ANNUAL REPORT 2009

PANDORA

UNFORGETTABLE MOMENTS

The Pandora Story

THE STORY OF PANDORA IS A STORY TO REMEMBER. NOT ONLY IS IT A STORY OF A COMPANY WITH A DISTINCTIVE BRAND ALONG WITH DISTINCTIVE PRODUCTS, IT IS ALSO THE STORY OF A COMPANY THAT IN JUST A FEW YEARS MADE THE EXCEPTIONAL JOURNEY FROM A LOCAL DANISH JEWELLER TO A WORLD-LEADING INTERNATIONAL JEWELLERY COMPANY WITH SALES IN MORE THAN 40 COUNTRIES.

1982-1999: THE EARLY YEARS

It all started nearly 30 years ago. Back in 1982 a jeweller's shop that would one day become PANDORA was established in modest surroundings in Copenhagen, Denmark, by Danish goldsmith Per Enevoldsen and his wife Winnie.

From the beginning, they often travelled to Thailand in search of jewellery for importing. As the demand for their products increased, their focus gradually shifted towards wholesale to clients in Denmark.

In 1987, after several successful years as wholesalers, the retail activities were discontinued and the company moved to larger premises. Meanwhile, the first in-house designer joined the company and PANDORA began to focus on creating its own unique jewellery. In 1989, the company decided to start manufacturing its jewellery in Thailand.

2000-2009: BUILDING INTERNATIONAL PRESENCE

In 2000, PANDORA's charm bracelet concept was first launched in the Danish market. Consumers embraced the concept, and in the following years, driven by a growing and encouraging demand, the company began to expand internationally, entering new markets such as the United States in 2003 and Germany and Australia in 2004.

Over the following years, PANDORA rapidly expanded its market presence from a Scandinavian platform to an international marketing and sales platform driven mainly by third party distributors and strong production capabilities in Thailand.

In order to increase its production capacity, PANDORA opened a large scale, six-story fully-owned manufacturing facility in Thailand in 2005, which still forms a central part of the current production and infrastructure. In August 2008 a second manufacturing facility was opened in the same area, which was followed in March 2010 with the opening of PANDORA's third facility also in the same area, further strengthening our unique production setup.

TODAY

PANDORA operates and manages a vertically integrated business model from in-house design and manufacturing to global marketing and direct distribution in most markets. The products are sold in more than 40 countries on six continents. The PANDORA brand, and its collection of currently over 1,800 unique jewellery designs, is sold directly or through third-party distributors to around 10,000 points-of-sale worldwide, including more than 200 PANDORA branded concept stores.

PANDORA's mission – then and today – is to offer women across the world a universe of high quality, hand finished, modern and genuine jewellery products at affordable prices, thereby inspiring women to express their individuality. All women have their individual stories to tell – a personal collection of special moments that makes them who they are. That is why we celebrate these moments. That is why we say these moments are unforgettable.

Like the story of PANDORA.

ONE OF THE WORLD'S THREE LARGEST JEWELLERY BRANDS

IN 2009 MEASURED BY ESTIMATED RETAIL REVENUE, PRESENT IN MORE THAN 40 COUNTRIES ACROSS SIX CONTINENTS

WELL POSITIONED

WITHIN THE AFFORDABLE LUXURY SEGMENT OF THE FINE JEWELLERY MARKET OFFERING MODERN, HIGH QUALITY, HAND FINISHED PRODUCTS

THE COLLECTIBLE CHARM BRACELET

IS OUR CORNERSTONE PRODUCT AND FOSTERS REPEAT PURCHASES AND CUSTOMER LOYALTY. IT IS COMPLEMENTED BY A GROWING RANGE OF OTHER COLLECTIONS CONSISTENT WITH OUR CORE VALUES OF AFFORDABLE AND COLLECTIBLE JEWELLERY

SCALABLE

VERTICALLY INTEGRATED SUPPLY CHAIN WITH A LEAN COST STRUCTURE UNDERPINNING OUR HIGH MARGINS AND COMPETITIVE EDGE

HIGH GROWTH

WITH SALES AND EBITDA GROWTH OF 82% AND 102% BETWEEN 2008 (12 MONTHS ADJUSTED) AND 2009 AND AN EBITDA MARGIN OF 45% IN 2009

DKK 3,461 MILLION

REVENUE

DKK 1,572 MILLION

EBITDA

45%

EBITDA MARGIN

DKK 1,424 MILLION

EBIT

41%

EBIT MARGIN

DKK 1,005 MILLION

NET PROFIT

DKK 1,143 MILLION

FREE CASH FLOW

CONTENT

Hand finished

FINANCIAL HIGHLIGHTS*

DKK'000	2009	2008 12 months adjusted	2008
Consolidated income statement			
Revenue	3,461,082	1,904,487	1,657,616
EBITDA	**1,572,152**	**778,454**	**665,979**
Operating profit (EBIT)	**1,423,969**	**738,367**	**632,845**
Net financial income and expenses	-235,061		-217,018
Profit before tax	1,188,908	495,922	415,827
Net profit	**1,004,599**	**355,647**	**306,326**
Consolidated balance sheet			
Total assets	5,815,779		4,281,894
Invested capital	3,799,040		3,115,112
Net working capital	520,479		266,878
Shareholders' equity	1,648,399		427,604
Net borrowings	2,150,641		2,687,508
Net borrowings excl. subordinated loan from parent company	750,519		1,371,974
Consolidated cash flow statement			
Net cash flows from operating activities	1,065,716		393,446
Net cash flows used in investing activities	-207,422		-2,971,807
Free cash flow	1,143,450		491,863
Cash flows from financing activities	-342,567		2,882,853
Net increase in cash and cash equivalents	**515,727**		**304,492**
Ratios			
Revenue growth, % (compared to 2008, 12 months adjusted)	81.7%		
EBITDA growth, % (compared to 2008, 12 months adjusted)	102.0%		
EBIT growth, % (compared to 2008, 12 months adjusted)	92.9%		
Net profit growth, % (compared to 2008, 12 months adjusted)	182.5%		
EBITDA margin, %	45.4%	40.9%	40.2%
EBIT margin, %	41.1%	38.8%	38.2%
Cash conversion, %	113.8%		160.6%
Net debt to EBITDA	1.4		4.0
Equity ratio, %	28.3%		10.0%
ROIC, %	37.5%		20.3%
Other key figures			
Average number of employees	2,337		1,288

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 2005'. Please refer to note 26.

* The group structure below PANDORA Holding A/S originates from transactions taking place on 7 March 2008 whereby PANDORA Holding A/S acquired the PANDORA activities in Denmark, Thailand, the United States and Canada from the former shareholders of these entities. Before this date PANDORA Holding A/S was a dormant company. The operations of the acquired entities have been consolidated into the financial statements of PANDORA Holding A/S since 7 March 2008 only. As a result, the audited financial statements for 2008 reflect only approximately 10 months of results of operations beginning on 7 March 2008 to 31 December 2008. Please refer to note 3 for a detailed description of the transactions. The 2008 (12 months adjusted) figures reflect certain hypothetical key financial figures as if the acquisitions had taken place on 1 January 2008, i.e. on a 12 months basis.

HIGHLIGHTS 2009

PANDORA is a designer, manufacturer, and marketer of hand finished and modern jewellery made from genuine materials – primarily sterling silver, gold, precious and semi-precious stones and glass. We distribute our jewellery and other branded products to more than 40 countries on six continents across different sales channels through around 10,000 points of sale.

Our collectible charm bracelets made from sterling silver and gold and charms, which are featured in our Moments collection, constitute our core product offering. In addition, we offer other pieces of jewellery, such as rings, bracelets, necklaces and earrings, through our Moments, Stories, Compose, LovePods and Liquid Silver collections.

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

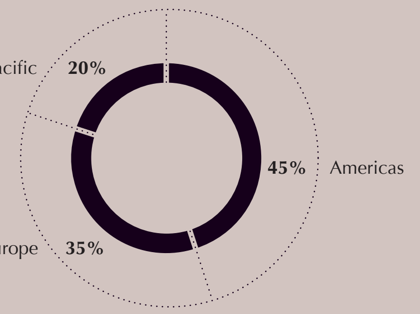
FINANCIAL YEAR 2009

In the annual report 2008 our expectations for 2009 were: "...that operations will continue to develop positively, yet – due to the recession – more moderately than has so far been the case". Despite a macro-economic downturn, we have experienced significant growth, higher than originally anticipated, during the period under review. The growth in revenue and EBITDA resulted from increasing demand for our products in established markets, expansion into new markets and significant structural changes as described in the section on events in 2009. However, due to the significant structural changes during 2008 and 2009 any comparison between the two periods is not necessarily meaningful or indicative of future growth. Please refer to the financial review for a more detailed discussion on drivers behind the development in the figures.

Total revenue in 2009 was DKK 3,461 million and, in the last 10 months of 2008, DKK 1,658 million. Comparing 2009 with revenue in 2008 (12 months adjusted) of DKK 1,905 million this constitutes a growth of 82%.

The geographical distribution of revenue in 2009 was 45% for the Americas, 35% for Europe, and 20% for Asia Pacific.

REVENUE BY GEOGRAPHY



Gross margin was 71% in 2009. In the last 10 months of 2008 the gross margin was 60%.

EBITDA in 2009 was DKK 1,572 million and, in the last 10 months of 2008, DKK 666 million. This corresponds to an EBITDA margin in 2009 of 45%. Comparing 2009 with an EBITDA of DKK 778 million in 2008 (12 months adjusted) the EBITDA growth was 102%.

EBIT in 2009 was DKK 1,424 million and, in the last 10 months of 2008, DKK 633 million. This corresponds to an EBIT margin of 41% in 2009. Comparing 2009 with an EBIT of DKK 738 million in 2008 (12 months adjusted) the EBIT growth was 93%.

Profit before tax in 2009 was DKK 1,189 million and, in the last 10 months of 2008, DKK 416 million. Comparing 2009 with a profit before tax in 2008 (12 months adjusted) of DKK 496 million this constitutes a growth of 140%.

Net profit in 2009 was DKK 1,005 million and, in the last 10 months of 2008, DKK 306 million. Comparing 2009 with a net profit in 2008 (12 months adjusted) of DKK 356 million this constitutes a growth of 183%.

In 2009, we invested DKK 207 million in our business, of which DKK 75 million was related to acquisitions. After substantial investments, the business generated a free cash flow of DKK 1,143 million.

EVENTS IN 2009

Our strategic focus of increasing control over our distribution network has led to a number of significant changes during 2009.

STRUCTURAL CHANGES

We established a wholly owned sales subsidiary in the United Kingdom in October 2008, and on 1 January 2009 we took over direct distribution of PANDORA products from our former distributor.

