

No. 31

**COMPANY ANNOUNCEMENT**

02 August 2011

## **INTERIM REPORT FOR Q2 2011**

### **GROUP REVENUE INCREASED BY 3.6%. NET PROFIT WAS DKK 626 MILLION. FREE CASH FLOW WAS DKK 227 MILLION.**

- Group revenue increased by 3.6% (10.2% in local currency) to DKK 1,392 million compared to DKK 1,343 million in Q2 2010:
  - Americas increased by 16.2% (30.2% in local currency)
  - Europe declined by 11.9% (-10.9% in local currency)
  - Asia Pacific increased by 7.6% (5.2% in local currency)
- Gross margin increased to 74.4% in Q2 2011 compared to a gross margin of 72.9% in Q2 2010
- EBITDA decreased by 6.2% to DKK 512 million resulting in an EBITDA margin of 36.8% compared to a EBITDA margin of 40.7% in Q2 2010
- EBIT decreased by 8.3% to DKK 440 million resulting in an EBIT margin of 31.6% compared to a EBIT margin of 35.7% in Q2 2010
- Reported net profit increased by 56.1% to DKK 626 million compared to a net profit of DKK 401 million in Q2 2010. Adjusted for revaluation of the CWE earn-out provision based on revised outlook for PANDORA CWE, Q2 2011 net profit decreased by 17.7% to DKK 330 million.
- Free cash flow was DKK 227 million in Q2 2011 compared to DKK 229 million in Q2 2010

### **FINANCIAL OUTLOOK FOR 2011**

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%.

### **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](http://www.pandoragroup.com). The corresponding presentation will be available on the website one hour before the call.

The following numbers can be used by investors and 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 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 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](http://www.pandoragroup.com)

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## FINANCIAL HIGHLIGHTS

DKK million	2011 Q2	2010 Q2	2011 Half year	2010 Half year	2010 Full year
<b>Income statement</b>					
Revenue	1,392	1,343	3,137	2,581	6,666
EBITDA	512	546	1,221	1,020	2,684
Operating profit (EBIT)	440	480	1,077	892	2,416
Net financial income and expenses	265	9	256	-74	-164
Profit before tax	705	489	1,333	818	2,252
<b>Net profit</b>	<b>626</b>	<b>401</b>	<b>1,141</b>	<b>671</b>	<b>1,871</b>
<b>Balance sheet</b>					
Total assets	7,854	7,001	7,854	7,001	8,959
Invested capital	5,764	5,393	5,764	5,393	5,659
Net working capital excluding derivatives	1,462	1,057	1,462	1,057	1,266
Shareholders' equity	4,439	2,997	4,439	2,997	4,315
Net interest-bearing debt	1,144	1,950	1,144	1,950	1,102
<b>Cash flow statement</b>					
Net cash flow from operating activities	255	260	710	316	1,316
Net cash flow from investing activities	-40	-122	-175	-151	-304
Free cash flow	227	229	703	441	1,388
Cash flow from financing activities	-592	-263	-1,539	-863	-644
<b>Net cash flow for the period</b>	<b>-377</b>	<b>-125</b>	<b>-1,004</b>	<b>-698</b>	<b>368</b>
<b>Ratios</b>					
Revenue growth, %	3.6%	99.0%	21.5%	104.5%	92.6%
EBITDA growth, %	-6.2%	70.6%	19.7%	56.0%	70.7%
EBIT growth, %	-8.3%	55.3%	20.7%	41.1%	69.7%
Net profit growth, %	56.1%	72.8%	70.0%	50.1%	86.2%
EBITDA margin, %	36.8%	40.7%	38.9%	39.5%	40.3%
EBIT margin, %	31.6%	35.7%	34.3%	34.6%	36.2%
Cash conversion, %	36.3%	57.1%	61.6%	65.7%	74.2%
Net interest-bearing debt to EBITDA *	0.4	1.0	0.5	1.0	0.4
Equity ratio, %	56.5%	42.8%	56.5%	42.8%	48.2%
ROIC, % *	45.1%	31.2%	45.1%	31.2%	42.7%
<b>Other key figures</b>					
Average number of employees	5,141	4,239	5,100	3,892	4,336
Dividend per share, DKK	0	0	0	0	5
Earnings per share, basic	5	206	15	543	15
Share price at end of period	162	N/A	162	N/A	336

\* Ratio is based on 12 months rolling EBITDA and EBIT respectively.

Key figures and financial ratios are defined and calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2010". Please refer to note 27 in the Annual Report 2010.

## HIGHLIGHTS FOR Q2 2011

### PANDORA SALES CHANNELS

The percentage of revenue from branded sales, within our direct distribution markets, was 74.9% in Q2 2011 compared to 69.9% in Q2 2010. Branded stores in direct distribution markets accounted for 35.1% of the total number of stores at the end of Q2 2011 compared to 29.9% at the end of Q2 2010.

PANDORA will continue to expand the number of branded stores and expects for the full year 2011 to open more than 190 new Concept stores.

In Q2 2011, we added a net total of 50 new branded points of sales. Of these, 42 were new or upgraded Concept stores, 25 were new or upgraded Shop-in-Shops and 17 Gold stores was closed, up or downgraded.

In Q2 2011 we upgraded or closed down 218 White stores.

The total number of points of sale fell by 16 to a total of 10,374 globally.

