

TELECONFERENCE Q2 2014 FINANCIAL RESULTS

10:00 CET, 12 August 2014



PANDORA
UNFORGETTABLE MOMENTS

AGENDA

AGENDA

- Business highlights:
 - Key developments in Q2 2014
 - Market development and sales-out
 - Performance of newly launched products
 - Guidance 2014
- Financial review for Q2 2014
- Recap and Q&A



DISCLAIMER

Certain statements in this presentation constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as our future results of operations; our financial condition; our working capital, cash flows and capital expenditures; and our business strategy, plans and objectives for future operations and events, including those relating to our ongoing operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities; and

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; our plans or objectives for future operations or products, including our ability to introduce new jewellery and non-jewellery products; our ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate; the protection and strengthening of our intellectual property, including patents and trademarks; the future adequacy of our current warehousing, logistics and information technology operations; changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business; increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced in this presentation.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

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

IMPORTANT EVENTS IN Q2 2014

- Q2 2014 revenue was DKK 2,544 million, an increase of 31.7% or 37.1% in local currency, driven by all geographic regions, positively impacted by:
 - Success of newly launched products, in particular the Mother's Day collection
 - Continued positive development in revenue from Rings, which increased 200%
 - Network expansion across all geographies – including 265 new concept stores compared to Q2 2013
- All major markets continued the positive development in sales-out from concept stores (like-for-like)
- EBITDA increased 68.5% to DKK 893 million – an EBITDA margin of 35.1%
 - Including a gain of 4.7pp on gross margin driven by lower commodity prices (compared to Q2 2013)
- Free cash flow was DKK 547 million vs. DKK 102 million in Q2 2013
 - Primarily driven by increasing profits
- Revenue guidance increased to more than DKK 11.0 billion from more than DKK 10.5 billion
- DKK 2.4 billion share buyback programme on track – 2% of the share capital bought back in H1 2014, corresponding to DKK 975 million

REGIONAL REVENUE DEVELOPMENT

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

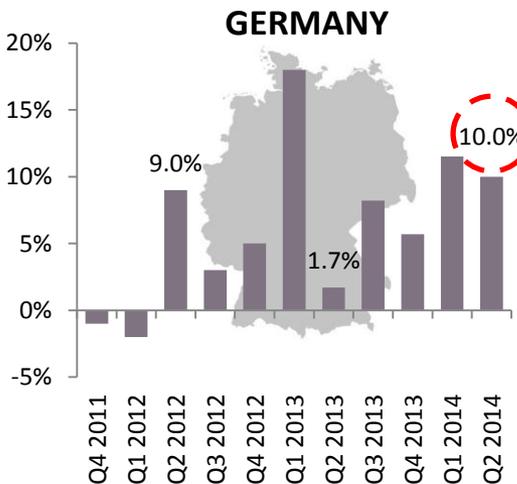
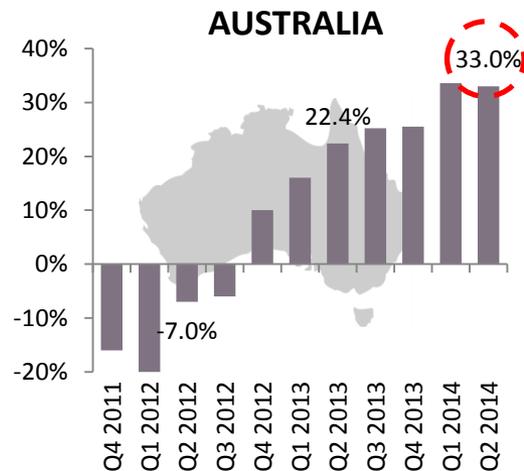
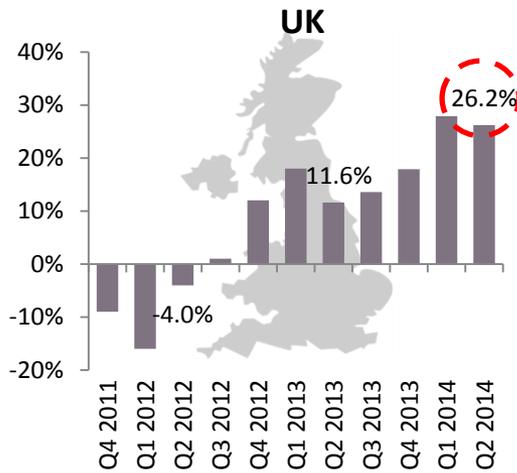
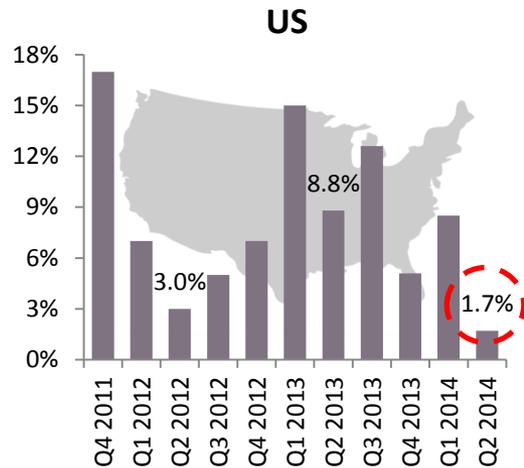
	Q2 2014	Q2 2013	FY 2013	Growth Q2/Q2	LC Growth Q2/Q2	Share of revenue (Q2 2014)
Americas	1,097	1,045	4,156	5.0%	11.7%	43.1%
US	824	802	3,201	2.7%	8.3%	32.4%
Other Americas	273	243	955	12.3%	22.7%	10.7%
Europe	1,064	642	3,760	65.7%	63.9%	41.8%
UK	285	178	1,158	60.1%	53.2%	11.2%
Germany	107	95	544	12.6%	12.6%	4.2%
Other Europe	672	369	2,058	82.1%	82.1%	26.4%
Asia Pacific	383	244	1,094	57.0%	75.3%	15.1%
Australia	183	153	681	19.6%	38.4%	7.2%
Other Asia Pacific	200	91	413	119.8%	157.4%	7.9%
Total	2,544	1,931	9,010	31.7%	37.1%	100.0%

