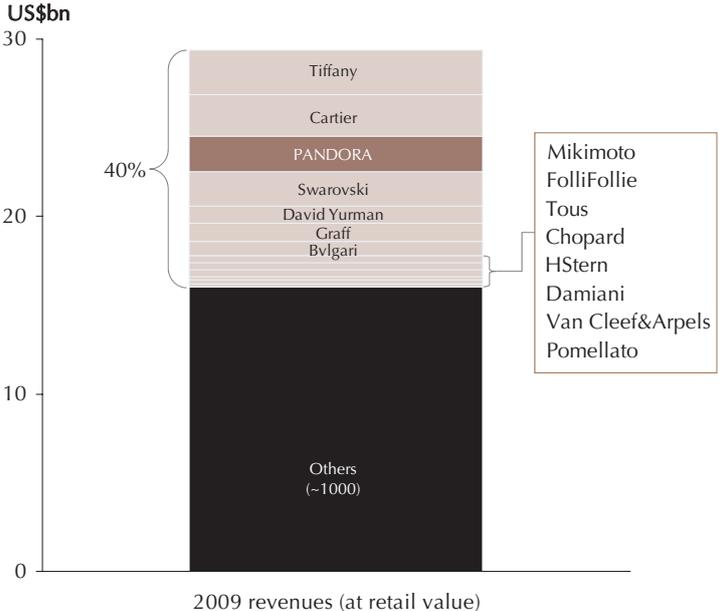
The fine jewelry market can be split into price segments, the affordable segment (defined as jewelry with a price per SKU less than USD 1,500), in which we operate, and the luxury and high-end jewelry segments (defined as having prices per SKU of USD 1,500 to USD 10,000 and greater than USD 10,000, respectively). The affordable segment accounted for 57.2%, or USD 83 billion, of the fine jewelry market in 2009.

While the fine jewelry market has been undergoing a long-term trend toward branding across all price segments and regions, the market is still predominantly unbranded. In 2009, branded fine jewelry accounted for approximately 19.3%, or USD 28 billion, of the fine jewelry market (compared with 60%, 50% and 38% for the respective worldwide markets for watches, leather goods and eyewear). Jewelry is considered “branded” if it exhibits three of the following six criteria: produced in connection with a clear brand approach, a distinguishable level of awareness of the related brand among consumers, its style and design content, a recognizable product associated with a brand, distribution through branded points of sale and brand-focused communication campaigns. The chart below shows the retail value (measured by estimated revenues at retail value) of the fine jewelry market in 2009 split by price segment and level of branding:



In 2009, the top 15 global brands by retail revenue accounted for approximately 40%, or approximately USD 11 billion, of the branded fine jewelry market. The remaining 60% of this market was fragmented across approximately 1,000 brands. We are the world’s third largest jewelry brand (measured by estimated revenues at retail value in 2009).

The chart below shows the worldwide branded fine jewelry market split by market participant (measured by estimated revenues at retail value in 2009):

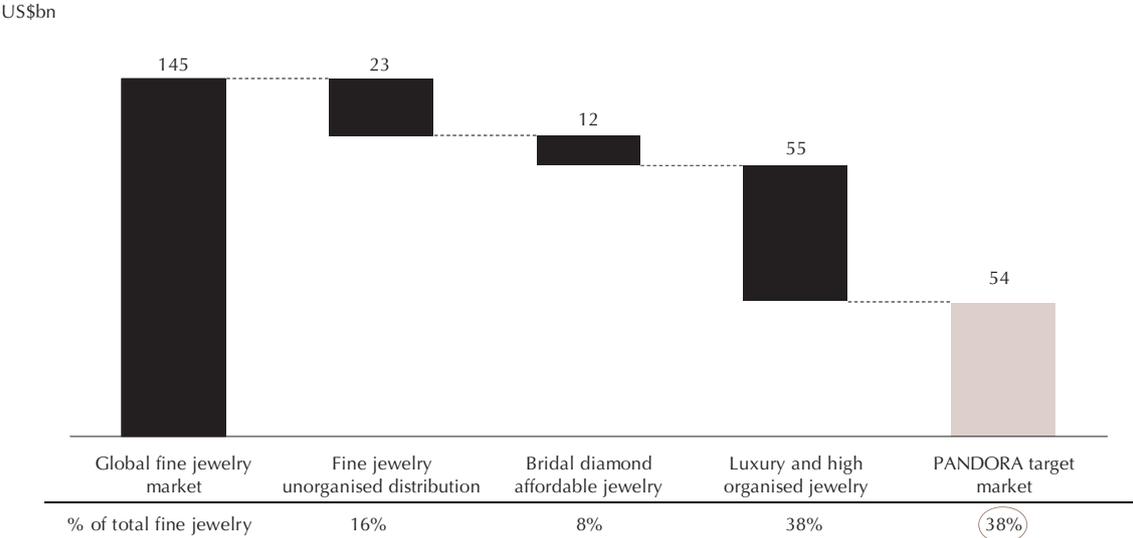


Note: Revenues at retail value, jewelry categories only (i.e., excluding revenues from watches, accessories, and other non-jewelry categories).

PANDORA Target Market

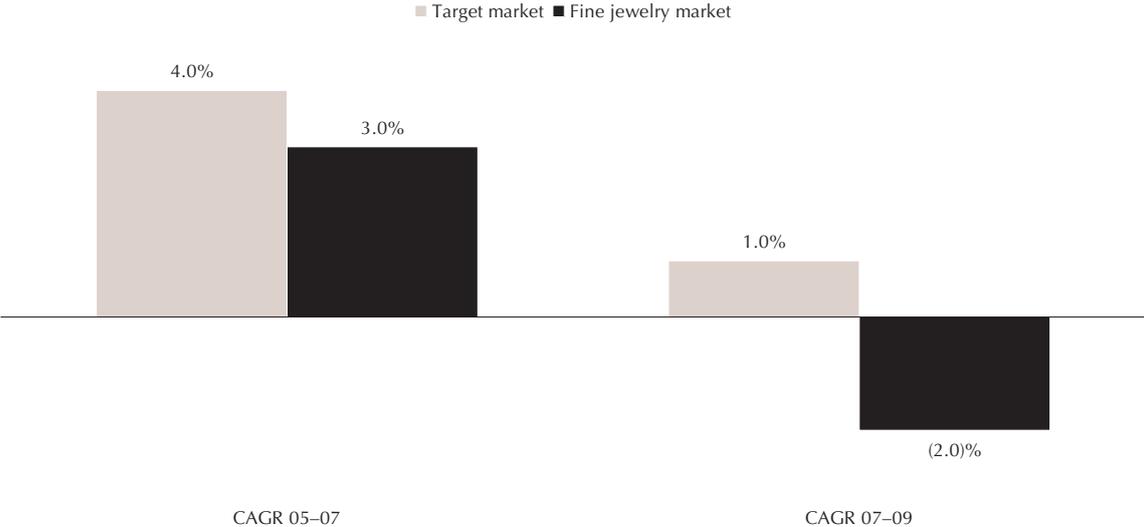
We operate in the affordable segment of the fine jewelry market. Of the USD 145 billion fine jewelry market, our global target market was valued at approximately USD 54 billion in 2009. Our target market is defined by excluding the non-relevant portions of the overall fine jewelry market, namely, the luxury and high-end jewelry segments as well as unorganized distribution in emerging markets and the bridal diamond industry.

The chart below shows our target market definition (measured by estimated revenues at retail value in 2009):



Our global target market has outperformed the overall fine jewelry market in recent years, driven by the trends discussed in the previous section which were particularly relevant in the affordable segment, including branding, fashionability, customization and new customer segmentation.

The chart below shows our target market CAGR from 2005 through 2007 and from 2007 through 2009, respectively, compared with the overall fine jewelry market CAGR for the periods presented:



Despite the global economic downturn, the CAGR of estimated revenues at retail value in our target market was 1% per year between 2007 and 2009, which reflected, in part, the trends described in the previous section. Our target market also benefited from consumers trading down from the luxury and high-end jewelry segments as a consequence of the economic downturn. The luxury and high-end jewelry segments of the global jewelry market, on the other hand, were particularly affected by the economic downturn in 2009, as consumers delayed or refrained from purchases of high priced items and retailers applied heavy mark-downs to clear their inventory.

In our target market, our primary competitors include: (i) charms providers, such as Carlo Biagi Jewellery, Bacio Italy, Chamilia and Trollbeads; (ii) a few large fine jewelry players competing in the affordable segment, such as Thomas Sabo, Links of London, Tous, Swarovski and Tiffany (for its affordable silver jewelry business); (iii) luxury and fashion brands, such as Gucci and Louis Vuitton, which offer jewelry as part of their collections and (iv) a large number of small, local players in our various geographical markets. In the last decade, our target market has seen a proliferation of new entrants/brands entering the market.

Charm Bracelet and Charms Market

In 2009, we were the largest participant in the charm bracelet and charms fine jewelry market¹ in terms of estimated revenues at retail value with a market share of approximately 15% of the total market worldwide (including all price segments and unbranded products) in 2009. The overall size of the charm bracelet and charms fine jewelry market was estimated to be worth approximately USD 9.6 billion in 2009 (measured by estimated revenues at retail value). Between 2000 and 2009, the charm bracelet and charms fine jewelry market experienced a CAGR of approximately 5.8%.

¹ For purposes of defining this market, a charm bracelet is a fully composed bracelet including at least one charm that can be part of the bracelet or added. A charm bracelet may include different types of charms: charms hanging off the bracelets and charms rolled on the bracelet. The market for charm bracelets and charms includes both charm bracelets as defined above and individual charms (including beads).

Business

General Overview

We are a designer, manufacturer, marketer and distributor of hand-finished and modern jewelry made from genuine materials – primarily sterling silver, gold, precious and semi-precious stones and Murano glass. As at 30 June 2010, our jewelry was sold in 47 countries on six continents through approximately 10,000 points of sale. The United States is our largest market, accounting for 40.8% of our revenue in H1 2010. The United Kingdom, Australia and Germany are our next largest markets, accounting for 13.2%, 12.5% and 11.8% of our revenue, respectively, in H1 2010.

We believe the PANDORA brand represents one of our most important assets. Our brand DNA is the sum of our core brand values – affordable luxury, contemporary design and personal storytelling – which permeate all of our collections. Our jewelry collections incorporate our “Create & Combine” concept which allows for the personalization of the jewelry by adding, combining and composing products in a way that is unique to each end-consumer. Because much of our jewelry can be combined with each other, our end-consumers are encouraged to purchase individual products or combinations of products to commemorate special moments and events in their lives. The collective nature of our jewelry enables end-consumers to purchase as many products as their budget allows at any point in time and to complete their individual jewelry collection over time, enabling it to evolve with their changing tastes and budgets.

Our target end-consumers are women between the ages of 25 to 50. Our portfolio of jewelry includes five collections: Moments, Stories, Compose, LovePods and Liquid Silver, each of which offers end-consumers the opportunity to combine products and create unique and personalized compositions. Our charm bracelets made from sterling silver or gold and charms made from different genuine materials, which are featured in our Moments collection, constitute our core product offering. They represented in aggregate 89.2% and 86.2% of our revenue in FY 2009 and H1 2010, respectively. In addition to charm bracelets and charms, our collections include other pieces of jewelry, such as rings, bracelets, necklaces, pendants and earrings. Through our use of genuine materials and hand-finished craftsmanship, we seek to create high-quality jewelry.

We expect, in the coming years, to expand our portfolio of jewelry and develop a limited selection of non-jewelry products, including PANDORA-branded watches and sunglasses. Through this development we seek to strengthen and build our brand while providing the potential for additional revenue streams and facilitating increased utilization of the selling space at our points of sale.

We operate a vertically integrated business model from design through in-house production to distribution of our jewelry. In-house designers located in Denmark create our designs and continuously enhance our jewelry product range. We produce almost all our jewelry at our production facilities located in Gemopolis, a jewelry business zone on the outskirts of Bangkok, Thailand, from where the products are distributed to points of sale primarily through our distribution subsidiaries (direct distribution), but also through third party distributors.

As at 30 June 2010, our approximately 10,000 points of sale to end-consumers, included 2,452 PANDORA-branded points of sale, consisting of 262 Concept Stores (of which 47 were directly operated by us), 725 Shop-in-shops (of which 23 were directly operated by us) and 1,465 Gold Level points of sale. As of such date, our products were also offered in 2,217 Silver Level points of sale and 5,253 White Level points of sale as well as through travel retail outlets, including onboard sales on a variety of international airlines and cruise ships. See “Business — Sales Channels” for a description of our various sales channels to which these points of sale relate.

Strengths & Strategy

Key strengths

We believe that our competitive strengths and advantages include:

- *Attractive company positioning and industry dynamics.* We are the world’s third largest jewelry brand, in terms of estimated revenues at retail value in 2009. We have gained an international presence and built increasing brand awareness in our key markets. While the USD 145 billion global fine jewelry market (in terms of estimated revenues at retail value in 2009) remains largely unbranded, this market has experienced increased branding in recent years, particularly in the affordable segment of which we are a part, and we believe we are well-positioned to continue to take advantage of this trend due to the strength of our brand and our product offering.

- *Successful product concept.* We offer a universe of hand-finished and modern jewelry made from genuine materials with a number of attractive features. For example, our jewelry features timeless design, high quality at affordable prices and, for our charm bracelets, patented functionality. All our jewelry is built upon our brand DNA including our “Create & Combine” concept which allows end-consumers over time to build a personal charm bracelet or a selection of our jewelry. At the same time, this provides our points of sale with the potential for increased store traffic, making us attractive to retailers as well as end-consumers.
- *Increasingly diversified geographic presence and proven ability to enter new geographical markets.* As at 30 June 2010, our products were sold in 47 countries on six continents across different sales channels through approximately 10,000 points of sale as compared with only being sold in Denmark prior to 2000. We have a proven ability to enter new geographical markets, having successfully entered a number of new markets in the last decade and, in particular, having developed a strong presence in our key geographical markets, namely, the United States, Australia, Germany and the United Kingdom since the launch of our products in these markets in 2003, 2004 and 2005, respectively. In FY 2009, 45.0%, 34.9% and 20.1% of our revenue was derived from the Americas, Europe and Asia Pacific, respectively (46.0%, 40.2% and 13.8% in H1 2010, respectively).
- *Vertically integrated business model.* In recent years, we have developed our vertically integrated business model from design through in-house production to distribution while, at the same time, realizing strong organic growth in our business and maintaining the high quality of our products and production processes. Designers located in Denmark create our designs and seek to continuously enhance our jewelry product range. We have more than 20 years experience in the production of jewelry in Thailand, where we benefit from the long jewelry crafting tradition, the availability of skilled and experienced labor and cost efficiencies of local production. We also benefit from our standardized production processes at our three modern production facilities, which have helped us to achieve efficient, order-driven production with six to eight weeks’ lead time. We have increased significantly our level of direct distribution to points of sale, which accounted for 92.6% of our total revenues in H1 2010. Today, we distribute our products directly to each of our key markets, while using third party distributors in strategically selected growth markets. The development of this business model, and our limited portfolio of directly operated stores, has allowed us to capture a higher proportion of the total revenue from the ultimate retail sale of our products when compared to selling through third party distributors. This underpins the strong profit margins we have been able to achieve.
- *Strong financial performance.* We have experienced significant growth in recent years, increasing our production volumes from approximately 3.0 million SKUs in FY 2004 to over 42 million SKUs in FY 2009. During the periods under review in this Offering Circular, we have achieved strong financial performance, both in terms of our revenue and margin growth, driven by a combination of strong organic growth and significant structural changes. From 2008 (adjusted to reflect operations for the 12-month period ended 31 December 2008) to FY 2009, our consolidated revenue increased from DKK 1,904 million to DKK 3,461 million (growth of 81.7%), EBITDA increased from DKK 778 million to DKK 1,572 million (growth of 102.0%) and operating profit increased from DKK 738 million to DKK 1,424 million (growth of 92.9%). From H1 2009 to H1 2010, our consolidated revenue increased from DKK 1,262 million to DKK 2,581 million (growth of 104.5%), EBITDA increased from DKK 654 million to DKK 1,020 million (growth of 56.0%) and operating profit increased from DKK 632 million to DKK 892 million (growth of 41.1%). Our EBITDA margin was 39.5% in H1 2010, 45.4% in FY 2009 and 40.9% in 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008) and 40.2% in FY 2008, respectively. Our cash conversion ratio was 65.7% in H1 2010, 113.8% in FY 2009 and 160.6% in FY 2008, respectively. However, due to the significant structural changes since the Acquisitions in March 2008, any comparison between successive or comparable periods is not necessarily meaningful and may not be indicative of future results. See “Operating and Financial Review — Events Affecting Comparability of Our Results of Operations.”
- *Efficient management structure geared for growth.* Our management team includes members with considerable PANDORA experience and members with substantial relevant outside experience. Following the Acquisitions in March 2008, this team has been instrumental to the significant growth in our business and operations, including having played a central role in the shift in our business model from a primarily production and export-oriented business model to a vertically integrated business model. Our management structure features our Executive Management and other leadership and support in Denmark as well as local management and centers of competencies in our markets. We believe this structure allows us to facilitate the

centralized control needed to pursue our global strategies, while benefitting from local entrepreneurship, flexibility and know-how in our markets.

Business strategy

Our long-term vision is to become the world's most recognized global jewelry brand. To work towards this vision, we have identified the following strategic objectives for the short- to medium-term:

- *Focus on PANDORA-branded sales channels.* We intend to increase the number of PANDORA-branded points of sale in select markets to derive a significantly higher proportion of our revenues from PANDORA-branded sales channels in the future. PANDORA-branded sales channels allow us to strengthen the perception of our brand in the retail environment and typically permit an expanded product offering compared with our other points of sale. We plan to increase our PANDORA-branded points of sale, in part, by establishing new Concept Stores and Shop-in-shops through franchise or other arrangements as well as launching a limited number of directly operated stores. We also plan to continue to encourage upgrades of existing points of sale to increase the number of Gold Level points of sale and Shop-in-shops.
- *Capitalize on our product offering.* In recent years, we have significantly broadened our jewelry portfolio, including through the introduction of our Compose, LovePods and Liquid Silver collections in 2007, 2008 and 2009, respectively. We expect in the coming years to capitalize on the potential of these collections as well as on the potential in the Moments and Stories collections, both in existing and new markets. We seek to achieve this through a strong focus on marketing and sales execution. At the same time we plan to renew our jewelry portfolio and expand our current product offering with a limited selection of non-jewelry products that is consistent with our brand DNA. Through these expansions, we seek to strengthen and build our brand, increase revenue streams and facilitate increased utilization of the selling space of our points of sale.
- *Tailor approach to new geographical markets.* We intend to continue entering into new geographical markets and expanding our presence in existing markets where we currently have little or no market presence. In particular, we see potential for our products in certain well-established European markets for luxury goods such as France and Italy, where the fine jewelry markets were estimated to be worth USD 4.5 billion and USD 6.9 billion, respectively, in 2009 and in emerging countries such as the BRIC countries (Brazil, Russia, India and China), where the fine jewelry markets were estimated to be worth USD 2.3 billion, USD 3.0 billion, USD 13.0 billion and USD 13.8 billion, respectively, in 2009. We entered France and Brazil in 2008 and 2009, respectively, through third party distributors and the Italian market in the summer of 2010 through our distribution subsidiary. We seek to enter the Russian and Chinese markets in the fall or the winter of 2010 and the Indian market in 2011 or later. Based on our significant experience from having entered into 47 countries, we adopt a specific market entry strategy for each new market, taking into account local market characteristics with the aim of promoting widespread sales and establishment as quickly as possible given the market, while ensuring consistent brand positioning. 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.
- *Implement global marketing.* 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 spend in the high single digits of our revenues in a particular period for marketing (our marketing costs in H1 2010 were equal to 9.5% of our total revenue). We intend to supplement this by further marketing performed by our third party distributors and points of sale (our distribution and franchise agreements require a certain proportion of revenue to be used for marketing). Furthermore, 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, including through our PANDORA club. In the medium-term, we expect to build an online sales platform to enhance further brand awareness and maximize customer reach as well as to foster the potential for additional revenue opportunities.

History

The founders of our business and our current minority shareholders, Per and Winnie Enevoldsen, established our first jewelry shop in the Nørrebro area in Copenhagen in 1982. During the years that followed, we began to import jewelry from Thailand and, as demand for our products increased, we changed our focus from retail sales to wholesale distribution of jewelry.

In 1987, we employed our first designer and began focusing on creating our own unique jewelry. In 1989 we started manufacturing our jewelry in Thailand. The launch of our charm bracelets concept in the Danish market in 2000 marked a major milestone in our history. Following the encouraging demand and developing prospects for our charm bracelets, we began selling our products in other markets. The following timeline outlines the evolution of our entry into countries where our products were sold as at 30 June 2010:

- 2000 or earlier: Denmark, Norway and Sweden
- 2002: Finland and the Netherlands
- 2003: Canada and the United States
- 2004: Australia, Belgium, Germany, Greece, Iceland and Mexico
- 2005: Spain and the United Kingdom
- 2006: Austria, Luxembourg, New Zealand, Portugal, Saint Kitts and Nevis and Switzerland
- 2007: Fiji Islands, Ireland and Jamaica
- 2008: Dominican Republic, France, Guatemala, Israel, Panama and Saint Lucia
- 2009: Brazil, Chile, Costa Rica, Cyprus, Czech Republic, Estonia, Honduras, Hong Kong, Hungary, Poland, Singapore, Slovakia and South Africa
- 2010: Croatia, Serbia, Slovenia and Ukraine

Since 2000, we have developed our organizational structure, distribution network and production facilities to keep pace with the rapid increase in demand for our products and the consequential expansion of our business. In 2003, we, together with two business partners, formed a subsidiary to conduct our commercial operations in North America. In the same year, our production moved to larger production facilities in Gemopolis. To further increase our production capacity, we opened a six-story production facility in Gemopolis in 2005, which still forms a central part of our current production and infrastructure.

On 7 March 2008, PANDORA A/S completed the acquisitions (the “Acquisitions”) of 100% interests in each of Pilisar ApS and Populair A/S (companies responsible for Danish PANDORA operations and sales), PANDORA Production Co. Ltd. (the company responsible for production operations in Thailand), and PANDORA Jewelry America ApS (the holding company responsible for the PANDORA sales and distribution business in North America).

Prior to the Acquisitions, Axcel Prometheus Invest 2 ApS, a company controlled by funds managed by Axcel Management A/S (“Axcel”) held 100% of the shares in the Selling Shareholder, Prometheus Invest ApS (previously named Pandora Invest ApS), which held 100% of the shares in PANDORA A/S. In connection with the Acquisitions, the share capital of the Selling Shareholder was increased and the new shares were subscribed to by Axcel Prometheus Invest 2 ApS and entities owned by Per Enevoldsen and his family as well as other longstanding contributors to our business (the founders of our U.S. sales and distribution business, designers, and a former sales director).

At the completion of the Acquisitions, 100% of the shares in PANDORA A/S were held by the Selling Shareholder, and Axcel Prometheus Invest 2 ApS held 60% of the shares of the Selling Shareholder (which has since been diluted to 59.3% by allowing management to acquire interests in the Selling Shareholder), while entities owned by Per Enevoldsen and his family and the other longstanding contributors to our business held the remaining interests in the Selling Shareholder. For a discussion on the ownership structure of the Selling Shareholder immediately prior to and after the Offering, see “Ownership Structure and Related Party Transactions.”

In connection with the Acquisitions in 2008, Axcel and Per Enevoldsen and his family organized us into a group structure to help realize our potential and to develop PANDORA further, including realization of the strategic initiatives described below. A new board of directors was elected, and they recruited a new management team with overall responsibility for our operations. Together, they have adopted and taken various steps intended to support our growth strategy and to secure the foundation and control of a vertically integrated business model.

Our principal achievements since the Acquisitions, when Axcel obtained indirect control of us, have been:

- extension of the product range of existing and new jewelry categories;
- increase in the production capacity;
- increase in our control of our distribution channels;
- increase in our market presence;
- implementation of a global branding and marketing strategy; and
- implementation of internal business procedures, management systems, reporting and control routines.

To seek to secure our ability to realize continued profitable growth and to secure efficient performance, we have expanded and strengthened our business organization through the employment of individuals with the relevant qualifications. In addition, Per Enevoldsen and other individuals instrumental to our historical growth and development prior to the Acquisitions are still actively involved in the operations.

Since 2008, our focus on the primary growth areas has, among other things, made it possible for us to increase significantly the level of awareness of the PANDORA brand, to set up business in 22 new countries, to gain significantly more control of our distribution (direct distribution accounted for 92.6% of our revenues in H1 2010), to more than double the volumes produced per quarter and to more than triple the number of employees. Since 2008, we opened a second and third production facility, in August 2008 and March 2010, respectively. See “Business — Procurement of Raw Materials & Production — Production.” At the same time, we have achieved strong financial performance, both in terms of revenue and profitability. We have achieved this in part through significant structural changes designed to support our growth strategy and to implement our vertically integrated business model, particularly through increasing our direct distribution capability. For more information on these structural changes, see “Operating and Financial Review — Events Affecting Comparability of Our Results of Operations.” The Board of Directors and Executive Management believe that our work in the primary growth areas has been successful and has placed us in a favorable position from which to seek future growth.

Brand Positioning & Marketing

The PANDORA brand DNA

We believe that the PANDORA brand represents one of our most important assets. Our brand DNA is the sum of our core brand values – affordable luxury, contemporary design and personal storytelling – which permeate all of our collections:

- *Affordable luxury* – Our brand is positioned in the affordable luxury goods market. While our products are made from genuine materials, primarily sterling silver and gold, and hand-finished to high quality standards, the pricing of our products is designed to position us in the affordable luxury segment.
- *Contemporary design* – Our target end-consumers are women between the ages of 25 and 50. Our design universe reflects feminine and light designs with warm colors and romantic elements, creating items of jewelry that are meant to be contemporary yet timeless.
- *Personal storytelling* – All of our jewelry collections incorporate our “Create & Combine” concept which allows for the personalization of the jewelry by adding and combining products in a way that is unique to the individual.

Thus, our customers can use our jewelry for personal storytelling to commemorate unforgettable moments and events in their lives. The collective nature of our jewelry due to our “Create & Combine” concept enables end-consumers to purchase as many products as their budget allows at any point in time and to complete their individual jewelry collection over time, enabling it to evolve with their changing tastes and budgets.

Each of our collections seeks to embody our core brand values in different ways, either by targeting specific products of jewelry, such as charm bracelets for our Moments collection and earrings for our Compose collection, or by reflecting a specific sense of style, such as the set compilations of our Stories collection or the collections LovePods and Liquid Silver inspired by nature’s expressions. Despite the differing characteristics of the specific collections, the underlying theme of each of the collections remains consistent with our brand DNA. See “— Product Range.”

Marketing and communication

Our marketing strategy is designed to develop and strengthen the PANDORA brand and to achieve a high degree of visibility, with brand messaging coordinated at the international, national and local levels. Our advertising and communications initiatives seek to increase sales by developing our brand identity as inspiring individuality, cultivating the attachment of emotional significance to our jewelry, increasing brand awareness that stimulates interest in our product range and establishing our position as a leading affordable luxury brand. We employ approximately 88 FTEs in our marketing organization, approximately 25 of whom are located at our headquarters in Denmark.

All marketing concepts, materials and communication initiatives are managed from our headquarters in Denmark. Based on our global brand book and brand manual, we supply all marketing materials to our distribution subsidiaries, franchisees, third party distributors and other points of sale from Denmark. Franchisees and Concept Stores may only use marketing materials we provide to market our products unless we grant prior consent. We distribute new marketing materials and visual merchandising for each of our collections as part of our seasonal campaigns, which typically run five times per year in addition to our bi-annual new product launches. The seasonal campaigns include marketing toward specific annual events such as Valentine's Day, Easter, Mother's Day, spring, fall, our breast cancer campaign and Christmas. Both during and outside of these campaigns we set guidelines regarding the advertising channels used to market our products and the manner in which they may be used. By organizing ourselves in this manner, we seek to ensure coherent messaging and brand building across our markets, while allowing limited local customization.

We have marketing teams in the United States, Australia, the United Kingdom, Germany, Denmark, Hong Kong and Poland responsible for managing and executing the guidelines set forth in our global brand book and brand manual. The local marketing groups also provide feedback regarding campaign success to our headquarters in Denmark and coordinate specific local campaigns such as store openings. We also engage in ad-hoc campaigns to support special events and the introduction of new collections.

The key marketing channels that we use on an ongoing basis include consumer advertisements, specifically coverage in national and international lifestyle magazines, online activities, outdoor signage, television, trade publications and product placements. We also seek to achieve publicity through editorial content and product reviews.

In recent years, we have increasingly focused our online marketing activities with the goal of creating interest in our products and leading end-consumers to our various points of sale. Our website provides us with an important point of contact with end-consumers who can use it to acquire a more detailed perception of our products. Central to our online activities is our PANDORA Club, a networking feature which allows members to create their own online profile, make a wish list of our products that they can send to friends and family and receive tailored newsletters with information about new products and collections. As at 30 June 2010, the PANDORA Club had approximately 878,000 members (compared to approximately 667,000 members as at 31 December 2009 and approximately 191,000 members as at 31 December 2008), each of whom signed up individually to become members. In keeping with our aim of inspiring individuality, our website includes an interactive charm bracelet designer function that allows users to design their own charm bracelets online by selecting a core bracelet and then dragging and placing charms onto it.

Through our marketing and communication efforts, we have gained an international presence and increased brand awareness in our markets. Among women between the ages of 18 to 49 in the United States, 36% in 2010 (compared with 24% in 2009 and 11% in 2007), when directly questioned whether they had heard of the jewelry brand PANDORA (aided brand awareness), confirmed that they know the PANDORA brand. In Australia, Germany and the United Kingdom, the response rate among women between the ages of 18 and 49 was 75%, 45% and 23%, respectively, in 2010 (compared with 54%, 26% and 11%, respectively, in 2009, and 13%, 12% and 6%, respectively, in 2007) and in Denmark, our home market, the response rate was 86% in 2010 (compared with 84% and 74%, respectively, in 2009 and 2007) (Source: GfK (2007 and 2009) and IUM (2010)).

Product Range

Overview

All our jewelry collections incorporate the "Create & Combine" concept which allows for the personalization of the jewelry by adding and combining products in a way that is unique to the individual. This ability to customize encourages multiple purchase occasions that allow for a higher total spend over time while offering affordable entry points. As at 30 June 2010, we had a product price range from approximately EUR 13 recommended retail

price for a charm in our Moments collection to approximately EUR 3,427 recommended retail price for a gold necklace in our Moments collection.

The following table presents our consolidated revenue by product category for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue by Product Category:						
Charms	1,807	958	925	526	2,537	1,165
Sterling silver and gold charm bracelets	417	191	211	87	551	266
Total sterling silver and gold charm bracelets and charms	2,224	1,149	1,136	613	3,088	1,431
Other jewelry	343	107	205	59	359	220
Other ⁽¹⁾	14	6	2	3	14	7
Total	2,581	1,262	1,343	675	3,461	1,658

(1) Other revenue includes revenue from repair and cleaning of jewelry as well as freight charges.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisitions, 7 March 2008.

Jewelry collections

We have five jewelry collections: Moments, Stories, Compose, Liquid Silver and LovePods. We began offering jewelry in 1982, and our Stories collection has developed from our original product offering. In 2000, we launched our Moments collection, which forms part of our core product offering of sterling silver and gold charm bracelets and charms, and have since added the three other jewelry collections. As we have developed our product offering, we have expanded the range of materials we use to produce our jewelry, and thus have extended the price range of our products to include higher priced products. For example, in 2008 we launched our LovePods collection, our first collection in 18 kt. gold, which included rings with single brilliant-cut diamonds or diamond clusters. We added 18 kt. white gold items to this collection in 2009.

We have approximately 1,800 jewelry designs (which is the term we use to designate an individually sold piece of jewelry based on distinguishing characteristics such as model, color and materials, but excluding sizes) in our portfolio. To maintain an attractive and innovative assortment, we have introduced approximately 250 new jewelry designs per year while removing approximately 150 jewelry designs out of production per year. We expect to continue growing our product portfolio until it reaches approximately 2,000 to 2,200 jewelry designs. After reaching this target, we expect to introduce fewer jewelry designs and to remove about the same number of jewelry designs that we produce. We believe that this level offers sufficient variety even for our largest Concept Stores and accommodates the geographical diversity of our points of sale.

Moments

In 2000, we launched our Moments collection, which features our charm bracelets, necklaces and charms. End-consumers can capture unforgettable moments of their lives by adding charms to a charm bracelet to commemorate an occasion. Our bracelet has a patented three part product system which features a removable “keeper” and a fixed “stopper” which are attached to a piece of strand jewelry, such as a bracelet or necklace. The removable keeper restricts the movement of charms that are strung on to the necklace or bracelet, including preventing them from bunching on one side of the strand. The consistent design and large assortment of charms provide end-consumers with a highly customizable selection of jewelry and allow them to design their bracelets individually, giving them the freedom to express their personal styles. The Moments collection includes charm bracelets made in sterling silver, gold, textile and leather as well as charms made from various materials, including sterling silver, gold, precious and semi-precious stones, Murano glass, enamel and wood. In 2009, we introduced our leather and textile bracelets to add additional, innovative access points to our collection. A full sterling silver or gold charm bracelet holds approximately 25 of our average-size charms and, based on our recommended retail prices, the cost for a full sterling silver or gold charm bracelet would be approximately EUR 1,300 and EUR 5,000, respectively. A full leather charm bracelet holds approximately 20 of our average-size charms. Typically, our customers put an average of approximately four charms on a leather bracelet, and, based on our recommended retail prices, the cost for a leather charm bracelet with four charms would be approximately EUR 130.

In the European countries served by our direct distribution subsidiaries (other than Switzerland), the recommended retail price of our sterling silver and gold charm bracelets ranges from approximately EUR 39 to approximately EUR 1,591 and of our charms in our current collection from approximately EUR 13 to approximately EUR 918.

Stories

The Stories collection reflects our original product offering. The collection includes matching rings, necklaces, earrings, brooches and other jewelry, that are designed to allow end-consumers to combine various items to reflect their particular mood on any occasion. The jewelry in this collection is sold individually or as a set to give a fully coordinated look.

Products in this collection are made from sterling silver or gold as well as various precious and semi-precious stones, pearls and enamel. In the European countries served by our direct distribution subsidiaries (other than Switzerland), the recommended retail price of our Stories collection ranges from approximately EUR 13 to approximately EUR 1,799.

Compose

Compose, which we began offering in 2007, is a collection of earrings that allows end-consumers to create their own personal composition. End-consumers can change and combine items from the collection to create a personal style. Our Compose collection consists of a central stem to which hanging charms of various precious and semi-precious stones, can be added. The collection matches items from our other collections.

Products in the Compose collection are made with sterling silver and gold as well as precious and semi-precious stones, including amethyst, moonstone, opal, pearl, diamond, quartz, topaz and sapphire. In the European countries served by our distribution subsidiaries (other than Switzerland), the retail price of our Compose collection ranges from approximately EUR 15 to approximately EUR 789.

Liquid Silver

Liquid Silver, which we began offering in the fall of 2009, is a timeless collection in sterling silver inspired by the shapes and contours of the fluid movements of water. The range consists of six different lines of earrings, necklaces with pendants, rings and bracelets in various shapes and sizes.

In the European countries served by our direct distribution subsidiaries (other than Switzerland), the recommended retail price of our Liquid Silver pieces ranges from approximately EUR 26 to approximately EUR 444.

LovePods

LovePods is an exclusive collection of jewelry in 18kt. gold and white gold inspired by nature's own delicate plant structures and seed pods. The collection consists of rings, earrings, necklaces, pendants and bracelets embellished with hand-set gemstones. Rings in the collection have rounded edges which makes it possible to combine them into one integrated concept. We began offering our LovePods collection using 18 kt. gold in the fall of 2008. LovePods in 18 kt. gold are handset with precious and semi-precious stones such as amethyst, black spinel, citrine, diamond, peridot, smoked quartz and topaz. Since 2009, LovePods are also available in 18 kt. white gold. Items in the LovePods collection are generally priced at the higher end of our price range.

In the European countries served by our direct distribution subsidiaries (other than Switzerland), the recommended retail price of our LovePods pieces, ranges from approximately EUR 157 to approximately EUR 2,196.

Other collections

While we expect jewelry and, in particular, charm bracelets and charms, to remain our principal product category for the foreseeable future, we intend to launch collections for women of PANDORA-branded watches in the fall of 2010 and of PANDORA-branded sunglasses in 2011.

We intend to launch the watches in select Concept Stores, Shop-in-shops and Gold Level points of sale in most of our markets. The watches are to be produced to a standard that allows them to be labeled as "Swiss made." All of our watches will use sapphire glass and some will be decorated with precious metals and stones. Our watch collection is being designed to fit our brand DNA. Our "Create & Combine" concepts are maintained through interchangeable bezels and bands in certain models and offering approximately eight different styles, three of

which will come with interchangeable options. We expect the prices of our watches to be accessible to a broad range of end-consumers while at the same time reflecting a product of high quality.

We expect to launch the collection of PANDORA-branded sunglasses for women in fashionable and contemporary designs in our Concept Stores and select Shop-in-shops in most of our markets. We expect to offer two collections of sunglasses per year, one in the spring and one in the fall. Each collection will offer several models which will be available in different colors.

We plan to outsource the procurement, assembly and after-sale service of our non-jewelry products to third parties with longstanding experience and reputation in their fields, while working closely with them in the design, development phases and quality testing. See “— Procurement of Raw Materials & Production — Production.” The outsourcing of our non-jewelry products allows us to focus on our competence in jewelry and avoid the allocation of our resources to the technical aspects of watches and sunglasses.

Distribution

Our products are distributed to points of sale primarily through our distribution subsidiaries, but also through third party distributors. In H1 2010 and FY 2009, our direct distribution to points of sale through our distribution subsidiaries (including to our directly operated stores) accounted for 92.6% and 75.4%, respectively, of our revenue while third party distributors made up 7.4% and 24.6%, respectively.

The following table presents our consolidated revenues by distribution channel for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue by Distribution Channel:						
Channel:						
Direct distribution ⁽¹⁾	2,390	797	1,243	424	2,608	755
Third party distribution	191	465	100	251	853	903
Total	<u>2,581</u>	<u>1,262</u>	<u>1,343</u>	<u>675</u>	<u>3,461</u>	<u>1,658</u>

(1) This includes distribution directly to sales channels through our distribution subsidiaries and distribution to end-consumers through our directly operated stores.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

The following table presents our points of sale by distribution channel as at the dates indicated:

	<u>As at 30 June 2010</u>	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>
Points of Sale by Distribution Channel:			
Direct distribution	7,539	7,529 ⁽¹⁾	2,913
Third party distribution	2,383	2,297	5,452
Total	<u>9,922</u>	<u>9,826</u>	<u>8,365</u>

(1) Includes points of sale served by PANDORA Jewelry CWE, which we formed in January 2010.

Our distribution strategy is designed to allow us to maintain control over the perception of our brand and our marketing strategy, while we strategically utilize third party distributors. In some instances, we have entered markets using a third party distributor and then took over the distribution in that market. For example, in the United Kingdom, we established a wholly owned sales subsidiary in 2008 and took over distribution at the beginning of 2009 after we ended our relationship with our former distributor in that market. In July 2009, we acquired a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor in Australia. In January 2010, we formed PANDORA Jewelry CWE with our former third party German distributor to cover our markets in Central Western Europe. We contributed our exclusive distribution rights in the Netherlands and Italy and extended the exclusive distribution rights relating to our other markets in Central Western Europe to 2019 in exchange for a 51% interest in PANDORA Jewelry CWE, and our former third party distributor contributed its exclusive distribution rights for PANDORA products in Germany, Austria and Switzerland in exchange for a 49% interest in PANDORA Jewelry CWE.

The following table sets forth our distribution subsidiaries, our percentage ownership of the subsidiaries, their date of consolidation into our financial statements and the countries as at 30 June 2010 served directly or indirectly by the subsidiaries:

<u>Distribution Subsidiary</u>	<u>Percentage Ownership</u>	<u>Date of Consolidation</u>	<u>Countries Served by Distribution Subsidiary⁽⁴⁾</u>
PANDORA Jewelry Inc.	100%	7 March 2008	United States, Mexico, Saint Kitts and Nevis, Jamaica, Dominican Republic, Guatemala, Panama, Saint Lucia, Honduras, Chile, Costa Rica
PANDORA Jewelry Ltd.	100%	7 March 2008	Canada
PANDORA Asia-Pacific Limited	92% ⁽¹⁾	1 November 2009	Hong Kong
PANDORA Jewellery UK co. Ltd.	100%	1 December 2008	United Kingdom (excluding Northern Ireland)
Ad Astra Holdings Pty Ltd.	60% ⁽²⁾	1 July 2009	Australia, New Zealand, the Fiji Islands
PANDORA Jewelry CEE Sp. z.o.o	86% ⁽³⁾	1 March 2009	Czech Republic, Poland, Slovakia, Hungary
PANDORA Jewelry CWE	51% ⁽²⁾	5 January 2010	Germany, Austria, the Netherlands, Switzerland, Italy

(1) We have an option to purchase, and the minority shareholders have an option to require us to purchase, the non-controlling interests in our Hong Kong subsidiary upon the occurrence of certain events, including a change of control in us or an initial public offering, such as the Offering. We may not exercise this option until the six month period following the publication of PANDORA Asia-Pacific Limited's annual accounts for 2012 or during the same period after the publication of its annual accounts for any subsequent year.

(2) We expect to acquire the remaining interests in these distribution subsidiaries in connection with the Offering. See "Use of Proceeds."

(3) We have an option to purchase, and the minority shareholders have an option to require us to purchase, the non-controlling interests in PANDORA Eastern Europe A/S, the parent company of PANDORA Jewelry CEE Sp. z.o.o, upon the occurrence of certain events, including a change of control in us or an initial public offering, such as the Offering. We may not exercise this option until after 1 January 2013. Hungary, Slovakia and the Czech Republic are served through sales subsidiaries of PANDORA Jewelry CEE Sp. z.o.o.

(4) Denmark, Norway, Sweden, Finland and Iceland are served directly by PANDORA A/S.

As at 30 June 2010, our products were also sold in Spain, Portugal, Belgium, Greece, Luxembourg, Ireland, France, Israel, Brazil, Cyprus, Estonia, Singapore, South Africa, Ukraine, Croatia, Serbia and Slovenia through third party distributors. The arrangements with our third party distributors are governed by distribution agreements and master franchise agreements. Distribution agreements grant our third party distributors exclusive rights to promote and sell our products to Shop-in-shops, Gold Level points of sale and other multi-brand retail outlets in specified geographies (Concept Stores are governed under our master franchise agreements described below). Our distribution agreements and master franchise agreements normally have an initial term of three years and a renewal option if agreed with the third party distributor. They include an option for us to terminate the agreement for any reason upon six months' notice against payment of a termination fee to the third party distributor. The termination fee generally amounts to the distributor's gross profit on sales of our products in the 12 months before notice is given.

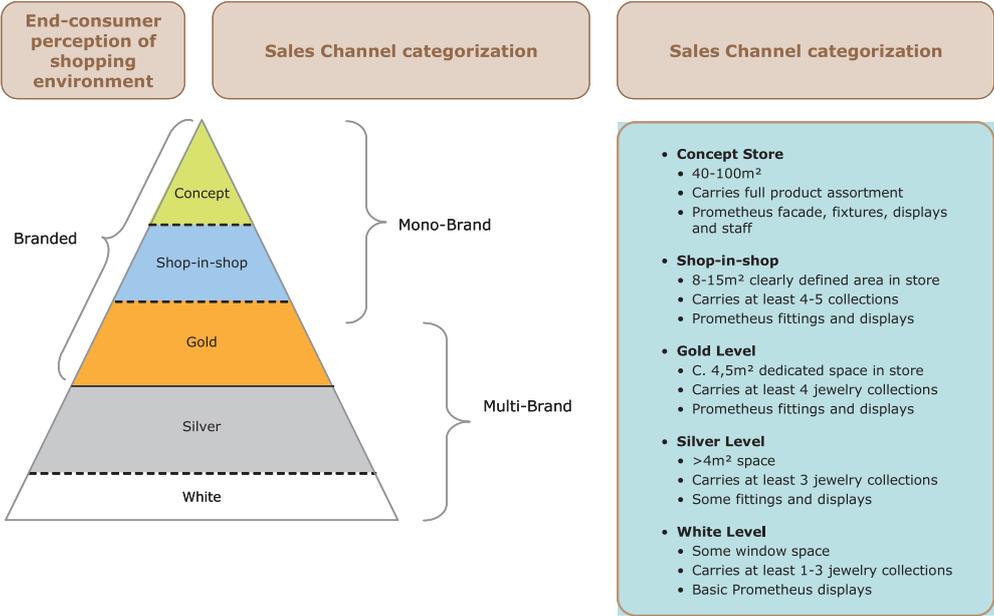
Our third party distributors are required to purchase a minimum amount of our products each year. The prices for these products are based on our wholesale price list which is adjusted at least once a year. Our third party distributors are required to spend a minimum amount on marketing and promotion based on a percentage, typically 8%, of their annual net sales. They are also responsible for ensuring that authorized Shop-in-shops, Gold Level points of sale and multi-brand retail outlets conduct their business in a manner that is consistent with our brand, and adhere to our product, location and shop fitting requirements. Our third party distributors are required to supply Shop-in-shops, Gold Level points of sale and other multi-brand retail outlets with marketing and sales materials and to participate in the marketing and promotion of the PANDORA brand and products. Our third party distributors must make a certain number of sales representative and merchandiser visits to the Shop-in-shops, Gold Level points of sale and multi-brand retail outlets in their territory.

For a discussion on master franchise agreements with our distributors, see "— Franchise Relationships."

Although return policies vary between markets, our points of sale are generally entitled to have defective jewelry products repaired or replaced, with the period for raising a claim ranging up to one year from the date of purchase, depending on where the jewelry product was purchased. In addition, our distribution subsidiaries have varying policies for the return, solely at our discretion, of non-defective products. In the United States and Canada, our policy allows us to offer, but does not oblige us, to take back products from our points of sale. In recent years, we have actively used this policy to help our points of sale manage their inventory and to make space for new products through taking back and re-allocating products among other points of sale and retiring unsold products, which are then sold to raw material suppliers and melted down and sold as recyclable raw materials.

Sales Channels

As at 30 June 2010, our products were sold in 47 countries on six continents through PANDORA-branded and multi-brand sales channels. PANDORA-branded sales channels sell PANDORA products either exclusively or almost exclusively and with such prominence that a typical customer perceives them to be PANDORA-branded. The following chart provides details of our sales channels.



Our PANDORA-branded sales channels include:

- Concept Stores, our largest points of sale (by square meters), which sell exclusively PANDORA products;
- Shop-in-shops, which are clearly defined areas within department stores and other multi-brand retail outlets (such as specialty jewelry retailers) that allocate exclusive selling areas for our products; and
- Gold Level points of sale, which are primarily multi-brand retail outlets that we consider to be PANDORA-branded because of the number of PANDORA collections they carry, the space provided for our products and the usage of PANDORA fixtures and fittings and merchandising materials.

As at 30 June 2010, PANDORA-branded points of sale included 262 Concept Stores, (of which 47 were operated by us directly), 725 Shop-in-shops, (of which 23 were operated by us directly), and 1,465 Gold Level points of sale.

We also have multi-brand points of sale and limited travel retail outlets. Our network of multi-brand points of sale, which included 7,470 points of sale as at 30 June 2010, are categorized as either our Silver Level points of sale or White Level points of sale, depending primarily on the number of collections they carry. Our products are also available through travel retail outlets, including sales at airports as well as through onboard sales on a variety of international airlines and cruise ships.

The following table presents our revenue from direct distribution by sales channel and from third party distribution for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>Q2 2010</u>
Revenue from Direct Distribution by Sales Channel:		
Concept Stores	541	299
Shop-in-shops	509	266
Gold Level.	581	304
PANDORA-branded total	<u>1,631</u>	<u>869</u>
Silver Level.	444	224
White Level ⁽¹⁾	315	150
Multi-brand total	<u>759</u>	<u>374</u>
Revenue from Third Party Distribution:	<u>191</u>	<u>100</u>
Total	<u><u>2,581</u></u>	<u><u>1,343</u></u>

(1) Includes travel retail.

As at 30 June 2010, we distributed directly through our distribution subsidiaries to 243 Concept Stores, 624 Shop-in-shops, 1,384 Gold Level points of sale, 1,988 Silver Level points of sale and 3,300 White Level points of sale.

The following table presents the approximate initial investments required for retailers in Europe to open the sales channels indicated:

<u>EUR thousand</u>	<u>White Level</u>	<u>Silver Level</u>	<u>Gold Level</u>	<u>Shop-in-Shop</u>	<u>Concept Store</u>
Initial retailer investment per sales channel ⁽¹⁾	10	15	30	65	325

(1) These figures reflect the approximate average initial investment per retailer per individual sales channel in our European markets only in H1 2010. They include, for each sales channel, among other items, a full starter kit, inventory at wholesale prices, furniture, lighting, flooring and trays. For Concept Stores, they also include the preparation of the store interior such that it can be fitted with the appropriate furnishings ("white box" preparation).

Although we primarily sell our products on a wholesale basis through our distribution subsidiaries or through third party distributors, as at 30 June 2010 we directly operated 47 Concept Stores with 1 located in Denmark, 9 in Germany, 25 in Australia, 11 in Poland and 1 in Hungary. We operate these PANDORA Concept Stores directly in Germany and Australia primarily as a result of the acquisitions of our former third party distribution operations in these countries, and in 2009 and 2010, we added directly operated stores elsewhere as part of a strategic plan to develop relevant markets.

We continue to evaluate the merits of selectively increasing our network of directly operated Concept Stores, in both existing markets and new markets. We may open a limited number of directly operated stores in the future where such stores offer an attractive means of entering new markets, securing optimal shopping locations proving the local viability of the concept to potential franchise partners or gathering useful information when evaluating potential future growth through franchises and similar arrangements.

We support our points of sale through our international sales organization. While we have employed a larger number of solely commission-based sales agents in the past, we have recently reorganized our sales force to be comprised almost exclusively of sales representatives, whom we employ and provide a salary. We typically incentivize our sales representatives through commissions based on total sales, number of store upgrades and percentage of non-charm bracelets and charms sales. In certain markets, our sales representatives are supported by sales area managers who oversee all points of sale in a certain market. Payment terms to points of sale vary across geographies and time and can generally be anywhere from cash on delivery to 90 days on special occasions.

PANDORA-branded sales channels

Our PANDORA-branded sales channels (Concept Stores, Shop-in-shops and Gold Level) are typically located in key shopping areas with high pedestrian traffic and good exposure to potential end-consumers. We carefully consider the design and location of our PANDORA-branded sales channels with a view to support our brand DNA and the shopping experience for our end-consumers in each of our markets.

Concept Stores

As at 30 June 2010, our products were sold through 262 PANDORA Concept Stores, of which 47 were directly operated by us. As at 31 December 2009, there were 65 and 27 PANDORA Concept Stores in the United States and United Kingdom, respectively, (14 and 2 PANDORA Concept Stores as at 31 December 2008, in the United States and United Kingdom respectively).

PANDORA Concept Stores typically have between approximately 40 to 100 square meters of trading space per store. Our Concept Stores carry the entire PANDORA assortment and have dedicated PANDORA trained staff. Concept Stores generally have a consistent store design based on our retail and visual merchandising guidelines, including store front and window displays, counter arrangements, exhibition towers, trays and other fittings, posters, gift bags and other promotional material and have the ability to feature brand movies, commercials and production films. Outside the United States, Concept Store operators are required to spend a minimum amount on marketing and promotion based on a percentage, typically 8%, of annual net sales (in the United States, the required minimum spend is typically 4% of annual gross sales).

We manage the majority of our PANDORA Concept Stores through franchise relationships or through sub-franchise agreements indirectly with the relevant third party distributor as the master franchisee. See “— Franchise Relationships.” We believe our franchise stores provide us with the ability to offer our products to end-consumers in accordance with our high service and sales standards, while minimizing our fixed costs and offering an attractive opportunity to accelerate growth and market presence. Concept Stores typically receive 12 or more sales representative visits and 12 or more visual merchandiser visits per year to ensure that our products are displayed in accordance with our retail guidelines and that the product assortment levels reflect end-consumer demand.

Shop-in-shops

As at 30 June 2010, our products were sold through 725 PANDORA Shop-in-shops. Shop-in-shops are specific selling areas in department stores and other multi-brand points of sale (such as specialty jewelry retailers) designated for the display and sale of our products. PANDORA Shop-in-shops are clearly defined PANDORA areas of 8 to 15 square meters. Shop-in-shops carry a minimum of four to five PANDORA jewelry collections approved by us and contain PANDORA-provided fittings and displays. Each Shop-in-shop has a consistent store design based on our retail and visual merchandising guidelines. Shop-in-shops typically receive twelve sales representative visits and twelve visual merchandiser visits per year to ensure that our products are displayed in accordance with our retail guidelines and that the product assortment levels reflect end-consumer demand.

Gold Level

As at 30 June 2010, our products were sold through 1,465 Gold Level points of sale worldwide. Gold Level points of sale are traditionally multi-brand jewelry retail stores, but as a result of the amount of space typically provided for PANDORA products and the level of usage of PANDORA fixtures and fittings and merchandising materials in Gold Level points of sale, we also categorize our Gold Level points of sale as PANDORA-branded. Gold Level points of sale typically are required to dedicate at least 4.5 square meters of in-store space, including uniform counters, trays and other fittings, exhibition towers and the like, as well as proportional window space to our PANDORA shop fittings. Gold Level points of sale typically carry a minimum of four PANDORA jewelry collections approved by us. They typically receive 12 sales representative visits and 12 visual merchandiser visits per year to ensure that our products are displayed in accordance with our retail guidelines and that the product assortment levels reflect end-consumer demand.

Multi-brand sales channels

Our products are also sold through multi-brand sales channels, which we believe can be a way to achieve market presence and brand awareness. As at 30 June 2010, our products were sold through 7,470 multi-brand points of sale, generally specialty jewelry retailers. We differentiate between Silver Level points of sale and White Level points of sale based on the prominence of the PANDORA brand in each store, the range of PANDORA products offered and the level of support we provide to each store.

Silver Level

As at 30 June 2010, our products were sold through 2,217 Silver Level points of sale across our markets. While Silver Level points of sale are not required to maintain a particular store location, they are required to prominently display PANDORA products and, typically, to dedicate at least four square meters of in-store space as well as proportional window space to our PANDORA shop fittings. Silver Level points of sale typically carry a minimum of three PANDORA jewelry collections approved by us. They typically receive six sales representative visits and

six visual merchandiser visits per year to ensure that our products are displayed in accordance with our retail guidelines.

White Level

As at 30 June 2010, our products were sold through 5,253 White Level points of sale in our markets. White Level points of sale need not maintain a particular store location or prominently display PANDORA in their shops. White Level points of sale are typically required to allocate some window space to our products and typically carry a minimum of one to three PANDORA jewelry collections approved by us. They typically receive four sales representative visits per year and four visual merchandiser visits per year to ensure that the product assortment reflects end-consumer demand.

Travel retail

Our travel retail sales channel includes onboard sales with a variety of international airlines and cruise lines as well as sales in shops at airports. While this sales channel does not represent a significant portion of our revenue, we consider it to be important for its role in expanding global awareness of our brand and enhancing the perception of our brand. For reporting purposes, we include the revenues from travel retail in our revenues from White Level points of sale.

Franchise Relationships

We use franchise relationships primarily in connection with third party operated PANDORA Concept Stores.

Master franchise relationships

Our master franchise agreements allow our master franchisees the right to use the PANDORA trademark, establish PANDORA Concept Stores, sell our products within a certain territory including through sub-franchisees. We typically require master franchisees to open or sub-franchise a minimum number of Concept Stores within a certain time period (typically 2 to 3 years). If a master franchise agreement terminates, we are generally entitled to continue directly or designate a third party to continue the franchise relationship directly with the sub-franchisee. Our master franchise agreements normally have an initial term of three years and a renewal option if agreed with the master franchisee. They include an option for us to terminate the agreement for any reason upon six months' notice against payment of a termination fee to the master franchisee.

Sub-franchise relationships

Sub-franchise relationships with Concept Store operators are generally governed by sub-franchise agreements between the store operator and our distribution subsidiaries or between the store operator and our third party distributors. The terms of the sub-franchise agreements are largely identical.

The sub-franchisees make purchases from their master franchisee. Depending on their marketing spend, they may also be required to pay a monthly franchise fee. In addition, sub-franchisees are required to purchase a minimum amount of our products each year and are not entitled to return purchased products. Outside the United States, they are required to spend a minimum amount on marketing and promotion based on a percentage, typically 8%, of annual net sales. In the United States, the required minimum spend is typically 4% of annual gross sales. The sub-franchise agreements require our sub-franchisees to operate the stores according to our standards and consistent with the perception of our brand, adhere to marketing guidelines, purchase from us the fittings required to give stores their uniform PANDORA characteristics and participate in promotional and marketing activities in their defined sales area.

Our sub-franchise agreements allow our sub-franchisees to use the PANDORA trademark, establish PANDORA-branded Concept Stores and sell our products within a certain territory, including online, on a non-exclusive basis. Our sub-franchise agreements normally have an initial term of five years. While the master franchisee does not have an option to acquire the sub-franchise during or upon termination of the franchise agreement, it maintains the right to approve a sale of the franchisee or the sub-franchisee's business under certain conditions.

The sub-franchise agreements require our master franchisees to assist our sub-franchisees with store design, storefront presentation, purchasing and sales activities and promotional materials, as well as staff training, guidance, advice and general ongoing support. The sub-franchisee will typically be responsible for finding a suitable store location as well as paying the rent. In a few markets, we lease the store location ourselves and sublease to the sub-franchisee.

In the United States, we have traditionally used license and sublicense arrangements to grant the right to use the PANDORA trademark, establish PANDORA Concept Stores and sell our products within certain territories in a manner similar to franchise arrangements as in other markets. Since January 2010, we have been in the process of converting these license and sub-license arrangements into franchise operations.

Our Markets

As at 30 June 2010, our jewelry was sold in 47 countries on six continents across different sales channels through approximately 10,000 points of sale. The United States is our largest market, accounting for 40.8% of our revenue in H1 2010. The United Kingdom, Australia and Germany are our next largest markets, accounting for 13.2%, 12.5% and 11.8% of our revenue, respectively, in H1 2010.

The following table presents our sales channel by geographical segment as at the dates indicated:

	Americas			Europe			Asia Pacific			Total		
	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009
Number of points of sale												
Points of Sale by Sales Channel:												
Concept Stores ⁽¹⁾	90	81	70	135	126	93	37	33	33	262	240	196
Shop-in-shops ⁽²⁾	198	155	133	409	362	280	118	106	99	725	623	512
Gold Level	625	635	605	681	609	588	159	164	152	1,465	1,408	1,345
PANDORA-												
branded total	913	871	808	1,225	1,097	961	314	303	284	2,452	2,271	2,053
Silver Level	995	948	929	1,124	1,058	1,040	98	98	92	2,217	2,104	2,061
White Level ⁽³⁾	621	648	800	4,276	4,542	4,515	356	367	397	5,253	5,557	5,712
Multi-brand total	1,616	1,596	1,729	5,400	5,600	5,555	454	465	489	7,470	7,661	7,773
Total	2,529	2,467	2,537	6,625	6,697	6,516	768	768	773	9,922	9,932	9,826

(1) Of these, we directly operated 47, 44 and 43 Concept Stores as at 30 June 2010, 31 March 2010 and 31 December 2009, respectively.