In July 2009, we completed the acquisition of a 60% stake in Ad Astra Holdings Pty Ltd., our former independent distributor for Australia and New Zealand. There is an option in place regarding the minority ownership stake.

EXPANSION INTO NEW GEOGRAPHICAL MARKETS

In March 2009, we established a sales subsidiary in Poland, in which we hold an 86% stake, to develop our commercial operations in Central Eastern Europe. In November 2009, we established a Hong Kong sales subsidiary, in which we have a 92% stake, in order to expand our product distribution in the Asia Pacific markets. There is an option in place regarding the minority ownership stakes.

In 2009, we also began direct distribution into Chile, Costa Rica, Czech Republic, Estonia, Honduras, Slovakia and as well as through third party distributors in Brazil, Cyprus, Hungary, Singapore and South Africa.

TRAVEL RETAIL

In 2009, we also started offering our products through travel retail outlets, including sales at airports as well as through onboard sales on a variety of international airlines and cruise ships.

NEW PRODUCTS

Our product portfolio was further expanded in 2009 to include a new silver jewellery line named “Liquid Silver” and an extension of the “LovePods” collection with white gold products. Our other jewellery lines were further developed by the introduction of new items.

New materials have also been included in the collections such as leather and textile bracelets and necklaces as well as charms made of wood.

ORGANISATION

On average PANDORA employed 2,337 people measured in full time equivalents (FTEs) in 2009 versus 1,288 in 2008. PANDORA employed 3,116 FTEs at the end of 2009 versus 1,537 one year earlier, a growth of more than 100%.

Thus, more than 1,500 new people joined PANDORA in 2009, and less than 165 people left the company. We view this as a major achievement that has led us to focus further on strengthening our human resource management efforts.

EVENTS AFTER THE BALANCE SHEET DATE

ESTABLISHMENT OF PANDORA JEWELRY CENTRAL WESTERN EUROPE

In January 2010, we formed PANDORA Jewelry Central Western Europe A/S (“PANDORA CWE”) together with our former independent 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 and Italy, the latter being a new market, and granted an extension of the rights for the German, Austrian and Swiss markets to PANDORA CWE. We own 51% of PANDORA CWE, and there is an option in place regarding the minority ownership stake.

EXPANSION OF PRODUCTION CAPACITY

We currently produce almost all of our jewellery products in-house. As of end 2009, we operated two in-house production facilities located in Gemopolis, a jewellery business zone outside of Bangkok, Thailand. In the first quarter of 2010, we opened a third production facility in Gemopolis, and expect a fourth facility in Gemopolis to become operational in the second half of 2010.

NEW PRODUCTS

While we expect jewellery to remain our principal product category for the foreseeable future, we have started distribution of PANDORA-branded sunglasses in the Spring of 2010. The production of these items is outsourced.

REFINANCING AND DECLARATION OF INTERIM DIVIDENDS IN FEBRUARY 2010

A refinancing of DKK 2,200 million was completed in February 2010. The proceeds were used to repay existing credit facilities, to repay the subordinated loan from parent company, PANDORA Invest ApS, and to pay DKK 113 million of a declared dividend to PANDORA Invest ApS. A dividend of DKK 1,000 million was declared, of which DKK 887 million remains to be paid to PANDORA Invest ApS.

OUTLOOK FOR 2010

For fiscal year 2010 the company expects continued growth.

FINANCIAL REVIEW

REVENUE

REVENUE BY SEGMENT AND MAJOR MARKETS

DKK million	2009	2008 (1)
Americas	1,558	694
- United States	1,459	646
- Other	99	48
Europe	1,207	665
- Germany	348	207
- United Kingdom	472	92
- Other	387	366
Asia Pacific	696	299
- Australia	649	299
- Other	47	0
Total	**3,461**	**1,658**

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

Total revenue in 2009 was DKK 3,461 million and, in the last 10 months of 2008, DKK 1,658 million. Comparing 2009 with revenue in 2008 (12 months adjusted) of DKK 1,905 million this constitutes a growth of 82%.

We derive our revenue almost entirely from the net sales of our jewellery products to our sales channels, our third party distributors and, through our directly operated PANDORA stores, to our end-consumers, with a small percentage of revenue derived from after sales services and freight charges.

REVENUE BY PRODUCT

DKK million	2009	2008 (2)
Silver and gold charm bracelets	551	266
Charms	2,537	1,165
Total silver and gold charm bracelets and charms	**3,088**	**1,431**
Other jewellery	359	220
Other (1)	14	7
Total	**3,461**	**1,658**

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

Apart from the impact of the additional approximately two months in 2009 compared with 2008, our revenue between the periods increased significantly, in part, due to strong organic growth, particularly in the United States and through expansion into new markets, which led to a significant increase in volumes sold between the periods.

REVENUE BY DISTRIBUTION

DKK million	2009	2008 (1)
Own distribution	2,608	755
Third party distribution	853	903
Total	**3,461**	**1,658**

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

Our revenue growth also reflected significant structural changes to our business between the periods, including our taking over direct distribution of PANDORA products in the United Kingdom and the acquisition in July 2009 of our former independent distributor in Australia. In addition, our revenue is impacted by the translation from foreign currencies to Danish Kroner.

AMERICAS

In the Americas, the increase in our revenue reflected strong organic growth principally as a result of significant same store sales growth in the United States as well as the establishment of new sales channels in the United States and other countries. The significant same store sales growth reflected, in part, increased demand, price increases for our products and a significant trend in the upgrading of stores to devote greater space to PANDORA products as well as to offer additional PANDORA jewellery collections.

EUROPE

In Europe, the increase in our revenue was principally related to the United Kingdom, partly attributable to establishing direct distribution of PANDORA products in this market on 1 January 2009. In addition, our increase in revenue reflected organic growth in our key existing markets – Germany and United Kingdom – and our expansion into new markets, in part through the establishment of our sales subsidiary in Poland in March 2009.

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 our Australian distributor as well as organic growth, particularly in Australia and New Zealand.

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 jewellery, direct wages as well as personnel and other expenses (such as utility costs) incurred in connection with our production and depreciation of our production facilities.

Cost of sales amounted to DKK 990 million in 2009 and DKK 666 million in the last 10 months of 2008.

Apart from the impact of the additional approximately two months in 2009 compared with 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 labour costs primarily reflecting increases in our employee headcount.

Our gross margin was 71% in 2009. In the last 10 months of 2008, the gross margin was 60%. The structural changes in the United Kingdom and Australia, which resulted in increased revenue as outlined above, have contributed to our gross margin in 2009. The effect of these structural changes on our gross margin more than offset an increase in our average production cost per unit, which 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 also increased due to foreign exchange trends, in particular the increasing appreciation of the U.S. Dollar versus 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

Distribution costs comprise expenses related to the distribution of goods sold and sales campaigns, including packaging, brochures, displays and fixtures and fittings, pay and other expenses relating to sales and distribution staff and amortisation/depreciation. Distribution costs amounted to DKK 743 million in 2009 and DKK 290 million in the last 10 months of 2008.

Our distribution costs increased as a result of the significant structural changes in the United Kingdom and Australia noted above. These structural changes meant that we began to incur distribution costs in respect of the United Kingdom and Australia in 2009 and resulted in a combined DKK 168 million of our total distribution costs in 2009. Apart from the impact of these developments and 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 market alignment strategy, in particular increasing our sales and marketing staff, and improving our sales channel support.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses paid in the year to manage and administer our operations, including expenses related to administrative staff and depreciation. Administrative expenses amounted to DKK 303 million in 2009 and DKK 69 million in the last 10 months of 2008.

Our administrative expenses increased as a result of the significant structural changes in the United Kingdom and Australia noted above. These structural changes meant that we began to incur administrative expenses in respect of the United Kingdom and Australia in 2009 and resulted in a combined DKK 126 million of our total administrative expenses in 2009. Apart from the impact of these developments and 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 this growth.

NET FINANCIAL INCOME AND EXPENSES

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

Net financial income and expenses amounted to DKK -235 million in 2009 and DKK -217 million in the last 10 months of 2008. Our net financial income and expenses from 2008 to 2009 is primarily impacted by positive fair value adjustments and interest on derivatives, additional interest expenses and an increase in net exchange losses.

INCOME TAX EXPENSES

In 2009 and 2008 the 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.

The average effective tax rate was 16% in 2009 and 26% in the last 10 months of 2008.

EBITDA AND NET PROFIT

DKK million	2009	2008 [1]
EBITDA	1,572	666
Net profit	1,005	306

[1] 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisition, 7 March 2008.

The EBITDA margin was 45% in 2009. In the last 10 months of 2008, the EBITDA margin was 40%.

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, our funding of working capital requirements, 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.

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 due to our growth.

CASH FLOW

The following table presents primary components of our cash flow for the periods indicated:

CASH FLOW

DKK million	2009	2008 [1]
Net cash flows from operating activities	1,066	393
Net cash flows used in investing activities	207	2,972
Net cash flows from financing activities	-343	2,883
Net increase in cash and cash equivalents	**516**	**304**

[1] 2008 reflects approximately 10 months of operations beginning on the date of the completion of the Acquisition, 7 March 2008.

During 2009, cash flow from operating activities was significantly higher than during the last 10 months of 2008. Apart from the addition of approximately two months included in 2009, the increase in cash flows primarily reflected increased operating income, for the reasons discussed above. The increase in income was to a limited extent offset by an increase in working capital reflecting our growth.

Net cash used in investing activities was significantly lower during 2009 than during the last 10 months of 2008, as the net cash used in the last 10 months of 2008 primarily reflected cash used in the acquisitions of the Danish, Thai and U.S. subsidiaries. Net cash flows used in investing activities excluding acquisition of subsidiaries was DKK 132 million in 2009 compared with DKK 48 million in the last 10 months of 2008, due to significant investments in our production facilities and distribution network as well as acquisition of trademarks.

Our net cash flow from financing activities in 2009 includes primarily repayment of borrowings amounting to DKK 343 million. Our net cash flow from financing activities in the last 10 months of 2008 includes primarily proceeds from borrowings to finance the acquisitions of the Danish, Thai and U.S. subsidiaries.

Our net borrowings as at 31 December 2009 was DKK 2,151 million compared with DKK 2,688 million as at 31 December 2008.

BUSINESS MODEL AND KEY STRATEGIC OBJECTIVES

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

Our vertically integrated business model is scalable while remaining subject to stringent supervision and quality control standards. We closely monitor our distribution channels agreeing with third party distributors, franchisees and other sales channels on detailed sales and marketing requirements to allow us to protect our brand and ensure a strong retail driven assortment. Through these attributes, we believe we are able to secure our high quality standards throughout the value chain.