GROUP	Number of PoS Q2 2011	Number of PoS Q1 2011	Number of PoS Q2 2010	Delta Q2 2011 and Q1 2011	Delta Q2 2010 and Q1 2010
Concept stores <sup>1</sup>	493	451	262	42	22
Shop-in-Shops <sup>2</sup>	1,011	986	725	25	102
Gold	1,605	1,622	1,465	-17	57
<b>Total branded</b>	<b>3,109</b>	<b>3,059</b>	<b>2,452</b>	<b>50</b>	<b>181</b>
<b>Total branded as % of Total</b>	<b>30.0%</b>	<b>29.4%</b>	<b>24.7%</b>	<b>0</b>	<b>-</b>
Silver	2,694	2,542	2,217	152	113
White and travel retail	4,571	4,789	5,253	-218	-304
<b>Total<sup>3</sup></b>	<b>10,374</b>	<b>10,390</b>	<b>9,922</b>	<b>-16</b>	<b>-10</b>

<sup>1</sup> Includes 58 and 61 PANDORA-owned Concept stores at Q1 2011 and Q2 2011 respectively

<sup>2</sup> Includes 37 and 41 PANDORA-owned shop-in-shops at Q1 2011 and Q2 2011 respectively

<sup>3</sup> Includes for Q2 2011 48 concept stores, 140 Shop-in-Shops, 130 Gold, 313 Silver and 1,796 White stores respectively relating to 3rd party distributors

### PRODUCT OFFERING

In Q2 2011 revenue from Charms grew by 3.6% and revenue from Silver & Gold Bracelets declined by 15.4% compared to Q2 2010. The two categories now represents 81.0% of total revenue.

Rings grew by 18.7% and Other Jewellery by 15.8%, and together represented 19.0% of total revenue compared to 16.9% in Q2 2010. Rings represented 6.4% of total revenue compared to 5.6% in Q2 2010.

DKK million	Q2 2011	Q2 2010	% Growth
Charms	995	960	3.6%
Silver and gold charm bracelets	132	156	-15.4%
Rings	89	75	18.7%
Other jewellery	176	152	15.8%
<b>Total</b>	<b>1,392</b>	<b>1,343</b>	<b>3.6%</b>

The average sales price per item in Q2 2011 has increased to DKK 135 from DKK 116 in Q2 2010 mainly driven by implemented price increases.

## NEW MARKETS

In Italy, we were by the end of Q2 2011 selling PANDORA products through 686 points of sale (1 Concept store, 13 Shop-in-Shops, 9 Gold stores, 78 Silver stores and 585 White stores). At the end of 2011, PANDORA expects to have close to 1,000 points of sale in Italy.

As stated earlier, PANDORA expects to open more than 190 new Concept stores in 2011 compared to 225 new Concept stores in 2010. Many of these in 3 of our major new markets: Russia, China and Japan.

By the end of Q2 2011, 14 branded stores were operating in Russia. At the end of 2011, PANDORA expects to have more than 30 branded stores in Russia. Our strategy in Russia is to open branded stores only – primarily Concept stores and Shop-in-Shops.

In Asia, PANDORA expects to open more than 65 Concept stores and Shop-in-Shops in 2011. Store openings will primarily be in China and Japan.

In China, PANDORA now has 3 Concept stores and 2 Shop-in-Shops. At the end of 2011, PANDORA expects to have more than 15 branded stores in China in anchor locations as part of a cluster strategy in key cities. Our strategy in China is to open branded stores only – primarily Concept stores and Shop-in-Shops.

By the end of Q2 2011 PANDORA has 1 Concept store and 2 Shop-in-Shops operating in Japan. At the end of 2011, PANDORA expects to have more than 15 branded stores in Japan. Our strategy in Japan is to open branded stores only – primarily Concept stores and Shop-in-Shops.

PANDORA took over operations in France from our former 3<sup>rd</sup> party distributor on July 1, 2011. Taking over the direct distribution in France is an important step in PANDORA's effort to develop its presence in this strategically important jewellery market.

## REVENUE DEVELOPMENT IN Q2 2011

Total revenue increased 3.6% to DKK 1,392 million in Q2 2011 from DKK 1,343 million in Q2 2010. Excluding foreign exchange movements the underlying revenue growth was 10.2% of which 15.3% was due to price increases, -5.1% was volume (-11.2%) and mix effects (6.1%).

We implemented price increases in all markets during Q1 2011 except for Australia where we increased prices in April 2011. Price increases in Germany were only implemented at the end of Q1 2011. Our price increases introduced during H1 2011 have had a significant negative impact on our volumes in the quarter.

Revenue per total points of sale decreased by 0.7% in Q2 2011 compared to Q2 2010 as revenue per point of sale decreased to approximately DKK 134 thousand in Q2 2011 from approximately DKK 135 thousand in Q2 2010 (calculated based on the average of the points of sale at the beginning and end of the period).

Revenue per point of sales by channel in H1 2011 was for Concept stores DKK 2,400 thousand (DKK 2,558 thousand in H1 2010), Shop-in-Shops DKK 723 thousand (DKK 971 thousand), Gold stores DKK 355 thousand (DKK 435 thousand), Silver stores DKK 195 thousand (DKK 227 thousand) and for White stores DKK 86 thousand (DKK 90 thousand).

The geographical distribution of revenue in Q2 2011 was 52.0% for the Americas, 34.7% for Europe and 13.3% for Asia Pacific.

## REVENUE BREAKDOWN BY GEOGRAPHY

DKK million	Q2 2011	Q2 2010	% Growth	% Growth in local currency
<b>Americas</b>	<b>724</b>	<b>623</b>	<b>16.2%</b>	<b>30.2%</b>
United States	545	549	-0.7%	
Other	179	74	141.9%	
<b>Europe</b>	<b>483</b>	<b>548</b>	<b>-11.9%</b>	<b>-10.9%</b>
United Kingdom	166	191	-13.1%	
Germany	119	149	-20.1%	
Other	198	208	-4.8%	
<b>Asia Pacific</b>	<b>185</b>	<b>172</b>	<b>7.6%</b>	<b>5.2%</b>
Australia	134	157	-14.6%	
Other	51	15	240.0%	
<b>Total</b>	<b>1,392</b>	<b>1,343</b>	<b>3.6%</b>	<b>10.2%</b>

## AMERICAS

Revenue increased by 16.2% to DKK 724 million in Q2 2011 from DKK 623 million in Q2 2010. Excluding foreign exchange movements the underlying revenue growth was 30.2% compared to Q2 2010. Americas represented 52.0% of Group revenue in Q2 2011 against 46.4% in Q2 2010.