(2) Of these, we directly operated 23, 19 and 20 Shop-in-shops as at 30 June 2010, 31 March 2010 and 31 December 2009, respectively.

(3) Includes travel retail.

The following table presents our consolidated revenue by reporting segment and major market for the periods indicated:

DKK million	H1 2010	H1 2009	Q2 2010	Q2 2009	FY 2009	FY 2008⁽⁵⁾
Revenue by Reporting Segment and Major Market:						
Americas	1,187	619	623	325	1,558	694
United States	1,054	583	549	304	1,459	646
Other	133	36	74	21	99	48
Europe ⁽¹⁾	1,038	442	548	242	1,207	665
United Kingdom	342	153	191	88	472	92
Germany ⁽²⁾	304	138	149	78	348	207
Other	392	151	208	76	387	366
Asia Pacific ⁽³⁾	356	201	172	108	696	299
Australia ⁽⁴⁾	323	201	157	108	649	299
Other	33	—	15	—	47	—
Total Revenue	2,581	1,262	1,343	675	3,461	1,658

(1) We estimate that DKK 186 million of our DKK 596 million revenue growth in Europe in H1 2010 compared with H1 2009 is the result of structural changes due to the formation of PANDORA Jewelry CWE which resulted in a shift to direct distribution in H1 2010. The DKK 186 million has been calculated by multiplying factor (x) representing the difference between the average price per SKU achieved by PANDORA Jewelry CWE in H1 2010 (which reflected direct distribution) and in H1 2009 (which reflected sales to our former third party distributor) by factor (y) representing the volume of SKUs sold in H1 2009. We do not have available the average price per SKU in CWE in H1 2009 achieved by our former third party distributor. As a result, the accuracy of our estimate may be adversely affected by changes between the periods in terms of the price range of our products and the product mix offered.

(2) Reflects revenue from sales to PANDORA Jewelry CWE, our former German third party distributor in H1 2009, Q2 2009, FY 2009 and FY 2008. Includes revenue relating to products purchased by our former third party German distributor for sale in Austria and Switzerland prior to the formation of PANDORA Jewelry CWE in January 2010. Upon our shift to direct distribution through the formation of PANDORA Jewelry CWE, sales in these countries are accounted for as "Europe — Other."

- (3) We estimate that DKK 104 million of our DKK 155 million revenue growth in Asia Pacific in H1 2010 compared with H1 2009 is the result of structural changes due to acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor, in July 2009. The DKK 104 million reflects the difference between our sales in H1 2009 to Ad Astra Holdings Pty Ltd., when it was a third party distributor, and Ad Astra Holdings Pty Ltd.'s sales to its customers in H1 2009. See Note 3 to our Audited Annual Financial Statements included under "Financial Information" for a presentation of our revenue for FY 2009 as adjusted to reflect the hypothetical scenario where our acquisition of the interest had occurred on 1 January 2009.
- (4) Reflects revenue from our sales to Ad Astra Holdings Pty Ltd., our former third party Australia distributor, in H1 2009, Q2 2009, FY 2008 and, prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009, in FY 2009. This includes revenue relating to products purchased by our former third party Australia distributor, for sale in New Zealand and the Fiji Islands prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009. Upon our shift to direct distribution through the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., sales in these countries are accounted for as "Asia — Other."
- (5) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

The following table presents our consolidated EBITDA by reporting segment for the periods indicated:

<u>DKK million</u>	<u>H1 2010⁽¹⁾</u>	<u>H1 2009</u>	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>FY 2009⁽¹⁾</u>	<u>FY 2008⁽²⁾</u>
EBITDA by Reporting Segment:						
Americas	624	348	334	177	792	321
Europe	416	256	230	123	642	352
Asia Pacific	160	129	71	64	404	164
Unallocated	(180)	(79)	(89)	(44)	(266)	(171)
Total	<u>1,020</u>	<u>654</u>	<u>546</u>	<u>320</u>	<u>1,572</u>	<u>666</u>

- (1) In our internal management reporting, the one-off negative impact on costs of sales of DKK 66 million in FY 2009 as a result of the taking over of inventory from our former independent Australian distributor is allocated across all geographical segments, based on the volume of sales per segments. In accordance with IFRS 8, the segmental information above is based on our internal management reporting and hence no adjustment is made. In H1 2010, as a result of a change in our internal management reporting guidelines, we allocated the one-off negative impact on costs of sales of DKK 50 million as a result of the taking over of inventory from our former independent German distributor only to the geographical segment Europe. As a result, any comparison of our EBITDA by geographical segment between these periods is not necessarily meaningful and may not be indicative of future development.
- (2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

In recent years, the United States has been our largest market in terms of revenue. The following table presents the total consolidated revenue of PANDORA Jewelry, Inc., our U.S. subsidiary, for the periods indicated (prepared for the periods up to, and including, FY 2007 on the basis of U.S. GAAP (as IFRS is unavailable) and for the periods FY 2008 and FY 2009 on the basis of IFRS). For a description of significant differences in the recognition of revenue between U.S. GAAP and IFRS, see "Annex B — Significant Differences in the Revenue Recognition between U.S. GAAP and IFRS."

<u>USD million</u>	<u>FY 2009⁽¹⁾</u>	<u>FY 2008⁽¹⁾</u>	<u>FY 2007⁽²⁾</u>	<u>FY 2006⁽²⁾</u>	<u>FY 2005⁽²⁾</u>
Revenue	282 ⁽³⁾	149 ⁽⁴⁾	94 ⁽⁵⁾	48 ⁽⁵⁾	23 ⁽⁵⁾

- (1) Prepared in accordance with IFRS.
- (2) Prepared in accordance with U.S. GAAP.
- (3) Excludes revenue from intra-group sales, includes discounts and rebates.
- (4) Excludes revenue from intra-group sales, excludes discounts and rebates.
- (5) Includes revenue from intra-group sales, excludes discounts and rebates.

The following table presents the number of points of sale and the number of Concept Stores located in the United States for the periods indicated:

	<u>Number of Points of Sale</u>	<u>Number of Concept Stores⁽¹⁾</u>
2010		
As at 30 June	2,292	84
As at 31 March	2,243	75
2009		
As at 31 December	2,315	65
2008		
As at 31 December	2,089	14
2007		
As at 31 December	1,727	2
2006		
As at 31 December	1,721	—
2005		
As at 31 December	1,355	—

(1) The first concept store in the United States was opened in November 2007.

The following table presents the revenue of PANDORA Jewelry, Inc., our U.S. subsidiary, by sales channel for the periods indicated:

<u>USD million</u>	<u>H1 2010⁽²⁾</u>	<u>FY 2009⁽²⁾</u>
Revenue by Sales Channel:		
Concept Stores	38	32
Shop-in-shops	34	43
Gold Level	63	109
PANDORA-branded total	<u>135</u>	<u>184</u>
Silver Level	49	73
White Level ⁽¹⁾	11	25
Multi-brand total	<u>60</u>	<u>98</u>
Total	<u><u>195</u></u>	<u><u>282⁽³⁾</u></u>

(1) Includes travel retail.

(2) Prepared in accordance with IFRS.

(3) Excludes revenue from intra-group sales, includes discounts and rebates.

The table below presents, for the periods indicated, the percentage change in revenues from like-for-like (“LFL”) stores in the United States (prepared for FY 2006 and FY 2007 on the basis of U.S. GAAP (as IFRS is unavailable) and for FY 2008 and FY 2009 on the basis of IFRS). For a description of significant differences in the recognition of revenue between U.S. GAAP and IFRS, see “Annex B – Significant Differences in the Revenue Recognition between U.S. GAAP and IFRS.”

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
LFL store sales growth ⁽¹⁾ (%)	32.4	24.0	48.0	26.1

(1) We define our LFL stores as points of sale which have purchased jewelry in a particular financial period and have done so for more than one year. Except as set forth below, a LFL store is included in the calculation of LFL revenue growth from the date at any point during the relevant financial period when it has purchased jewelry for more than one year. The calculation includes certain points of sale which no longer purchase jewelry, but had done so in the comparison period, thereby having a negative impact on LFL revenue growth. Certain of our customers operate multiple points of sale, which were opened at different points of time, and purchase our jewelry for subsequent allocation to their individual points of sale. Given the difficulty in assessing LFL revenue growth for individual points of sale of these customers, we have excluded from the calculation of LFL revenue growth revenue derived from such customers. Operations from these customers could only have become LFL stores in FY 2009 and, therefore, this exclusion is only relevant for LFL calculation purposes in that period. In FY 2009, revenue from points of sale of such customers excluded from our calculation of LFL revenue growth accounted for 9.4% of the total revenue from our U.S. subsidiary on the basis of U.S. GAAP.

Product Design

Overview

The design and development of our products are among the most important aspects of our operations. Our in-house design and development teams seek to develop our portfolio of jewelry consistent with our brand DNA, incorporating our brand values of providing affordable luxury, contemporary design and personal storytelling. We control the design process and expect to work closely with our outsourcing partners to deliver non-jewelry products, such as watches, starting in the fall of 2010, and sunglasses, in 2011, which are to be consistent with our brand DNA and meet our standards for quality and style.

Our design team

We have two design teams responsible for designing our jewelry collections:

- *Lone Rønnow Frandsen & Lisbeth Larsen:* Lone Rønnow Frandsen, a designer who has been with us since 1987 and has helped define our style ever since we first started producing our own jewelry. Lisbeth Larsen, a trained goldsmith who joined us in 1996, has, together with Lone, been instrumental in creating products such as the Moments, Stories and Compose collections.
- *Mads Trolle & Lee Antony Gray:* Mads Trolle and Lee Antony Gray have worked as a team for us since 2007 and are responsible for developing our LovePods and Liquid Silver collections. They are both trained goldsmiths and joined us after having gained valuable experience at some of the most renowned jewelers in Scandinavia.

Our specialized jewelry product development team in Denmark works closely with our designers and coordinates the development of our prototypes with our head of development in Thailand. Our jewelry product development team also coordinates with the heads of our sales, marketing and production teams in weekly steering committee meetings to ensure a mutual exchange of ideas and to maintain a balance of creativity, practicality and efficiency throughout our production and sales efforts.

The design teams, our jewelry product managers/co-coordinators and our head of development in Thailand communicate with each other on an ongoing basis as new products are developed. To ensure swift and clear communication, we utilize process software to track each item through the design and development process.

Our technology and development staff in Thailand, led by our head of technology, uses drawings from our design teams in Denmark to create 3D images of the products based on information received, such as measurements, materials and stones. Once a 3D image is approved, we produce a resin prototype for our sterling silver and gold jewelry. Rubber molds are then prepared, based on the prototype, and treated to create wax models used to produce the casts necessary to form the desired masters. Once the master models are approved by our designers, we make product samples and evaluate, with input from our sales team, a general plan for their release into the market. We then start the general production of the developed products.

Design and development

Creativity and design are key elements of our product development process. Using their knowledge and keen attention to trends in fashion and style, our designers seek to build on the success of prior collections to design product collections that reflect the PANDORA brand DNA. The creation of a jewelry collection consists initially of the development of product ideas, the design of product models and the creation of product prototypes.

Our jewelry product development generally follows one of the following processes: product line development, main track product collection development or fast track product development.

Product line development is the process of developing a new collection or novel technical aspects of a collection. The first stage in this process is to create the conceptual parameters for the new collection. We begin this aspect of the process by analyzing sales data to ascertain if there are any purchasing trends that would indicate demand for a new collection. We then determine the extent of the proposed product range and establish a product roadmap that sets out the defining characteristics of the collection and defines how the collection is expected to fit within our broader portfolio.

Main track product development is the process of creating additional products within an existing collection. We typically update our collections twice per year (spring and fall), but production is an ongoing process that is not only geared generally towards specific annual events. We create our semi-annual launches over a period of approximately 12 to 14 months, from product design and development to product launch. We review sales data

and sales trend advice from our sales and marketing departments, which we use in conjunction with our design ideas to decide which products to develop further and which products to retire. Finally, our design team receives and approves product prototypes generated in Thailand and consults with the heads of sales and marketing in preparation for the product launch.

In addition to our main track product development, we also have a fast track design process for designing specific products or making specific product design modifications at the request of our sales team, allowing us to react more quickly to emerging market trends. The heads of our sales, marketing and production teams review fast track product development requests four times a year during their steering committee meetings. Fast track development may take as little as 120 days from idea to product launch.

In all of the above processes, we combine our in-house design and product management capabilities with external expertise. We hold quarterly workshops at which the latest trends are presented by external advisors on fashion and luxury trends. In addition, an external creative consultant conducts monthly visual coherence controls to ensure consistency in our product design, marketing and visual merchandising.

We are also closely involved in the development process of our non-jewelry products. Although we do not ultimately produce or plan to produce our non-jewelry products, such as watches from the fall of 2010 and sunglasses from 2011, we control the design process and otherwise expect to work closely with our outsourcing partners to deliver non-jewelry products, which are consistent with our brand DNA and meet our standards for quality and style. In addition, a dedicated in-house product manager oversees the design, development, marketing and distribution of our future watch collection.

Procurement of Raw Materials & Production

Overview

We produce our jewelry using a vertically integrated supply management system that seeks to deliver our products to our points of sale while managing demand volatility, ensuring timely delivery, minimizing excess inventory and maintaining flexible production to accommodate growth and the development of new jewelry. Our global supply function works in close cooperation with our in-house design and development teams to establish the manufacturing and product specifications, procure the raw materials necessary for production and control the large-scale production of our products in our production facilities in Thailand.

Our global supply management system consists of demand planning, raw material procurement, raw material warehousing, production and shipping. Our global supply function manages all aspects of this supply chain in an attempt to ensure that both internal and external supply and demand needs are as closely matched as possible, while minimizing logistical friction, raw materials and stock of finished products. Our internal demand planning department is responsible for collecting and consolidating the expectations of the markets and, on this basis, forecasting market demand for production capacity. These forecasts are discussed as part of our bi-weekly sales and operations planning meetings. The procurement department ensures that we have the necessary raw materials by maintaining adequate supplies and keeping in constant communication with our production team and demand planning department. Finally, our warehousing and logistics team is responsible for the holding of our raw materials in Thailand as well as shipping our products to the various countries for warehousing and sales by the third party distributor or by our sales subsidiary. Our finished products are generally stored at our site in Thailand until a shipment is ready for delivery to local distribution hubs, which is typically done on a weekly basis. See “— Warehousing and Logistics.”

For our non-jewelry products, we expect to monitor demand through demand planning, procure the products from our outsourcing partners and have the products shipped directly to the third party distributor or sales subsidiary. We believe that demand planning is an important aspect of the process, and we constantly strive to assess our product demand with enough lead time to ensure timely product delivery by our suppliers.

Procurement of raw materials

Most of the materials we use in the production of our products consist of precious and semi-precious commodities. The principal raw materials that we use in our production include silver and gold as well as diamonds, other precious and semi-precious stones, pearls and other raw materials, such as Murano glass, wood, leather and various alloys. In addition, we purchase certain semi-finished goods, including chains and leather bracelets.

We source our silver from three main suppliers, two of which are responsible for approximately 90% of our silver supply. We purchase gold on the spot market through local traders in Thailand. Beginning in 2009 for silver and in 2010 for gold, we have sought to use forward contracts in order to mitigate the majority of our exposure to price

fluctuations of silver and gold. See Note 21 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of our exposures to fluctuations in raw material prices and associated risk management.

In FY 2009, our top five suppliers represented approximately 80% (based on volume) of our total procurement of precious and semi-precious gemstones.

We have well-established relationships with our existing suppliers of raw materials and semi-finished goods. We believe that we are not substantially dependent on a single supplier for silver, gold or any particular gemstone. We evaluate potential new suppliers based upon their operational infrastructure, supply capacity and their ability to meet our specific product requirements. We have adopted a CSR policy based on the U.N. Global Compact principles in the areas of human rights, labor, environment and anti-corruption. As part of this policy, we intend to require suppliers doing business with us to adhere to a code of conduct based on these principles. For more information, please see “— Corporate Social Responsibility.”

We inspect raw materials and semi-finished goods upon their receipt to ensure that they meet the quality standards defined during product development. We also inspect the quality and attributes, such as the color, cut, weight and clarity, of our precious and semi-precious stones and pearls before they enter the production line. Our suppliers are promptly notified of any shortcomings in the raw materials that they have supplied to us, and we reserve the right to return materials that do not conform to quality standards and to stop using any supplier whose materials do not meet our standards.

Production

We have more than 20 years of experience in the production of our jewelry in Thailand. Our production is demand driven, and our products’ order-to-warehouse delivery lead times typically range from six to eight weeks, which we believe provides us with the capacity to respond to the short order cycles that certain of our points of sale apply when ordering products from us, often at less than one week’s notice. We currently produce almost all of our jewelry at three production facilities located in Gemopolis, with our U.S. subsidiary sourcing a small number of glass charms from an external producer in Chiang Mai, Thailand. In addition, we partially outsource certain non-strategic aspects of our production, such as grinding, polishing and stone-setting to sub-contractors located in the vicinity of our production facilities to maintain production flexibility and cost efficiency. We expect a fourth production facility in Gemopolis to become operational in the second half of 2010 and have begun construction of a fifth facility in Gemopolis, which we expect to become operational in 2011 or 2012 at the earliest.

At 30 June 2010, we employed over 3,000 FTEs in Thailand involved in the production of our jewelry, including several hundred silversmiths, goldsmiths and stone-setters who are trained in-house. We believe we benefit from the location of our facilities in Thailand as it allows us to take advantage of a long jewelry crafting tradition, the availability of skilled and experienced labor, modern production facilities, cost efficiencies of local production and a favorable Thai foreign investment and tax regime.

The first of our three existing production facilities became operational in August 2005. As at 30 June 2010, this production facility had a production area of 6,000 square meters. Our second production facility became operational in August 2008. As at 30 June 2010, this production facility had a production area of 3,200 square meters. Our third production facility became operational in March 2010. As at 30 June 2010, this production facility had a production area of 3,200 square meters. We have two lines for serial production in our existing production facilities. Our first and second production facilities together operate one production line, and our third production facility operates the second production line. We are currently exploring ways to increase efficiencies in our production, for example by concentrating certain products, such as charm bracelets and charms, or gold products, in a single production line.

Construction of our fourth production facility, which is expected to become operational in the second half of 2010, commenced in July 2009. This facility is to provide us with an additional 7,000 square meters of production area allowing us to expand our first production line. Both production lines are currently used to produce the same type of products, and some of our products flow through both production lines prior to completion.

In June 2010, we began construction of our fifth production facility, which is expected to become operational in Q4 2011. This facility is expected to provide us with an additional 10,710 square meters of production area and to operate a separate production line. Our expected capital expenditure to complete this production facility is expected to be approximately DKK 70 million.

The following table presents the number of our products (SKUs) produced and sold in the periods indicated:

<u>thousand SKUs⁽¹⁾</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q1 2010</u>	<u>Q1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽³⁾</u>
Production Volume Data:						
Products produced	28,886	16,525	13,444	7,312	42,045	24,535
Products sold ⁽²⁾	23,444	16,449	11,847	7,553	41,412	23,903

- (1) SKU (Stock Keeping Unit) designates a piece of jewelry that can be separately purchased. For example, a pair of earrings or a single charm would count as one SKU.
- (2) This includes products provided to customers as replacement for defective products.
- (3) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisitions, 7 March 2008.

The following table presents the number of our products (SKUs) produced in the periods indicated:

<u>thousand SKUs⁽¹⁾</u>	<u>Products Produced</u>
Production Volume Data:	
2010	
Q2	15,442
Q1	13,444
2009	
Q4	13,640
Q3	11,880
Q2	9,213
Q1	7,312
2008	
Q4	7,681
Q3	7,557
Q2	7,046
Q1	6,156
2007	
Q4	6,815
Q3	5,143
Q2	3,298
Q1	2,988
2006	
Q4	2,633
Q3	2,593
Q2	2,479
Q1	1,910
2005	
Q4	1,869
Q3	1,170
Q2	883
Q1	1,057
2004	
Q4	919
Q3	722
Q2	749
Q1	620

- (1) SKU (Stock Keeping Unit) designates a piece of jewelry that can be separately purchased. For example, a pair of earrings or a single charm would count as one SKU.

We monitor the quality of our jewelry, through inspections during and after production. We inspect the quality of our incoming raw materials, and we monitor the production processes through frequent inspections of our production facilities to ensure compliance with our standards, as defined in our ISO 9001:2008 quality management system. In addition, our processes are audited every six months by an independent auditor for compliance with ISO 9001:2008. We evaluate our local Thai sub-contractors before selection based on their ability to meet our production needs and standards as well as their compliance with local labor laws. We conduct regular

audits and surprise inspections at their premises, and we continuously examine the products they deliver to us. We believe that our quality control has successfully kept the occurrence of defective finished products at levels that have no material effect on our operations.

We are in the process of expanding our product range to include non-jewelry products, including watches and sunglasses. For the production of our non-jewelry products, we expect to outsource production, as we intend to continue to focus our facilities on the manufacturing of jewelry. We consider quality assurance in our branded products to be fundamental to the value of the PANDORA brand. With this in mind we have put in place a structured method to perform quality inspections for our range of PANDORA-branded watches, which we expect to launch in the fall of 2010, using specialized third party providers to inspect the quality of components as well as the quality of the final products before distribution.

Warehousing and logistics

We maintain warehouse facilities at our production site in Thailand to hold raw materials for production. Although we attempt to keep our supply inventories low, we seek to maintain an adequate supply of raw materials to allow us to avoid purchasing raw materials during periods of sudden increases of commodity prices, but still ensure consistent production levels throughout.

We use third party delivery services to transport our finished products primarily by air transport from Thailand to our warehouses in the United States, Australia, Denmark and Hong Kong. Our warehouse in Denmark serves as a transit location, from which we distribute our products to our subsidiaries (except our subsidiaries in the United States and Australia) and third party distributors around the world. Our products are then shipped from our subsidiaries' and third party distributors' local warehouses (we maintain eight local warehouses for our direct distribution from our distribution subsidiaries) to the points of sale.

Once the products are delivered to the destination country warehouse, they are stocked and, if required, hallmarked prior to sales to the retailers. In order to limit the risk of accumulating excess inventory, we have regular contact with our markets to assess local supply and demand with a view to reallocating inventory from a country that is failing to meet its sales projections to a country that is benefiting from a surge in demand. To ensure more accurate tracking of product internal demand and supply gaps, we are currently developing a global forecasting and inventory management system.

Intellectual Property

Policy for protecting intellectual property

We believe that our intellectual property is a key element of our present and future success. We have adopted an intellectual property strategy with the objective of sustaining our company vision. We rely on a combination of patent, trademark, trade dress, copyright, unfair competition and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual property rights.

Since the Acquisitions in 2008, we have adopted a more comprehensive global registration and policing program with respect to protecting our trademarks and patents, and we have taken legal action where appropriate to prevent others from infringing upon those rights. Our strategy aims to safeguard our intellectual property and secure our freedom to operate by seeking to secure key trademarks and patenting key product innovations, vigorously defending our patents and trademarks and selectively registering and defending our designs. We do not allow our distributors or points of sale to register or use patents, designs, trade or domain names associated with our business without our prior consent. We have focused our efforts on the registration of patents and trademarks which we consider to be the most vital elements of intellectual property for our business and the PANDORA product designs.

See "Risk Factors — Failure to protect adequately our intellectual property could have a material adverse effect on our business, results of operations or financial condition." See also "Additional Information — Legal Proceedings."

Trademarks

We have registered and applied for a number of word and figure marks in various jurisdictions worldwide, including Denmark, elsewhere in Europe, the United States, Australia and Asia, primarily within international trademark class 14, which includes jewelry and watches, and certain other classes which we believe are relevant for the sale of our products. Our current registration include, among others, the PANDORA word mark in the European Union under various classes which we believe are relevant for the sale of our products, including the

international classes for jewelry, leather and clothing. We have also registered “PANDORA Jewelry” for jewelry and leather in the European Union, and for jewelry in the United States, Canada, Japan and Mexico.

Since 2009, we have been carrying out a comprehensive application process aimed at registering our principal trademarks in current and anticipated key markets. These trademarks include the word marks “PANDORA” and “LovePods”, the figure mark “PANDORA with a crowned O” and the “single crowned O” logo. Our application for the mark “PANDORA with a crowned O” is currently being challenged in Spain for the leather goods and clothing classes, putting the registration for the remainder of the European Union on hold while it is determined whether we can acquire the mark in Spain. Likewise, the initial registration application for our “PANDORA” mark has been rejected in China because of its similarity with an existing senior mark.

Patents

While the basic concept of a charm bracelet does not benefit from patent or other intellectual property protection, our international patent family comprises patent rights pertaining to the functionality of our charm bracelets granted or allowed by the European Patent Office (including in respect of the European Union), the United States, Australia, New Zealand, South Africa, China and Norway. The patent generally protects a strand jewelry article, such as a necklace or bracelet, onto which a stop member, referred to as a “stopper,” is fixedly attached. A removable “keeper” is attached to the stopper, creating a component that is thicker than the strand and that acts as a spacer which separates charms that are strung on to the necklace or bracelet. The purpose is to restrict the movement of the charms, including to prevent them from bunching on one side of the strand. Our patent expires in 2023 in the United States and in 2024 in the other jurisdictions in which it has been granted.

Real Property

Our headquarters are located at Hovedvejen 2, 2600 Glostrup, Denmark, where we lease office space of a total of 4,585 square meters. The landlord may not terminate this lease until 1 July 2030, and we may not terminate this lease until 1 July 2020. The total annual rent amounts to DKK 4,587,400, excluding VAT. We also lease minor offices and sales facilities in other markets in which we are represented. We plan to sell or lease our previous headquarters and offices, located at Egegårdsvej 59, Rødovre, Denmark, if an appropriate opportunity arises.

None of our significant properties are subject to material easements that prevent or restrict the current business activities or that are believed to require major investments or costs going forward.

The following table sets forth the significant properties we owned as at 30 June 2010:

<u>Location</u>	<u>Purpose</u>	<u>Size⁽¹⁾</u>
Egegårdsvej 59, Rødovre, Denmark.	Former headquarters	3
88 Soi Sukhapiban 2 Soi 31, Kwaeng Dokmai, Khet Praves, Bangkok 10250, Thailand	Production facility	4
19 Soi Sukhapiban 2 Soi 31, Kwaeng Dokmai, Khet Praves Bangkok 10250, Thailand	Production facility	4
5, 7 and 11 Soi Sukhapiban 2 Soi 31, Kwaeng Dokmai, Khet Praves, Bangkok 10250, Thailand.	Production facility	4
90 Soi Sukhapiban 2 Soi 31, Kwaeng Dokmai, Khet Praves, Bangkok 10250, Thailand	Production facility under construction	4
11 Soi Sukhapiban 2 Soi 31, Kwaeng Dokmai, Khet Praves, Bangkok 10250, Thailand	Production facility under construction	4

(1) The area (in square meters) of the properties is classified as follows: 1 = up to 1,000 square meters; 2 = from 1,001 to 2,000 square meters; 3 = from 2,001 to 3,000 square meters and 4 = more than 3,000 square meters.

The following is a list of significant properties which we leased as at 30 June 2010:

<u>Location</u>	<u>Purpose</u>	<u>Size⁽¹⁾</u>	<u>Expiration Date</u>
Hovedvejen 2, 2600 Glostrup, Denmark	Headquarters, Warehouse	4	2020
8681 Robert Fulton Drive, Suite C, Columbia, MD 21046 United States	Office, Warehouse	2	2011
Jubilee Avenue, Warriewood NSW 2102, Australia	Office, Warehouse	3	2014
Unit 8, Merchant Court, Koppers Way, Monkton Business Park South, Hebburn NE31 2EX, United Kingdom	Warehouse	1	2018
Floors 1 and 3, Clover House, 147-149 Farringdon Road, London EC1R 3HN, United Kingdom	Office	1	2014
Hans-Duncker-Str. 14, 21035 Hamburg, Germany	Office, Warehouse	4	2015
Søndre Ringvej 49, 2605 Brøndby, Denmark	Office, Warehouse	4	2018
ul. 17 Stycznia 45B, 02-146 Warsaw, Poland	Office, Warehouse	1	2014
Suite 1117-18, 11th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong	Office, Warehouse	1	2013
5535 Eglinton Avenue West, Unit 210, Toronto, Ontario, Canada	Office, Warehouse	1	2012

(1) The area (in square meters) of the properties is classified as follows: 1 = up to 1,000 square meters; 2 = from 1,001 to 2,000 square meters; 3 = from 2,001 to 3,000 square meters and 4 = more than 3,000 square meters.

Insurance

Through our insurance brokers, we have arranged insurance to cover risks associated with our business, including property damage, directors' and officers' liability, marine cargo, business interruption and, in selected jurisdictions (including the United States and the United Kingdom), public and product liability and employer's liability insurance. Our business interruption insurance coverage consists of coverage for certain business interruptions of our production facilities in Thailand up to an amount of DKK 880 million as well as global coverage in the amount of DKK 620 million for certain business interruptions (including our production facilities in Thailand).

Corporate Social Responsibility

We are committed to promoting and encouraging CSR practices, from the sourcing of our raw materials to the design, production, marketing and distribution of our jewelry. In addition, we strive to regularly promote charitable causes around the world.

In 2009, we completed a strategic analysis of how to structure our CSR practices, and, as a result, we joined the U.N. Global Compact in the spring of 2010.

We have adopted a CSR policy, which includes a code of conduct for our suppliers based on the U.N. Global Compact in the areas of human rights, labor, environment and anti-corruption. In addition, we have recently joined The Responsible Jewellery Council ("RJC"), an international non-profit organization established to reinforce consumer confidence in the jewelry industry by advancing responsible business practices throughout the jewelry supply chain, with a view to promoting RJC's practices within our business.

In order to drive and coordinate our future activities, we formed a CSR Steering Committee in April 2010 that has met regularly since its formation and have appointed a person globally responsible for CSR practices in our Group.

CSR and production

We believe that having competent, engaged and satisfied employees directly correlates with an efficient and qualitative production process. We therefore aim to ensure a safe work environment and suitable working conditions for our employees. We encourage and reward initiatives taken by our employees to help to sustain such a work environment and minimize accidents at work. We strive to offer competitive employment terms, corresponding benefits and educational programs to enhance our employees' and their families' quality of life.

We comply with local and international laws and customs and expect our suppliers to be in compliance with international laws and local laws applicable to them.

In July 2009, our production facilities in Thailand received the ISO 9001:2008 quality certificate.

CSR and raw materials

We are committed to contributing to the protection of human rights and to act according to internationally recognized principles of raw material procurement. For example, we purchase our diamonds in accordance with the Kimberly Process Certification Scheme, an international process to ensure that the diamond trade does not fund wars and conflicts. Equally, we welcome initiatives promoting responsible practices in relation to sourcing precious metals and other gemstones, such as the guidelines set forth in the Gold Certification Scheme introduced by RJC in December 2009. To promote the safety of our products, we conduct business only with suppliers of silver and gold that can present proper certification and can document that the master alloy mixed with these materials does not contain any known toxins or allergens. On a similar note, our charms made from wood are FSC-certified and developed in cooperation with the Rainforest Protection Initiative, which aims at protecting tropical rainforests and its animals.

Selected Historical Financial and Operating Information

The selected historical consolidated financial information set forth below has been derived from (i) the Audited Annual Financial Statements for the years ended and as at 31 December 2009, 2008 and 2007, (ii) the Unaudited Interim Financial Statements for the six months ended and as at 30 June 2010 and 2009 and (iii) our unaudited interim financial statements and accounting records as at and for other interim periods. The Audited Annual Financial Statements have been prepared in accordance with IFRS. The Unaudited Interim Financial Statements have been prepared in accordance with IAS 34. The Audited Financial Statements have been audited and the Unaudited Interim Financial Statements have been reviewed by Ernst & Young, independent auditors. The selected historical operating information set forth below has been derived from our regularly maintained records and operating systems. Investors should read the following information together with the Audited Annual Financial Statements and the Unaudited Interim Financial Statements, including the notes to those financial statements, included in this Offering Circular and “Operating and Financial Review.”

The following tables present our Consolidated Income Statement, our Consolidated Balance Sheet and our Cash Flow Statement for the periods indicated:

Consolidated Income Statement

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue	2,581	1,262	3,461	1,658
Cost of Sales	(775)	(412)	(1,073)	(647)
Gain and losses on raw material derivatives ⁽¹⁾	—	62	83	(19)
Gross profit	1,806	912	2,471	992
Distribution costs	(644)	(216)	(743)	(290)
Administrative expenses	(270)	(64)	(304)	(69)
Operating profit	892	632	1,424	633
Financial income	37	30	79	23
Financial expenses	(111)	(131)	(314)	(240)
Profit before tax	818	531	1,189	416
Income tax expense	(147)	(84)	(184)	(110)
Net profit	671	447	1,005	306
Attributable to:				
Equity holders of PANDORA A/S	649	447	970	306
Non-controlling interests	22	—	35	—
DKK				
Earnings per share				
Profit attributable to ordinary equity holders				
of the parent, basic	543	894	1,939	612
Profit attributable to ordinary equity holders				
of the parent, diluted	543	891	1,932	610

(1) Includes, for all periods prior to H1 2010, realized and unrealized gains and losses on raw material derivatives. In H1 2009, FY 2009 and FY 2008, we had DKK 18 million, DKK 64 million and DKK 0 million, respectively, of realized gains and losses, and DKK 44 million, DKK 19 million, and DKK (19) million, respectively, of unrealized gains and losses. From 1 January 2010, we have recorded unrealized gains and losses, and certain realized gains and losses related to hedging, in other comprehensive income. In addition, from 1 January 2010, we have reflected realized gains and losses, and the release of unrealized and realized gains and losses from other comprehensive income when the hedged inventory is sold, in our Income Statement under cost of sales. See “Operating and Financial Review — Principal Factors Affecting our Results of Operations — Fluctuations in raw material costs.” For a description of the applicable accounting policies, see our Unaudited Interim Financial Statements included under “Financial Information” elsewhere in this Offering Circular.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

<u>DKK million</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>
Revenue	1,343	1,238	1,374	825	675	587
Cost of Sales	(364)	(411)	(364)	(297)	(223)	(189)
Gain and losses on raw material derivatives ⁽¹⁾ . . .	—	—	3	18	6	56
Gross profit	979	827	1,013	546	458	454
Distribution costs	(345)	(299)	(302)	(225)	(114)	(102)
Administrative expenses . . .	(154)	(116)	(170)	(70)	(35)	(29)
Operating profit	480	412	541	251	309	323
Financial income	17	20	25	24	9	21
Financial expenses	(8)	(103)	(91)	(92)	(41)	(90)
Profit before tax	489	329	475	183	277	254
Income tax expense ⁽²⁾	(88)	(59)	(70)	(30)	(45)	(39)
Net profit	401	270	405	153	232	215

- (1) Includes, for all periods prior to H1 2010, realized and unrealized gains and losses on raw material derivatives. In Q4 2009, Q3 2009, Q2 2009 and Q1 2009, we had DKK 24 million, DKK 21 million, DKK 11 million and DKK 7 million, respectively, of realized gains and losses and DKK (21) million, DKK (3) million, DKK (3) million and DKK 47 million, respectively, of unrealized gains and losses. From 1 January 2010, we have recorded unrealized gains and losses, and certain realized gains and losses related to hedging, in other comprehensive income. In addition, from 1 January 2010, we have reflected realized gains and losses, and the release of unrealized and realized gains and losses from other comprehensive income when the hedged inventory is sold, in our Income Statement under cost of sales. See “Operating and Financial Review — Principal Factors Affecting our Results of Operations — Fluctuations in raw material costs.” For a description of the applicable accounting policies, see our Unaudited Interim Financial Statements included under “Financial Information” elsewhere in this Offering Circular.
- (2) The effective tax rates for Q2 2010, Q1 2010, Q4 2009, Q3 2009, Q2 2009 and Q1 2009, respectively, are 18.0%, 17.9%, 14.7%, 16.4%, 16.2% and 15.4%.

Consolidated Balance Sheet

DKK million	As at 30 June 2010	As at 30 June 2009	As at 31 December 2009	As at 31 December 2008
ASSETS				
Non-current assets				
Goodwill	1,901	930	1,208	932
Brand	1,061	1,032	1,048	1,032
Distribution network	367	411	396	426
Distribution rights	1,217	898	884	900
Property, plant and equipment	291	134	205	115
Deferred tax asset	73	10	76	29
Other non-current assets	47	1	21	1
Total non-current assets	4,957	3,416	3,838	3,435
Current assets				
Inventories	990	208	433	143
Trade receivables	555	275	622	332
Receivables from parent company	—	—	—	17
Other receivables	271	90	58	22
Tax receivables	50	22	41	28
Cash and short-term deposits	178	680	824	305
Total current assets	2,044	1,275	1,978	847
Total assets	7,001	4,691	5,816	4,282
EQUITY AND LIABILITIES				
Shareholders' equity				
Issued capital	126	—	1	—
Share premium	—	—	—	—
Foreign currency translation reserve	568	140	164	119
Other reserves	60	6	11	2
Retained earnings	1,620	753	1,275	306
Equity attributable to equity holders of the parent company	2,374	899	1,451	427
Non-controlling interests	622	—	197	—
Total shareholder's equity	2,996	899	1,648	427
Non-current liabilities				
Subordinated loan from parent company	—	1,320	1,363	1,299
Interest-bearing loans and borrowings	1,337	1,304	1,340	1,395
Provisions	20	2	5	1
Deferred tax liability	621	575	559	586
Other liability	435	—	—	—
Total non-current liabilities	2,413	3,201	3,267	3,281
Current liabilities				
Subordinated loan from parent company	—	27	37	16
Interest-bearing loans and borrowings	791	200	235	282
Provisions	113	31	64	23
Payables to parent company	34	—	—	—
Trade payables	152	39	105	30
Income tax payables	244	168	207	124
Other payables	258	126	252	97
Total current liabilities	1,592	591	900	573
Total liabilities	4,005	3,792	4,167	3,854
Total equity and liabilities	7,001	4,691	5,816	4,282

Consolidated Cash Flow Statement

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Profit before tax	818	531	1,189	416
Net financials	74	101	235	217
Amortization/depreciation	128	22	148	33
Warrants	4	4	8	2
Changes in inventories	(438)	(68)	(139)	54
Changes in receivables	(24)	(13)	(174)	(231)
Changes in current liabilities	80	97	227	58
	642	674	1,494	549
Adjustments, exchange rates, etc.	8	14	17	58
Net Interest paid	(207)	(97)	(210)	(146)
Income taxes paid	(127)	(35)	(235)	(68)
Cash inflow from operating activities⁽¹⁾	316	556	1,066	393
Investing activities				
Acquisition of subsidiaries, net of cash acquired	8	(1)	(75)	(2,924)
Purchase of intangible assets	—	—	(15)	—
Investment in receivable	(77)	—	—	—
Purchase of property, plant and equipment	(82)	(25)	(103)	(48)
Proceeds from the sale of property, plant and equipment	—	—	—	1
Purchase of other non-current assets	—	—	(14)	—
Cash outflow from investing activities	(151)	(26)	(207)	(2,972)
Financing activities				
Capital contribution, non-controlling interest	—	—	—	—
Dividend paid	(166)	—	—	—
Proceeds from selling warrants	—	1	1	—
Proceeds from borrowings	773	—	—	1,798
Repayment of borrowings	(1,470)	(158)	(344)	(165)
Proceeds from subordinated loan	—	—	—	1,250
Cash outflow/inflow from financing activities	(863)	(157)	(343)	2,883
Net increase in cash and cash equivalents	(698)	373	516	304
Cash and short-term deposits at end of period				
Cash and short-term deposits at 1/1	824	305	305	—
Net foreign exchange difference	52	2	4	—
Net increase in cash and cash equivalents	(698)	373	516	304
Cash and short-term deposits at 31/12	178	680	824	305
Unutilized portion of credit facilities inclusive of cash and cash equivalents	206	715	35	35

(1) Free cash flow for H1 2010, H1 2009, FY 2009 and FY 2008, respectively, was DKK 441 million, DKK 628 million, DKK 1,144 million and DKK 492 million.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

The following table presents selected data from our Consolidated Cash Flow Statement for the periods indicated:

Selected Consolidated Cash Flow Statement Data

<u>DKK million</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>
Net cash flows from operating activities	260	56	368	142	296	260
Net cash flows used in investing activities ⁽¹⁾	(122)	(29)	(58)	(123)	(14)	(12)
Net cash flows from financing activities	(263)	(600)	(112)	(74)	(57)	(100)
Net change in cash and cash equivalents⁽¹⁾	(125)	(573)	198	(55)	225	148

(1) Free cash flow, defined as net cash flows from operating activities adjusted for interest received and paid less net cash from investing activities adjusted for acquisitions of subsidiaries, for Q2 2010, Q1 2010, Q4 2009, Q3 2009, Q2 2009 and Q1 2009, respectively, was DKK 229 million, DKK 212 million, DKK 374 million, DKK 142 million, DKK 339 million and DKK 289 million.

Revenue Data

The following tables present our consolidated revenue by reporting segment and major market for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008^(2,5)</u>
Revenue by Reporting Segment and Major Market:				
Americas	1,187	619	1,558	694
United States	1,054	583	1,459	646
Other	133	36	99	48
Europe ⁽¹⁾	1,038	442	1,207	665
United Kingdom	342	153	472	92
Germany ⁽²⁾	304	138	348	207
Other	392	151	387	366
Asia Pacific ⁽³⁾	356	201	696	299
Australia ⁽⁴⁾	323	201	649	299
Other	33	—	47	—
Total Revenue	2,581	1,262	3,461	1,658

(1) We estimate that DKK 186 million of our DKK 596 million revenue growth in Europe in H1 2010 compared with H1 2009 is the result of structural changes due to the formation of PANDORA Jewelry CWE which resulted in a shift to direct distribution in H1 2010. The DKK 186 million has been calculated by multiplying a factor (x) representing the difference between the average price per SKU achieved by PANDORA Jewelry CWE in H1 2010 (which reflected direct distribution) and in H1 2009 (which reflected sales to our former third party distributor) by a factor (y) representing the volume of SKUs sold in H1 2009. We do not have available the average price per SKU in CWE in H1 2009 achieved by our former third party distributor. As a result, the accuracy of our estimate may be adversely affected by changes between the periods in terms of the price range of our products and the product mix offered.

(2) Reflects revenue from our sales to PANDORA Jewelry CWE, our former German third party distributor in H1 2009, FY 2009 and FY 2008. This includes revenue relating to products purchased by our former third party German distributor for sale in Austria and Switzerland prior to the formation of PANDORA Jewelry CWE in January 2010. Upon our shift to direct distribution through the formation of PANDORA Jewelry CWE, sales in these countries are accounted for as “Europe — Other.”

(3) We estimate that DKK 104 million of our DKK 155 million revenue growth in Asia Pacific in H1 2010 compared with H1 2009 is the result of structural changes due to acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor, in July 2009. The DKK 104 million reflects the difference between our sales in H1 2009 to Ad Astra Holdings Pty Ltd., when it was a third party distributor, and Ad Astra Holdings Pty Ltd.’s sales to its customers in H1 2009. See Note 3 to our Audited Annual Financial Statements included under “Financial Information” for a presentation of our revenue for FY 2009 as adjusted to reflect the hypothetical scenario where our acquisition of the interest had occurred on 1 January 2009.

(4) Reflects revenue from sales to Ad Astra Holdings Pty Ltd., our former third party Australia distributor, in H1 2009, FY 2008 and, prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009, in FY 2009. This includes revenue relating to products purchased by our former third party Australia distributor, for sale in New Zealand and the Fiji Islands prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009. Upon our shift to direct distribution through the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., sales in these countries are accounted for as “Asia — Other.”

(5) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

<u>DKK million</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>
Quarterly Revenue by Reporting Segment and Major Market:						
Americas	623	564	563	376	325	294
United States	549	505	525	351	304	279
Other	74	59	38	25	21	15
Europe	548	490	468	297	242	200
United Kingdom	191	151	213	106	88	65
Germany ⁽¹⁾	149	155	125	85	78	60
Other	208	184	130	106	76	75
Asia Pacific	172	184	343	152	108	93
Australia ⁽²⁾	157	166	300	148	108	93
Other	15	18	43	4	—	—
Total Revenue	<u>1,343</u>	<u>1,238</u>	<u>1,374</u>	<u>825</u>	<u>675</u>	<u>587</u>

- (1) Reflects revenue from sales to PANDORA Jewelry CWE, our former German third party distributor in H1 2009, Q2 2009, FY 2009 and FY 2008. This includes revenue relating to products purchased by our former third party German distributor for sale in Austria and Switzerland prior to the formation of PANDORA Jewelry CWE in January 2010. Upon our shift to direct distribution through the formation of PANDORA Jewelry CWE, revenue from these countries, which was DKK 74 million in H1 2010, is accounted for as "Europe — Other."
- (2) Reflects revenue from sales to Ad Astra Holdings Pty Ltd., our former third party Australia distributor, in H1 2009, Q2 2009, FY 2008 and, prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009, in FY 2009. This includes revenue relating to products purchased by our former third party Australia distributor, for sale in New Zealand and the Fiji Islands prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009. Upon our shift to direct distribution through the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., revenue from these countries, which was DKK 30 million in H1 2010, is accounted for as "Asia — Other."

The following tables present our consolidated revenue by product category for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue by Product Category:				
Charms	1,807	958	2,537	1,165
Sterling silver and gold charm bracelets	417	191	551	266
Total sterling silver and gold charm bracelets and charms	2,224	1,149	3,088	1,431
Other jewelry	343	107	359	220
Other ⁽¹⁾	14	6	14	7
Total	<u>2,581</u>	<u>1,262</u>	<u>3,461</u>	<u>1,658</u>

- (1) Other revenue includes revenue from repair and cleaning of jewelry as well as freight charges.
- (2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisitions, 7 March 2008.

<u>DKK million</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>
Quarterly Revenue by Product Category:						
Charms	925	882	968	611	526	432
Sterling silver and gold charm bracelets	211	207	233	128	87	104
Total sterling silver and gold charm bracelets and charms	1,136	1,089	1,201	739	613	536
Other jewelry	205	137	170	82	59	48
Other ⁽¹⁾	2	12	3	4	3	3
Total	<u>1,343</u>	<u>1,238</u>	<u>1,374</u>	<u>825</u>	<u>675</u>	<u>587</u>

- (1) Other revenue includes revenue from repair and cleaning of jewelry as well as freight charges.

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue by Distribution						
Channel:						
Direct distribution ⁽¹⁾	2,390	797	1,243	424	2,608	755
Third party distribution	191	465	100	251	853	903
Total	2,581	1,262	1,343	675	3,461	1,658

- (1) This includes distribution directly to sales channels through our distribution subsidiaries and distribution to end-consumers through our directly operated stores.
- (2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

Profitability Data

The following tables present our EBITDA by reporting segment, consolidated EBITDA and net profit for the periods indicated:

<u>DKK million</u>	<u>H1 2010⁽³⁾</u>	<u>H1 2009</u>	<u>FY 2009⁽³⁾</u>	<u>FY 2008⁽⁴⁾</u>
Americas	624	348	792	321
Europe	416	256	642	352
Asia Pacific	160	129	404	164
Unallocated Costs ⁽¹⁾	(180)	(79)	(266)	(171)
EBITDA ⁽²⁾	1,020	654	1,572	666
Net profit	671	447	1,005	306

- (1) Includes unallocated costs relating to headquarters, central marketing and administration in Thailand.
- (2) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated.

The following is a reconciliation of consolidated operating profit to consolidated EBITDA:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽⁴⁾</u>
Operating profit	892	632	1,424	633
Depreciation and amortization.	128	22	148	33
EBITDA	1,020	654	1,572	666

- (3) In our internal management reporting, the one-off negative impact on costs of sales of DKK 66 million in FY 2009 as a result of the taking over of inventory from our former independent Australian distributor is allocated across all geographical segments, based on the volume of sales per segments. In accordance with IFRS 8, the segmental information above is based on our internal management reporting and hence no adjustment is made. In H1 2010, as a result of a change in our internal management reporting guidelines, we allocated the one-off negative impact on costs of sales of DKK 50 million as a result of the taking over of inventory from our former independent German distributor only to the geographical segment Europe. As a result, any comparison of our EBITDA by geographical segment between these periods is not necessarily meaningful and may not be indicative of future development.
- (4) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

DKK million	Q2 2010	Q1 2010⁽³⁾	Q4 2009⁽³⁾	Q3 2009⁽³⁾	Q2 2009	Q1 2009
Americas	334	290	272	172	177	171
Europe	230	186	263	123	123	133
Asia Pacific	71	89	204	71	64	65
Unallocated Costs ⁽¹⁾	(89)	(91)	(130)	(57)	(44)	(35)
EBITDA ⁽²⁾	546	474	609	309	320	334
Net profit	401	270	405	153	232	215

(1) Includes unallocated costs relating to headquarters, central marketing and administration in Thailand.

(2) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated.

The following is a reconciliation of consolidated operating profit to consolidated EBITDA:

DKK million	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Operating profit	480	412	541	251	309	323
Depreciation and amortization	66	62	68	58	11	11
EBITDA	546	474	609	309	320	334

(3) In our internal management reporting, the one-off negative impact on costs of sales of DKK 66 million in FY 2009 as a result of the taking over of inventory from our former independent Australian distributor is allocated across all geographical segments, based on the volume of sales per segments. In accordance with IFRS 8, the segmental information above is based on our internal management reporting and hence no adjustment is made. In H1 2010, as a result of a change in our internal management reporting guidelines, we allocated the one-off negative impact on costs of sales of DKK 50 million as a result of the taking over of inventory from our former independent German distributor only to the geographical segment Europe. As a result, any comparison of our EBITDA by geographical segment between these periods is not necessarily meaningful and may not be indicative of future development.

Sales Channel Data

The following table presents the number of points of sale by sales channel and by geographical segment as at the dates indicated:

	Americas			Europe			Asia Pacific			Total		
	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009
Number of points of sale												
Points of Sale by Sales Channel:												
Concept Stores ⁽¹⁾	90	81	70	135	126	93	37	33	33	262	240	196
Shop-in-shops ⁽²⁾	198	155	133	409	362	280	118	106	99	725	623	512
Gold Level	625	635	605	681	609	588	159	164	152	1,465	1,408	1,345
PANDORA-												
branded total	913	871	808	1,225	1,097	961	314	303	284	2,452	2,271	2,053
Silver Level	995	948	929	1,124	1,058	1,040	98	98	92	2,217	2,104	2,061
White Level ⁽³⁾	621	648	800	4,276	4,542	4,515	356	367	397	5,253	5,557	5,712
Multi-brand total	1,616	1,596	1,729	5,400	5,600	5,555	454	465	489	7,470	7,661	7,773
Total	2,529	2,467	2,537	6,625	6,697	6,516	768	768	773	9,922	9,932	9,826

(1) Of these, we directly operated 47, 44 and 43 Concept Stores as at 30 June 2010, 31 March 2010 and 31 December 2009, respectively.

(2) Of these, we directly operated 23, 19 and 20 Shop-in-shops as at 30 June 2010, 31 March 2010 and 31 December 2009, respectively.

(3) Includes travel retail.

The following table presents our revenue from direct distribution by sales channel and from third party distribution for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>Q2 2010</u>
Revenue from Direct Distribution by Sales Channel:		
Concept Stores	541	299
Shop-in-shops	509	266
Gold Level.	581	304
PANDORA-branded total	1,631	869
Silver Level.	444	224
White Level.	315	150
Multi-brand total.	759	374
Revenue from Third Party Distribution	191	100
Total	2,581	1,343

The following table presents the number of points of sale per sales channel served by our distribution subsidiaries as at the dates indicated:

<u>Number of Points of Sale</u>	<u>As at 30 June 2010</u>	<u>As at 30 June 2009</u>
Direct distribution by Points of Sale per Sales Channel:		
Concept Stores ⁽¹⁾	243	180
Shop-in-shops ⁽²⁾	624	424
Gold Level.	1,384	1,286
Silver Level.	1,988	1,930
White Level ⁽³⁾	3,300	3,709
Direct distribution total	7,539	7,529 ⁽⁴⁾
Third party distributors	2,383	2,297
Total	9,922	9,826

(1) Includes 43, 44 and 47 PANDORA-owned Concept stores at year end 2009, Q1 2010 and H1 2010, respectively.

(2) Includes 20, 19 and 23 PANDORA-owned Shop-in-shops at year end 2009, Q1 2010 and H1 2010, respectively.

(3) Includes travel retail.

(4) Includes points of sale served by PANDORA Jewelry CWE, which we formed in January 2010.

The following table presents our revenue and volume of SKUs sold per point of sale for the periods indicated:

	<u>H1 2010</u>	<u>H1 2009</u>
Revenue and Volume per Point of Sale:		
Revenue per point of sale (DKK thousand)	261	139
Volume of SKUs sold (net of SKUs returned) per point of sale	2,374	1,814

DKK thousand

H1 2010

**Revenue per Point of Sale
by Sales Channel:⁽¹⁾**

Concept Store	2,558
Shop-in-shops	971
Gold Level	435
Silver Level	227
White Level ⁽²⁾	90

(1) Calculated as revenue for the period divided by the average number of points of sales per sales channel at the beginning and end of the period, excluding revenue from third party distributors and points of sale served by third party distributors.

(2) Includes travel retail.

The following table presents shifts between sales channels of the points of sale which existed as at 31 December 2009 in H1 2010:

	H1 2010				
	Multi-brand		PANDORA-brand		
	White Level	Silver Level	Gold Level	Shop-in-Shops	Concept Stores
Point of Sale Upgrades by Sales Channel:					
Number of existing points of sale shifting into of sales channel ⁽¹⁾	—	389	259	185	9
Number of existing points of sale shifting out of sales channel ⁽¹⁾	397)	(233)	(189)	(23)	—
Net change per existing sales channel . . .	<u>(397)</u>	<u>156</u>	<u>70</u>	<u>162</u>	<u>9</u>

(1) Shifts out of, and into, sales channels include reclassifications due to change in retail guidelines during periods.

The following table presents openings of new points of sale in H1 2010.

	H1 2010				
	Multi-brand		PANDORA-brand		
	White	Silver ⁽¹⁾	Gold ⁽¹⁾	Shop-in-Shops ⁽¹⁾	Concept Stores ⁽¹⁾
Point of Sale Openings	468	—	50	51	57
Point of Sale Closures.	(530)	—	—	—	—

(1) Number of Silver Level, Gold Level, Shop-in-shops and Concept Stores shown net of store closures.

Operating and Financial Review

The following is a discussion of our financial condition and results of operations for the years ended and as at 31 December 2009, 2008 and 2007 and for the six months ended and as at 30 June 2010 and 2009. This discussion should be read in conjunction with the selected historical financial information and our Audited Annual Financial Statements and Unaudited Interim Financial Statements and the notes thereto presented under "Financial Information." Some of the information contained in the following discussion contains forward-looking statements that involve risks and uncertainties. Investors should read the section entitled "Special Notice Regarding Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements. Investors should also read the section entitled "Risk Factors" for a discussion of certain factors that may affect our business, results of operations or financial condition.

Overview of Business

We are a designer, manufacturer, marketer and distributor of hand-finished and modern jewelry made from genuine materials – primarily sterling silver, gold, precious and semi-precious stones and Murano glass. As at 30 June 2010, our jewelry was sold in 47 countries on six continents across different sales channels through approximately 10,000 points of sale.

Our charm bracelets, made from sterling silver or gold, and charms featured in our Moments collection, constitute our core product offering. They represented in aggregate 89.2% and 86.2% of our revenue in FY 2009 and H1 2010, respectively. Our results of operations are, and are expected to continue to be, primarily dependent upon the level of sales of charm bracelets and charms in all our markets. In addition, we offer other pieces of jewelry, such as rings, bracelets, necklaces and earrings, through our Moments, Stories, Compose, LovePods and Liquid Silver collections.

We report our revenues primarily by geographical segments, divided among the Americas, Europe and Asia Pacific. Revenue from the sale of our products is recognized in the geographical segment in which the external customer (which may be a third party distributor, sales channel or end-consumer) to whom we sell our products is located. Within our geographical segments, the United States is our largest market, accounting for 40.8% of our revenue in H1 2010. The United Kingdom, Australia and Germany are our next largest markets, accounting for 13.2%, 12.5% and 11.8% of our revenue, respectively, in H1 2010. We plan to continue to expand our geographical footprint into new markets as well as deepen our penetration in existing markets.

We operate a vertically integrated business model from design through production to distribution. In-house designers located in Denmark create our designs and continuously enhance our jewelry product range. We produce almost all our jewelry at our production facilities located in Gemopolis, a jewelry business zone on the outskirts of Bangkok, Thailand, from where the products are distributed to points of sale primarily directly, but also through third party distributors.

We have experienced significant growth in our business and operations during the periods under review. Our consolidated revenue, EBITDA and net profit increased from DKK 1,904 million, DKK 778 million and DKK 356 million, respectively, in 2008 (adjusted to reflect operations for the 12 month period ended 31 December 2008) to DKK 3,461 million, DKK 1,572 million and DKK 1,005 million, respectively, in FY 2009. Our consolidated revenue, EBITDA and net profit grew by approximately 104.5%, 56.0% and 50.1%, respectively, in H1 2010, as compared with H1 2009, to DKK 2,581 million, DKK 1,020 million and DKK 671 million, respectively, during H1 2010.

This growth has been due to increasing demand for our products in our established markets, our expansion into new markets and as a result of our significant structural changes. These structural changes, discussed in more detail below, include those brought about by the Acquisitions in March 2008 and a further increase in our level of direct distribution to points of sale in recent years, including through the acquisition by us of controlling interests in previously third party distribution operations during 2009 and 2010. As a result, any comparison of our results of operations or financial condition between successive or comparable periods is not necessarily meaningful and may not be indicative of future results.

In recent years, we have also experienced significant organic growth into new markets. In March 2009, we established a distribution subsidiary in Poland (PANDORA Jewelry CEE Sp. z.o.o.), in which we hold a 86% interest, to develop our commercial operations in Central Eastern Europe and, in November 2009, established a Hong Kong distribution subsidiary (PANDORA Jewelry Asia-Pacific Ltd.), in which we have a 92% interest, in order to expand our product distribution in Asia. In 2009, we also began to distribute directly into Hungary, Chile,

Costa Rica, Czech Republic, Honduras and Slovakia and to distribute through third party distributors in Estonia, Brazil, Cyprus, Singapore and South Africa.

In 2010, we began to distribute through third party distributors in Croatia, Serbia, Slovenia, Ukraine, Turkey, South Korea and Taiwan. In January 2010, we formed a sales subsidiary in the Czech Republic wholly-owned by PANDORA Jewelry CEE Sp. z.o.o., which is responsible for sale and distribution of products in the Czech Republic. Through PANDORA Jewelry CEE Sp. z.o.o., we also established PANDORA Jewelry Hungary Kft. in July 2010 for the sale and distribution of products in Hungary, Romania and Moldova. PANDORA Jewelry CEE Sp. z.o.o. holds a 51% interest in PANDORA Jewelry Hungary Kft.

In July 2010, we began to distribute through PANDORA Jewelry CWE in Italy.

Principal Sources of Revenues and Operating Costs

Sources of revenue

We generate almost all of our revenues from the sale of our products:

- to points of sale through our distribution subsidiaries and directly to end-consumers through our directly operated stores which represented, in the aggregate, 75.4% and 92.6% of our revenues in FY 2009 and H1 2010, respectively; and
- to third party distributors who sell our products to points of sale for sale to end-consumers, which represented 24.6% and 7.4% of our revenues in FY 2009 and H1 2010, respectively.

In addition, we generate limited revenue from after sales service, freight charges and franchise fees.