DESIGN & PRODUCT DEVELOPMENT

The design and development process is one of the most important aspects of our operations. Our in-house design and development teams develop continuously the portfolio of jewellery products consistent with our core brand values: affordable luxury, contemporary design and personal storytelling.

VERTICALLY INTEGRATED BUSINESS MODEL

Design & Product Development

- In-house design team
- Sales-driven product development process
- Semi-annual launches
- Seven annual gifting events

Consistently relevant

Procurement & Production

- Efficient commodity procurement
- High quality, in-house production in Thailand for more than 20 years
- Highly skilled workforce with hand-finished craftsmanship
- Standardised production processes to maximise efficiency

Low cost, scalable

In-house 75%
Third party 25%

Distribution & Marketing

- Primarily direct distribution:
  - Strong retailer control
  - Consistent visual merchandising and marketing
- Strategic third party distributors
- Franchise based concept

Asset light, but controlled

To develop our product collections, our designers seek to combine their knowledge and keen attention to trends in fashion and style while building on the success of prior collections to design product collections that exemplify the PANDORA brand.

Specialised product managers in Denmark work closely with our designers and coordinate the development of prototypes with our head of development in Thailand. The specialised product managers also coordinate with the heads of our sales, marketing and production teams in weekly steering committee meetings.

We typically update the collections twice a year (spring and fall), but production is an ongoing process that is not geared generally towards specific annual events. To maintain an attractive and innovative assortment, we typically introduce approximately 250 new jewellery designs per year while retiring 150 jewellery designs annually. We expect to continue growing the product portfolio until it reaches approximately 2,000-2,200 unique jewellery designs, which is the level we believe offers sufficient variety even for our largest concept stores and to contemplate geographic diversity.

PRODUCTION & PROCUREMENT

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 system and works in close cooperation with the design and development teams to establish the manufacturing and product specifications, procure the raw materials and control the production in Thailand.

Each process is carefully planned in order to secure highest possible efficiency in every step of the production.

Our finished products are generally stored at our site in Thailand until a shipment is ready for delivery to its geographic location, which is typically done on a weekly basis.

DISTRIBUTION & MARKETING

Our distribution strategy is designed to allow us to maintain control over our brand image and marketing strategy as we continue to grow but allows us to utilise opportunistically the strengths of third party distributors.

In some instances, we have entered a market using a third-party distributor and then taken over the distribution in that market, either through our own operations or through the acquisition of the distributor's business or the distributor itself. Despite the benefits of having achieved full control of these markets, we remain confident that in some markets our preferred strategy is to partner with third party distributors.

Our arrangements with third party distributors are governed by distribution agreements and master franchise agreements granting our third party distributors exclusive rights to promote and sell our products to retailers in specified geographies.

KEY OBJECTIVES

Our long-term vision is to become the world's most recognised jewellery brand, and our primary strategic objectives are to 1) increase our global market penetration, 2) gain further control over our retail footprint and 3) enhance awareness of our brand.

THE PANDORA SALES & DISTRIBUTION MODEL

The PANDORA distribution channels are ranked after the level of support and requirements, with PANDORA-branded Concept Stores and Shop-in-Shops characterised by better commercial locations, more square meters, stronger visual branding, and wider assortments.

The following strategic initiatives are identified to achieve these strategic objectives:

- *Increase branded sales.* We plan to achieve this by opening new concept stores and shop-in-shops through franchise or other arrangements as well as by increasing the number of "Gold" multi-brand jewellery stores, which are third-party partner stores who dedicate a large amount of selling space exclusively for PANDORA products and use our fixtures, fittings and merchandising materials. In selected markets, we plan to operate a limited number of directly operated PANDORA concept stores. We believe that directly operated stores serve as an attractive means of entering new markets and securing optimal shopping locations for our brand while maintaining control over brand image and the introduction of products into the market.

- *Diversify product offering.* We plan to continue to develop our product offering to attract and retain customers and to further enhance awareness of our brand. While we expect to use charm bracelets and charms offering as a spearhead into new markets, we intend to continue to enhance the overall product portfolio for all markets with other jewellery products. In addition, we will diversify our product offering further by developing select non-jewellery products. We believe that expansion into non-jewellery product categories allows us to develop and leverage our brand, providing additional revenue streams while also facilitating increased utilisation of the potential selling space of our sales channels.

- *Develop new geographical markets.* We intend to continue to expand by entering into or expanding our presence in geographical markets where we are currently not present or have little market exposure. In particular, we see potential for our products in countries with significant markets for luxury goods such as France, Japan and Italy and in emerging countries such as Brazil, Russia, India and China.

- *Focus on communication and marketing.* We intend to continue to pursue a global brand strategy focusing on creating consistency across all communication touch points, thereby generating maximum global brand recognition. We are deploying centralised communication and marketing guidelines with detailed guidance for our markets, based on their different stages of development.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property is a key element to our success. We rely on a combination of patent, trademark, trade dress, copyright, trade secret and unfair competition laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual rights.

Our patent family currently comprises patent rights 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 patents generally protect a strand jewellery article, such as a necklace or bracelet, onto which a stop member, referred to as a "stopper," is 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 onto the necklace or bracelet. The purpose is to restrict the movement of the charms, including to preventing them from bunching on one side of the strand. Our principal patent expires in 2023 in the United States and in 2024 in the other jurisdictions where it has been filed.

We have registered and applied for over time a number of word and figure marks in various global jurisdictions primarily within the international trademark class 14, which includes jewellery and watches, and certain other classes relevant for the sale of our current and future product lines.

RISK MANAGEMENT

We consider risk management to be an integral part of our business operation necessary to achieve the strategic goals for the company. We strive to operate a sound business that evaluates and controls financial and non-financial risks in order to protect employees, assets and reputation.

We conduct a risk management process that categorises different risks in relation to the probability of the risk occurring and the potential significance of its effect on the company's earnings in the short and long term. The most significant risks are analysed and action is taken to minimise the risks and any possible consequences. The most significant strategic and operational risks are listed below in no order of priority.

GLOBAL ECONOMIC CONDITIONS

An economic downturn, a recession, a general slowdown or an uncertain economic outlook in one or more of our principal geographical markets or any other markets in which we operate, or on a global scale, could adversely affect consumer spending habits.

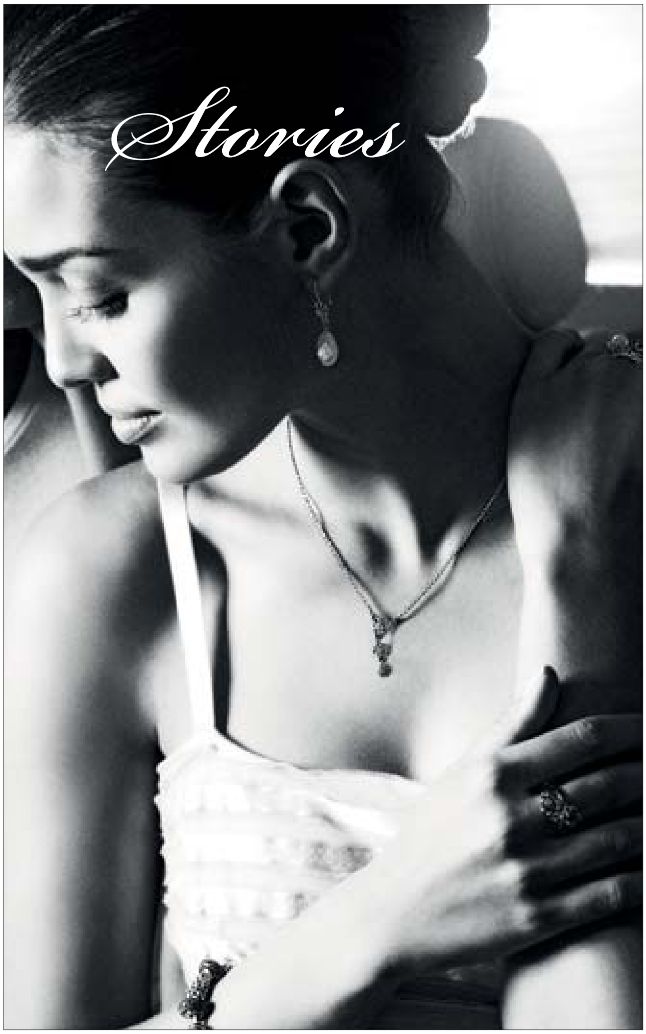
BRAND AND REPUTATION

Even though we are deploying centralised communication and marketing guidelines with detailed guidance for our markets, the value of our brand depends on factors such as our growth, our ability to control brand image, product design, the materials used to make the products, quality of our products, the character and presentation of our products, the image of stores in which our products are sold and the PANDORA brand is displayed. Failure of our promotion and other activities to position and differentiate our brand could adversely affect our ability to maintain existing end-consumer relationships and attract new end-consumers.

We have taken steps to further align our corporate and social responsibility standards globally among other things by formally adhering to the UN Global Compact. However, if we fail to adhere to our corporate and social responsibility standards or if we or any one of our suppliers fail to operate in compliance with applicable laws and regulations, are perceived by the public as failing to meet certain labour standards, or employ unfair labour practices, our reputation and business could be affected.

GROWTH

Even though we have and continue to invest heavily in systems and procedures, our significant growth and the structural changes have contributed to a shift in our business model from a primarily production and export oriented business to a business operating a vertically-integrated design, production and distribution network business model. Our growth and development have meant that our business and organisation have become and may continue to become more complex.



POLITICAL UNREST IN THAILAND
The concentration of our production facilities 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. For example, in late 2008, political unrest resulted in the shutdown of the airports in Bangkok, which adversely affected our ability to ship products out of the country for a few days, thereby temporarily disrupting our supply chain. We continuously evaluate the benefit and risk of our concentration of production in Thailand, although we have not experienced any material disruptions to our business during more than 20 years of production.

FLUCTUATIONS IN PRICES OF RAW MATERIALS
We offer jewellery products made, in particular, of sterling silver and gold, which in 2009 accounted for a significant part of our cost of goods sold, as well as precious and semi-precious stones, and other raw materials, such as Murano glass, wood, leather and various alloys. An increase in the prices of such materials together with an inability to transfer such increased costs to our end-consumers may have a material adverse effect on our business and results from operations.

In 2009, we have sought to use forward contracts in order to mitigate the majority of our exposure to price fluctuations of silver and from 2010 forward contracts will be applied for both silver and gold. However, 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.

CHANGES IN CONSUMER DEMANDS
To develop our product collections, our designers seek to combine their knowledge and keen attention to trends in fashion and style while building on the success of prior collections to design product collections that exemplify the PANDORA brand. 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.

