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COMPANY ANNOUNCEMENT
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UPDATE ON FINANCIAL EXPECTATIONS FOR 2011 – CEO DEPARTS

The Board of Directors has decided to update financial expectations for 2011 based on a review of financial results for Q2 2011 and preliminary revenue for July 2011, given a sharp revenue deterioration in late Q2 and a worsening of trading conditions in July, where revenue declined by approximately 30% year-on-year.

Based on this knowledge, our guidance has changed from expecting a revenue growth of no less than 30% for 2011 and an EBITDA margin of minimum 40% to revenue in 2011 in line with 2010 and EBITDA margins in the low thirties for 2011. We expect CAPEX to amount to approximately DKK 230 million and the effective tax rate to be approximately 18%.

Furthermore:

- CEO Mikkel Vendelin Olesen has resigned from the Company with immediate effect.
- Current Board Member Marcello Bottoli will become interim CEO and the Company will embark on recruitment for a new CEO.
- Our growth has been impacted by the cumulative effect of substantial price increases in the light of soaring commodity price increases.
- In addition our sales, marketing and operational execution has been poor in many cases and is as big a contributory factor.
- The re-set of our affordable luxury positioning, improved operational execution and restoring growth trajectory is now the focus of our company.
- This re-set will take up to 18 months to see through.
- In addition, the company has instigated a strategic review to test or confirm certain elements of the company strategy.

The Board of Directors has further decided to bring forward the release of a condensed financial report for the second quarter 2011 - previously expected to be released on Tuesday 16 August 2011. The Q2 financial report will be released subsequently to this release and a conference call for investors and financial analysts will be held today at 10.00 CET.

Allan Leighton, Chairman of the Board said: “Although our price increases combined with some destocking are significant contributors to our slowdown in sales and profitability, our own inadequate operational sales, and marketing execution is as big a factor."

BACKGROUND FOR CHANGE IN FINANCIAL EXPECTATIONS FOR 2011

The cumulative effect of our recent global price increases of approximately 15% on top of price increases already implemented in USA and UK in 2010 has had a negative volume impact on our sales-out in an environment where consumers are becoming increasingly value conscious.

In addition, our sales-in has been impacted negatively by some retailers' destocking, due to lower sales-out and uncertain economic outlook, on top of already high levels of PANDORA inventory.

The volume impact of our cumulative price increases has been more substantial than forecasted. Our revenue increased by only 3.6% (10.2% in local currency) to DKK 1,392 million and our EBITDA decreased by 6.2% to DKK 512 million in Q2 2011 against the same period last year.

KEY FINANCIALS Q2 2011

Revenue growth year on year	**2011 Q2**	**2011 Q1**
Revenue DKK	3.6%	41.0%
Revenue LC	10.2%	37.3%

Margins	**2011 Q2**	**2011 Q1**
Gross Margin	74.7%	71.6%
EBITDA Margin	36.8%	40.6%
EBIT Margin	31.6%	36.5%

Increase in EBITDA and net profit year on year	**2011 Q2**	**2011 Q1**
EBITDA increase	-6.2%	49.6%
Net Profit increase	56.1%	90.7%
Adjusted Net Profit increase	-17.7%	90.7%

FCF and return on invested capital	**2011 Q2**	**2011 Q1**
Cash Conversion	36.3%	92.4%
Adjusted Cash Conversion	68.8%	57.1%
ROIC	45.1%	47.0%

POOR OPERATIONAL EXECUTION

On a number of fronts our programmes and operational execution contributed significantly to our underperformance:

- Underestimated the effect of price increases on revenue

- Suboptimal price and product architecture:
  - Lacking focus on maintaining low entry price points in 2011 price increase
  - Too few attractively priced products in recent product releases
  - Too many slow selling products in our collection

- Wrong balance between branding and sales promotion initiatives

Compared to our internal plan for H1 2011, we have also fallen significantly short on the number of new and upgraded stores primarily in existing markets, caused by poor execution in certain markets.

WEAK SALES PERFORMANCE ACROSS ALL MAJOR MARKETS

All our four major markets US, UK, Germany and Australia representing in aggregate 69.3% of Group revenue, experienced a sharp drop-off in revenue in late Q2 2011, resulting in negative DKK growth in Q2 2011 against Q2 2010. This trend has worsened in July.