In the United States revenue was down 0.7% in Q2 2011 vs Q2 2010, whereas revenue increased by 12.1% measured in local currency in the same period. The United States continues to be our largest single market accounting for 39.2% of Q2 2011 Group revenue. Other Americas, with Canada as the

largest contributor, grew year on year by 141.9% and by 163.8% excluding foreign exchange effect and now constitutes 12.9% of Group revenue.

During Q2 2011 the number of branded stores in Americas increased by 42 stores to a total of 1,113 stores. In Americas branded stores account for 40.3% of the total number of stores compared to 39.6% at the end of Q1 2011.

AMERICAS	Number of PoS	Number of PoS	Number of PoS	Delta Q2 2011	Delta Q2 2010
	Q2 2011	Q1 2011	Q2 2010	and Q1 2011	and Q1 2010
Concept stores <sup>1</sup>	160	148	90	12	9
Shop-in-Shops <sup>2</sup>	346	331	198	15	43
Gold	607	592	625	15	-10
<b>Total branded</b>	<b>1,113</b>	<b>1,071</b>	<b>913</b>	<b>42</b>	<b>42</b>
<b>Total branded as % of Total</b>	<b>40.3%</b>	<b>39.6%</b>	<b>36.1%</b>	<b>0</b>	<b>-</b>
Silver	1,105	1,101	995	4	47
White and travel retail	541	530	621	11	-27
<b>Total</b>	<b>2,759</b>	<b>2,702</b>	<b>2,529</b>	<b>57</b>	<b>62</b>

<sup>1</sup> Includes 0 and 0 PANDORA-owned Concept stores at Q1 2011 and Q2 2011 respectively

<sup>2</sup> Includes 0 and 0 PANDORA-owned shop-in-shops at Q1 2011 and Q2 2011 respectively

## EUROPE

In Europe we experienced a decrease in our revenue of 11.9% (10.9% in local currency) in Q2 2011 vs. Q2 2010, driven by weak performance in particularly the United Kingdom and Germany.

The UK is the largest single market in Europe accounting for 11.9% of Q2 2011 Group revenue, compared to 14.2% in Q2 2010. In the UK the trading environment continued to be challenging in Q2 2011, resulting in weak like-for-like sales performance for many retailers. In this difficult environment our revenue in the UK decreased by 13.1% as result of declining same store sales.

Germany is the second largest market in Europe, accounting for 8.5% of Q2 2011 Group revenue, compared to 11.1% in Q2 2010. Revenue in Germany decreased 20.1% in Q2 2011 compared to Q2 2010. Our performance in Germany is the result of two main differences to other large PANDORA markets: lower brand awareness in combination with a large share of distribution through unbranded stores. As was the case in Q1 2011, PANDORA in Q2 2011 closed White stores as part of our ongoing process to clean up the distribution network.

In addition to the aforementioned price increases in Germany, we have tightened general trading terms with our customers.

The category Other Europe, which is the largest reporting segment within the European region declined by 4.8% in Q2 2011 compared to Q2 2010, adversely affected by our 3<sup>rd</sup> party distributors in Spain and Portugal, and positively influenced by double-digit growth in Italy and even higher growth in Central Eastern Europe, albeit from low levels.

EUROPE	Number of PoS Q2 2011	Number of PoS Q1 2011	Number of PoS Q2 2010	Delta Q2 2011 and Q1 2011	Delta Q2 2010 and Q1 2010
Concept stores <sup>1</sup>	258	235	135	23	9
Shop-in-Shops <sup>2</sup>	535	522	409	13	47
Gold	845	871	681	-26	72
<b>Total branded</b>	<b>1,638</b>	<b>1,628</b>	<b>1,225</b>	<b>10</b>	<b>128</b>
<b>Total branded as % of Total</b>	<b>23.6%</b>	<b>23.5%</b>	<b>18.5%</b>	<b>0</b>	<b>-</b>
Silver	1,490	1,341	1,124	149	66
White and travel retail	3,816	3,959	4,276	-143	-266
<b>Total<sup>3</sup></b>	<b>6,944</b>	<b>6,928</b>	<b>6,625</b>	<b>16</b>	<b>-72</b>

<sup>1</sup> Includes 30 and 33 PANDORA-owned Concept stores at Q1 2011 and Q2 2011 respectively

<sup>2</sup> Includes 37 and 41 PANDORA-owned shop-in-shops at Q1 2011 and Q2 2011 respectively

<sup>3</sup> Includes for Q2 2011 48 concept stores, 140 Shop-in-Shops, 130 Gold, 313 Silver and 1,796 White stores respectively relating to 3rd party distributors

## ASIA PACIFIC

In Asia Pacific, revenue increased by 7.6% in Q2 2011 compared to Q2 2010. The revenue increase was attributable to strong growth in Asia excluding Australia, particularly in Japan, Hong Kong, Malaysia and China. Excluding currency movements, the underlying revenue in the region increased by 5.2% year on year.

Trading conditions in Australia continue to be highly challenging for PANDORA. The market is dominated by heavy discounting by competitors particularly in PANDORA's price segment and lower price points.

In Q2 2011, the positive impact from the strengthening of the Australian dollar was more than offset by the decline in revenue measured in local currency. Reported revenue was down 14.6% year on year whereas revenue declined 19.9% in local currency.

ASIA	Number of PoS Q2 2011	Number of PoS Q1 2011	Number of PoS Q2 2010	Delta Q2 2011 and Q1 2011	Delta Q2 2010 and Q1 2010
Concept stores <sup>1</sup>	75	68	37	7	4
Shop-in-Shops <sup>2</sup>	130	133	118	-3	12
Gold	153	159	159	-6	-5
<b>Total branded</b>	<b>358</b>	<b>360</b>	<b>314</b>	<b>-2</b>	<b>11</b>
<b>Total branded as % of Total</b>	<b>53.4%</b>	<b>47.4%</b>	<b>40.9%</b>	<b>0</b>	<b>0</b>
Silver	99	100	98	-1	-
White and travel retail	214	300	356	-86	-11
<b>Total</b>	<b>671</b>	<b>760</b>	<b>768</b>	<b>-89</b>	<b>-</b>

<sup>1</sup> Includes 28 and 28 PANDORA-owned Concept stores at Q1 2011 and Q2 2011 respectively

<sup>2</sup> Includes 0 and 0 PANDORA-owned shop-in-shops at Q1 2011 and Q2 2011 respectively



## REVENUE BY DISTRIBUTION

We mainly derive our revenue from direct distribution of our jewellery products to our sales channels. Direct distribution accounted for 93.1% of revenue in Q2 2011 compared to 92.6% in Q2 2010.