Sources of costs

Our operating costs consist primarily of:

- the costs of producing our jewelry at our production facilities in Thailand, principally costs related to the procurement of raw materials (in particular, silver and gold), direct wages and personnel expenses and energy costs and, beginning H1 2010, the costs of procuring our non-jewelry products (our PANDORA-branded watches and sunglasses to be launched in the fall of 2010 and in 2011, respectively), the production of which we have out-sourced to third parties; and
- sales, marketing and administration expenses, which include costs associated with advertising our products, point of sale costs such as packaging, brochures, displays materials, costs of supplying PANDORA-branded fixtures and fittings to certain of our points of sale, costs associated with the training of sales staff to market our products, costs associated with our directly operated stores and the compensation costs of our design, marketing and central management and administrative teams.

Events Affecting Comparability of Our Results of Operations

The Acquisitions

On 7 March 2008, PANDORA A/S completed the acquisitions (the “Acquisitions”) of 100% interests in each of Pilisar ApS and Populair A/S (companies responsible for Danish PANDORA operations and sales), PANDORA Production Co. Ltd. (a company responsible for production operations in Thailand), and PANDORA Jewelry America ApS (a holding company responsible for the PANDORA sales and distribution business in North America). The operations of the acquired entities were not under common control prior to the Acquisitions. Prior to the Acquisitions, Wipec Holding ApS, a company controlled by our founder, Per Enevoldsen and his family, held 100% of Pilisar ApS and Populair A/S, 90% of PANDORA Production Co. Ltd. and 25% of PANDORA Jewelry America ApS. The results of operations of the acquired entities in the periods leading up to the Acquisitions reflected increasing demand for our products, including as a result of introduction of new products and collections (such as our Compose collection in FY 2007) and other new products as well as expansion into new markets (the Fiji Islands, Ireland and Jamaica in FY 2007). In FY 2007, 18.2 million SKUs were produced, increasing from 9.6 million SKUs in FY 2006 (24.5 million SKUs were produced in FY 2008). For more information about historical growth in the United States, which in recent years has been our largest market in terms of revenue representing 40.8% of our total revenue in H1 2010, see the table presenting the number of points of sale and the number of Concept Stores located in the United States, the table presenting the revenue of Pandora Jewelry, Inc. and the table presenting the percentage change in revenues from like-for-like (“LFL”) stores in the United States in “Business — Our Markets.” For more information about the historical development of our produced SKUs, see “Business — Procurement of Raw Materials & Production.”

Prior to the completion of the Acquisitions, PANDORA A/S was a dormant company. The operations of the acquired entities have been consolidated into the financial statements of PANDORA A/S since 7 March 2008 only. As a result, our results of operations in FY 2007 are negligible and do not reflect the operations of the entities acquired in connection with the Acquisitions, and our results of operations in FY 2008 reflect only approximately 10 months of these operations, beginning on 7 March 2008 to 31 December 2008. See Note 3 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of the accounting treatment of the Acquisition.

At the completion of the Acquisitions, 100% of the shares in PANDORA A/S were held by the Selling Shareholder, Prometheus Invest ApS. Axcel Prometheus Invest 2 ApS, a company controlled by Axcel, held 60% of the shares of the Selling Shareholder (which has since been diluted to 59.3% by allowing management to acquire interests in the Selling Shareholder). Entities owned by Per Enevoldsen and his family, as well as other longstanding contributors to our business (the founders of our U.S. sales and distribution business, designers, and a former sales director), held the remaining interests. For a discussion on the ownership structure of the Selling Shareholder immediately prior to and after the Offering, see “Ownership Structure and Related Party Transactions.”

Significant structural changes relating to shift to direct distribution

Since the Acquisitions, we have undertaken a number of actions, including significant structural changes in our existing markets as well as organic growth into new markets, which have resulted in a significant increase in the percentage of revenue we derive from our direct distribution to points of sale through our distribution subsidiaries and to end-customers through our directly operated stores. In FY 2009, our direct distribution accounted for 75.4% of our revenues compared with 45.5% in FY 2008. While increasing our direct distribution activity has increased costs, these structural changes have had a positive effect on our gross margins as we are able capture a higher proportion of the revenues at retail value from our products when compared to the proportion we are able to achieve when selling through third party distributors. We believe that significant structural changes in recent years, including acquisitions of third party distributors, have resulted in differences in the frequency and amount of sales within periods and between periods and, as such, any comparison of such periods may not be particularly meaningful, in particular between quarterly periods.

The following table presents our consolidated revenue by distribution channel for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽²⁾</u>
Revenue by Distribution Channel:						
Direct distribution ⁽¹⁾	2,390	797	1,243	424	2,608	755
Third party distribution . . .	191	465	100	251	853	903
Total	<u>2,581</u>	<u>1,262</u>	<u>1,343</u>	<u>675</u>	<u>3,461</u>	<u>1,658</u>

(1) This includes distribution directly to points of sale through our distribution subsidiaries and distribution to end-consumers through our directly operated stores.

(2) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

We established a wholly owned distribution subsidiary in the United Kingdom in 2008 and took over direct distribution of PANDORA products in the United Kingdom on 1 January 2009 after we ended our relationship with our former distributor in that market.

In August 2009, we completed the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor in Australia, for a total consideration of AUS 61.2 million (paid in installments of AUS 21.2 million in July 2009, AUS 20 million in January 2010 and AUS 20 million payable in January 2011 (for which we have a provision)). See “— Financial Indebtedness.” The operations of Ad Astra Holdings Pty Ltd. have been consolidated in the financial statements of PANDORA A/S since 1 July 2009. As a result, our financial statements for FY 2008 and H1 2009 included in this Offering Circular reflect sales from us to Ad Astra Holdings Pty Ltd. as distributor of our products.

In January 2010, we formed PANDORA Jewelry CWE, in which we have a 51% interest, with our former third party German distributor. Our former German distributor transferred its exclusive distribution rights for PANDORA products in Germany, Austria, Switzerland and we transferred our exclusive distribution rights in the Netherlands, where we previously distributed our products through a third party distributor, and Italy, which is a new market, and granted an extension until 2019 for the exclusive rights to the German, Austrian and Swiss markets to PANDORA Jewelry CWE. The operations of PANDORA Jewelry CWE have been consolidated in the financial statements of PANDORA A/S since 1 January 2010. As a result, our financial statements for FY 2008,

H1 2009 and FY 2009 do not consolidate the operations of PANDORA Jewelry CWE, but do include sales from us to our former third party German distributor.

We have exercised options available to us, subject to admission of the Shares for listing on the NASDAQ OMX Copenhagen, to acquire the remaining interests in Ad Astra Holdings Pty Ltd. and PANDORA Jewelry CWE and expect to use the proceeds from the Offering primarily to make certain cash payments required with respect thereto. See “Use of Proceeds” and “— Principal Factors Affecting Our Results of Operations — Non-controlling interests and effect of exercise of options.”

Principal Factors Affecting Our Results of Operations

In addition to the factors affecting comparability of our results of operations described above, our results of operations have been affected in the periods under review, and are expected to continue to be affected, by the following principal factors relating to our business.

Economic conditions

Our revenues and results of operations are impacted by global economic conditions as well as specific economic conditions in our principal markets, the United States, the United Kingdom, Australia and Germany. Such conditions include levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, stock market and housing market performance, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and consumer willingness to spend.

We operate in the affordable segment of the fine jewelry market, and we consider our global target market to have been worth approximately USD 54 billion in 2009. In 2007 through 2009, despite the economic downturn, revenues at retail value in our target market grew 1% per annum on average. The growth in our target market was driven by trends experienced in recent years in the fine jewelry market generally, including branding, fashionability, and customization, as well as other trends more specific to our segment including the increasing self-purchases by women and customizable jewelry (in particular charm bracelets and necklaces). Our target market also benefited in 2009 from down-trading of end-consumers from the luxury and high segments of the fine jewelry market as a consequence of the downturn. See “Industry” for definitions of terms used in this paragraph and sources for data.

Seasonality

Our revenues are subject to certain seasonal retail purchasing patterns. While the organic growth and significant structural changes in our business during the periods under review do not permit us to distinguish distinct seasonal patterns for comparability during these periods, we believe that there is typically a seasonal concentration of sales of our products in the period leading up to, and around, the Christmas holiday season. As a result of this seasonality, our financial performance for the full financial year is in part dependent on the success of our sales for the Christmas holiday season, and our results for the first half of a year are not indicative of our results for the full year.

Fluctuations in raw material costs

The procurement of silver and gold used in our jewelry represents the most significant cost of sales for our business and fluctuations in these and other raw material prices significantly impact our gross margin. Like other commodities, supplies of silver and gold are limited and their prices are subject to volatility based on international supply and demand. During the period 1 January 2007 to 30 June 2010, the price of recovered silver peaked at USD 20.8 per ounce on 5 March 2008 and experienced a low of USD 9.0 per ounce on 20 November 2008 while the price of gold peaked at USD 1,257.4 per ounce on 18 June 2010 and experienced a low of USD 607.4 per ounce on 5 January 2007. The average daily market price for recovered silver and gold, per ounce, was USD 14.7 and USD 974.1, respectively, in FY 2009 compared with USD 15.0 and USD 872.2, respectively, in FY 2008 and USD 13.4 and USD 697.2 per ounce in FY 2007. Gold and silver prices continued to increase and, in Q1 2010 and Q2 2010, the average daily market price for recovered silver per ounce was USD 16.9 and USD 18.4, respectively, and for recovered gold per ounce USD 1,110.2 and USD 1,196.5, respectively, which both represent historically high price levels. The increases have impacted our gross margin negatively in the periods under review. See “— Results of Operations — Comparison of H1 2010 and H1 2009.”

From 2009 onward for silver and from 2010 for gold, we have sought to use forward contracts (up to 12 months) in order to mitigate the majority of our exposure to price fluctuations of silver and gold. Beginning 2010, we

implemented a systematic hedging policy in respect of our exposure to price fluctuations of silver and gold, according to which our risks are to be hedged on a rolling quarterly basis. According to this policy, at any time 100% of the anticipated exposure to silver and gold related to the nearest quarter of the financial year is to be hedged and for the subsequent three quarters, 80%, 60% and 40%, respectively, of the anticipated exposure is to be hedged. Our policy allows our audit committee to deviate from this policy as we did in respect of Q3 2010 and Q4 2010. For Q3 2010 and Q4 2010, respectively, we have hedged, in accordance with our policy, our derivative contracts purchased in respect of silver (at an average price of USD 18.6 and USD 18.0 for Q3 and Q4 2010, respectively) and gold (at an average price of USD 1,165.1 and USD 1,167.4 for Q3 2010 and Q4 2010, respectively). See Note 21 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of our exposures to fluctuations in raw material prices and associated risk management.

Prior to H1 2010, we did not meet the requirements for hedge accounting, and, as a result, our Consolidated Income Statement for these periods includes a separate line item stating gains and losses from raw material derivatives. This line item sets forth the realized gains and losses relative to market level on the settlement of forward contracts as well as unrealized gains and losses at the end of the reporting periods, calculated as the difference between the forward prices of unsettled forward contracts and the market prices at the end of the reporting period. A given reporting period may therefore include unrealized losses or gains which are markedly different in the subsequent period due to fluctuations in the prices of the underlying assets. Since the start of H1 2010, we satisfied the requirements for hedge accounting, and, as a result, our Consolidated Income Statement for H1 2010 and thereafter only contains realized gains and losses relative to market level on the settlement of forward contracts. As a result, the impact on our Consolidated Income Statement due to fluctuations related to unrealized price fluctuations in raw materials has been reduced considerably. Unlike in prior periods, we have reflected realized gains and losses, and the release of unrealized and realized gains and losses from other comprehensive income when the hedged inventory is sold, in our Consolidated Income Statement under cost of sales.

Foreign exchange

We report our financial results in Danish kroner, but a significant part of our revenues and costs as well as certain of our assets and liabilities are recorded in other currencies. As such, our results of operations may be affected by both transactional and translational foreign exchange risk. Due to a significant proportion of both our revenues and our costs (in particular, our procurement of silver and gold) being in U.S. dollars, we have benefited from certain natural hedges.

In FY 2009, we entered into a limited number of hedging arrangements in respect of our foreign exchange risk, primarily in respect of U.K. pounds sterling. In June 2010, we implemented a more robust, systematic hedging policy in respect of foreign exchange risk through which we seek to mitigate the majority of our aggregate exposure to fluctuations in U.S. dollars and U.K. pounds sterling. The hedging policy covers cash flow through PANDORA A/S. According to our hedging policy, our currency risks on cash flow in PANDORA A/S are to be hedged on a rolling quarterly basis so that 100% of the anticipated foreign exchange exposure related to the nearest quarter of the financial year at any time is hedged and for the subsequent three quarters, 80%, 60% and 40%, respectively, of the anticipated exposure is hedged. Our policy allows our risk and audit committee to deviate from this policy, which it has done at certain times. The average strike prices of our foreign currency hedges in Q3 2010 and Q4 2010, respectively, are 1.26:1.00 and 1.26:1.00 for USD/EUR and 8.99:1.00 and 9.14:1.00 for DKK/GBP. In addition, we have hedged at the following strike prices for Q1 2011 and Q2 2011, respectively, 1.27:1.00 and 1.26:1.00 for USD/EUR and 9.13:1.00 and 9.12:1.00 for DKK/GBP.

Tax effect

We benefit from certain tax-based incentives, tax exemptions and tariff exemptions granted, subject to certain conditions, by Thailand’s Board of Investment under the Thai Investment Promotion Act B.E. 2520 to our Thai production subsidiary, PANDORA Production Co., Ltd. These tax-based incentives, tax exemptions and tariff exemptions include exemptions from Thai income tax assessed on PANDORA Production Co., Ltd. and on dividends paid by PANDORA Production Co., Ltd. to its shareholders until August 2012, as well as exemptions from import duties paid on certain machinery and raw materials imported into Thailand. If we did not have the benefit of tax-based incentives, tax exemptions and tariff exemptions in H1 2010, we calculate that our average effective tax rate in H1 2010 would have been approximately 30.0% (our average effective tax rate in H1 2010 was 18.0%). In January 2010, we applied for tax-based incentives, tax exemptions and tariff exemptions beyond 2012. In August, Thailand’s Board of Investment approved our application for tax-based incentives, tax exemptions and tariff exemptions for a five-year period, capped at the value of our investment during such period. We are continuing the application process for similar tax-based incentives, tax exemptions and tariff exemptions to those currently in effect (if our application is determined in our favor, such tax based incentives, tax exemptions and tariff exemptions would be extended beyond 2012 to 2019).

We operate our business through legal entities in a number of jurisdictions throughout the world. Although we follow generally accepted transfer pricing practices that are in accordance with the OECD transfer pricing guidelines and consult with external professionals to assist us with our methodology, we cannot guarantee that tax authorities around the world will not have different interpretations when looking at our operations as to how pricing remuneration should work within our group, which could result in an increase in our overall effective tax rate.

Non-controlling interests and effect of exercise of options

As a result of non-controlling interests in certain of our distribution subsidiaries (see “Business — Distribution” for a list of our distribution subsidiaries and our interests therein), a portion of our results of operations is attributable to such non-controlling interests. In FY 2009, DKK 35 million of our net profit for the year was attributable to non-controlling interests, in particular the 40% minority shareholders in Ad Astra Holdings Pty Ltd., our former third party distributor in Australia. In H1 2010, DKK 22 million of our net profit for the period was attributable to non-controlling interests, in particular the minority shareholders of Ad Astra Holdings Pty Ltd. and the 49% minority shareholder in PANDORA Jewelry CWE, our former third party German distributor. We have exercised options available to us, subject to admission of the Shares for listing on the NASDAQ OMX Copenhagen, to acquire the remaining interests in Ad Astra Holdings Pty Ltd. and PANDORA Jewelry CWE. As a result, from the time of such acquisitions, a portion of our net profit will no longer be attributable to non-controlling interests of these two subsidiaries.

We expect to use the proceeds to the Company from the Offering primarily to make certain cash payments required with respect to our exercise of the options to acquire the remaining interests in Ad Astra Holdings Pty Ltd. and PANDORA Jewelry CWE. See “Use of Proceeds.”

In H1 2010, we also made a prepayment of DKK 77 million to the minority shareholder in PANDORA Jewelry CWE in connection with our anticipated acquisition. In addition to this prepayment and the cash payments discussed in “Use of Proceeds,” we are obliged to make an earn-out payment in 2015 based on the net equity value of PANDORA Jewelry CWE in FY 2014. See “Additional Information — Material Contracts” for a discussion of our future payment obligations, including how net equity value is to be calculated based on adjusted EBITDA and net interest bearing debt. Our obligation to make the earn-out payment, which is due in 2015, will be treated as a non-current liability on our Consolidated Balance Sheet (as at 30 June 2010, we estimate the present value of this liability, after the prepayment and cash payment described above, to have been DKK 470 million). We expect the value of this liability to increase over time until the payout date in 2015 as a result of the diminishing discounting of the future liability/earn-out as we draw nearer to the earn-out date. Increases in the value of this liability, whether as a result of discounting, actual results or otherwise as a result of our revised budgeting and forecasting in future periods, will be reflected in our Consolidated Income Statement as financial expense (decreases in the value of this liability, conversely, would impact our Consolidated Income Statement as financial income). While this liability and the relating discounting effect are subject to significant uncertainty, assuming no change to our budgeting and forecasting relevant to the earn-out payment calculation, we anticipate incurring financial expenses of DKK 25 million and DKK 100 million in Q4 2010 and FY 2011, respectively, as a result of discounting of this liability.

Since the formation of PANDORA Jewelry CEE Sp. z.o.o. and PANDORA Jewelry Asia-Pacific Ltd. and their consolidation into our accounts, in July 2009 and November 2009, respectively, a small portion of our net profit for the periods have been also attributable to the minority shareholders in these new distribution subsidiaries. For H1 2010, net profit attributable to these non-controlling interests was DKK 22 million. Subsequent to the Offering, a portion of our net profit is expected to continue to be attributable to these non-controlling interests.

Recent Events

In July 2010, our products were launched in Italy. Based in Milan, a team of sales representatives will cover the Italian market and focus on developing our market presence through existing retail outlets. In August 2010, our products were launched in South Korea, and, in September 2010, our products were launched in Turkey and Taiwan. Our focus in each of these countries will be on developing our market presence through existing third party retail outlets.

On 31 August 2010, the Company established a new board (see “Management and Employees — Board of Directors”) and changed its name from PANDORA Holding A/S to PANDORA A/S. On 31 August 2010, we completed our merger with our Danish distribution subsidiary, PANDORA Jewelry A/S, into the Company as surviving entity.

Our overall financial and trading position has continued to develop favorably since 30 June 2010, although our Asia Pacific segment continues to be impacted by the challenging trading conditions in Australia.

Results of Operations

Comparison of H1 2010 and H1 2009

The following table presents our results of operations for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>
Revenue	2,581	1,262
Cost of sales	(775)	(412)
Gain and losses on raw material derivatives ⁽¹⁾	—	62
Gross profit	1,806	912
Distribution costs	(644)	(216)
Administrative expenses	(270)	(64)
Operating profit	892	632
Financial income	37	30
Financial expenses	(111)	(131)
Profit before tax	818	531
Income tax expense	(147)	(84)
Net profit	671	447
Gross profit margin	70.0%	72.3%
EBITDA ⁽²⁾	1,020	654
EBITDA margin ⁽²⁾	39.5%	51.8%
Operating profit margin	34.6%	50.1%
Net profit margin	26.0%	35.4%

(1) Includes, for H1 2009, realized and unrealized gains and losses on raw material derivatives. In H1 2009, we had DKK 18 million, realized gains and DKK 44 million of unrealized gains. From 1 January 2010, we have recorded unrealized gains and losses, and certain realized gains and losses related to hedging, in other comprehensive income. In addition, from 1 January 2010, we have reflected realized gains and losses, and the release of unrealized and realized gains and losses from other comprehensive income when the hedged inventory is sold, in our Consolidated Income Statement under cost of sales. See “— Principal Factors Affecting our Results of Operations — Fluctuations in raw material costs.” For a description of the applicable accounting policies, see our Unaudited Interim Financial Statements included under “Financial Information” elsewhere in this Offering Circular.

(2) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated. See “Selected Financial Information” for a reconciliation of EBITDA to our operating profit.

The following table presents our consolidated revenue by reporting segment and major market for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>
Revenue by Reporting Segment and Major Market:		
Americas	1,187	619
United States	1,054	583
Other	133	36
Europe ⁽¹⁾	1,038	442
United Kingdom	342	153
Germany ⁽²⁾	304	138
Other	392	151
Asia Pacific ⁽³⁾	356	201
Australia ⁽⁴⁾	323	201
Other	33	—
Total Revenue	2,581	1,262

(1) We estimate that DKK 186 million of our DKK 596 million revenue growth in Europe in H1 2010 compared with H1 2009 is the result of structural changes due to the formation of PANDORA Jewelry CWE which resulted in a shift to direct distribution in H1 2010. The DKK 186 million has been calculated by multiplying (x) the difference between the average price per SKU achieved by PANDORA

Jewelry CWE in H1 2010 (which reflected direct distribution) and in H1 2009 (which reflected sales to our former third party distributor) by (y) the volume of SKUs sold in H1 2009. We do not have available the average price per SKU in CWE in H1 2009 achieved by our former third party distributor. As a result, the accuracy of our estimate may be adversely affected by changes between the periods in terms of the price range of our products and the product mix offered.

- (2) Reflects revenue from sales to PANDORA Jewelry CWE, our former German third party distributor in H1 2009. This includes revenue relating to products purchased by our former third party German distributor for sale in Austria and Switzerland prior to the formation of PANDORA Jewelry CWE in January 2010. Upon our shift to direct distribution through the formation of PANDORA Jewelry CWE, sales in these countries are accounted for as “Europe — Other.”
- (3) We estimate that DKK 104 million of our DKK 155 million revenue growth in Asia Pacific in H1 2010 compared with H1 2009 is the result of structural changes due to acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor, in July 2009. The DKK 104 million reflects the difference between our sales in H1 2009 to Ad Astra Holdings Pty Ltd., when it was a third party distributor, and Ad Astra Holdings Pty Ltd.’s sales to its customers in H1 2009. See Note 3 to our Audited Annual Financial Statements included under “Financial Information” for a presentation of our revenue for FY 2009 as adjusted to reflect the hypothetical scenario where our acquisition of the stake had occurred on 1 January 2009.
- (4) Reflects revenue from sales to Ad Astra Holdings Pty Ltd., our former third party Australia distributor, in H1 2009. This includes revenue relating to products purchased by our former third party Australia distributor, for sale in New Zealand and the Fiji Islands prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009. Upon our shift to direct distribution through the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., sales in these countries are accounted for as “Asia — Other.”

Revenue

We derive our revenue almost entirely from the sale of our products to our points of sale, to third party distributors and through our limited number of directly operated stores. Revenue from the sales of our products is recognized once the products have been delivered and the risk has passed to our points of sale, third party distributors or, in the case of our directly operated stores, end-consumers. In FY 2008 and FY 2009 and in H1 2009 and H1 2010, less than 1% of our revenue came from after sales services, freight charges and franchise fees. Revenue is recognized net of VAT, duties, sales discounts and provisions for returns and is measured at the fair value of the agreed consideration.

Our revenue between the periods increased significantly, mainly due to strong organic growth in existing markets, particularly in the United States, and, to a lesser extent, due to expansion into new markets. Our organic growth between the periods is reflected in the significant increase in the volume of products (SKUs) we sold. In H1 2010, we sold 23.4 million SKUs compared with 16.4 million SKUs in H1 2009. Growth in volume of products (SKUs) sold accounted for 42.5% of our overall revenue growth in that period.

Our revenue growth also reflected the significant structural changes to our business, which we estimate accounted for 23.0% of our overall revenue growth between H1 2009 and H1 2010. These structural changes included the establishment of PANDORA Jewelry CWE, in which we have a 51% interest, with our former third party German distributor in January 2010, and, to a lesser extent, the acquisition of 60% of Ad Astra Holdings Pty Ltd., our former third party distributor in Australia, in July 2009. Subsequent to these structural changes, we increased significantly the percentage of sales we made directly to points of sale and end-consumers in these markets compared with sales to third party distributors.

Other than growth in volume and structural changes, our revenue growth generally reflected price increases and our product mix as well as foreign exchange effects.

Americas – In the Americas, which were not impacted by structural changes, the increase in our revenue reflected strong organic growth principally as a result of LFL store sales growth in the United States as well as the establishment of new points of sale in the United States and other countries. The LFL store sales growth reflected, in part, increased demand, price increases for our products and a significant trend in the upgrading of points of sale to devote greater space to PANDORA products and to offer additional PANDORA jewelry collections. In addition, we believe that the strong organic growth reflects increasing recognition of the PANDORA brand as we increased our marketing spending. In addition, the increase in our revenue reflected the strengthening of the U.S. dollar against the Danish kroner.

Europe – In Europe, the increase in our revenue was principally related to the United Kingdom, attributable primarily to organic growth and also to the establishment of direct distribution of PANDORA products in this market on 1 January 2009. In addition, our increase in revenue reflected both organic growth in our key existing markets in Central Western Europe and the increase of direct sales to points of sale and end-consumers in these markets through the formation of PANDORA Jewelry CWE in Germany. We estimate that structural changes as a result of the formation of PANDORA Jewelry CWE accounted for 14.7% of our overall revenue growth between H1 2009 and H1 2010. See “Selected Historical Financial and Operating Information.” To a lesser extent, our increase in revenue reflected our expansion into new markets, in part through the establishment of our distribution

subsidiary in Poland in March 2009, price increases in select markets and the strengthening of the U.K. pound sterling and the euro against the Danish kroner.

Asia Pacific – In Asia Pacific, the increase in our revenue was primarily attributable to our taking over direct distribution of PANDORA products in July 2009 through the acquisition of the 60% of Ad Astra Holdings Pty Ltd. We estimate that this acquisition accounted for 8.2% of our overall revenue growth between H1 2009 and H1 2010. See footnote 3 under “Selected Historical Financial and Operating Information-Revenue Data.” In addition, translation effects of foreign exchange fluctuations, most notably the strengthening of the Australian dollar against the Danish kroner, also increased our revenue. Excluding the positive impact of foreign exchange fluctuations and the effect from taking over our direct distribution, we saw a decline in the high single digits in total revenue in Australia, and, if one excludes the impact of points of sale opened in H2 2009 and H1 2010, in excess of that. This decline was, in part, attributable to an overall decline in discretionary consumer spending in Australia and the temporary impact of us implementing changes to our sales and distribution organization in Australia during the periods under review. The decline also reflected, we believe, poor Christmas sales for Australian jewellery retailers in general, including our customers, with the resulting stock hangover affecting our H1 sales to our customers.

Cost of sales

The principal components of our cost of sales include the direct costs we incur in respect of the purchasing of raw materials and semi-finished goods that we use in producing our jewelry, direct wages as well as personnel and other expenses (such as utility costs) incurred in connection with our production. Depreciation costs associated with our production facilities are also included in cost of sales. In H1 2010, raw materials and other production costs (net of gains and losses on raw material derivatives), labor costs and depreciation and amortization amounted to 92.0%, 7.1% and 0.9% of our total cost of sales (compared with 92.5%, 6.3% and 1.2%, respectively, in H1 2009).

Our cost of sales increased between the periods largely as a result of increased production levels which required increased purchases of raw materials as well as increased labor costs, primarily reflecting increased employee headcount. In addition, our cost of sales increased as a result of the taking over of inventory from our former independent German distributor at its cost price, which had a one-off negative impact on our cost of sales in H1 2010 of DKK 50 million.

Our gross margin decreased between the periods. This decrease was principally attributable to an increase in our average production cost per SKU experienced between the periods. Our average production cost per SKU increased primarily as a result of increases in the prices of raw materials (in particular, gold and silver prices) as well as actions taken to increase our production capacity. Foreign exchange trends, in particular the appreciation of the U.S. dollar compared with the Danish kroner, experienced between the periods contributed to the increase in our cost of raw materials because we purchase a significant portion of our raw materials in U.S. dollars (principally silver and gold). Actions taken to increase our production capacity included an increasing use of sub-contractors to assist in production, as well as the implementation of additional production shifts for training purposes, in order to prepare for the opening of new production lines, which temporarily impacted the efficiency of our production. This increase in our average production cost more than offset the increase in our revenue, including the increase of our revenue attributable to the structural changes in Germany and Australia described above. However, by increasing our direct distribution activity, these structural changes have had a positive effect on our gross margin as we have been able to capture a higher proportion of the revenues from the ultimate retail sale of our products when compared to selling through third party distributors.

The decrease in our gross margin also reflected the positive impact of an unrealized gain on raw materials derivatives of DKK 44 million on our gross margin in H1 2009. See “Operating and Financial Review — Principal Factors Affecting our Results of Operations — Fluctuations in raw material costs.”

Distribution costs

Distribution costs comprise expenses related to the distribution of goods from our distribution facilities to our sales subsidiaries and third party distributors, and from our distribution subsidiaries to our points of sale, as well as expenses related to sales campaigns, including packaging, brochures, displays and fixtures and fittings, pay and other expenses relating to sales and distribution staff as well as amortization/depreciation. The value of our brand and, (save for German and Australia, of which Australia is now fully amortized), a significant portion of our distribution rights are not amortized but are subject to impairment testing under IFRS. See Note 14 to our Audited Annual Financial Statements included under “Financial Information.”

Our distribution costs, DKK 245 million of which were attributable to marketing costs in H1 2010, increased as a result of the significant structural changes in Germany and Australia, as described above. These structural changes meant that we began to incur distribution costs in these countries in 2010, which represented a combined DKK 180 million of our total distribution costs in H1 2010. In addition, DKK 91 million of our distribution costs in H1 2010 was attributable to the amortization of distribution rights in Germany. Apart from the impact of these developments, our distribution costs increased primarily as a result of organic growth generally as well as initiatives undertaken to strengthen our global brand and marketing alignment strategy, in particular, through increasing our sales and marketing staff. We also improved our sales channel support, which included an increase in our visual merchandising and support staff.

Administrative expenses

Administrative expenses comprise expenses paid or accrued in the year to manage and administer our operations, including expenses related to administrative staff and depreciation. These expenses do not necessarily vary proportionally with revenue.

Our administrative expenses increased as a result of the significant structural changes in Germany and Australia, as described above. These structural changes meant that we incurred administrative expenses in respect of Germany and Australia in H1 2010, which represented a combined DKK 89 million of our total administrative expenses in H1 2010. Apart from the impact of these developments, our administrative expenses increased primarily as a result of our expansion into new markets and the strengthening of our central management and administrative functions, including the hiring of, and compensation for (including a provision for management incentive payments), staff for our group administrative, financial, 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 our growth.

Financial income/(expenses)

Net financial income and expenses primarily include interest income and expenses, realized and unrealized capital and exchange gains and losses on securities and foreign currency transactions as well as surcharges and allowances under the advance-payment-of-tax scheme.

Our net financial income and expenses in H1 2010 compared with H1 2009 were primarily impacted by a reduction of interest expenses as a result of the refinancing of our senior facilities in February 2010 and an increase in net exchange losses. The impact of foreign exchange fluctuations on interest expenses in H1 2010 was DKK 16.3 million. Net interest expenses, excluding the impact of foreign exchange fluctuations, was DKK 57.7 million.

Income tax expenses

In the periods under review, our income tax expenses were influenced by certain concessions granted, subject to certain conditions, by Thailand's Board of Investment under the Thai Investment Promotion Act B.E. 2520 to our Thai production subsidiary, PANDORA Production Co., Ltd. These concessions include exemptions from Thai income tax assessed on PANDORA Production Co., Ltd. and on dividends paid by PANDORA Production Co., Ltd. to its shareholders until August 2012. See “— Principal Factors Affecting our Results of Operations — Tax Effect.”

The average effective tax rate was 18.0% in H1 2010 compared with 15.8% in H1 2009. This increase is primarily due to a change in the distribution of profits between group companies.

Comparison of FY 2009, FY 2008 and FY 2007

Our results of operations between FY 2007 and FY 2008 are not comparable as, prior to the completion of the Acquisitions on 7 March 2008, PANDORA A/S was a dormant company. As a result, our results of operations in FY 2007 were negligible and did not reflect the operations of the entities acquired in connection with the Acquisitions. See our Audited Annual Financial Statements included under “Financial Information” elsewhere in this Offering Circular. Also, as a result of the timing of the Acquisitions, our results of operations for FY 2008 reflect approximately 10 months of operations from 7 March 2008, the date of the Acquisitions, to 31 December 2008. This adversely affects the comparability of our results of operations between FY 2008 and FY 2009 (which reflect operations for the 12 month period ended 31 December 2009). See “— Events Affecting Comparability of Our Results of Operations.”

The following table presents our results of operations for the periods indicated:

<u>DKK million</u>	<u>FY 2009</u>	<u>2008 Adjusted⁽²⁾</u>	<u>FY 2008⁽³⁾</u>
Revenue	3,461	1,904	1,658
Cost of sales	(1,073)	—	(647)
Gain and losses on raw material derivatives	83	—	(19)
Gross profit	2,471	—	992
Distribution costs	(743)	—	(290)
Administrative expenses	(304)	—	(69)
Operating profit	1,424	738	633
Financial income	79	—	23
Financial expenses	(314)	—	(240)
Profit before tax	1,189	496	416
Income tax expense	(184)	—	(110)
Net profit	1,005	356	306
Gross profit margin	71.4%	—	59.8%
EBITDA ⁽¹⁾	1,572	778	666
EBITDA margin ⁽¹⁾	45.4%	40.9%	40.2%
Operating profit margin	41.1%	38.8%	38.2%
Net profit margin	29.0%	18.7%	18.5%

(1) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated. See “Selected Financial Information” for a reconciliation of EBITDA to our operating profit.

(2) Based on a hypothetical situation and prepared solely for illustrative purposes to reflect the effect on the consolidated assets, liabilities, financial position and results of operations of the Acquisitions, as though they had been completed on 1 January 2008. Accordingly, it does not reflect our actual results of operations for the 12 months ended 31 December 2008 nor does it purport to present the results of operations that we might have achieved had the Acquisitions taken place on 1 January 2008, and should not be used as the basis for projections of our results of operations for any future period. See Note 3 to our Audited Annual Financial Statements included under “Financial Information.”

(3) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

The following table presents our consolidated revenue by reporting segment and major market for the periods indicated:

<u>DKK million</u>	<u>FY 2009</u>	<u>FY 2008⁽³⁾</u>
Revenue by Reporting Segment and Major Market:		
Americas	1,558	694
United States	1,459	646
Other	99	48
Europe	1,207	665
United Kingdom	472	92
Germany ⁽¹⁾	348	207
Other	387	366
Asia Pacific	696	299
Australia ⁽²⁾	649	299
Other	47	—
Total Revenue	3,461	1,658

(1) Reflects revenue from sales to PANDORA Jewelry CWE, our former German third party distributor in FY 2009 and FY 2008.

- (2) Reflects revenue from sales to Ad Astra Holdings Pty Ltd., our former third party Australia distributor, in FY 2008 and, prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009, in FY 2009. This includes revenue relating to products purchased by our former third party Australia distributor, for sale in New Zealand and the Fiji Islands prior to our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd. in July 2009. Upon our shift to direct distribution through the acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., sales in these countries are accounted for as "Asia — Other."
- (3) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

Revenue

Apart from the impact of the additional approximately two months in FY 2009 compared with FY 2008, our revenue between the periods increased significantly, in part, due to strong organic growth in existing markets, particularly in the United States, and, to a lesser extent, due to expansion into new markets. Our organic growth between the periods is reflected in the significant increase in the volume of products (SKUs) we sold. In FY 2009, we sold 41.4 million SKUs while in FY 2008 we sold 23.9 million SKUs.

Our revenue growth also reflected the significant structural changes to our business between the periods including our taking over direct distribution of PANDORA products in the United Kingdom on 1 January 2009 and the acquisition of 60% of Ad Astra Holdings Pty Ltd., our former third party distributor in Australia, in July 2009. Subsequent to these structural changes, we increased significantly the percentage of sales we made to points of sale and end-consumers in these markets compared with sales to third party distributors. In addition, our revenue was positively impacted by the translation from foreign currencies to Danish kroner, as described in more detail below.

Americas – In the Americas, the increase in our revenue reflected strong organic growth principally as a result of LFL store sales growth in the United States as well as the establishment of new points of sale in the United States and other countries. The LFL store sales growth reflected, in part, increased demand, price increases for our products and a significant trend in the upgrading of points of sale to devote greater space to PANDORA products and to offer additional PANDORA jewelry collections. In addition, we believe the strong organic growth reflects increasing recognition of the PANDORA brand as we increased our marketing spending over the periods. The increase in revenues also reflected the translation effect from the increase in the average value of the U.S. dollar compared with the Danish kroner, our reporting currency.

Europe – In Europe, the increase in our revenue was principally related to the United Kingdom, partly attributable to the establishment of direct distribution of PANDORA products in this market on 1 January 2009 as well as organic growth. In addition, our increase in revenue reflected organic growth in our key existing markets in Central Western Europe and, to a lesser extent, our expansion into new markets, in part through the establishment of our distribution subsidiary in Poland in March 2009. These factors were offset, to a limited extent, by a decline in average value of the U.K. pound sterling compared with the Danish kroner between the periods.

Asia Pacific – In Asia Pacific, the increase in our revenue was principally attributable to our taking over direct distribution of PANDORA products in July 2009 through the acquisition of 60% of Ad Astra Holdings Pty Ltd. as well as organic growth, particularly in Australia and New Zealand. In addition, translation effects of foreign exchange fluctuations also increased our revenue. As we invoiced our products at prices set in U.S. dollars in this region until the acquisition of 60% of Ad Astra Holdings Pty Ltd. in July 2009, the increase in revenues also reflected in part the increase in the average value of the U.S. dollar compared with the Danish kroner between the periods. Our revenues also benefited by an increase in the value of Australian dollars relative to the Danish kroner subsequent to this acquisition in 2009, when we began invoicing in local currencies.

Cost of sales

In FY 2009, raw materials and other production costs (net of realized gains and losses on raw material derivatives), labor costs and depreciation and amortization amounted to 92.8%, 6.5% and 0.7%, respectively, of our total cost of sales. Apart from the impact of the additional approximately two months in FY 2009 compared with FY 2008, our cost of sales increased between the periods largely as a result of increased production levels which required increased purchases of raw materials as well as increased labor costs, primarily reflecting increased employee headcount.

Our gross margin increased between the periods. This increase was principally attributable to the structural changes in the United Kingdom and Australia described above. By increasing our direct distribution activity, these structural changes have had a positive effect on our gross margin as we are able to capture a higher proportion of the revenues from the ultimate retail sale of our products when compared to selling through third party distributors. The effect of these structural changes on our gross margin more than offset an increase in our average production cost per SKU experienced between the periods. Our average production cost per SKU increased

primarily as a result of increases in the prices of raw materials (in particular, gold and silver prices) as well as actions taken to increase our production capacity. These actions included an increasing use of sub-contractors to assist in production, as well as the implementation of additional production shifts for training purposes, in order to prepare for the opening of new production lines, which temporarily impacted the efficiency of our production. In addition, our cost of sales increased as a result of the taking over of inventory from our former independent Australian distributor and our former Dutch distributor at their cost price, which had a one-off negative impact on our cost of sales in FY 2009 of DKK 66 million and DKK 8 million, respectively.

In addition, our cost of sales also increased due to foreign exchange trends, in particular the appreciation of the U.S. dollar compared with the Danish kroner experienced between the periods in light of our purchase of a significant portion of our raw materials in U.S. dollars (principally silver and gold).

Distribution costs

Our distribution costs increased as a result of the significant structural changes in the United Kingdom and Australia as described above. These structural changes meant that we began to incur distribution costs in these countries in 2009, which represented a combined DKK 168 million of our total distribution costs in 2009. Of this amount, DKK 75 million was attributable to the amortization of distribution rights in Australia (these are now fully amortized). In addition, we made a one-off payment of DKK 47 million to our Dutch distributor for the termination of our Dutch distributor in Q4 2009. Apart from the impact of these developments and of the additional approximately two months in 2009, our distribution costs increased primarily as a result of organic growth generally as well as initiatives undertaken to strengthen our global brand and marketing alignment strategy, in particular, through increasing our sales and marketing staff. We also improved our sales channel support, which included an increase in our visual merchandising staff.

Administrative expenses

Our administrative expenses increased as a result of the significant structural changes in the United Kingdom and Australia as described above. These structural changes meant that we began to incur administrative expenses in respect of the United Kingdom and Australia in 2009, which represented a combined DKK 126 million of our total administrative expenses in 2009. Apart from the impact of these developments and of the additional approximately two months in 2009, our administrative expenses increased primarily as a result of our strengthening of our central management and administrative functions, including the hiring of, and compensation for, staff for our group administrative, financial, 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 our growth.

Financial income/(expenses)

Apart from the impact of the additional approximately two months in FY 2009 compared with FY 2008, our net financial income and expenses in FY 2009 compared with FY 2008 were primarily impacted by increased interest expenses as a result of increased net borrowings and an increase in net exchange losses, which together more than offset positive fair value adjustments and interest on derivatives as a result of our hedging activities as well as the impact of our interest income.

Gains and losses on exchange rate fluctuations increased significantly in FY 2009 due primarily to fluctuations in U.S. dollar exchange rates. Losses were partly offset by gains as a result of our hedging activities.

Income tax expenses

In FY 2009 and FY 2008, our income tax expenses were influenced by certain concessions granted, subject to certain conditions, by Thailand's Board of Investment under the Thai Investment Promotion Act B.E. 2520 to our Thai production subsidiary, PANDORA Production Co., Ltd. These concessions include exemptions from Thai income tax assessed on PANDORA Production Co., Ltd. and on dividends paid by PANDORA Production Co., Ltd. to its shareholders until August 2012. See “— Principal Factors Affecting Our Results of Operations — Tax effect.”

The average effective tax rate was 16% in FY 2009 and 26% in FY 2008. The average effective tax rate was significantly higher in FY 2008 as a result of certain non-deductible expenses incurred in connection with the Acquisitions.

Liquidity and Capital Resources

General

We rely primarily on cash flow from operating activities to finance our operations and expansion. Our primary cash needs relate to the meeting of our debt service requirements and, to a lesser extent, our funding of working capital, the expansion of our production capacity and the establishment of directly operated Concept Stores and Shop-in-shops. The most significant components of our working capital are product inventories, trade and other receivables, trade and other payables and other current liabilities. We believe that, as of the date of this Offering Circular, our working capital is adequate to meet our financing requirements for at least twelve months after the first date of trading on NASDAQ OMX Copenhagen, which is expected to be on 5 October 2010.

Our current assets as at 31 December 2009 were DKK 1,978 million compared with DKK 847 million as at 31 December 2008, primarily reflecting an increase in inventories and trade receivables of DKK 579 million and an increase in cash and short-term deposits of DKK 519 million. The increase in inventories and trade receivables is primarily a result of our growth experienced in the period. As at 30 June 2010, our current assets were DKK 2,044 million compared with DKK 1,275 million as at 30 June 2009, primarily reflecting an increase in inventories and trade receivables, which more than offset a decrease in cash and short-term deposits.

Our net working capital – defined as inventories and receivables less provisions, trade payables, income tax payables and other payables – was DKK 1,079 million in H1 2010 (compared with DKK 520 million in FY 2009 and DKK 229 million in H1 2009) and amounted to 22.6% of our revenues in the twelve months ended 30 June 2010 (compared with 15.0% of our revenues in FY 2009).

The following tables present our cash conversion ratio (defined as free cash flow expressed as a percentage of net profit, free cash flow being defined as net cash flows from operating activities adjusted for interest received and paid less net cash from investing activities adjusted for acquisitions of subsidiaries) for the periods indicated:

	<u>H1 2010</u>	<u>H2 2009</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁾</u>
Cash conversion ratio (%).	65.7	92.5	140.5	113.8	160.6

(1) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>	<u>Q3 2009</u>	<u>Q2 2009</u>	<u>Q1 2009</u>
Cash conversion ratio (%)	57.1	78.5	92.3	92.8	146.1	134.4

The decline in our cash conversion ratio is the result of our increase in capital expenditure due to the development of, and additions to, our production facilities, as well as of the increase in working capital following the acquisition of our former third party distributors in Australia and Germany.

Cash flow

The following tables present primary components of our cash flow for the periods indicated:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁾</u>
Net cash flow from operating activities	316	556	1,066	393
Net cash flow from investing activities.	(151)	(26)	(207)	(2,972) ⁽²⁾
Net cash flow from financing activities	(863)	(157)	(343)	2,883
Net increase in cash and cash equivalents	(698)	373	516	304

(1) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

(2) Of which DKK 2,979 million was attributable to the Acquisitions (DKK 1,378 million was payment for PANDORA Jewelry A/S, DKK 900 million was payment for PANDORA Jewelry America ApS, DKK 700 million was payment for PANDORA Production Co. Ltd. and DKK 1 was payment for Pilisar ApS).

Net cash flow from operating activities

Net cash flow from operating activities was significantly lower during H1 2010 than during H1 2009 due to the Senior Facility Agreement entered into in connection with our refinancing in February 2010 and increased cash tied up in working capital. The negative effects on cash flow from changes in working capital were primarily attributable to the taking over of inventory from our former independent German and Australian distributors, the taking over of receivables from our former third party distributor in Germany in connection with the establishment of PANDORA Jewelry CWE and a one-off payment of DKK 47 million relating to the termination of our Dutch

distributor in Q4 2009. During FY 2009, cash flow from operating activities was significantly higher than FY 2008. Apart from the impact of the additional approximately two months in FY 2009 compared with FY 2008, the increase in cash flows primarily reflected increased operating income, for the reasons discussed above. The impact of the increase in operating income was to a limited extent offset by an increase in working capital reflecting our growth.

Net cash flow from investing activities

Net cash flow used for investing activities was higher in H1 2010 compared with H1 2009 primarily due to the net cash used in connection with the establishment of PANDORA Jewelry CWE, a prepayment of DKK 77 million made to the minority shareholder in PANDORA Jewelry CWE in connection with our anticipated acquisition of the remaining interest in this entity and for the construction of our third and fourth production facilities in Thailand. The prepayment to the minority shareholder reflects part of the initial cash payment which becomes payable upon exercise of our option to purchase the remaining interest in PANDORA Jewelry CWE. See “Additional Information — Material Contracts” and “Use of Proceeds.” Net cash flow used for investing activities was significantly lower during FY 2009 than during FY 2008 due to the net cash used in connection with the Acquisitions in 2008. In 2009, net cash used in investment activities primarily reflected payment of the initial installment payment of AUS 21.2 million in July 2009 to acquire a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor in Australia as well as higher net cash flows from investing activities excluding acquisitions. Net cash flows used in investing activities excluding acquisition of subsidiaries was DKK 132 million in FY 2009 compared with DKK 48 million in FY 2008, due to significant investments in our production facilities in Thailand and our distribution network as well as the acquisitions of trademark rights from a third party. See “— Capital expenditure.”

Net cash flow from financing activities

Our net cash flow from financing activities in H1 2010 reflected primarily the net effect of proceeds from the Senior Facility Agreement entered into in connection with our refinancing in February 2010, the payment of a dividend in the amount of DKK 166 million, the repayment of borrowings under the Senior Facility Agreement in the amount of DKK 220 million and the repayment of DKK 1,413 million of the subordinated loan from Prometheus Invest ApS. Our net cash flow from financing activities in FY 2009 includes primarily the repayment of borrowings under our previous senior facility amounting to DKK 335 million. Our net cash flow from financing activities in FY 2008 included primarily proceeds from borrowings to finance the Acquisitions. See “Financial Indebtedness.”

Capital expenditure

Our capital expenditure is defined as expenditures on non-current tangible and intangible assets, including property plant and equipment.

The following tables present our capital expenditures for the periods presented:

<u>DKK million</u>	<u>H1 2010</u>	<u>H1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁾</u>
Total capital expenditures	82	25	132	48 [*]

(1) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.

A significant part of our capital expenditures relates to the development of, additions to, and maintenance of, our production facilities. In H1 2010, the main contributors to our capital expenditures were the construction of our third and fourth production facilities and additions to our existing facilities. In FY 2009, maintenance of our first and second production facility and the construction of our third and, to a lesser extent, fourth production facilities in Thailand were the main contributors to our capital expenditures relating to production facilities. In FY 2008, maintenance of our first production facility and the construction of our second production facility in Thailand were the main contributors to our capital expenditures relating to production facilities.

In H1 2010, other items that contributed to our capital expenditures primarily included investments made in connection with the establishment of our directly operated stores. In FY 2009, other items that contributed to our capital expenditures primarily included the acquisition of the PANDORA trademark for the international trademark class for jewelry and watches, as well as the maintenance of our headquarters in Denmark and the development and implementation of IT systems. In FY 2008, other items that contributed to our capital expenditures principally included the maintenance of our headquarters in Denmark and the development and implementation of IT systems.

Our anticipated capital expenditure in the current financial year and the coming years is expected to be principally focused on the expansion of our production capacity in Thailand, the relocation of our United States operations into a new building and increasing the number of directly operated Concept Stores in certain key markets. Our total capital expenditure in FY 2010 is expected to be approximately DKK 200 million. We intend to fund this capital expenditure primarily with cash flow from our operating activities. See “Business-Procurement of Raw Materials & Production-Production.”

Investors should be aware that the estimates of capital expenditure have been prepared on the basis of various assumptions. These assumptions include estimates relating to expenditure on materials, equipment, labor and services based on current experience that in many cases have yet to be contracted and/or may be subject to cost escalation or other factors outside of our control. As a result, the final amount of capital expenditure required could be higher or lower than that set out above. In addition, our opportunities for which estimates of capital expenditure have been included could be accelerated, delayed or postponed, increased or reduced in scope or ultimately rejected.

Financial indebtedness

Our net borrowings (which include bank loans, mortgage debts and other current interest-bearing loans and borrowings less cash and short-term deposits) as at 30 June 2010 was DKK 1,950 million compared with DKK 2,151 million as at 31 December 2009 and DKK 2,688 million as at 31 December 2008. Prior to February 2010, our net borrowings included a subordinated loan from the Selling Shareholder that was repaid in February 2010.

The following table presents our net borrowings as at each of the dates indicated:

<u>DKK million</u>	<u>As at 30 June 2010</u>	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>
Current and non-current interest-bearing loans and borrowings	2,128	1,575	1,677
Bank loans	1,337	1,254	1,395
Short term bank loans	693	145	282
Remaining purchase price for Ad Astra Holdings Pty Ltd.	98	176	—
Subordinated loan from the Selling Shareholder.	0	1,400	1,316
Less: cash and short-term deposits	178	824	305
Total	<u>1,950</u>	<u>2,151</u>	<u>2,688</u>

On 17 February 2010, we borrowed DKK 2,200 million through a senior facility agreement with FIH Erhverv A/S, FIH Kapital Bank A/S and Nordea Bank Danmark A/S as arrangers and lenders (the “Senior Facility Agreement”). See “Additional Information — Material Contracts.” The proceeds were used to repay existing credit facilities, to repay the subordinated loan from the Selling Shareholder, and to pay DKK 113 million of a total declared dividend to Prometheus Invest ApS. Of the total dividend of DKK 1,000 million, DKK 887 million was recorded as a liability to Prometheus Invest ApS. In Q2 2010, DKK 800 million of this amount was converted into ordinary shares of PANDORA A/S with no cash flow effects. Of the remaining DKK 87 million, DKK 53 million was paid out to Prometheus Invest ApS later in H1 2010 and DKK 34 million (which represents the total unpaid dividend as at 30 June 2010 to the Selling Shareholder) is expected to be paid in H2 2010 prior to the completion of the Offering. The first repayment of DKK 220 million on the Senior Facility Agreement was paid on 30 June 2010. We are to pay a second installment of DKK 220 million by 31 December 2010 and installments of DKK 440 million every six months, with the final repayment due on 30 December 2012. Borrowings under the Senior Facility Agreement bear interest at CIBOR plus a margin of 2.5% per annum.

In addition, we have a DKK 55 million revolving credit facility with Nordea Bank Denmark which has been available to us since 7 March 2008, of which as at 30 June 2010, DKK 7.5 million was utilized. We are currently primarily drawing on it in connection with leases, credit cards and other types of bank products that need bank guarantees. Since 30 June 2010, Nordea Bank Denmark has also made a EUR 15 million revolving credit facility available to PANDORA Jewelry CWE.

Our bank loans and short term bank loans as at 31 December 2008 and 2009 comprised mainly loans under a Senior Credit Facilities Agreement dated 6 March 2008 between the Company, DnB Nord Bank A/S, FIH Erhvervsbank A/S, FIH Kapital Bank A/S and Nordea Bank Danmark A/S, which were repaid with proceeds from the Senior Facility Agreement.

The following tables present our Net debt to EBITDA ratio – calculated as net borrowings divided by EBITDA – for the periods indicated:

	<u>H1 2010</u>	<u>Q2 2010</u>	<u>Q1 2010</u>	<u>Q4 2009</u>
Net debt to EBITDA	1.0	1.0	1.2	1.4

As of the date hereof, we seek to achieve a Net Debt to EBITDA ratio of less than 1.5. However, our capital structure may vary from period to period, and the actual ratio of Net Debt to EBITDA may vary from this target.

Contractual obligations and commitments

Set forth below is a description of our contractual cash obligations and commitments as at 30 June 2010:

<u>(DKK million)</u>	<u>Total</u>	<u>2010</u>	<u>2011–2012</u>	<u>2013–2014</u>	<u>2015 and Beyond</u>
Long-term debt obligations					
(including interest) ⁽¹⁾	2,212	849	1,361	1	1
Capital (Finance) lease obligations	15	4	6	5	0
Operating lease obligations	284	60	115	64	45
Purchase obligations ⁽²⁾	169	151	9	5	4
Other long-term liabilities reflected on our Balance Sheet under IFRS	93	87	0	0	6
Total	2,773	1,151	1,491	75	56

(1) For obligations of which variable interest rates apply, we have used CIBOR as at 30 June 2010.

(2) Purchase obligation refers to an agreement to purchase goods or services that is enforceable and legally binding on the company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations included here mainly relate to the construction of production facilities and purchases from external suppliers.

The table above does not include the final payment of AUS 20 million, payable in January 2011 as a result of our acquisition of a 60% interest in Ad Astra Holdings Pty Ltd., our former third party distributor in Australia. In addition, the table above does not include our contractual cash obligations and commitments resulting from the exercise of our option to purchase the remaining interest in PANDORA Jewelry CWE and in Ad Astra Holdings Pty Ltd. See “Additional Information — Material Contracts — Shareholders’ Agreement Relating to PANDORA Jewelry CWE” and “Use of Proceeds.”

Off-Balance-Sheet Arrangements

We have no off-balance sheet arrangements, as defined in accordance with IFRS.

Critical Accounting Estimates

See Note 1 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of our significant accounting estimates and judgments.

Quantitative and Qualitative Disclosure about Market Risk

See Note 21 to our Audited Annual Financial Statements included under “Financial Information” for a discussion of our liquidity, currency, raw material, interest rate and credit risks and risk management. See “Operating and Financial Review — Principal Factors Affecting Our Results of Operations — Fluctuations in raw material prices” and “Operating and Financial Review — Principal Factors Affecting Our Results of Operations — Foreign Exchange.”

Consolidated Prospective Financial Information for FY 2010

Statement by the Board of Directors and Executive Management

We have prepared and presented the consolidated prospective financial information for FY 2010, including the principal assumptions under “—Methodology and Assumptions,” applying our accounting policies, which are in accordance with the recognition and measurement requirements of IFRS. The consolidated prospective financial information for FY 2010 is prepared for the purpose of this Offering Circular.

In our opinion, the principal assumptions upon which we have based the consolidated prospective financial information for FY 2010 are described under “—Methodology and Assumptions.” The consolidated prospective financial information for FY 2010 is based on a number of assumptions, and many of the significant assumptions we have used in preparing this information are outside of our control or influence.

The consolidated prospective financial information for FY 2010 represents the best estimates of the Board of Directors and Executive Management at the date of publication of this Offering Circular. Actual results are likely to be different from the consolidated prospective financial information for FY 2010 since anticipated events may not occur as expected and the variation may be material. You should read the consolidated prospective financial information for FY 2010 in this section in conjunction with “Risk Factors” included elsewhere in this Offering Circular. See also “Special Notice Regarding Forward-Looking Statements.”

Glostrup, 20 September 2010

PANDORA A/S

Board of Directors

Allan Leighton
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Andrea Alvey

Marcello V. Bottoli

Sten Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

Executive Management

Mikkel Vendelin Olesen
Chief Executive Officer

Henrik Holmark
Chief Financial Officer

Report from the Company's independent auditors regarding the consolidated prospective financial information for the financial year ending 31 December 2010

To the readers of this Offering Circular

We have examined the consolidated prospective financial information for PANDORA A/S (the "Company") for the financial year ended 31 December 2010 as set out in the paragraph "Consolidated prospective financial information for FY 2010." The consolidated prospective financial information is prepared on the basis of the important assumptions which are described in the section "Methodology and Assumptions" and our accounting policies, which are described in the section "Financial Information", set out on pages F-1 – F-65 of this Offering Circular.

The Board of Directors and the Executive Management are responsible for the consolidated prospective financial information and for the assumptions on which the consolidated prospective financial information is based. Our responsibility is to express a conclusion on the Outlook Statement for 2010 on the basis of our examination.

Scope of examination

We have conducted our examination in accordance with the Danish Standard on Assurance Engagements RS 3400, "Examination of Prospective Financial Information." This standard requires that we plan and perform our examination in order to obtain limited assurance that the assumptions applied are well founded and free from material misstatements, and reasonable assurance that the Outlook Statement for 2010 has been prepared on the basis of these assumptions and in accordance with the accounting policies applicable to PANDORA A/S.

Our examination comprised a review of the outlook statement for 2010 in order to assess whether the assumptions defined by the Board of Directors and Executive Management are documented, well-founded and complete. Further, we have tested whether the outlook statement for 2010 has been properly prepared in accordance with the defined assumptions and we have tested the internal numerical consistency in the outlook statement for 2010.

We believe that our examination provides a reasonable basis for our conclusion.

Conclusion

Based on our examination of the documentation supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Outlook Statement for 2010. Further, in our opinion the Outlook Statement for 2010 has been prepared on the basis of the assumptions defined and in accordance with the accounting policies applied by us, which are described on pages F-1 – F-65 of this Offering Circular.

Actual results are likely to be different from the Outlook Statement for 2010 since anticipated events frequently do not occur as expected, and the variance may be material.

Copenhagen, 20 September 2010

Ernst & Young

Godkendt Revisionspartnerselskab

Robert Christensen
state-authorised public accountant

Niels-Jørgen Andersen
state-authorised public accountant

Introduction

We have prepared the consolidated prospective financial information for FY 2010 included in this Offering Circular for use in the Offering Circular in accordance with applicable laws and regulations. Such information is the responsibility of our management.

The consolidated prospective financial information was not prepared with a view toward compliance with published guidelines of the U.S. Securities and Exchange Commission and the American Institute of Certified Public Accountants (the "AICPA"), for preparation and presentation of prospective financial information. Accordingly, this information does not include disclosure of all information required by the AICPA guidelines on prospective financial information. The prospective financial information is necessarily based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by us, are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond our control, and upon assumptions with respect to future business decisions that are subject to change. This prospective financial information also assumes the success of our business strategy.

Our expectations as to future developments may deviate substantially from actual developments, and our actual results of operations are likely to deviate, and may deviate materially, from the forecasts provided. Accordingly, potential investors should treat this information with caution and not place undue reliance on it.

Methodology and Assumptions

Our outlook statement for FY 2010 reflects the actual performance of our business for H1 2010, as supplemented by management reports through August 2010, and estimates and assumptions concerning our performance through 31 December 2010. The outlook statement has been prepared on the basis of our accounting policies, which are in accordance with the recognition and measurement regulations of IFRS consistent in all material respects with those set forth in the IFRS consolidated audited financial statements included elsewhere in this Offering Circular. The outlook statement concerning FY 2010 has been prepared in accordance with our normal forecasting procedures.

