

TELECONFERENCE Q3 2014 FINANCIAL RESULTS

10:00 CET, 11 November 2014

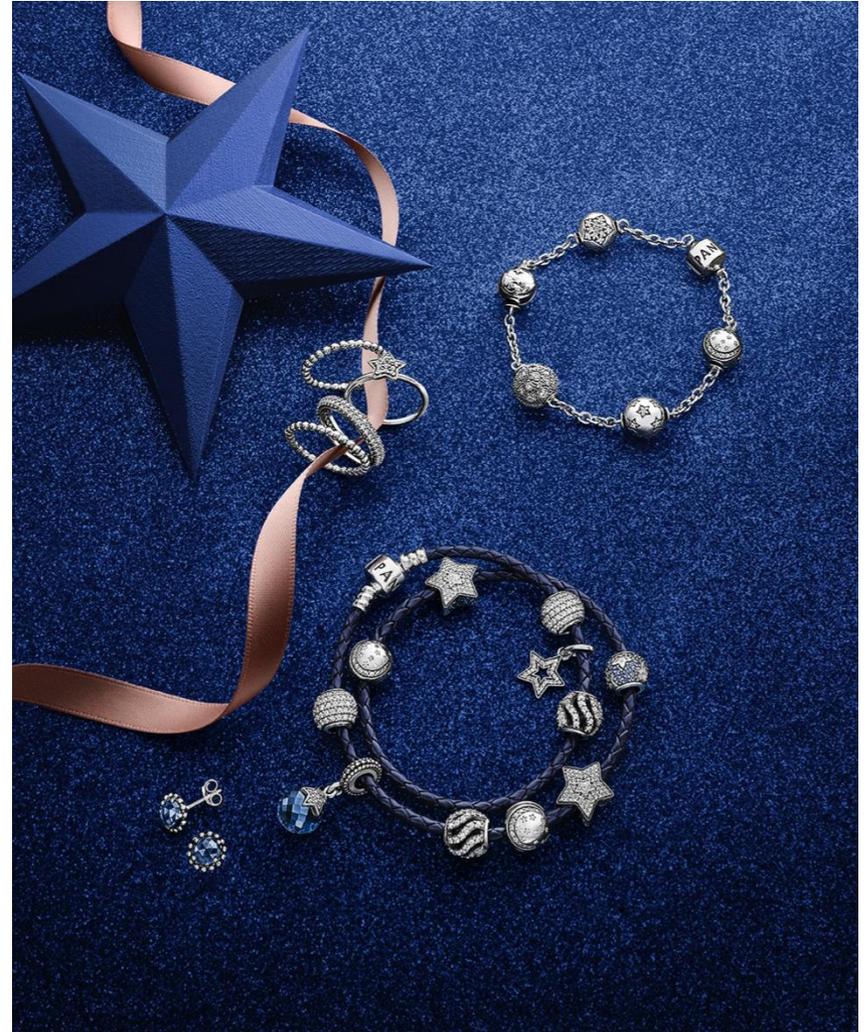


PANDORA
UNFORGETTABLE MOMENTS

AGENDA

AGENDA

- Business highlights:
 - Key developments in Q3 2014
 - Market development and sales-out
 - Performance of newly launched products
 - Guidance 2014
- Financial review for Q3 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

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IMPORTANT EVENTS IN Q3 2014

- Q3 2014 revenue was DKK 2,845 million, an increase of 26.2% or 24.6% in local currency compared to Q3 2013, driven by all geographic regions, positively impacted by:
 - Success of newly launched products – the Pre-autumn and Autumn collection launched in Q3
 - Continued positive development in revenue from Rings, which increased 98%
 - Network expansion across all geographies – revenue from concept stores increased 43% and generated 55.9% of revenue compared to 49.2% in Q3 2013
- All major markets continued the positive development in sales-out from concept stores (like-for-like)
- EBITDA increased 33.8% to DKK 1,020 million compared to Q3 2013 – an EBITDA margin of 35.9%
 - Including a gain of 4.1pp on gross margin driven by lower commodity prices (compared to Q3 2013)
- Free cash flow was DKK 567 million vs. DKK 363 million in Q3 2013
- Revenue guidance increased to more than DKK 11.5 billion from more than DKK 11.0 billion, and EBITDA margin guidance upgraded to more than 35% from approximately 35%
- DKK 2.4 billion share buyback programme on track – 3.6% of the share capital bought back in 9M 2014, corresponding to DKK 1.7 billion