Q2 2011	DKK million	Number of Points
	Revenue	of sale end period
Direct distribution	1,296	7,947
Third party distribution	96	2,427
<b>Total</b>	<b>1,392</b>	<b>10,374</b>

## GROSS PROFIT AND GROSS MARGIN

Gross profit was DKK 1,035 million in Q2 2011 compared to DKK 979 million in Q2 2010, resulting in a gross margin of 74.4% in Q2 2011 compared to 72.9% in Q2 2010.

The gross margin was positively affected by global price increases and mix changes, but negatively affected by increasing raw material prices. At the beginning of Q2 2011 we have hedged 100%, 80%, 60% and 40% of expected gold and silver consumption in the following four quarters. However, current inventory means a delayed impact on our cost of goods sold of these hedge prices. The combined effect of the time lag from our inventory and our 12-month rolling hedges effectively means that we are already close to 100% hedged for the full year 2011.

Excluding our hedging and the time lag effect from our inventory, the underlying gross margin would have been approximately 65% based on average gold (1,525 USD/oz) and silver (38 USD/oz) market prices in Q2 2011. 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 realized 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.

## **DISTRIBUTION EXPENSES**

Distribution expenses increased to DKK 443 million in Q2 2011 from DKK 345 million in Q2 2010, representing 31.8% of revenue in Q2 2011 compared to 25.7% in Q2 2010. Finally, in Q2 2011, marketing costs amounted to DKK 191 million corresponding to 13.7% of revenue, compared to 10.5% in Q2 2010.

As in Q2 2010, distribution costs in Q2 2011 were negatively affected by DKK 46 million from amortisation of acquired distribution rights in PANDORA CWE. These distribution rights were fully amortised by 30 June 2011.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses amounted to DKK 152 million in Q2 2011 versus DKK 154 million Q2 2010, representing 10.9% down from 11.5% of Q2 2011 and Q2 2010 revenue, respectively.

## **EBITDA**

EBITDA for Q2 2011 decreased by 6.2% to DKK 512 million resulting in an EBITDA margin of 36.8%, - down from 40.7% in Q2 2010.

Regional EBITDA margins for Q2 2011 before allocation of central costs were 55.9% in Americas (53.6% in Q2 2010), 25.5% in Europe (42.0% in Q2 2010) and 33.5% in Asia Pacific (41.3% in Q2 2010). Unallocated costs decreased to 5.6% in Q2 2011 compared to 6.6% in Q2 2010.

The margin decrease in Europe is due to lower revenue as well as increasing operating expenses primarily from organisational changes in CWE and costs related to taking over distribution in France by July 1 2011. The decrease in EBITDA margin in Asia Pacific is primarily due to the decline in revenue in Australia.

## **EBIT**

EBIT for Q2 2011 decreased to DKK 440 million – a decrease of 8.3% compared to the same quarter 2010, resulting in an EBIT margin of 31.6% for Q2 2011 vs 35.7% in Q2 2010.

## **NET FINANCIAL INCOME AND EXPENSES**

Due to the refinancing implemented in 2010, comparison to Q2 2010 is not meaningful. Financial expenses were DKK 56 million in Q2 2011.

The recent performance in PANDORA CWE has led to a reassessment of the earnings potential for the period covered by the earn-out agreement with the previous distributor. Therefore a non-cash adjustment of the liability related to the earn-out on the non-controlling interests in PANDORA CWE of DKK 296 million has been made in Q2 2011 which is included in financial income. The remaining liability of DKK 252 million is included in provisions under non-current liabilities. Going forward a present value adjustment of this liability will be made every quarter. This is estimated at DKK 7 million per quarter and will be included in net financial expenses.

## **INCOME TAX EXPENSES**

Income tax expenses were DKK 79 million in Q2 2011, implying an effective tax rate of 11.2% for Q2 2011. Adjusted for the CWE earn-out revaluation, the effective tax rate was 19.3% in Q2 2011.

## **NET PROFIT**

Net profit in Q2 2011 increased by 56.1% to DKK 626 million from DKK 401 million in Q2 2010. Adjusted for the CWE earn-out revaluation, net profit in Q2 2011 decreased by 17.7% to DKK 330 million compared with Q2 2010.

## **LIQUIDITY AND CAPITAL RESOURCES**

In Q2 2011, PANDORA generated a free cash flow of DKK 227 million corresponding to a cash conversion of 36.3% compared to 57.1% in Q2 2010.

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q2 2011 was 29.8% of preceding twelve months revenue compared to 29.1% at the end of Q2 2010. The increase is driven by increased inventory offset by significantly improved performance on account receivables. Inventory increased to DKK 1,697 million at the end of Q2 2011 from DKK 990 million at the end of 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.

Operating working capital at the end of Q1 2011 was 26.8% of last twelve months revenue. Q2 2011 inventory increased to DKK 1,697 at the end of Q2 2011 from DKK 1,464 at the end of Q1 2011. Trade receivables improved to DKK 630 million in Q2 2011 (8.7% of preceding 12 month revenue) from DKK 678 million in Q1 2011 (9.5% of preceding 12 month revenue).

In Q2 2011, PANDORA invested a total of DKK 27 million in property, plant and equipment, approximately 1.9% of revenue.

Total interest bearing debt were DKK 1,348 million at the end of Q2 2011 compared to DKK 2,128 million at the end of Q2 2010.

Cash and short-term deposits amounted to DKK 204 million at the end of Q2 2011 compared to DKK 178 million at the end of Q2 2010.