The consolidated prospective financial information for FY 2010 has been prepared on the basis of a large number of assumptions and estimates, which are subject to numerous and significant uncertainties. Certain important assumptions and estimates we have made are set forth below. In addition to these assumptions and estimates, our actual results of operations could deviate materially from our forecasts as a result of other factors, including, but not limited to, those described under "Special Notice Regarding Forward-Looking Statements" and "Risk Factors." For more information regarding factors which we would expect could have a substantial effect on our results of operations, see "Operating and Financial Review — Principal Factors Affecting Our Results of Operations."

Our estimates concerning exchange rates are based upon our hedging strategy, which is hedging of net currency exposure. Furthermore, our estimates are based upon unchanged future rates compared to currently hedged rates. Because of our net hedging strategy, a change in expected exchange rates will have the largest impact on our revenue where we have the largest currency exposure.

Our estimates concerning revenue are principally based upon (i) prices for our products through June 2010 and known price increases expected to be implemented through 31 December 2010, (ii) the number of customers in each of our distribution channels and anticipated for the remainder of 2010 and (iii) the number of new points of sale added and upgrades experienced through June 2010 and anticipated net openings and upgrades of points of sales through 31 December 2010. In addition, our revenue is expected to be significantly impacted by the seasonality of our business – there is typically a seasonal concentration of sales of our products in the period leading up to, and around, the Christmas holiday season.

Our estimates concerning EBITDA are additionally based on our actual operating expenses incurred through June 2010 and our budgeted operating expenses, including consumption of key raw materials, most notably gold and silver, and the impact of associated existing hedging contracts, through 31 December 2010.

In H2 2010, in accordance with our business strategy, we expect a net increase of more than 500 total points of sale from the 9,922 points of sales as at 30 June 2010, and a further net increase of at least 500 total points of sale in FY 2011. In FY 2011, we further expect to increase the proportion of our branded points of sale primarily through upgrades of existing points of sale.

Outlook Statement

We expect our revenue for H2 2010 to be higher than our revenue of DKK 2,581 million for H1 2010. We expect our EBITDA¹ margin for H2 2010 to be 40% or above.

Our financial and operational performance is affected by various factors. For a discussion of those that may have an adverse effect on our operational and financial performance, see “Risk Factors.”

(1) EBITDA is a measure that is not defined by IFRS. We define EBITDA as net profit before interest, tax, depreciation, amortization, impairment losses and costs relating to the Offering. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by backing out potential differences caused by variations in capital structure, tax positions (such as the impact on periods or subsidiaries of changes in effective tax rates or net operating losses) and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating or net profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Circular, may not be comparable to similarly titled measures reported by other companies due to differences in the manner in which these measures are calculated.

Management and Employees

General

We are governed by a two-tier system, in which the Board of Directors and the Executive Management manage our affairs.

Board of Directors

The Board of Directors of the Company has the overall responsibility for our management and supervises the Executive Management. The Board of Directors determines our policies as regards business strategy, organization, accounting and finance, and appoints our Executive Management. The Executive Management is responsible for the day-to-day developments and operations. Matters of unusual nature or major significance, such as determining our objectives, corporate strategy, budgets, acquisitions and sale of assets and risk management policies, are not part of the day-to-day management, and accordingly, the Executive Management must submit such matters to the Board of Directors. The Board of Directors appoints and dismisses the Executive Management.

The Board of Directors is elected by the general meeting of shareholders, except for members who are elected pursuant to the legislation in force concerning the representation of employees on the Board of Directors.

The business address of the members of the Board of Directors is: c/o PANDORA A/S, Hovedvejen 2, 2600 Glostrup, Denmark.

According to Articles of Association of the Company, the Board of Directors elected at the general meeting shall consist of no less than three and no more than eight members who are elected for a term of one year. The Board of Directors elects a chairman and a deputy chairman from among its own members.

The following table presents an overview of the members of the Board of Directors:

<u>Name</u>	<u>Position</u>	<u>Year of Appointment</u>
Allan Leighton	Chairman	2010
Torben Ballegaard Sørensen	Deputy Chairman	2008
Andrea Alvey	Director	2010
Marcello V. Bottoli	Director	2010
Sten Daugaard	Director	2010
Christian Frigast	Director	2010
Erik D. Jensen	Director	2008
Nikolaj Vejlsgaard	Director	2008

We believe all members of the Board of Directors possess the professional and international experience required to serve as a board member. The Company's Board of Directors has been composed to reflect the skills and experience required to supervise and manage a listed company on NASDAQ OMX Copenhagen.

Biographies

Allan Leighton (born 1953) has been member of the Board of Directors since 31 August 2010.

Allan Leighton has attended Harvard University's Advanced Management Program. Allan Leighton is currently President and Deputy Chairman of Loblaw Companies Ltd., Deputy Chairman of Selfridges & Co and George Weston Ltd., and Non-Executive Director of BskyB Group plc. Within the past five years Allan Leighton has been Non-Executive Chairman of the Royal Mail. He has also been Chief Executive Officer of Asda PLC, President of Walmart Europe and spent 18 years with the Mars Corporation.

Torben Ballegaard Sørensen (born 1951) has been a member of the Board of Directors since March 2008.

Torben Ballegaard Sørensen holds a MBA from Aarhus School of Business and is currently adjunct professor in Management at Aarhus University.

Torben Ballegaard Sørensen is the Managing Director of Investeringsselskabet af 1. Juli 2008 ApS. Within the past five years he has been the Chief Executive Officer of Bang & Olufsen A/S.

Torben Ballegaard Sørensen is chairman of the board of directors in CAT Management ApS, Realfiction ApS, CAT Seed A/S, Thomas A/S, Tajco Group A/S and CAT Forsknings- og Teknologipark A/S. Within the past five

years Torben Ballegaard Sørensen has been chairman of the board of directors of PANDORA A/S and Prometheus Invest ApS, Bang & Olufsen Icepower A/S, Bang & Olufsen Audio Visual A/S (dissolved following a demerger), Bang & Olufsen Danmark A/S and Bang & Olufsen Telecom A/S (dissolved following a demerger).

Torben Ballegaard Sørensen is also a member of the board of directors in Fonden CAT Center for Avanceret Teknologi, Forsknings- og Teknologipark, Egmont Fonden, AS3 Companies A/S, Årstiderne Arkitekter Herning A/S, Årstiderne Arkitekter A/S, Dyrup A/S, Egmont International Holding A/S, Ejendomsselskabet Vognmagergade 11 ApS, Lego A/S, Systematic A/S, Monberg & Thorsen A/S, Ejendomsselskabet Gothersgade 55 ApS and Fonden CAT Invest Zealand. Within the past five years Torben Ballegaard Sørensen has been a member of the board of directors in Simcorp A/S, Aktieselskabet af den 24. Maj 2004 (dissolved following a merger), Bang & Olufsen Medicom A/S, Bang & Olufsen Operations A/S and Bang & Olufsen Expansion A/S.

Andrea Alvey (born 1967) has been member of the Board of Directors since 31 August 2010.

Andrea Alvey holds a bachelor in Science on Business Economics/Statistics from Southern Connecticut State University. Andrea Alvey is President of Kitabco Investments Inc. and a Regional Developer for Peak Franchising. In the past five years Andrea Alvey has been Group Finance and IT Director of The Body Shop International Plc and Director of Global Business Development in Body Shop International Plc. Andrea Alvey also held the position of Trustee and Audit Committee Member for the Body Shop Foundation, a non-profit organization funding smaller, grassroots charities. Within the past five years, Andrea Alvey has not held any directorships.

Marcello V. Bottoli (born 1962) has been member of the Board of Directors since 31 August 2010.

Marcello V. Bottoli holds an Italian Doctorate degree in Business Administration from Bocconi University in Milan, Italy. Marcello V. Bottoli is Non-Executive Director of International Flavour & Fragrances Inc. and True Religion Apparel, Inc. Further, Marcello V. Bottoli is associated to Advent International, a Global Private Equity Firm, as Operating Partner. Marcello V. Bottoli has in the past five years been President and Chief Executive Officer of Samsonite Corporation and a Non-Executive Director of Ratti S.p.A.

Sten Daugaard (born 1957) has been member of the Board of Directors since 31 August 2010.

Sten Daugaard is Chief Financial Officer of LEGO A/S. He is also member of the board of directors of LEGO System A/S. Within the past five years Sten Daugaard has been the Chief Financial Officer of the SGL Group AG. Prior to this, Sten Daugaard was the Chief Executive Officer of the LTU Group, Germany. Within the past five years, Sten Daugaard has not held any directorships.

Christian Frigast (born 1951) has been member of the Board of Directors since 31 August 2010.

Christian Frigast is managing partner at Axcel Management A/S and the Chief Executive Officer of Axcel Industriinvestor A/S, CCTC Invest ApS, Axcel II Management A/S, Axcel II A/S, Axcel III KS Invest ApS, Axcel Management A/S and MP-AX I Invest ApS.

Christian Frigast is currently chairman of the board of directors of Prometheus Invest ApS, Esko-Graphics Holding ApS, KW Invest ApS, Royal Scandinavia Invest A/S, EGA 2008 ApS, Axcel Prometheus Invest 1 ApS, AX NO Invest ApS, Axno Invco ApS, Axcel Prometheus Newco ApS, Esko-Graphics Invest A/S, Axcel Prometheus Invest 2 ApS, IDINVEST 2010 ApS, MNGT Komplementar ApS, MNGT2 ApS, MNGT 3 ApS, MNGT 4 ApS, MNGT 1 ApS, Axcel-Junkers Invest A/S, Junkers Holding A/S, IDINVEST ApS, AX3 Investco ApS, Management Invco A/S, AXIII MP Holding ApS, EGA Invest ApS, EGA Invco ApS and Axcel III G.P. ApS.

Christian Frigast has within the past 5 years been chairman of the board of directors of LRA I ApS (in liquidation), Jensen Invest A/S, KW Invest Investor ApS (dissolved following a liquidation), PANDORA Holding ApS (now PANDORA A/S), ICP Invest A/S (dissolved following a liquidation), Axcel PANDORA Invco ApS (dissolved following a merger), Kwintet A/S, Axcel Door Invest A/S (dissolved following a liquidation), KTI Invest A/S (dissolved following a liquidation), PANDORA Int. ApS, Door Partners Invest A/S (dissolved following a liquidation), Door Corporate Investors A/S (dissolved following a liquidation), MNGT Holding A/S (dissolved following a demerger), Esko-Graphics Holding ApS (now Esko-Graphics Holding A/S) and Esko-Graphics Invest ApS (now Esko-Graphics Invest A/S).

Christian Frigast is also member of the board of directors of Hamton I – bond 004 Ltd, Hamton European Equities Ltd, Hamton Special Situations Ltd, Hamton Fund of Funds Ltd, TORM A/S, Door Holding A/S, Royal Scandinavia A/S, INVEST-AX II A/S, TCM Invest A/S, Noa Noa ApS, NN AX 1 ApS, NN AX 2 ApS, BB Electronics Invest ApS, KIFU-AX II A/S, AXTCM Invest ApS, Axcel Management A/S, AXIII TCM Invco ApS, AX Ball Invest ApS and AXBL Invco ApS.

Christian Frigast has within the past 5 years been member of the board of directors of IDDESIGN A/S, Icopal Danmark A/S, Ejendomsselskabet af 7. maj 2008 ApS, VLBMP-AX II A/S (dissolved following a merger), TCM Group A/S, Jeld-Wen A/S, TMK A/S, Concepta Skabe A/S, TCM Management Invest ApS, Aztec Holding A/S (dissolved following a demerger), Esko-Graphics A/S, TTG Invest A/S (dissolved following a liquidation), VL-AX II A/S (dissolved following a merger), VSI Invest A/S (dissolved following a liquidation), P-AX II A/S (dissolved following a merger), FM-Søkjær Holding 1 A/S, KFU-AX II A/S (dissolved following a merger), BMP-AX II A/S (dissolved following a merger), FM-Søkjær Holding 2 ApS (now Huscompagniet A/S), IDDESIGN Holding ApS (now 6. August 2010 A/S i likvidation) and KLMØC1 ApS (now FM-Søkjær Holding 1 A/S).

Erik D. Jensen (born 1943) has been member of the Board of Directors since May 2008.

Erik D. Jensen is a professional board member. Within the past five years Erik D. Jensen has been the Chief Executive Officer of Royal Scandinavia A/S.

Erik D. Jensen is chairman of the board of directors of Royal Scandinavia A/S, Royal Scandinavia II A/S, Cens A/S, PBIInge A/S, PBI Holding A/S, Kærup Erhvervspark A/S, MLA Gruppen A/S, MLA A/S, MLA Car Rental A/S and Michael Lassen Automobile A/S. Within the past five years Erik D. Jensen has been chairman of the board of directors in Ejendomsaktieselskabet Matr. Nr. 1 II Kastrop By, Kastrop (dissolved following liquidation), Ejendomsaktieselskabet Matr. Nr. 21 CT Hvidovre By, Risbjerg (dissolved following liquidation), Kærup Gods A/S (dissolved following a merger), Ejendomsaktieselskabet Matr. nr. 3A, 5A, 494 og 495, Valby (dissolved following liquidation), Royal Scandinavia III ApS (dissolved following liquidation) and Ejendomsaktieselskabet Matr. Nr. 836 A og 1156 A Odense Bygrunde (dissolved following liquidation).

Erik D. Jensen is also a member of the board of directors in Royal Copenhagen A/S, Ejnar og Meta Thorsens Fond, Artium, Skandinavisk Design Center ApS and PBI-Dansensor A/S. Within the past five years Erik D. Jensen has been a member of the board of directors in Prometheus Invest ApS, Illums Bolighus A/S, Georg Jensen A/S, Hans Hansen Sølvmedie A/S (dissolved following a merger), Ejendomsaktieselskabet Amagertorv 6 (dissolved following liquidation), Ejendomsaktieselskabet Amagertorv 8 (dissolved following liquidation), Ejendomsaktieselskabet Amagertorv 4 (dissolved following liquidation), Georg Jensen Retail A/S and MT Højgaard A/S.

Nikolaj Vejlsgaard (born 1971) has been member of the Board of Directors since March 2008.

Nikolaj Vejlsgaard is partner at Axcel Management A/S and the Managing Director of Prometheus Invest ApS, DDD Invest ApS, Royal Scandinavia Invest A/S, Waldorf & Statler ApS, AXIII MPH Invest ApS, UIM Holding ApS, MP-AX II Invest ApS and Aztec Holding A/S. Within the past 5 years Nikolaj Vejlsgaard has been the Managing Director of ICP Invest A/S, PANDORA Holding ApS (now PANDORA A/S), Prometheus Invest ApS and Lonca Holding ApS.

Nikolaj Vejlsgaard is currently chairman of the board of directors of IP Gruppen Holding ApS and IP Development A/S. He has within the past 5 years been chairman of the Board of Directors of Pilisar ApS, Interbyg Fyn A/S, Interbyg Sjælland A/S, Interbyg Sønderjylland A/S and KLMØC1 ApS (now FM-Søkjær Holding 1 A/S). Nikolaj Vejlsgaard is also member of the Board of Directors of KW Invest ApS, Axcel Prometheus Newco ApS, Royal Scandinavia Invest A/S, Royal Scandinavia A/S, Era Biler A/S, IP Online A/S, IP Administration A/S, DDD Invest ApS, AFMS Investco ApS, Prometheus Invest ApS, Royal Scandinavia II A/S, Georg Jensen A/S, MGNT4 ApS, MGNT3 ApS, MGNT2 ApS, MGNT1 ApS, MGNT Komplementar ApS, AXIII MP Holding ApS, AFMS Invest ApS, Axcel Prometheus Invest 2 ApS and Axcel Prometheus Invest 1 ApS. Within the past 5 years Nikolaj Vejlsgaard has been member of the board of directors of KW Invest Investor ApS (dissolved following a liquidation), FM-Søkjær A/S, FM-Søkjær Entreprise A/S, ICP Invest A/S (dissolved following a liquidation), PANDORA Jewelry America ApS (dissolved following a merger), PANDORA Jewelry A/S (dissolved following a merger), Drift Holding ApS (dissolved following a merger), Derma Holding ApS (dissolved following a merger), Diagnostic Holding ApS (dissolved following a merger), KW Holding A/S (now PANDORA Int. ApS), Jensen Invest A/S, Axcel PANDORA Invco ApS (dissolved following a merger), FM-Søkjær Holding 2 ApS (now Huscompagniet A/S), 2D Holding A/S (dissolved following a merger), Huscompagniet A/S, DDD Holding A/S, FM-Søkjær Holding 1 A/S and MNGT Holding A/S (dissolved following a demerger).

Board Practices and Committees

The Board of Directors holds a minimum of six meetings each year with the participation of the Executive Management. The Board of Directors also receives periodic reports from the Executive Management concerning the status of our operations. Whenever required, the Board of Directors is convened for extraordinary meetings. The Chairman of our Board of Directors will furthermore meet on a regular basis with our Executive Management.

The Board of Directors has established the following board committees.

Audit committee

The audit committee consists of at least three members of the Board of Directors. At least half of the members are required to meet the independence requirements set out in the corporate governance recommendations of the Danish Committee on Corporate Governance issued in April 2010 (the "Recommendations"). The Board of Directors appoints committee members and the committee chair. The current members of the audit committee are Sten Daugaard (Chairperson), Andrea Alvey, Erik D. Jensen and Nikolaj Vejlsgaard. The audit committee reviews and assesses our financial reporting and audit process, as well as our internal control systems, and evaluates the adequacy of our control procedures.

Remuneration committee

The remuneration committee consists of at least three members of the Board of Directors elected by the Board of Directors. At least half of the members are required to meet the independence requirements set out in the Recommendations. The current members of the remuneration committee are Allan Leighton (Chairperson), Torben Ballegaard Sørensen, Marcello Bottoli and Christian Frigast. The remuneration committee assists the Board of Directors in fulfilling its responsibilities of establishing, implementing and executing the remuneration policy of the members of the Board of Directors and the Executive Management.

Nomination committee

The nomination committee consists of at least three members of the Board of Directors elected by the Board of Directors. At least half of the members are required to meet the independence requirements set out in the Recommendations. The current members of the nomination committee are Allan Leighton (Chairperson), Torben Ballegaard Sørensen, Marcello V. Bottoli and Christian Frigast. The nomination committee assists the Board of Directors in fulfilling its responsibilities with regard to (i) nominations and appointments to the Board of Directors and the Executive Management, (ii) securing that the Board of Directors and the Executive Management at all times have the appropriate size and are composed of individuals having the professional qualifications and experience required and (iii) conducting frequent evaluations of the performance of the Board of Directors and the Executive Management.

Compensation of the Board of Directors

Each member of our Board of Directors receives a fixed annual cash fee, which is determined and approved by the annual general meeting of shareholders in connection with the approval of the annual report. In FY 2009, the aggregate compensation of the Board of Directors was DKK 2.4 million, of which short-term employee benefits amounted to DKK 0.1 million and share-based payment transactions amounted to DKK 2.3 million. The aggregate annual compensation of the Board of Directors is estimated to be DKK 3.4 million in FY 2010, excluding Warrants held by Torben Ballegaard Sørensen and Erik D. Jensen. The aggregate annual compensation of the Board of Directors will comprise DKK 2.6 million to the Chairman of the Board of Directors, DKK 750,000 to the Deputy Chairman of the Board of Directors and DKK 500,000 to the other members of the Board of Directors. We will propose these amounts to the annual meeting of shareholders in 2011. In FY 2010, the newly elected members of the Board of Directors will receive only a portion of the annual compensation for members of the Board of Directors for such year, proportional to the period from 1 September 2010 to 31 December 2010.

Except for Allan Leighton, as discussed below, the chairman of the committees established by the Board of Directors will receive an additional annual compensation of DKK 150,000 and the other members of the committees will receive an additional annual compensation of DKK 100,000. Compensation will only be payable once irrespective of the number of committee memberships a member of the Board of Directors holds.

In addition to his fixed annual cash fee, Allan Leighton, the Chairman of the Board of Directors, will be eligible for a one-off additional bonus in a Share amount of DKK 6.5 million if certain EBITDA (on an adjusted basis) targets defined in our business plan are met for the full year periods of 2013, 2014 or 2015. A grant under the program can be made in 2014 at the earliest based on the FY 2013 results. Shares may not be sold until two years after the grant or when Mr. Leighton retires from his position on the Board of Directors, whichever occurs later. The program will lapse automatically and without compensation to Mr. Leighton should we fail to reach the agreed targets by FY 2015 at the latest.

Mr. Leighton has agreed to purchase in the Offering a minimum number of Offer Shares that is equal in value to the gross amount of his fixed annual cash fee for one year. In addition, over the three year period following the Offering, Mr. Leighton has agreed to invest in PANDORA, through open market purchases of Shares, a minimum

amount equal to half of the gross amount of his fixed annual cash fee for one year. Together, these commitments represent an average annual investment for each of the first three years that PANDORA will be a public company of half of the gross amount of his fixed annual cash fee during the period.

Further, Mr. Leighton has agreed not to sell Shares including any granted under the one-off additional bonus, or pursuant to his investment in Shares, each as described above, until he retires from his position as Chairman of the Board of Directors. Mr. Leighton does not receive any compensation for being a member on the committees established by the Board of Directors.

The other members of our Board of Directors, except Torben Ballegaard Sørensen and Erik D. Jensen, who already own Warrants, have accepted to purchase in the Offering a minimum number of Offer Shares that is equal in value to the gross amount of their fixed annual cash fee, respectively, for one year. These persons are required not to sell his or her Shares so acquired until he or she retires from his or her position on the Board of Directors.

The fixed annual cash fee to the members of our Board of Directors and the one-off additional bonus will be taxable as earned income in Denmark.

We have not granted any loans, issued any guarantees or undertaken any other obligations to or on behalf of the Board of Directors or any of its members.

No member of the Board of Directors is entitled to any kind of remuneration on retirement from his position as member of the Board of Directors. We have not allocated funds or made provisions for any pension benefits, severance scheme or the like for the Board of Directors and we have no obligation to do so.

For more information on the participation of certain members of the Board of Directors in our incentive programs, see “— Incentive Programs.”

None of the members of the Board of Directors have received remuneration from subsidiaries for any services performed to such subsidiary.

Executive Management

The Executive Management shall, according to the Articles of Association of the Company, consist of one to three members. Currently, the Board of Directors has appointed an executive management consisting of two members, Mikkel Vendelin Olesen and Henrik Holmark, who are both registered with the Danish Commerce and Companies Agency and who constitute the Executive Management of the Company. The Executive Management is responsible for the management in accordance with the guidelines and instructions issued by the Board of Directors. The business address of the Executive Management is: c/o PANDORA A/S, Hovedvejen 2, 2600 Glostrup, Denmark.

The following table presents an overview of current members of the Executive Management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointed to Executive Management</u>
Mikkel Vendelin Olesen	44	President and Chief Executive Officer	29 August 2008
Henrik Holmark	45	Chief Financial Officer	1 February 2009

We believe all members of the Executive Management possess the professional and international experience required for their positions, including the experience required to supervise and manage a listed company on NASDAQ OMX Copenhagen.

Biographies

Mikkel Vendelin Olesen (born 1966) has been Chief Executive Officer since August 2008. Mikkel Vendelin Olesen holds a Master of Science degree in International Business and Economics from Aalborg University. Mikkel Vendelin Olesen is chairman of the Board of Directors of PANDORA Jewelry Central Western Europe A/S and PANDORA Eastern Europe A/S, and he is a member of the Board of Directors of Pilisar ApS, Svendsen Sport A/S, Lars Svendsen Holding ApS, Ad Astra Holdings Pty Ltd. and EVA Solo A/S. Mikkel Vendelin Olesen is also the Chief Executive Officer of Vendelin Olesen Holding ApS and Pilisar ApS. Within the past five years, Mikkel Vendelin Olesen has been a chairman of the Board of Directors of Brand Farm A/S, a member of the Board of Directors of PANDORA Jewelry America ApS (dissolved following a merger), Designers Remix Collection A/S, Saint Tropez af 1993 A/S and Raffinaderivej 10 A/S and the Chief Executive Officer in Prometheus Invest ApS,

PANDORA Jewelry America ApS (dissolved following a merger), PANDORA Jewelry A/S (dissolved following a merger), and IC Companys A/S.

Henrik Holmark (born 1965) has been Chief Financial Officer since February 2009 (registered in April 2009). Henrik Holmark holds a Master of Science degree in Business Economics and Auditing from Copenhagen Business School and was appointed State Authorized Public Accountant in 1995. Henrik Holmark is chairman of the Board of Directors of Pilisar ApS and he is a member of the Board of Directors of PANDORA Jewelry Central Western Europe A/S and Ad Astra Holdings Pty Ltd. Henrik Holmark is also the Chief Executive Officer of PANDORA Leadership ApS, Ejendomsselskabet af 7. maj 2008 ApS and PANDORA Int. ApS. Within the past five years, Henrik Holmark has been the chairman of the Board of Directors in PANDORA Jewelry A/S (dissolved following a merger) and the Chief Executive Officer of Jobasi ApS (dissolved following a merger) and the Chief Financial Officer of Prometheus Invest ApS.

Compensation of the Executive Management

The remuneration of the Executive Management consists of a cash salary, standard benefits consisting of typical management fringe benefits, including company car, free telephone and Internet, and a performance-related cash bonus program with an earning potential of up to 33% of the yearly salary for our CEO and up to 30% of the yearly salary for our CFO. Furthermore, the members of the Executive Management participate in the Company's incentive plans. See “— Incentive Programs.”

In FY 2009, the aggregate compensation of our Executive Management was DKK 10.8 million, of which short-term employee benefits amounted to DKK 7.4 million and share-based payment transactions amounted to DKK 3.4 million. The aggregate compensation of the Executive Management is estimated to be DKK 9.7 million in FY 2010 excluding the Warrants held by Executive Management.

The following table presents an overview of the allocation of the aggregate compensation to our Executive Management in FY 2009:

	<u>Mikkel Vendelin Olesen</u>	<u>Henrik Holmark</u>
Salary and other	DKK 3.1 million	DKK 1.9 million
Bonus	DKK 1.6 million	DKK 0.8 million
Warrants	DKK 1.9 million	DKK 1.5 million

We have not granted any loans, issued any guarantees or undertaken any other obligations to or on behalf of the Executive Management.

Members of the Executive Management are entitled to remuneration on retirement from their position as members of the Executive Management. We may dismiss Mikkel Vendelin Olesen at 24 months' notice. If we terminate Mikkel Vendelin Olesen's employment, he is entitled to be released from his duties after three months. Regardless of a release and other income earned Mikkel Vendelin Olesen will continue to receive his salary for the full notice period. Mikkel Vendelin Olesen may terminate his employment with us at 12 months' notice.

We may dismiss Henrik Holmark at 12 months' notice. If we terminate Henrik Holmark's employment, he is entitled to be released from his duties after three months or, if he obtains new employment before the end of that three month period, Henrik Holmark is entitled to be released at the time when such new employment begins. Henrik Holmark will continue to receive his salary for the full notice period, subject, however, to set off with income earned by him from a new employment. Henrik Holmark may terminate his employment with us at six months' notice.

Both members of our Executive Management are subject to non-competition and non-solicitation clauses for a period of 12 months from the expiry of their notice periods. Under mandatory Danish law, non-competition clauses cannot be enforced after expiry of the notice period if notice is given by us without the Executive Management having given reasonable cause for the dismissal.

We have not allocated funds or made provisions for any pension benefits, severance scheme or the like for the Executive Management and we have no obligation to do so. For more information on the participation of the Executive Management in our incentive programs, see “— Incentive Programs.” Members of our Executive Management also hold a total of 741 Warrants in addition to their indirect ownership of us through the Selling Shareholder. See “Ownership Structure and Related Party Transactions — Ownership Structure” and “— Warrant Program.”

Compensation received by the members of the Executive Management for any services performed to subsidiaries of the Company is set off against remuneration received from the Company.

Key Employees

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Year of Appointment</u>
Thomas Ryge Mikkelsen	38	Chief Development Officer	2008
Per Enevoldsen	57	Production Manager	2003 ⁽¹⁾

(1) Reflects appointment as Production Manager. Per Enevoldsen founded PANDORA in 1982 and has been in charge of production since 1989.

We believe all Key Employees possess the professional and international experience required for their positions, including the experience required to supervise and manage a listed company on NASDAQ OMX Copenhagen.

Biographies

Thomas Ryge Mikkelsen (born 1972) has been Chief Development Officer since March 2008. Thomas Ryge Mikkelsen holds a Master of Science degree in International Business from Copenhagen Business School. Thomas Ryge Mikkelsen is a member of the Board of Directors of PANDORA Jewelry Central Western Europe A/S, Pilisar ApS, Prokura A/S, PANDORA Eastern Europe A/S. Within the past five years, Thomas Ryge Mikkelsen has been the chairman of the board of directors of Tvimo A/S and a member of the Board of Directors of PANDORA Jewellery UK Limited, PANDORA Jewelry Asia-Pacific Limited, Axcel PANDORA Incvo ApS (dissolved following a merger), Axcel Prometheus Invest 1 ApS, Axcel Prometheus Invest 2 ApS, A/S Tvis Ejendomsselskab, TMK A/S, TCM Group A/S, Thygesen Textile Group A/S, Concepta Skabe A/S, Thygesen Fabrics A/S, PANDORA Jewelry A/S (dissolved following a merger), TCM Invest A/S and Femilet A/S and the Chief Executive Officer of JOSO Invest ApS (dissolved following a merger).

Per Enevoldsen (born 1952) has been Production Manager (Chief Executive Officer) of PANDORA Production Co. Ltd since January 2003. Per Enevoldsen is a trained goldsmith. Per Enevoldsen is a member of the board of directors of Prometheus Invest ApS, and PANDORA Production Co. Ltd. and Chief Executive Officer in Pewic Holdings ApS, Per Enevoldsen ApS, Wipec Holding ApS and Algot Holdings Aps. Within the past five years, Per Enevoldsen has been a member of the Board of Directors of PANDORA Jewelry America ApS (dissolved following a merger), Pilisar ApS, PANDORA Jewelry A/S (dissolved following a merger with the Company) and PANDORA A/S and the Chief Executive Officer of PANDORA Jewelry America ApS (dissolved following a merger), Pilisar ApS, PANDORA Jewelry A/S (dissolved following a merger), Wipec Holding 2 ApS and Centrillon Co. Ltd.

Compensation of Key Employees

The remuneration of the Key Employees consists of a cash salary and benefits consisting of typical fringe benefits in accordance with market standards. In addition the key employees have a bonus program with an earning potential of up to 30% of the yearly salary. Our key employee, Thomas Ryge Mikkelsen, also participates in the Company's Warrant program. See "— Incentive Programs.

In FY 2009, the aggregate compensation of our Key Employees was DKK 3.3 million, excluding DKK 1.1 million in share-based payments to Thomas Ryge Mikkelsen. The aggregate compensation of the Key Employees is estimated to be DKK 4.6 million in FY 2010 excluding the Warrants held by Key Employees.

Compensation received by the Key Employees for any services performed to subsidiaries of the Company is set off against remuneration received from the Company.

Per Enevoldsen is subject to non-competition and non-solicitation of employees clauses for a period of 12 months from the expiry of his notice period. Under mandatory Danish law, non-competition clauses cannot be enforced after expiry of the notice period if notice is given by us without Per Enevoldsen having given reasonable cause for the dismissal.

Incentive Programs

In recent years, we have issued warrants ("Warrants") to the Company's former Chairman of the Board (Torben Ballegaard Sørensen), Executive Management, certain other key employees and a board member of the Company,

which are exercisable in connection with the Offering. See “Ownership Structure and Related Party Transactions — Ownership Structure.” The holders of Warrants have announced that they expect to exercise their Warrants in connection with the Offering and to sell 35% of the Shares received in connection with the exercise of the Warrants to the Selling Shareholder at the Offer Price primarily to cover tax liabilities arising from the exercise of the Warrants. See “Warrant Program.”

Prior to the Offering, we have put in place a Long Term Incentive Plan (“LTIP”) to the Company’s Executive Management and up to 68 of our managers and other employees with a view to encouraging common and sustainable long term goals for the participants and the shareholders in line with the Company’s strategy. See “— Long Term Incentive Plan.”

In addition, members of our Board of Directors will be required to show commitment to the long-term growth of the Company by making investments in Shares. See “— Board Member Incentive Shares.”

Warrant Program

The terms and conditions governing the Warrants are described in Appendix 1 and 2 to the Articles of Association of the Company (collectively referred to as “Appendices”). Each Warrant granted entitles the holder to subscribe for one Share in the Company at a rising strike price per Share calculated as DKK 1 plus a monthly interest of 0.6434% for each month or part of a month from 1 March 2008, equaling a strike price of DKK 1.21 per share at the time of the exercise of the Warrants in October 2010. In aggregate, the Warrants pursuant to their original terms entitle the holders to subscribe for 1,779 Shares in the Company. However, in FY 2009 the Company changed its legal form from a Danish private limited liability company to a Danish public limited liability company and, in order to comply with the Danish corporate law requirements regarding minimum share capital, the Company increased its share capital from DKK 125,000 to DKK 500,000. This increase of the Company’s share capital was implemented by way of the Company’s issuance of bonus shares to its shareholders. As the bonus shares were issued to the Company’s shareholders without any payment to the Company the issuance of bonus shares reduced the value of the Warrants. The value of the Warrants was further reduced by the Company’s declaration of a dividend of DKK 1 billion and a subsequent conversion of DKK 800 million of this dividend into Shares in the Company in H1 2010. Pursuant to adjustment mechanisms in the Appendices, the holders of the Warrants are to be placed in the same position as if these capital changes and the dividend had not been made. In relation to the increase of the Company’s share capital from DKK 125,000 to DKK 500,000 in connection with the Company’s change in legal form and the conversion of the declared dividend of DKK 800 million into Shares in the Company, the holders of Warrants are compensated by way of issuance of 1,003 bonus shares per exercised Warrant in connection with their exercise. In relation to the portion of the declared dividend that has not been converted into Shares in the Company, the holders of Warrants are, when the Warrants are exercised, compensated by the Company’s delivery of a number of own Shares acquired in connection with the Offering. See “Description of the Shares and Share Capital — Authorization to Acquire Our Own Shares.” The number of own Shares will depend on the Offer Price.

The Warrants are exercisable upon the occurrence of certain circumstances, including a listing of the Shares on a stock exchange (such as that contemplated in connection with the Offering), a regulated market or an alternative market place. In the event that a holder of Warrants has the opportunity to exercise Warrants, but does not do so, such holder’s unexercised Warrants, and entitlement to bonus shares upon exercise, will lapse automatically, without notice and without compensation.

A holder must exercise within 35 calendar days after receipt of an exercise notice from the Company. The Company may issue an exercise notice in a period of 45 calendar days prior to the contemplated exercise event (as defined in the Appendices) and 45 calendar days after the completion of an exercise event. The Company issued an exercise notice on 18 September 2010 and, therefore, the holders of Warrants must exercise their Warrants no later than 23 October 2010. The holders of Warrants have announced that they expect to exercise their Warrants in full in connection with the Offering. However, there can be no guarantee that such exercise will occur.

Once exercised, holders of the Warrants are to acquire Shares and receive bonus shares and own Shares of 1.4% of the share capital of the Company as at the date of this Offering Circular. This will result in an increase of the Company’s share capital of DKK 1,786,116, assuming the exercise of all Warrants. The final ownership percentage will depend on the Offer Price but is not expected to be significantly above 1.4% of the share capital of the Company as at the date of this Offering Circular.

If the holders of Warrants exercise Warrants in connection with this Offering, each holder is expected to sell 35% of the Shares received upon exercise of the Warrants to the Selling Shareholder at the Offer Price. See “— Ownership Structure and Related Party Transactions — Ownership Structure.”

Long Term Incentive Plan

The terms and conditions of the LTIP are described in individual agreements with each participant. The grant of options to purchase Shares is based on achieving EBITDA and consolidated revenue targets, from 2011 onwards, at the end of the second financial year following the year in which the targets were set; for example, targets for the period ending 31 December 2013, would be set in the beginning of 2011. Targets set in the remainder of 2010 are to correspond to the period ending 31 December 2013.

Based on EBITDA and consolidated revenue performance at the end of the target period, the LTIP establishes a possibility for participants to be awarded options to purchase Shares at a strike price per Share of 1% of the market value of the Shares at the time of grant.

The maximum number of options that may be awarded will be fixed at the time of setting the LTIP targets and will enable participants to purchase a number of Shares with a total market price at the time of setting the LTIP targets of up to 50% of participants' base salary at that time. No options will be awarded unless targets for both EBITDA and consolidated revenue are exceeded by more than 10%. The level of target performance in excess of 10% will determine how many options participants will be awarded. An award of the maximum number of options requires targets for both EBITDA and consolidated revenue to be exceeded by more than 20%. Options awarded will vest and become exercisable in a single exercise window of 4 weeks beginning on the first weekday after publication of the Company's announcement of full-year financial statements for the financial year ending 2 years after the financial year preceding the date on which options are granted. After this period they will lapse automatically, without notice and without compensation.

A person is eligible to be granted options under the LTIP only if such person on the grant date is an employee or a good leaver of the Company or a group company.

As part of their service contracts, our Executive Management will be required to retain, direct or indirect, ownership of Shares with a market value corresponding to five times their annual base salary. The market value of any Shares that may be acquired pursuant to options granted to the Executive Management are included in the calculation of the market value of Shares owned by the Executive Management, irrespective of whether such options are vested. The Board of Directors may depart from this requirement to acquire further Shares.

Board Member Incentive Shares

Our Chairman (Allan Leighton) has agreed to purchase in the Offering a minimum number of Offer Shares that is equal in value to the gross amount of fixed annual cash fee for one year. In addition, over the 3 year period following the Offering, Mr. Leighton has agreed to invest in PANDORA, through open market purchases of Shares, a minimum amount equal to half of the gross amount of his fixed annual cash fee for one year. Further, our other members of the Board of Directors, except Torben Ballegaard Sørensen and Erik D. Jensen, who already own Warrants, have accepted to purchase in the Offering a minimum number of Offer Shares that is equal in value to the gross amount of their fixed annual cash fee, respectively, for one year. Our Chairman and the other members of the Board of Directors are required not to sell their Shares so acquired until they retire from their position on the Board of Directors. See "Management and Employees — Compensation of the Board of Directors."

Share Ownership

In addition, certain members of our Board of Directors, Executive Management and other Key Employees are our indirect shareholders through their direct or indirect shareholding in the Selling Shareholder. See "Ownership Structure and Related Party Transactions."

Statement on Past Records

During the five past years, none of the members of the Board of Directors, the Executive Management or any of our key employees have been (i) convicted of fraudulent offenses; (ii) officers in companies that have entered into bankruptcy, receivership or liquidation except as set forth in "Board of Directors," "Executive Management" and "Other key employees"; or (iii) subject to any public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of an issuer's board of directors, executive board or supervisory body or being in charge of an issuer's management or other affairs.

Statement on Conflicts of Interest

Torben Ballegaard Sørensen, Erik D. Jensen, Nikolaj Vejlsgaard, Christian Frigast, Per Enevoldsen, Thomas Ryge Mikkelsen and each of the members of the Executive Management indirectly hold shares in the Selling Shareholder. Apart from this, none of the persons of the Board of Directors, the Executive Management or our key employees have conflicts of interest with respect to their duties as members of our Boards of Directors, Executive Management, supervisory bodies or as managers. There are no family ties amongst these persons. Apart from (i) Christian Frigast and Nikolaj Vejlsgaard, who are partners of Axcel Management A/S, which manages the funds controlling the Selling Shareholder and (ii) Erik D. Jensen, who is a board member of the board of directors in Royal Copenhagen A/S, a company controlled by Axcel Management A/S, we are not aware of any members of the Board of Directors or Executive Management having been appointed to their current position pursuant to an agreement or understanding with the Company's major shareholders, customers, suppliers or other parties.

None of the persons on the Board of Directors and Executive Management or any of our key employees have positions in other companies which could result in a conflict of interest vis-à-vis such companies, either because the Company has an equity interest in such company or because the Company and the company concerned have an ongoing business relationship. However, Henrik Holmark was a partner at Ernst & Young, the current auditors of the Company, until January 2009 and Thomas Ryge Mikkelsen was associate director at Axcel Management A/S until March 2008. Each of Christian Frigast and Nikolaj Vejlsgaard continues to serve as a partner at Axcel Management A/S and Erik D. Jensen continues to serve as a board member of the board of directors in Royal Copenhagen A/S a company controlled by Axcel Management A/S.

Description of Internal Control and Procedures over Financial Reporting

We have developed internal control and procedures over financial reporting to enable us to monitor our performance, operations, funding, risk and internal control. While we continue to improve such systems, we believe that the systems in place today enable us to be compliant with the disclosure obligations applying to issuers of shares quoted on NASDAQ OMX Copenhagen.

Our internal control and procedures over financial reporting include:

- monthly global revenue reports which include actual results in comparison to budgeted performance and previous years performance by product collection and geographical market;
- monthly reports from subsidiaries which include actual results in comparison to budgeted performance and previous year performance and explanations of any deviations, together with key performance indicators;
- consolidated monthly reports summarizing results for our principal subsidiaries, including balance sheet and cash flow results in comparison to budgeted performance and previous year performance and explanations of deviations, together with key performance indicators;
- monthly net working capital reports and reports on accounts receivables, inventory and accounts payables; and
- quarterly updated 12 month rolling forecasts by geographical market, in terms of income statement, balance sheet and cash flow.

Corporate Governance

It is important to the Board of Directors of PANDORA to exercise good corporate governance and to comply with the Recommendations, and accordingly we have adopted the “comply or explain” principle. The aim is to ensure that the Company meets its obligations to its shareholders, end-consumers, employees, the authorities and other stakeholders to the best of its ability while serving to maximize long-term value.

In connection with the Offering and admission to trading and official listing on NASDAQ OMX Copenhagen, the Board of Directors has adopted a set of corporate governance principles which are laid down in our corporate governance policy.

The role of the shareholders and their interaction with the Executive Management of the Company

We are committed to maintaining a constructive dialogue with our shareholders and other stake-holders and a high level of transparency when communicating with our shareholders.

Capital and Share structures

Our Board of Directors will regularly assess whether our share capital and the share capital structure is in accordance with our and our shareholders' best interests and will include such assessment in our annual report. We have one single class of shares and all Shares rank *pari passu*. Each Share of DKK 1 carries one vote.

General Meetings

In accordance with our Articles of Association, notice of the annual general meeting must be given not less than three weeks and not more than five weeks prior to the date of the general meeting. The notice must contain a complete agenda and an explanation of the items on the agenda where such explanation is relevant. Notices convening general meetings will be published, posted on our website and mailed to all registered shareholders who have so requested.

Proposals for agenda items for the annual general meeting must be submitted to the Board of Directors in writing no later than six weeks before the general meeting. Furthermore, prior to the general meeting, the shareholders are entitled to ask questions in writing regarding the agenda or documents to be discussed at the general meeting. Such questions must be received by the Board of Directors one week prior to the general meeting. Furthermore, at general meetings our shareholders will be able to ask questions to the Board of Directors and Executive Management concerning the items on the agenda.

Investor Meetings and Communications

Investor meetings and telephone conferences are expected to be held following the publication of each quarterly statement to provide participants with the opportunity to ask questions to our management. Webcasts thereof will be subsequently available on our website at www.pandoragroup.com. Investors may also contact our investor relations department to obtain additional information and in order to maintain an ongoing dialogue.

The role of stakeholders and their importance to the Company

We take our corporate social responsibility very seriously and we seek to persistently focus on creating business value while minimizing our impact on society and ensuring our employees a good working environment. We have adopted a CSR policy.

Openness and transparency

We will seek to comply with the statutory regulations concerning the publication of material information relevant to shareholders' and the financial markets' evaluation of our activities, business objectives, strategies and results. In addition to a communication and investor relation strategy, our Board of Directors has approved a set of internal rules aimed to ensure that the disclosure of such information complies with the applicable stock exchange regulations. All company announcements are published via NASDAQ OMX's news distribution source "GlobalNewsWire", sent to NASDAQ OMX, and can subsequently be accessed from our website at www.pandoragroup.com. All of our announcements are published in Danish as well as English.

We publish quarterly, half-year and annual reports.

Tasks and responsibility of the Board of Directors

Our Board of Directors has the overall management responsibility for the Company. As is current practice in Denmark, powers are distributed between the Board of Directors and the Executive Management and independence exists between these two bodies. The Executive Management handles our day-to-day management, while the Board of Directors supervises the work of the Executive Management and is responsible for general strategic management. Detailed procedures for board meetings, including the tasks and responsibilities of the chairmanship, are laid down in the rules of procedure of our Board of Directors.

The composition of the Board of Directors

Our Board of Directors currently consists of eight members elected by the shareholders. Currently, four of the members, including the chairman of our Board of Directors are independent, while the other four members are affiliated with the Selling Shareholder. All members of the Board of Directors stand for election each year.

The Board of Directors holds a minimum of six meetings each year with the participation of the Executive Management, together with *ad hoc* meetings as required. The members of the Board of Directors comprise a group of experienced, international business people. The age limit for members of the Board of Directors is 70.

The Chairman evaluates the work of the Board of Directors on an ongoing basis and determines whether to publicly disclose the results of such self evaluation. We do not limit the number of directorships Board members may have, however, board members are expected and required to devote sufficient time and resources to their responsibilities as a member of our Board.

Our Board of Directors has established an audit committee, a remuneration committee and a nomination committee, each of which have charters setting forth the functions and responsibilities of such committees. The committees will report to our Board of Directors.

Remuneration of the Board of Directors and the Executive Management

The Board of Directors has set up a remuneration committee. The remuneration committee will assist the Board of Directors in preparing a remuneration policy establishing the guidelines for the different components of the remuneration, including fixed salary, pensions schemes, benefits, stay-on bonuses, severance and incentive schemes as well as bonus targets and evaluation criteria in relation thereto for members of the Board of Directors and the Executive Management which will be presented for the approval of the shareholders at the annual general meeting and subsequently published on our website at www.pandoragroup.com.

The Board of Directors believes the important factor is the overall remuneration and the related trends. The contents of any incentive programs will be published comprehensively in the annual report in accordance with applicable rules and regulations. Members of the Board of Directors receive a fixed annual fee, which will be submitted for approval by the shareholders at each year's annual general meeting. Two members of the Board of Directors have previously been granted Warrants conferring a right to subscribe for Shares in the Company in connection with the Offering. See "Management and Employees — Warrant Program." Further, the Company has established a Board Member Share Plan. See "Compensation of Board of Directors and Other Agreements".

Financial Reporting

Our Board of Directors regularly considers whether it would be expedient to include non-financial information in the annual report.

Risk management and internal control

Our Board of Directors regularly assesses the overall risks and specific risks associated with our business and operations and seeks to ensure that such risks are managed in a proactive and efficient manner. As part of our risk management, we have established various internal control systems, which will regularly be reviewed by our Board of Directors to ensure that such systems are appropriate and sufficient in the context of our business and operations. Our Board of Directors has decided to establish a whistle blower policy.

Audit

Our external auditors are appointed for a term of one year by our shareholders at the annual general meeting upon recommendation from the audit committee. Before such recommendation, our Board of Directors assesses, in consultation with the Executive Management, 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 on recommendation from the audit committee.

Deviations

Due to the Company's wish to encourage common and persistent long-term goals for the management and shareholders in accordance with the Company's strategy, the Company has chosen to deviate from the Recommendations regarding management's remuneration in the following areas:

- The Chairman of our Board of Directors will be eligible for a one-off additional bonus in a share amount of DKK 6.5 million if certain EBITDA (on an adjusted basis) targets defined in our business plan are met for the full year periods of 2013, 2014 or 2015. See "— Compensation of the Board of Directors."
- The Company has established a board member share plan according to which our Chairman and the other members of our Board of Directors, except Torben Ballegaard Sørensen and Erik D. Jensen, who already own Warrants, each are to purchase a minimum number of Shares corresponding to the amount of their respective initial gross annual compensation. See "— Board Member Incentive Shares."

Employee Information

As of 16 September 2010, we had approximately 4,830 full and part-time employees. The table below sets forth the average number of employees for the periods indicated:

	<u>H1 2010</u>	<u>H1 2009</u>	<u>Q1 2010</u>	<u>Q1 2009</u>	<u>FY 2009</u>	<u>FY 2008⁽¹⁾</u>
Average number of Employees:						
Total	<u>3,892</u>	<u>1,710</u>	<u>3,545</u>	<u>1,626</u>	<u>2,337</u>	<u>1,288</u>

(1) FY 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisitions 7 March 2008.

We have not recently experienced, nor do we reasonably foresee, an inability to find and employ the people necessary to run our business. In addition to salary and other benefits in kind, we provide pension plans for our employees, both defined contribution plans and, to a lesser extent, defined benefit plans. These pension plans are provided on a country by country basis.

Management believes that PANDORA enjoys a positive perception as a business, as well as a desirable place to work, and we have not experienced any significant industrial disputes or strikes in recent years.

The following table presents a break down of the number of our full time employees (FTEs) as at the dates indicated:

	<u>As at 30 June 2010</u>	<u>As at 30 June 2009</u>	<u>As at 31 March 2010</u>	<u>As at 31 March 2009</u>	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>
Geography:						
Americas	322	154	267	144	210	114
Europe	634	127	543	93	214	62
Asia Pacific (excl. Thailand)	254	0	254	0	180	0
Thailand	<u>3,315</u>	<u>1,591</u>	<u>2,889</u>	<u>1,477</u>	<u>2,512</u>	<u>1,362</u>
FTEs	<u>4,525</u>	<u>1,872</u>	<u>3,953</u>	<u>1,714</u>	<u>3,116</u>	<u>1,538</u>

Offering Bonus

At the end of FY 2010, and conditional upon the completion of the Offering, the Selling Shareholder intends to finance an extraordinary bonus to all of our employees, in an amount equal to two months' salary. This bonus will be a one time, discretionary payment offered to our employees in order to reward the contribution made by them during the time since the Acquisitions.

Ownership Structure and Related Party Transactions

Ownership Structure

As of the date hereof, Prometheus Invest ApS (previously named Pandora Invest ApS), the Selling Shareholder, owns 100% of the Shares. The address of the Selling Shareholder is Sankt Annæ Plads 10, 1250 Copenhagen K, Denmark and is registered under CVR no 28 48 30 23.

The Company will issue such number of New Shares in the Offering as will result in gross proceeds of approximately DKK 600 million. Based on the mid-point of the Offer Price Range, the Company would issue 3,000,000 New Shares.

The table below identifies the ownership percentages in the Selling Shareholder of legal entities who are shareholders of the Selling Shareholder and ownership percentages in the Company immediately prior to, and upon completion of, the Offering, assuming (i) an Offer Price at the mid-point of the Offer Price Range; (ii) the Selling Shareholder sells the number of Existing Offer Shares as indicated on the cover of this Offering Circular (the size of the Offering is not increased); and (iii) all Warrants are exercised by certain members of our Board of Directors, Executive Management, Key Employees and other participants in the Warrant Program and (iv) 35% of Shares received by the holders of Warrants upon exercise are sold *pro rata* to the Selling Shareholder in connection with the Offering:

	Prior to Offering	Post Offering (if the Overallotment Option is not exercised)	Post Offering (if the Overallotment Option is exercised in full)
		%	
Ownership in the Company:			
Selling Shareholder	100.0	62.6	57.5
Karin and Brook Adcock ⁽¹⁾	—	0.4	0.4
Kasi ApS ⁽²⁾	—	0.1	0.1
Treasury shares ⁽³⁾	—	0.1	0.1
Holders of Warrants	—	0.9	0.9
New shareholders	—	35.8	40.9
Ownership in the Selling Shareholder⁽⁴⁾			
Axcel Prometheus Invest 2 ApS ⁽⁵⁾	59.3	57.4	57.4
Pewic Holding ApS ⁽⁶⁾	12.4	13.4	13.4
RSMLP Holding ApS ⁽⁷⁾	14.8	14.8	14.8
PANDORA Leadership ApS and other ⁽⁸⁾ ..	13.5	14.3	14.3

- (1) Reflects New Shares allocated by the Company in the Offering to the former minority shareholders of Ad Astra Holdings Pty Ltd. as a result of their obligation to use of AUS 20 million (corresponding to approximately DKK 107 million as at 16 September 2010, being the latest practicable date before publication of this Offering Circular.) to purchase such New Shares in the Offering at the Offer Price. See “Use of Proceeds” and “Additional Information — Material Contracts — Shareholders’ Agreement relating to Ad Astra Holdings Pty Ltd.”
- (2) Reflects New Shares allocated by the Company in the Offering to the former minority shareholder of PANDORA Jewelry CWE as a result of its obligation to use of DKK 30 million to purchase such New Shares in the Offering at the Offer Price. See “Use of Proceeds” and “Additional Information — Material Contracts — Shareholders’ Agreement relating to PANDORA Jewelry CWE.”
- (3) Reflects Existing Offer Shares to be acquired by the Company at the Offer Price from the Selling Shareholder in connection with the Offering. See “Description of the Shares and Share Capital — Authorization to Acquire Our Own Shares” and “Use of Proceeds”.
- (4) The members of the Board of Directors Christian Frigast and Nikolaj Vejlsgaard indirectly own approximately 0.09% and 0.06%, respectively, of the Selling Shareholder through various companies. Axcel, Per Enevoldsen and his family, other longstanding contributors to our business (the founders of our U.S. sales and distribution business, designers, and a former sales director) and certain members of our Board of Directors (Torben Ballegaard Sørensen and Erik D. Jensen), Executive Management (Mikkel Vendelin Olesen and Henrik Holmark), Key Employees (Thomas Ryge Mikkelsen) and other participants in our Warrant Program will hold, directly or indirectly, 59.3%, 21.0%, 18.5% and 1.2%, respectively, of the shares of the Selling Shareholder immediately prior to, and upon completion of, the Offering.
- (5) Shares held indirectly by Axcel through Axcel Prometheus Invest 1 ApS. Axcel Prometheus Invest 1 ApS is owned by Axcel Prometheus NewCo ApS.
- (6) Shares held directly by Per Enevoldsen (40%), Winnie Enevoldsen (40%) and Christian Enevoldsen (20%).
- (7) Shares held directly by MLP LLC (50%) and RS Family ApS (50%). The shares of MLP LLC are held by Michael Lund Petersen. The shares of RS Family ApS are held by RS Holding ApS (77.78%) and RS Arving ApS (22.22%). The shares of RS Holding ApS are held by René Sindlev. 50.1% of the shares of RS Arving ApS are held by René Sindlev. The remaining 49.9% are held by Anneli Sindlev, Grethe Sindlev Juul, Lucas Phillip Sindlev and Oliver Christian Sindlev.
- (8) Shares held directly by PANDORA Leadership ApS (13.2718%), Thomas Nyborg (0.0659%), Torben Ballegaard Sørensen (0.0659%), Erik D. Jensen (0.0659%) and John White (0.0395%). The shares of PANDORA Leadership ApS are held by Wipec Holding ApS (64.80%), Xenia Enø ApS (14.90%), KR Kurs ApS (13.41%), Mikkel Vendelin Olesen (2.48%), Henrik Holmark (1.99%), Thomas Ryge Mikkelsen (1.49%), Tobias Johan Toft (0.79%), and Ulrik Thaysen (0.15%). The shares of Wipec Holding ApS are held by Pewic Holding ApS. The Shares of Pewic Holding ApS are held by Per Enevoldsen (40%), Winnie Enevoldsen (40%) and Christian Enevoldsen (20%). The shares of Xenia Enø ApS are held by Lone Frandsen (50%) and Lisbeth Enø Larsen (50%). The shares of KR Kurs ApS are held by

Kenneth Ramstrup, Tobias Johan Toft, Ulrik Thaysen, Kenneth Ramstrup, John White and Thomas Nyborg hold or have held leadership roles in PANDORA.

The Company has issued Warrants to certain members of the Board of Directors, Executive Management, Key Employees and other participants in our Warrants Program who comprise individuals with present and past leadership roles in PANDORA. The holders of Warrants have announced that they expect to exercise their Warrants in connection with the Offering and, as a result, will receive Shares subject to a lock-up as described in the section “Plan of Distribution.” It is expected that, in connection with the Offering, the holders of the Warrants will sell to the Selling Shareholder at the Offer Price 35% of the Shares *pro rata* received as a result of their exercise of the Warrants, primarily to cover tax liabilities arising from the exercise of the Warrants. See “Plan of Distribution” and “Management and Employees — Incentive Programs — Warrant Program.”

The table below sets forth the holders of Warrants as of the date hereof and the number of Shares, assuming an Offer Price at the mid-point of the Offer Price Range, that shall be held by the individuals, directly or through entities wholly-owned by them, after exercise of their Warrants and the sale to the Selling Shareholder of 35% of the Shares received by the holders of Warrants from such exercise:

Name of holder of warrants ⁽¹⁾ :	Number of Warrants prior to the Offering	Number of Shares if all Warrants are exercised	Number of Shares post Offering if all Warrants are exercised and 35% of Shares received upon exercise are sold to Selling Shareholder
Mikkel Vendelin Olesen ⁽²⁾	412	413,648	270,065
Tobias Toft	132	132,528	86,526
John White	49	49,196	32,120
Henrik Holmark ⁽³⁾	329	330,316	215,659
Ulrik Thaysen	25	25,100	16,388
Thomas Ryge Mikkelsen ⁽⁴⁾	247	247,988	161,908
Thomas Nyborg	82	82,328	53,751
Torben Ballegaard Sørensen ⁽⁵⁾	421	422,684	275,964
Erik D. Jensen ⁽⁶⁾	82	82,328	53,751

(1) No other members of the Board of Directors, Executive Management or Key Employees own Warrants at the date of this Offering Circular.

(2) Mikkel Vendelin Olesen is a member of the Executive Management.

(3) Henrik Holmark is a member of the Executive Management.

(4) Thomas Ryge Mikkelsen is a Key Employee in the Company.

(5) Torben Ballegaard Sørensen is a member of the Board of Directors.

(6) Erik D. Jensen is a member of the Board of Directors.

Shares Outstanding prior to the Offering

As of the date of this Offering Circular, the Company’s share capital had a nominal value of DKK 125,500,000 divided into 125,500,000 Shares with a par value of DKK 1 each.

As of the date of this Offering Circular, the Company holds no treasury shares.

Shares Outstanding after the Offering

Immediately after the Offering and the registration of the New Shares with the Danish Commerce and Companies Agency, our registered share capital will have a nominal value of DKK 128,500,000, comprising 128,500,000 Shares of DKK 1 each, assuming that the maximum number of Shares are subscribed for at the mid-point of the Offer Price Range.

In addition, if the holders of Warrants exercise their Warrants in connection with the Offering, our registered share capital immediately after the Offering and the registration of the New Shares and the Shares issued in connection with an exercise of the Warrants with the Danish Commerce and Companies Agency will have a nominal value of DKK 130,286,116 comprising 130,286,116 shares of DKK 1 assuming that the New Shares are subscribed to at an Offer Price at the mid-point of the Offer Price Range.

Related Party Transactions

The Board of Directors, the Executive Management, the Key Employees and the Selling Shareholder are considered to be related parties as they exercise a significant influence on the Company's operations. Further, Per Enevoldsen, Thomas Ryge Mikkelsen, Torben Ballegaard Sørensen, Erik D. Jensen, Nikolaj Vejlsgaard, Christian Frigast and each of the members of the Executive Management indirectly hold shares in the Selling Shareholder. Related parties also include such persons' relatives as well as undertakings in which such persons have significant interests.