COMMENTS

- US increase 8.3% in local currency primarily driven by West Coast stores
- Other Americas positively impacted by inclusion of Brazil (Q1 2014) but impacted by balancing of sales-in between quarters in Canada
- Continued strong development in Europe – in particular in the UK and newer markets France, Italy and Russia
- Australia increase 38.4% in local currency primarily driven by strong ring sales
- Hong Kong, Singapore, Malaysia and Taiwan drive growth in Other Asia Pacific

SALES-OUT POSITIVE IN ALL MAJOR MARKETS

LIKE-FOR-LIKE CONCEPT STORES – SALES-OUT DEVELOPMENT (Y/Y GROWTH)



COMMENTS

- Continued positive like-for-like growth across all four major markets
- US sales-out growth mid-single digit or more in all major regions except for the Northeast
- UK and Australia driven by strong in-store execution products and products – Rings in particular doing well
- Sales-out in Germany continues to be driven by good performance in the PANDORA owned stores

RECENT US EVENTS

ACQUISITION OF HANNOUSH STORES

- PANDORA has acquired 27 concept stores in the US from biggest US franchisee, Hannoush
 - 5 stores to be returned to franchisees
- Transaction a part of the effort to refresh Northeast network
 - “Evolution”-concept to be implemented
 - Focus on improved in-store execution
- The total investment amount to USD 35 million
 - USD 29 million for the stores
 - Upgrading of stores estimated at USD 6 million
- The 27 stores generated retail revenue of USD 50 million in 2013



STRATEGIC ALLIANCE WITH DISNEY

- PANDORA has entered into a long-term licensing agreement with Disney, to produce Disney-themed jewellery
- The agreement also includes presence in Walt Disney World and Disneyland
- To be launched in the US, Canada, Mexico, Puerto Rico, Central America and the Caribbean in November 2014

2014 FINANCIAL EXPECTATIONS



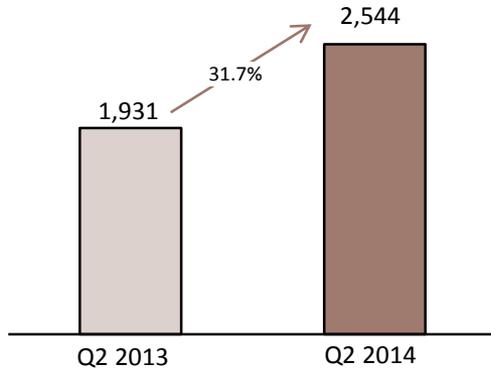
2014 FINANCIAL EXPECTATIONS

- Revenue of more than DKK 11.0 billion (upgraded from more than DKK 10.5 billion)
- EBITDA margin of approx. 35%
- CAPEX of approx. DKK 550 million (includes expansion of the production facilities in Thailand)
- Effective tax rate of approx. 20%