Net interest bearing debt at the end of Q2 2011 was DKK 1,144 million corresponding to 0.4x LTM EBITDA compared to DKK 1,950 million at the end of Q2 2010 corresponding to 1.0x LTM EBITDA.

## **DEVELOPMENT IN FIRST HALF 2011**

### **REVENUE**

Total revenue increased 21.5% to DKK 3,137 million in H1 2011 from DKK 2,581 million in H1 2010. Excluding foreign exchange movements the underlying revenue growth was 23.2% of which 14.5% was due to price increases, 8.7% was volume (0.2%) and mix effects (8.5%).

The geographical distribution of revenue in H1 2011 was 48.0% for the Americas, 39.1% for Europe

and 12.9% for Asia Pacific.

### **GROSS PROFIT AND GROSS MARGIN**

Gross profit was DKK 2,285 million in H1 2011 compared to DKK 1,806 million in H1 2010, resulting in a gross margin of 72.8% in H1 2011 compared to 70.0% in H1 2010.

### **DISTRIBUTION EXPENSES**

Distribution expenses increased to DKK 902 million in H1 2011 from DKK 644 million in H1 2010, representing 28.8% of revenue in H1 2011 compared to 25.0% in H1 2010. In H1 2011, marketing costs amounted to DKK 361 million corresponding to 11.5% of revenue, compared to 9.5% in H1 2010.

As in H1 2010, distribution costs in H1 2011 were negatively affected by DKK 92 million from amortisation of acquired distribution rights in PANDORA CWE. These distribution rights were fully amortised by 30 June 2011.

### **ADMINISTRATIVE EXPENSES**

Administrative expenses amounted to DKK 306 million in H1 2011 versus DKK 270 million H1 2010, representing 9.8% down from 10.5% of H1 2011 and H1 2010 revenue, respectively.

### **EBITDA**

EBITDA for H1 2011 increased to DKK 1,221 million from DKK 1,020 million in H1 2010. EBITDA margin decreased by 0.6% points from 39.5% in H1 2010 to 38.9% in H1 2011.

Regional EBITDA margins for H1 2011 before allocation of central costs were 53.6% in Americas (52.6% in H1 2010), 37.0% in Europe (40.1% in H1 2010) and 38.5% in Asia Pacific (44.9% in H1 2010). Unallocated costs decreased to 6.2% in H1 2011 compared to 7.0% in H1 2010.

### **EBIT**

EBIT for H1 2011 increased to DKK 1,077 million from DKK 892 million in H1 2010. EBIT margin decreased by 0.3% points from 34.6% in H1 2010 to 34.3% in H1 2011.

### **NET FINANCIAL INCOME AND EXPENSES**

Due to the refinancing implemented in 2010, comparison to Q2 2010 is not meaningful. Net financial income and expenses were DKK 256 million in H1 2011 vs DKK -74 million in H1 2010. Net financial income and expenses are impacted by the revaluation of the liability related PANDORA CWE of DKK 296 million.

### **INCOME TAX EXPENSES**

Income tax expenses were DKK 192 million in H1 2011, implying an effective tax rate of 14.4% for H1 2011. Adjusted for the CWE earn-out revaluation, the effective tax rate was 18.5% in H1 2011.

### **NET PROFIT**

Net profit in H1 2011 increased by 70.0% to DKK 1,141 million from DKK 671 million in H1 2010. Adjusted for the CWE earn-out revaluation, net profit in H1 2011 increased with 25.9% to DKK 845 million compared with H1 2010.

**LIQUIDITY AND CAPITAL RESOURCES**

In H1 2011, PANDORA generated a free cash flow of DKK 703 million corresponding to a cash conversion of 61.6% compared to 65.7% in H1 2010.

## **MANAGEMENT STATEMENT**

The Board of Directors and the Executive Board have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 30 June 2011.

The interim report, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU, and additional Danish interim reporting requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 30 June 2011, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 June 2011.

Further, in our opinion the management's review (p. 1-13) gives a true and fair review of the development in the Group's operations and financial matters, the result of the PANDORA Group for the period and the financial position as a whole, and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 02 August 2011

## **EXECUTIVE BOARD**

Henrik Holmark  
Chief Financial Officer

## **BOARD OF DIRECTORS**

Allan Leighton  
Chairman

Torben Ballegaard Sørensen

Andrea Alvey

Marcello V. Bottoli

Sten Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

### CONSOLIDATED INCOME STATEMENT

DKK million	Notes	2011 Q2	2010 Q2	2011 Half year	2010 Half year	2010 Full year
Revenue	3	1,392	1,343	3,137	2,581	6,666
Cost of sales		-357	-364	-852	-775	-1,941
<b>Gross profit</b>		<b>1,035</b>	<b>979</b>	<b>2,285</b>	<b>1,806</b>	<b>4,725</b>
Distribution expenses		-443	-345	-902	-644	-1,733
Administrative expenses		-152	-154	-306	-270	-576
<b>Operating profit</b>		<b>440</b>	<b>480</b>	<b>1,077</b>	<b>892</b>	<b>2,416</b>
Financial income		321	17	368	37	54
Financial expenses		-56	-8	-112	-111	-218
<b>Profit before tax</b>		<b>705</b>	<b>489</b>	<b>1,333</b>	<b>818</b>	<b>2,252</b>
Income tax expenses		-79	-88	-192	-147	-381
<b>Net profit for the period</b>		<b>626</b>	<b>401</b>	<b>1,141</b>	<b>671</b>	<b>1,871</b>

#### Attributable to:

Equity holders of PANDORA A/S	626	389	1,141	649	1,846
Non-controlling interests	0	12	0	22	25
<b>Net profit for the period</b>	<b>626</b>	<b>401</b>	<b>1,141</b>	<b>671</b>	<b>1,871</b>

#### Earnings per share

Profit for the period attributable to ordinary equity holders of the parent, basic	5	206	9	543	15
Profit for the period attributable to ordinary equity holders of the parent, diluted	5	206	9	543	15