INTELLECTUAL PROPERTY RIGHTS
We rely on a combination of patents, trademarks, trade secrets, copyrights and contractual restrictions to protect our intellectual property rights. We aim to use and safeguard our intangible assets by securing all key trademarks globally, patenting key innovations in key geographies, vigorously defending our patents and trademarks, and selectively registering and defending our designs.

FINANCIAL RISKS
For information on financial risks, see note 21.

CORPORATE SOCIAL RESPONSIBILITY

PANDORA is committed to promoting and encouraging responsible practices – from the sourcing of precious metals and gemstones to crafting and marketing of our jewellery. We believe that corporate social responsibility and our aspiration to offer high quality and genuine jewellery go hand in hand. Furthermore, PANDORA is committed to supporting charitable purposes around the world.

In 2009, we completed a strategic analysis of how to structure our future work on corporate social responsibility. On the basis of this, we decided to join the UN Global Compact in the spring of 2010, and we have formed a global CSR steering committee in order to drive and coordinate our future activities.

MANUFACTURING IN THAILAND

We believe there is a direct correlation between having competent, engaged, and satisfied employees and an efficient, high-quality production. Hence, PANDORA is committed to ensure a safe workplace and good working conditions. We offer competitive and attractive terms of employment and a wide range of benefits and programs aimed at educating our employees and enhancing the quality of life for them and their families.

We believe that we already respect internationally recognised principles in line with the UN Global Compact as well as international and Thai laws and customs, and we expect our suppliers to be in compliance with those principles and the statutory rules in their host countries.

In July 2009, PANDORA's manufacturing facilities in Thailand received the ISO 9001:2008 quality certificate. We are convinced that proper quality management as well as a safe and healthy working environment require a sense of ownership and responsibility throughout the organisation. Hence, it is our policy to encourage and reward initiatives taken by our employees to help to sustain a good and safe workplace.

PURCHASING METALS AND GEMSTONES

When purchasing precious metal or gemstones, PANDORA is guided by a precautionary principle in order to safeguard our firm commitment to the protection of human rights and other internationally recognised principles. Therefore, we purchase all diamonds in accordance with the Kimberly Process Certification Scheme. Equally, we welcome initiatives promoting responsible practices in relation to sourcing precious metals and gemstones exemplified by the Gold Certification Scheme introduced by Responsible Jewellery Council (RJC) in December 2009. The RJC is an international, not-for-profit organisation established to reinforce consumer confidence in the jewellery industry by advancing responsible business practices throughout the diamond and gold jewellery supply chain.

In the summer of 2009, we introduced new charms made from wood. The wood charms are FSC-certified and developed in cooperation with the Rainforest Protection Initiative, which aims at protecting tropical rainforests and its animals.

Sterling silver and gold (14K and 18K) are mixed with a master alloy. PANDORA solely does business with suppliers who can present proper certification and documentation to confirm that the master alloy they offer does not contain any known toxins or allergens.

SOCIAL COMMITMENT

PANDORA supports charitable purposes around the world. In 2009, PANDORA made a number of substantial donations including – but not limited – to the following:

In North America, PANDORA contributed USD 392,000 (DKK 2.2 million) to One World Health, a non-profit pharmaceutical company that develops affordable new medicines for the world's most impoverished communities. In North America, PANDORA also made a combined donation of USD 230,000 (DKK 1.3 million) to Susan G. Komen for the Cure®, the leading breast cancer organisation in the United States.

In Australia, PANDORA donated AUD 610,000 (DKK 3.2 million) to the 'Bushfire Angel Appeal' project supporting the victims of the 2009 bushfire in the state of Victoria. In

Australia, PANDORA also donated a total of AUD 828,000 (DKK 4.3 million) to the National Breast Cancer Foundation in Australia and the New Zealand Breast Cancer Foundation.

In Denmark, PANDORA donated DKK 1.5 million to 'Danmarks Indsamlingen', an annual Danish national fundraising initiative. This donation was followed up by a further donation of DKK 2.0 million, in early 2010. The primary objective of 'Danmarks Indsamlingen' is to support various projects in Africa, targeting women in need and, secondarily in 2010, to support the victims of the earthquake disaster in Haiti.

CORPORATE GOVERNANCE

PANDORA's Board of Directors and Executive Management strive to ensure that management structures and control systems remain appropriate and function satisfactorily.

The foundation for organising management's tasks includes Danish Companies Law, the Financial Statements Act, the Company's Articles of Association as well as established governance practices for enterprises of the same size and with the same international range as PANDORA. Moreover, in June 2008, the Danish Venture and Private Equity Association (DVCA) published guidelines for responsible ownership and corporate governance for equity funds and their controlled enterprises. The recommendations contain guidelines on disclosure of a number of issues in the management report, including corporate governance, financial risks, employees and strategy. As a company primarily owned by a private equity fund, PANDORA generally adheres to the recommendations.

OWNERSHIP

The following legal entities own indirectly through PANDORA Invest ApS more than 5% in PANDORA Holding A/S:

- Axcel PANDORA Invest 2 ApS.
- Wipec Holding ApS.
- RSMLP Holding ApS.
- PANDORA Leadership ApS

The table below of the different investor groups are for informative purposes and does not reflect the actual legal structure of the companies holding the shares.

Axcel	59.3%
Founding family – Enevoldsen	21.0%
Other founders	18.5%
Executive Management and Board of Directors	1.2%

MANAGEMENT AND BOARD OF DIRECTORS

PANDORA's Board of Directors consists of four directors elected by the shareholders at the Annual General Meeting. The majority owner, Axcel, is represented by Torben Ballegaard Sørensen (Chairman), Erik Danquard Jensen and Nikolaj Vejlsgaard. The PANDORA founders are represented by PANDORA's co-founder, Per Algot Enevoldsen. The current Board members possess the financial, strategic and business competencies required to serve on the board of an international, retail oriented company.

In accordance with the Danish Companies Act, the Board of Directors has urged the employees of the company to establish a process for the election of employee representatives on the Board of Directors.

The Board of Directors monitors the Executive Management's observance of the objectives, strategies and business processes laid down by the Board of Directors. Communication from Executive Management takes place systematically by means of meetings as well as current oral and written reporting. This reporting comprises developments in the external environment, the company's development and profitability as well as the financial position.

The Board of Directors convenes at least five times a year based on a predetermined meeting plan. The company usually holds a yearly strategy seminar at which its vision, objectives and strategy are reviewed. In the period between these meetings, the Board of Directors receives current written briefings on the company's results and financial position, and extraordinary meetings are called if necessary. Also, the Chairman and Executive Management hold regular meetings as and when considered relevant.

The Board of Directors can appoint committees for special tasks. By the end of 2009, the Board operated with a Risk Committee, which in 2010 also will function as Audit Committee. Committee members include Erik Danquard Jensen (Committee chairman) and Nikolaj Vejlsgaard. Henrik Holmark (Group CFO) is secretary for the Committee. The Risk Committee had three meetings during 2009 in addition to the ongoing communication on relevant issues between the committee members.

In 2010, we intend to establish separate formal committees for audit, nomination and remuneration in line with the recommendations issued by the Committee on Corporate Governance in Denmark.

REMUNERATION FOR MANAGEMENT

In addition to a fixed salary, remuneration for the Executive Management includes cash bonus and incentive pay. The incentive program contains an offer for executives to acquire shares in the parent company, PANDORA Invest ApS, as well as a current vesting of warrants to subscribe for the shares in PANDORA Holding A/S.

The acquisition of shares in PANDORA Invest ApS took place on 7 October 2008. In 2008, warrants were granted to seven key people and two members of the Board of Directors, please see more information in note 7.

The share investment and warrant program has been supplemented by normal performance-related bonus schemes for certain of the company's employees.

For more detailed information on the remuneration of the Executive Management and Board of Directors please see note 5.

MANAGEMENT AND BOARD MEMBER SHAREHOLDINGS

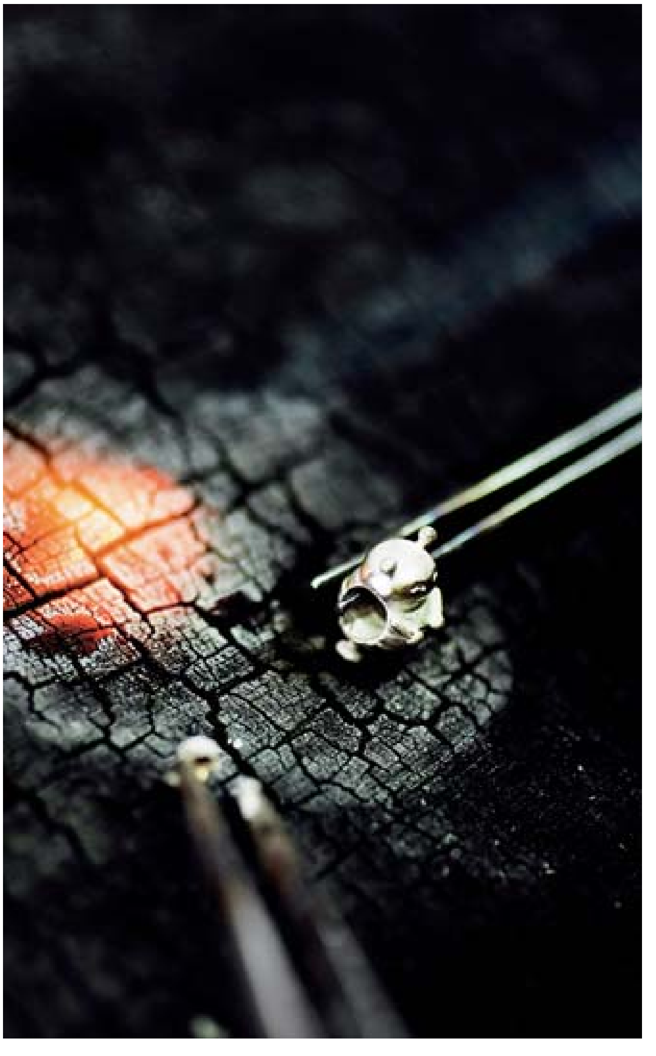
By the end of 2009, the members of the Board of Directors owned indirectly 0.13% of the aggregate share capital in PANDORA Holding A/S. Executive Management had 1.02% of the aggregate share capital of the company.

DIVIDEND POLICY

Distribution of dividends is made in due consideration of the necessary consolidation of the equity as a basis for the company's continued expansion. In 2009, no dividend was paid to the shareholders. However, as part of the optimisation of PANDORA's capital structure, a refinancing of DKK 2,200 million was completed in February 2010. The proceeds were used to repay existing credit facilities, to repay the subordinated loan from parent company, PANDORA Invest ApS, and to pay DKK 113 million of a declared dividend to PANDORA Invest ApS. A dividend of DKK 1,000 million was declared, of which DKK 887 million remains to be paid to PANDORA Invest ApS.