- During 2014, PANDORA expects to open more than 275 concept stores (upgraded from more than 225)

REVENUE DEVELOPMENT

REVENUE (DKKm)

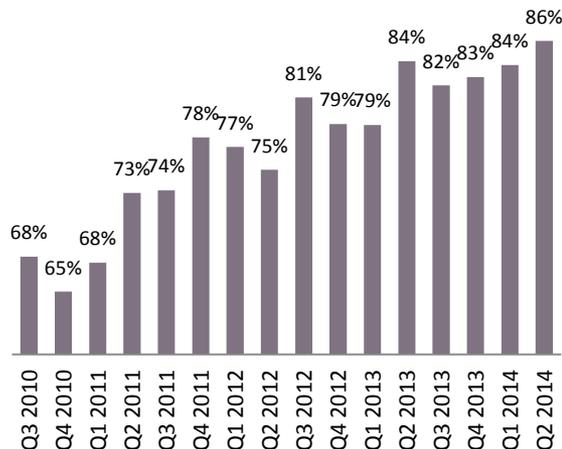


- 37.1% growth in local currency
- Volume up 28.5%
- ASP DKK 138 (vs. DKK 134 in Q2 2013)

COMMENTS

- Total revenue increased by 31.7% primarily driven by volume growth
- Revenue growth distributed between like-for-like sales-in (around 60%) and store openings (around 40%)
- Average Sales Price increase to DKK 138 driven by higher share of Rings and increased share of revenue from PANDORA owned stores (around 15% vs. 10% in Q2 2013)
- Branded distribution generated 86.1% of revenue in Q2 2014, driven by more branded stores as well as higher average revenue per concept store

SHARE OF BRANDED REVENUE



SHARE OF REVENUE PER CHANNEL

	Q2 2014
Concept stores	54.2%
Shop-in-shops	17.8%
Gold	14.1%
Total branded	86.1%
Silver	6.9%
White & travel retail	4.1%
Total unbranded	11.0%
Total direct	97.1%
3rd party	2.9%
Total	100.0%

DEVELOPMENT IN OUR DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Net openings	
	Q2 2014	Q1 2014	Q2 2013	Share of total (Q2 2014)	Q2 2014 vs. Q1 2014	Q2 2014 vs. Q2 2013
Concept stores	1,214	1,137	949	12.1%	77	265
- Hereof PANDORA-owned	175	158	120	1.7%	17	54
Shop-in-shops	1,443	1,388	1,322	14.4%	55	121
- Hereof PANDORA-owned	59	60	55	0.6%	-1	4
Gold	2,323	2,323	2,339	23.1%	0	-16
Total branded	4,980	4,848	4,610	49.6%	132	370
Silver	3,060	3,098	3,148	30.4%	-38	-88
White and travel retail	2,006	2,126	2,579	20.0%	-120	-573
Total	10,046	10,072	10,337	100.0%	-26	-291

NUMBER OF STORES, KEY NEW MARKETS

	End of Q2 2014								Net openings		
	Brazil	Russia	France	Italy	China	Japan	Rest of Asia	Total	Q2 2014	Q1 2014	Q4 2013
Concept stores	22	150	27	29	28	1	62	319	37	23	31
Shop-in-shop	2	40	33	7	17	6	69	174	7	6	9
Total	24	190	60	36	45	7	131	493	44	29	40

COMMENTS

- 132 branded points of sale opened in Q2 2014, including 77 concept store net openings
- Continued focus on global branded network – 370 branded points of sale opened since Q2 2013 including:
 - 265 concept stores
 - 121 shop-in-shops
- 17 new O&O stores opened since Q1 2014; 11 in Europe and 5 in Americas (hereof 4 in Brazil)