Except for compensation and benefits received as a result of membership of the Company's Board of Directors, employment with the Company or shareholdings in the Company and except as set forth below, we have not undertaken any significant transactions with the Board of Directors, the Executive Management, any key employees or the Selling Shareholder, or undertakings outside of the Group, in which related parties have interests. For information on remuneration paid to the members of the Board of Directors and Executive Management and to the key employees, see "Management and Employees."

In connection with the Company's purchase of the minority interests in the distribution subsidiaries Ad Astra Holding Pty Ltd. and PANDORA Jewelry CWE, the sellers have agreed to invest a portion of the proceeds received from such sale (approximately DKK 137 million) in New Shares, and the Company will allocate such New Shares to the sellers in the Offering. See "Use of Proceeds."

In H1 2010, related party transactions with the Selling Shareholder included a subordinated loan from the Selling Shareholder which was repaid in February 2010 and liabilities as a result of the dividend declaration, which also occurred in February 2010 (total unpaid dividend as at 30 June 2010 to the Selling Shareholder of DKK 34 million, which is expected to be paid in H2 2010). Financial expenses relating to transactions with the Selling Shareholder in H1 2010 was DKK 25 million. For more information on the dividend we declared in February 2010, see "Dividends and Dividend Policy — Recent Dividends." In FY 2009, related party transactions with the Selling Shareholder related to the subordinated loan from the Selling Shareholder to the Company of DKK 1,400 million and financial expenses of DKK 85 million. In FY 2008, such related party transactions also related to the subordinated loan from the Selling Shareholder to the Company, in the form of a cash payment from the Selling Shareholder to the Company of DKK 1,250 million and financial expenses of DKK 65 million. The subordinated loan of DKK 1,413 million was settled with a cash payment to the Selling Shareholder from the Company in February 2010. Related parties further comprise Axcel's other portfolio enterprises. There have not been any transactions with these entities during H1 2010, FY 2009, FY 2008 or FY 2007.

As long as the Selling Shareholder holds an absolute majority of the Shares in the Company, the Company will be jointly taxed with the Selling Shareholder.

Description of The Shares and Share Capital

The following is a summary of material information relating to our share capital, including a summary of certain provisions of our Articles of Association dated 17 September 2010 as well as a brief description of certain provisions of the Danish Companies Act. This summary does not purport to be exhaustive and should be read in conjunction with the full text of our Articles of Association as well as in the context of applicable Danish corporate and other laws. See “Annex B — Articles of Association of PANDORA A/S.”

We are a public limited company organized under the laws of Denmark with our registered office at Hovedvejen 2, 2600 Glostrup, Denmark. We are registered with the Danish Commerce and Companies Agency under CVR no. 28505116.

Share Capital and History

As of the date of this Offering Circular, the Company’s share capital amounted to a nominal value of DKK 125,500,000 divided into 125,500,000 Shares with a par value of DKK 1 each. The Shares are not divided into share classes.

All Shares are issued and fully paid up.

Other than the Warrants issued by the Company as set forth in “Management and Employees — Incentive Programs,” the Company has not issued any securities that are convertible, exchangeable or have warrants attached.

The table set forth below presents the development of our share capital from our incorporation to the date of this Offering Circular.

Date of Approval	Transaction Type	Share capital before change	Share capital change	Share capital after change	Price	Number of shares held after change
9 March 2005	Formation of the Company	N/A	DKK 125,000	DKK 125,000	200	125,000
25 June 2009	Capital increase in connection with reorganization from a private limited liability company to a public limited liability company	DKK 125,000	DKK 375,000	DKK 500,000	100	500,000
30 June 2010	Capital increase in connection with conversion of debt ⁽¹⁾	DKK 500,000	DKK 125,000,000	DKK 125,500,000	640	125,500,000

(1) The Selling Shareholder was the lender.

Authorization to Increase the Share Capital

The Board of Directors has pursuant to the Articles of Association been granted authorization to increase the Company’s share capital.

In accordance with article 4.4 of our Articles of Association, the Board of Directors is, until 31 December 2010, authorized to increase the share capital up to a total of DKK 600 million in one or more issues through subscription of new shares of DKK 1 each. The Board of Directors is authorized to increase the capital by way of non-cash contribution (e.g., by acquiring existing enterprises), conversion of debt and/or cash contribution, and, if the shares are issued at market price, the Board of Directors may, at its own discretion, decide whether the Company’s shareholders shall have pre-emptive rights to the shares issued for the capital increase. Shares issued pursuant to the Board of Directors’s authorization will be registered in bearer form with VP Securities, but may be registered in the name of the holder in the Company’s register of shareholders through the holder’s custodian bank. No restrictions shall apply to the transferability of the new shares. No new shares shall carry special rights. Furthermore, no shareholder shall be under an obligation to have its shares redeemed, in whole or in part, by the Company or any other party. In future capital increases, the shares shall have the same pre-emptive rights as the existing shares. The eligibility for dividends and other rights attached to the new shares in the Company shall take effect at the date of registration of the capital increase.

Authorization to Acquire Our Own Shares

At our extraordinary general meeting held on 17 September 2010, the Board of Directors was authorized, until 17 September 2015 to acquire treasury shares on our behalf with a total nominal value of up to 10% of our share

capital at a price range within 10% greater than or less than the market price at the time of the acquisition of such shares. We do not hold any treasury shares as of the date of the Offering Circular, but we have agreed with the Selling Shareholder to acquire Existing Offer Shares from the Selling Shareholder for an amount of DKK 40 million at the Offer Price in order for us to meet certain of our obligations to deliver Shares under the LTIP.

Authorization to Increase the Share Capital by Issuance of Bonus Shares

In accordance with article 4.5 of our Articles of Association, the Board of Directors is authorized until 31 December 2010 to increase the Company's share capital by up to DKK 1,784,337 by issuance of bonus shares in one or more rounds to the holders of Warrants comprised by appendix 1 and 2 to the Company's Articles of Association. Such new shares shall be negotiable instruments and shall be registered in the name of the bearer, but may be entered in the Company's register of shareholders in the name of the holder. Such new shares shall be freely transferable and non-redeemable. The Company's shareholders shall have no pre-emption rights to the new shares.

General Meetings

See "Additional Information — General Meetings".

Voting Rights

At the general meeting each Share of DKK 1 carries one vote. A shareholder who has acquired our Shares by transfer may not exercise his/her voting rights attaching to the relevant Shares unless the shareholder in question has been recorded in our share register at least one week before the general meeting or the shareholder has given us notice and documentation of his/her acquisition before such time. The shareholder or a proxy holder may attend and vote at such general meeting if such person has notified the Company of the attendance not later than three days prior to such general meeting and has received an admission card from the Company.

Preemptive Rights

If the general meeting of the Company resolves to increase the share capital, Section 162 of the Danish Companies Act will apply. According to this provision, shareholders generally have a preemptive right if the share capital of a company is increased by cash payment. However, the preemptive right may be excluded by a majority comprising at least two-thirds of the votes cast and the share capital represented at the general meeting.

Redemption and Conversion Provisions

None of the Offer Shares carry any redemption or conversion rights or any other special rights.

Dissolution

In the event of liquidation, our shareholders are entitled to participate in the distribution of assets in proportion to their nominal shareholdings after payment of our creditors.

Dividends and Other Distributions

Pursuant to the Danish Companies Act, the annual general meeting of our shareholders authorizes the distribution of dividends on the basis of the approved and audited accounts for the latest financial year; however, the annual general meeting cannot authorize the payment of dividends exceeding the amount suggested or approved by the Board of Directors. Pursuant to the Danish Companies Act, any distribution of dividends must be resolved by our shareholders at our general meeting on the basis of our most recently adopted annual report. The dividends adopted must not exceed the amount recommended by our Board of Directors. The distribution of any interim dividends must be resolved by our shareholders either by resolution or authorization given to the Board of Directors. The resolution or authorization to distribute interim dividends must be accompanied by a statement of financial position reviewed by our auditors, and the amount of dividends distributed may not exceed the amount approved, or recommended by, our Board of Directors. If the resolution to distribute extraordinary dividends is made later than six months after the date of the statement of financial position, or if our Board of Directors deems it necessary, a new interim statement of financial position must be prepared and reviewed by our auditors and it must show that sufficient funds are available for the distribution of interim dividends. As of the date of this Offering Circular, our Board of Directors has been authorized to distribute interim dividends, but currently has no plan to do so in the near future.

The Offer Shares are eligible to receive dividends as of the financial year ended and as at 31 December 2010 and which are declared and paid after the issue and registration of the Offer Shares with the Danish Commerce and Companies Agency.

Payment of dividends, if any, will take place in accordance with the rules of VP Securities and will be paid out to the shareholder through the shareholder's account with its account holding institution. Dividends not claimed by shareholders are forfeited under the general rules of Danish law or statute of limitations normally after three years.

There are no dividend restrictions or special procedures for non-resident holders of Offer Shares. See "Taxation" for a summary of certain Danish and U.S. federal income tax consequences in respect of dividends or distributions to holders of the Offer Shares.

Registration of Shares

The Offer Shares will be delivered in book entry form through allocation to accounts with VP Securities through a Danish bank or other institution authorized as custodian. The Offer Shares are issued in non-certificated bearer form. The address of VP Securities is VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark. The Offer Shares may be registered in the name of the holder in our register of shareholders through the holder's custodian bank. Our register of shareholders is kept by Computershare A/S, Kongevejen 418, DK-2840 Holte, Denmark.

Transfer of Shares

The Offer Shares are freely transferable and negotiable under Danish law and no restrictions apply to the transferability of the Offer Shares.

Share Rights

Each Share gives the holder the right to one vote at the Company's general meetings.

The Shares are not divided into classes and all Shares rank *pari passu*.

If the Company is liquidated or dissolved, the shareholders are entitled to a *pro rata* share of the assets remaining in the Company after all creditors have been paid, calculated on the basis of the shareholders' holdings in the Company.

Indication of Takeover Bids

No takeover offers have been made by any third party in respect of the Company's Shares during the past or current financial years.

Amendments to Articles of Association, including Variation of Rights

The business transacted at the Company's general meetings shall be decided by a simple majority of votes unless the Danish Companies Act or the Articles of Association stipulate any special rules on representation and majority. The Articles of Association do not contain any requirements as to special representation and majority other than what follows from the Danish Companies Act.

According to the Danish Companies Act, resolutions to amend the Articles of Association, including amendments to the rights attaching to shares, shall be adopted by not less than two-thirds of the votes cast as well as of the share capital represented at the general meeting and in certain cases by not less than nine-tenths of the votes cast as well as of the share capital represented at the general meeting. However, any proposed resolution amending the Articles of Association and increasing the shareholders' obligations towards the Company is subject to the unanimous agreement of all shareholders.

Additional Issuances and Preferential Rights

In the case of a capital increase, shareholders are entitled to subscribe for new shares in proportion to their holdings, subject to restrictions that may be set by our general meeting. To the extent that preferential subscription rights are granted, shareholders in other countries may not be able to exercise these preferential subscription rights due to restrictions imposed by local law.

Exchange Controls and Other Limitations Affecting Shareholders of a Danish Company

There is no legislation in Denmark that restricts the export or import of capital (except for certain investments in areas in accordance with applicable resolutions adopted by the United Nations and the European Union), including, but not limited to, foreign exchange controls, or which affects the remittance of dividends, interest or other payments to non-resident holders of the Offer Shares. As a measure to prevent money laundering and financing of terrorism, persons travelling into or out of Denmark carrying amounts of money (including, but not limited to, cash and traveler's cheques) worth the equivalent of EUR 10,000 or more must declare such amounts to the Danish tax authorities when traveling into or out of Denmark.

Taxation

Danish Tax Considerations

The following is a summary of certain Danish income tax considerations relating to an investment in the Shares.

The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to an investment in the Shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this Offering Circular. Danish tax laws may be subject to change, possibly with retroactive effect.

The summary does not cover investors to whom special tax rules apply, and therefore may not be relevant, for example, to investors subject to the Danish Act on Pension Investment Return Taxation (i.e. pension savings), professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments or to investors who hold 10% or more of our Shares or, individually or together with other shareholders, control more than 50% of the votes of our Shares. The summary does not cover taxation of individuals and companies who carry on a business of purchasing and selling shares. Sales are assumed to be sales to a third party.

Potential investors in the Shares are advised to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of the Shares based on their particular circumstances. Investors who may be affected by the tax laws of other jurisdictions should consult their tax advisers with respect to the tax consequences applicable to their particular circumstances as such consequences may differ significantly from those described herein.

Taxation of shareholders residing in Denmark

Sales of shares – Individuals

The rules on taxation of private individuals were changed effective as of 1 January 2010. Transitional rules are not described herein.

Gains from the sale of shares realized on or after 1 January 2010 are taxed as share income at a rate of 28% on the first DKK 48,300 in 2010 (for cohabiting spouses, a total of DKK 96,600) and at a rate of 42% on share income over DKK 48,300 (for cohabiting spouses over DKK 96,600). Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

Gains and losses on the sale of listed shares are made up as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method as a proportion of the aggregate purchase price for all shares in the company.

Losses on the sale of listed shares can only be offset against other share income deriving from listed shares, (i.e. received dividends and capital gains on the sale of listed shares). Unused losses can be offset against a cohabiting spouse's share income deriving from listed shares or can be carried forward indefinitely and offset against future share income deriving from listed shares.

Losses on listed shares may only be set off against gains and dividends on other listed shares if the Danish Tax Authorities have received certain information concerning the shares. This information is normally provided to the Danish Tax Authorities by the securities dealer.

Sale of shares – Companies

Capital gains from the sale of shares are taxable irrespective of when owned.

Losses on shares are tax deductible. Gains on listed shares are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realized.

Special transitional rules apply with respect to the opening values at the beginning of the 2010 income year in relation to shares acquired before the 2010 income year. Special transition rules also apply with respect to the right to offset capital losses realized by the end of the 2009 income year against taxable gains on shares in the 2010 income year or later.

Dividends – Individuals

Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above are exceeded.

Dividends paid to individuals are generally subject to 28% withholding tax.

Dividends – Companies

Dividends paid on shares are subject to the standard corporate tax rate of 25%, irrespective of when owned.

Dividends paid on shares to Danish companies are generally subject to 25% withholding tax.

Taxation of shareholders residing outside Denmark

Sales of shares

A non-resident of Denmark will normally not be subject to Danish tax on any gains realized on the sale of shares, irrespective of the holding period. Where a non-resident of Denmark holds shares which can be attributed to a permanent establishment in Denmark, such gains are taxable pursuant to the rules applying to Danish tax residents.

Dividends

Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at a rate of 28%, irrespective of whether the non-resident shareholder is a private individual or a company. The rate will be reduced to 27% in 2012.

In the event that the dividend-receiving individual or company is a resident of a state with which Denmark has entered into a double taxation treaty or another arrangement for the exchange of information between the countries' tax authorities, the shareholder may, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the lesser of 15% or the applicable treaty rate, which is typically 15%. Denmark has executed tax treaties with approximately 80 countries, including the United States and almost all members of the EU. The treaty between Denmark and the United States generally provides for a 15% rate. The refund is sought by completing form 06.003 and filing it with the Danish Tax Authorities. The form can be downloaded from the Danish Tax Authorities' website at the following Internet address: <http://www.skat.dk/getFile.aspx?Id=70193>.

In addition, there is a special tax regime that applies to dividends, distributed to individuals residing in certain countries, such as the United States, the United Kingdom, Belgium, Canada, Greece, the Netherlands, Ireland, Luxembourg, Norway, Switzerland, Sweden and Germany. This special tax regime provides that tax on dividends may be withheld at the applicable tax rate specified in the relevant tax treaty. In order to qualify for the application of this special tax regime, an eligible holder of shares must deposit his shares with a Danish bank, and the shareholding must be registered with and administered through VP Securities. This latter condition will be met, since the Shares will be registered with VP Securities as described under "The Offering — Registration and Settlement." The shareholder must complete form 02.009 and send it to the Danish bank, in which the shareholders shares are deposited. The form can be downloaded from the Danish Tax Authorities' website at the following Internet address: <http://www.skat.dk/getFile.aspx?ID=14951>. If the shareholder is a resident of the United Kingdom, the shareholder must use form 02.012 instead. The form can be found at the following Internet address: <http://www.skat.dk/getFile.aspx?ID=14949>. The documentation is valid for five years. If the documentation is not filed before the dividend is paid, a refund of excess withholding tax may be sought pursuant to the procedure described in the preceding paragraph. Where a non-resident of Denmark holds shares which can be attributed to a permanent establishment in Denmark, dividends are taxable pursuant to the rules applying to Danish tax residents described above.

Note that each of the Danish tax forms described in this section requires a certification by the applicable local tax authority. With respect to U.S. citizens, a properly completed IRS Form 6166 should satisfy this requirement.

Share Transfer Tax

No Danish share transfer tax is payable.

U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Shares. This tax disclosure was written in connection with the promotion or marketing of the Shares by us, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (“the Code”). Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person’s decision to acquire the Shares. This discussion applies only to a U.S. Holder that holds Shares as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder’s particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding Shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including “individual retirement accounts” or “Roth IRAs;”
- persons that own or are deemed to own ten % or more of our Shares; or
- persons holding Shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the Shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, and the income tax treaty between Denmark and the United States (the “Treaty”), all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

A “U.S. Holder” is a beneficial owner of Shares who is eligible for the benefits of the Treaty and for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of Shares in their particular circumstances.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on Shares, other than certain *pro rata* distributions of ordinary shares, will generally be treated as dividends. The amount of a dividend will include any amounts withheld in respect of Danish taxes. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included

in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend. The amount of any dividend paid in Danish kroner will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Danish income taxes withheld from dividends on Shares at a rate not exceeding the rate provided by the Treaty will be creditable against the U.S. Holder's U.S. federal income tax liability. Danish taxes withheld in excess of the rate applicable under the Treaty will not be eligible for credit against a U.S. Holder's federal income tax liability. See "— Danish Tax Considerations — Taxation of shareholders residing outside Denmark-Dividends" for a discussion of how to obtain the applicable treaty rate. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including the Danish tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

Sale and Other Disposition of Shares

For U.S. federal income tax purposes, gain or loss realized on the sale or other taxable disposition of Shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the Shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the Shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We believe that we will not be a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes for our current taxable year and do not expect to become one in the foreseeable future. However, because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder held Shares, any gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the Shares would be allocated ratably over the U.S. Holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Further, to the extent that any distribution received by a U.S. Holder on its Shares exceeds 125% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Shares. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

If a U.S. Holder owns Shares during any taxable year that we are a PFIC, such holder must file an annual report with the U.S. Internal Revenue Service.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Recently enacted legislation requires certain individual U.S. Holders (or certain entities formed by or for U.S. Holders) to report to the IRS information with respect to their investment in our Shares if such Shares are held in a non-U.S. financial institution or outside of a financial institution, generally beginning in 2011. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their tax advisors regarding this legislation.

The Offering

Joint Global Coordinators and Joint Bookrunners

The Offering is being arranged by Goldman Sachs International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc and Nordea Markets (Division of Nordea Bank Danmark A/S) in their capacity as Joint Global Coordinators and Joint Bookrunners.

The Offering

The Offering consists of: (i) a public offering in Denmark, (ii) a private placement in the United States to persons who are “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act) and (iii) private placements to institutional investors in the rest of the world. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act.

An aggregate of up to 47,981,480 Offer Shares are being offered in connection with the Offering, excluding any Shares subject to the Overallotment Option. The New Shares are being offered by the Company and the Existing Offer Shares are being offered by the Selling Shareholder. The Company is offering up to 3,428,571 New Shares. See “Use of Proceeds.” The Selling Shareholder is offering 44,552,909 Existing Offer Shares.

The Selling Shareholder has agreed to grant the Joint Global Coordinators, on behalf of the Managers (as defined herein), a Overallotment Option to purchase up to 6,682,936 additional Shares at the Offer Price, exercisable, in whole or in part, from the first day of trading in and official listing of the Shares until 30 calendar days thereafter, solely to cover over-allotments or short positions, if any, incurred in connection with the Offering See “Plan of Distribution.”

Offer Price

The Offer Price will be determined through a book-building process. Book-building is a process in which the Joint Global Coordinators, prior to the final pricing of the Offering, determine the Offer Price by collecting expressions of interest in the Offer Shares from potential institutional investors. The Offer Price is free of brokerage charges and is expected to be between DKK 175 and DKK 225 per Offer Share. This price range is indicative only. This indicative price range has been set by the Board of Directors, the Selling Shareholder and the Joint Global Coordinators taking into account, among other things, our historic and projected revenues and earnings, our objective to establish an orderly after-market in the Offer Shares and prevailing market conditions. Following the book-building process, the Offer Price will be determined by the Board of Directors, the Selling Shareholder in consultation with the Joint Global Coordinators and the Offer Price is expected to be announced through NASDAQ OMX Copenhagen no later than 8:00 a.m. (Central European Time) on 5 October 2010.

Offer Period

The Offer Period will commence on 23 September 2010 and will close no later than 4 October 2010 at 5:00 p.m. (Central European Time). The Offer Period may be closed prior to 4 October 2010; however, the Offer Period will not be closed wholly or in part before 28 September 2010 at 12:01 a.m. (Central European Time). If the Offering is closed in whole or in part before 4 October 2010, the first day of trading and official listing and the date of payment and settlement will be moved forward accordingly. The Offer Period in respect of applications for purchases of amounts up to, and including, DKK 3 million may be closed before the remainder of the Offering is closed. Any such early closing, in whole or in part, will be announced through NASDAQ OMX Copenhagen.

Submission of Bids

Applications to purchase amounts of up to and including DKK 3 million

Applications by Danish investors to purchase amounts of up to and including DKK 3 million should be made by submitting the application form enclosed in the Danish Offering Circular to the investor’s own account-holding bank during the Offer Period or such shorter period as may be announced through NASDAQ OMX Copenhagen. Applications are binding and cannot be altered or cancelled. Bids may be made at a maximum price per share in Danish kroner. If the Offer Price exceeds the maximum price per share stated in the application form, then no Offer Shares will be allocated to the investor. Where no maximum price per share has been indicated, applications will be deemed to be made at the Offer Price. All applications made at a price equivalent to the Offer Price, or a higher price, will be settled at the Offer Price following allotment, if any. Applications should be made for a number of Offer Shares or for an aggregate amount rounded to the nearest Danish kroner amount. Only one

application will be accepted from each account in VP Securities. For binding orders, the application form must be submitted to the investor's own account-holding bank in complete and executed form in due time to allow the investor's own account-holding bank to process and forward the application to ensure that it is in the possession of Nordea Bank Danmark A/S, P.O. Box 850, 0900 Copenhagen C, Denmark, no later than 5:00 p.m. (Central European Time) on 4 October 2010, or such earlier time at which the Offering is closed.

Applications to purchase amounts of more than DKK 3 million

Investors who wish to apply to purchase amounts of more than DKK 3 million can indicate their interest to the Managers during the Offer Period. During the Offer Period, such investors can continuously change or withdraw their declarations of interest, but these declarations of interest become binding applications at the end of the Offer Period. Immediately following the determination of the Offer Price, investors will be allocated a number of Offer Shares at the Offer Price within the limits of the investor's most recently submitted or adjusted declaration of interest. All applications made at a price equivalent to the Offer Price, or a higher price, will be settled at the Offer Price following allotment, if any.

Minimum and Maximum Subscription Amounts

The minimum subscription/purchase amount is one Offer Share. No maximum subscription amount applies to the Offering. However, the number of shares is limited to the number of Offer Shares in the Offering.

Allocation and Reduction

In the event that the total amount of shares applied for in the Offering exceeds the number of Offer Shares, reductions will be made as follows:

- With respect to applications for amounts of up to and including DKK 3 million, reductions will be made mathematically.
- With respect to applications for amounts of more than DKK 3 million, individual allocations will be made. The Joint Global Coordinators will allocate the Offer Shares to institutional investors, after agreement upon such allocations with the Board of Directors and the Selling Shareholder.
- The Company will instruct the Managers to allocate the Offer Shares to the sellers of the non-controlling interests in Ad Astra Holding Pty Ltd. and PANDORA Jewelry CWE as well as to our Chairman of the Board of Directors and the other members of our Board of Directors, after agreement upon such allocations with the Board of Directors and the Selling Shareholder.

It is expected that the basis of the allocation will be announced no later than 5 October 2010. If the Offer Period for the Offering is closed before 4 October 2010, announcement of the allocation will be brought forward accordingly.

Following the expiration of the Offer Period, investors will receive a statement indicating the number of Offer Shares allocated, if any, and the equivalent value at the Offer Price.

Orders as well as indications of interest may not result in an allotment of Offer Shares.

If the total applications in the Offering exceed the number of Offer Shares, a reduction will be made. In such event, the Joint Global Coordinators reserve the right to require documentation to verify that each application relates to a single account in VP Securities. Further, the Joint Global Coordinators reserve the right to require documentation to verify the authenticity of all orders, to demand the name of each subscriber, and to make individual allocations if there are several orders that are determined to have originated from the same subscriber.

Trading and Official Listing on NASDAQ OMX Copenhagen

Upon completion of the Offering and after payment for the Offer Shares, the capital increase relating to the New Shares and Warrants will be registered with the Danish Commerce and Companies Agency, which is expected to take place on 8 October 2010, after which the New Shares will be issued through VP Securities.

Application has been made for the Shares to be admitted to trading and official listing on NASDAQ OMX Copenhagen. Subject to the approval of NASDAQ OMX Copenhagen, it is expected that the trading of the Shares will commence no later than 5 October 2010. The trading and official listing is subject to, among other things, NASDAQ OMX Copenhagen's approval of the distribution of the Offer Shares.

The existing Shares are expected to be admitted to trading and official listing on NASDAQ OMX three business days before the Offering will be completed and settled. If the Offering is not completed, no Offer Shares will be delivered to investors. Consequently, any trades in the Shares effected on or off the market before the Offer Shares have been delivered to investors may subject investors to liability for not being able to deliver the Shares sold and investors who have sold or acquired Shares on or off the market may incur a loss. Any such dealings will be at the sole risk of the parties concerned.

Identification

ISIN: DK0060252690

The same ISIN code will be used for the settlement of the Offer Shares on Clearstream and Euroclear.

NASDAQ OMX Copenhagen Symbol: "PNDORA"

Share Lending Agreements

The Selling Shareholder has agreed with the Joint Global Coordinators that the Selling Shareholder will make available up to 10,111,507 Shares for purposes of delivering Offer Shares to investors in connection with the settlement of, and the payment for, the Offer Shares and the Overallotment Option.

In return for the Shares lent in connection with the settlement of and the payment for the Offer Shares, Nordea Markets has agreed to deliver to the Selling Shareholder an equal amount of New Shares issued following registration of the share capital increase with the Danish Commerce and Companies Agency which is expected to take place on 8 October 2010.

Registration and Settlement

The Shares will be registered electronically with VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark, in connection with the completion of the Offering. The Shares can only be registered with VP Securities through a Danish account-holding bank. Investors that are not residents of Denmark may use a Danish bank directly or their own bank's correspondent Danish bank as their account-holding bank or arrange for registration and settlement through Clearstream, 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg, or Euroclear, 1, Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

Settlement normally takes place within three business days after the announcement of the Offer Price. On behalf of VP Securities, the account-holding bank will send a statement to the name and address registered in VP Securities showing the number of Offer Shares purchased by the investor. This statement also constitutes evidence of the investor's holding.

The Offer Shares are expected to be delivered in book-entry form through the facilities of VP Securities, Euroclear and Clearstream no later than 8 October 2010 against payment in immediately available funds. If the Offering is closed before 4 October 2010, the payment and settlement dates will be brought forward accordingly. All dealings in the Offer Shares prior to settlement will be for the account of and at the sole risk of the parties involved.

Revocation, Withdrawal or Suspension of the Offering

The Offering may be withdrawn by the Company, the Selling Shareholder and the Joint Global Coordinators at any time before the delivery and payment of the Offer Shares. The Underwriting Agreement contains a provision entitling the Joint Global Coordinators to terminate the Offering (and the arrangements associated with it) at any time prior to the delivery and payment of the Offer Shares in certain circumstances, including *force majeure* and material changes in the financial condition of our business. If this right is exercised, the Offering and any associated arrangements will lapse and any monies received in respect of the Offering will be returned to the investors without interest (less any brokerage fee). The Underwriting Agreement contains closing conditions which we believe are customary for offerings such as the Offering. In addition, the Company has given usual representations and warranties to the Joint Global Coordinators. The closing of the Offering is dependent on compliance with all of the closing conditions set forth in the Underwriting Agreement. If one or more closing conditions are not met, the Joint Global Coordinators may, at their discretion, withdraw the Offering.

The Offering may also be withdrawn if NASDAQ OMX Copenhagen is not satisfied that there will be a sufficiently broad distribution of the Shares to investors or if, for other reasons, the Shares cannot be admitted for trading and official listing on NASDAQ OMX Copenhagen. If this right is exercised, the Offering and any

associated arrangements will lapse and any monies received in respect of the Offering will be returned to the investors without interest.

Any withdrawal will be notified immediately through NASDAQ OMX Copenhagen and announced as soon as possible in the same Danish daily newspaper in which the Offering was announced.

Costs of the Offering

The total expenses in relation to the Offering, excluding commissions paid to the Managers, are estimated to be approximately DKK 84 million, of which DKK 62 million is expected to be paid by the Selling Shareholder and DKK 22 million is expected to be paid by the Company.

Assuming (i) an Offer Price at the mid-point of the Offer Price Range, (ii) the Selling Shareholder selling the number of Existing Shares indicated on the cover of this Offering Circular and (iii) the Overallotment Option being exercised in full, the total expenses in relation to the Offering, including commissions (fixed and discretionary) paid to the Managers, are estimated to be approximately DKK 409 million.

Further, each of us and the Selling Shareholder have agreed to pay a selling commission to account-holding banks (unless such account-holding bank is a Manager) equivalent to 0.25% of the price of the Offer Shares that are allocated in respect of purchase orders of up to and including DKK 3 million submitted through the account-holding banks (except for the Managers).

Selling Agent

Nordea Markets (Division of Nordea Bank Danmark A/S)
P.O. Box 850
Strandgade 3
0900 Copenhagen C
Denmark

A request for copies of this Offering Circular may be submitted by persons who satisfy applicable selling restrictions from:

Nordea Bank Danmark A/S
Securities Operations
Helgeshøj Allé 33
2630 Taastrup
Denmark
Telephone: +45 33 33 2666
Fax: +45 33 33 3182
Email: prospekt.ca@nordea.com

Carnegie Bank A/S
Overgaden neden Vandet 9B
1414 Copenhagen K
Denmark
Telephone: +45 32 88 0200
Email: prospekter@carnegie.dk

SEB Enskilda
Bernstorffsgade 50
1577 Copenhagen V
Denmark
Telephone: +45 33 28 2900
Email: prospekt@enskilda.dk

The distribution of this Offering Circular and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. Persons possessing this Offering Circular are required by us, the Selling Shareholder and the Managers to inform themselves about and to observe any restrictions. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer.

The Danish Securities Market

Set forth below is a summary of certain information concerning the Danish securities market, certain provisions of Danish law and securities market regulations in effect on the date of the Offering Circular. Such summary is qualified in its entirety by reference to the applicable Danish law and securities market regulations.

NASDAQ OMX Copenhagen

Trading on NASDAQ OMX Copenhagen is conducted by authorized firms, which include major Danish banks and other securities brokers, as well as certain mortgage credit institutions and the Danish Central Bank (*Danmarks Nationalbank*).

The trading system for equities trading in Denmark operates between 9:00 a.m. and 4:55 p.m. (Central European Time) weekdays. Before the continuous trading begins, there is an opening call session from 8:00 a.m. to 9:00 a.m. (Central European Time) for the purpose of fair opening prices. After the opening prices have been presented, the continuous trading begins. Further, after the end of the continuous trading there is a pre-closing call between 4:55 p.m. to 5:00 p.m. (Central European Time). An after market “post trade” session exists from 5:00 p.m. to 5:20 p.m. (Central European Time).

Registration Process

In connection with an initial public offering, a company’s shares are registered in book-entry form in accounts maintained in the computer system of VP Securities, which acts as an electronic central record of ownership and as the clearing center for all transactions. The address of VP Securities is Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark.

Danish financial institutions, such as banks, are authorized to keep accounts for each specific investor on VP Securities, including for Euroclear and Clearstream. All Danish shares listed on NASDAQ OMX Copenhagen are “non-certificated” and registered by computer on VP Securities. The account is maintained through an “account-holding bank.”

The account-holding bank has the exclusive right to make transactions and registrations on these accounts.

Shares may be registered in the name of the holder through the account-holding bank.

Nominees

An account may be kept on behalf of one or more owners, meaning that a shareholder may appoint a nominee. A nominee shareholder is entitled to receive dividends and to exercise all subscription and other financial and administrative rights attached to the shares held in its name. The relationship between the nominee shareholder and the beneficial owner is regulated solely by an agreement between the parties, and the beneficial owner must disclose its identity if any of the aforementioned rights are to be exercised directly by the beneficial owner.

The right to appoint a nominee does not eliminate a shareholder’s obligation to notify a major shareholding.

Settlement

Settlement in connection with trading on NASDAQ OMX Copenhagen normally takes place on the third business day after effecting a sale or purchase transaction. On behalf of VP Securities, the account-holding bank sends a statement to the name and address recorded in VP Securities, showing the amount of shares held by it, which provides the holder with evidence of their rights. Settlement can also take place through the clearing facilities of Clearstream and Euroclear.

Mandatory Tender Offers

The Danish Securities Trading Act (Section 31) includes rules concerning mandatory tender offers for the acquisition of shares.

If a shareholding is transferred, directly or indirectly, in a company with one or several share classes admitted to trading on a regulated market or an alternative marketplace to a transferee or to persons acting in concert with such transferee or person, the transferee shall grant all shareholders of the company the option to dispose of their shares on identical terms if the transferee gains a controlling interest as a result of the transfer. Controlling influence

exists if the acquirer, directly or indirectly, holds more than half of the voting rights in the company, unless in exceptional cases where it can be clearly evidenced that such a shareholding does not constitute a controlling interest. Controlling interest also exists when:

- the right to appoint or dismiss a majority of the members of the board of directors or equivalent management body and the board of directors or this body possesses controlling influence over the company;
- the right to control the financial and operational affairs of the company according to the articles of association or agreement;
- the right to control the majority of the voting rights in the company according to an agreement with other shareholders; or
- possession over more than one third of the voting rights in the company as well as the actual majority of the votes on the general meeting or in another management organ and thereby possess actual controlling influence over the company.

Warrants, call options and other potential voting rights, which currently can be exercised, are to be considered when assessing whether the transferee holds a controlling interest. Voting rights attached to treasury shares must be included in the calculation of voting rights.

Exemptions from the mandatory tender offer rules may be granted under special circumstances by the Danish FSA.

Squeeze Out

Where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, such shareholder may, pursuant to the Danish Companies Act, Section 70, decide to require all remaining shareholders to allow their shares to be acquired by that shareholder. If so, the remaining shareholders shall be invited, pursuant to the rules governing notices to convene the annual general meeting, to transfer their shares to said shareholder within a period of four weeks. If the acquisition price cannot be agreed upon, the acquisition price must be determined by independent experts appointed by the court of the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. Specific requirements apply to the contents of the notice. Any minority shareholders who have not transferred their shares to the acquiring shareholder before the expiry of the four week period shall, pursuant to the Danish Companies Act Section 72, be invited, through advertisement in the computerized information system of the Danish Commerce and Companies Agency, to transfer their shares to the acquiring shareholder within a period of not less than three months.

Similarly, if a shareholder has acquired more than 90% of the shares and the voting rights of a company by way of a tender offer issued in accordance with Section 31(1) of the Danish Securities Trading Act, such shareholder is entitled to acquire the remaining shares held by minority shareholders.

Furthermore, where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, the other shareholders may require such shareholder to acquire the shares of such other shareholder according to Section 73 of the Danish Companies Act. If the articles of association contain no provisions on the redemption price and the redemption price cannot be agreed upon, the redemption price must be determined by independent experts appointed by the court of the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act.

Major Shareholdings

Holders of shares in companies listed on NASDAQ OMX Copenhagen are, pursuant to the Danish Securities Trading Act Section 29(1), required as soon as possible to give notice to the company and the Danish FSA when their shareholding in the listed company reaches, rises above or falls below the following levels: (i) 5% of the voting rights attached to the shares or (ii) 5% of the nominal value of company's registered share capital. Shareholders are also required to report if their shareholding reaches, rises above or falls below any interval of 10%, 15%, 20%, 25%, 50%, 90% or one-third or two-thirds of the total number of voting rights attached to the shares or of the company's registered share capital.

The notification shall state the full name, address or, in the case of undertakings, registered office, the number of shares and their nominal value and share classes, the transaction date as well as information about the basis on which the calculation of the holdings has been made and shall, pursuant to the Executive Order no. 224 of

13 March 2010, Section 15, be submitted to the Danish FSA electronically by use of a digital signature. Failure to comply with the notification requirements is punishable by fine.

Disclosure Obligations

Under the Danish Securities Trading Act, as a listed company we will be obliged to inform the public and the Danish FSA as soon as possible of inside information, if such information directly relates to our business. We are also obliged to disclose any significant changes concerning already publicly disclosed inside information.

In addition, pursuant to the Danish Securities Trading Act and the rules of NASDAQ OMX Copenhagen we shall ensure that all market participants have simultaneous access to any material information about our company, if such information is assumed to affect the pricing of our securities. We are also required to make sure that no unauthorized person gains access to such information prior to its publication to the market. Price relevant information includes, for example, (i) changes to our Board of Directors or Executive Management, (ii) decisions to introduce incentive schemes, (iii) increases or other changes in business activities, (iv) proposed changes in the capital structure, (v) interim reports and accounts and (vi) annual reports and accounts.

Plan of Distribution

The Company, the Selling Shareholder and the Managers named below have entered into an underwriting agreement, dated as at 20 September 2010, (the “Underwriting Agreement”) with respect to the Offer Shares. Subject to certain conditions set forth in the Underwriting Agreement, the Company and the Selling Shareholder, severally but not jointly, will agree to sell to the purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers, severally but not jointly, will agree to procure purchasers for, or failing such procurement, to purchase from the Company or the Selling Shareholder the percentage of total number of Offer Shares offered listed opposite such Manager’s name below.

<u>Managers</u>	<u>Percentage of Offer Shares</u>
Goldman Sachs International	25%
J.P. Morgan Securities Ltd.	25%
Morgan Stanley & Co. International plc	25%
Nordea Markets (Division of Nordea Bank Danmark A/S)	12.5%
Carnegie Bank A/S	6.25%
SEB Enskilda	6.25%
Total	100%

The Underwriting Agreement provides that the obligations of the Managers to procure purchasers for, or failing which, to purchase themselves, the Offer Shares are subject to: (i) entry into the pricing agreement between the Company, the Selling Shareholder and the Managers, which will contain the Offer Price and the exact number of Offer Shares, (ii) receipt of opinions on certain legal matters from counsel and (iii) certain other conditions. Both we and the Selling Shareholder have agreed to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offering, including liabilities under the U.S. Securities Act. The Managers are not required to take or pay for the Offer Shares covered by the Managers’ Overallotment Option described below.

The Underwriting Agreement provides that, upon the occurrence of certain events, such as the general suspension of all trading on NASDAQ OMX Copenhagen, a material adverse change in our business, results of operations or financial condition or in the financial markets and under certain other conditions, the Managers may elect to terminate their several commitments and have the right to withdraw from the Offering before delivery of the Offer Shares. If the Managers elect to terminate their several commitments, the Offering may be canceled and, if it is canceled, no Offer Shares will be delivered. All dealings in the Offer Shares prior to delivery and settlement are at the sole risk of the parties concerned.

Pursuant to the Underwriting Agreement, the Joint Global Coordinators, on behalf of the Managers, have been granted an option to purchase up to an additional 6,682,936 Offer Shares from the Selling Shareholder, solely to cover over allotments or short positions, if any, exercisable for a period of 30 calendar days after the first day of trading in and official listing of the Shares. If any Offer Shares are agreed to be purchased under this option, each Manager will be obligated, subject to certain conditions contained in the Underwriting Agreement, to purchase a number of additional Offer Shares proportionate to that Manager’s initial percentage of Offer Shares reflected in the table above, and the Selling Shareholder will be obligated to sell a number of Offer Shares proportionate to the additional Offer Shares over which they have granted this option.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

Application has been made to admit the Shares for trading and official listing on NASDAQ OMX Copenhagen and trading in the Shares is expected to commence no later than 5 October 2010. The trading and official listing is subject to, among other things, NASDAQ OMX Copenhagen’s approval of the distribution of the Offer Shares. The Managers expect to deliver the Offer Shares to investors’ accounts no later than 8 October 2010. The Offer Shares will be accepted for delivery through the facilities of VP Securities, Euroclear and Clearstream, against payment in immediately available funds. All dealings in the Offer Shares prior to settlement will be for the account of and at the sole risk of the parties involved.

In connection with the Offering, the Managers and any affiliates acting as investors for their own account may take up the Shares and in that capacity may retain, purchase or sell the Shares, for their own account and may offer or sell such securities otherwise than in connection with the Offering, in each case, in accordance with applicable

law. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Selling Shareholder have been advised by the Managers that (a) the Managers, through their respective selling agents, Goldman, Sachs & Co., Morgan Stanley & Co. Inc., J.P. Morgan Securities Inc., Carnegie, Inc. and SEB Enskilda Inc., propose to sell the Offer Shares in the United States only to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act, and (b) the Managers propose to sell the Offer Shares outside the United States in compliance with Regulation S. Any offer or sale of Offer Shares in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act will be made by broker dealers who are registered as such under the U.S. Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

In the Offering, we will instruct the Managers to allocate New Shares to the minority shareholders of Ad Astra Holding Pty Ltd. and PANDORA Jewelry CWE reflecting a portion of the payments to be made by us to acquire the remaining interests in these distribution subsidiaries and to our Chairman of the Board of Directors and the members of our Board of Directors. See “Use of Proceeds” and “Management and Employees — Board Member Incentive Shares.” Certain members of our Board of Directors, Executive Management and other Key Employees will be selling a portion of their shareholding through the Selling Shareholder in the Offering. In addition, it is expected that holders of Warrants (including members of the Board of Directors, the Executive Management and certain Key Employees) will sell to the Selling Shareholder at the Offer Price 35% of the Shares received by them upon their exercise of the Warrants in connection with the Offering. See “Ownership Structure and Related Party Transactions” and “Management and Employees — Incentive Programs — Warrant Program.”

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

No action has been or will be taken in any jurisdiction other than Denmark that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

We have agreed with the Joint Global Coordinators that we will not, except as set forth below, for a period of 180 days from the first day of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators, (i) issue, offer, pledge, sell, contract to issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any of our Shares or any securities convertible into or exercisable or exchangeable for our Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) submit to our shareholders a proposal to effect any of the foregoing. The foregoing shall not apply to (i) the sale of the New Shares in the Offering or (ii) the issue of Shares as a result of an exercise of the Warrants outstanding as of the date hereof. See “Management and Employees — Incentive Programs — Warrant Program”.

The Selling Shareholder has agreed with the Joint Global Coordinators that it will not, except as set forth below, for a period of 360 days after the first day of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any of our Shares, or any securities convertible into or exercisable or exchangeable for our Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Shares, whether any such transactions described in clause (i) or (ii) above are to be settled by delivery of our Shares or such other securities, in cash or otherwise or (iii) submit to the Company’s shareholders a proposal to effect any of the foregoing.

The foregoing shall not apply to (i) the sale of the Existing Offer Shares in the Offering; (ii) the lending of Shares under the Share Lending Agreements (see “The Offering — Share Lending Agreements”); or (iii) the transfer of Shares to the direct or indirect existing shareholders of the Selling Shareholder in connection with or arising out of any dividend or other distribution, or any liquidation, dissolution, reorganization or other similar event affecting the Selling Shareholder or any of its affiliates; provided, however that if any such distribution or other event takes place during the 360 day lock-up period of the Selling Shareholder the restrictions set forth above shall apply to the shareholders of the Selling Shareholder receiving the Shares as part of any such distribution or other event.

In addition, the members of our Board of Directors, Executive Management and holders of Warrants listed under “Ownership Structure and Related Party Transactions” have agreed with the Joint Global Coordinators that, for a period of 720 days from the first day of trading in, and official listing of, the Offer Shares, they will be subject to the same restrictions as the Selling Shareholder set forth above in respect of (i) any Warrants held directly or indirectly by them, (ii) any Shares issued to them (directly or indirectly) upon exercise of the Warrants, and (iii) any Shares received by them (directly or indirectly) upon any dividend or other distribution of Shares by the Selling Shareholder or as a result of any liquidation, dissolution, reorganization or other similar event affecting the Selling Shareholder. The foregoing shall not apply to the sale by holders of the Warrants to the Selling Shareholder in connection with the Offering of 35% of the Shares received by them from the exercise of the Warrants. See “Management and Employees — Incentive Programs — Warrant Program” and “Ownership Structure and Related Party Transactions.” In addition, a transfer by one of these individuals shall be exempt from the restrictions set forth in respect of the Selling Shareholder above, to the extent that it is (i) as a result of the death of the holder, (ii) due to the holder becoming incapacitated or unable to carry on employment due to disability or illness for a specified period or (iii) required as a result of a divorce proceeding or in furtherance of a settlement thereof.

In connection with the Offering, Morgan Stanley & Co. International plc, as the stabilizing manager, or its agents, on behalf of the Managers may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of trading in and official listing of the Shares on NASDAQ OMX Copenhagen. Specifically, the Managers, the Selling Shareholder and the Company have agreed that the Managers may over-allot Offer Shares by accepting offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Offer Shares available for purchase by the Managers under the Overallotment Option. The Managers can close out a covered short sale by exercising the Overallotment Option or purchasing Shares in the open market. In determining the source of Shares to close out a covered short sale, the Managers will consider, among other things, the open market price of Shares compared to the price available under the Overallotment Option. The Managers may also sell Shares in excess of the Overallotment Option, creating a naked short position. The Managers must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the stabilizing manager is concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase in the Offering. Any naked short position will not exceed an amount equal to 5% of the original number of Offer Shares offered. As an additional means of facilitating the Offering, the stabilizing manager or its agents may effect transactions to stabilize the price of the Shares. These activities may support the market price of the Offer Shares at a level higher than that which might otherwise prevail. Such transactions may be effected on NASDAQ OMX Copenhagen, in the over-the-counter markets or otherwise. The stabilizing manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilizing manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, the stabilizing manager does not intend to disclose the extent of any stabilization transactions under the Offering.

Prior to the Offering, there has been no public market for the Shares. The Offer Price will be determined by the Selling Shareholder and the Board of Directors following consultation with the Joint Global Coordinators, on the basis of a number of factors, including the following:

- the orders, in terms of price and quantity, received from potential institutional and retail investors;
- prevailing market conditions;
- our historical, operational and financial performance;
- estimates of our business potential and earning prospects; and
- the market valuation of publicly traded common stock of comparable companies.

The Offer Price will be announced no later than 5 October 2010. The indicative Offer Price range set forth on the cover page of this Offering Circular is subject to change as a result of market conditions and other factors. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price.

Some of the Managers and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with us or the Selling Shareholder or any of our or their respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with your and our interests. Nordea Bank Danmark A/S is a lender under our Senior Facility Agreement described in “Additional Information — Material Contracts.” Nordea Bank Danmark A/S and Nordea Liv & Pension Livforsikringsselskab A/S also hold direct and indirect interests in Axcel III (consisting of Axcel III K/S 1 and Axcel III K/S 2), which is an indirect shareholder of the Selling Shareholder. As of the date of the Offering Circular, the total direct and indirect interests of Nordea Bank Danmark A/S and Nordea Liv & Pension Livforsikringsselskab A/S in Axcel III were 6.6% and 6.1% respectively. In addition, Nordea Bank Danmark A/S and Nordea Liv & Pension Livforsikringsselskab A/S also hold direct and indirect interests in two other Axcel funds, Axcel Industriinvestor A/S and Axcel II A/S. In addition, as of the date of this Offering Circular, SEB Pensionsforsikring A/S holds a total direct and indirect interest in Axcel III K/S 2, which is an indirect shareholder of the Selling Shareholder, of 6.6%. Further, SEB Pensionsforsikring A/S holds a direct and indirect interest in another Axcel fund, Axcel II A/S.

Goldman Sachs International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc and Nordea Markets (Division of Nordea Bank Danmark A/S) are acting as Joint Global Coordinators and Joint Bookrunners in the Offering. Carnegie Bank A/S and SEB Enskilda are acting as Co-Lead Managers in the Offering.

Rothschild and FIH Partners are acting as financial advisors to the Company and the Selling Shareholder in connection with the Offering. FIH Partners is a wholly owned subsidiary of FIH Erhvervsbank A/S who, directly and indirectly, holds limited partnership interests in Axcel III, consisting of Axcel III K/S 1 and Axcel III K/S 2, which in turn are indirect shareholders of the Selling Shareholder. As of the date of the Offering Circular, the total direct and indirect interests of FIH Erhvervsbank A/S in Axcel III was 11.6%. In addition, FIH Erhvervsbank A/S also holds direct and indirect interests in two other Axcel funds, Axcel Industriinvestor A/S and Axcel II A/S.

Selling Restrictions

United States

Each Manager, severally and not jointly, agrees that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

Each Manager has represented and warranted that: (a) it, through its respective selling agents, proposes to resell the Offer Shares in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act; and (b) it proposes to resell the Offer Shares outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used above shall have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

European Economic Area

Each Manager, severally and not jointly, has represented and warranted that, in relation to each Relevant Member State of the European Economic Area that has implemented the Prospectus Directive, it has not made and will not make an offer of the Offer Shares to the public in that Relevant Member State, except that it may, make an offer of the Offer Shares to the public in that Relevant Member State:

- exclusively to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- exclusively to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than EUR 43 million and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression an “offer of the Offer Shares to the public” in relation to any of the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Each Manager, severally and not jointly, has represented and warranted that it has only and will only make offers of the Offer Shares pursuant to the Offering to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

Any investment or investment activity to which this Offering Circular relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or high net worth entities falling within section 49(2), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this offering memorandum and should not act or rely on it.

General

Each Manager, severally and not jointly, has represented and warranted that no action has been or will be taken in any country or jurisdiction other than Denmark by it that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company, the Selling Shareholder and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense.

Transfer Restrictions

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- (3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
- (4) the purchaser is not an affiliate of ours or a person acting on behalf of such affiliate;
- (5) the Offer Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S;
- (6) the purchaser acknowledges that we shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
- (7) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (8) the purchaser acknowledges that we, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- (3) the purchaser (i) is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made in a transaction not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;
- (4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
- (5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A,

- (ii) in accordance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (6) the purchaser acknowledges that the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;
 - (7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
 - (8) the purchaser acknowledges that we shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
 - (9) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and
 - (10) the purchaser acknowledges that we, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Danish Offering Circular in Denmark, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Managers, the Selling Shareholder and us that:

- (1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer” in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Legal Matters

Certain legal matters in connection with the Offering will be passed upon for the Company by Davis Polk & Wardwell LLP, international legal counsel to the Company and by Kromann Reumert, Danish legal counsel to the Company. Certain legal matters in connection with the Offering will be passed upon for the Managers by Latham & Watkins (London) LLP, international legal counsel to the Managers, and by Gorrissen Federspiel, Danish legal counsel to the Managers.

State Authorized Public Accountants

Ernst & Young Godkendt Revisionspartnerselskab are currently our auditors. Ernst & Young was appointed as our auditors on June 25, 2009 and replaced Henrichsen & Co., Statsautoriseret Revisionsaktieselskab, Overgaden oven Vandet 48E, DK-Copenhagen K, who had been our auditors since 7 March 2008. Prior to this, the Company's auditors were Deloitte, Statsautoriseret Revisionsaktieselskab, Weidekampsgade 6, DK-Copenhagen S.

Henrichsen & Co., Statsautoriseret Revisionsaktieselskab, resigned in 2009 because the Company wished to use a major international audit firm.

Deloitte Statsautoriseret Revisionsaktieselskab resigned in 2008 because, after the Acquisitions, the Company wanted to use Henrichsen & Co., Statsautoriseret Revisionsaktieselskab, which was the auditor of the Danish companies acquired in connection with the Acquisitions.

Ernst & Young has (i) audited our Annual Audited Financial Statements, prepared in accordance with IFRS and (ii) reviewed our Unaudited Interim Financial Statements, prepared in accordance with IAS 34, which are included in this Offering Circular.

In addition, the following auditors have audited the financial statements for the year ended 31 December 2007 of Pilisar ApS, Populair A/S and PANDORA Production Co. Ltd. and PANDORA Jewelry America ApS. These financial statements have been incorporated by reference into this Offering Circular:

- Henrichsen & Co Statsautoriseret Revisionsaktieselskab audited the financial statements of Pilisar ApS and Populair A/S;
- Sukhum International Audit Co., Ltd., 24th Fl., Forum Tower, Ratchadapisek Rd., HuayKwang, Bangkok 10310, Thailand, audited the financial statements of PANDORA Production Co., Ltd.; and
- Revisor-Team A/S audited the financial statements of PANDORA Jewelry America ApS.

Henrichsen & Co Statsautoriseret Revisionsaktieselskab is a member of the Danish Association of State Authorized Public Accountants (FSR). Sukhum International Audit Co., Ltd. is a member of the Thai Federation of Accounting Professions.

Name and address of our auditors for the periods with respect to the financial information provided in this Offering Circular:

Ernst & Young Godkendt Revisionspartnerselskab
Gyngemose Parkvej 50
2860 Søborg
Denmark

Additional Information

Name, Registered Office and Date of Incorporation

PANDORA A/S
Hovedvejen 2,
2600 Glostrup
Denmark
Telephone: +45 36 72 00 44
Telefax: + 45 36 72 08 00
E-mail: mail@pandora.net
Website: www.pandoragroup.com

The Company was incorporated as a private limited company in Denmark on 9 March 2005. On 25 June 2009 the Company was converted into a public limited company.

Registered Office

Our registered office is located at Hovedvejen 2, 2600 Glostrup, Denmark.

Registration

The Company is registered with the Danish Commerce and Companies Agency under CVR No. 28505116.

Objectives

According to article 3.1 of the Company's Articles of Association the objectives of the Company are to carry on business within the sectors of capital investment, financing, manufacturing, commercial activities, and other business related thereto.

Subsidiaries and Associated Undertakings

The Company's principal subsidiaries and associated undertakings are:

<u>Entity Name</u>	<u>Country of Incorporation</u>	<u>Percentage of (Direct or Indirect) Ownership Interest as at 30 June 2010</u>
PANDORA Production Co., Ltd.	Thailand	100% (Direct)
Pilisar A/S	Denmark	100% (Direct)
PANDORA Int. ApS	Denmark	100% (Direct)
PANDORA Jewelry, Inc.	United States	100% (Direct)
PANDORA Jewellery UK Limited	United Kingdom	100% (Direct)
PANDORA Eastern Europe A/S	Denmark	86% (Direct) ⁽¹⁾
PANDORA CEE Sp. z.o.o.	Poland	86% (Indirect)
PANDORA Jewelry Asia-Pacific Limited	Hong Kong	92% (Direct) ⁽²⁾
PANDORA Jewelry Central Western Europe A/S	Denmark	51% (Direct) ⁽³⁾
Ad Astra Holdings Pty Ltd.	Australia	60% (Indirect) ⁽³⁾
PANDORA Jewelry GmbH	Germany	51% (Indirect)
PANDORA Jewelry Ltd	Canada	100% (Direct)

(1) We have an option to purchase, and the minority shareholders have an option to require us to purchase, the non-controlling interests in PANDORA Eastern Europe A/S, the parent company of PANDORA Jewelry CEE Sp. z.o.o, upon the occurrence of certain events, including a change of control in us and an initial public offering, such as the Offering. We cannot exercise this option until after 1 January 2013. Hungary, Slovakia and the Czech Republic are served through sales subsidiaries of PANDORA Jewelry CEE Sp. z.o.o.

(2) We have an option to purchase, and the minority shareholders have an option to require us to purchase, the non-controlling interests in our Hong Kong subsidiary upon the occurrence of certain events, including a change of control in us and an initial public offering, such as the Offering. We cannot exercise this option until the publication of our Hong Kong subsidiary's annual accounts for 2012, or the publication of its annual accounts for any subsequent year, and only within a six month window following any such publication.

(3) We expect to acquire the remaining interests in these distribution subsidiaries in connection with the Offering. See "Use of Proceeds."

Our principal subsidiaries and associated undertakings comprise our principal operating companies, including the production company, companies which manage the expansion in new markets and the real estate company.

A complete list of our subsidiaries and associated undertakings as of 31 December 2009 is set out in the audited consolidated financial statements for the year ended and as at 31 December 2009 in note 28 in “Financial Information.” The list of our subsidiaries and associated undertakings has changed since then. See “Business — History.”

General Meetings

The general meeting of shareholders is the ultimate authority in all matters relating to us, subject to the limitations in Danish law and the Company’s Articles of Association.

The annual general meeting must be held within 4 months after the end of the Company’s financial year. The financial year runs from 1 January to 31 December. Consequently, the annual general meeting must be held before the end of April each year.

Extraordinary general meetings shall be held when requested by the Board of Directors, the Company’s auditors who are elected at the general meeting or shareholders holding not less than 5% of the registered share capital. See article 7.6 of the Articles of Association. The extraordinary general meeting shall be held not later than two weeks after a request to that effect has been made to the Board of Directors.

General meetings will be held at the Company’s registered office or in Greater Copenhagen as determined by the Board of Directors. See article 7.3 of the Articles of Association. General meetings shall be called by the Board of Directors through advertisement on the Company’s homepage and the IT system of the Danish Commerce and Companies Agency and by written electronic notice to all registered shareholders who have asked to receive such notice, in both cases giving not less than three and not more than five weeks’ notice. Anyone who is, one week prior to the general meeting, a registered shareholder or has at such time approached the Company requesting to be registered as such (which request shall have been received by the Company), may attend and vote at such general meeting if such person has notified the Company of the attendance not later than three days prior to such general meeting and has received an admission card from the Company.

Any shareholder is entitled to submit a specific subject for consideration at a general meeting, provided that such request has been filed with the Board of Directors within 6 weeks prior to the general meeting.

Unless otherwise expressly provided by the Danish Companies Act or the Company’s Articles of Association all resolutions shall be passed by the general meeting by a simple majority of the total number of votes cast by the Shareholders.

Principal Bankers

Our principal banks are:

Nordea Bank Danmark A/S
Christiansbro, Strandgade 3
0900 Copenhagen C
Denmark

FIH Erhvervsbank A/S and FIH Kapitalbank A/S
Langelinie Allé 43
2100 Copenhagen Ø
Denmark

Share Issuing Agent

Our share issuing agent is:

Nordea Bank Danmark A/S
Issuer Services/HH 7371
Postbox 850
0900 Copenhagen C
Denmark

Legal Proceedings

The Company is from time to time party to various legal proceedings arising in the ordinary course of business. We are not currently party to any litigation, administrative, arbitration or dispute proceedings that could have a material adverse effect on our business, results of operations or financial condition, including the proceedings described below. We are not aware of any threatened dispute or governmental investigation that could have a material adverse effect on our business, results of operations or financial condition in the future.