STAKEHOLDERS

The company constantly strives to develop and maintain favourable relations with its stakeholders as such relations are considered to have a significant and positive impact on the company's development. Please refer to the section on corporate social responsibility for a review of how the interests and roles of our stakeholders are respected.



Products

Moments
A patented jewellery concept with bracelets in 14k gold, sterling silver and leather string that can be combined with more than 600 charms made from a variety of precious stones, pearls, enamel Murano glass and wood.

LovePods
An exclusive line of jewellery in 18k 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.

Compose
A collection of earrings in 14k gold and silver with interchangeable pendants in various shapes and structures added precious or semi-precious gemstones and pearls. Each piece can be mixed and matched to create a unique pair of earrings.

Liquid Silver
A timeless collection in sterling silver inspired from 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.

Stories
Matching collections of rings, necklaces, earrings and brooches in 14k gold and sterling silver with precious and semi-precious stones.

Other
Shades from PANDORA – a collection of fashionable and contemporary sunglasses in six individual designs available in 14 different colour variations. Available from Spring 2010. Watches from PANDORA – collection launch planned for Fall 2010.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and Executive Management have discussed and approved the annual report of PANDORA Holding A/S for the financial year 1 January 2009 - 31 December 2009.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position as at 31 December 2009 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2009 - 31 December 2009.

In our opinion, the management report includes a fair review of the matters dealt with in the management report.

We recommend that the annual report is approved by the annual general meeting of shareholders.

Rødovre, 7 May 2010

EXECUTIVE MANAGEMENT

Mikkel Vendelin Olesen
Chief executive officer

Henrik Holmark
Chief financial officer

BOARD OF DIRECTORS

Torben Ballegaard Sørensen
Chairman

Erik Danquard Jensen

Per Algot Enevoldsen

Nikolaj Vejlsgaard

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PANDORA HOLDING A/S

We have audited the consolidated financial statements and the parent company financial statements of PANDORA Holding A/S for the financial year 1 January 2009 - 31 December 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 well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

The Board of Directors and Executive Management are responsible for the preparation and presentation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. This responsibility includes: Designing, implementing and maintaining internal control relevant for the preparation and presentation of consolidated financial statements and parent company 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 and the parent company 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 and the parent company 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 and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and presentation of the consolidated financial statements and the parent company 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 Executive Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit did not result in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position as at 31 December 2009 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2009 - 31 December 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

INDEPENDENT AUDITORS' REPORT, CONTINUED

STATEMENT ON THE MANAGEMENT REPORT

The Board of Directors and Executive Management are responsible for the preparation of a management report that includes a fair review in accordance with the Danish Financial Statements Act.

The audit has not included the management report. Pursuant to the Danish Financial Statements Act, we have, however, read the management report. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements.

On this basis, it is our opinion that the information in the management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 7 May 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

DKK '000	Notes	2009	2008
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
Operating profit		**1,423,969**	**632,845**
Financial income	9	79,008	23,135
Financial expenses	10	-314,069	-240,153
Profit before tax		**1,188,908**	**415,827**
Income tax expense	11	-184,309	-109,501
Net profit for the year		**1,004,599**	**306,326**
Atrributable to			
Equity holders of PANDORA Holding A/S		969,382	306,326
Non-controlling interests		35,217	-
		1,004,599	**306,326**
		DKK	DKK
Earnings per share			
Profit for the year attributable to ordinary equity holders of the parent, basic	12	1,939	612
Profit for the year attributable to ordinary equity holders of the parent, diluted	12	1,932	610

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

1 JANUARY – 31 DECEMBER

DKK '000	Notes	2009	2008
Net profit for the year		**1,004,599**	**306,326**
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**
Attributable to:			
Equity holders of PANDORA Holding A/S		1,014,349	425,318
Non-controlling interests		35,217	-
Total		**1,049,566**	**425,318**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

DKK '000	Notes	2009	2008
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
Total current assets		**1,977,766**	**847,441**
Total assets		**5,815,779**	**4,281,894**

DKK '000	Notes	2009	2008
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital		500	125
Share premium		125	125
Foreign currency translation reserve		163,959	118,992
Other reserves		11,010	2,025
Retained earnings		1,275,344	306,337
Equity attributable to equity holders of the parent company		**1,450,938**	**427,604**
Non-controlling interests		197,461	-
Total shareholders' equity		**1,648,399**	**427,604**
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
Other payables		252,531	96,951
Current liabilities		**900,448**	**573,461**
Total liabilities		**4,167,380**	**3,854,290**
Total equity and liabilities		**5,815,779**	**4,281,894**

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 1/1 2008		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 31/12 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 31/12 2009		**500**	**125**	**163,959**	**11,010**	**1,275,344**	**1,450,938**	**197,461**	**1,648,399**

CONSOLIDATED CASH FLOW STATEMENT

DKK '000	Notes	2009	2008
Profit before tax		1,188,908	415,827
Net financials	9,10	235,061	217,018
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
		1,494,283	549,406
Adjustments, exchange rates, etc.		17,041	58,041
Interest received		27,714	15,019
Interest paid		-237,719	-161,096
Income taxes paid		-235,603	-67,924
Cash inflow from operating activities		**1,065,716**	**393,446**
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		**-207,422**	**-2,971,807**
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		**-342,567**	**2,882,853**
Net increase in cash and cash equivalents		**515,727**	**304,492**
Cash and short-term deposits			
Cash and short-term deposits at 1/1		304,890	270
Net foreign exchange difference		3,592	128
Net increase in cash and cash equivalents		515,727	304,492
Cash and short-term deposits at 31/12		824,209	304,890
Unutilised portion of credit facilities inclusive of cash and cash equivalents		34,600	34,600

NOTE OVERVIEW

NOTES

NOTE 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 live 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).

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).

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.

NOTES

NOTE 1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS, CONTINUED

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).

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 recognized 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.

NOTE 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.

31 December 2009

DKK '000	Americas	Europe	Asia Pacific	Unallocated cost	Total group
Income statement					
External revenue	**1,558,067**	**1,206,725**	**696,290**	**-**	**3,461,082**
Segment profit (EBITDA)	**792,052**	**642,087**	**403,787**	**-263,976**	**1,573,950**
Adjustments					
Amortisation/depreciation					-148,183
Loss from sale of non-current assets					-1,798
Consolidated operating profit according to IFRS					**1,423,969**

NOTES

NOTE 2. OPERATING SEGMENT INFORMATION, CONTINUED

31 December 2008

DKK '000	Americas	Europe	Asia Pacific	Unallocated cost	Total group
Income statement					
External revenue	**693,526**	**664,922**	**299,168**	**-**	**1,657,616**
Segment profit (EBITDA)	**320,947**	**352,418**	**163,811**	**-171,233**	**665,943**
Adjustments					
Amortisation/depreciation					-33,134
Profit from sale of non-currents assets					36
Consolidated operating profit according to IFRS					**632,845**

DKK '000	2009	2008
Product information		
Revenue from external customers		
Silver and gold charms bracelets	550,875	265,821
Charms	2,536,860	1,164,646
Other jewelry	358,742	219,765
Other	14,605	7,384
	3,461,082	1,657,616

DKK '000	2009	2008
Geographical information		
Revenue from external customers		
USA	1,459,153	646,350
Australia	648,570	299,167
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 per cent 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). 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 per cent of the Group's revenues, as the distributor was acquired in the middle of the year.

DKK '000	2009	2008
Non-current tangible and intangible assets		
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

NOTES

NOTE 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:

DKK '000	Amounts recognised at 1 July 2009
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
Purchase consideration	254,741
Purchase consideration transferred	90.948
Future cash payments measured at fair value	163,793
	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.

NOTES

NOTE 3. BUSINESS COMBINATIONS, CONTINUED

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 3,765,863 thousand, the EBITDA DKK 1,734,000 thousand, the EBIT DKK 1,503,853 thousand, the pre-tax profit DKK 1,255,085 thousand and the after-tax profit DKK 1,050,660 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:

DKK '000	Amounts recognised as at 7 March 2008
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**

NOTES

NOTE 3. BUSINESS COMBINATIONS, CONTINUED

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 where 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.

	DKK '000
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 fom investing activities)	57,947
Net cash outflow on acquisition	**-2,052,176**

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.

NOTES

NOTE 3. BUSINESS COMBINATIONS, CONTINUED

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 seperately 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.

NOTES

NOTE 3. BUSINESS COMBINATIONS, CONTINUED

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**

NOTES

NOTE 3. BUSINESS COMBINATIONS, CONTINUED

DKK '000	Amounts recognised as at 5 January 2010
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 in 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.

NOTE 4. AMORTISATION/DEPRECIATION AND IMPAIRMENT LOSSES

DKK '000	2009	2008
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	-
	148,183	**33,134**
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
	148,183	**33,134**

NOTES

NOTE 5. EMPLOYEE BENEFIT EXPENSE

DKK '000	2009	2008
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
	295,311	**139,358**
Average number of employees during the year	2,337	1,288
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
	295,311	**139,358**

Compensation of key management personnel of the Group

DKK '000	Executive management	Board of directors	Total
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	**10,774**	**2,411**	**13,185**
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	**1,844**	**747**	**2,591**

NOTE 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).

NOTES

NOTE 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 key 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.

Number of warrants	Executive management	Board of directors	Other employees	Average total	Exercise price
Warrants outstanding at 1/1 2008	-	-	-	-	-
Warrants granted during the year	741	503	535	1,779	*
Warrants lapsed during the year	-	-	-	-	-
Warrants outstanding at 31/12 2008	741	503	535	1,779	-
Warrants granted during the year	-	-	-	-	-
Warrants lapsed during the year	-	-	-	-	-
Warrants outstanding at 31/12 2009	741	503	535	1,779	-

*) 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	**Grant date 2008**
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.

NOTES

NOTE 8. FEES TO THE AUDITORS APPOINTED BY THE COMPANY IN GENERAL MEETING

2009 DKK '000	Ernst & Young	Henrichsen & Co.	Total
Fee for statutory audit	1,300	-	1,300
Other assurance engagements	943	-	943
Tax consultancy	326	-	326
Other services	3,659	230	3,889
	6,228	**230**	**6,458**

2008 DKK '000	Henrichsen & Co.	Total
Fee for statutory audit	235	235
Other assurance engagements	-	-
Tax consultancy	-	-
Other services	1,624	1,624
	1,859	**1,859**

The fees are recorded under administrative expenses.