REGIONAL REVENUE DEVELOPMENT

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

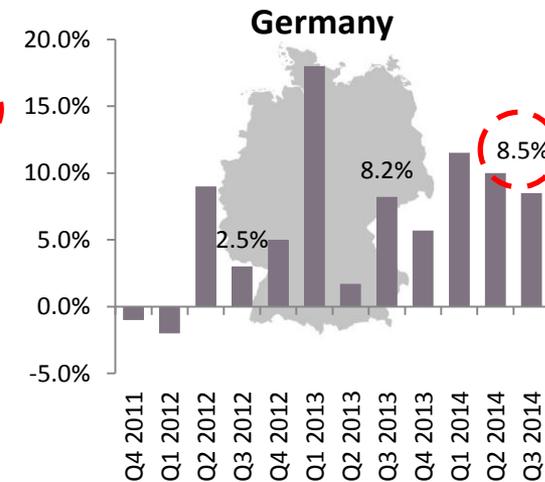
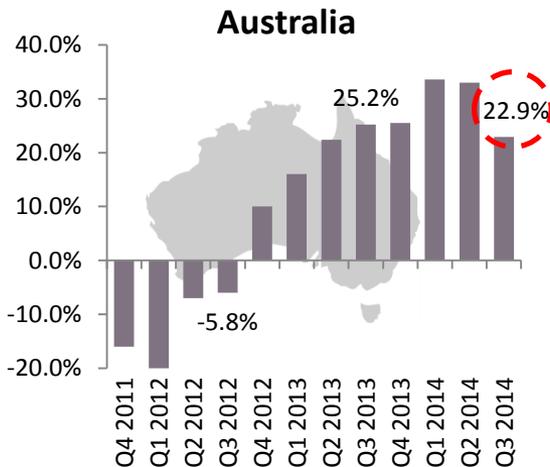
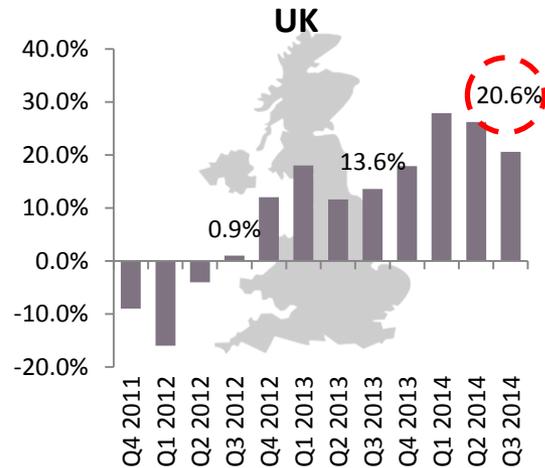
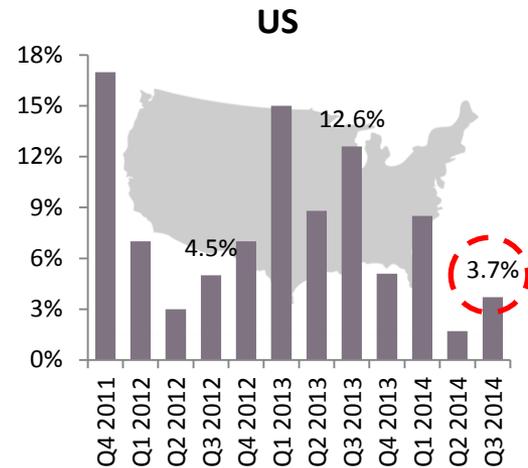
	Q3 2014	Q3 2013	FY 2013	Growth Q3/Q3	LC Growth Q3/Q3	Share of revenue (Q3 2014)
Americas	1,165	990	4,156	17.7%	17.8%	41.0%
US	839	729	3,201	15.1%	13.9%	29.5%
Other Americas	326	261	955	24.9%	28.4%	11.5%
Europe	1,335	1,024	3,760	30.4%	27.4%	46.9%
UK	416	308	1,158	35.1%	26.4%	14.6%
Germany	144	141	544	2.1%	2.1%	5.1%
Other Europe	775	575	2,058	34.8%	34.3%	27.2%
Asia Pacific	345	241	1,094	43.2%	40.5%	12.1%
Australia	153	130	681	17.7%	15.6%	5.4%
Other Asia Pacific	192	111	413	73.0%	69.3%	6.7%
Total	2,845	2,255	9,010	26.2%	24.6%	100.0%

COMMENTS

- US increased 13.9% in local currency primarily driven by West Coast stores
- Other Americas increased 28.4% driven by Canada and the inclusion of Brazil (from Q1 2014)
- Continued strong development in Europe – in particular in the UK and newer markets France and Italy
- Australia increased 15.6% in local currency primarily driven by strong ring sales
- Hong Kong, Singapore, Taiwan and China 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 and products – Rings in particular doing well
- Sales-out in Germany continues to be driven by good performance in the PANDORA owned stores