PANDORA Production Co. Ltd. has been the plaintiff in a legal action regarding the validity and interpretation of a royalty agreement relating to the design of glass pearls. The dispute concerned the question of whether PANDORA Production Co. Ltd. should pay royalty to Lise Aagaard Copenhagen A/S on sales of glass pearls designed by third parties. PANDORA Production Co. Ltd. argued that no royalties should be paid when the glass pearls are designed by other designers. Lise Aagaard Copenhagen A/S argued that PANDORA Production Co. Ltd. should pay royalties on all glass pearls sold by the Group regardless of their design and, *inter alia*, raised a capitalized counter claim of DKK 385 million for loss of future royalty income. Lise Aagaard Copenhagen A/S had raised a similar claim against a former majority shareholder who is presently a beneficial minority shareholder in us. On 29 April 2010, the Maritime and Commercial Court in Copenhagen published its decision in the matter. The court ruled entirely in favor of PANDORA Production Co. Ltd. and dismissed all claims and counterclaims made by Lise Aagaard Copenhagen A/S. The court also dismissed the claims against the minority shareholder and ordered Lise Aagaard Copenhagen A/S to pay attorneys' fees for both PANDORA Production Co. Ltd. and the minority shareholder. Lise Aagaard Copenhagen A/S has appealed the decision to the Danish Supreme Court and motioned for us to deposit DKK 385 million with the court to cover our potential liabilities in the event of an outcome that is adverse to us.

PANDORA A/S (dissolved following a merger with the Company) is involved in a legal dispute with Darren McCormick, a former sole distributor of the Company's jewelry in the UK. The dispute relates to PANDORA A/S's termination of the license agreement due to the UK distributor's default of the license agreement. The UK distributor claims that the agreement was not terminated correctly and, accordingly, has continued selling the PANDORA products and using PANDORA trademarks. PANDORA has made a trademark infringement claim against the former UK distributor and a claim relating to the return of any PANDORA products which are still in the possession of the UK distributor. The dispute is expected to be tried before the English courts in the fall of 2010.

Material Contracts

Senior Facility Agreement

On 17 February 2010, we borrowed DKK 2,200 million through a senior facility agreement with FIH Erhvervsbank A/S, FIH Kapital Bank A/S and Nordea Bank Danmark A/S as arrangers and lenders (the "Senior Facility Agreement"). The proceeds were used to repay existing credit facilities, to repay the subordinated loan from parent company, Prometheus Invest ApS, and to pay DKK 113 million of a declared dividend to Prometheus Invest ApS. See "Dividends and Dividend Policy." The first payment of DKK 220 million on the Senior Facility Agreement was paid on 30 June 2010. The second installment of DKK 220 million is due 31 December 2010, with installments of DKK 440 million due every six months thereafter until the final payment on 30 December 2012. Borrowings under the Senior Facility Agreement bear interest at CIBOR plus a margin of 2.5% per annum. The obligations of the Company under the Senior Facility Agreement are guaranteed by Prometheus Invest ApS and secured by pledges of the shares in the Company, PANDORA A/S (dissolved following a merger with the Company), Pilisar ApS, PANDORA Eastern Europe A/S, PANDORA Jewellery UK Limited and PANDORA Production Co. Ltd. The lenders have agreed to release this guarantee and these pledges with the listing of the Company's shares on NASDAQ OMX Copenhagen. The Senior Facility Agreement restricts the payment of dividends to the Company's shareholders under certain conditions. If the Company's shares are listed on NASDAQ OMX Copenhagen, the Company may pay dividends as long as it is not in default with the Senior Facility Agreement and as long as the payment of a dividend would not lead to such a default. The Senior Facility Agreement contains customary change of control and prepayment provisions.

Shareholders' Agreement Relating to PANDORA Jewelry CWE

The shareholders' agreement dated 5 January 2010, between the Company and Kasi ApS, our former German distributor, contains provisions dealing with the ownership and management of PANDORA Jewelry CWE, which is responsible for the distribution of PANDORA products in Germany, Austria, Switzerland, the Netherlands and Italy. It also sets forth our rights and obligations relating to the purchase of the non-controlling interest in

PANDORA Jewelry CWE. Subject to the provisions below, the operative provisions of the agreement terminate upon our acquiring the remaining interest.

Pursuant to the shareholders' agreement, upon the occurrence of certain events, including the admission of the Shares for listing on NASDAQ OMX Copenhagen, we have an option to acquire Kasi ApS's remaining shares in PANDORA Jewelry CWE, and Kasi ApS has an option to require us to purchase its remaining shares in PANDORA Jewelry CWE. We have decided to exercise this option in connection with the Offering and have entered into a conditional share sale and purchase agreement with Kasi ApS for the purchase of Kasi ApS's remaining shares in PANDORA Jewelry CWE, contingent upon (i) the listing of the Shares on NASDAQ OMX Copenhagen and (ii) consent to the sale and purchase of the non-controlling interest in PANDORA Jewelry CWE from the German competition authorities. The purchase price of Kasi ApS's non-controlling interest in PANDORA Jewelry CWE is made up of the following: (i) DKK 77 million, which has been paid as an upfront payment in H1 2010 (i.e., prior to the exercise of the option); (ii) DKK 308 million, which becomes payable upon exercise of the option (the "Cash Payment") and shall be paid using proceeds from the Offering (see "Use of Proceeds"); (iii) an additional cash payment calculated as any dividend paid by PANDORA Jewelry CWE from the date of the exercise of the option until 31 December 2014, multiplied by Kasi ApS's shareholding in PANDORA Jewelry CWE (currently 49%) at the date of the exercise of the option and divided by the Company's shareholding in PANDORA Jewelry CWE (currently 51%) at such date, payable at each time such dividends are paid to us; and (iv) an earn out payment payable in 2015 based on 49% of PANDORA Jewelry CWE's net equity value (as defined below) less DKK 400 million.

PANDORA Jewelry CWE's net equity value for purposes of the earn out payment is determined as follows according to the shareholders' agreement:

Adjusted EBITDA

x 3

– Net interest bearing debt as at 31 December 2014

= Net equity value

"Adjusted EBITDA" refers to the consolidated EBITDA as reflected in the audited annual report of PANDORA Jewelry CWE for FY 2014, with certain adjustments. The EBITDA is adjusted for any expenses or income of an extraordinary nature, the financial impact of which changes to the transfer pricing terms between PANDORA Jewelry CWE (and its subsidiaries) and us, incurred after the date of the Cash Payment, except changes outside of our control or any charges, fees or similar between PANDORA Jewelry CWE (and its subsidiaries) and us not directly related to PANDORA Jewelry CWE's or its subsidiaries' operations and/or any cost or income as a result of activity initiated after the exercise of our option if such activity is outside the scope of the business plan agreed between us and the minority shareholder. The EBITDA is further adjusted by subtracting tax expenses to PANDORA Jewelry CWE and its subsidiaries for FY 2014.

"Net interest bearing debt" includes any external interest bearing debt plus any outstanding tax payments, overdue payments to suppliers, interest accumulated but not yet paid, internal interest bearing debt owed to members of the Group, capital contributions made after the date of the Cash Payment, less internal interest bearing debt owed by members of the Group less accumulated adjustments to PANDORA Jewelry CWE's EBITDA and investments related to any activities outside the scope of the business plan.

We are required to deliver the calculation of the earn out payment on or before 31 March 2015.

Kasi ApS has agreed to invest DKK 30 million of the proceeds received in New Shares, and the Company will allocate such Shares accordingly.

Shareholders' Agreement relating to Ad Astra Holdings Pty Ltd.

The shareholders' agreement dated 5 August 2009, between the Company, PANDORA Jewellery UK Limited, Karin and Brook Adcock (the "Adcocks") and Ad Astra Holdings Pty Ltd., contains provisions dealing with the ownership and management of Ad Astra Holdings Pty Ltd. responsible for the distribution of PANDORA products in Australia, New Zealand and the Fiji Islands. It also sets forth our rights and obligations relating to the purchase of the non-controlling interest in Ad Astra Holdings Pty Ltd. Subject to the provisions below, the operative provisions of the agreement terminate upon our acquisition of the remaining interest.

Upon the occurrence of certain events set forth in the shareholders' agreement, including the admission of the Shares for listing on NASDAQ OMX Copenhagen, we have an option to acquire the Adcocks' shares, which represent the remaining non-controlling interest, in Ad Astra Holdings Pty Ltd., and the Adcocks have an option to sell their shares in Ad Astra Holdings Pty Ltd. to PANDORA Jewellery UK Limited, as set forth in a separate call and put option agreement dated 5 August 2009. We have decided to exercise this option in connection with the Offering and PANDORA Jewellery UK Limited has entered into a separate conditional share sale and purchase agreement with the Adcocks for the purchase of the Adcocks' shares in Ad Astra Holding Pty Ltd., contingent only upon the listing of the Shares on NASDAQ OMX Copenhagen. The purchase price for the Adcocks' shares in Ad Astra Holdings Pty Ltd. is AUS 40 million, payable five business days after such listing. Each of Karin and Brook Adcock has agreed to invest AUS 10 million each of the proceeds received in New Shares, and the Company will allocate such Shares accordingly. See "Use of Proceeds."

Glossary

The following explanations are not intended as technical definitions, and are provided purely for assistance in understanding certain terms as used in this Offering Circular.

Acquisitions	acquisitions on 7 March 2008 completed by the Company of 100% interests in each of Pilisar ApS and Populair A/S (companies responsible for Danish PANDORA operations and sales), PANDORA Production Co. Ltd. (a company responsible for production operations in Thailand), and PANDORA Jewelry America ApS (a holding company responsible for the PANDORA sales and distribution business in North America).
Articles of Association	the articles of association of the Company.
Audited Annual Financial Statements	our audited consolidated financial statements, for the years ended and as at 31 December 2009, 2008 and 2007, prepared in accordance with IFRS.
Axcel	funds managed by Axcel Management A/S.
Capital expenditure	expenditures on non-current tangible and intangible assets, including property plant and equipment.
Cash conversion	free cash flow over net profit, free cash flow being defined as net cash flows from operating activities adjusted for interest received and paid less net cash from investing activities adjusted for acquisitions of subsidiaries.
Co-Lead Managers	Carnegie Bank A/S and SEB Enskilda.
Concept Store	PANDORA branded sales channel that typically has between approximately 40 to 100 square meters of trading space per store. Concept Stores carry the entire PANDORA assortment, and dedicated PANDORA-trained staff assist end-consumers with their needs.
Direct distribution	the products are distributed to points of sale primarily through our distribution subsidiaries.
Danish FSA	the Danish Financial Supervisory Authority.
Danish GAAP	generally accepted accounting principles in Denmark in effect at the relevant time, including the Danish Financial Statements Act.
Denmark	the Kingdom of Denmark.
Directly operated store	points of sale that operate directly.
Ernst & Young	Ernst & Young Godkendt Revisionspartnerselskab.
EEA	the European Economic Area.
EU	the European Union.
FTE	full time employees.
FY	financial year – the 12 months ended 31 December. While FY 2008 for the Company’s consolidated results of operations is in respect of the 12 months ended 31 December 2008, it only includes approximately 10 months of operations beginning on the date of the completion of Acquisitions, 7 March 2008.
Gold Level	PANDORA-branded points of sale that typically are required to dedicate at least 4.5 square meters of in-store space, including uniform counters, trays and other fittings, exhibition towers and the like, as well as proportional window space to our PANDORA shop fittings. Gold

	Level points of sale typically carry a minimum of four PANDORA jewelry collections approved by us.
H1	first financial half year – the six months ended 30 June.
H2	second financial half year – the six months ended 31 December.
IFRS	International Financial Reporting Standards, as adopted by the E.U.
Joint Global Coordinators	Goldman Sachs International, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, Nordea Markets (Division of Nordea Bank Danmark A/S).
LFL stores	LFL (like-for-like) stores are points of sale which have purchased jewelry in a particular financial period and have done so for more than one year.
Managers	The Joint Global Coordinators and Co-Lead Managers.
Multi-brand sales channel	Silver Level and White Level points of sale.
NASDAQ OMX Copenhagen	NASDAQ OMX Copenhagen A/S.
Points of sale	the location where our products are sold to end-consumers.
PANDORA-branded sales channel ...	Concept Stores, Shop-in-shops and Gold Level points of sale.
Q1	first financial quarter year – the three months ended 31 March.
Q2	second financial quarter year – the three months ended 30 June.
Q3	third financial quarter year – the three months ended 30 September.
Q4	fourth financial quarter year – the three months ended 31 December.
Shop-in-shops	PANDORA-branded sales channel that is a specific selling area in department stores and other multi-brand retail outlets (such as specialty jewelry retailers) designated for the display and sale of our products. Shop-in-shops carry a minimum of four to five PANDORA jewelry collections.
Silver Level	Multi-brand points of sale that are not required to maintain a particular store location, but is required to prominently display PANDORA products and, typically, to dedicate at least four square meters of in-store space as well as proportional window space to our PANDORA shop fittings. Silver Level points of sale typically carry a minimum of three PANDORA jewelry collections approved by us.
Stock Keeping Unit (SKU)	designates a piece of jewelry that can be separately purchased. For example, a pair of earrings or a single charm would count as one SKU.
U.S. GAAP	generally accepted accounting principles in the United States in effect at the relevant time.
Unaudited Interim Financial Statements	our unaudited condensed consolidated interim financial statements for the six months ended and as at 30 June 2010 and 2009, prepared in accordance with IAS 34, which have been reviewed by Ernst & Young, independent auditors.
VP Securities	VP Securities A/S.
White Level	Multi-brand points of sale that are not required to maintain a particular store location or prominently display PANDORA in their shops. White Level points of sale are typically required to allocate some window space to our products and typically carry a minimum of one to three PANDORA jewelry collections approved by us.

Financial Information

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Information incorporated by cross reference

The additional historical audited information explicitly listed in the table below has been incorporated by reference in the Offering Circular pursuant to section 18 of the Prospectus Order. Direct and indirect references in the financial statements set out in the annual reports to other documents or websites are not incorporated by reference and do not form part of the Offering Circular. Prospective investors should assume that the information in this Offering Circular as well as the information the Company incorporates by reference, is accurate as of the dates of the respective documents only. The business, financial condition, cash flows and results of operations of the companies in question and of PANDORA may have changed since those dates.

Prospective investors are encouraged to read the information incorporated by reference in conjunction with the cautionary statements in “Risk Factors” and “Special Notice Regarding Forward-Looking Statements”.

The historic audited annual reports for 2007 of Pandora Jewelry America ApS, Pandora Production Co. Ltd., Pilisar ApS and Populair A/S are incorporated in full in this Offering Circular by reference as set out in the cross reference table below and are available for inspection at the Company’s address: Hovedvejen 2, DK-2600 Glostrup, Denmark and on the Company’s website: www.pandoragroup.com.

<u>Disclosure element</u>	<u>Reference to page numbers in annual reports</u>
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Statement by the Board of Directors and Executive Management

The Board of Directors and Executive Management have considered and approved the unaudited consolidated interim financial statements of PANDORA A/S for the periods 1 January – 30 June 2010 and 1 January – 30 June 2009. The unaudited consolidated interim financial statements are presented in accordance with IAS 34.

In our opinion, the unaudited consolidated interim financial statements give a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2010 and as at 30 June 2009 and of the results of the Group's operations and cash flows for the periods 1 January – 30 June 2010 and 1 January – 30 June 2009. 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 6-month periods ended 30 June 2010 and 30 June 2009 and of the Group's financial position in general as well as describes the principal risks and uncertainties facing the Group.

Glostrup, 20 September 2010

PANDORA A/S

Executive Management

Mikkel Vendelin Olesen
Chief executive officer

Henrik Holmark
Chief financial officer

Board of Directors

Allan Leighton
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Andrea Alvey

Marcello V. Bottoli

Steen Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

Independent Auditors' Report on Review of Interim Financial Statements for the 6-month Periods Ended 30 June 2010 and 30 June 2009

To the readers of this Offering Circular

We have reviewed the interim condensed financial statements of PANDORA Holding A/S for the 6-month periods ended 30 June 2010 and 30 June 2009, which comprise the 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 shown on pages F5 – F16.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the Danish standard on auditing RS 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements, shown on pages F5 – F16, are not prepared, in all material respects, in accordance with IAS 34.

Copenhagen, 20 September 2010

Ernst & Young

Godkendt Revisionspartnerselskab

Robert Christensen
State Authorised Public Accountant

Niels-Jørgen Andersen
State Authorised Public Accountant

Income Statement 1 January – 30 June

<u>DKK million</u>	<u>Notes</u>	<u>2010 6 months</u>	<u>2009 6 months</u>
Revenue	3	2,581	1,262
Cost of sales		(775)	(412)
Gain and losses on raw material derivatives		—	62
Gross profit		1,806	912
Distribution costs		(644)	(216)
Administrative expenses		(270)	(64)
Operating profit		892	632
Financial income		37	30
Financial expenses		(111)	(131)
Profit before tax		818	531
Income tax expense		(147)	(84)
Net profit for the period		671	447
Attributable to			
Equity holders of PANDORA Holding A/S		649	447
Non-controlling interests		22	—
Net profit for the period		671	447
Earnings per share			
Profit for the period attributable to ordinary equity holders of the parent, basic		543	894
Profit for the period attributable to ordinary equity holders of the parent, diluted		543	891

Statement of Comprehensive Income 1 January – 30 June

<u>DKK million</u>	<u>Notes</u>	<u>2010 6 months</u>	<u>2009 6 months</u>
Net profit for the period		671	447
Exchange differences on translation of foreign subsidiaries		443	21
Value adjustment of hedging instruments		44	—
Income tax effect for the year		1	—
Other comprehensive income		488	21
Total comprehensive income for the period, net of tax		1,159	468
Attributable to			
Equity holders of PANDORA Holding A/S		1,112	468
Non-controlling interests		47	—
Total comprehensive income for the period, net of tax		1,159	468

Balance Sheet 30 June 2010/2009 and 31 December 2009

Assets DKK million	Notes	30 June 2010	30 June 2009	31 December 2009
Non-current assets				
Goodwill		1,901	930	1,208
Brand		1,061	1,032	1,048
Distribution network		367	411	396
Distribution rights		1,217	898	884
Property, plant and equipment		291	134	205
Deferred tax asset		73	10	76
Other non-current assets		47	1	21
Total non-current assets		4,957	3,416	3,838
Current assets				
Inventories		990	208	433
Trade receivables		555	275	622
Other receivables		271	90	58
Tax receivables		50	22	41
Cash and short-term deposits		178	680	824
Total current assets		2,044	1,275	1,978
Total assets		7,001	4,691	5,816

Balance Sheet 30 June 2010/2009 and 31 December 2009

Equity and liabilities DKK million	Notes	30 June 2010	30 June 2009	31 December 2009
Shareholders' equity				
Share capital		126	—	1
Share premium		—		
Foreign currency translation reserve		568	140	164
Other reserves		60	6	11
Retained earnings		1,620	753	1,275
Equity attributable to equity holders of the parent company				
		2,374	899	1,451
Non-controlling interests		622	—	197
Total shareholders' equity		2,996	899	1,648
Non-current liabilities				
Subordinated loan from parent company			1,320	1,363
Interest-bearing loans and borrowings		1,337	1,304	1,340
Provisions		20	2	4
Deferred tax liability		621	575	559
Other liability		435		
Total non-current liabilities		2,413	3,201	3,266
Current liabilities				
Subordinated loan from parent company			27	37
Interest-bearing loans and borrowings		791	200	235
Provisions		113	31	64
Payable to parent company		34		
Trade payables		152	39	106
Income tax payable		244	168	207
Other payables		258	126	253
Current liabilities		1,592	591	902
Total liabilities		4,005	3,792	4,168
Total equity and liabilities		7,001	4,691	5,816

Statement of Changes in Equity 1 January 1 – 30 June

<u>DKK million</u>	<u>Share capital</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Attribut- able to equity holders of the parent</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Shareholders' equity at							
1 January 2009	—	119	2	306	427	—	427
Net profit for the period				447	447		447
Other comprehensive income		21			21		21
Share-based payments			4		4		4
Shareholders' equity at 30 June 2009	—	140	6	753	899	—	899
Shareholders' equity at							
1 January 2010	1	164	11	1,275	1,451	197	1,648
Reclassification		(14)		21	7	(7)	—
Net profit for the period				649	649	22	671
Other comprehensive income		418	45		463	25	488
Share-based payments			4		4		4
Capital increase	125			675	800		800
Declared dividend				(1,000)	(1,000)		(1,000)
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					—	(25)	(25)
Shareholders' equity at 30 June 2010	126	568	60	1,620	2,374	622	2,996

There are 125,500.000 shares of DKK 1 per share as of 30 June 2010.

Statement of Cash Flows 1 January – 30 June

<u>DKK million</u>	<u>Notes</u>	<u>2010 6 months</u>	<u>2009 6 months</u>
Profit before tax		818	531
Net financials		74	101
Amortisation/depreciation	3	128	22
Warrants		4	4
Changes in inventories		(438)	(68)
Changes in receivables		(24)	(13)
Changes in current liabilities		80	97
		<u>642</u>	<u>674</u>
Adjustments, exchange rates, etc.		8	14
Net Interest paid		(207)	(97)
Income taxes paid		(127)	(35)
Cash inflow from operating activities		<u>316</u>	<u>556</u>
Investing activities			
Acquisition of subsidiaries, net of cash acquired	4	8	(1)
Investment in receivable		(77)	
Purchase of property, plant and equipment		(82)	(25)
Cash outflow from investing activities		<u>(151)</u>	<u>(26)</u>
Financing activities			
Dividend paid		(166)	
Proceeds from selling warrants			1
Proceeds from borrowings		773	
Repayment of borrowings		(1,470)	(158)
Cash outflow/inflow from financing activities		<u>(863)</u>	<u>(157)</u>
Net increase in cash and cash equivalents		<u>(698)</u>	<u>373</u>
Cash and short-term deposits			
Cash and short-term deposits at 1 January		824	305
Net foreign exchange difference		52	2
Net increase in cash and cash equivalents		(698)	373
Cash and short-term deposits at end of period		<u>178</u>	<u>680</u>
Unutilised portion of credit facilities inclusive of cash and cash equivalents		<u>206</u>	<u>715</u>

NOTES

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 half of 2010 made significant accounting estimates and judgments 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 Holding 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 combined put and call option for 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 recognised 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 regarding 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 June 2010 the carrying amount of the financial liability for the put option is DKK 435 million.

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

2. Seasonality of Operations

Our revenues are subject to certain seasonal retail purchasing patterns in that we have in past periods observed a seasonal concentration of sales of our products in the period leading up to, and around, the Christmas holiday season. Thus, our sales for the Christmas holiday season are a factor affecting our overall revenues in the second part of the year.

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).

<u>6 months 2010</u> DKK million	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>Unallocated cost</u>	<u>Total group</u>
Income statement					
External revenue	1,187	1,038	356		2,581
Segment profit (EBITDA)	624	416	160	(180)	1,020
Adjustments					
Amortisation/depreciation					(128)
Consolidated operating profit according to IFRS					
					892
<u>6 months 2009</u> DKK million	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>Unallocated cost</u>	<u>Total group</u>
Income statement					
External revenue	619	442	201		1,262
Segment profit (EBITDA)	348	256	129	(79)	654
Adjustments					
Amortisation/depreciation					(22)
Consolidated operating profit according to IFRS					
					632

Product information

Revenue from external customers

<u>DKK million</u>	<u>2010 6 months</u>	<u>2009 6 months</u>
Charms	1,807	958
Silver and gold charms bracelets	417	191
Other jewellery	343	107
Other	14	6
Revenue	2,581	1,262

Geographical information

Revenue from external customers

<u>DKK million</u>	<u>2010 6 months</u>	<u>2009 6 months</u>
United States	1,054	583
Australia*	323	201
United Kingdom	342	153
Germany*	304	138
Other countries**	558	187
Revenue	2,581	1,262

* 2009 comparison figures are sales to local distributor.

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

4. Business Combinations

Acquisition of the German distributor

On 5 January 2010, the Group formed PANDORA CWE 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 CWE, while the former German distributor owns 49% and therefore has a non-controlling interest. PANDORA has an option in place to acquire 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 chosen 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.

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

<u>DKK million</u>	<u>Amounts recognised at 5 January 2010</u>
Intangible assets	274
Property, plant and equipment	19
Receivables	26
Inventories	76
Tax receivables	4
Other current assets	8
Cash and short-term deposits	8
	<u>415</u>
Non-current liabilities	16
Payables	73
Other current liabilities	13
Deferred tax	69
	<u>171</u>
Recognised net assets	<u>244</u>
Non-controlling interest measured at fair value	(820)
Goodwill arising on acquisition	576
Cash consideration	0
Cash movements on acquisition	
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 inflow on acquisition	<u>6</u>

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 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. The goodwill recognised is not 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.

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.

6. Related Party Transactions

Related parties of the Group with a controlling interest are the principal shareholder PANDORA 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 significant 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 are 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, PANDORA Invest ApS, to pay related fees and expenses and to pay DKK 113 million of a declared dividend to PANDORA Invest ApS. The total declared dividend was DKK 1,000 million and in June 2010, DKK 800 million of the remaining unpaid dividend to PANDORA Invest ApS was converted into equity and DKK 53 million was paid out to Pandora Invest ApS. The remaining DKK 34 million will be paid out to Pandora Invest ApS during the second half of 2010.

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

<u>DKK million</u>	<u>PANDORA Invest ApS 6 months 2010</u>	<u>PANDORA Invest ApS 6 months 2009</u>
Consolidated income statement		
Financial expenses	25	40
Total	25	40
<u>DKK million</u>	<u>PANDORA Invest ApS 30 June 2010</u>	<u>PANDORA Invest ApS 30 June 2009</u>
Consolidated balance sheet		
Payables	(34)	
Subordinated loan		(1,347)
Total	(34)	(1,347)

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 Holding A/S’ annual report for 2009, page 55 ff.

Hedge accounting

For hedge accounting purposes, hedges are classified a cash flow hedges when hedging variability in cash flows that is attributable to a highly probable forecast transaction. Hedges which meet the strict criteria for hedge accounting as laid out by IAS 39 are accounted for as follows:

- 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). 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.

Statement by the Board of Directors and Executive Management

The Board of Directors and Executive Management have considered and approved the audited consolidated financial statements of PANDORA Holding A/S for the financial years 1 January – 31 December 2007, 2008 and 2009. The audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the E.U. and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the audited consolidated financial statements give a true and a fair view of the Group's financial positions as at 31 December 2007, 2008 and 2009, respectively and of the results of the Group's operations and cash flows for the financial years 1 January – 31 December 2007, 2008 and 2009.

In our opinion, the management's review includes a fair review of the matters dealt with in the management review.

Glostrup, 20 September 2010

PANDORA A/S

Executive Management

Mikkel Vendelin Olesen
Chief executive officer

Henrik Holmark
Chief financial officer

Board of Directors

Allan Leighton
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Andrea Alvey

Marcello V. Bottoli

Steen Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

Independent Auditors' Report

Independent auditors' report on the consolidated financial statements shown on pages F-19 – F-65

To the readers of this Offering Circular

We have audited the consolidated financial statements of PANDORA Holding A/S for the financial years 2007, 2008 and 2009, which comprise the 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 shown on pages F-19 – F-65. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

The board of directors' and the executive board's responsibility for the consolidated financial statements

The board of directors and the executive board are responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: Designing, implementing and maintaining internal control relevant for the preparation and presentation of consolidated financial statements that give a true and fair view, free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Danish standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements, as shown on pages F-19 – F-65, give a true and fair view of the Group's financial position as of 31 December 2007, 31 December 2008 and 31 December 2009, respectively, and of the results of the Group's operations and cash flows for the financial years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Copenhagen, 20 September 2010

Ernst & Young

Godkendt Revisionspartnerselskab

Robert Christensen
State Authorised Public Accountant

Niels-Jørgen Andersen
State Authorised Public Accountant

Consolidated Income Statement 1 January – 31 December

	Notes	2009 DKK '000	2008 DKK '000	2007 DKK '000
Revenue	2	3,461,082	1,657,616	—
Cost of sales		(1,073,264)	(646,718)	—
Gain and losses on raw material derivatives		82,892	(19,411)	—
Gross profit		2,470,710	991,487	—
Distribution costs		(743,295)	(289,968)	—
Administrative expenses		(303,446)	(68,674)	(4)
Operating profit		1,423,969	632,845	(4)
Financial income	9	79,008	23,135	10
Financial expenses	10	(314,069)	(240,153)	—
Profit before tax		1,188,908	415,827	6
Income tax expense	11	(184,309)	(109,501)	(1)
Net profit for the year		1,004,599	306,326	5
Attributable to				
Equity holders of PANDORA Holding A/S		969,382	306,326	5
Non-controlling interests		35,217	—	—
		1,004,599	306,326	5
		DKK	DKK	DKK
Earnings per share				
Profit for the year attributable to ordinary equity holders of the parent, basic	12	1,939	612	0
Profit for the year attributable to ordinary equity holders of the parent, diluted	12	1,932	610	0

Consolidated Comprehensive Income Statement 1 January – 31 December

	Notes	2009 DKK '000	2008 DKK '000	2007 DKK '000
Net profit for the year		1,004,599	306,326	5
Other comprehensive income				
Exchange differences on translation of foreign subsidiaries		48,415	141,831	—
Income tax effect for the year		(3,448)	(22,839)	—
Other comprehensive income		44,967	118,992	—
Total comprehensive income for the year, net of tax		1,049,566	425,318	5
Attributable to:				
Equity holders of PANDORA Holding A/S		1,014,349	425,318	5
Non-controlling interests		35,217	—	—
Total		1,049,566	425,318	5

Consolidated Balance Sheet at 31 December

	Notes	2009 DKK '000	2008 DKK '000	2007 DKK '000
Assets				
Non-current assets				
Goodwill	13	1,207,848	931,781	—
Brand	13	1,047,543	1,032,202	—
Distribution network	13	395,618	425,666	—
Distribution rights	13	884,206	900,357	—
Property, plant and equipment	15	205,102	114,632	—
Deferred tax asset	16	76,502	28,996	—
Other non-current assets		21,194	819	—
Total non-current assets		3,838,013	3,434,453	—
Current assets				
Inventories	17	432,983	143,431	—
Trade receivables	18	621,841	332,396	—
Receivables from parent company		—	16,510	—
Other receivables		57,409	21,918	—
Tax receivable		41,324	28,296	—
Cash and short-term deposits		824,209	304,890	270
Total current assets		1,977,766	847,441	270
Total assets		5,815,779	4,281,894	270
Equity and liabilities				
Shareholders' equity				
Issued capital		500	125	125
Share premium		125	125	125
Foreign currency translation reserve		163,959	118,992	—
Other reserves		11,010	2,025	—
Retained earnings		1,275,344	306,337	11
Equity attributable to equity holders of the parent company		1,450,938	427,604	261
Non-controlling interests		197,461	—	—
Total shareholders' equity		1,648,399	427,604	261
Non-current liabilities				
Subordinated loan from parent company		1,363,083	1,299,151	—
Interest-bearing loans and borrowings		1,340,148	1,394,510	—
Provisions	22	4,457	1,094	—
Deferred tax liability	16	559,244	586,074	—
Total non-current liabilities		3,266,932	3,280,829	—
Current liabilities				
Subordinated loan from parent company		37,039	16,383	—
Interest-bearing loans and borrowings		234,580	282,354	—
Provisions	22	63,898	22,929	—
Payables to parent company		208	145	—
Trade payables		105,534	30,450	—
Income tax payable		206,658	124,249	2
Other payables		252,531	96,951	7
Current liabilities		900,448	573,461	9
Total liabilities		4,167,380	3,854,290	9
Total equity and liabilities		5,815,779	4,281,894	270

Consolidated Statement of Changes in Shareholders' Equity

DKK '000	Notes	Share capital	Share premium	Foreign currency translation reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Shareholders' equity at									
1 January 2007		125	125	—	—	6	256	—	256
Net profit for the year		—	—	—	—	5	5	—	5
Other comprehensive income		—	—	—	—	—	—	—	—
Share-based payments	7	—	—	—	—	—	—	—	—
Shareholders' equity at									
31 December 2007		125	125	—	—	11	261	—	261
Net profit for the year		—	—	—	—	306,326	306,326	—	306,326
Other comprehensive income		—	—	118,992	—	—	118,992	—	118,992
Share-based payments	7	—	—	—	2,025	—	2,025	—	2,025
Shareholders' equity at									
31 December 2008		125	125	118,992	2,025	306,337	427,604	—	427,604
Net profit for the year		—	—	—	—	969,382	969,382	35,217	1,004,599
Other comprehensive income		—	—	44,967	—	—	44,967	—	44,967
Share-based payments	7	—	—	—	8,100	—	8,100	—	8,100
Capital increase		375	—	—	—	(375)	—	—	—
Sale of warrants		—	—	—	885	—	885	—	885
Non-controlling interest									
arising on business combination	3	—	—	—	—	—	—	162,104	162,104
Capital contribution, non-controlling interest		—	—	—	—	—	—	140	140
Shareholders' equity at									
31 December 2008		500	125	163,959	11,010	1,275,344	1,450,938	197,461	1,648,399

Consolidated Cash Flow Statement

	Notes	2009 DKK '000	2008 DKK '000	2007 DKK '000
Profit before tax		1,188,908	415,827	6
Net financials	9,10	235,061	217,018	(10)
Amortisation/depreciation	4	148,183	33,134	—
Warrants		8,100	2,025	—
Changes in inventories		(139,141)	53,883	—
Changes in receivables		(173,557)	(230,542)	—
Changes in trade payables		198,729	55,156	—
Changes in other current liabilities		28,000	2,905	4
		<u>1,494,283</u>	<u>549,406</u>	<u>0</u>
Adjustments, exchange rates, etc.		17,041	58,041	—
Interest received		27,714	15,019	10
Interest paid		(237,719)	(161,096)	—
Income taxes paid		(235,603)	(67,924)	—
Cash inflow from operating activities		<u>1,065,716</u>	<u>393,446</u>	<u>10</u>
Investing activities				
Acquisition of subsidiaries, net of cash acquired	3	(75,152)	(2,924,147)	—
Purchase of intangible assets	13	(15,341)	—	—
Purchase of property, plant and equipment	15	(102,818)	(47,952)	—
Proceeds from the sale of property, plant and equipment		285	501	—
Purchase of other non-current assets		(14,396)	(209)	—
Cash outflow from investing activities		<u>(207,422)</u>	<u>(2,971,807)</u>	<u>—</u>
Financing activities				
Capital contribution, non-controlling interest		140	—	—
Proceeds from selling warrants		885	—	—
Proceeds from borrowings		—	1,798,071	—
Repayment of borrowings		(343,592)	(165,218)	—
Proceeds from subordinated loan		—	1,250,000	—
Cash outflow/inflow from financing activities		<u>(342,567)</u>	<u>2,882,853</u>	<u>—</u>
Net increase in cash and cash equivalents		<u>515,727</u>	<u>304,492</u>	<u>10</u>
Cash and short-term deposits				
Cash and short-term deposits at 1 January		304,890	270	260
Net foreign exchange difference		3,592	128	—
Net increase in cash and cash equivalents		<u>515,727</u>	<u>304,492</u>	<u>10</u>
Cash and short-term deposits at 31 December		<u>824,209</u>	<u>304,890</u>	<u>270</u>
Unutilised portion of credit facilities inclusive of cash and cash equivalents		<u>34,600</u>	<u>34,600</u>	<u>—</u>

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NOTES

1. Significant accounting estimates and judgements

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. The most significant accounting estimates and judgements are presented below. The Group's summary of significant accounting policies are described in detail in Note 26 to the consolidated financial statements.

Accounting estimates and estimation uncertainty

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 prove to be incomplete or incorrect, and unexpected events or circumstances may arise.

Estimates in the consolidated financial statements for 2009 have been given special attention to ensure that the economic risks and uncertainties are taken into consideration.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date which involve a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are presented below.

Business combinations

For acquisitions of new entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the acquisition method. The most significant assets acquired comprise goodwill, the PANDORA trademark, distributions rights, distribution network, receivables and inventories. No active market exists for the majority of acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently. The unallocated purchase price (positive amounts) is recognised in the statement of financial position as goodwill, which is allocated to groups of cash-generating units. Management makes judgements in determining the acquired cash-generating units, the cash-generating units that already existed in the Group and the allocation of goodwill.

Brand

The value of the PANDORA brand acquired and the expected useful life is assessed based on the market position, expected long-term development and profitability of the brand. As the estimated value of the acquired brand includes all future cash flows associated with the brand, it is uncertain by nature.

Measurement is based on the relief from the royalty method under which the value is calculated based on expected brand revenues, royalty rate and growth rate, tax effect and an appropriate discount rate.

As the brand is expected to be maintained for an indefinite period and as the Group's markets are expected to be profitable for a long period, the useful life of the brand is determined to be indefinite and will therefore not be amortised, but will be subject to annual impairment testing.

As of 31 December 2009 the carrying amount of the brand is DKK 1,047,543 thousand (2008 DKK 1,032,202 thousand, 2007 DKK 0 thousand).

Distribution network

The distribution network covers the Group's relations with the distributors. The value of the network is in its access to foreign markets. Without the existing network, The Group would have to use resources to establish a network and as such the value of 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 measurement is based on future cash flows, tax effect and an appropriate discount rate. The value of the distribution network is amortised over the useful life of 15 years.

As of 31 December 2009 the carrying amount of the distribution network is DKK 395,618 thousand (2008 DKK 425,666 thousand, 2007 DKK 0 thousand).

Distribution rights

Distribution agreements are entered into with distributors in various markets in regards to distribution of PANDORA products. In some of the performed business combinations some of these distributors have been acquired. This has resulted in the Group reacquiring distribution rights to their own products in specific markets. The measurement of the distribution rights at fair value is done on the basis of the remaining contractual terms of the specific contracts regardless of potential contract renewals.

The distribution rights are measured based on the Multi Period Excess Earnings Method under which the value is calculated based on the cash flows from the distribution right, tax effect and an appropriate discount rate. The useful lives of the distribution rights are the remaining contract periods. With regard to the acquisition of the US distributor, the distribution agreement is non-terminable, and the distribution right is considered to have an indefinite useful life.

As of 31 December 2009, the carrying amount of the distribution rights is DKK 884,206 thousand (2008 DKK 900,357 thousand, 2007 DKK 0 thousand).

Impairment testing

Due to the growth in and profitability of the Group's operations, the impairment tests prepared show that none of the assets tested are at risk of being impaired. Please refer to Note 14 for further information on impairment testing.

Useful lives of intangible assets

The expected useful lives are determined based on expectations of the future use of the assets, and as far as distribution rights are concerned, the remaining duration of the contracts. When the useful life is based on future use, it is reassessed at least once a year or if any major event occurs which could impact the useful life of an asset. The amortisation periods used are described in the summary of significant accounting policies in Note 26 and in Note 3 concerning business combinations.

Judgements in applying the accounting policies

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the consolidated financial statements.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Tax

Executive Management applies certain judgements based on historical practice in setting up the Group's transfer pricing policy. The judgement affects the calculated tax and the recognised assets and liabilities related to this. 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.

Business combinations

Management has elected to early adopt IFRS 3 revised, *Business Combinations* which introduces significant changes in accounting for business combinations compared to the former IFRS 3 (from 2004). The adoption of IFRS 3 revised affects the valuation of non-controlling interest, accounting for transaction costs and the initial recognition and subsequent measurement of contingent considerations. The implementation of the standard has impacted the amount of goodwill recognised, the reported results in the period and will impact future reported results.

In the purchase of the Australian distributor in 2009 management has decided to measure the non-controlling interests at fair value including goodwill. This has impacted the size of goodwill as well as the non-controlling interest.

2. Operating segment information

The Group'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 provided below.

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

<u>DKK '000</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>Unallocated cost</u>	<u>Total group</u>
31 December 2009					
Income statement					
External revenue	<u>1,558,067</u>	<u>1,206,725</u>	<u>696,290</u>	<u>—</u>	<u>3,461,082</u>
Segment profit (EBITDA)	<u>792,052</u>	<u>642,087</u>	<u>403,787</u>	<u>(263,976)</u>	<u>1,573,950</u>
Adjustments					
Amortisation/depreciation.					<u>(148,183)</u>
Loss from sale of non-current assets					<u>(1,798)</u>
Consolidated operating profit according to IFRS					<u>1,423,969</u>
<u>DKK '000</u>					
31 December 2008					
Income statement					
External revenue	<u>693,526</u>	<u>664,922</u>	<u>299,168</u>	<u>—</u>	<u>1,657,616</u>
Segment profit (EBITDA)	<u>320,947</u>	<u>352,418</u>	<u>163,811</u>	<u>(171,233)</u>	<u>665,943</u>
Adjustments					
Amortisation/depreciation.					<u>(33,134)</u>
Profit from sale of non-currents assets					<u>36</u>
Consolidated operating profit according to IFRS					<u>632,845</u>

<u>DKK '000</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>Unallocated cost</u>	<u>Total group</u>
31 December 2007					
Income statement					
External revenue	—	—	—	—	—
Segment profit (EBITDA)	—	—	—	(4)	(4)
Adjustments					
Amortisation/depreciation					—
Profit from sale of non-currents assets					—
Consolidated operating profit according to IFRS					
					(4)

Product information

Revenue from external customers

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Silver and gold charms bracelets	550,875	265,821	—
Charms	2,536,860	1,164,646	—
Other jewellery	358,742	219,765	—
Other	14,605	7,384	—
	3,461,082	1,657,616	—

Geographical information

Revenue from external customers

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Australia	648,570	299,167	—
USA	1,459,153	646,350	—
United Kingdom	472,308	91,368	—
Germany	348,140	207,414	—
Other countries*	532,911	413,317	—
	3,461,082	1,657,616	—

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

The Group has two external customers the revenue from whom account for 10% or more of the Group's revenue. In the Europe segment, the former German distributor is included with revenue of DKK 348,140 thousand in 2009 (2008: DKK 207,414 thousand, 2007 DKK 0 thousand). In 2008, the former Australian distributor is included within the Asia Pacific segment with revenue of DKK 299,167 thousand. In 2009, the distributor accounted for less than 10% of the Group's revenues, as the distributor was acquired in the middle of the year.

Non-current tangible and intangible assets

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Denmark	1,888,094	1,913,957	—
Thailand	401,063	359,226	—
USA	1,111,766	1,129,404	—
Australia	324,519	—	—
Other countries	14,875	2,051	—
	3,740,317	3,404,638	—

3. Business combinations

Acquisition in 2009

Acquisition of the Australian distributor

At 1 July 2009, the Group acquired 60% of the shares and obtained control of its Australian distributor, Ad Astra Holdings Pty Limited. The acquisition took place as part of the Group's plans to expand operations in both new and existing markets.

The Group has elected to measure the 40% non-controlling interest in the acquiree at fair value.

The identifiable assets and liabilities of Ad Astra Holding Pty Limited recognised at the date of acquisition were:

<u>DKK '000</u>	<u>Amounts recognised at 1 July 2009</u>
Intangible assets	78,614
Property, plant and equipment	23,625
Deferred tax asset	4,096
Receivables	29,515
Inventories	143,861
Other current assets	9,821
Cash and short-term deposits	20,601
	310,133
Provisions	6,744
Payables	37,050
Current liabilities, interest-bearing	63,761
Other current liabilities	26,902
Deferred tax	22,484
	156,941
Recognised value of net assets	153,192
Non-controlling interest measured at fair value	(162,106)
Goodwill arising on acquisition	263,655
	254,741
Purchase consideration	90,948
Purchase consideration transferred	163,793
Future cash payments measured at fair value	254,741
	254,741
Cash movements on acquisition	
Purchase consideration transferred (included in cash outflow from investing activities)	(90,948)
Transaction costs of the acquisition (included in cash inflow from operating activities)	(5,345)
Net cash acquired with the subsidiary (included in cash outflow from investing activities)	20,601
Net cash outflow on acquisition	(75,692)

Transactions recognised separately from the acquisition

In connection with the business acquisition, the Group paid transaction costs to advisors of DKK 5,345 thousand. The cost has been expensed within administrative expenses in the consolidated income statement.

In connection with the acquisition, an employment contract with one of the former shareholders was entered into. The contract was entered into on an arm's length basis, including remuneration and other terms. Since the acquisition, the employee has been paid in accordance with the contract, and the costs have been recognised in the consolidated income statement.

The fair value of the 40% non-controlling interest in Ad Astra Holding Pty Limited has been estimated based on the price of a call/put option in the share purchase agreement. The fair value is based on a fixed purchase amount of AUD 40 million, which has been discounted to the net present value using a discount rate of 5.3%.

No other arrangements were entered into either before or in connection with the business combination that 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 recognised value of the identifiable assets, liabilities and contingent liabilities. Goodwill comprises know-how, future growth expectations and synergies. None of the goodwill recognised is deductible for income tax purposes.

In the business combination, one intangible asset was identified and measured separately from goodwill: the distribution rights for the PANDORA products in Australia and New Zealand (DKK 74,946 thousand), which had previously been contractually granted to Ad Astra Holdings Pty Limited. The distribution rights are measured based on the Multi-period Excess Earnings Model and is amortised over the remaining useful life of six months, which corresponds to the remaining contract term.

Acquired gross contractual receivables totalled DKK 29,552 thousand and consist of trade receivables, which had been written down by DKK 37 thousand. The net receivables acquired of DKK 29,515 thousand are considered to be stated at fair value and are expected to be collected.

Post-combination and twelve month adjusted information

From the date of acquisition, Ad Astra Holdings Pty Limited contributed DKK 493,488 thousand to the Group's revenue and DKK 112,656 thousand of the Group's after-tax profit for the year ended 31 December 2009.

Had the acquisition taken place on 1 January 2009, management has estimated the Group's revenue to be DKK 3,565,000 thousand, the EBITDA DKK 1,627,000 thousand, the EBIT DKK 1,398,000 thousand, the pre-tax profit DKK 1,149,000 thousand and the after-tax profit DKK 977,000 thousand.

The twelve month adjusted information is based on the consolidated financial statements plus the full-year effect regarding Ad Astra Holdings Pty Limited plus the hypothetical full year effect regarding Ad Astra Holdings Pty Limited including the effect on income statement of hypothetical assets and liabilities arising on the acquisition. Related party transactions with Ad Astra Holdings Pty Limited are subsequently eliminated.

Acquisitions in 2008

Acquisition of the PANDORA core business

The acquisition of the PANDORA core business was made on 7 March 2008 when PANDORA Holding A/S acquired 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.

The recognised amounts of the identifiable assets and liabilities of the PANDORA core business at the date of acquisition were:

<u>DKK '000</u>	<u>Amounts recognised as at 7 March 2008</u>
Intangible assets	1,482,907
Property, plant and equipment	69,621
Other non-current assets, non-interest-bearing	2,811
Receivables	101,411
Inventories	116,758
Other current assets	29,417
Cash and short-term deposits	57,947
	1,860,872
Provisions	3,165
Non-current liabilities, interest-bearing	40,721
Current liabilities, interest-bearing	18,586
Payables and other current liabilities	12,025
Deferred tax	369,368
	443,865
Recognised value of net assets	1,417,007
Goodwill arising on acquisition	682,480
Purchase consideration transferred	2,099,487

Description of the acquired assets and liabilities

Goodwill is stated at the amount by which the acquisition cost for the 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. None of the goodwill recognised is deductible for income tax purposes.

In the business combination, two intangibles were identified and measured separately from goodwill: the PANDORA brand (DKK 1,032,202 thousand) and the distribution network (DKK 450,705 thousand).

The brand is a group of complementary intangible assets related to the trademarks, domain names, product, image and customer experience related to products sold under the strong PANDORA brand. The brand is measured based on the relief from the royalty method. Based on the history and a very long future life span expected of the brand, any set time would be arbitrary. Therefore, the brand is considered to have an indefinite useful life.

The distribution network covers the Group's relations with its distributors. 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 useful life of 15 years.

Acquired gross contractual receivables totalled DKK 101,511 thousand and consist of trade receivables, which have been written down by DKK 100 thousand. The net receivables acquired of DKK 101,411 thousand are considered to be stated at fair value and are expected to be collected.

	<u>DKK '000</u>
Cash movements on acquisition	
Purchase consideration transferred 2008 (included in cash outflow from investing activities) . .	(2,097,981)
Purchase consideration transferred 2009 (included in cash outflow from investing activities) . .	(4,805)
Transaction costs of the acquisition (included in cash inflow from operating activities)	(7,337)
Net cash acquired with the subsidiary (included in cash outflow from investing activities)	57,947
Net cash outflow on acquisition	<u><u>(2,052,176)</u></u>

Transactions recognised separately from the acquisition

In connection with the acquisition of the PANDORA core business, the Group paid transaction costs to advisors of DKK 7,337 thousand. These costs have been expensed as administrative expenses in the consolidated income statement.

In addition, agreements were made to the effect that the former shareholders of the acquired business were to re-invest DKK 102,750 thousand in the Group's parent company, PANDORA Invest ApS. Furthermore, the former shareholders lent DKK 410,000 thousand to PANDORA Invest ApS as subordinated loans.

Also at the time of the acquisition, employment contracts with three of the former shareholders were entered into. The contracts were entered into on an arm's length basis, including remuneration and other terms. The employees have been paid, since the acquisition, in accordance with the contracts, and the costs have been recognised in the consolidated income statement.

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

Post-combination information

From the date of acquisition, the companies contributed DKK 964,090 thousand to the Group's revenue and DKK 299,359 thousand of the Group's pre-tax profit.

Acquisition of the US distributor

On 7 March 2008, the Group acquired all of the voting shares in the American distributor PANDORA Jewelry America ApS. The acquisition was completed in connection with the purchase of the PANDORA core business and as part of the plans of the PANDORA Group to expand operations in both new and existing markets.

The recognised amounts of the identifiable assets and liabilities of the acquired company at the date of acquisition were:

DKK '000	Amounts recognised as at 7 March 2008
Intangible assets	823,798
Property, plant and equipment	5,180
Other non-current assets, interest-bearing	1,150
Other non-current assets, non-interest-bearing	291
Receivables	16,770
Inventories	76,173
Other current assets	2,242
Cash and short-term deposits	24,285
	949,889
Provisions	11,771
Current liabilities, interest-bearing	6,755
Payables	15,397
Other current liabilities	7,358
Deferred tax	206,160
	247,441
Fair value of net assets	702,448
Goodwill arising on acquisition	205,950
Purchase consideration transferred	908,398

Description of the acquired assets and liabilities

Goodwill is stated at the amount by which the acquisition cost for the 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. None of the goodwill recognised is deductible for income tax purposes.

Acquired gross contractual receivables totalled DKK 15,695 thousand and consist of trade receivables, which have been written down by DKK 532 thousand. The net receivables acquired of DKK 15,163 thousand are considered to be stated at fair value and are expected to be collected.

In the business combination, one intangible asset was identified and measured separately from goodwill: the distribution right for the PANDORA products in the North American markets (DKK 823,798 thousand). The distribution right is measured based on a residual model, since the distribution agreement underlying the distribution right is non-terminable. Consequently, the distribution right is considered to have an indefinite useful life.

	DKK '000
Cash movements on acquisition	
Purchase consideration transferred (included in cash outflow from investing activities)	(908,398)
Transaction costs of the acquisition (included in cash inflow from operating activities)	(3,183)
Net cash acquired with the subsidiary (included in cash outflow from investing activities)	24,285
Net cash outflow	(887,296)

Transactions recognised separately from the acquisition

In connection with the business acquisition, the Group paid transaction costs to advisors of DKK 3,183 thousand. The cost has been expensed as administrative expenses in the consolidated income statement.

In connection with the acquisition of the business, agreements were made to the effect that the former shareholders of the acquired business were to re-invest DKK 197,250 thousand in the Group's parent company, PANDORA

Invest ApS. Furthermore, the former shareholders lent DKK 90,000 thousand to PANDORA Invest ApS as subordinated loans.

Also in connection with the acquisition, employment contracts with four of the former shareholders were entered into and one consultancy contract with a fifth shareholder. The contracts were entered into on an arm's length basis, including remuneration and other terms. Since the acquisition, the employees have been paid in accordance with the contracts, the costs have been recognised in the consolidated income statement.

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

Post-combination information

From the date of acquisition, PANDORA Jewelry America ApS contributed DKK 693,526 thousand to the Group's revenue and DKK 116,468 thousand of the Group's pre-tax profit for the year ended 31 December 2008.

Twelve month adjusted information regarding 2008 for PANDORA Production Co. Ltd., Populair A/S, Pilisar ApS and PANDORA Jewelry America ApS

Had the acquisitions taken place as at 1 January 2008, management has estimated the Group's revenue for the year ended 31 December 2008 to be DKK 1,904,487 thousand, the EBITDA DKK 778,454 thousand, the EBIT DKK 738,367 thousand, the pre-tax profit DKK 495,922 thousand and the after-tax profit DKK 355,647 thousand.

The twelve month adjusted information is based on the consolidated financial statements plus the full-year effect regarding PANDORA Production Co. Ltd., Populair A/S, Pilisar ApS and PANDORA Jewelry America ApS plus the hypothetical full year effect regarding PANDORA Production Co. Ltd., Populair A/S, Pilisar ApS and PANDORA Jewelry America ApS including the effect on income statement of hypothetical assets and liabilities arising on the acquisition. Related party transactions with the companies are subsequently eliminated.

Acquisitions after 31 December 2009

Acquisition of the German distributor

On 5 January 2010, the Group formed PANDORA Jewelry Central Western Europe A/S with the former German distributor. The formation was done through contributions from the two shareholders. The Group contributed distribution rights in the Netherlands, Italy and an increase in 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 year of the distribution agreement. Following the formation, the Group owns 51% and has control of PANDORA Jewelry Central Western Europe A/S, while the former German distributor owns 49% and therefore owns a non-controlling interest. In accordance with IFRS 3, this 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.

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

Due to the proximity of the acquisition date to the approval of these financial statements, it has not been possible to finalise all aspects of this business combination. 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.

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

DKK '000	Amounts recognised as at 5 January 2010
Intangible assets	363,113
Property, plant and equipment	19,354
Receivables	15,332
Inventories	76,127
Other current assets	7,589
Cash and short-term deposits	7,766
	489,281
Non-current liabilities	12,965
Payables	73,298
Current liabilities, interest-bearing	5,131
Other current liabilities	13,693
Deferred tax	90,778
	195,865
Recognised net assets	293,416
Non-controlling interest measured at fair value	(400,000)
Goodwill arising on acquisition	106,584
Purchase consideration	0
Cash movements on acquisition	
Purchase consideration transferred (included in cash outflow from investing activities)	0
Transaction costs of the acquisition (included in cash inflow from operating activities)	(2,126)
Net cash acquired with the subsidiary (included in cash outflow from investing activities)	7,766
Net cash outflow on acquisition	5,640

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% shareholding 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 call and put option for the remaining 49% of the shares with a shared strike price. The option price is based on a fixed amount and a variable amount.

Transactions recognised separately from the acquisition

In connection with the business acquisition, the Group paid transaction costs to advisors of DKK 2,126 thousand. These costs will be expensed as administrative expenses in the consolidated income statement.

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 other arrangements were entered into either before or in connection to the business combination that 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 expected 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 DKK 363,113 thousand. The distribution right is measured based on the Multi-period Excess Earnings Model and is to be amortised over the useful life of 1.5 years.

Acquired gross contractual receivables totalled DKK 16,315 thousand and consisted of trade receivables, which had been written down by DKK 835 thousand. The net receivables acquired of DKK 15,332 thousand are considered to be stated at fair value and are expected to be collected.

4. Amortisation/depreciation and impairment losses

	<u>2009</u> <u>DKK '000</u>	<u>2008</u> <u>DKK '000</u>	<u>2007</u> <u>DKK '000</u>
Analysis of amortisation/depreciation and impairment losses in the year:			
Intangible assets	106,960	25,039	—
Land and buildings	23,758	1,367	—
Plant and equipment	16,021	6,728	—
Other non-current assets	1,444	—	—
	<u>148,183</u>	<u>33,134</u>	<u>—</u>
Amortisation/depreciation and impairment losses have been recognised in the consolidated income statement as follows:			
Cost of sales	6,695	4,765	—
Distribution costs	116,303	25,039	—
Administrative expenses	25,185	3,330	—
	<u>148,183</u>	<u>33,134</u>	<u>—</u>

5. Employee benefit expense

	<u>2009</u> <u>DKK '000</u>	<u>2008</u> <u>DKK '000</u>	<u>2007</u> <u>DKK '000</u>
Analysis of staff costs:			
Wages and salaries	257,066	127,960	—
Pensions, defined contribution plans	4,714	1,321	—
Share-based payments	8,100	2,025	—
Social security costs	7,335	3,690	—
Other staff costs	18,096	4,362	—
	<u>295,311</u>	<u>139,358</u>	<u>—</u>
Average number of employees during the year	<u>2,337</u>	<u>1,288</u>	<u>—</u>
The employee benefit expense has been recognised in the consolidated income statement as follows:			
Cost of sales	64,297	35,089	—
Distribution costs	112,970	68,934	—
Administrative expenses	118,044	35,335	—
	<u>295,311</u>	<u>139,358</u>	<u>—</u>

Compensation of key management personnel of the Group

<u>DKK '000</u>	<u>Executive management</u>	<u>Board of directors</u>	<u>Total</u>
2009			
Short-term employee benefits	7,399	125	7,524
Share-based payment transactions	3,375	2,286	5,661
Total compensation paid to key management personnel	<u>10,774</u>	<u>2,411</u>	<u>13,185</u>
2008			
Short-term employee benefits	1,000	175	1,175
Share-based payment transactions	844	572	1,416
Total compensation paid to key management personnel	<u>1,844</u>	<u>747</u>	<u>2,591</u>
2007			
Short-term employee benefits	—	—	—
Share-based payment transactions	—	—	—
Total compensation paid to key management personnel	<u>—</u>	<u>—</u>	<u>—</u>

6. Development costs

Development costs recognised as an expense in the consolidated income statement during the financial year amount to DKK 8,045 thousand in 2009 (2008: DKK 6,054 thousand, 2007: DKK 0 thousand).

7. Share-based payments

PANDORA Holding A/S has set up an equity-based incentive plan according to which warrants are granted to members of the Executive Management, selected members of the Board of Directors and other employees in the Group. The plan was introduced to retain key employees until exit. According to the plan, vesting does not actually take place until a change in majority ownership takes place (“exit”). Management has made an estimate of the expected vesting period. The warrants must be exercised immediately after exit.

To the extent the employees become finally entitled to all warrants, the holders become entitled to subscribe for up to a total of DKK 1,779, nominal value, of shares in the company. Each warrant provides the owner with a right, but not an obligation, to subscribe for one share at a nominal value of DKK 1 in the company.

<u>Number of warrants</u>	<u>Executive management</u>	<u>Board of directors</u>	<u>Other employees</u>	<u>Average total</u>	<u>Exercise price</u>
Warrants outstanding at 1 January 2007	—	—	—	—	—
Warrants granted during the year	—	—	—	—	—
Warrants lapsed during the year	—	—	—	—	—
Warrants outstanding at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Warrants outstanding at 1 January 2008	—	—	—	—	—
Warrants granted during the year	741	503	535	1,779	*
Warrants lapsed during the year	—	—	—	—	—
Warrants outstanding at 31 December 2008	<u>741</u>	<u>503</u>	<u>535</u>	<u>1,779</u>	<u>—</u>
Warrants granted during the year	—	—	—	—	—
Warrants lapsed during the year	—	—	—	—	—
Warrants outstanding at 31 December 2009	<u>741</u>	<u>503</u>	<u>535</u>	<u>1,779</u>	<u>—</u>

* The exercise price of the outstanding warrants is variable and depends on the date of exercise. The base is DKK 1 reflecting the market value per share at 7 March 2008. The actual subscription price is calculated by adjusting the base price by a fixed, monthly percentage increase from March 2008 until the exercise date.

Due to the capital increase, the value of the warrants has become diluted. To compensate the holders of the warrants, the company must – provided it is in accordance with the relevant rules in force from time to time – issue bonus shares to the warrants holders at the time of exercise. Where applicable rules do not permit the company to issue bonus shares, the warrant holders' entitlement to compensation will be forfeited.