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

DKK million	2011 Q2	2010 Q2	2011 Half year	2010 Half year	2010 Full year
Net profit for the period	626	401	1,141	671	1,871
Exchange differences on translation of foreign subsidiaries	-61	244	-256	443	402
Value adjustment of hedging instruments	-226	53	-116	44	299
Income tax on other comprehensive income	1	-2	-4	1	3
<b>Other comprehensive income, net of tax</b>	<b>-286</b>	<b>295</b>	<b>-376</b>	<b>488</b>	<b>704</b>
<b>Total comprehensive income for the period</b>	<b>340</b>	<b>696</b>	<b>765</b>	<b>1,159</b>	<b>2,575</b>

#### Attributable to:

Equity holders of PANDORA A/S	340	679	765	1,112	2,519
Non-controlling interests	0	17	0	47	56
<b>Total comprehensive income for the period</b>	<b>340</b>	<b>696</b>	<b>765</b>	<b>1,159</b>	<b>2,575</b>

**CONSOLIDATED BALANCE SHEET**

DKK million	2011 30 June	2010 30 June	2010 31 December
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	1,851	1,901	1,905
Brand	1,052	1,061	1,052
Distribution network	351	367	366
Distribution rights	1,036	1,208	1,128
Other intangible assets	51	9	39
Property, plant and equipment	365	291	374
Deferred tax assets	165	73	107
Other non-current financial assets	20	47	28
<b>Total non-current assets</b>	<b>4,891</b>	<b>4,957</b>	<b>4,999</b>
<b>Current assets</b>			
Inventories	1,697	990	1,272
Trade receivables	630	555	834
Other receivables	362	271	533
Tax receivables	70	50	97
Cash and short-term deposits	204	178	1,224
<b>Total current assets</b>	<b>2,963</b>	<b>2,044</b>	<b>3,960</b>
<b>Total assets</b>	<b>7,854</b>	<b>7,001</b>	<b>8,959</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	130	126	130
Share premium	1,248	675	1,248
Treasury shares	-38	-	-38
Foreign currency translation reserve	265	568	521
Other reserves	279	60	390
Proposed dividend	0	-	650
Retained earnings	2,555	946	1,414
<b>Equity attributable to equity holders of the parent company</b>	<b>4,439</b>	<b>2,375</b>	<b>4,315</b>
Non-controlling interests	-	622	-
<b>Total shareholders' equity</b>	<b>4,439</b>	<b>2,997</b>	<b>4,315</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	-	1,337	-
Provisions	265	20	536
Deferred tax liabilities	589	621	606
Other non-current liabilities	8	435	18
<b>Total non-current liabilities</b>	<b>862</b>	<b>2,413</b>	<b>1,160</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	1,348	791	2,326
Provisions	112	113	76
Payable to parent company	-	34	-
Trade payables	175	152	245
Income tax payables	545	244	351
Other payables	373	257	486
<b>Current liabilities</b>	<b>2,553</b>	<b>1,591</b>	<b>3,484</b>
<b>Total liabilities</b>	<b>3,415</b>	<b>4,004</b>	<b>4,644</b>
<b>Total equity and liabilities</b>	<b>7,854</b>	<b>7,001</b>	<b>8,959</b>



**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**1 January - 30 June**

DKK million	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Other reserves	Proposed dividend	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Shareholders' equity at 1 January 2011	130	1,248	-38	521	390	650	1,414	4,315	0	4,315
<i>Comprehensive income</i>										
Net profit for the period							1,141	1,141	0	1,141
Exchange differences on translation of foreign subsidiaries				-256				-256	0	-256
Value adjustment of hedging instruments					-116			-116		-116
Income tax on other comprehensive income					-4			-4		-4
Other comprehensive income, net of tax				-256	-120			-376	0	-376
<b>Total comprehensive income for the period</b>				<b>-256</b>	<b>-120</b>		<b>1,141</b>	<b>765</b>	<b>0</b>	<b>765</b>
Sharebased payments					9			9		9
Paid dividend						-650	0	-650		-650
<b>Shareholders' equity at 30 June 2011</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>265</b>	<b>279</b>	<b>0</b>	<b>2,555</b>	<b>4,439</b>	<b>0</b>	<b>4,439</b>
Shareholders' equity at 1 January 2010	1	0	0	164	11	0	1,276	1,452	197	1,649
Reclassification *				-14			21	7	-7	0
<i>Comprehensive income</i>										
Net profit for the period							649	649	22	671
Exchange differences on translation of foreign subsidiaries				418				418	25	443
Value adjustment of hedging instruments					44			44		44
Income tax on other comprehensive income					1			1		1
Other comprehensive income, net of tax				418	45			463	25	488
<b>Total comprehensive income for the period</b>				<b>418</b>	<b>45</b>		<b>649</b>	<b>1,112</b>	<b>47</b>	<b>1,159</b>
Sharebased payments					4			4		4
Capital increase	125	675						800		800
Proposed dividend						1,000	-1,000	0		0
Paid dividend						-1,000	0	-1,000		-1,000
Non-controlling interests arising on business combination								0	820	820
Minority shareholder with put-option reclassified to provisions								0	-410	-410
Remeasurement of put-option								0	-25	-25
<b>Shareholders' equity at 30 June 2010</b>	<b>126</b>	<b>675</b>	<b>0</b>	<b>568</b>	<b>60</b>	<b>0</b>	<b>946</b>	<b>2,375</b>	<b>622</b>	<b>2,997</b>

\* Non-controlling interests part of depreciation of distribution right including tax effect and foreign currency translation reserve of 31 December 2009.

