

TELECONFERENCE Q2 2013 FINANCIAL RESULTS

10.00 CET, 13 August 2013



PANDORA
UNFORGETTABLE MOMENTS

AGENDA

AGENDA

- Business highlights:
 - Key developments in Q2 2013
 - Market development and sales-out
 - Performance of newly launched products
 - Guidance 2013
- Financial review
- 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.

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IMPORTANT EVENTS IN Q2 2013

CEO MESSAGE

- Q2 2013 revenue was DKK 1,931 million, an increase of more than 50% driven by all geographic regions, positively impacted by:
 - Success of newly launched products
 - High replenishment rates
 - “Mothers Day”, “High Summer” and “Pre-Autumn” products launched during the quarter
- All major markets saw a continued positive development in sales-out from Concept stores (L4L)
 - Impact from refreshed assortment and improved store execution
- EBITDA increased 140.9% to DKK 530 million – an EBITDA margin of 27.4%
 - Increase in EBITDA driven by higher revenue
- Free cash flow was DKK 102 million
 - Impacted by increase in Inventory as well as Other receivables due to phasing of VAT refund related to our European Distribution Centre
- DKK 700 million share buyback programme on track – DKK 210 million bought back in Q2 2013

REGIONAL REVENUE DEVELOPMENT IN Q2 2013

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

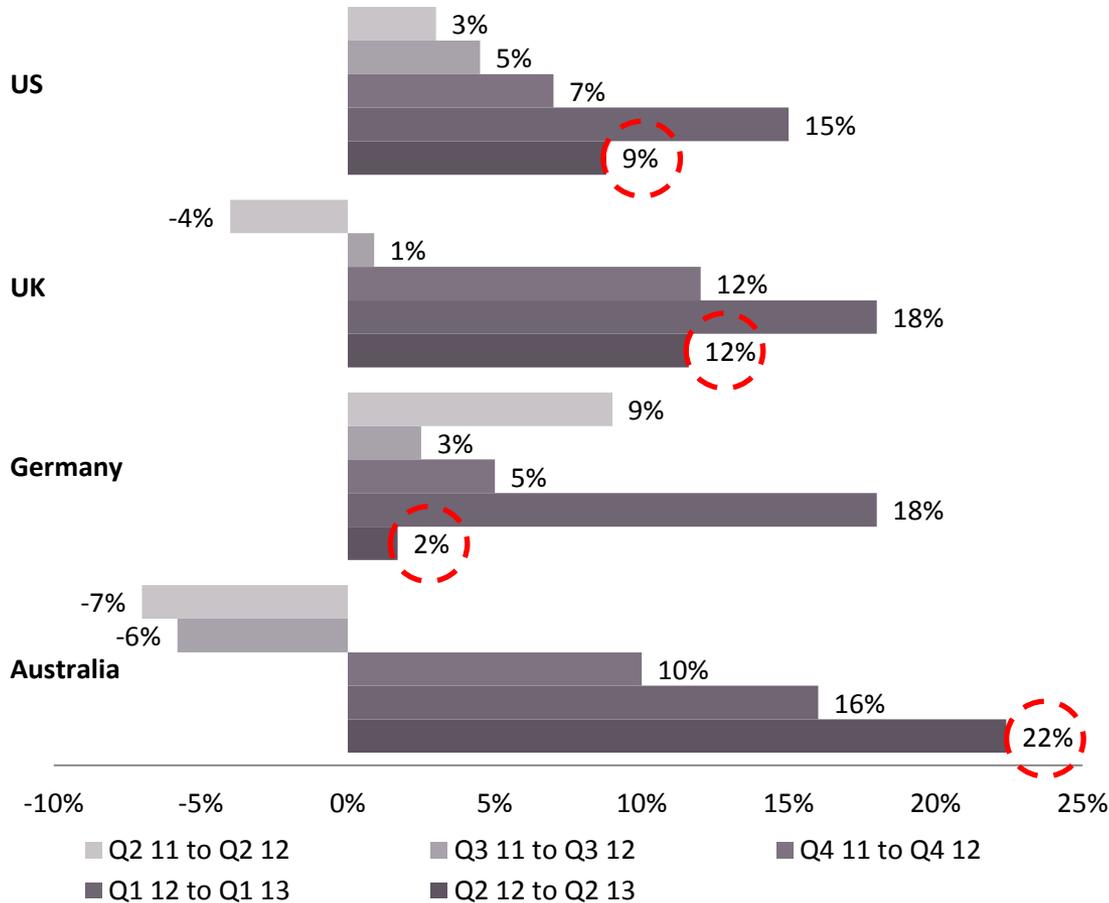
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Growth	Growth in local curr.
Americas	1,045	1,057	939	920	687	52.1%	54.3%
US	802	832	738	711	521	53.9%	55.6%
Other	243	225	201	209	166	46.4%	
Europe	642	713	966	699	403	59.3%	59.8%
UK	178	190	384	249	102	74.5%	81.8%
Germany	95	108	154	130	85	11.8%	11.8%
Other	369	415	428	320	216	70.8%	
Asia Pacific	244	232	269	175	170	43.5%	42.4%
Australia	153	148	243	120	131	16.8%	18.2%
Other	91	84	26	55	39	133.3%	
Total	1,931	2,002	2,174	1,794	1,260	53.3%	54.4%