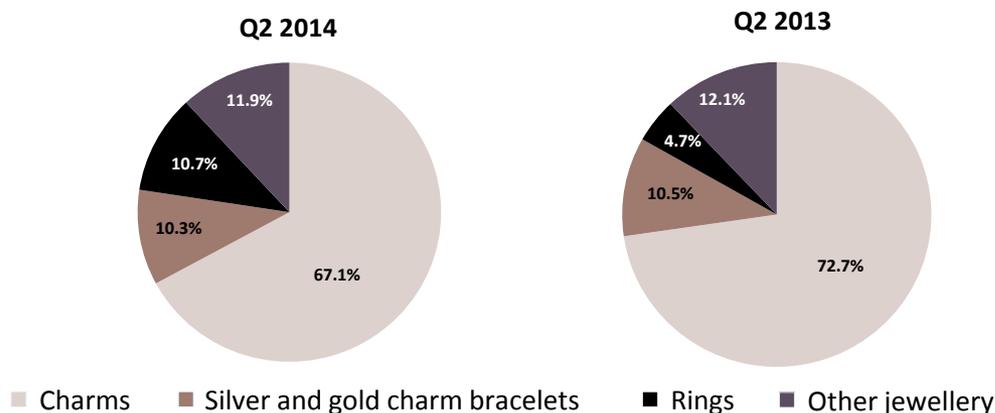
PRODUCT MIX

PRODUCT MIX (DKKm)					
	Q2 2014	Q2 2013	FY 2013	Growth Q/Q	Share of total Q2 2014
Charms	1,705	1,404	6,293	21.4%	67.1%
Silver and gold charm bracelets	262	203	1,157	29.1%	10.3%
Rings	273	91	550	200.0%	10.7%
Other jewellery	304	233	1,010	30.5%	11.9%
Total	2,544	1,931	9,010	31.7%	100.0%

COMMENTS

- Positive development across all categories
- Revenue from Rings increased 200% following the increased focus on the category across all regions
- Other Jewellery increased by 30.5%, driven by necklaces and earrings
- Charms and Bracelets share of revenue decreased to 77.4%, as Rings capture an increasing share of revenue

PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



GROSS MARGIN DEVELOPMENT

GROSS PROFIT (DKKm) AND GROSS MARGIN (%)

DKKm	Q2 2014	Q1 2014	Q2 2013	FY 2013
Revenue	2,544	2,592	1,931	9,010
Cost of sales	746	801	657	3,011
Gross profit	1,798	1,791	1,274	5,999
Gross margin	70.7%	69.1%	66.0%	66.6%



COMMENTS

- Gross margin up 4.7 percentage points vs. Q2 2013 driven by lower commodity prices
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 73% based on average gold and silver spot prices in Q2 2014
- Gross margin impact of 1-2pp if 10% deviation on commodities

OPEX DEVELOPMENT

OPEX & MARGINS

	Q2 2014	Q1 2014	Q2 2013	FY 2013
Gross profit				
Share of revenue	70.7%	69.1%	66.0%	66.6%
DKKm	1,798	1,791	1,274	5,999
Operational expenses				
Share of revenue	37.6%	34.9%	40.9%	36.8%
DKKm	957	904	791	3,318
Sales and distribution expenses				
Share of revenue	18.0%	16.0%	18.4%	16.8%
DKKm	457	415	356	1,517
Marketing expenses				
Share of revenue	8.6%	8.1%	10.5%	9.8%
DKKm	219	210	203	880
Administrative expenses				
Share of revenue	11.0%	10.8%	12.0%	10.2%
DKKm	281	279	232	921
EBIT				
EBIT margin	33.1%	34.2%	25.0%	29.8%
Depreciation and amortisation*	52	50	48	200
EBITDA				
EBITDA margin	35.1%	36.1%	27.4%	32.0%

*Excluding gains/losses from sale of assets

COMMENTS

- Increase in sales and distribution expenses driven by higher revenue, an increase in owned and operated stores and investments in the e-commerce platform
- Marketing expenses were DKK 219 million corresponding to 8.6% of revenue down from 10.5% in Q2 2013
- Administrative expenses were DKK 281 million corresponding to 11.0% of revenue and impacted by:
 - Increase in IT costs
 - Increased headcount
 - New offices