NOTE 9. FINANCIAL INCOME

DKK '000	2009	2008
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	-
	27,823	-
Financial income originated from loans and receivables measured at amortised cost:		
Exchange gains	34,562	8,116
Interest income, bank	1,278	3,606
Interest income, on loans and receivables	13,365	-
Other	1,980	11,413
	51,185	**23,135**
Total financial income	**79,008**	**23,135**

NOTE 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
	5,486	18,004
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
	308,583	**222,149**
Total financial expenses	**314,069**	**240,153**

NOTES

NOTE 11. INCOME TAX

DKK '000	2009	2008
Income tax expense recognised in the consolidated income statement:		
Current income tax charge	265,112	125,030
Prior-year adjustments	-402	-
Change in deferred tax	-80,401	-15,529
Income tax expense	**184,309**	**109,501**
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	**3,448**	**22,839**
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 and 2008 is as follows:		
Accounting profit before tax	1,188,908	415,827
At PANDORA Holding A/S' statutory income tax rate of 25% (2008: 25%)	297,227	103,957
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%)	184,309	109,501

NOTE 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.

DKK	2009	2008
Profit attributable to ordinary equity holders of the parent company	**969,382,000**	**306,326,000**
Weighted average number of ordinary shares		
Average number of shares in circulation	500,000	500,000
Effect of share options	1,779	1,779
Weighted average number of ordinary shares adjusted for the effect of dillution	501,779	501,779
Basic earnings per share	1,939	612
Diluted earnings per share	1,932	610

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.

NOTES

NOTE 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 1/1 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 31/12 2008	**931,781**	**1,032,202**	**450,705**	**900,357**	**3,315,045**
Amortisation and impairment losses at 1/1 2008	**-**	**-**	**-**	**-**	**-**
Amortisation charge for the year	-	-	25,039	-	25,039
Disposals	-	-	-	-	-
Exchange rate adjustment	-	-	-	-	-
Amortisation and impairment losses at 31/12 2008	**-**	**-**	**25,039**	**-**	**25,039**
Carrying amount at 31/12 2008	**931,781**	**1,032,202**	**425,666**	**900,357**	**3,290,006**
Cost at 1/1 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 31/12 2009	**1,207,848**	**1,047,543**	**450,705**	**884,206**	**3,590,302**
Amortisation and impairment losses at 1/1 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 31/12 2009	**-**	**-**	**55,087**	**-**	**55,087**
Carrying amount at 31/12 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) which have been fully amortised.

NOTE 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.

NOTES

NOTE 14. IMPAIRMENT TEST, INTANGIBLE ASSETS, CONTINUED

The carrying amount of brand, goodwill and distribution rights at 31 December totalled:

	Goodwill		Brand		Distribution rights	
DKK '000	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. A 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.

NOTES

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Plant and equipment	Construction in progress	Total
Cost at 1/1 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 31/12 2008	**87,618**	**34,559**	**-**	**122,177**
Depreciation and impairment losses at 1/1 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 31/12 2008	**1,351**	**6,194**	**-**	**7,545**
Carrying amount at 31/12 2008	**86,267**	**28,365**	**-**	**114,632**
Cost at 1/1 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 31/12 2009	**125,139**	**108,903**	**18,428**	**252,470**
Depreciation and impairment losses at 1/1 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 31/12 2009	**25,148**	**22,220**	**-**	**47,368**
Carrying amount at 31/12 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.

NOTES

NOTE 16. DEFERRED TAX

Deferred tax relates to the following:

DKK '000	Balance sheet 2009	Balance sheet 2008	Income statement 2009
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**	
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	**482,742**		

The group has a tax deficit with a tax value of DKK 58.4 million (2008: DKK 0 million), which has not been recognised as it is uncertain if the group will be able to utilise it within near future.

NOTES

NOTE 17. INVENTORIES

DKK '000	2009	2008
Raw materials and consumables	138,501	31,726
Work in progress	33,876	7,551
Finished goods	260,606	104,154
	432,983	**143,431**

The write-downs of inventories recognised in cost of sales totalled DKK 15,517 thousand (2008: DKK 4,226 thousand).

NOTE 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), which have been written down to DKK 621,841 thousand (2008: DKK 332,396 thousand). Analysis of movements in provisions for impairment of trade receivables:

DKK '000	2009	2008
At 1/1	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 31/12	4,725	6,201

Analysis of trade receivables that were past due, but not impaired, at 31 December 2009:

Maturities		
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	621,841	332,396

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.

NOTE 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.

NOTES

NOTE 20. FINANCIAL ASSETS AND LIABILITIES

	2009 Carrying amount DKK '000	2008 Carrying amount DKK '000
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
Total loans and receivables measured at amortised cost	**1,446,050**	**637,286**
Total financial assets	**1,446,050**	**637,286**
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
Total financial liabilities measured at amortised cost	**3,295,407**	**3,064,840**
Total financial liabilities	**3,322,159**	**3,118,229**

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 and 2008 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). 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 date at the balance sheet date.

As at 31 December 2008 and 2009 there are no material differences between the carrying amount and the fair value of the other financial assets and liabilities listed above.

*Inputs other than listed prices which are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

NOTES

NOTE 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:

2009 DKK '000	Falling due within 1 year	Falling due between 1-5 years	Falling due after more than 5 years	Total
Derivative financial liabilities	26,752	-	-	26,752
Subordinated loan from parent company	57,039	80,000	1,913,388	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
	1,000,581	**991,004**	**2,246,170**	**4,237,755**

2008 DKK '000	Falling due within 1 year	Falling due between 1-5 years	Falling due after more than 5 years	Total
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
	520,633	**992,711**	**2,657,076**	**4,170,420**

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).

NOTES

NOTE 21. FINANCIAL RISKS, CONTINUED

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

DKK '000	2009	2008
Change in basis points	+100	+100
Effect on equity	+2,570	+12,400
Effect on profit and loss before tax	-2,490	-3,720

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 2008 and 2009 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.

		31 December 2009		31 December 2008	
	Change in exchange rate	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 and 2008.

NOTES

NOTE 21. FINANCIAL RISKS, CONTINUED

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) at a market value of DKK 0 million (2008: DKK 4 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). A decrease in the silverprice of 10% will have the full opposite effect on the market value.

NOTE 22. PROVISIONS

DKK '000	Returns	Other	Total
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:			
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**

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.

NOTES

NOTE 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).

Future minimum lease payments on existing contracts at 31 December total:

DKK '000	2009	2008
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.

NOTES

NOTE 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 Axcell 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 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 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:

DKK '000	PANDORA Invest ApS 2009	PANDORA Invest ApS 2008
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.

NOTE 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 in February 2010
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, to repay the subordinated loan from parent company, PANDORA Invest ApS, and to pay DKK 113 million of a declared dividend to PANDORA Invest ApS. A dividend of DKK 1,000 million was declared, of which DKK 887 million remains to be paid to PANDORA Invest ApS.

NOTES

NOTE 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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 consoldiated 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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTES

NOTE 26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 subsidiarires
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses
Revenue growth, %	This year’s revenue / last year’s revenue (12 month adjusted)
Growth in EBITDA, %	This year’s EBITDA / last year’s EBITDA (12 month adjusted)
Growth in net profit, %	This year’s net profit / last year’s net profit (12 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

NOTES

NOTE 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.

Income statement - effect of transition to IFRS
1 January - 31 December 2008

DKK '000	Notes	Previous policies	Effect of transition	IFRS
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**

NOTES

NOTE 27. THE GROUP'S TRANSITION TO IFRS, CONTINUED

Balance sheet - effect of transition to IFRS

DKK '000	Notes	1 January 2008 Previous policies	1 January 2008 Effect of transition	1 January 2008 IFRS	31 December 2008 Previous policies	31 December 2008 Effect of transition	31 December 2008 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		-	-	-	-	-	-
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**

NOTES

NOTE 27. THE GROUP'S TRANSITION TO IFRS, CONTINUED

Statement of changes in equity - effect of transition to IFRS

DKK '000	Notes	1 January 2008	31 December 2008
Shareholders' equity, previous policy		**261**	**234,485**
Effect of transition:			
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

DKK '000	Notes	Previous policies	Effect of transition and other adjustments	IFRS
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

NOTE 27. THE GROUP'S TRANSITION TO IFRS, CONTINUED

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.

NOTES

NOTE 28. GROUP STRUCTURE

The table below shows information about the Group entities:

Company	Ownership	Domicile	Date of consolidation
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

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT/ STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

DKK '000	Notes	2009	2008
Revenue		480,805	2,843
Cost of sales		-227,300	-1,685
Gross profit		**253,505**	**1,158**
Administrative expenses		-61,995	-14,995
Operating profit/loss		**191,510**	**-13,837**
Dividend from subsidiaries		774,000	-
Financial income	4	35,976	2,310
Financial expenses	5	-241,769	-223,265
Profit/loss before tax		**759,717**	**-234,792**
Income tax expense	6	-19,826	23,589
Net profit/loss for the year		**739,891**	**-211,203**
Net profit/loss for the year		739,891	-211,203
Other comprehensive income		-	-
Total comprehensive income		**739,891**	**-211,203**

BALANCE SHEET

AT 31 DECEMBER

DKK '000	Notes	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment		1,430	-
Intangible assets		14,880	-
Investments in subsidiaries	7	3,023,579	3,005,576
Deferred tax	8	1,333	1,393
Total non-current assets		**3,041,222**	**3,006,969**
Current assets			
Receivables from subsidiaries		844,776	1,912
Other receivables		-	3,296
Prepayments		7,422	-
Tax receivable		-	22,194
Cash and short-term deposits		28,756	10,423
Total current assets		**880,954**	**37,825**
Total assets		**3,922,176**	**3,044,794**

DKK '000	Notes	2009	2008
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital		500	125
Share premium		125	125
Other reserves		11,010	2,025
Retained earnings		528,324	-211,192
Total shareholders' equity		**539,959**	**-208,917**
Non-current liabilities			
Subordinated loan from parent company		1,363,083	1,299,151
Interest-bearing loans and borrowings		1,237,599	1,394,491
Total non-current liabilities		**2,600,682**	**2,693,642**
Current liabilities			
Subordinated loan from parent company		37,039	16,383
Interest-bearing loans and borrowings		83,500	266,380
Payables to parent company		208	145
Payables to subsidaries		545,482	220,098
Trade payables		11,916	2,650
Income tax payable		19,842	-
Other payables		83,548	54,413
Total current liabilities		**781,535**	**560,069**
Total liabilities		**3,382,217**	**3,253,711**
Total equity and liabilities		**3,922,176**	**3,044,794**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DKK '000	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Shareholders' equity at 1/1 2008	125	125	-	11	261
Net profit of the year	-	-	-	-211,203	-211,203
Share-based payments	-	-	2,025	-	2,025
Shareholders' equity at 31/12 2008	**125**	**125**	**2,025**	**-211,192**	**-208,917**
Net profit of the year	-	-	-	739,891	739,891
Share-based payments	-	-	8,100	-	8,100
Sale of warrants	-	-	885	-	885
Conversion into public limited company	375	-	-	-375	-
Shareholders' equity at 31/12 2009	**500**	**125**	**11,010**	**528,324**	**539,959**