PERFORMANCE OF NEWLY LAUNCHED PRODUCTS



COMMENTS

- Autumn and Pre-autumn collections launched in the quarter and have been well received
- The PANDORA ESSENCE COLLECTION continues to perform well
 - Gold ESSENCE charms launched as part of Autumn collection
- Products launched within the last 12 months continue to do well and represented roughly 50% of sales-in and a third of sales out

2014 FINANCIAL EXPECTATIONS



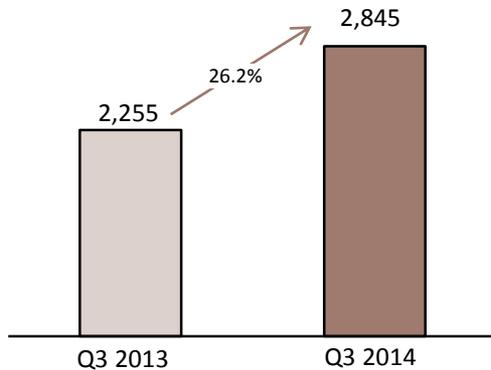
2014 FINANCIAL EXPECTATIONS

- Revenue of more than DKK 11.5 billion (upgraded from more than DKK 11.0 billion)
- EBITDA margin of more than 35% (upgraded from approx. 35%)
- CAPEX of approx. DKK 500 million (previously DKK 550 million)
- Effective tax rate of approx. 20%

- During 2014, PANDORA expects to open more than 300 concept stores (upgraded from more than 275)

REVENUE DEVELOPMENT

REVENUE (DKKm)

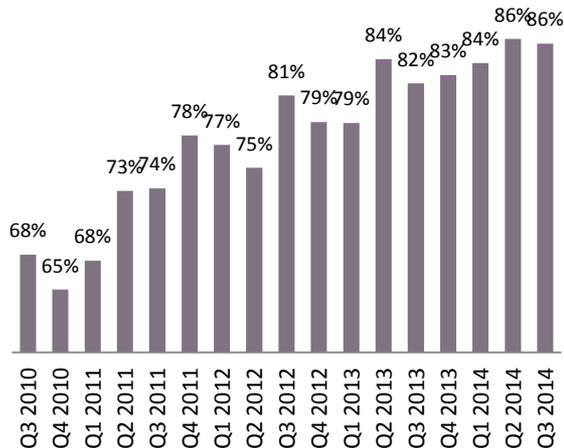


- 24.6% growth in local currency
- Volume up 15.7%
- ASP DKK 145 (vs. DKK 133 in Q3 2013)

COMMENTS

- Total revenue increased by 24.6% driven by volume growth as well as a higher average selling price
- Revenue growth distributed between like-for-like sales-in (around 2/3) and store openings (around 1/3)
- Average Sales Price increase to DKK 145 driven by higher share of Rings and increased share of revenue from PANDORA owned stores (around 15% vs. 10% in Q3 2013)
- Branded distribution generated 85.6% of revenue in Q3 2014, driven by more branded stores as well as higher average revenue per concept store

SHARE OF BRANDED REVENUE



SHARE OF REVENUE PER CHANNEL

	Q3 2014
Concept stores	55.9%
Shop-in-shops	16.9%
Gold	12.8%
Total branded	85.6%
Silver	5.6%
White & travel retail	5.2%
Total unbranded	10.8%
Total direct	96.4%
3rd party	3.6%
Total	100.0%

DEVELOPMENT IN OUR DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Net openings	
	Q3 2014	Q2 2014	Q3 2013	Share of total (Q3 2014)	Q3 2014 vs. Q2 2014	Q3 2014 vs. Q3 2013
Concept stores	1,307	1,214	1,011	13.3%	93	296
- Hereof PANDORA-owned	218	175	128	2.2%	43	90
Shop-in-shops	1,507	1,443	1,349	15.3%	64	158
- Hereof PANDORA-owned	64	59	52	0.7%	5	12
Gold	2,349	2,323	2,355	23.9%	26	-6
Total branded	5,163	4,980	4,715	52.5%	183	448
Silver	2,761	3,060	3,119	28.1%	-299	-358
White and travel retail	1,917	2,006	2,511	19.4%	-89	-594
Total	9,841	10,046	10,345	100.0%	-205	-504