The significant weakening of USD and GBP and the strong appreciation of AUD over the past year affected reported Q2 2011 revenue in DKK.

Our largest market US saw year-on-year growth of 12.1% in USD versus -0.7% in DKK. Australia continued its declining trend with AUD revenue down 19.9% year-on-year versus a 14.6% decline in DKK. UK revenue dropped 10.2% in GBP compared to 13.1% in DKK.

Germany saw a revenue decline of 20.1% in Q2 2011 year-on-year.

Revenue breakdown by Geography	**2011**	**2011**	**2010**	**%**	**% LC**
DKK million	**Q2**	**Q1**	**Q2**	**growth**	**growth**
Americas	**724**	**782**	**623**	**16.2%**	**30.2%**
US	545	677	549	-0.7%	12.1%
Other	179	105	74	141.9%	
Europe	**483**	**743**	**548**	**-11.9%**	**-10.9%**
UK	166	219	191	-13.1%	-10.2%
Germany	119	162	149	-20.1%	-20.1%
Other	198	362	208	-4.8%	
Asia Pacific	**185**	**220**	**172**	**7.6%**	**5.2%**
Australia	134	174	157	-14.6%	-19.9%
Other	51	46	15	240.0%	
Total	**1,392**	**1,745**	**1,343**	**3.6%**	**10.2%**

BOTH SALES-OUT DECLINE AND SOME DESTOCKING OBSERVED IN CONCEPT STORES

In the US, we have experienced a worsening in the balance between sales-in and sales-out in Q2 2011.

In Germany, our sales-in has been negatively affected both by declining sales-out rates and retailer destocking.

In the UK, we have seen a marked decrease in sales-in compared to sales-out in both Q1 2011 and Q2 2011 as retailers have returned slow moving products in exchange for fast movers.

In Australia, we have experienced a sharp decline in sales-out figures, reflecting challenging trading conditions, including discounting. Our sales-in has reflected this development in final demand.

Concept stores - sales-in and sales-out	**Sales-in**		**Sales-out**	
	Q2 2010 to Q2 2011	**Q1 2010 to Q1 2011**	**Q2 2010 to Q2 2011**	**Q1 2010 to Q1 2011**
US	35.6%	33.7%	18.9%	31.6%
UK	-28.1%	-7.4%	-0.3%	10.2%
Germany	-32.1%	-36.7%	-7.2%	-18.2%
Australia	-17.4%	-14.1%	-15.8%	-12.6%

WEAK SALES PERFORMANCE DRIVEN PRIMARILY BY OUR CHARMS AND CHARMS BRACELET BUSINESS

Our low revenue growth in Q2 2011 is primarily caused by a sharp deterioration in our charms and charms bracelet business. This sales deterioration in late Q2 2011 has occurred across all major markets, with the US as the single largest contributor.

Key contributors to Q2 2011's weak bracelet sales have been our relatively high price points combined with a lack of "fitness for purpose" sales, marketing and promotional campaigns as well as too few new product introductions in the entry and mid-priced segment, and already high existing retailer PANDORA inventory.

Product mix	**2011**	**2011**	**2010**	**Growth**
DKK million	**Q2**	**Q1**	**Q2**	**Q2 vs. Q2**
Charms	995	1,251	960	3.6%
Silver and gold charms bracelets	132	220	156	-15.4%
Rings	89	102	75	18.7%
Other jewellery	176	172	152	15.8%
Total	**1,392**	**1,745**	**1,343**	**3.6%**

Volume index	2011	2011	2010	2010	2010	2010
DKK million	Q2	Q1	Q4	Q3	Q2	Q1
Charms	89	112	159	130	100	100
Silver and gold charms bracelets	65	109	127	132	89	100
Rings	225	225	330	322	216	100
Other jewellery	70	108	138	108	76	100
Total	**87**	**113**	**157**	**130**	**98**	**100**

SIGNIFICANT SHORTFALL IN UPGRADES AND NEW ACCOUNTS

Net stores openings in H1 2011 were significantly behind plan in both new and existing markets. In all store categories there was a shortfall compared to plan, except for White stores.