**CONSOLIDATED CASH FLOW STATEMENT**

DKK million	2011 Q2	2010 Q2	2011 Half year	2010 Half year	2010 Full year
Profit before tax	705	489	1,333	818	2,252
Financial income	-321	-17	-368	-37	-54
Financial expenses	56	8	112	111	218
Amortisation/depreciation	71	66	143	128	265
Warrants	9	1	9	4	6
Change in inventories	-254	-313	-537	-438	-665
Change in receivables	85	-86	179	-24	-308
Change in trade payables	-45	140	-62	40	37
Change in other liabilities	-291	-13	-333	40	192
	15	275	476	642	1,943
Other non-cash adjustments	277	59	345	8	31
Interest received	2	-15	3	6	17
Interest paid	-14	2	-55	-213	-299
Income tax paid	-25	-61	-59	-127	-376
<b>Cash flow from operating activities</b>	<b>255</b>	<b>260</b>	<b>710</b>	<b>316</b>	<b>1,316</b>
Acquisition of subsidiaries, net of cash acquired	0	-1	-116	8	-94
Purchase of intangible assets	-14	0	-18	0	-52
Purchase of property, plant and equipment	-27	-44	-61	-82	-210
Investment in receivable	0	-77	0	-77	0
Change in other non-current assets	-5	0	6	0	3
Proceeds from sale of property, plant and equipment	6	0	14	0	49
<b>Cash flow from investing activities</b>	<b>-40</b>	<b>-122</b>	<b>-175</b>	<b>-151</b>	<b>-304</b>
Capital increase including share premium net of transaction costs	0	0	0	0	651
Dividend paid to parent company	-650	-53	-650	-166	-200
Dividend paid to non-controlling interests	0	0	-13	0	-40
Purchase and disposal of treasury shares	0	0	0	0	-38
Acquisition of non-controlling interests	0	0	0	0	-593
Proceeds from borrowings	112	10	1,499	773	2,775
Repayment of borrowings	-54	-220	-2,375	-1,470	-3,199
<b>Cash flow from financing activities</b>	<b>-592</b>	<b>-263</b>	<b>-1,539</b>	<b>-863</b>	<b>-644</b>
<b>Net cash flow for the period</b>	<b>-377</b>	<b>-125</b>	<b>-1,004</b>	<b>-698</b>	<b>368</b>
<b>Cash and short-term deposits</b>					
Cash and short-term deposits at beginning of period	584	275	1,224	824	824
Net exchange rate adjustment	-3	28	-16	52	32
Net cash flow for the period	-377	-125	-1,004	-698	368
<b>Cash and short-term deposits at end of period</b>	<b>204</b>	<b>178</b>	<b>204</b>	<b>178</b>	<b>1,224</b>
Unutilised credit facilities inclusive cash and cash equivalents	1,558	206	1,558	206	1,382

**CONSOLIDATED CASH FLOW STATEMENT**

DKK million	2011 Q2	2010 Q2	2011 Half year	2010 Half year	2010 Full year
Profit before tax	705	489	1,333	818	2,252
Financial income	-321	-17	-368	-37	-54
Financial expenses	56	8	112	111	218
Amortisation/depreciation	71	66	143	128	265
Warrants	9	1	9	4	6
Change in inventories	-254	-313	-537	-438	-665
Change in receivables	85	-86	179	-24	-308
Change in trade payables	-45	140	-62	40	37
Change in other liabilities	-291	-13	-333	40	192
	15	275	476	642	1,943
Other non-cash adjustments	277	59	345	8	31
Interest received	2	-15	3	6	17
Interest paid	-14	2	-55	-213	-299
Income tax paid	-25	-61	-59	-127	-376
<b>Cash flow from operating activities</b>	<b>255</b>	<b>260</b>	<b>710</b>	<b>316</b>	<b>1,316</b>
Acquisition of subsidiaries, net of cash acquired	0	-1	-116	8	-94
Purchase of intangible assets	-14	0	-18	0	-52
Purchase of property, plant and equipment	-27	-44	-61	-82	-210
Investment in receivable	0	-77	0	-77	0
Change in other non-current assets	-5	0	6	0	3
Proceeds from sale of property, plant and equipment	6	0	14	0	49
<b>Cash flow from investing activities</b>	<b>-40</b>	<b>-122</b>	<b>-175</b>	<b>-151</b>	<b>-304</b>
Capital increase including share premium net of transaction costs	0	0	0	0	651
Dividend paid to parent company	-650	-53	-650	-166	-200
Dividend paid to non-controlling interests	0	0	-13	0	-40
Purchase and disposal of treasury shares	0	0	0	0	-38
Acquisition of non-controlling interests	0	0	0	0	-593
Proceeds from borrowings	112	10	1,499	773	2,775
Repayment of borrowings	-54	-220	-2,375	-1,470	-3,199
<b>Cash flow from financing activities</b>	<b>-592</b>	<b>-263</b>	<b>-1,539</b>	<b>-863</b>	<b>-644</b>
<b>Net cash flow for the period</b>	<b>-377</b>	<b>-125</b>	<b>-1,004</b>	<b>-698</b>	<b>368</b>
<b>Cash and short-term deposits</b>					
Cash and short-term deposits at beginning of period	584	275	1,224	824	824
Net exchange rate adjustment	-3	28	-16	52	32
Net cash flow for the period	-377	-125	-1,004	-698	368
<b>Cash and short-term deposits at end of period</b>	<b>204</b>	<b>178</b>	<b>204</b>	<b>178</b>	<b>1,224</b>
Unutilised credit facilities inclusive cash and cash equivalents	1,558	206	1,558	206	1,382

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

## **NOTES**

### **NOTE 1 – Significant accounting estimates and judgements**

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

All significant accounting estimates and judgements are consistent with the description in the annual report for 2010. We refer to the description in PANDORA's annual report for 2010, from page 53.