NUMBER OF STORES, KEY NEW MARKETS

	End of Q3 2014								Net openings		
	Brazil	Russia	France	Italy	China	Japan	Rest of Asia	Total	Q3 2014	Q2 2014	Q1 2014
Concept stores	30	164	28	33	31	1	69	356	37	37	23
Shop-in-shop	-	43	38	7	16	7	75	186	12	7	6
Total	30	207	66	40	47	8	144	542	49	44	29

COMMENTS

- 183 branded points of sale opened in Q3 2014, including 93 concept store net openings
- Continued focus on global branded network – 448 branded points of sale opened since Q3 2013 including:
 - 296 concept stores
 - 158 shop-in-shops
- 43 new O&O concept stores were added in Q3 2014, including 22 stores transferred from Hannoush to PANDORA at the end of the quarter

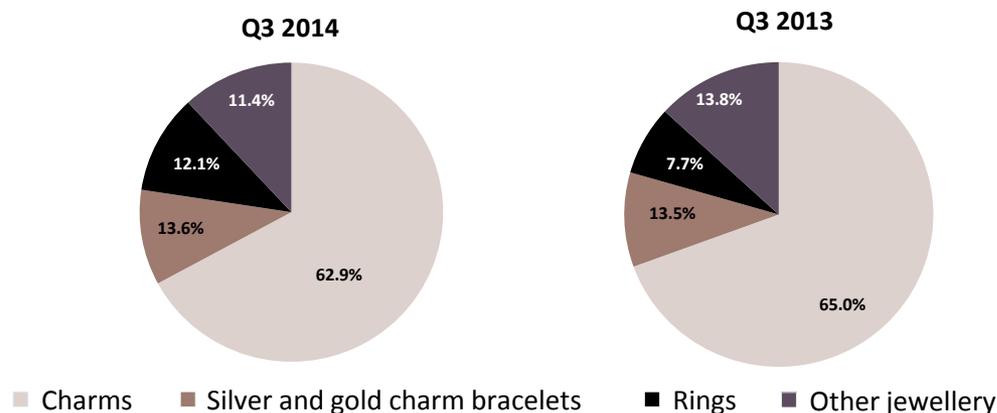
PRODUCT MIX

PRODUCT MIX (DKKm)					
	Q3 2014	Q3 2013	FY 2013	Growth Q3/Q3	Share of total Q3 2014
Charms	1,788	1,466	6,293	22.0%	62.9%
Silver and gold charm bracelets	388	304	1,157	27.6%	13.6%
Rings	344	174	550	97.7%	12.1%
Other jewellery	325	311	1,010	4.5%	11.4%
Total	2,845	2,255	9,010	26.2%	100.0%

COMMENTS

- Core categories continue the positive development
- Revenue from Rings increased 98% following the increased focus on the category across all regions
- Other Jewellery impacted by discontinuation of Watches and hard comparable for Earrings
 - Necklaces increase more than 50%
- Charms and Bracelets share of revenue decreased to 76.5%, 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	Q3 2014	Q2 2014	Q3 2013	FY 2013
Revenue	2,845	2,544	2,255	9,010
Cost of sales	846	746	762	3,011
Gross profit	1,999	1,798	1,493	5,999
<i>Gross margin</i>	70.3%	70.7%	66.2%	66.6%



COMMENTS

- Gross margin up 4.1 percentage points vs. Q3 2013 driven by lower commodity prices
- Gross margin decrease marginally compared to Q2 2014 due to re-melt at lower prices
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 72% based on average gold and silver spot prices in Q3 2014
- Gross margin impact of 1-2pp if 10% deviation on commodities

OPEX DEVELOPMENT

OPEX & MARGINS				
	Q3 2014	Q2 2014	Q3 2013	FY 2013
Gross profit				
Share of revenue	70.3%	70.7%	66.2%	66.6%
DKKm	1,999	1,798	1,493	5,999
Operational expenses				
Share of revenue	36.4%	37.6%	34.8%	36.8%
DKKm	1,036	957	785	3,318
Sales and distribution expenses				
Share of revenue	15.5%	18.0%	15.6%	16.8%
DKKm	440	457	354	1,517
Marketing expenses				
Share of revenue	9.1%	8.6%	9.4%	9.8%
DKKm	259	219	211	880
Administrative expenses				
Share of revenue	11.8%	11.0%	9.8%	10.2%
DKKm	337	281	220	921
EBIT				
EBIT margin	33.8%	33.1%	31.4%	29.8%
Depreciation and amortisation*	57	52	52	200
EBITDA				
EBITDA margin	35.9%	35.1%	33.8%	32.0%

*Excluding gains/losses from sale of assets

COMMENTS
<ul style="list-style-type: none"> • 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 259 million corresponding to 9.1% of revenue down from 9.4% in Q3 2013 • Administrative expenses were DKK 337 million corresponding to 11.8% of revenue and impacted by: <ul style="list-style-type: none"> • Increase in IT costs • Increased headcount • New offices • Costs related to change of CEO