In Q2 2011, we had fewer upgrades and openings of branded stores compared to Q1 2011, primarily as result of Gold store closures and regrading. However, net openings of Concept stores increased to 42 in Q2 2011, up from 30 in Q1 2011.

The fewer than expected upgrades can largely be attributed to poor execution in certain of our markets.

Net openings	2011	2011	Actual vs
	Q2	Q1	Plan H1 2011
Concept stores	42	30	62.6%
SiS	25	28	33.8%
Gold	-17	99	20.9%
Total Branded	**50**	**157**	
Silver	152	84	76.6%
White & TR	-218	-469	211.4%
Total	**-16**	**-228**	

AVERAGE SALES PRICES UP SIGNIFICANTLY

Average sales prices have increased significantly since the beginning of 2010. The main contributor to this has been our 2010 and 2011 price increases.

The price increases implemented secured our gross margin. However, it is now clear that these are sharply impacting our volumes. As a result, we do not anticipate putting through additional price increases in 2011 and 2012.

Average Sales Prices (local currency)	2011 Q2	2011 Q1	Index Q2 2011 vs Q1 2011	2010 Q2	Index Q2 2011 vs Q2 2010	2009 Q4	Index Q2 2011 vs Q4 2009
US	24	23	107	21	117	17	140
UK	16	17	90	14	112	13	118
Germany	17	20	86	17	99	NM*	NM*
Australia	34	27	129	28	124	27	126

* NM = Not meaningful due to Germany being 3rd party distributor up to January 1st 2010

GROSS MARGINS UP

In Q2 2011, our gross margin increased to 74.4% mainly due to price increases and gains on hedging of gold and silver prices.

Excluding hedging gains and the time lag from our inventory, the Q2 2011 gross margin would have been approximately 65%. This is based on gold and silver prices of 1,525 US/oz and 38 US/oz respectively. Under the same assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately 2.5 percentage points.

The average realised price for gold was 1,349 USD/oz and 23.71 USD/oz for silver in Q2 2011. Our hedged prices for the following four quarters for gold is 1,378 USD/oz, 1,418 USD/oz, 1,482 USD/oz, 1,542 USD/oz and for silver 26.57 USD/oz, 30.15 USD/oz, 35.54 USD/oz and 34.31 USD/oz

Gross Margin Development

2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
74.4%	71.6%	70.1%	73.2%	72.9%	66.8%

REVENUE SHORTFALL LEADS TO HIGHER OPERATING EXPENSES PERCENTAGE

Absolute Group operating expenses in Q2 2011 was slightly down on Q1 2011. However, the cost ratio has shown a large increase in Q2 2011 to 42.7%, up from 35.1% in Q1 2011 and 37.2% in Q2 2010. The main reason for the increased cost ratio in Q2 2011 versus Q1 2011 is the low revenue level recorded in Q2 2011 and already high operating expenses levels in some markets.

In the US, the cost ratio was 20.9% in Q2 2011, down from 21.3% in Q2 last year. UK is our most cost efficient organisation with a cost ratio of 18.7% in Q2 2011, down from 22.0% Q2 2010. PANDORA CWE had the highest cost ratio at 79.6% (excluding amortisation of distribution rights) in Q2 2011, up from 41.1% in Q2 2010, driven by a significant cost increase in combination with lower revenue. Australia has reduced its cost base over the past year, however this has not been enough to off-set declining revenues, resulting in an increased cost ratio at 43.8% in Q2 2011 compared to 37.4% Q2 2010.

Cost Ratio (Including depriciations & amortizations*)

DKK million	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Administrative expenses	10.9%	8.8%	6.5%	8.8%	11.5%	9.4%
Sales and distribution costs	18.1%	16.6%	15.3%	13.4%	15.2%	15.8%
Marketing costs	13.7%	9.7%	14.3%	9.5%	10.5%	8.4%
Total Cost	**42.7%**	**35.1%**	**36.1%**	**31.7%**	**37.2%**	**33.5%**

* Including gains/losses from sales of assets

EBITDA MARGINS DOWN AS A RESULT OF SHARP REVENUE SHORTFALL

In Q2 2011, the EBITDA margin was 36.8%, down from 40.6% in Q1 2011 and 40.7 % in Q2 2010.