### **NOTE 2 – Seasonality of operations**

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

### **NOTE 3 - Operating segment information**

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

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

**NOTE 3 - Operating segment information, continued**

**Q2 2011**

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
<b>Income statement:</b>					
External revenue	724	483	185	-	1,392
Segment profit (EBITDA)	405	123	62	-78	512
Adjustments:					
Amortisation/depreciation					-71
Gain/loss from sale of non-current assets					-1
<b>Consolidated operating profit</b>					<b>440</b>

**Q2 2010**

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
<b>Income statement:</b>					
External revenue	623	548	172	-	1,343
Segment profit (EBITDA)	334	230	71	-89	546
Adjustments:					
Amortisation/depreciation					-66
<b>Consolidated operating profit</b>					<b>480</b>

**Half year 2011**

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
<b>Income statement:</b>					
External revenue	1,506	1,226	405	-	3,137
Segment profit (EBITDA)	807	454	156	-196	1,221
Adjustments:					
Amortisation/depreciation					-143
Gain/loss from sale of non-current assets					-1
<b>Consolidated operating profit</b>					<b>1,077</b>

**Half year 2010**

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
<b>Income statement:</b>					
External revenue	1,187	1,038	356	-	2,581
Segment profit (EBITDA)	624	416	160	-180	1,020
Adjustments:					
Amortisation/depreciation					-128
<b>Consolidated operating profit</b>					<b>892</b>

**NOTE 3 - Operating segment information, continued**

**Product information:**

Revenue from external customers

DKK million	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Q2</b>	<b>Q2</b>	<b>Half year</b>	<b>Half year</b>
Charms	995	960	2,246	1,859
Silver and gold charms bracelets	132	156	352	309
Rings	89	75	191	116
Other jewellery	176	152	348	297
<b>Revenue</b>	<b>1,392</b>	<b>1,343</b>	<b>3,137</b>	<b>2,581</b>

**Geographical information:**

Revenue from external customers

DKK million	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Q2</b>	<b>Q2</b>	<b>Half year</b>	<b>Half year</b>
United States	545	549	1,222	1,054
Australia	134	157	308	323
United Kingdom	166	191	385	342
Germany	119	149	281	304
Other countries*	428	297	941	558
<b>Revenue</b>	<b>1,392</b>	<b>1,343</b>	<b>3,137</b>	<b>2,581</b>

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

**NOTE 4 – Business combinations**

Acquisition of the German distributor.

On 5 January 2010, the Group formed PANDORA Jewelry Central Western Europe A/S together with the former German distributor. We refer to the description in PANDORA's annual report for 2010, from page 58.

**NOTE 5 - Contingent liabilities**

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

**NOTE 6 – Related party transactions**

Related parties of PANDORA with a controlling interest are the principal shareholder Prometheus Invest ApS (57% interest) and the ultimate parent, Axcel III K/S 2 (32% interest).

Related parties further comprise Axcel III K/S 2's other portfolio enterprises, as they are subject to the same controlling interests. There have not been any transactions with Axcel III K/S 2 or these other entities during H1 2011 and H1 2010.

Related parties of PANDORA with significant interests include the Board of Directors and the Executive Management of the companies and their family members. Furthermore, related parties include companies in which the aforementioned persons have control or significant interest. Except for compensation and benefits received as a result of the membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA, PANDORA has not undertaken any significant transactions with the Board of Directors and Executive Management. We refer to the description in PANDORA's annual report for 2010, page 89.

**Transactions with Prometheus Invest ApS**

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

**NOTE 6 – Related party transactions, continued**

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

**NOTE 6. Related party transactions**

DKK million	Prometheus Invest ApS			
	2011 Q2	2010 Q2	2011 Half year	2010 Half year
<b>Income statement:</b>				
Financial expenses	-	12	-	25
<b>Total</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>25</b>

DKK million	Prometheus Invest ApS	
	30 June 2011	30 June 2010
<b>Balance sheet:</b>		
Payables	-11	-34
<b>Total</b>	<b>-11</b>	<b>-34</b>

**NOTE 7 – Accounting policies**

The present unaudited interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' and accounting policies set out in the Annual Report 2010 of PANDORA. Furthermore, the interim financial report and Management's review are prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies. PANDORA has adopted all new, amended or revised accounting standards and interpretations ('IFRSs') endorsed by the EU effective for the accounting period beginning on 1 January 2011. These IFRSs have not had any significant impact on the Group's interim financial report.



## QUARTERLY OVERVIEW

DKK million	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
<b>Income statement</b>						
Revenue	1,392	1,745	2,297	1,788	1,343	1,238
EBITDA	512	709	857	807	546	474
Operating profit (EBIT)	440	637	781	743	480	412
Net financial income and expenses	265	-9	-56	-34	9	-83
Profit before tax	705	628	725	709	489	329
Net profit	626	515	619	581	401	270
<b>Balance sheet</b>						
Total assets	7,854	8,335	8,959	7,727	7,001	6,373
Invested capital	5,764	5,618	5,659	5,737	5,393	4,871
Net working capital	1,462	1,292	1,266	1,514	1,057	680
Shareholders' equity	4,439	4,740	4,315	3,391	2,997	1,512
Net interest-bearing debt	1,144	705	1,102	2,021	1,950	2,060
<b>Cash flow statement</b>						
Net cash flow from operating activities	255	455	951	49	260	56
Net cash flow from investing activities	-40	-135	-108	-45	-122	-29
Free cash flow	227	476	917	30	229	212
Cash flow from financing activities	-592	-947	83	136	-263	-600
Net cash flow for the period	-377	-627	926	140	-125	-573
<b>Ratios</b>						
Revenue growth, %	3.6%	41.0%	67.2%	116.7%	99.0%	110.9%
EBITDA growth, %	-6.2%	49.6%	40.7%	161.2%	70.6%	41.9%
EBIT growth, %	-8.3%	54.6%	44.4%	196.0%	55.3%	27.6%
Net profit growth, %	56.1%	90.7%	52.8%	279.7%	72.8%	25.6%
EBITDA margin, %	36.8%	40.6%	37.3%	45.1%	40.7%	38.3%
EBIT margin, %	31.6%	36.5%	34.0%	41.6%	35.7%	33.3%
Cash conversion, %	36.3%	92.4%	148.1%	5.2%	57.1%	78.5%
Net interest-bearing debt to EBITDA *	0.4	0.2	0.4	0.8	1.0	1.2
Equity ratio, %	56.5%	56.9%	48.2%	43.9%	42.8%	23.7%
ROIC, % *	45.1%	47.0%	42.7%	37.9%	31.2%	31.1%

\* Ratio is based on 12 months rolling EBITDA and EBITA respectively.