COMMENTS

- Americas driven by continued strong performance in US
- UK and other Europe (driven by Italy, France and Russia) significantly up
- Germany is recovering but still needs to optimise execution
- Asia Pacific showed strong growth, especially in Australia and a number of Asian markets

SALES-OUT POSITIVE IN ALL MAJOR MARKETS

LIKE FOR LIKE CONCEPT STORES – SALES-OUT DEVELOPMENT



COMMENTS

- Continued strong momentum across major markets
- Newly launched products continue to drive growth with core products still selling well
- Refreshed assortment and improved store execution in Concept stores driving improvements in sales-out

PERFORMANCE OF NEWLY LAUNCHED PRODUCTS



COMMENTS

- Mother's Day delivered in Q2 2013 sold well
- High Summer and Pre-Autumn received well by retailers
- Products launched since 2012 continue to do well
- Confirmation that our 2012 focus on product assortment, drop structure and price architecture continues to pay off
- Silver bangle introduced globally – and does well

2013 FINANCIAL EXPECTATIONS

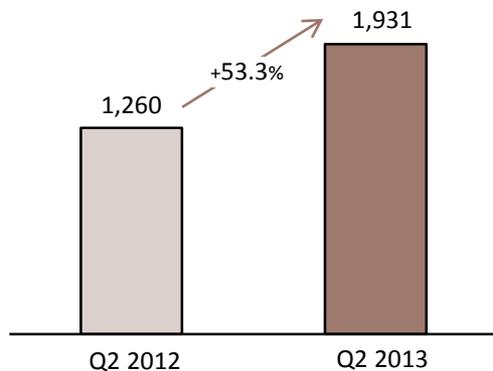


2013 FINANCIAL EXPECTATIONS

- Full year financial expectations upgraded 30 July
- Revenue approx. DKK 8 billion
- EBITDA margin approx. 27%
- CAPEX around DKK 400 million (excl. payment to Trollbeads of DKK 190 million)
- Effective tax rate of approximately 19%
- During 2013 PANDORA expects to open approximately 175 Concept stores

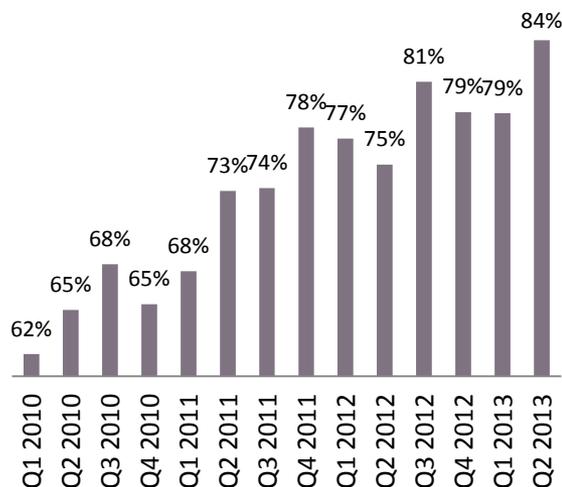
REVENUE DEVELOPMENT Q2 2013

REVENUE (DKKm)



- Volume up approx. 40%
- ASP DKK 134 (vs. DKK 123)