Americas remains our most profitable region with a margin of 55.9%, an improvement compared to both Q1 2011 and Q2 2010.

Europe and Asia Pacific have experienced sharp margin contractions in Q2 2011, mainly as a result of declining revenues and already too high operating expenses.

In Europe, the margin decline is primarily related to Germany, Italy and 3rd party distributor markets. PANDORA CWE had negative EBITDA margin in Q2 2011. In Asia Pacific, the margin fall is mainly caused by a declining margin in Australia.

EBITDA Margin	**2011 Q2**	**2011 Q1**	**Q2 2011 vs Q1 2011 (% pts)**	**2010 Q2**	**Q2 2011 vs Q2 2010 (% pts)**
Americas	55.9%	51.4%	4.5%	53.6%	2.3%
Europe	25.5%	44.5%	-19.0%	42.0%	-16.5%
Asia Pacific	33.5%	42.7%	-9.2%	41.3%	-7.8%
Unallocated costs	-5.6%	-6.8%	1.2%	-6.6%	1.0%
Group EBITDA margin	**36.8%**	**40.6%**	**-3.8%**	**40.7%**	**-3.9%**

INVENTORY TOO HIGH

Inventory as a percentage of revenue in the last 12 months increased from 20.7% in Q2 2010 and 20.4% in Q1 2011 to 23.5% in Q2 2011.

Compared to Q2 2010, the increased inventory percentage can be explained by soaring gold and silver prices and, to a lesser extent, our failure to adjust our production to the lower than expected revenue.

The reasons behind the increased inventory percentage compared to Q1 2011 can be broken down into four factors: increased gold and silver prices, lower than expected revenue, not adjusting production output accordingly, and an increase in inventory of Point of Sales materials (fixture, print, packaging), resulting from timing and delay in our store roll-out plan.

Inventory Development	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Inventory (DKKm)	1,697	1,464	1,272	1,204	990	672
% of last 12 months revenue	23.5%	20.4%	19.1%	21.0%	20.7%	16.3%

ACTION PLAN TO IMPROVE CURRENT PERFORMANCE

We plan to tackle the re-set of the business on three fronts:

1. **Immediate operational actions**
- No further price increases anticipated in 2011 and 2012
- Review of future collections to ensure right sizing of assortment and price points
- Concrete plans in place to deliver 118 new Concept stores in H2 2011
- Absolute focus on in-store space management in existing stores
- Adjusting recommended retail prices on around 60 key items to provide better entry prices
- "Fitness for purpose" sales and marketing programmes
- Developing a more aggressive emerging markets programme

2. **Interim CEO first 60 day look**
Interim CEO Marcello Bottoli will head a deep dive into the operational sales and marketing approach of the Company.

3. **Strategic review**
The Chairman and the interim CEO will lead a strategic review of the Company using external consultants, to test or confirm elements of our strategy.

The objective would be to come back to investors towards year end with the conclusions on all of the above.

CONFERENCE CALL
A conference call for investors and financial analysts will be held today at 10.00 CET and can be accessed from our website: www.pandoragroup.com. The corresponding presentation will be available on the website one hour before the call.

The following numbers can be used by investors and analysts:
DK: +45 80 88 84 64
UK (International): +44 (0) 800 694 0257
US: +1 866 966 9439

To help ensure that the conference begins in a timely manner, please dial in 5 minutes prior to the scheduled starting time. Participants will have to quote confirmation code 88601752 when dialling into the conference.

ABOUT PANDORA
PANDORA designs, manufactures and markets hand-finished and modern jewellery made from genuine materials and at affordable prices. The PANDORA jewellery is sold in more than 55 countries on six continents through over 10,000 points of sale, including close to 500 PANDORA branded concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs over 5,000 people worldwide of whom more than 3,600 are located in Gemopolis, Thailand, where the company manufactures its jewellery. PANDORA is publicly listed on the NASDAQ OMX Copenhagen stock exchange in Denmark. In 2010, PANDORA's total revenue was DKK 6.7 billion (approximately EUR 895 million). For more information, please visit www.pandoragroup.com.

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