CASH FLOW STATEMENT

DKK '000	2009	2008
Profit before tax	759,717	-234,792
Depreciations	65	-
Net financials	205,793	220,955
Dividend from subsidiaries	-774,000	-
Warrants granted	8,100	2,025
Changes in receivables	-149,983	-3,296
Changes in payables	38,402	282,027
	88,094	266,919
Interest received	-	365
Interest paid	-125,936	-157,698
Dividend received	400,000	-
Income taxes received	22,271	-
Cash inflow from operating activities	**384,429**	**109,586**
Investing activities		
Acquisition of subsidiaries	-15,563	-3,005,576
Purchase of intangible assets	-14,880	-
Purchase of property, plant and equipment	-1,495	-
Cash outflow from in investing activities	**-31,938**	**-3,005,576**
Financing activities		
Proceeds from selling warrants	885	-
Proceeds from subordinated loan from parent company	-	1,250,000
Proceeds from interest-bearing loans and borrowings	-	1,781,143
Repayment of borrowings	-335,043	-125,000
Cash outflow/inflow from financing activities	**-334,158**	**2,906,143**
Net increase in cash and cash equivalents	**18,333**	**10,153**
Cash and short-term deposits		
Cash and short-term deposits at 1/1	10,423	270
Net increase in cash and cash equivalents	18,333	10,153
Cash and short-term deposits at 31/12	**28,756**	**10,423**
Unutilised portion of credit facilities inclusive of cash and cash equivalents	**34,600**	**34,600**

NOTES

NOTE 1. STAFF COSTS

DKK ’000	2009	2008
Analysis of staff costs:		
Wages and salaries	16,821	2,153
Contribution-based pensions	267	16
Warrants	5,661	572
Other social security costs	23	-
Other employee costs	578	-
	23,350	**2,741**
Average number of employees during the year	13	2
The employee benefit expense has been recognised in the consolidated income statement as follows:		
Distribution costs	6,518	-
Administrative expenses	16,832	2,741
	23,350	**2,741**

Compensation of key management personnel :

DKK ‘000	Executive management	Board of directors	Total
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	**10,774**	**2,411**	**13,185**
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	**1,844**	**747**	**2,591**

NOTE 2. SHARE-BASED PAYMENT

The warrant program described in Note 7 to the consolidated financial statements is issued by PANDORA Holding A/S. The value of the warrants granted to employees in the parent company’s subsidiaries is recognised in investments in subsidiaries. Of the total IFRS 2 expense of DKK 8,100 thousand (2008: DKK 2,025 thousand), DKK 2,439 thousand (2008: DKK 1,453 thousand) has been recognised in investments in subsidiaries.

NOTES

NOTE 3. FEES TO THE AUDITORS APPOINTED BY THE COMPANY IN GENERAL MEETING

DKK '000	Ernst&Young	Henrichsen & Co.	Total
2009			
Fee for statutory audit	220	-	220
Other assurance engagements	-	-	-
Tax consultancy	-	-	-
Other services	1,923	230	2,153
	2,143	**230**	**2,373**

DKK '000	Henrichsen & Co.	Total
2008		
Fee for statutory audit	25	25
Other assurance engagements	-	-
Tax consultancy	-	-
Other services	795	795
	820	**820**

Audit fees are recognised under administrative expenses.

NOTE 4. FINANCIAL INCOME

DKK '000	2009	2008
Financial income originating from financial assets and liabilities held as fair value through profit or loss:		
Fair value adjustments on derivatives	12,713	-
Interest income	15,110	-
	27,823	-
Financial income originating from loans and advances and other amounts due measured at amortised cost:		
Exchange gains	6,148	2,007
Interest income, bank	607	303
Other	1,398	-
	8,153	2,310
Total financial income	**35,976**	**2,310**

NOTES

NOTE 5. FINANCIAL EXPENSES

DKK '000	2009	2008
Financial income originating from financial assets and liabilities held as fair value through profit or loss:		
Fair value adjustments on derivatives	5,486	33,978
	5,486	33,978
Financial expenses originating from financial liabilities measured at amortised cost:		
Interest to subsidiaries	18,350	3,843
Interest on subordinated loan	84,587	65,534
Borrowing costs	130,374	119,908
Other	2,972	2
	236,283	**189,287**
Total financial expenses	**241,769**	**223,265**

NOTE 6. INCOME TAXES

Income tax expense recognised in the income statement:		
Current income tax charge	19,766	22,196
Change in deferred tax	60	1,393
	19,826	**23,589**
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 and 2008 is as follows:		
Accounting profit before tax	759,717	-234,792
At PANDORA Holding A/S' statutory income tax rate of 25% (2008: 25%)	189,930	-58,698
Tax effect of:		
Non-deductible expenses	23,746	42,129
Non-taxable income (dividend)	-193,850	-7,095
Other	-	75
	19,826	**-23,589**

NOTES

NOTE 7. INVESTMENTS

Analysis of investments made in the year and value adjustments of the investments in subsidiaires, which are financial assets:

DKK '000	Investments in subsidiaries
Cost at 1/1 2008	**-**
Additions	3,005,576
Disposals	-
Cost at 31/12 2008	**3,005,576**
Additions	18,003
Disposals	-
Carrying amount at 31/12 2009	**3,023,579**

Refer to note 28 in the group accounts for an overview of investments in subsidiaries.

NOTE 8. DEFERRED TAX

Deferred tax relates to the following:

DKK '000	Balance sheet 2009	Balance sheet 2008	Income statement 2009
Property, plant and equipment	60	-	60
Other	-1,393	-1,393	-
Deferred tax expense			**60**
Deferred tax, net	**-1,333**	**-1,393**	

Reconciliation of deferred tax, net for 2009	
At 1 January 2009	-1,393
The tax expense recognised in the consolidated income statement for the year	60
At 31 December 2009	**-1,333**

NOTES

NOTE 9. FINANCIAL ASSETS AND LIABILITIES

DKK '000	2009 Carrying amount	2008 Carrying amount
Loans and receivables measured at amortised cost		
Intercompany receivables	844,776	1,912
Cash	28,756	10,423
Total loans and receivables measured at amortised cost	**873,532**	**12,335**
Total financial assets	**873,532**	**12,335**
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	1,400,121	1,315,534
Interest-bearing loans and borrowings	1,321,099	1,660,871
Payables to parent company	208	145
Trade payables	11,916	2,650
Intercompany payables	545,482	220,098
Total financial liabilities measured at amortised cost	**3,278,826**	**3,199,298**
Total financial liabilities	**3,305,578**	**3,252,687**

Classification according to the fair value hierarchy

Financial instruments measured at fair value consist of derivative financial instruments, including interest rate swaps, currency rate swaps and FX-options. The fair value as at 31 December 2009 and 2008 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 exchange- 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). 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 date at the balance sheet date.

As at 31 December 2008 and 2009 there are no material differencies between the carrying amount and the fair value of other financial assets and liabilities listed above.

*Inputs other than listed prices which are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

NOTES

NOTE 10. RELATED PARTY TRANSACTIONS

Related parties with a controlling interest in the entity 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 Axcell III K/S 2's other portfolio enterprises as they are subject to the same controlling interest as PANDORA Holding A/S. There have not been any transactions with these other entities during 2008 or 2009.

Related parties that are controlled by the entity include the subsidiaries listed in the group structure in Note 28 of the consolidated financial statements.

Related parties with material interest include the Board of Directors and Executive Management of the company and their family members. Furthermore, related parties include companies in which the before mentioned persons have a material interest.

Remuneration, salaries and share-based payment agreements to the Board of Directors and the Executive Management are included in Note 1. Members of the Board of Directors and the Executive Management have purchased products from the Group in both 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 that have been entered into with related parties for the relevant financial year:

	2009		2008	
DKK '000	PANDORA Invest ApS	Subsidiaries	PANDORA Invest ApS	Subsidiaries
Income statement				
Sales to related parties	-	480,805	-	2,843
Purchases from related parties	-	-227,093	-	-2,198
Dividend	-	774,000	-	-
Financial income	-	18,350	-	3,843
Financial expenses	-84,587	-	-65,534	-
Total	**-84,587**	**1,046,062**	**-65,534**	**4,488**
Balance sheet				
Receivables	-	844,776	-	1,912
Subordinated loan	-1,400,122	-	-1,315,534	-
Payables	-208	-545,482	-145	-220,098
Total	**-1,400,330**	**299,294**	**-1,315,679**	**-218,186**

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.

NOTES

NOTE 11. TRANSITION TO IFRS

With effect from 1 January 2009, the accounting policies have been changed so as to comply with the requirements of the 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 at 1 January 2008 and the comparative figures for 2008 have been prepared in accordance with the requirements of IFRS

Income statement - effect of transition to IFRS
1 January - 31 December 2008

	Notes	Previous policies	Effect of transition	IFRS
Revenue		2,843	-	2,843
Cost of sales		-1,685	-	-1,685
Gross profit		**1,158**	**-**	**1,158**
Administrative expenses	B	-14,422	-573	-14,995
Profit/(loss) from primary activities		**-13,264**	**-573**	**-13,837**
Income from investments in subsidiaries	A	504,507	-504,507	-
Financial income		303	2,007	2,310
Financial expenses	C,D	-248,562	25,297	-223,265
Pre-tax profit/loss		**242,984**	**-477,776**	**-234,792**
Income taxes		23,320	269	23,589
Net profit/loss for the year		**266,304**	**-477,507**	**-211,203**

BALANCE SHEET - EFFECT OF TRANSITION TO IFRS

		1 January 2008			31 December		
DKK '000	Notes	Previous policies	Effect of transition	IFRS	Previous policies	Effect of transition	IFRS
Investments in subsidiaries	A	-	-	-	3,478,755	-473,179	3,005,576
Deferred tax	C	-	-	-	7,954	-6,561	1,393
Total non-current assets		**-**	**-**	**-**	**3,486,709**	**-479,740**	**3,006,969**
Receivables from subsidiaries		-	-	-	1,912	-	1,912
Other receivables		-	-	-	3,296	-	3,296
Tax receivable		-	-	-	22,194	-	22,194
Cash and short-term deposits		270	-	270	10,423	-	10,423
Total current assets		**270**	**-**	**270**	**37,825**	**-**	**37,825**
Total assets		**270**	**-**	**270**	**3,524,534**	**-479,740**	**3,044,794**