REGIONAL EBITDA MARGINS

EBITDA MARGINS							
	Q3 2014	Q2 2014	Q3 2014 vs. Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q3 2014 vs. Q3 2013
			(% pts)				(% pts)
Americas	41.3%	46.3%	-5.0%	44.3%	37.7%	44.2%	-2.9%
Europe	47.8%	39.3%	8.5%	39.8%	40.4%	39.6%	8.2%
Asia Pacific	45.2%	46.7%	-1.5%	50.3%	38.7%	40.2%	5.0%
Unallocated costs ¹	-9.0%	-8.3%	-0.7%	-7.1%	-5.6%	-7.9%	-1.1%
Group EBITDA margin	35.9%	35.1%	0.8%	36.1%	33.5%	33.8%	2.1%

COMMENTS

- All regional margins positively impacted by the improved gross margin
- Americas margin decrease 5 percentage points compared to Q3 2013 impacted by:
 - Brazil being moved from Other Europe to Other Americas (1.5pp)
 - Customs in Canada
 - Higher marketing spend and investments into the Northeast US
- Europe and Asia Pacific significantly up compared to Q3 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			
DKKm	Q3 2014	Q3 2013	FY 2013
EBIT	963	708	2,681
Finance income	4	58	167
Finance expenses	-61	-11	-106
Profit before tax	906	755	2,742
Income tax expenses	-181	-143	-522
Effective tax rate	20.0%	19.0%	19.0%
Net profit	725	612	2,220

COMMENTS
<ul style="list-style-type: none"> Net finance costs amounted to net loss of DKK 57 million in Q3 2014 <ul style="list-style-type: none"> DKK 44 million related to exchange rate loss Net profit increased to DKK 725 million Effective tax rate 20.0%

WORKING CAPITAL DEVELOPMENT

WORKING CAPITAL AND CASH MANAGEMENT

DKKm	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Inventory	2,126	1,684	1,574	1,490	1,603
Trade receivables	1,327	792	889	895	1,017
Trade payables	758	633	613	539	481
Operating working capital	2,695	1,843	1,850	1,846	2,139
<i>Share of revenue¹</i>	<i>24.9%</i>	<i>18.0%</i>	<i>19.3%</i>	<i>20.5%</i>	<i>25.6%</i>
Other receivables	352	571	548	731	702
Tax receivables	94	49	41	35	128
Provisions	575	590	601	506	447
Income tax payable	995	769	651	546	478
Other payables	653	388	576	699	551
Net working capital including derivatives	918	716	611	861	1,493
<i>Share of revenue¹</i>	<i>8.5%</i>	<i>7.0%</i>	<i>6.4%</i>	<i>9.6%</i>	<i>17.9%</i>
Derivatives	188	13	49	148	109
Net working capital excluding derivatives	1,106	729	660	1,009	1,602
<i>Share of revenue¹</i>	<i>10.2%</i>	<i>7.1%</i>	<i>6.9%</i>	<i>11.2%</i>	<i>19.2%</i>
Free cash flow	567	547	1,049	1,085	363
Cash conversion²	78.2%	82.6%	149.0%	146.8%	59.3%
NIBD/EBITDA³	0.0	-0.1	-0.2	-0.2	0.1
ROIC⁴	54.6%	56.9%	52.4%	44.9%	35.5%

COMMENTS

- Operating working capital improved during the quarter and represented 24.9% of revenue at the end of Q3 2014, compared to 25.6% at the end of Q3 2013
- Inventories increased as a share of revenue due to increasing share of O&O stores
- Trade receivables increase due to seasonally extended credit terms in some markets
- Other receivables impacted by repayment of VAT in Germany
- Free cash flow increased to DKK 567 million compared to Q3 2013 mainly driven by higher EBITDA

¹ % of revenue in relation to last 12 months revenue. DKK 10,803m for the period ended 30 September 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)

Q3 2014 IN SUMMARY



SUMMARY

- Revenue was up 26.2%
- Increased diversification across product categories and geographies
- Revenue from concept store was 55.9% of revenue and increased 43% compared to Q3 2013
- Gross margin increased to 70.3%
- EBITDA was DKK 1,020 corresponding to a margin of 35.9%
- Free cash flow was DKK 567 million
- Revenue guidance upgraded to more than DKK 11.5 billion and EBITDA-margin to more than 35%
- Share buyback of up to DKK 2.4 billion in 2014 on track

QUESTIONS AND ANSWERS