The market value of the warrants is calculated using the Black-Scholes formula. The calculation of the market value at the time of the grant in 2008 is based on the following assumptions:

Market value, assumptions

	<u>Grant date 2008</u>
Volatility.....	37%
Risk-free interest rate.....	3.65%
Exercise price.....	See above
Dividend.....	None

The volatility is 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.

8. Fees to the auditors appointed by the company in general meeting

2009

<u>DKK '000</u>	<u>Ernst & Young</u>	<u>Henrichsen & Co.</u>	<u>Total</u>
Fee for statutory audit.....	1,300	—	1,300
Other assurance engagements.....	943	—	943
Tax consultancy.....	326	—	326
Other services.....	3,659	230	3,889
	<u>6,228</u>	<u>230</u>	<u>6,458</u>

2008

<u>DKK '000</u>	<u>Henrichsen & Co.</u>	<u>Total</u>
Fee for statutory audit.....	235	235
Other assurance engagements.....	—	—
Tax consultancy.....	—	—
Other services.....	1,624	1,624
	<u>1,859</u>	<u>1,859</u>

2007

<u>DKK '000</u>	<u>Deloitte</u>	<u>Total</u>
Fee for statutory audit.....	8	8
Other assurance engagements.....	—	—
Tax consultancy.....	—	—
Other services.....	—	—
	<u>8</u>	<u>8</u>

The fees are recorded under administrative expenses.

9. Financial income

	2009 DKK '000	2008 DKK '000	2007 DKK '000
Financial income originated from financial assets and liabilities at fair value through profit or loss:			
Fair value adjustments on derivatives	12,712	—	—
Interest on derivatives	15,111	—	—
	<u>27,823</u>	<u>—</u>	<u>—</u>
Financial income originated from loans and receivables measured at amortised cost:			
Exchange gains	34,562	8,116	—
Interest income, bank	1,278	3,606	10
Interest income, on loans and receivables	13,365	—	—
Other	1,980	11,413	—
	<u>51,185</u>	<u>23,135</u>	<u>10</u>
Total financial income	<u>79,008</u>	<u>23,135</u>	<u>10</u>

10. Financial expenses

Financial expenses originated from financial assets and liabilities at fair value through profit or loss:			
Fair value adjustments on derivatives	5,486	18,004	—
	<u>5,486</u>	<u>18,004</u>	<u>—</u>
Financial expenses originated from financial liabilities measured at amortised cost:			
Exchange losses	68,726	20,123	—
Interest on subordinated loan	84,587	65,534	—
Interest on debts and borrowings	119,119	88,981	—
Other finance costs	36,151	47,511	—
	<u>308,583</u>	<u>222,149</u>	<u>—</u>
Total financial expenses	<u>314,069</u>	<u>240,153</u>	<u>—</u>

11. Income tax

	2009 DKK '000	2008 DKK '000	2007 DKK '000
Income tax expense recognised in the consolidated income statement:			
Current income tax charge	265,112	125,030	2
Prior-year adjustments	(402)	—	(1)
Change in deferred tax	(80,401)	(15,529)	—
Income tax expense	<u>184,309</u>	<u>109,501</u>	<u>1</u>
Tax related to items charged or credited directly to consolidated other comprehensive income			
Exchange adjustments of distribution rights	3,448	19,183	—
Exchange adjustments regarding receivables	—	3,656	—
Tax charged directly to other comprehensive income	<u>3,448</u>	<u>22,839</u>	<u>—</u>

	<u>2009</u> <u>DKK '000</u>	<u>2008</u> <u>DKK '000</u>	<u>2007</u> <u>DKK '000</u>
A reconciliation between tax expense and the product of accounting profit multiplied by PANDORA Holding A/S' domestic tax rate for the years ended 31 December 2009, 2008 and 2007 is as follows:			
Accounting profit before tax	1,188,908	415,827	6
At PANDORA Holding A/S' statutory income tax rate of 25% (2008: 25%, 2007: 25%)	297,227	103,957	1
Tax effect of:			
Effect of higher foreign subsidiaries tax rates compared with			
Danish statutory tax rate	54,468	31,552	—
Tax exempted income.	(211,375)	(78,593)	—
Revaluation of deferred tax assets, net	7,882	257	—
Non deductible expenses	33,759	51,757	—
Effect on deferred tax from changes in tax rates.	2,799	—	—
Prior-year adjustments	(402)	—	—
Other.	(49)	571	—
At the effective income tax rate of 16% (2008: 26%, 2007: 25%)	<u><u>184,309</u></u>	<u><u>109,501</u></u>	<u><u>1</u></u>

12. Earnings per share

Basic earnings-per-share is calculated by dividing the net profit for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to shareholders of the parent company by the diluted average number of ordinary shares outstanding during the year.

<u>DKK</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Profit attributable to ordinary equity holders of the parent company . .	<u><u>969,382,000</u></u>	<u><u>306,326,000</u></u>	<u><u>4,998</u></u>
Weighted average number of ordinary shares			
Average number of shares in circulation	<u>500,000</u>	<u>500,000</u>	<u>125.000</u>
Effect of share options	<u>1,779</u>	<u>1,779</u>	<u>0</u>
Weighted average number of ordinary shares adjusted for the effect of dilution.	<u>501,779</u>	<u>501,779</u>	<u>125.000</u>
Basic earnings per share.	1,939	612	0
Diluted earnings per share	1,932	610	0

There have been no transactions involving shares between the reporting date and the date of completion of these financial statements.

In connection with the capital increase in 2009, bonus shares were issued at the ratio of three to one. Due to the capital increase, the value of the warrants has become diluted. Please refer to Note 7 for further information. In accordance with IAS 33, this has been adjusted retrospectively as if the issue of bonus shares had taken place at 1 January 2008.

13. Intangible assets

The majority of the intangible assets have been acquired through business combinations. Please refer to Note 3, Business combinations for explanation of the content of the acquired intangible assets.

DKK '000	Goodwill	Brand	Distribution network	Distribution rights	Total
Cost at 1 January 2007	—	—	—	—	—
Acquisition of subsidiary undertakings . .	—	—	—	—	—
Exchange rate adjustment	—	—	—	—	—
Cost at 31 December 2007	—	—	—	—	—
Amortisation and impairment losses at 1 January 2007					
Amortisation charge for the year	—	—	—	—	—
Disposals	—	—	—	—	—
Exchange rate adjustment	—	—	—	—	—
Amortisation and impairment losses at 31 December 2007	—	—	—	—	—
Carrying amount at 31 December 2007	—	—	—	—	—
Cost at 1 January 2008	—	—	—	—	—
Acquisition of subsidiary undertakings . .	888,432	1,032,202	450,705	823,620	3,194,959
Exchange rate adjustment	43,349	—	—	76,737	120,086
Cost at 31 December 2008	931,781	1,032,202	450,705	900,357	3,315,045
Amortisation and impairment losses at 1 January 2008	—	—	—	—	—
Amortisation charge for the year	—	—	25,039	—	25,039
Disposals	—	—	—	—	—
Exchange rate adjustment	—	—	—	—	—
Amortisation and impairment losses at 1 December 2008	—	—	25,039	—	25,039
Carrying amount at 31 December 2008	931,781	1,032,202	425,666	900,357	3,290,006
Cost at 1 January 2009	931,781	1,032,202	450,705	900,357	3,315,045
Acquisition of subsidiary undertaking . . .	263,655	—	—	74,946	338,601
Additions	—	15,341	—	—	15,341
Disposals	—	—	—	(74,946)	(74,946)
Exchange rate adjustment	12,412	—	—	(16,151)	(3,739)
Cost at 31 December 2009	1,207,848	1,047,543	450,705	884,206	3,590,302
Amortisation and impairment losses at 1 January 2009	—	—	25,039	—	25,039
Amortisation	—	—	30,048	76,912	106,960
Disposals	—	—	—	(74,946)	(74,946)
Exchange rate adjustment	—	—	—	(1,966)	(1,966)
Amortisation and impairment losses at 31 December 2009	—	—	55,087	—	55,087
Carrying amount at 31 December 2009	1,207,848	1,047,543	395,618	884,206	3,535,215

No intangible assets exist at 31 December 2009 (31 December 2008 and 2007) which have been fully amortised.

14. Impairment test, intangible assets

Intangible assets with indefinite lives are tested for impairment on an annual basis and comprise brand, goodwill and distribution rights (US).

Brand

The brand 'PANDORA' is the Group's only trademark. It is thereby 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.

Goodwill and distribution rights

Goodwill and distribution rights were acquired in connection with the acquisitions on 7 March 2008, which comprises acquisition of PANDORA Jewelry A/S, PANDORA Jewelry America ApS (subsequently merged with PANDORA Jewelry A/S), PANDORA Production Co. Ltd. (Thailand) and Pilisar ApS and the acquisition of Ad Astra Holding PL in July 2009.

Goodwill is allocated to cash-generating units (CGUs) or the smallest group of CGUs in the Group, in respect of which goodwill is monitored by management and which are not larger than the Group's operating segments. Goodwill and distribution rights are allocated to three independent groups of cash-generating units: Europe, the Americas and Asia Pacific.

No intangible assets existed at 31 December 2007.

The carrying amount of brand, goodwill and distribution rights at 31 December totalled:

DKK '000	Goodwill		Brand		Distribution rights	
	2009	2008	2009	2008	2009	2008
Americas.....	306,317	311,913	—	—	884,201	900,357
Europe	554,476	556,875	—	—	—	—
Asia Pacific	347,055	62,993	—	—	—	—
Group	—	—	1,047,543	1,032,202	—	—
	1,207,848	931,781	1,047,543	1,032,202	884,201	900,357

The recoverable amount is based on a calculation of the value in use using cash flow calculations based on budgets and forecasts for 2010-2013 (2008: 2009-2013), as approved by management. Forecasts have currently only been prepared for the period until 2013. As detailed forecasts have not been prepared, the long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 2.0% (2008: 2.0%). The impairment tests do not indicate a need for a write-down.

The calculations of the recoverable amounts of the CGUs or group of CGUs are based on the following key assumptions:

Discount rates and growth rate in terminal period

	Americas	Europe	Asia Pacific	Group
2009				
Discount rate before tax	10.1%	12.6%	13.6%	10.7%
Growth rate in the terminal period	2.0%	2.0%	2.0%	2.0%
2008				
Discount rate before tax	9.9%	9.0%	N/A	10.4%
Growth rate in the terminal period	2.0%	2.0%	N/A	2.0%

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The Group discount rate has been estimated based on a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash-generating unit.

EBITDA

The EBITDA figures used in the impairment test are based on the budget for 2010, prepared and approved by management, and the projection for the period 2011-2013. In the budget for 2010 for the individual CGUs, the EBITDA margin is based on historical experience and is maintained in the period 2011-2013 as well as in the terminal period.

Investments

The value of capital investment in the cash flow computations represents a fixed percentage of each individual CGUs revenue in the years concerned. Management has set this percentage based on historical experience and their expectations as to the scope of future investments to secure and increase the level of activity in the CGUs so that the budget for 2010 and the activity and earnings targets in the projection are supported.

Working capital

The value of net working capital in the budget for 2010, relative to the revenue for the individual CGUs, is based on historical experience and is maintained in the period 2011-2013 as well as in the terminal period. The funds tied up in net working capital are thus increased on a linear basis as the level of activity increases.

Sensitivity to changes in assumptions

The estimated value in use is considerably higher than the carrying amount, and the impairment tests show that brand, goodwill and distribution rights are not impaired. Further, management believes that no reasonably probable change in any of the above key assumptions would cause the carrying value of the Group or CGUs to materially exceed its recoverable amount.

15. Property, plant and equipment

DKK '000	Land and buildings	Plant and equipment	Construction in progress	Total
Cost at 1 January 2007	—	—	—	—
Acquisition of subsidiary undertakings	—	—	—	—
Additions	—	—	—	—
Disposals	—	—	—	—
Exchange rate adjustment	—	—	—	—
Cost at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Depreciation and impairment losses at 1 January 2007				
Depreciation in the year	—	—	—	—
Reversed depreciation on disposals	—	—	—	—
Exchange rate adjustment	—	—	—	—
Depreciation and impairment losses at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount at 31 December 2007	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cost at 1 January 2008	—	—	—	—
Acquisition of subsidiary undertakings	51,499	23,600	—	75,099
Additions	36,084	11,868	—	47,952
Disposals	—	(931)	—	(931)
Exchange rate adjustment	35	22	—	57
Cost at 31 December 2008	<u>87,618</u>	<u>34,559</u>	<u>—</u>	<u>122,177</u>

<u>DKK '000</u>	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairment losses at				
1 January 2008	—	—	—	—
Depreciation in the year	1,367	6,728	—	8,095
Reversed depreciation on disposals	—	(466)	—	(466)
Exchange rate adjustment	(16)	(68)	—	(84)
Depreciation and impairment losses at				
31 December 2008	1,351	6,194	—	7,545
Carrying amount at 31 December 2008	86,267	28,365	—	114,632
Cost at 1 January 2009	87,618	34,559	—	122,177
Acquisition of subsidiary undertaking	—	23,469	156	23,625
Additions	36,052	48,603	18,163	102,818
Disposals	—	(2,005)	—	(2,005)
Exchange rate adjustment	1,469	4,277	109	5,855
Cost at 31 December 2009	125,139	108,903	18,428	252,470
Depreciation and impairment losses at				
1 January 2009	1,351	6,194	—	7,545
Depreciation in the year	3,024	16,021	—	19,045
Reversed depreciation on disposals	—	(223)	—	(223)
Impairment losses	20,734	—	—	20,734
Exchange rate adjustment	39	228	—	267
Depreciation and impairment losses at				
31 December 2009	25,148	22,220	—	47,368
Carrying amount at 31 December 2009	99,991	86,683	18,428	205,102

We do not expect to be permanent holders of our property at Egegårdsvej 59-61. A process has therefore been initiated to investigate possibilities of divesting the property, and an assessment has been made by an external real estate agent of the value of the property. Based on this assessment management has decided to write down the property by DKK 20,734 thousand.

16. Deferred tax

Deferred tax relates to the following:

<u>DKK '000</u>	<u>Balance sheet 2009</u>	<u>2008</u>	<u>2007</u>	<u>Income statement 2009</u>
Property, plant and equipment	(2,866)	174	—	(3,040)
Distribution rights	574,940	586,230	—	(30,326)
Inventory	(29,570)	(14,349)	—	(15,221)
Trade receivables	(1,369)	(125)	—	(1,244)
Tax losses carried forward	(20,714)	(263)	—	(11,561)
Other	(37,679)	(14,589)	—	(19,009)
Deferred tax income				(80,401)
Deferred tax, net	482,742	557,078	—	
Deferred tax is recognised in the consolidated balance sheet as follows:				
Deferred tax asset	(76,502)	(28,996)	—	
Deferred tax liability	559,244	586,074	—	
Deferred tax, net	482,742	557,078	—	

<u>DKK '000</u>	<u>Balance sheet 2009</u>	<u>2008</u>	<u>2007</u>	<u>Income statement 2009</u>
Reconciliation of deferred tax, net for 2009				
At 1 January 2009	557,078			
The tax expense recognised in the consolidated income statement for the year	(80,401)			
The tax expense recognised in consolidated other comprehensive income for the year	(3,448)			
Acquisition of deferred tax assets	(8,875)			
Deferred tax acquired in business combinations	18,388			
At 31 December 2009	<u>482,742</u>			

The group has a tax deficit with a tax value of DKK 58.4 million (2008: DKK 0 million, 2007: DKK 0 million), which has not been recognised as it is uncertain if the group will be able to utilise it within near future.

17. Inventories

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Raw materials and consumables	138,501	31,726	—
Work in progress	33,876	7,551	—
Finished goods	260,606	104,154	—
	<u>432,983</u>	<u>143,431</u>	<u>—</u>

The write-downs of inventories recognised in cost of sales totalled DKK 15,517 thousand (2008: DKK 4,226 thousand, 2007: DKK 0 thousand).

18. Trade receivables

Trade receivables at 31 December 2009 include receivables at a nominal value of DKK 626,566 thousand (2008: DKK 338,597 thousand, 2007: DKK 0 thousand), which have been written down to DKK 621,841 thousand (2008: DKK 332,396 thousand, 2007: DKK 0 thousand). Analysis of movements in provisions for impairment of trade receivables:

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>
At 1 January	6,201	682
Acquisition of subsidiary	42	—
Utilised	(1,059)	(233)
Unused amounts reversed	(2,625)	(348)
Change for the year	2,166	6,100
At 31 December	<u>4,725</u>	<u>6,201</u>

Analysis of trade receivables that were past due, but not impaired, at 31 December:

Maturities

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>
Until 30 days	163,620	59,555
Between 30 and 60 days	36,978	70,150
Between 60 and 90 days	18,529	30,597
Above 90 days	64,484	18,586
Past due, but not impaired	283,611	178,888
Neither past due nor impaired	338,230	153,508
Total	<u>621,841</u>	<u>332,396</u>

* Inputs other than listed prices which are observable for the assets or liability either directly (as prices) or indirectly (derived from prices).

Historically, the Group has not encountered significant losses on trade receivables. Credit terms are decided by local management in each subsidiary and an assessment of credit risk is also made locally. Each subsidiary applies its own methodology in this respect.

19. Capital management

The primary objectives of the Group's capital management are to ensure a competitive return on investment to its shareholders and that the Group is able to fulfil all its obligations as set out in the loan agreement with the banks (Senior Facility Agreement).

Capital is also managed based on the ratio between debt and equity. As part of optimising the Group's capital structure, the Group made an extraordinary dividend payment and refinanced of the Group's bank debt in February 2010, cf. Note 25.

The parent company was converted from an ApS (private limited company) to an A/S (public limited company) during the year. As a consequence, the share capital has been increased to DKK 500,000 to comply with the statutory requirements as to the size of share capital for a public limited company.

20. Financial assets and liabilities

<u>DKK '000</u>	<u>2009</u> Carrying amount	<u>2008</u> Carrying amount	<u>2007</u> Carrying amount
Financial assets at fair value through profit or loss			
Derivative financial instruments	—	—	—
Total financial assets at fair value through profit or loss	—	—	—
Loans and receivables measured at amortised cost			
Trade receivables	621,841	332,396	—
Other receivables	—	—	—
Cash	824,209	304,890	270
Total loans and receivables measured at amortised cost	1,446,050	637,286	270
Total financial assets	1,446,050	637,286	270
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	26,752	53,389	—
Total financial liabilities at fair value through profit or loss	26,752	53,389	—
Financial liabilities measured at amortised cost			
Subordinated loan from parent company	1,400,122	1,315,534	—
Interest-bearing loans and borrowings	1,574,728	1,676,864	—
Trade payables	105,534	30,450	—
Other payables	215,023	41,992	7
Total financial liabilities measured at amortised cost	3,295,407	3,064,840	7
Total financial liabilities	3,322,159	3,118,229	7

Classification according to the fair value hierarchy

Financial instruments measured at fair value consist of derivative financial instruments, including silver futures, interest rate swaps, currency rate swaps and FX options. The fair value as at 31 December 2009, 2008 and 2007 of PANDORA Holding A/S' derivative financial instruments is measured in accordance with Level 2* in the fair value hierarchy, as the fair value is based on the official silver prices, exchange rates and interest rates at the balance sheet date.

The subordinated loan from parent company bears a fixed rate of interest. The fair value at a floating interest rate of 4.5% is DKK 1,545,200 thousand (2008: DKK 1,497,799 thousand, 2007: DKK 0 thousand). The fair value is measured in accordance with Level 2* in the fair value hierarchy, as the fair value is based on the official floating interest rate at the balance sheet date.

As at 31 December 2009, 2008 and 2007 there are no material differences between the carrying amount and the fair value of the other financial assets and liabilities listed above.

21. Financial risks

Due to its operations, investments and financing structure, the Group is exposed to a number of financial risks. The Group's financial risk management exclusively aims at managing and reducing the financial risks that are a direct consequence of the Group's operations, investments and financing.

The Group's financial risks can be categorised into credit risk, liquidity risk, interest rate risk, foreign currency risk and raw material price risk.

Credit risk

The Group's credit risks are related to trade receivables and cash. The maximum credit risk related to financial assets corresponds to the carrying values recognised in the consolidated balance sheet.

Subsidiaries are responsible for credit evaluation and credit risk on their account receivables. The Group Treasury and/or CFO must be informed in connection with significant deals concerning direct distributors and local key accounts that carry greater financial risk due to deviation from standard agreements. The credit risk related to trade receivables is analysed in Note 18.

Credit risks arising from the other financial assets of the Group, which primarily comprise cash, relate to default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Liquidity risk

The objective of liquidity and cash management is to maintain an optimal amount of liquidity to fund the business operations of the Group at all times while minimising interest and bank cost as well as avoiding financial distress. Group Treasury is responsible for monitoring and managing the Group's total liquidity position. The Group currently does not use cash pools and is accumulating liquidity in local banks.

The Group's cash reserve comprises cash and unutilised credit facilities. In management's opinion, the Group and the parent company's cash resources are adequate. It is the Group's aim to ensure adequate cash resources in case of unforeseen changes in cash.

The liabilities fall due as follows:

<u>DKK '000</u>	<u>Falling due within 1 year</u>	<u>Falling due between 1-5 years</u>	<u>Falling due after more than 5 years</u>	<u>Total</u>
2009				
Derivative financial liabilities	26,752	—	—	26,752
Subordinated loan from parent company	57,039	80,000	1,933,388	2,050,427
Interest-bearing loans and borrowings	356,510	911,004	332,782	1,600,296
Trade payables	173,171	—	—	173,171
Other payables	387,109	—	—	387,109
	<u>1,000,581</u>	<u>991,004</u>	<u>2,246,170</u>	<u>4,237,755</u>
2008				
Derivative financial liabilities	19,114	33,978	—	53,092
Subordinated loan from parent company	36,383	80,000	1,933,388	2,049,771
Interest-bearing loans and borrowings	354,350	878,733	723,688	1,956,771
Trade payables	31,138	—	—	31,138
Other payables	79,648	—	—	79,648
	<u>520,633</u>	<u>992,711</u>	<u>2,657,076</u>	<u>4,170,420</u>

<u>DKK '000</u>	<u>Falling due within 1 year</u>	<u>Falling due between 1–5 years</u>	<u>Falling due after more than 5 years</u>	<u>Total</u>
2007				
Derivative financial liabilities	—	—	—	—
Subordinated loan from parent company	—	—	—	—
Interest-bearing loans and borrowings	270	—	—	270
Trade payables	—	—	—	—
Other payables	7	—	—	7
	<u>277</u>	<u>—</u>	<u>—</u>	<u>277</u>

As part of the optimisation of the Group's capital structure, a refinancing of DKK 2,200 million was completed in February 2010. The proceeds were used to repay existing credit facilities (DKK 689 million), repay the subordinated loan from the parent company and declare dividends.

Interest rate risk

Interest rate risk is defined as the risk that additional expenses will be incurred as a result of interest-rate movements. The objective of the Group is to minimise the Group's interest rate risk by controlling the interest structure of the interest-bearing portfolio (interest rate-sensitive assets and liabilities).

The Group's interest rate position includes short-term interest rate-sensitive assets and liabilities which will be affected by interest rate fluctuations. The purpose of the Group's interest rate policy is to balance these fluctuations. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with variable interest rates.

Sensitivity analysis

<u>DKK '000</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Change in basis points	+100	+100	+100
Effect on equity	+2,570	+12,400	0
Effect on profit and loss before tax	(2,490)	(3,720)	(3)

A decrease in the interest rate will have the full opposite effect on equity and profit and loss as shown above.

The above table illustrates the full-year effect of an increased interest rate on equity and profit and loss based on the net variable debt and financial instruments in place as of end 2009, 2008 and 2007 after impact of hedge accounting.

As described in Note 25, Post balance sheet events, a refinancing was conducted in February 2010. Assuming the refinancing was conducted end of 2009, an increased interest rate of 100 basis points would have a negative full-year effect on profit and loss of DKK 16,986 thousand and a positive effect on equity of DKK 2,570 thousand after impact of hedge accounting.

Foreign currency risk

The Group's reporting currency is Danish kroner, but most of the Group's revenues and expenses are derived in other currencies, including US dollars, euros, pounds sterling and Australian dollars, which expose the Group to the risk of adverse movements in foreign currency exchange rates. Exchange rate fluctuations affect the translated value of the results of operations associated with non-Danish operations, as well as the translation of asset or liability positions that are denominated in foreign currencies.

A substantial portion of the Group's raw materials are purchased from suppliers who price their products in currencies other than Danish kroner, in particular in US dollars. Exchange rate fluctuations could increase the cost of raw materials and labour for the Group, resulting in higher costs and decreased margins, which may have a material adverse effect on the business, results of operations and/or financial condition. In addition, the Group sells a substantial portion of its products in currencies other than Danish kroner, in particular in US dollars, euros, pounds sterling and Australian dollars. Therefore, the Group is exposed to foreign currency risk associated with revenues being earned particularly in foreign countries with these currencies.

Historically, only limited hedging of currency risks has been taken out. In 2010, a policy will be implemented which will require that Group Treasury must hedge between 100% and 40% of the exposure from 1 to 12 months forward with a hedge ratio decreasing with time to maturity, based on a rolling 12-month cash flow forecast, on a monthly basis.

Impact in DKK thousand on the results of operations and changes in shareholders' equity resulting from a change of the Group's primary foreign currencies and after impact of hedging accounting is shown below.

	Change in exchange rate	31 December 2009		31 December 2008		31 December 2007	
		Profit/loss before tax	Shareholders' equity	Profit/loss before tax	Shareholders' equity	Profit/loss before tax	Shareholders' equity
USD	-10%	-11,202	-18,959	-8,889	-14,345	—	—
USD	+10%	+11,202	+18,959	+8,889	+14,345	—	—
AUD	-10%	+8,896	+10,741	—	—	—	—
AUD	+10%	-8,896	-10,741	—	—	—	—
GBP	-10%	-144	-14,008	+1	-19	—	—
GBP	+10%	+21,379	+29,931	-1	+19	—	—
EUR	-1%	-3,291	-2,468	-2,628	-1,971	—	—
EUR	+1%	+3,291	+2,468	+2,628	+1,971	—	—

An increase in the exchange rate will have the full opposite effect on equity and profit and loss as shown above except for GBP where an increase of 10% as of 31 December 2009 would increase the result before tax by DKK 21,379 thousand and increase equity with DKK 29,931 thousand.

The analysis is based on monetary assets and liabilities as of end 2009, 2008 and 2007.

Risks related to raw material prices

The Group is exposed to fluctuations in commodity prices through commercial cash flows. The Group has production costs generated in production units (currently Thailand) from several commodities required in the production process. The major commodities are currently gold and silver denominated in USD or sometimes also purchased in THB.

To reduce the commodity exposure to severe price fluctuations, the Group economically hedged a part of the expected costs in 2009 without applying hedge accounting. No hedging was made in relation to 2008. Going forward, Group Treasury must hedge between 100% and 40% of the exposure from 1 to 12 months forward with a hedge ratio decreasing with time to maturity, based on a rolling 12-month commodity consumption forecast, on a monthly basis.

As at 31 December 2009, the Group had entered into silver futures to cover silver deliverances at a value of DKK 0 million (2008: DKK 201 million, 2007: DKK 0 million) at a market value of DKK 0 million (2008: DKK 4 million, 2007: DKK 0 million). It is assessed that a 10% increase in the price of silver will increase the market value by approximately DKK 0 million (2008: DKK 20 million, 2007: DKK 0 million). A decrease in the silverprice of 10% will have the full opposite effect on the market value.

22. Provisions

<u>DKK '000</u>	<u>Returns</u>	<u>Other</u>	<u>Total</u>
1 January 2009	22,580	1,443	24,023
Acquisition of subsidiary undertaking	1,466	3,732	5,198
Net changes during the year	14,325	24,804	39,129
Discount rate adjustment	(17)	22	5
31 December 2009	38,354	30,001	68,355

Provisions are recognised in the consolidated balance sheet as follows:

DKK '000	Returns	Other	Total
Current 2009.....	38,354	25,544	63,898
Non-current 2009.....	—	4,457	4,457
	38,354	30,001	68,355
Current 2008.....	22,580	349	22,929
Non-current 2008.....	—	1,094	1,094
	22,580	1,443	24,023
Current 2007.....	—	—	—
Non-current 2007.....	—	—	—
	—	—	—

Returns

In countries where returns of product are accepted from customers, a provision is made, 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. It is expected that most of these costs will be incurred in 2010.

Other

Other provisions include provisions for warranties, severance pay in Thailand and liabilities relating to profits share with franchisees.

23. Contingent liabilities, security for loans and other financial obligations

Contingent liabilities

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

Security for loans

The shares in PANDORA Jewelry A/S, Pilisar ApS, PANDORA Production Co. Ltd. and PANDORA Jewellery UK limited have been pledged in accordance with the Share Pledge Agreement of 7 March 2008 in favour of the Secured Parties existing from time to time and defined in the Share Pledge Agreement (at 7 March 2008: DnB Nord Bank A/S, FIH erhvervsbank A/S, HSH Nordbank AG, Copenhagen Branch, Nordea Bank Danmark A/S). The Secured Parties are represented by Nordea Bank Danmark A/S, Strandgade 3, 0900 Copenhagen C as Security Agent. Additional security may not be provided against the shares without the Security Agent's prior consent.

The Group has no other assets charged or security provided as at 31 December 2009.

Other obligations

The Group's other financial obligations mainly relate to leases for office premises and operating equipment. The total expenditure in the year was DKK 17,489 thousand (2008: DKK 2,704 thousand, 2007: DKK 0 thousand).

Future minimum lease payments on existing contracts at 31 December total:

DKK '000	2009	2008	2007
Within one year.....	29,827	2,977	—
Between one and five years.....	104,293	6,821	—
After five years.....	3,582	17	—
	137,702	9,815	—

The Group has not entered into any finance leases.

24. Related party transactions

Related parties of the Group with a controlling interest are the principal shareholder PANDORA Invest ApS (100% ownership) and the ultimate parent, Axcel III K/S 2 (59.3% interest).

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 2007, 2008 or 2009.

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.

Remuneration, salaries and share-based payment agreements relating to the Board of Directors and Executive Management are included in Note 5. Members of the Board of Directors and the Executive Management have purchased products from the Group in both 2007, 2008 and 2009. As none of the members of management are also a distributor or retailer, all purchases have been for own use.

The following table provides the total amount of transactions which were entered into with related parties for the relevant financial year:

<u>DKK '000</u>	<u>PANDORA Invest ApS 2009</u>	<u>PANDORA Invest ApS 2008</u>	<u>KLMØG1 ApS 2007</u>
Consolidated income statement			
Financial expenses	(84,587)	(65,534)	—
Total	(84,587)	(65,534)	—
Consolidated balance sheet			
Receivables	—	16,510	—
Payables	(208)	(145)	—
Subordinated loan	(1,400,122)	(1,315,534)	—
Total	(1,400,330)	(1,299,169)	—

PANDORA Holding A/S has acquired PANDORA Int. ApS (formerly KW Holding ApS) from KW Invest ApS for DKK 9,882 thousand. KW Invest ApS was owned by Axcel Industriinvestor a.s. The primary asset in PANDORA Int. ApS is a tax asset.

25. Post balance sheet events

Establishment of PANDORA Jewelry Central Western Europe

In January 2010, we formed PANDORA Jewelry Central Western Europe A/S, in which we have a 51% stake, with our former independent German distributor. There is an option in place regarding the minority ownership stake.

Our former German distributor transferred its exclusive distribution rights for PANDORA products in Germany, Austria, Switzerland and we transferred our exclusive distribution rights in the Netherlands and Italy and granted a 8.5-year extension of the rights for the German, Austrian and Swiss markets to PANDORA Jewelry CWE. More details on the purchase appear from Note 3.

Refinancing and declaration of interim dividends and debt conversion

On 17 February 2010, we borrowed DKK 2,200 million through a senior facility agreement with FIH Erhverv A/S, FIH Kapital Bank A/S and Nordea Bank Danmark A/S as arrangers and lenders (the "Senior Facility Agreement"). The proceeds were used to repay existing credit facilities, to repay the subordinated loan from PANDORA Invest ApS, and to pay DKK 113 million of a total declared dividend to PANDORA Invest ApS. Of the total dividend of DKK 1,000 million, DKK 887 million was recorded as a liability to PANDORA Invest ApS. In Q2 2010, DKK 800 million of this amount was converted into ordinary 125,000,000 shares of PANDORA A/S with no cash flow effects.

26. Summary of significant accounting policies

Corporate information

The consolidated financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors made on 7 May 2010. The parent company is a limited liability company incorporated and domiciled in Denmark.

Generally

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of large reporting class C enterprises, cf. the executive order on IFRS issued in accordance with the Danish Financial Statements Act.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative 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 thousand (’000) except where otherwise indicated.

Changes in the basis of accounting

2009 is the first year in which the consolidated financial statements are presented in accordance with IFRS. In connection with the transition from the Danish Financial Statements Act to IFRS, the provisions of IFRS 1 regarding first-time adoption have been applied. For a more detailed description of the IFRS transition and the effect thereof, please refer to Note 27.

Accordingly, the Group has prepared financial statements which comply with IFRS applicable to periods beginning on or after 1 January 2009 as described in the accounting policies. When preparing these financial statements, the Group’s opening statement of financial position was prepared as at 1 January 2008, i.e. the Group’s date of transition to IFRS.

Since the statement of financial position as at 1 January 2008 only consists of a cash balance and minor liabilities, this third statement of financial position is not presented next to the other statements of financial position in the annual report, but only in Note 27, Regarding the Group’s transition to IFRS.

Early adoption

The Group has early adopted IFRS 3R Business Combinations and IAS 27A Consolidated and Separate Financial Statements. The Group has adopted the standards retrospectively for all business combinations from the formation of the Group.

Standards issued, but not yet effective

IASB has issued a number of new standards, amendments to existing standards and bases for conclusions, which have not yet come into force, but which will become effective in the financial year 2010 or later. New and revised standards are expected to be implemented on the effective date. The standards below, amendments to existing standards and bases for conclusions are expected to impact on the Group’s future annual reports:

IFRS 9 Classification and Measurement of Financial Assets. The standard may imply changed recognition of some of the Group’s financial assets. (Effective 1 January 2013, not adopted by the EU).

Improvements to IFRS standards 2009. The improvements are not expected to have a significant impact on recognition and measurement. (Effective 1 January 2010, adopted by the EU).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2009. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group 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 intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations and goodwill

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 interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. Non-controlling interests are measured at its fair value, is determined on the basis of market prices for equity shares not held by the Group or, if these are not available, by using a valuation technique. The result is that recognised goodwill represents all of the goodwill of the acquired business, not just the Group's share.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designated in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, are recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 values of the operation disposed of and the portion of the cash-generating unit retained.

Foreign currency translation

The consolidated financial statements are presented in Danish kroner, which is also the parent company's functional currency. 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

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.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Cost of sales

Production costs comprise direct and indirect expenses incurred to generate the year's revenue, relating to raw materials and consumables, production staff and depreciation of production equipment.

Distribution costs

Distribution costs comprise expenses related to the distribution of goods sold and sales campaigns, including packaging, brochures, displays and fixture and fittings, pay and other expenses related to sales and distribution staff and depreciation of distribution equipment.

Administrative expenses

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

Interest income

For all financial instruments measured at amortised cost, interest income or expense is 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. Interest income is included in finance income in the income statement.

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Share-based payment transactions

Employees (including senior executives) of the Group 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, further details of which are given in Note 7.

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 equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group'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.

The dilutive effect of outstanding warrants is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12).

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, as appropriate. The Group determines the classification of its financial assets on initial recognition.

All financial assets are initially recognised at fair value plus directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated balance sheet at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Loans and receivables

Loans and 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 under administrative expenses.

Fair value of financial instruments

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; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks,

respectively. For more details on the instruments used, please refer to Note 21. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity contracts that meet the definition of a derivative as defined by IAS 39 but are entered into in accordance with the Group's expected purchase requirements are recognised in the income statement under cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Research and development costs are expensed as incurred as the stringent criteria for capitalisation of development costs are not considered to have been met.

Property, plant and equipment (PP&E)

PP&E includes land and buildings, production plant and machinery, fixtures and fittings, other plant and equipment. Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All repair and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	20 to 50 years
Plant and machinery	5 years
Other plant, fixtures and fittings	3–5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of the assets are reviewed each financial year-end, and are adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest expenses and other costs incurred by an entity in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

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

The Group has not entered into any finance leases.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- 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 manufacturing overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Group 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, the Group 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.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Cash and short-term deposits

Cash and short-term deposits in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement, cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are initially recognised at fair value or loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities at fair value through profit or loss are recognised in the income statement.

Loans and borrowings

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 fee or costs.

Provisions

Provisions are recognised when the Group 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Besides deferred tax provisions, the Group's main provisions relate to expected returns from customers.

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.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either 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.

Financial ratios

Invested capital	Assets less cash and short-term deposits and non-interest-bearing debt (provisions, deferred tax liability, deposits, payables to parent company, trade payables, income tax payables and other payables)
Net working capital	Inventories and receivables less provisions, trade payables, income tax payables and other payables
Net borrowings	Bank loans, subordinated loan from parent company, mortgage debts, and current interest-bearing loans and borrowings less cash and short-term deposits
Free cash flow	Net cash flows from operating activities adjusted for interest received and paid less net cash from used in investing activities adjusted for acquisition of subsidiaries
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses
Revenue growth, %	This year's revenue/last year's revenue (twelve month adjusted)

Growth in EBITDA, %	This year's EBITDA/last year's EBITDA (twelve month adjusted)
Growth in net profit, %	This year's net profit/last year's net profit (twelve month adjusted)
EBIT margin, %	Operating profit/revenue
Cash conversion, %	Free cash flow/net profit
Net debt to EBITDA	Net borrowings/EBITDA
Equity ratio, %	Equity/assets
ROIC, %	EBIT/invested capital

27. The Group's transition to IFRS

With effect from 1 January 2009, the accounting policies have been changed so as to comply with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of large companies.

The opening balance sheet as at 1 January 2008 and the comparative figures for 2008 have been prepared in accordance with the requirements of IFRS, including the transitional provisions in IFRS 1 First-time adoption of IFRS.

The accounting policies applied are based on the accounting standards and basis for conclusion in force as at 31 December 2009. Except for IFRS 3, where the Group has early adopted IFRS 3 revised, *Business Combinations* and IAS 27 amended, *Consolidated and Separate Financial Statements*. The opening balance sheet at 1 January 2008 has been prepared as if IFRS had always been used.

The transition to IFRS has not had any impact on the 2007 figures.

Income Statement – Effect of Transition to IFRS 1 January – 31 December 2008

<u>DKK '000</u>	<u>Notes</u>	<u>Previous policies</u>	<u>Effect of transition</u>	<u>IFRS</u>
Revenue	H	1,662,039	(4,423)	1,657,616
Cost of sales	D, F, H	(619,440)	(27,278)	(646,718)
Gain and losses on raw material derivatives	F	—	(19,411)	(19,411)
Gross profit		1,042,599	(51,112)	991,487
Distribution costs	A, D	(249,465)	(40,503)	(289,968)
Administrative expenses	B, C, D, H	(175,849)	107,175	(68,674)
Operating profit		617,285	15,560	632,845
Financial income	E	43,259	(20,124)	23,135
Financial expenses	F, H	(267,457)	27,304	(240,153)
Profit before tax		393,087	(22,740)	415,827
Income tax expense	G	(126,783)	17,282	(109,501)
Net profit for the year		266,304	40,022	306,326

Balance Sheet – Effect of Transition to IFRS

DKK '000	Notes	1 January 2008			31 December 2008		
		Previous policies	Effect of transition	IFRS	Previous policies	Effects of transition	IFRS
Goodwill	D, H	—	—	—	194,083	737,698	931,781
Brand	D	—	—	—	—	1,032,202	1,032,202
Distribution network	D	—	—	—	—	425,666	425,666
Distribution rights	D	—	—	—	—	900,357	900,357
Rights	D	—	—	—	2,297,290	(2,297,290)	—
Property, plant and equipment		—	—	—	114,632	—	114,632
Deferred tax asset	C, D	—	—	—	18,370	10,626	28,996
Other non-current assets	D	—	—	—	825	(6)	819
Other receivables		—	—	—	—	—	—
Total non-current assets		—	—	—	2,625,200	809,253	3,434,453
Inventories	A, H	—	—	—	161,549	(18,118)	143,431
Trade receivables		—	—	—	332,396	—	332,396
Receivables from parent company		—	—	—	16,510	—	16,510
Other receivables		—	—	—	21,918	—	21,918
Tax receivable		—	—	—	28,296	—	28,296
Prepayments		—	—	—	0	—	—
Cash and short-term deposits		270	—	270	304,890	—	304,890
Total current assets		270	—	270	865,559	(18,118)	847,441
Total assets		270	—	270	3,490,759	791,135	4,281,894
Shareholders' equity		261	—	261	234,485	193,119	427,604
Subordinated loan from parent company		—	—	—	1,299,151	—	1,299,151
Interest-bearing loans and borrowings	H	—	—	—	1,411,438	(16,928)	1,394,510
Provisions	H	—	—	—	—	1,094	1,094
Deferred tax liability	C, D, H	—	—	—	—	586,074	586,074
Total non-current liabilities		—	—	—	2,710,589	570,240	3,280,829
Subordinate loan from parent company		—	—	—	16,383	—	16,383
Interest-bearing loans and borrowings		—	—	—	282,354	—	282,354
Provisions	H	—	—	—	—	22,929	22,929
Payables to parent company		—	—	—	145	—	145
Trade payables		—	—	—	30,450	—	30,450
Income tax payable		2	—	2	124,249	—	124,249
Other payables		7	—	7	92,104	4,847	96,951
Total current liabilities		9	—	9	545,685	27,776	573,461
Total equity and liabilities		270	—	270	3,490,759	791,135	4,281,894

Statement of Changes in Equity – Effect of Transition to IFRS

<u>DKK '000</u>	<u>Notes</u>	<u>1 January 2008</u>	<u>31 December 2008</u>
Shareholders' equity, previous policy		261	234,485
<i>Effect of transition:</i>			
Point-Of-Sales materials	A	—	(10,777)
Goodwill	C	—	105,905
Purchase price allocation, Business Combinations	D	—	87,734
Returns	H	—	(2,281)
Warranty	H	—	95
IPO inventory	H	—	18
Employee benefits	H	—	(271)
Amortised costs	H	—	12,696
Total effect of transition		—	193,119
Shareholders' equity, IFRS		261	427,604

Cash Flow Statement – Effect of Transition to IFRS 1 January – 31 December 2008

<u>DKK '000</u>	<u>Notes</u>	<u>Previous policies</u>	<u>Effect of transition and other adjustments</u>	<u>IFRS</u>
Cash inflow from operating activities		361,769	31,675	393,444
Cash outflow from investing activities		(2,940,130)	(31,675)	(2,971,805)
Cash inflow from financing activities		2,882,853	—	2,882,853
Net cash flows for the year		304,492	—	304,492
Cash and short-term deposits at 1 January		270	—	270
Exchange rate adjustment of cash and cash equivalents.		128	—	128
Cash and short-term deposits at 31 December		304,890	—	304,890

Notes – Effect of Transition to IFRS

A. Point-Of-Sales materials

Point-Of-Sales materials comprise packaging, information material, exhibition material, merchandise and furniture/interior for the stores. According to the Danish financial Statements Act, Point-Of-Sales materials are recognised in the inventory upon receipt and expensed at the time of delivery to the stores. According to IFRS, costs relating to advertising and sales-promoting activities are expensed once the Group gains access to the material. As a result, the inventory of Point-Of-Sales materials, excluding packaging, has been recognised in the income statement with effect from 1 January 2008.

B. Share-based payments

The warrant scheme in PANDORA Holding A/S is subject to the provisions of IFRS 2 for equity-settled, share-based payments schemes. The value of the scheme is recognised in equity, and the expense is allocated over the estimated vesting period and adjusted annually based on management's best estimate. The Danish Financial Statements Act does not include any requirement as to recognition of option schemes and, hence, the scheme was not previously recognised in the income statement.

C. Amortisation of goodwill

IFRS does not permit amortisation of goodwill, prior years' amortisation charges according to the Danish Financial Statements Act have therefore been reversed.

D. Business combinations

In connection with the acquisitions in March 2008 and July 2009, intangible assets were identified in the form of brand, distribution network and distribution right. These intangible assets are recognised at fair value in the balance sheet at the date of acquisition. The trademark and the distribution rights to the North American market have an indefinite useful life, and is not, according to IFRS, amortised but tested for impairment, as a minimum yearly. The distribution network is amortised over its useful life and an impairment test is made only if there are indications of decreases in value.

Furthermore, the accounting for the business combination in 2008 under Danish GAAP was made provisionally only. As such, adjustments are also made to the provisional numbers, including adjustments to inventory and deferred tax.

Goodwill relating to the acquisition of foreign entities is treated as an asset belonging to the foreign entity.

E. Functional currency in the subsidiary in Thailand

The functional currency in the subsidiary in Thailand is assessed by management to be USD under IFRS and not THB, which was previously applied. Exchange differences between USD and THB have been adjusted with effect from March 2008.

F. Hedging

To qualify for hedge accounting, formal documentation of the hedging relationship shall exist at the inception of the hedge. As no formal documentation has been prepared, hedge accounting cannot be applied under IFRS, and all value adjustments are therefore taken to profit and loss.

G. Deferred tax

The various transitional adjustments lead to various temporary differences. According to the accounting policies the Group must account for such differences. In order to calculate the deferred tax amount, appropriate tax rates have been applied.

H. Other adjustments

The other adjustments relate to warranties, returns, severance pay, amortised costs, etc.

28. Group structure

The table below shows information about the Group entities:

<u>Company</u>	<u>Ownership</u>	<u>Domicile</u>	<u>Date of consolidation</u>
PANDORA Jewelry A/S	100%	Denmark	7 Mar. 2008
Pilisar ApS	100%	Denmark	7 Mar. 2008
PANDORA Int. ApS	100%	Denmark	1 Oct. 2009
Ejendomsselskabet af 7. maj 2008 ApS.....	100%	Denmark	1 Oct. 2009
PANDORA Production Co. Ltd.	100%	Thailand	7 Mar. 2008
PANDORA Jewellery UK Limited	100%	UK	1 Dec. 2008
AD Astra Holding PL.....	60%	Australia	1 Jul. 2009
AD Astra IP Pty Ltd.....	60%	Australia	1 Jul. 2009
PANDORA Retail Pty Ltd.....	60%	Australia	1 Jul. 2009
PANDORA Jewelry Pty Ltd	60%	Australia	1 Jul. 2009
PANDORA Jewelry Ltd. NZ.....	60%	New Zealand	1 Jul. 2009
PANDORA Property Leasing Ltd	60%	Australia	1 Jul. 2009
PANDORA Eastern Europe A/S	86%	Denmark	1 Mar. 2009
PANDORA Jewelry CEE Sp. z.o.o	86%	Poland	1 Mar. 2009
PANDORA Jewelry Ltd.	100%	Canada	7 Mar. 2008
PANDORA Jewelry Inc.	100%	USA	1 Jul. 2008
PANDORA Jewelry LLC.....	100%	USA	7 Mar. 2008
PANDORA Franchising LLC	100%	USA	1 Nov. 2009
PANDORA Jewelry Asia-Pacific Limited.....	92%	Hong Kong	1 Nov. 2009
PANDORA Jewelry Central Western Europe A/S.....	51%	Denmark	5 Jan. 2010
PANDORA Jewelry GmbH	51%	Germany	5 Jan. 2010
PANDORA Jewelry CR sro.	86%	Czech Republic	1 Jan. 2010

Annex A

Articles of Association

1. Name

1.1 The name of the Company is PANDORA A/S.

2. Objects

2.1 The objects of the Company are to carry on business within the areas of capital expenditure, financing, industry, trade and other activities related thereto.

3. Group Language

3.1 Group language of the Company is English.

4. Capital

4.1 The Company's share capital is nominally DKK 125,500,000, divided into shares of DKK 1 or any multiple thereof.

4.2 The share capital has been fully paid up.

4.3 In connection with any cash capital increase, the Company's shareholders are entitled to subscribe for the new shares in proportion to their shareholdings, unless the general meeting resolves to override the pre-emption rights in favour of others.

4.4 The Board of Directors is authorised until 31 December 2010 to increase the Company's share capital by up to DKK 600,000,000 by cash contribution, non-cash contribution or issuance of bonus shares in one or more rounds by subscription for new shares or issuance of bonus shares. The new shares shall be negotiable instruments and shall be registered in the name of the bearer, but can be registered in the name of the holder in the Company's share register. The negotiability of the new shares shall be subject to no restrictions. The board of directors may decide that the existing shareholders shall have no or only a partial right of pre-emption

4.5 The Board of Directors is authorised until 31 December 2010 to increase the Company's share capital by up to DKK 1,784,337 by issuance of bonus shares in one or more rounds to the holders of warrants comprised by appendix 1 and 2 to the Company's Articles of Association. The new shares shall be negotiable instruments and shall be registered in the name of the bearer, but may be entered in the Company's register of shareholders in the name of the holder. The new shares shall be freely transferable and non-redeemable. The existing shareholders shall have no right of pre-emption.

5. Warrants for certain executive employees or members of the Board of Directors

5.1 On 7 October 2008 the general meeting of the Company passed a resolution to issue warrants with no pre-emption rights for the shareholders of the Company, as the warrants will be offered to executive employees or members of the board of directors of the Company or its direct or indirect subsidiary companies. To the extent they are granted, the warrants will grant a right to subscribe for shares in the Company up to a nominal value of DKK 1,523.

5.2 Consequently, the general meeting also passed a resolution regarding the cash capital increase of up to nominally DKK 1,523 resulting from the warrants.

5.3 The terms and conditions governing the subscription, grant and exercise of the warrants and the consequent cash capital increase are set out in appendix 1, which constitutes the entire resolution by the general meeting and is an integral part of the Articles of Association of the Company.

5.4 On 25 June 2009 the general meeting of the Company passed a resolution to issue warrants with no pre-emption rights for the shareholder of the Company, as the warrants will be offered to the Chairman of the board of directors. To the extent they are granted, the warrants will grant a right to subscribe for shares in the Company up to a nominal value of DKK 256.

- 5.5 Consequently, the general meeting also passed a resolution regarding the cash capital increase of up to nominally DKK 256 resulting from the warrants.
- 5.6 The terms and conditions governing the subscription, grant and exercise of the warrants and the consequent cash capital increase are set out in appendix 2, which constitutes the entire resolution by the general meeting and is an integral part of the Articles of Association of the Company.

6. Shares

- 6.1 The Company's shares must be issued to bearer, but may be registered in the names of the holders in the Company's register of shareholders. The shares shall be negotiable instruments.
- 6.2 The shares shall be freely transferable and non-redeemable, unless otherwise provided by statute.
- 6.3 The shares are registered with the Danish securities centre VP Securities A/S, Central Business Register (CVR) number 21 59 93 36, and therefore the Company shall not issue any physical share certificates. All rights attaching to the shares shall be notified to VP SECURITIES A/S in accordance with the applicable rules.
- 6.4 Dividend to shareholders will be paid into the respective accounts so designated by each shareholder in accordance with the rules of VP Securities A/S in force from time to time.
- 6.5 The register of shareholders will be kept by Computershare A/S, Kongevejen 418, DK-2840 Holte, (CVR) no. 27 08 88 99. It will not be accessible to shareholders.

7. General meetings; powers, venue and notice

- 7.1 The shareholders' authority to pass resolutions shall be exercised at the general meeting.
- 7.2 The general meeting has the supreme authority in all the Company's affairs, subject to statute and to these Articles of Association.
- 7.3 General meetings shall be held at the registered office of the Company or at another place in the Capital Region of Denmark.
- 7.4 The annual general meeting shall be held every year in time for the audited and adopted annual report to reach the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*) before expiry of the time limit provided by the Danish Financial Statements Act (*årsregnskabsloven*).
- 7.5 No later than eight weeks before the date of the annual general meeting, the Board of Directors shall announce the scheduled date of the general meeting as well as the latest date for the submission of requests by shareholders to have specific issues included on the agenda.
- 7.6 Extraordinary general meetings to consider specific issues shall be convened within two weeks of receipt of a written request to such effect from the Board of Directors, the auditor, or shareholders holding no less than 5% of the share capital.
- 7.7 Any shareholder is entitled to introduce one or more items of business for transaction by the general meeting, provided such proposal is presented in writing to the Board of Director not later than 6 weeks before the general meeting.
- 7.8 General meetings will be convened by the Supervisory Board, giving not less than three and not more than five weeks' notice, by advertisement on the Company's homepage www.pandoragroup.com and by e-mail sent to all registered shareholders having so requested. Notice shall also be published in the IT system of the Commerce and Companies Agency.
- 7.9 The Company's general meetings shall not be open to the public, unless authorised by the Board of Directors in each individual case.

8. Electronic communication

- 8.1 All communications from the Company to the individual shareholders will be sent by electronic means, including by e-mail, and general announcements will be accessible to the shareholders on

the Company's homepage www.pandoragroup.com, unless otherwise provided by the Danish Companies Act (selskabsloven). The Company may choose at any time, however, to communicate with shareholders individually by ordinary mail as a supplement to, or in lieu of, electronic communication.

- 8.2 Accordingly, notices convening annual and extraordinary general meetings, including the full text of any proposed resolutions amending these Articles of Association, the agenda of meetings, annual reports, stock exchange announcements, admission forms, and any other general information from the Company to the shareholders may be sent electronically, including by e-mail. These documents will be available also on the Company's homepage.
- 8.3 The Company is obliged to ask shareholders registered by name for an electronic address to which announcements etc. may be sent, and it is the responsibility of each shareholder individually to ensure that the address so notified is correct. Further information about the procedure for electronic communication is available for shareholders on the Company's homepage.

9. General meetings; agenda

9.1 Not later than 3 weeks prior to any general meeting (including the date of the meeting), the following information shall be available for shareholders on the Company's homepage www.pandoragroup.com:

1. The notice convening the general meeting.
2. The total number of shares and voting rights as at the date of the notice.
3. The documents to be submitted to the general meeting, including, in the case of the annual general meeting, the audited annual report.
4. The agenda of the general meeting and the full text of any proposal to be submitted to the general meeting.
5. Proxy and postal voting forms, if applicable, unless such forms are sent directly to the shareholders. If for technical reasons such forms cannot be made available on the homepage, the Company will announce on its homepage how they may be acquired and will send them to all shareholders requesting to receive them.

9.2 The agenda of the annual general meeting shall be as follows:

1. The Board of Directors' report on the Company's activities during the past financial year.
2. Adoption of the audited annual report.
3. Proposed distribution of profit as recorded in the adopted annual report, including the proposed amount of any dividend to be distributed or proposal to cover any loss.
4. Election of members to the Board of Directors.
5. Election of auditor.
6. Resolution on the discharge from liability of the Board of Directors and the Executive Management.
7. Any proposal by the Board of Directors and/or shareholders.

10. General meetings; voting rights and rights of representation, etc.

10.1 Each share of DKK 1 carries one vote.

10.2 Shareholders may attend general meetings in person or by proxy and may, in both cases, be accompanied by an adviser.

10.3 Proxies may exercise voting rights on behalf of shareholders subject to presenting a written and dated instrument of proxy. The Company shall make a written or electronic proxy form available to all shareholders entitled to vote at the general meeting.

- 10.4 Shareholders' rights to attend and vote at general meetings shall be determined on the basis of the shares held by the shareholder on the date of registration. The date of registration shall be one week before the date of the general meeting.
- 10.5 Shareholders shall notify the Company of their attendance or their proxy's attendance at any general meeting no later than three days before the date of the meeting. This requirement shall also apply to any adviser. Admission cards will be issued to the persons who are the registered shareholders as per the date of registration or from whom the Company has received notice, by the date of registration, to enter into the register of shareholders.
- 10.6 Shareholders may vote by post. Postal votes shall reach the Company not later than three days before the general meeting. Once received by the Company, a postal vote is binding on the shareholder and cannot be revoked.
- 10.7 Within the three months immediately preceding the date of a general meeting, any shareholder may submit questions in writing to the Company's management about matters of significance to the assessment of the annual report and the general position of the Company or of significance to any proposed resolution to be submitted to the the general meeting.
- 10.8 The language of general meetings shall be English, no simultaneous interpreting to or from Danish.

11. General meetings; chairman, resolutions and minute book

- 11.1 The general meeting shall be presided over by a chairman appointed by the Board of Directors. The chairman will ensure that the meeting is held in an orderly and proper manner. The chairman shall decide all matters relating to the transaction of business and voting.
- 11.2 All business transacted by the general meeting must be decided by a simple majority of votes, unless otherwise provided by the Companies Act or by these Articles of Association.
- 11.3 Minutes shall be kept of the proceedings at general meetings, which shall be signed by the chairman of the meeting. The minutes or a certified copy of the minutes shall be available for inspection to the shareholders at the Company's registered office/on the Company's homepage www.pandoragroup.com no later than two weeks after the general meeting. No later than two weeks after the general meeting, the results of voting at the meeting shall be announced on the Company's website.

12. Board of Directors

- 12.1 The Company is managed by a Board of Directors consisting of three to eight directors elected by the general meeting to hold office until the next annual general meeting.
- 12.2 The Board of Directors elects a chairman and a vice-chairman.
- 12.3 The Board of Directors forms a quorum when more than half of all directors are represented. All business transacted by the Board of Directors shall be decided by a simple majority of votes. In the event of an equality of votes, the chairman or, in the chairman's absence, the vice-chairman shall have the casting vote.
- 12.4 A member of the Board of Directors shall resign from office at the first annual general meeting after such member attains the age of 70.
- 12.5 Minutes of board meetings shall be signed by all directors present at the meeting.
- 12.6 The Board of Directors shall adopt rules of procedure governing the performance of its duties.

13. Executive management

- 13.1 The Board of Directors shall appoint one to three executive officers to be responsible for the day-to-day management of the Company's business.
- 13.2 The Board of Directors shall adopt rules of procedure governing the Executive Management's performance of its duties.

14. Incentive pay

14.1 Guidelines have been adopted for incentive pay for the members of the management team, see section 139(2) of the Companies Act. The guidelines are published on the Company's homepage www.pandoragroup.com.

15. Power to bind the Company

15.1 The Company shall be bound by the joint signatures of the chairman or vice-chairman of the Board of Directors and a member of the Executive Management or by the joint signatures of two or all members of the Board of Directors.

16. Auditing

16.1 The Company's annual reports shall be audited by a state-authorised public accountant elected auditor by the general meeting for the period until the next annual general meeting.

17. Financial year

17.1 The Company's financial year shall be the calendar year.

Adopted by the general meeting on 17 September 2010.

Appendix 1 to the Articles of Association of PANDORA A/S

1. Resolution

- 1.1 **Resolution.** On 7 October 2008 the general meeting of PANDORA A/S, CVR no. 28 50 51 16, (the "Company") passed a resolution to issue warrants (the "Warrants").
- 1.2 **Eligible participants.** The shareholders of the Company will have no rights of pre-emption in respect of the Warrants, which will be issued in favour of
- (a) certain senior employees (collectively the "Employees" and individually the "Employee") who as at 10 October 2008 are employed (and not under notice of termination) in the Company's direct or indirect subsidiaries (individually a "Group Company" and collectively the "Group"); and
 - (b) certain members of the board of directors of one or more Group Companies (collectively the "Directors" and separately the "Director").

However, an Employee/a Director may let its fully owned company (a "Holding Company") subscribe for Warrants, or may subsequently assign warrants to a Holding Company, see clause 12.1 for further details. An Employee, a Director and/or a Holding Company will in the following be referred to as a "Holder".