Share of branded revenue



REVENUE PER CHANNEL

	Q2 2013
Concept stores	48.5%
Shop-in-Shops	20.8%
Gold	15.0%
Total Branded	84.3%
Silver	10.4%
White & Travel retail	5.9%
Total unbranded	16.3%
Total Direct	100.6%
3rd party	-0.6%
Total	100.0%

COMMENTS

- Total revenue increased by 53.3% positively impacted by newly launched products, high replenishment rates, store openings and drop structure
- Our ASP increase is driven by revenue mix
- Average retail sales-out price virtually unchanged vs. 12 months ago
- Provision for returns, as a percentage of revenue, unchanged
- Branded distribution generating close to 85% of Q2 2013 revenue with Concept Stores as largest contributor

DEVELOPMENT IN OUR DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Net openings				
	Q2 2013	Q1 2013	Q2 2012	Share of total	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Concept stores	949	914	766	9.2%	35	19	72	57	68
Shop-in-Shop	1,322	1,287	1,090	12.8%	35	22	61	114	2
Gold	2,339	2,258	1,976	22.6%	81	-36	164	154	-30
Total branded	4,610	4,459	3,832	44.6%	151	5	297	325	40
Silver	3,148	3,092	3,043	30.5%	56	19	138	-108	86
White	2,579	2,692	3,568	24.9%	-113	-155	-281	-440	-182
Total	10,337	10,243	10,443	100.0%	94	-131	154	-223	-56

NUMBER OF STORES, KEY NEW MARKETS

	End of Q2 2013							Net openings		
	Russia	China	Japan	Rest of Asia	France	Italy	Total	Q2 2013	Q1 2013	Q4 2012
Concept stores	86	25	1	50	14	16	192	22	1	30
Shop-in-shop	20	14	7	51	31	8	131	3	2	12
Total	106	39	8	101	45	24	323	25	3	42

COMMENTS

- 151 branded points of sale opened in Q2 2013, including 35 Concept store net openings in Q2 2013
- Continued focus on global branded network – 778 branded points of sale opened since Q2 2012:
 - 183 Concept stores
 - 232 Shop-in-Shops
 - 363 Gold stores

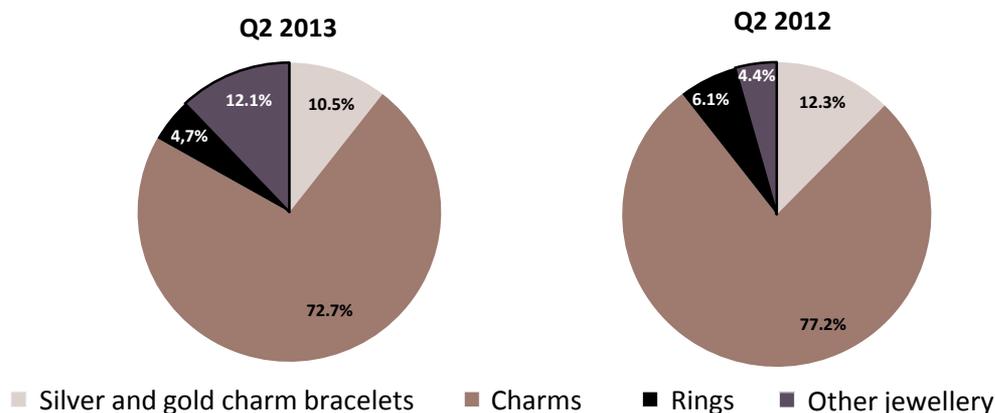
PRODUCT MIX IN Q2 2013

PRODUCT MIX (DKKm)						
	Q2 2013	Q2 2012	Growth	Share of total	Received Q2 2012	Replaced Q2 2012
Charms	1,404	973	44.3%	72.7%	87	224
Silver and gold charms bracelets	203	155	31.0%	10.5%	2	46
Rings	91	77	18.2%	4.7%	29	13
Other jewellery	233	55	323.6%	12.1%	65	27
Total	1,931	1,260	53.3%	100.0%	183	310

COMMENTS

- Revenue from Charms increased by 44.3% and Silver and gold charms bracelets increased by 31.0%
- Ring collection continues to sell well, increasing by 18.2%, driven by improved commercial offering
- Other Jewellery increased by 323.6%, driven by bangles and leather bracelets
- Development in product mix affected by last years stock balancing campaign