REGIONAL EBITDA MARGINS

EBITDA MARGINS							
	Q2 2014	Q1 2014	Q2 2014 vs. Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q2 2014 vs. Q2 2013
			(% pts)				(% pts)
Americas	46.3%	44.3%	2.0%	37.7%	44.2%	44.7%	1.6%
Europe	39.3%	39.8%	-0.5%	40.4%	39.6%	23.1%	16.2%
Asia Pacific	46.7%	50.3%	-3.6%	38.7%	40.2%	36.1%	10.6%
Unallocated costs ¹	-8.3%	-7.1%	-1.2%	-5.6%	-7.9%	-9.0%	0.7%
Group EBITDA margin	35.1%	36.1%	-1.0%	33.5%	33.8%	27.4%	7.7%

COMMENTS
<ul style="list-style-type: none"> All regional margins positively impacted by the improved gross margin Americas adversely impacted (1 percentage point) by Brazil being moved from Other Europe to Other Americas Europe and Asia Pacific significantly up compared to Q2 2013, driven by leverage on costs in new markets

¹ Unallocated costs includes HQ costs, central marketing and administration cost in Thailand

PROFIT DEVELOPMENT

FINANCIAL ITEMS, TAX AND NET PROFIT				COMMENTS
DKKm	Q2 2014	Q2 2013	FY 2013	
EBIT	841	483	2,681	<ul style="list-style-type: none"> • Net finance income amounted to DKK -13 million in Q1 2014 • Net profit increased to DKK 662 million • Effective tax rate 20.0%
Finance income	1	50	167	
Finance expenses	-14	-1	-106	
Profit before tax	828	532	2,742	
Income tax expenses	-166	-101	-522	
Effective tax rate	20.0%	19.0%	19.0%	
Net profit	662	431	2,220	

WORKING CAPITAL DEVELOPMENT

WORKING CAPITAL AND CASH MANAGEMENT

DKKm	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Inventory	1,684	1,574	1,490	1,603	1,463
Trade receivables	792	889	895	1,017	687
Trade payables	633	613	539	481	184
Operating working capital	1,843	1,850	1,846	2,139	1,966
<i>Share of revenue¹</i>	<i>18.0%</i>	<i>19.3%</i>	<i>20.5%</i>	<i>25.6%</i>	<i>24.9%</i>
Other receivables	571	548	731	702	719
Tax receivables	49	41	35	128	163
Provisions	590	601	506	447	444
Income tax payable	769	651	546	478	394
Other payables	388	576	699	551	823
Net working capital including derivatives	716	611	861	1,493	1,187
<i>Share of revenue¹</i>	<i>7.0%</i>	<i>6.4%</i>	<i>9.6%</i>	<i>17.9%</i>	<i>15.0%</i>
Derivatives	13	49	148	109	274
Net working capital excluding derivatives	729	660	1,009	1,602	1,461
<i>Share of revenue¹</i>	<i>7.1%</i>	<i>6.9%</i>	<i>11.2%</i>	<i>19.2%</i>	<i>18.5%</i>
Free cash flow	547	1,049	1,085	363	102
Cash conversion²	82.6%	149.0%	146.8%	59.3%	23.7%
NIBD/EBITDA³	-0.1	-0.2	-0.2	0.1	0.1
ROIC⁴	56.9%	52.4%	44.9%	35.5%	32.4%

COMMENTS

- Operating working capital improved during the quarter and represented 18.0% of revenue at the end of Q2 2014, compared to 24.9% at the end of Q2 2013
 - Trade receivables improved as percentage of revenue, due to continued good cash collection
 - Trade payables increased due to change in accounting policy (Q3 2013)
- Other payables decrease due to payment of withholding tax (DKK 186 million) related to the annual dividend
- Free cash flow increased to DKK 547 million compared to Q2 2013 mainly driven by higher EBITDA

¹ % of revenue in relation to last 12 months revenue. DKK 10,213m for the period ended 30 June 2014

² Calculated as free cash flow / net profit

³ Calculated as last 12 months EBITDA

⁴ Calculated as last 12 months EBIT / Invested capital (at end of period)

Q2 2014 IN SUMMARY



SUMMARY

- Revenue was up 31.7%
- Increased diversification across product categories and geographies
- Gross margin increased to 70.7%
- EBITDA margin was 35.1%
- Free cash flow was DKK 547 million
- Revenue guidance upgraded to more than DKK 11.0 billion
- Share buyback of up to DKK 2.4 billion in 2014 on track

QUESTIONS AND ANSWERS