- 1.3 **Nominal amount of the shares.** To the extent they are awarded, the Warrants will entitle the Holders to subscribe for shares in the Company of a total nominal value of up to nominally DKK 1,523 shares.
- 1.4 **Capital increase.** In consequence thereof, the general meeting also passed a resolution on the cash capital increase to be implemented in connection with the Warrants of up to nominally DKK 1,523 shares.
- 1.5 **Terms and conditions.** As part of above resolutions, the general meeting laid down the following terms and conditions governing the subscription for, award and exercise of the Warrants and the resulting capital increase:

2. Subscription and consideration for Warrants

- 2.1 **Subscription for Warrants.** The Holders may subscribe for the Warrants in the period from 7 October 2008 to 10 October 2008 at 12:00 noon, such subscription to be recorded on the subscription list. Irrespective of the Holders' subscription, the Warrants will be awarded on a conditional and ongoing basis, see clause 3 below.
- 2.2 **Consideration for Warrants.** A Holder may choose to receive Warrants free of charge or pay consideration for each Warrant equal to the market value of the Warrant at the Date of Award (as defined in clause 3.1).

The Holder shall make that choice no later than 15 days before a Date of Award. As regards the Date of Award 10 October 2008, the choice to pay consideration for the Warrants is made by paying the consideration into the bank account notified to the Holder, such payment to be made no later than 10 October 2008. In the event of early exercise pursuant to clause 3.2, the Holder shall submit his choice within 7 days of the Date of Notification (as defined in clause 3.2).

The Holder shall notify the Company of his choice in writing before expiry of the said time-limit. If the Company does not receive notification of a Holder's choice or receives such notification after expiry of the time-limit, the Holder will be deemed to have chosen receipt of the Warrants free of charge.

If the Holder chooses to pay for the Warrants, the market value of the Warrants shall be calculated by the Company in accordance with the interest formula recognised by the tax authorities and must be paid in cash at the request of the Company, but not before the award of the relevant Warrants. The consideration for the Warrants to be awarded on 1 October 2008 is DKK 0.13611664 for each Warrant. The consideration for a Warrant shall not be paid back if the Warrant lapses pursuant to this Appendix.

2.3 **Register of Warrants.** The Company shall keep a register of the Warrants subscribed for.

3. Award of Warrants

3.1 **Award of Warrants.** On 10 October 2008 each Holder will automatically be awarded $\frac{1}{4}$ of the total number of Warrants subscribed for by that Holder.

As for the period from 10 October 2008 to 31 December 2010 (both days included), the Holders may further, in accordance with the principles set out in clause 11, be awarded the remaining Warrants subscribed for, in that each Holder may be awarded $\frac{1}{4}$ of the total number of Warrants subscribed for by that Holder on each of the following dates:

- 1 March 2009 (a “Date of Award”) for the period from 1 October 2008 to 31 December 2008 (a “Vesting Period”);
- 1 March 2010 (a “Date of Award”) for the 2009 calendar year (a “Vesting Period”); and
- 1 March 2011 (a “Date of Award”) for the 2010 calendar year (a “Vesting Period”).

The award of Warrants to a Holder will take place automatically on each Date of Award. However, if the Holder has chosen to pay consideration for the Warrants, see clause 2.2, then only if the Company has received such consideration.

3.2 **Early exercise.** If (a) according to this Appendix Warrants are exercisable before the last Date of Award and (b) the requirements specified in clause 11.2 are satisfied on the Date of Notification (as defined below), each Holder will automatically be awarded the remaining part of the Warrants subscribed for by the Holder but not yet awarded. However, if the Holder chooses to pay consideration for the Warrants, see clause 2.2, then only if the Company has received such consideration.

The “Date of Notification” is the date when the Company notifies the Holder that the Warrants may be exercised, see clauses 5.3, 6.3 and (if applicable) 8.7.

3.3 **Rounding off.** If the calculation of the number of Warrants to be awarded on a Date of Award does not result in a whole number of Warrants, the number shall be rounded down to the nearest whole number of Warrants.

4. Subscription price; maximum and minimum capital increase

4.1 **Subscription price.** Each awarded Warrant will give the Holder a right, but not an obligation, to subscribe for one share of nominally DKK 1 each in the Company at the Subscription Price. “Subscription Price” shall mean rate 100 (i.e. DKK 1 per share of nominally DKK 1 each) with the addition of 0.6434% (“Percentage Addition”) for each month or part of a month from 1 March 2008 and until the date of the Holder’s payment of the Subscription Amount (as defined in clause 7.2). A Percentage Addition will also be charged on accumulated Percentage Additions (similar to compound interest) on a monthly basis.

4.2 **Maximum and minimum amount of the capital increase.** The minimum amount of the capital increase that may be subscribed for on the basis of all Warrants is nominally DKK 1, and the maximum amount is nominally DKK 1,523.

5. Exercise of Warrants

5.1 **Exit.** The Warrants shall be exercisable in the following situations only:

- (a) the shares in PANDORA Invest ApS, in the Company or in the Group Company in which the Employee is employed or the Director is member of the board of directors, are listed on a stock exchange, a regulated market or an alternative market place; or
- (b) the majority of the shares in PANDORA Invest ApS, in the Company or in the Group Company in which the Employee is employed or the Director is member of the board of directors, are transferred to a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the

Director is member of the board of directors, and is also independent of the shareholders in these companies; or

- (c) the majority of the activities in PANDORA Invest ApS, in the Company or in the Group Company in which the Employee is employed or the Director is member of the board of directors, are transferred to a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, and is also independent of the shareholders in these companies.

Above situations are all referred to as an “Exit”.

A third-party investment in PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, by means of capital increases or a merger shall not be deemed a transfer covered by clauses (b)-(c) above, unless it is combined with a capital reduction of the shares belonging to the existing shares in PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, resulting in a situation where the majority of the shares in PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, are owned by a third party that is independent of the shareholders in these companies.

If PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, is merged or demerged or becomes subject to a share exchange or another restructuring, including a recapitalisation with a resulting dividend payment, and if in that connection the shareholders of PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, receive shares in another company, this shall not be deemed a transfer covered by clauses b)-c) above, unless it results in a situation where the majority of the shares in that company are owned by a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, and is also independent of the shareholders in these companies.

5.2 **Legal effect of an Exit.** An Exit implies that:

- (i) the Holder will automatically – subject to, if applicable, payment of consideration, see clause 2.2 – be awarded the remaining part of the Warrants subscribed for by the Holder but not yet awarded; and
- (ii) the Holder will be entitled to exercise the Warrants.

5.3 **Notification to the Company.** Not earlier than 45 calendar days prior to the date of completing a (planned) Exit and not later than 45 calendar days after the completion of an Exit, the Company shall notify the Holder in writing of the (planned) Exit, including the (planned) date of the Exit and the Price (expected to be) obtained in connection with the Exit.

5.4 **Lapse of Warrants.** Where a Holder gets the opportunity to exercise his/her Warrants under this clause 5 but refrains from such exercise in whole or in part or fails to notify the Company of such exercise and to forward the Subscription Amount in accordance with clauses 7.1-7.2, the Holder’s unexercised Warrants will lapse automatically, without notice and without compensation on expiry of the relevant time-limit set out in clause 7.2, but see clause 7.5.

6. Legal position in case of solvent liquidation

6.1 **Automatic exercise of Warrants in case of solvent liquidation.** If it is decided to carry out a solvent liquidation of the Company, any awarded Warrants shall be deemed automatically exercised. In this situation a Holder will not be entitled to receive the equivalent shares but will instead be entitled to receive, not later than 30 calendar days after the final completion of the liquidation, a cash amount (net settlement) equal to the amount by which the market price of each share in the Company exceeds the Subscription Price (adjusted pursuant to clause 9, if applicable) at the time of the liquidation multiplied by the number of Warrants awarded to the Holder. The Market Price shall be calculated by the Company’s auditor pursuant to clause 10. However, if in connection with the

liquidation the Company's assets are converted into cash and cash equivalents, the auditor shall set the market price at the Company's equity value at the completion of the liquidation.

The auditor costs shall be paid by the Company. The auditor's assessment of the market price shall be final and binding on the Company and the Holders.

- 6.2 **Lapse of Warrants.** If the Subscription Price (adjusted according to clause 9 if applicable) is equal to or exceeds the market price of the shares in the Company, the Warrants shall be deemed not exercised in connection with the liquidation. Instead all Warrants will lapse automatically, without notice and without compensation at the time of the liquidation of the Company.
- 6.3 **Notification of solvent liquidation.** Not later than two weeks after a decision has been made to liquidate the Company, the Company shall notify the Holders thereof in writing.

7. Procedure for exercise of Warrants

- 7.1 **Procedure for exercise.** If a Holder wants to exercise all or part of the awarded Warrants, the Holder shall notify the Company thereof in writing. The Holder can only once give notification of exercise of Warrants.

The notification shall specify the extent to which the Holder wants to exercise the awarded Warrants and – in case of exercise in connection with a listing – the Holder's custody account to which the acquired shares are to be transferred.

- 7.2 **Time-limit for exercise and for payment of Subscription Amount.** If a Holder wants to exercise his/her Warrants, the notification referred to in clause 7.1 and the Subscription Amount (as defined below) must be received by the Company no later than 35 calendar days after the Date of Notification. At the same time or earlier, the Holder shall pay to the Company a cash amount (the "Subscription Amount") equal to the Subscription Price stated in clause 4.1 (adjusted according to clause 9 if applicable) multiplied by the number of Warrants to be exercised.
- 7.3 **Delivery of shares.** If a Holder exercises all or part of his/her Warrants in accordance with clauses 7.1-7.2, the equivalent shares shall be delivered at a time specified by the Company, but not later than 90 calendar days after the date of the Company's receipt of the notification from the Holder set out in clause 7.1. Irrespective thereof, however, the Company can never be under an obligation to deliver the shares before they are registered with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*).
- 7.4 **Special provisions in case of exercise due to a listing.** If a Holder gives notification of exercise of Warrants due to a planned listing of the shares in PANDORA Invest ApS, the Company or the Group Company in which the Employee is employed or the Director is member of the board of directors, and the listing is not carried through, the Holder's notification shall be deemed not given, and the Warrants in question shall thus remain unaffected to the extent that the capital increase relating to the Warrants has not yet been registered with the Danish Commerce and Companies Agency. In that case any Subscription Amount already paid shall be returned by the Company, without payment of interest, as soon as possible and within 10 calendar days after it has become evident that the listing will not be carried through.
- 7.5 **Special provisions in case of exercise due to a transfer, etc.** If the Holder gives notification of exercise of Warrants due to another planned Exit and the Exit subsequently is not carried through, the Holder's notification shall be deemed not given, and the Warrants shall thus remain unaffected to the extent that the capital increase relating to the Warrants has not yet been registered with the Danish Commerce and Companies Agency. In that case any Subscription Amount already paid shall be returned by the Company, without payment of interest, as soon as possible and within 10 calendar days after it has become evident that the Exit will not be carried through.

8. Legal position in case of merger as non-surviving Company, demerger or share exchange

- 8.1 **Merger as non-surviving company.** If a final decision is made to effect a merger with the Company as the non-surviving company, the Warrants will automatically be converted into warrants ("New Warrants") conferring the right – if awarded – to subscribe for shares in the surviving company.

- 8.2 **Demerger of the Company.** If a final decision is made to effect a demerger of the Company and the Employee's employment/the Director's directorship is in that connection indirectly transferred to another company, the Warrants subscribed for by the relevant Holder will automatically be converted into warrants ("New Warrants") conferring the right – if awarded – to subscribe for shares in the company in which the Employee/Director after the demerger is indirectly an employee/director or – at that company's option – its parent company. In the event that the Employee is no longer employed or the Director is no longer a director within the Group, it shall be laid down in the demerger plan how to deal with the Holder's Warrants.
- 8.3 **Share exchange.** If a final decision is made to effect a share exchange comprising all of the shares in the Company (holding company set-up/non-cash contribution), all of the Warrants will automatically be converted into warrants ("New Warrants") conferring the right to subscribe for shares in the company holding all of the shares in the Company after the share exchange.
- 8.4 **Value, terms and conditions of the New Warrants.** The New Warrants shall have a value equal to the value of the converted Warrants, and the terms and conditions of the New Warrants shall essentially correspond to the terms and conditions laid down in this Appendix.
- 8.5 **Calculation by the board of directors.** On the occurrence of any of the circumstances referred to in clauses 8.1-8.3, the board of directors of the Company shall calculate the number of New Warrants, including assess and – if necessary – adjust the terms and conditions of the New Warrants so that the value of the New Warrants is equal to the value of the converted Warrants. The result obtained by the board of directors shall be submitted to the Holders at the same time or prior to the notification set out in clause 8.7.
- The calculation and/or adjustment made by the board of directors shall be based on generally accepted principles. The calculation and/or adjustment made by the board of directors may be verified by the auditor in accordance with clause 9.5. The auditor's result shall be final and binding on the Company, the Holders and other companies involved. The auditor costs shall be paid as described in clause 9.6.
- 8.6 **Exercise in case of merger, demerger or share exchange.** Where a decision has been made of the nature referred to in clauses 8.1-8.3, the Company may extraordinarily decide, irrespective of the contents of clauses 8.1-8.3, that the Holders may exercise all or part of the awarded Warrants. If a Holder thereby gets the opportunity to exercise his/her Warrants under this clause 8.6 but refrains from such exercise in whole or in part or fails to notify the Company of such exercise and to forward the Subscription Amount in accordance with clauses 7.1-7.2, the Holder's unexercised Warrants will lapse automatically, without notice and without compensation on expiry of the relevant time-limit set out in clause 7.2.
- 8.7 **Notification.** Not later than 60 calendar days after a decision has been made of the nature referred to in clauses 8.1-8.3, the Company shall notify the Holders thereof in writing. The notification shall include information about whether the board of directors has extraordinarily decided to allow exercise of the Warrants, see clause 8.6, or – if that is not the case – information about whether the relevant Warrants will be converted into New Warrants, and any other relevant information.
- 8.8 **Exit in the form of merger, demerger or share exchange.** If a merger, demerger or share exchange actually results in an Exit, then clause 5 shall apply instead of this clause 8.

9. Subscription Price adjustment upon changes in capital

- 9.1 **Subscription Price adjustment upon changes in capital.** In the event of any changes in the Company capital resulting in a reduction or increase of the value of the Warrants, the Subscription Price shall, depending on the circumstances, be adjusted so that the value of the Warrants remains unaffected by such changes. Main examples of changes in the Company capital are capital increase, capital reduction, payment of dividend, issue of bonus shares, purchase and sale of treasury shares, issue of warrants, issue of convertible debt instruments, and merger.

The capital increase resulting from the exercise of the Warrants shall not trigger any Subscription Price adjustment.

- 9.2 **No Subscription Price adjustment due to incentive schemes.** If (a) Group Company employees, executive officers and/or directors (directly or through a company) acquire shares in the Company as part of an incentive scheme, and/or (b) the Company decides to issue shares, options, warrants, convertible debt instruments or the like to the employees, executive officers and/or directors (or their companies) of one or more Group Companies or (c) purchases or sells treasury shares in that connection, no Subscription Price adjustment shall be made, irrespective of clause 9.1. This shall apply regardless of whether the shares can be acquired, or the issued instruments give a right to acquire the shares, at a price differing from the market price of the Company's shares at the date of award, or whether the purchase/sale of treasury shares is effected at a price differing from the market price of the Company's shares.
- 9.3 **Subscription Price below par.** If, as a result of adjustments under this clause 9, the Subscription Price falls below par, the Warrants shall nevertheless be exercised at par only. In compensation the Company shall – provided that this is in accordance with the rules in force from time to time – issue bonus shares to the Holders at the time of exercise of the Warrants, so that the Holders will be placed in the same position as if the Subscription Price had been adjusted to below par. If the Company cannot issue bonus shares in accordance with the rules in force from time to time, the Holder shall have no claim for compensation.
- 9.4 **Calculation by the board of directors.** On the occurrence of any of the circumstances referred to in clause 9.1, the board of directors of the Company shall assess whether to make any adjustment of the Subscription Price and – if relevant – calculate such adjustment. The board of directors shall submit its conclusion to the Holders on the Date of Notification at the latest.

The calculation made by the board of directors shall be based on generally accepted principles. Where such calculation requires the market value of the Company's shares to be determined, the board of directors shall observe clause 10.

If the board of directors has calculated the Actual Market Value pursuant to clause 10, that value shall be used as the market value of the Company's shares. The Actual Market Value shall be included in the notification to the Holders. If the board of directors has calculated both the Calculated Market Value and the Estimated Market Value pursuant to clause 10, the Estimated Market Value shall be used as the market value of the Company's shares. Both the Calculated and the Estimated Market Value shall be included in the notification to the Holders.

- 9.5 **Calculation by the auditor.** If one or more Holders do not agree with the conclusion of the board of directors under clause 9.4, the Holder(s) in question shall inform the board of directors thereof in writing within 10 calendar days of receipt of the conclusion from the board of directors, properly indicating which part of the conclusion that is disputed. However, there can be no dispute about the Actual Market Value that has been determined.

The auditor of the Company shall subsequently, based on this Appendix, as soon as possible verify the conclusion of the board of directors and submit his/her own conclusion in that connection to the board of directors and the Holder/Holders.

The auditor's result shall be final and binding on the board of directors, the Company and all of the Holders.

- 9.6 **Auditor costs.** If one or more of the Holders has/have disputed the conclusion of the board of directors, and if the Subscription Price or market value calculated by the auditor does not deviate by 15% or more, in the Holder's/Holders' favour, from the Subscription Price or market value calculated by the board of directors, the Holder(s) in question shall pay the auditor costs. Otherwise, the Company shall pay the costs.

10. Market Price of the Company's shares

- 10.1 **Market value.** If the Company's market value needs to be calculated in connection with a listing of the Company's shares, see clause 5, the market value shall be determined on the basis of the issue price of the Company's shares. If the Company's market value needs to be calculated in connection with another type of Exit, the market value shall be determined on the basis of the purchase price or the like obtained directly or indirectly for the Company's shares.

Irrespective thereof, however, the calculation of the market value shall take into account:

the costs connected with the Exit;

any transaction fees triggered by the Exit;

the value of any ongoing and/or conditional contributions (earn out) in connection with the Exit;

the value of any risks assumed by the seller(s) in connection with the Exit; and

the value of any other circumstances that may be assumed to have or get an influence on the actual size of the net proceeds received by the seller(s) in connection with the Exit;

so that each Holder will solely, based on his/her Warrants, receive a *pro rata* share of the net proceeds received by the seller(s) (based on the parties' holding and sale of shares).

The board of directors is entitled to withhold part of the Holder's share of the net proceeds equal to the Company's obligations, if any, under clauses (c) or (d), until it has been clarified whether such obligations may result in a change of the purchase price or the like obtained directly or indirectly for the shares in the Company.

The market value determined under this clause 10.1 will be referred to as the "Actual Market Value".

- 10.2 **Calculated Market Value.** If the Company's market value needs to be calculated in connection with circumstances other than those described in clause 10.1, such calculation shall be based on the latest annual report adopted by the general meeting of the Company by using the following formula (the "Calculated Market Value"):

$$K = (E \times 6.0) + Y$$

where

K is the Calculated Market Value of the total share capital of the Company,

E is the Company's EBITDA (i.e. the Company's Earnings Before Interest, Taxes, Depreciation and Amortisation), and

Y is the value of the following items of the Company at the time of calculating the Calculated Market Value:

- + the book value of fixed-asset investments
- + cash and cash equivalents, securities (excl. the Company's treasury shares) and receivables from group enterprises
- interest-bearing debt (including the total sum of long-term debt, short-term part of long-term debt, financial lease commitments, factoring debt, debt to banks, amounts owed to group companies, and any other interest-bearing debt)
- dividends provided for
- tax payable
- underfunded pension obligations
- other provisions affecting liquidity
- book value of minorities

If the Calculated Market Value needs to be calculated in the period until 31 December 2008 (but not afterwards), such calculation shall be based on the 2007 consolidated financial statements prepared by the Company's auditor. The board of directors is entitled to demand a deduction from the Calculated Market Value for any reasonably estimated guarantees and transaction costs which would have been triggered in the case of an Exit.

- 10.3 **Estimated Market Value.** If the board of directors/the auditor has calculated the Calculated Market Value but specifically assumes that the Calculated Market Value does not correspond to the actual market value of the Company (i.e. does not reflect the value of the Company's shares in the open market and after dilution in connection with exercise of all of the issued instruments, incl. the Warrants), the market value shall instead be calculated or determined on the basis of ordinary measurement principles, including both historic figures and future expectations, in particular expectations for the next 12 months (the "Estimated Market Value"). The Estimated Market Value shall always be calculated/determined on the basis of the Company's total value and thus also without taking into consideration that shares acquired through exercise of Warrants constitute a minority shareholding. The board of directors is entitled to demand a deduction from the Estimated Market Value for any reasonably estimated guarantees and transaction costs which would have been triggered in the case of an Exit.

11. Termination of the employment/directorship

- 11.1 **"Good leaver" – awarded, unexercised Warrants.** If an Employee ceases to be an employee of the Group or a Director ceases to work as a director and the Employee/Director is a so-called "good leaver", all awarded, unexercised Warrants of the Employee/Director shall continue to have effect on the same terms and conditions. The Employee/Director will be a "good leaver" in the following situations:

the Employee terminates his employment owing to the employer's material breach of the employment contract; or

- (a) the Employee's employment is terminated by the employer and such termination is not caused by the Employee's breach of the employment contract; or
- (b) the Employee (i) retires due to age under the Employee's employment contract, (ii) becomes incapacitated for work due to permanent illness, or (iii) dies; or
- (c) the Group Company in which the Employee is employed transfers its activities in whole or in part, including the employment of the Employee, to an extra-group transferee as part of a business transfer; or
- (d) the Director in the Group (who is not also an employee in the Group) resigns from the board of directors and therefore ceases to be member of any board of directors in the Group (and therefore does not just resign from one or more directorships in the Group), and such resignation is not a result of (i) the Director's voluntary resignation or (ii) removal for reasons attributable to the Director, including non-performance or breach of his/her duties.

In case of situation (a), (b) or (c), the date of effective termination of the employment will be the date of expiry of the Employee's notice of termination pursuant to the Employee's employment contract ("Date of Termination"). However, in case of any of the situations referred to in clause (c), where no notice of termination is required to be given to the Employee, the Date of Termination shall be the date of occurrence of that situation. In the situation referred to in clause (d), the Date of Termination shall be the date of the transfer of the Employee's employment to an extra-group company. In the situation referred to in clause (e) concerning a Director's resignation as director, the Date of Termination shall be the date (i) when notice of the resignation is given or (ii) when the general meeting decides to remove the Director.

If the Employee/Director has let his/her Holding Company subscribe for Warrants, or if the Employee/Director has subsequently assigned Warrants to the Holding Company, the Holding Company shall have the same legal position pursuant to these provisions and the provisions in clauses 11.2 and 11.3 as if the Employee/Director had personally subscribed for/owned the Warrants.

- 11.2 **"Good leaver" – Warrants subscribed for but not yet awarded.** If the Employee/Director is a good leaver as defined in clause 11.1 and the Date of Termination has occurred in the Vesting Period prior to the relevant Date of Award, the Holder shall be awarded a proportionate share of the Warrants which the Holder would otherwise have been awarded on the relevant Date of Award. The proportionate share shall be calculated by multiplying the number of Warrants which the Holder could have been awarded on the Date of Award by a fraction representing the number of months

from the start of the Vesting Period to the Date of Termination divided by the number of months in the Vesting Period. Besides, clause 3.3 shall apply to the calculation of the number of Warrants.

- 11.3 **“Bad leaver”**. If the Employee/Director (who is not at the same time an employee in the Group) ceases to be an employee/director in the Group and such cessation is caused by reasons other than those described in clause 11.1 above, the Holder’s (i) awarded, unexercised Warrants shall lapse, and (ii) no additional Warrants shall be awarded under the principles of clause 11.2. The lapse will take place automatically, without notice and without compensation on the Date of Termination, and any consideration paid for the Warrants shall not be returned.
- 11.4 **Still employed in the Group**. If the Employee ceases to be an employee in one Group Company and is then employed in another Group Company, this situation shall not be deemed covered by the aforesaid provisions of clauses 11.1-11.3, and the Employee shall in that situation keep the Warrants on the same terms and conditions.

Miscellaneous

- 11.5 **Amendments/adjustments to this Appendix**. The contents of this Appendix, including the terms and conditions governing the award and exercise of Warrants, may be amended and/or adjusted by the Company’s board of directors, provided that such amendments/adjustments do not, on the whole, reduce the value of the Warrants to the Holders.
- 11.6 **Pension**. If an Employee has entered or enters into a pension scheme agreement with a Group Company, the value of the Employee’s Warrants shall not be included in the basis for calculating payments into such pension scheme.
- 11.7 **Notification**. Any notification from a Holder to the Company regarding any matters relating to this Appendix, including notification about exercise of Warrants, shall be sent in writing to PANDORA A/S for the attention of the chairman of the board of directors.
- Any notification to a Holder regarding any matters relating to this Appendix shall be given by the majority of the directors of the Company and may be sent to the address most recently notified by the Holder. The majority of the board of directors of the Company may authorise the executive management of the Company, or others, to give notifications under this provision.
- 11.8 **Tax matters**. The tax consequences to the Holders of the subscription for, award and exercise etc. of Warrants shall be of no concern to any Group Company.
- 11.9 **Reservations for tax effects**. If the consideration paid by a Holder for an awarded Warrant is considered by the relevant tax authorities to be lower than the market value, the Holder may choose to pay to the Company the difference between the consideration already paid and the market value decided by the tax authorities or estimated by the Holder.
- 11.10 **Choice of law and arbitration**. This Appendix, including the subscription for, award and exercise of the Warrants, shall be governed by Danish law.

Any dispute or disagreement arising out of this Appendix, including in relation to the award or exercise of Warrants, shall be finally settled by arbitration in accordance with the “Rules of Arbitration Procedure” of the Danish institute of arbitration (“Danish Arbitration”). The arbitration tribunal shall have three members, one of whom shall be a Danish judge. All members of the arbitration tribunal shall be appointed in accordance with the aforesaid rules of procedure. The arbitration tribunal shall decide on the legal costs, but the costs shall be distributed such that the Company exempts the Holders from any arbitration costs exceeding the costs which the Holders would have incurred if the dispute had been decided by the ordinary courts. The parties shall keep confidential all information about any arbitration proceedings, including the existence and subject-matter thereof, and the arbitration award.

12. Other terms and conditions

- 12.1 **Subscription for/acquisition of Warrants by Holding Companies**. It is a condition for a Holding Company’s subscription for or later acquisition of Warrants, see clause 1.2, that:

- (a) the Employee/Director holds or controls, and continues to hold and control, 100% of the Holding Company as long as the Holding Company holds Warrants. However, ownership interests in the Holding Company may be transferred by inheritance; and
- (b) the Warrants will automatically be returned or assigned to the Employee/Director if paragraph a) above ceases to be correct; and
- (c) the Holding Company accepts any agreement entered into by the relevant Employee/Director regarding the Warrants and/or the underlying shares.

The rights acquired by a Holding Company shall never be more favourable than the rights which the Employee/Director owning the Holding Company would have acquired, had the Employee/Director held the Warrants personally.

An Employee/Director holding Warrants through a Holding Company will automatically be deemed to have provided a guarantee to the Company whereby he/she assumes primary liability for the Holding Company's discharge of its obligations under this Appendix.

- 12.2 **No assignment or transfer of Warrants.** Apart from what appears from clauses 1.2 and 12.1, any awarded Warrants shall not, without the prior written consent of the board of directors, be taken in execution, assigned or otherwise transferred, whether for ownership or as security, including in connection with a division of property. However, the Warrants may be passed on as inheritance to a spouse/cohabitant and/or children or remoter issue and may be passed on to any person retaining undivided possession of the estate left by a deceased Holder, provided that any such recipient at the same time accepts any agreement entered into by the relevant Holder regarding the Warrants and/or the underlying shares.
- 12.3 **Latest date of exercise.** Any Warrants not exercised on 1 March 2018 at the latest will lapse automatically, without notice and without compensation. This shall apply even if the Warrants have been exercisable under this Appendix.
- 12.4 **Non-negotiable instruments.** New shares issued on the basis of Warrants shall be non-negotiable instruments.
- 12.5 **Restrictions on the negotiability of the shares.** According to the Articles of Association of the Company and the Agreement entered into by the Holder, there will be restrictions on the negotiability of new shares issued on the basis of the Warrants.
- 12.6 **No future restrictions on the rights of pre-emption.** New shares issued on the basis of the Warrants shall not be subject to any restrictions on the pre-emption rights in connection with future capital increases.
 - 12.6.1 **Shareholder rights effective upon registration.** New shares issued on the basis of the Warrants shall confer upon the holder the right to receive dividend and other rights in the Company from the time of registration of the capital increase with the Danish Commerce and Companies Agency.
 - 12.6.2 **Changes in the rights attached to the shares.** If prior to the exercise of the Warrants the Company has made a general change in the rights attached to the shares, new shares issued on the basis of the Warrants shall, however, carry the same rights as the other shares of the Company at the time of exercise of the Warrants.
 - 12.6.3 **Costs.** The Company shall bear the costs relating to the issue of the Warrants and the subsequent exercise thereof. The Company's costs relating to the issue and the resulting capital increase are estimated at DKK 50,000.
 - 12.6.4 **Completion of capital increase.** The general meeting shall complete the capital increase resulting from the exercise of the Warrants in accordance with section 36 of the Danish Public Companies Act (*aktieselskabsloven*).

Appendix 2 to the Articles of Association of PANDORA A/S

1. Resolution

- 1.1 **Resolution.** On 25 June 2009 the general meeting of PANDORA A/S, CVR no. 28 50 51 16, (the “Company”) passed a resolution to issue warrants (the “Warrants”).
- 1.2 **Eligible participants.** The shareholders of the Company will have no rights of pre-emption in respect of the Warrants, which will be issued in favour of the chairman of the board of directors of the Company (the “Chairman”).
- However, the Chairman may let its fully owned company (a “Holding Company”) subscribe for Warrants, or may subsequently assign warrants to a Holding Company, see clause 12.1 for further details. The Chairman and/or a Holding Company will in the following be referred to as a “Holder”.
- 1.3 **Nominal amount of the shares.** To the extent they are awarded, the Warrants will entitle the Holder to subscribe for shares in the Company of a total nominal value of up to nominally DKK 256 shares.
- 1.4 **Capital increase.** In consequence thereof, the general meeting also passed a resolution on the cash capital increase to be implemented in connection with the Warrants of up to nominally DKK 256 shares.
- 1.5 **Terms and conditions.** As part of above resolutions, the general meeting laid down the following terms and conditions governing the subscription for, award and exercise of the Warrants and the resulting capital increase:

2. Subscription and consideration for warrants

- 2.1 **Subscription for Warrants.** The Holder may subscribe for the Warrants in the period from 25 June 2009 at 12.00 noon to 30 June 2009 at 12.00 noon, such subscription to be recorded on the subscription list. Irrespective of the Holder’s subscription, the Warrants will be awarded on a conditional and ongoing basis, see clause 3 below.
- 2.2 **Consideration for Warrants.** A Holder may choose to receive Warrants free of charge or pay consideration for each Warrant equal to the market value of the Warrant at the Date of Award (as defined in clause 3.1).

The Holder shall make that choice no later than 15 days before a Date of Award. As regards the Date of Award 30 June 2009, the choice to pay consideration for the Warrants is made by paying the consideration into the bank account notified to the Holder, such payment to be made no later than 30 June 2009. In the event of early exercise pursuant to clause 3.2, the Holder shall submit his choice within 7 days of the Date of Notification (as defined in clause 3.2).

The Holder shall notify the Company of his choice in writing before expiry of the said time-limit. If the Company does not receive notification of a Holder’s choice or receives such notification after expiry of the time-limit, the Holder will be deemed to have chosen receipt of the Warrants free of charge.

If the Holder chooses to pay for the Warrants, the market value of the Warrants shall be calculated by the Company in accordance with the interest formula recognised by the tax authorities and must be paid in cash at the request of the Company, but not before the award of the relevant Warrants. The consideration for a Warrant shall not be paid back if the Warrant lapses pursuant to this Appendix.

- 2.3 **Register of Warrants.** The Company shall keep a register of the Warrants subscribed for.

3. Award of Warrants

- 3.1 **Award of Warrants.** On 30 June 2009 the Holder will automatically be awarded $\frac{1}{2}$ of the total number of Warrants subscribed for by the Holder.

As for the period from 30 June 2009 to 31 December 2010 (both days included), the Holder may further, in accordance with the principles set out in clause 11, be awarded the remaining Warrants

subscribed for, in that the Holder may be awarded $\frac{1}{4}$ of the total number of Warrants subscribed for by the Holder on each of the following dates:

- 1 March 2010 (a “Date of Award”) for the 2009 calendar year (a “Vesting Period”); and
- 1 March 2011 (a “Date of Award”) for the 2010 calendar year (a “Vesting Period”).

The award of Warrants to the Holder will take place automatically on each Date of Award. However, if the Holder has chosen to pay consideration for the Warrants, see clause 2.2, then only if the Company has received such consideration.

- 3.2 **Early exercise.** If (a) according to this Appendix Warrants are exercisable before the last Date of Award and (b) the requirements specified in clause 11.2 are satisfied on the Date of Notification (as defined below), the Holder will automatically be awarded the remaining part of the Warrants subscribed for by the Holder but not yet awarded. However, if the Holder chooses to pay consideration for the Warrants, see clause 2.2, then only if the Company has received such consideration.

The “Date of Notification” is the date when the Company notifies the Holder that the Warrants may be exercised, see clauses 5.3, 6.3 and (if applicable) 8.7.

- 3.3 **Rounding off.** If the calculation of the number of Warrants to be awarded on a Date of Award does not result in a whole number of Warrants, the number shall be rounded down to the nearest whole number of Warrants.

4. **Subscription Price; Maximum and Minimum Capital Increase**

- 4.1 **Subscription price.** Each awarded Warrant will give the Holder a right, but not an obligation, to subscribe for one share of nominally DKK 1 each in the Company at the Subscription Price. “Subscription Price” shall mean rate 100 (i.e. DKK 1 per share of nominally DKK 1 each) with the addition of 0.6434% (“Percentage Addition”) for each month or part of a month from 1 March 2008 and until the date of the Holder’s payment of the Subscription Amount (as defined in clause 7.2). A Percentage Addition will also be charged on accumulated Percentage Additions (similar to compound interest) on a monthly basis.

- 4.2 **Maximum and minimum amount of the capital increase.** The minimum amount of the capital increase that may be subscribed for on the basis of all Warrants is nominally DKK 1, and the maximum amount is nominally DKK 256.

5. **Exercise of Warrants**

- 5.1 **Exit.** The Warrants shall be exercisable in the following situations only:

- (a) the shares in PANDORA Invest ApS, in the Company or in the Group Company in which the Holder is member of the board of directors, are listed on a stock exchange, a regulated market or an alternative market place; or
- (b) the majority of the shares in PANDORA Invest ApS, in the Company or in the Group Company in which the Holder is member of the board of directors, are transferred to a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, and is also independent of the shareholders in these companies; or
- (c) the majority of the activities in PANDORA Invest ApS, in the Company or in the Group Company in which the Holder is member of the board of directors, are transferred to a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, and is also independent of the shareholders in these companies.

Above situations are all referred to as an “Exit”.

A third-party investment in PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, by means of capital increases or a merger shall not

be deemed a transfer covered by clauses b)-c) above, unless it is combined with a capital reduction of the shares belonging to the existing shares in PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, resulting in a situation where the majority of the shares in PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, are owned by a third party that is independent of the shareholders in these companies.

If PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, is merged or demerged or becomes subject to a share exchange or another restructuring, including a recapitalisation with a resulting dividend payment, and if in that connection the shareholders of PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, receive shares in another company, this shall not be deemed a transfer covered by clauses (b)-(c) above, unless it results in a situation where the majority of the shares in that company are owned by a third party and such third party is independent of PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, and is also independent of the shareholders in these companies.

5.2 **Legal effect of an Exit.** An Exit implies that:

- (i) the Holder will automatically – subject to, if applicable, payment of consideration, see clause 2.2 – be awarded the remaining part of the Warrants subscribed for by the Holder but not yet awarded; and
- (ii) the Holder will be entitled to exercise the Warrants.

5.3 **Notification to the Company.** Not earlier than 45 calendar days prior to the date of completing a (planned) Exit and not later than 45 calendar days after the completion of an Exit, the Company shall notify the Holder in writing of the (planned) Exit, including the (planned) date of the Exit and the Price (expected to be) obtained in connection with the Exit.

5.4 **Lapse of Warrants.** Where the Holder gets the opportunity to exercise his/her Warrants under this clause 5 but refrains from such exercise in whole or in part or fails to notify the Company of such exercise and to forward the Subscription Amount in accordance with clauses 7.1-7.2, the Holder's unexercised Warrants will lapse automatically, without notice and without compensation on expiry of the relevant time-limit set out in clause 7.2, but see clause 7.5.

6. **Legal Position in case of solvent liquidation**

6.1 **Automatic exercise of Warrants in case of solvent liquidation.** If it is decided to carry out a solvent liquidation of the Company, any awarded Warrants shall be deemed automatically exercised. In this situation the Holder will not be entitled to receive the equivalent shares but will instead be entitled to receive, not later than 30 calendar days after the final completion of the liquidation, a cash amount (net settlement) equal to the amount by which the market price of each share in the Company exceeds the Subscription Price (adjusted pursuant to clause 9, if applicable) at the time of the liquidation multiplied by the number of Warrants awarded to the Holder. The Market Price shall be calculated by the Company's auditor pursuant to clause 10. However, if in connection with the liquidation the Company's assets are converted into cash and cash equivalents, the auditor shall set the market price at the Company's equity value at the completion of the liquidation.

The auditor costs shall be paid by the Company. The auditor's assessment of the market price shall be final and binding on the Company and the Holder.

6.2 **Lapse of Warrants.** If the Subscription Price (adjusted according to clause 9 if applicable) is equal to or exceeds the market price of the shares in the Company, the Warrants shall be deemed not exercised in connection with the liquidation. Instead all Warrants will lapse automatically, without notice and without compensation at the time of the liquidation of the Company.

6.3 **Notification of solvent liquidation.** Not later than two weeks after a decision has been made to liquidate the Company, the Company shall notify the Holder thereof in writing.

7. Procedure for exercise of Warrants

- 7.1 **Procedure for exercise.** If the Holder wants to exercise all or part of the awarded Warrants, the Holder shall notify the Company thereof in writing. The Holder can only once give notification of exercise of Warrants.

The notification shall specify the extent to which the Holder wants to exercise the awarded Warrants and – in case of exercise in connection with a listing – the Holder’s custody account to which the acquired shares are to be transferred.

- 7.2 **Time-limit for exercise and for payment of Subscription Amount.** If the Holder wants to exercise his/her Warrants, the notification referred to in clause 7.1 and the Subscription Amount (as defined below) must be received by the Company no later than 35 calendar days after the Date of Notification. At the same time or earlier, the Holder shall pay to the Company a cash amount (the “Subscription Amount”) equal to the Subscription Price stated in clause 4.1 (adjusted according to clause 9 if applicable) multiplied by the number of Warrants to be exercised.

- 7.3 **Delivery of shares.** If the Holder exercises all or part of his/her Warrants in accordance with clauses 7.1-7.2, the equivalent shares shall be delivered at a time specified by the Company, but not later than 90 calendar days after the date of the Company’s receipt of the notification from the Holder set out in clause 7.1. Irrespective thereof, however, the Company can never be under an obligation to deliver the shares before they are registered with the Danish Commerce and Companies Agency (*Erhvervs- og Selskabsstyrelsen*).

- 7.4 **Special provisions in case of exercise due to a listing.** If the Holder gives notification of exercise of Warrants due to a planned listing of the shares in PANDORA Invest ApS, the Company or the Group Company in which the Holder is member of the board of directors, and the listing is not carried through, the Holder’s notification shall be deemed not given, and the Warrants in question shall thus remain unaffected to the extent that the capital increase relating to the Warrants has not yet been registered with the Danish Commerce and Companies Agency. In that case any Subscription Amount already paid shall be returned by the Company, without payment of interest, as soon as possible and within 10 calendar days after it has become evident that the listing will not be carried through.

- 7.5 **Special provisions in case of exercise due to a transfer, etc.** If the Holder gives notification of exercise of Warrants due to another planned Exit and the Exit subsequently is not carried through, the Holder’s notification shall be deemed not given, and the Warrants shall thus remain unaffected to the extent that the capital increase relating to the Warrants has not yet been registered with the Danish Commerce and Companies Agency. In that case any Subscription Amount already paid shall be returned by the Company, without payment of interest, as soon as possible and within 10 calendar days after it has become evident that the Exit will not be carried through.

8. Legal position in case of merger as non-surviving company, demerger or share exchange

- 8.1 **Merger as non-surviving company.** If a final decision is made to effect a merger with the Company as the non-surviving company, the Warrants will automatically be converted into warrants (“New Warrants”) conferring the right – if awarded – to subscribe for shares in the surviving company.

- 8.2 **Demerger of the Company.** If a final decision is made to effect a demerger of the Company and the Holder’s directorship is in that connection indirectly transferred to another company, the Warrants subscribed for by the Holder will automatically be converted into warrants (“New Warrants”) conferring the right – if awarded – to subscribe for shares in the company in which the Holder after the demerger is indirectly a director or – at that company’s option – its parent company. In the event that the Holder is no longer a director within the Group, it shall be laid down in the demerger plan how to deal with the Holder’s Warrants.

- 8.3 **Share exchange.** If a final decision is made to effect a share exchange comprising all of the shares in the Company (holding company set-up/non-cash contribution), all of the Warrants will automatically be converted into warrants (“New Warrants”) conferring the right to subscribe for shares in the company holding all of the shares in the Company after the share exchange.

- 8.4 **Value, terms and conditions of the New Warrants.** The New Warrants shall have a value equal to the value of the converted Warrants, and the terms and conditions of the New Warrants shall essentially correspond to the terms and conditions laid down in this Appendix.
- 8.5 **Calculation by the board of directors.** On the occurrence of any of the circumstances referred to in clauses 8.1-8.3, the board of directors of the Company shall calculate the number of New Warrants, including assess and – if necessary – adjust the terms and conditions of the New Warrants so that the value of the New Warrants is equal to the value of the converted Warrants. The result obtained by the board of directors shall be submitted to the Holder at the same time or prior to the notification set out in clause 8.7.
- The calculation and/or adjustment made by the board of directors shall be based on generally accepted principles. The calculation and/or adjustment made by the board of directors may be verified by the auditor in accordance with clause 9.5. The auditor’s result shall be final and binding on the Company, the Holder and other companies involved. The auditor costs shall be paid as described in clause 9.6.
- 8.6 **Exercise in case of merger, demerger or share exchange.** Where a decision has been made of the nature referred to in clauses 8.1-8.3, the Company may extraordinarily decide, irrespective of the contents of clauses 8.1-8.3, that the Holder may exercise all or part of the awarded Warrants. If the Holder thereby gets the opportunity to exercise his/her Warrants under this clause 8.6 but refrains from such exercise in whole or in part or fails to notify the Company of such exercise and to forward the Subscription Amount in accordance with clauses 7.1-7.2, the Holder’s unexercised Warrants will lapse automatically, without notice and without compensation on expiry of the relevant time-limit set out in clause 7.2.
- 8.7 **Notification.** Not later than 60 calendar days after a decision has been made of the nature referred to in clauses 8.1-8.3, the Company shall notify the Holder thereof in writing. The notification shall include information about whether the board of directors has extraordinarily decided to allow exercise of the Warrants, see clause 8.6, or – if that is not the case – information about whether the relevant Warrants will be converted into New Warrants, and any other relevant information.
- 8.8 **Exit in the form of merger, demerger or share exchange.** If a merger, demerger or share exchange actually results in an Exit, then clause 5 shall apply instead of this clause 8.

9. **Subscription Price adjustment upon changes in capital**

- 9.1 **Subscription Price adjustment upon changes in capital.** In the event of any changes in the Company capital resulting in a reduction or increase of the value of the Warrants, the Subscription Price shall, depending on the circumstances, be adjusted so that the value of the Warrants remains unaffected by such changes. Main examples of changes in the Company capital are capital increase, capital reduction, payment of dividend, issue of bonus shares, purchase and sale of treasury shares, issue of warrants, issue of convertible debt instruments, and merger.
- The capital increase resulting from the exercise of the Warrants shall not trigger any Subscription Price adjustment.
- 9.2 **No Subscription Price adjustment due to incentive schemes.** If (a) Group Company employees, executive officers and/or directors (directly or through a company) acquire shares in the Company as part of an incentive scheme, and/or (b) the Company decides to issue shares, options, warrants, convertible debt instruments or the like to the employees, executive officers and/or directors (or their companies) of one or more Group Companies or (c) purchases or sells treasury shares in that connection, no Subscription Price adjustment shall be made, irrespective of clause 9.1. This shall apply regardless of whether the shares can be acquired, or the issued instruments give a right to acquire the shares, at a price differing from the market price of the Company’s shares at the date of award, or whether the purchase/sale of treasury shares is effected at a price differing from the market price of the Company’s shares.
- 9.3 **Subscription Price below par.** If, as a result of adjustments under this clause 9, the Subscription Price falls below par, the Warrants shall nevertheless be exercised at par only. In compensation the Company shall – provided that this is in accordance with the rules in force from time to time – issue bonus shares to the Holder at the time of exercise of the Warrants, so that the Holder will be placed

in the same position as if the Subscription Price had been adjusted to below par. If the Company cannot issue bonus shares in accordance with the rules in force from time to time, the Holder shall have no claim for compensation.

- 9.4 **Calculation by the board of directors.** On the occurrence of any of the circumstances referred to in clause 9.1, the board of directors of the Company shall assess whether to make any adjustment of the Subscription Price and – if relevant – calculate such adjustment. The board of directors shall submit its conclusion to the Holder on the Date of Notification at the latest.

The calculation made by the board of directors shall be based on generally accepted principles. Where such calculation requires the market value of the Company's shares to be determined, the board of directors shall observe clause 10.

If the board of directors has calculated the Actual Market Value pursuant to clause 10, that value shall be used as the market value of the Company's shares. The Actual Market Value shall be included in the notification to the Holder. If the board of directors has calculated both the Calculated Market Value and the Estimated Market Value pursuant to clause 10, the Estimated Market Value shall be used as the market value of the Company's shares. Both the Calculated and the Estimated Market Value shall be included in the notification to the Holder.

- 9.5 **Calculation by the auditor.** If the Holder do not agree with the conclusion of the board of directors under clause 9.4, the Holder shall inform the board of directors thereof in writing within 10 calendar days of receipt of the conclusion from the board of directors, properly indicating which part of the conclusion that is disputed. However, there can be no dispute about the Actual Market Value that has been determined.

The auditor of the Company shall subsequently, based on this Appendix, as soon as possible verify the conclusion of the board of directors and submit his/her own conclusion in that connection to the board of directors and the Holder.

The auditor's result shall be final and binding on the board of directors, the Company and the Holder.

- 9.6 **Auditor costs.** If the Holder has disputed the conclusion of the board of directors, and if the Subscription Price or market value calculated by the auditor does not deviate by 15% or more, in the Holder's favour, from the Subscription Price or market value calculated by the board of directors, the Holder(s) in question shall pay the auditor costs. Otherwise, the Company shall pay the costs.

10. Market Price of the Company's shares

- 10.1 **Market value.** If the Company's market value needs to be calculated in connection with a listing of the Company's shares, see clause 5, the market value shall be determined on the basis of the issue price of the Company's shares. If the Company's market value needs to be calculated in connection with another type of Exit, the market value shall be determined on the basis of the purchase price or the like obtained directly or indirectly for the Company's shares.

Irrespective thereof, however, the calculation of the market value shall take into account:

- (a) the costs connected with the Exit;
- (b) any transaction fees triggered by the Exit;
- (c) the value of any ongoing and/or conditional contributions (earn out) in connection with the Exit;
- (d) the value of any risks assumed by the seller(s) in connection with the Exit; and
- (e) the value of any other circumstances that may be assumed to have or get an influence on the actual size of the net proceeds received by the seller(s) in connection with the Exit;

so that the Holder will solely, based on his/her Warrants, receive a *pro rata* share of the net proceeds received by the seller(s) (based on the parties' holding and sale of shares).

The board of directors is entitled to withhold part of the Holder's share of the net proceeds equal to the Company's obligations, if any, under clauses c) or d), until it has been clarified whether such obligations may result in a change of the purchase price or the like obtained directly or indirectly for the shares in the Company.

The market value determined under this clause 10.1 will be referred to as the "Actual Market Value".

- 10.2 **Calculated Market Value.** If the Company's market value needs to be calculated in connection with circumstances other than those described in clause 10.1, such calculation shall be based on the latest annual report adopted by the general meeting of the Company by using the following formula (the "Calculated Market Value"):

$$K = (E \times 6.0) + Y$$

where

- K is the Calculated Market Value of the total share capital of the Company,
- E is the Company's EBITDA (i.e. the Company's Earnings Before Interest, Taxes, Depreciation and Amortisation), and
- Y is the value of the following items of the Company at the time of calculating the Calculated Market Value:
- + the book value of fixed-asset investments
 - + cash and cash equivalents, securities (excl. the Company's treasury shares) and receivables from group enterprises
 - interest-bearing debt (including the total sum of long-term debt, short-term part of long-term debt, financial lease commitments, factoring debt, debt to banks, amounts owed to group companies, and any other interest-bearing debt)
 - dividends provided for
 - tax payable
 - underfunded pension obligations
 - other provisions affecting liquidity
 - book value of minorities

If the Calculated Market Value needs to be calculated in the period until 31 December 2008 (but not afterwards), such calculation shall be based on the 2007 consolidated financial statements prepared by the Company's auditor. The board of directors is entitled to demand a deduction from the Calculated Market Value for any reasonably estimated guarantees and transaction costs which would have been triggered in the case of an Exit.

- 10.3 **Estimated Market Value.** If the board of directors/the auditor has calculated the Calculated Market Value but specifically assumes that the Calculated Market Value does not correspond to the actual market value of the Company (i.e. does not reflect the value of the Company's shares in the open market and after dilution in connection with exercise of all of the issued instruments, incl. the Warrants), the market value shall instead be calculated or determined on the basis of ordinary measurement principles, including both historic figures and future expectations, in particular expectations for the next 12 months (the "Estimated Market Value"). The Estimated Market Value shall always be calculated/determined on the basis of the Company's total value and thus also without taking into consideration that shares acquired through exercise of Warrants constitute a minority shareholding. The board of directors is entitled to demand a deduction from the Estimated Market Value for any reasonably estimated guarantees and transaction costs which would have been triggered in the case of an Exit.

11. Termination of the employment/directorship

- 11.1 **“Good leaver” – awarded, unexercised Warrants.** If Holder ceases to work as a director and the Holder is a so-called “good leaver”, all awarded, unexercised Warrants of the Holder shall continue to have effect on the same terms and conditions. The Holder will be a “good leaver” when the Holder (who is not also an employee in the Group) resigns from the board of directors and therefore ceases to be member of any board of directors in the Group (and therefore does not just resign from one or more directorships in the Group), and such resignation is not a result of (i) the Director’s voluntary resignation or (ii) removal for reasons attributable to the Director, including non-performance or breach of his/her duties.

In case of the abovementioned situation concerning the Holder’s resignation as director, the Date of Termination shall be the date (i) when notice of the resignation is given or (ii) when the general meeting decides to remove the Director.

If the Holder has let his/her Holding Company subscribe for Warrants, or if the Holder has subsequently assigned Warrants to the Holding Company, the Holding Company shall have the same legal position pursuant to these provisions and the provisions in clauses 11.2 and 11.3 as if the Holder had personally subscribed for/owned the Warrants.

- 11.2 **“Good leaver” – Warrants subscribed for but not yet awarded.** If the Holder is a good leaver as defined in clause 11.1 and the Date of Termination has occurred in the Vesting Period prior to the relevant Date of Award, the Holder shall be awarded a proportionate share of the Warrants which the Holder would otherwise have been awarded on the relevant Date of Award. The proportionate share shall be calculated by multiplying the number of Warrants which the Holder could have been awarded on the Date of Award by a fraction representing the number of months from the start of the Vesting Period to the Date of Termination divided by the number of months in the Vesting Period. Besides, clause 3.3 shall apply to the calculation of the number of Warrants.
- 11.3 **“Bad leaver”.** If the Holder (who is not at the same time an employee in the Group) ceases to be a director in the Group and such cessation is caused by reasons other than those described in clause 11.1 above, the Holder’s (i) awarded, unexercised Warrants shall lapse, and (ii) no additional Warrants shall be awarded under the principles of clause 11.2. The lapse will take place automatically, without notice and without compensation on the Date of Termination, and any *consideration paid for the Warrants shall not be returned.*

Miscellaneous

- 11.4 **Amendments/adjustments to this Appendix.** The contents of this Appendix, including the terms and conditions governing the award and exercise of Warrants, may be amended and/or adjusted by the Company’s board of directors, provided that such amendments/adjustments do not, on the whole, reduce the value of the Warrants to the Holder.
- 11.5 **Pension.** If a Holder has entered or enters into a pension scheme agreement with a Group Company, the value of the Holder’s Warrants shall not be included in the basis for calculating payments into such pension scheme.
- 11.6 **Notification.** Any notification from the Holder to the Company regarding any matters relating to this Appendix, including notification about exercise of Warrants, shall be sent in writing to PANDORA A/S for the attention of the board of directors.
- Any notification to the Holder regarding any matters relating to this Appendix shall be given by the majority of the directors of the Company and may be sent to the address most recently notified by the Holder. The majority of the board of directors of the Company may authorise the executive management of the Company, or others, to give notifications under this provision.
- 11.7 **Tax matters.** The tax consequences to the Holder of the subscription for, award and exercise etc. of Warrants shall be of no concern to any Group Company.
- 11.8 **Reservations for tax effects.** If the consideration paid by the Holder for an awarded Warrant is considered by the relevant tax authorities to be lower than the market value, the Holder may choose to pay to the Company the difference between the consideration already paid and the market value decided by the tax authorities or estimated by the Holder.

- 11.9 **Choice of law and arbitration.** This Appendix, including the subscription for, award and exercise of the Warrants, shall be governed by Danish law.

Any dispute or disagreement arising out of this Appendix, including in relation to the award or exercise of Warrants, shall be finally settled by arbitration in accordance with the “Rules of Arbitration Procedure” of the Danish institute of arbitration (“Danish Arbitration”). The arbitration tribunal shall have three members, one of whom shall be a Danish judge. All members of the arbitration tribunal shall be appointed in accordance with the aforesaid rules of procedure. The arbitration tribunal shall decide on the legal costs, but the costs shall be distributed such that the Company exempts the Holder from any arbitration costs exceeding the costs which the Holder would have incurred if the dispute had been decided by the ordinary courts. The parties shall keep confidential all information about any arbitration proceedings, including the existence and subject-matter thereof, and the arbitration award.

12. Other terms and conditions

- 12.1 **Subscription for/acquisition of Warrants by Holding Companies.** It is a condition for a Holding Company’s subscription for or later acquisition of Warrants, see clause 1.2, that:

- (a) the Holder holds or controls, and continues to hold and control, 100% of the Holding Company as long as the Holding Company holds Warrants. However, ownership interests in the Holding Company may be transferred by inheritance; and
- (b) the Warrants will automatically be returned or assigned to the Holder if paragraph a) above ceases to be correct; and
- (c) the Holding Company accepts any agreement entered into by the Holder regarding the Warrants and/or the underlying shares.

The rights acquired by a Holding Company shall never be more favourable than the rights which the Holder owning the Holding Company would have acquired, had the Holder held the Warrants personally.

A Holder holding Warrants through a Holding Company will automatically be deemed to have provided a guarantee to the Company whereby he/she assumes primary liability for the Holding Company’s discharge of its obligations under this Appendix.

- 12.2 **No assignment or transfer of Warrants.** Apart from what appears from clauses 1.2 and 12.1, any awarded Warrants shall not, without the prior written consent of the board of directors, be taken in execution, assigned or otherwise transferred, whether for ownership or as security, including in connection with a division of property. However, the Warrants may be passed on as inheritance to a spouse/cohabitant and/or children or remoter issue and may be passed on to any person retaining undivided possession of the estate left by a deceased Holder, provided that any such recipient at the same time accepts any agreement entered into by the Holder regarding the Warrants and/or the underlying shares.
- 12.3 **Latest date of exercise.** Any Warrants not exercised on 1 March 2018 at the latest will lapse automatically, without notice and without compensation. This shall apply even if the Warrants have been exercisable under this Appendix.
- 12.4 **Non-negotiable instruments.** New shares issued on the basis of Warrants shall be non-negotiable instruments.
- 12.5 **Restrictions on the negotiability of the shares.** According to the Articles of Association of the Company and the Agreement entered into by the Holder, there will be restrictions on the negotiability of new shares issued on the basis of the Warrants.
- 12.6 **No future restrictions on the rights of pre-emption.** New shares issued on the basis of the Warrants shall not be subject to any restrictions on the pre-emption rights in connection with future capital increases.

- 12.6.1 **Shareholder rights effective upon registration.** New shares issued on the basis of the Warrants shall confer upon the holder the right to receive dividend and other rights in the

Company from the time of registration of the capital increase with the Danish Commerce and Companies Agency.

- 12.6.2 **Changes in the rights attached to the shares.** If prior to the exercise of the Warrants the Company has made a general change in the rights attached to the shares, new shares issued on the basis of the Warrants shall, however, carry the same rights as the other shares of the Company at the time of exercise of the Warrants.
- 12.6.3 **Costs.** The Company shall bear the costs relating to the issue of the Warrants and the subsequent exercise thereof. The Company's costs relating to the issue and the resulting capital increase are estimated at DKK 50,000.
- 12.6.4 **Completion of capital increase.** The general meeting shall complete the capital increase resulting from the exercise of the Warrants in accordance with section 36 of the Danish Public Companies Act (*aktieselskabsloven*).

Annex B

Significant Differences in the Revenue Recognition between U.S. GAAP and IFRS

Despite the similarities in revenue recognition between US GAAP and IFRS, differences in revenue recognition may exist as a result of differing levels of specificity between the two GAAPs. There is extensive guidance under US GAAP, which can be very prescriptive. Conversely, a single standard (IAS 18) exists under IFRS, which contains general principles and illustrative examples of specific transactions. The following are the major differences in revenue recognition.

	U.S. GAAP	IFRS
Sale of goods	Listed companies must follow SAB 104 <i>Revenue Recognition</i> , which requires that delivery has occurred (the risks and rewards of ownership have been transferred), there is persuasive evidence of the sale, the fee is fixed or determinable, and collectability is reasonably assured.	Revenue is recognized only when risks and rewards of ownership have been transferred, the buyer has control of the goods, revenues can be measured reliably, and it is probable that the economic benefits will flow to the company.
Multiple elements	Specific criteria are required in order for each element to be a separate unit of accounting, including delivered elements that must have standalone value, and undelivered elements that must have reliable and objective evidence of fair value. If those criteria are met, revenue for each element of the transaction can be recognized when the element is complete. (Note, the FASB issued Accounting Standard Update 2009-13 <i>Multiple-Deliverable Revenue Arrangements</i> that revised this guidance, eliminating the requirement above pertaining to the undelivered elements.)	IAS 18 requires recognition of revenue on an element of a transaction if that element has commercial substance on its own; otherwise the separate elements must be linked and accounted for as a single transaction. IAS 18 does not provide specific criteria for making that determination.
Deferred receipt of receivables	Discounting to present value is required only in limited situations.	Considered to be a financing agreement. Value of revenue to be recognized is determined by discounting all future receipts using an imputed rate of interest.

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