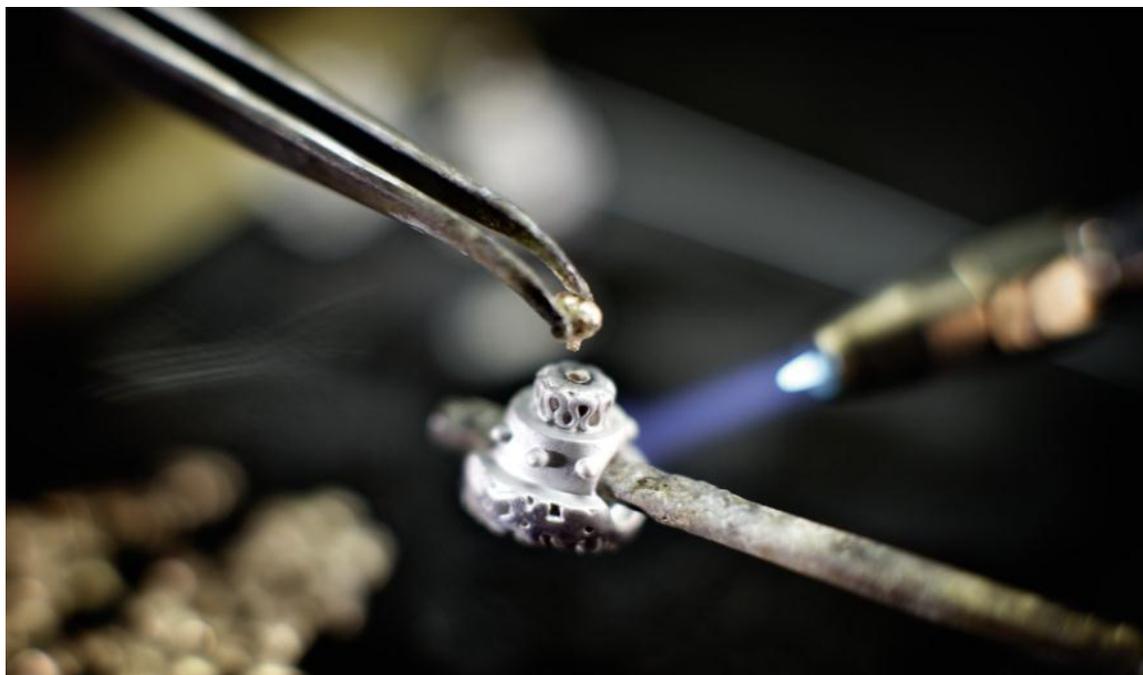
PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



GROSS MARGIN DEVELOPMENT

GROSS PROFIT (DKK_m) AND GROSS MARGIN (%)

	Q2 2013	Q2 2012	Q1 2013	FY 2012
Revenue	1,931	1,260	2,002	6,652
Cost of sales	-657	-404	-688	-2,223
Gross profit	1,274	856	1,314	4,429
Gross margin	66.0%	67.9%	65.6%	66.6%



COMMENTS

- The decrease in gross margin compared to Q2 2012 is due to revenue mix and change in US import duty
- Increase compared to Q1 2013 driven by lower commodity prices
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 71% based on average gold and silver spot prices in Q2 2013
- Gross margin impact of 1-2pp if 10% deviation on commodities

OPEX DEVELOPMENT IN Q2 2013

OPEX, EBITDA AND MARGIN				
	Q2 2013	Q2 2012	Q1 2013	FY 2012
Gross margin				
Share of revenue	66.0%	67.9%	65.6%	66.6%
DKKm	1,274	856	1,314	4,429
Operational expenses				
Share of revenue	41.0%	54.2%	35.7%	44.4%
DKKm	791	683	715	2,954
Sales & distribution expenses				
Share of revenue	18.4%	23.4%	15.8%	19.0%
DKKm	356	295	316	1,261
Marketing expenses				
Share of Revenue	10.5%	15.3%	9.6%	12.4%
DKKm	203	171	193	823
Administrative expenses				
Share of revenue	12.0%	17.2%	10.3%	13.1%
DKKm	232	217	206	870
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EBIT	483	173	599	1,475
EBIT margin	25.0%	13.7%	29.9%	22.2%
Depreciation and amortisation*	48	47	45	180
EBITDA	530	220	643	1,658
EBITDA margin	27.4%	17.5%	32.1%	24.9%