NOTES

NOTE 11. TRANSITION TO IFRS, CONTINUED

DKK '000	Notes	1 January 2008 Previous policies	1 January 2008 Effect of transition	1 January 2008 IFRS	31 December Previous policies	31 December Effect of transition	31 December IFRS
Shareholders' equity	**A,B,C,D**	**261**	**-**	**261**	**234,485**	**-443,402**	**-208,917**
Subordinated loan from parent company		-	-	-	1,299,151	-	1,299,151
Interest-bearing loans and borrowings	D	-	-	-	1,411,419	-16,928	1,394,491
Total non-current liabilities		**-**	**-**	**-**	**2,710,570**	**-16,928**	**2,693,642**
Subordinated loan from parent company		-	-	-	16,383	-	16,383
Interest-bearing loans and borrowings	C	-	-	-	282,354	-15,974	266,380
Payables to parent company		-	-	-	145	-	145
Payables to subsidiaries		-	-	-	239,508	-19,410	220,098
Trade payables		-	-	-	2,650	-	2,650
Income tax payable		2	-	2	-	-	-
Other payables	C	7	-	7	38,439	15,974	54,413
Total current liabilities		**9**	**-**	**9**	**579,479**	**-19,410**	**560,069**
Total equity and liabilities		**270**	**-**	**270**	**3,524,534**	**-479,740**	**3,044,794**

STATEMENT OF CHANGES IN EQUITY - EFFECT OF TRANSITION TO IFRS

DKK '000	Notes	1 January 2008	31 December 2008
Shareholders' equity, previous policy		**261**	**234,485**
Effect of transition			
Investment in subsidiaries	A	-	-474,632
Hedging	C	-	17,081
Share-based payments	B	-	1,453
Amortised cost	D	-	12,696
		-	-443,402
Shareholders' equity, IFRS		**261**	**-208,917**

Effect of transition to IFRS

A. Investments in subsidiaries
Investments in subsidiaries were previously recognised using the equity method according to the Danish Financial Statements Act, but must be recognised at cost according to IFRS.

B. Share-based payments
The warrant programme in PANDORA Holding A/S is subject to the provisions of IFRS 2 about equity-settled, share-based payments programs. The value of the program 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 programme and, hence, the program was not previously recognised in the income statement.

C. Hedging
To qualify for hedge accounting, formal documentation of the hedging relationship must exist at the inception of the hedge. As no formal documentation has been prepared, hedge accounting cannot be applied, and all value adjustments are therefore taken to profit and loss.

D. Other adjustments
The other adjustments relate to amortised cost on interest-bearing loans and reclassifications of hedging instruments.

NOTES

NOTE 12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2009 financial statements of PANDORA Holding A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of large reporting class C enterprises, cf. the executive order issued in accordance with the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK thousands), which is the functional currency.

The accounting policies for the parent company are the same as for the Group, cf. Note 26 to the consolidated financial statements, with the exception of the items listed below.

Dividends
Dividends on investments in subsidiaries, joint ventures and associates are recognised as income in the income statement of the parent company in the financial year in which the dividend is declared.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the investment is written down to the lower value.

Share-based payments to employees in subsidiaries
The value of granted warrants to employees in PANDORA Holding A/S' subsidiaries is recognised in investments in subsidiaries as the services rendered in exchange for the warrants are received in the subsidiaries, with a set-off directly against equity.


Genuine

BOARD OF DIRECTORS

TORBEN BALLEGAARD SØRENSEN (AGE 59)
Chairman since March 2008

Directorships:
- PANDORA Invest ApS (Chairman)
- CAT Science Park A/S
- Tajco A/S (Chairman)
- Systematic Software Engineering A/S (Deputy chairman)
- Monberg & Thorsen A/S (Deputy chairman)
- Årstiderne Arkitekter A/S (Deputy chairman)
- AS3-Companies A/S
- VTI Technology OY
- AB Electrolux
- LEGO A/S
- Egmont International and Foundation

ERIK DANQUARD JENSEN (AGE 67)
Board member since May 2008

Directorships:
- Royal Scandinavia A/S (Chairman)
- Royal Scandinavia II A/S (Chairman)
- Cens A/S (Chairman)
- PBI Holding A/S (Chairman)
- PBINGE A/S (Chairman)
- Kærup Erhvervspark A/S (Chairman)
- Royal Copenhagen A/S (Deputy chairman)
- PBI_Dansensor A/S (Deputy chairman)
- PANDORA Invest ApS
- Artium, Skandinavisk Design Center ApS
- Ejnar og Meta Thorsens Fond

PER ALGOT ENEVOLDSEN (AGE 57)
Founder and with the company since 1982, and Board member since March 2008

Directorships:
- PANDORA Invest ApS

NIKOLAJ VEJLSGAARD (AGE 38)
Board member since March 2008

Directorships:
- Georg Jensen A/S (Deputy Chairman)
- PANDORA Invest ApS
- Royal Scandinavia A/S
- IP Gruppen Holding ApS (and subsidiaries)
- ERA Biler A/S
- Other boards related to Axcel and holding companies of the abovementioned companies

EXECUTIVE MANAGEMENT

MIKKEL VENDELIN OLESEN (AGE 43)
Chief Executive Officer since September 2008

Directorships:
- Svendsen Sport A/S
- Eva Denmark A/S

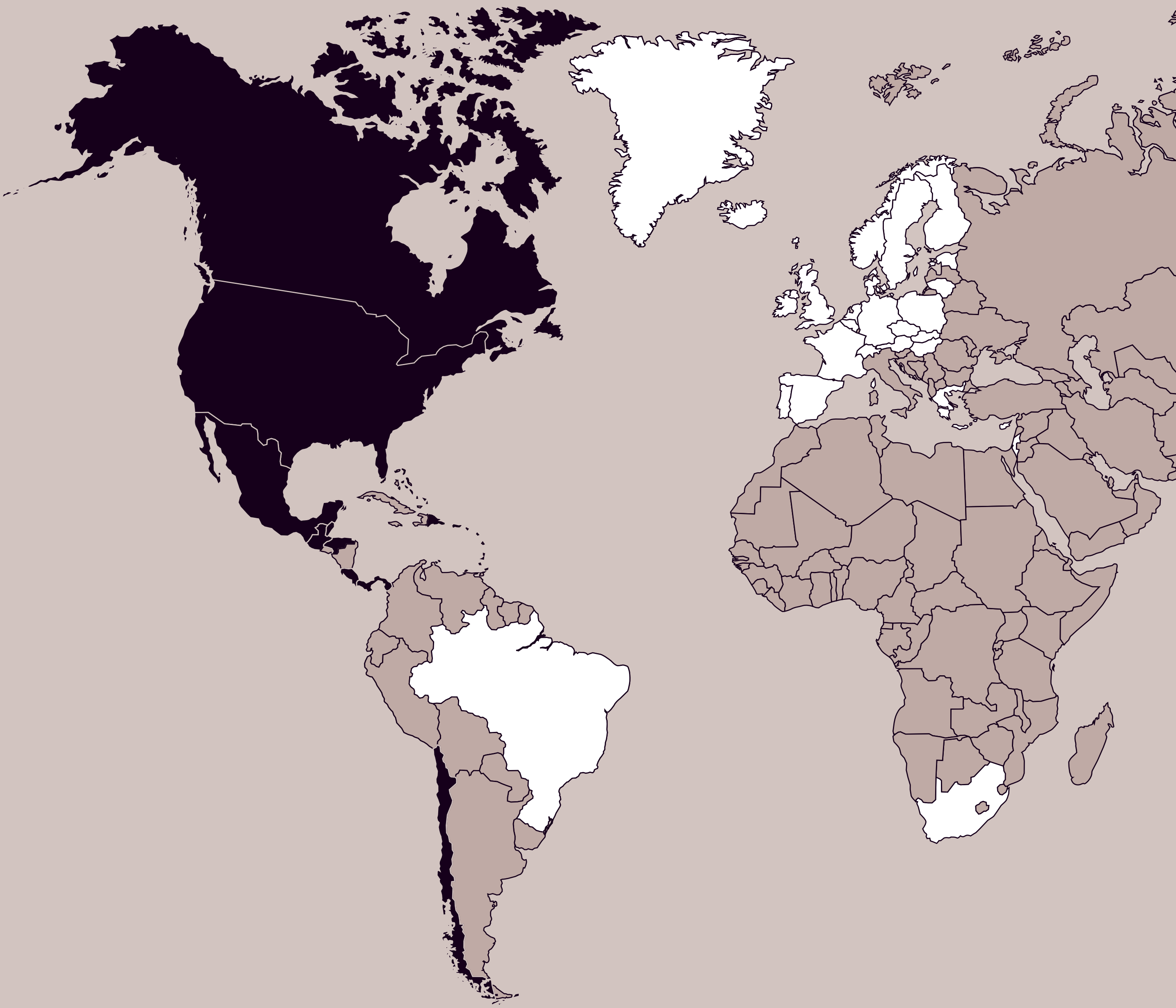
HENRIK HOLMARK (AGE 45)
Chief Financial Officer since February 2009

THOMAS RYGE MIKKELSEN (AGE 37) [1]
Chief Development Officer since March 2008

Directorships:
- Prokura A/S
- TCM Invest A/S

[1] Not registered at Erhvervs- og Selskabsstyrelsen (The Danish Commerce and Companies Agency) as part of the Executive Management.

OUR GLOBAL GEOGRAPHIC FOOTPRINT



AMERICAS EUROPE ASIA PACIFIC

IN 2009 ...

EVERY SECOND, EVERY DAY,

AROUND THE YEAR, SOMEWHERE IN THE WORLD SOMEBODY PURCHASED PANDORA JEWELLERY

MORE THAN 1,800 KILOMETRES

OF SILVER, GOLD AND LEATHER BRACELETS LEFT PANDORA'S PRODUCTION FACILITIES IN THAILAND

PANDORA PURCHASED

MORE THAN 30 MILLION PEARLS, PRECIOUS AND SEMI-PRECIOUS GEMSTONES

EVERY SINGLE DAY

THROUGHOUT THE YEAR, MORE THAN 350 KGS OF PURE SILVER AND GOLD WENT INTO PRODUCING PANDORA JEWELLERY

PANDORA DOUBLED ITS WORKFORCE

AND WELCOMED OVER 30 NEW COLLEAGUES EVERY WEEK

PANDORA HOLDING A/S
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DK-2610 Rødovre
+45 3672 0044
www.pandora.net

PANDORA
UNFORGETTABLE MOMENTS