*Including gains/losses from sale of assets

COMMENTS

- Sales and distribution expenses increased based on entry into new markets and higher share of O&O – now 18.4% of revenue down from 23.4% in Q2 2012
- Marketing expenses increased to DKK 203 million – down to 10.5% of revenue from 15.3% in Q2 2012
- Administrative expenses increased to DKK 232 million (incl. one-off of DKK 20 million) – down to 12.0% of revenue from 17.2% in Q2 2012

REGIONAL EBITDA MARGINS

EBITDA MARGINS							
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2013 vs. Q1 2013 (% pts)	Q2 2012	Q2 2013 vs. Q2 2012 (% pts)
Americas	44.7%	44.1%	36.0%	42.7%	0.6%	44.0%	0.7%
Europe	23.1%	34.6%	26.8%	34.3%	-11.5%	5.0%	18.1%
Asia Pacific	36.1%	35.8%	31.2%	19.4%	0.3%	13.5%	22.6%
Unallocated costs ¹	-9.0%	-7.6%	-6.8%	-9.1%	-1.4%	-9.9%	0.9%
Group EBITDA margin	27.4%	32.1%	24.6%	28.0%	-4.7%	17.5%	9.9%

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

COMMENTS

- All regional margins negatively impacted by lower gross margin, but positively impacted by the increase in revenue
- The EBITDA margin in Americas remained above Group average, despite negative impact from the suspension of import duties of goods manufactured in Thailand under the U.S. Generalized System of Preferences programme
- The EBITDA margin in Europe increased despite a sales-return provision of DKK 55 million as well as higher Sales, distribution and marketing expenses
- Asia Pacific significantly up, but still impacted by expansion into new markets

PROFIT DEVELOPMENT

FINANCIAL ITEMS, TAX AND NET PROFIT			
DKKm	Q2 2013	Q2 2012	FY 2012
EBIT	483	173	1,475
Financial expenses	-1	-97	-128
Financial income	50	1	132
Profit before tax	532	77	1,479
Income tax expenses	-101	-14	-277
Effective tax rate	19.0%	18.2%	18.7%
Group net profit	431	63	1,202

COMMENTS

- Net financial income amounted to DKK 49 million in Q2 2013, significantly impacted by FX gains compared to Q2 2012 which were negatively impacted by FX losses
- Effective tax rate 19%

WORKING CAPITAL DEVELOPMENT

WORKING CAPITAL AND CASH MANAGEMENT

DKK m	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Inventory	1,463	1,396	1,318	1,922	1,925
Trade receivables	687	724	940	982	543
Trade payables	184	174	219	174	185
Operating working capital	1,966	1,946	2,039	2,730	2,283
<i>Share of revenue¹</i>	24.9%	26.9%	30.7%	42.3%	36.8%
Other receivables	719	533	502	505	320
Tax receivables	163	140	138	46	45
Provisions ²	444	500	470	283	280
Income tax payable	394	337	283	324	295
Other payables	823	595	692	576	648
Net working capital including derivatives	1,187	1,187	1,234	2,098	1,425
<i>Share of revenue¹</i>	15.0%	16.4%	18.6%	32.5%	23.0%
Derivatives	274	56	43	-61	205
Net working capital excluding derivatives	1,461	1,243	1,277	2,037	1,630
<i>Share of revenue¹</i>	18.5%	17.2%	19.2%	31.5%	26.3%
Free cash flow	102	406	1,030	-88	91
Cash conversion³	23.7%	92.7%	244.7%	-23.2%	144.4%
NIBD/EBITDA⁴	0.1	0.1	-0.1	0.5	0.4
ROIC⁵	32.4%	28.0%	25.0%	22.1%	24.2%

COMMENTS

- Operating working capital as percentage of last 12 months revenue improved primarily due to higher revenue and low inventory levels
- Q2 2013 inventory vs. Q2 2012 decreased due to a better inventory management
- Q2 2013 inventory slightly higher compared to Q1 2013 due to normalisation of inventory
- Free cash flow was impacted by change in inventory and Other receivables.
- Cash conversion was 23.7% in Q2 2013 – and 58.5% in H1 2013
- NIDB/EBITDA at 0.1x

¹ % of revenue in relation to last twelve months' revenue. DKK 7,901m for the period ended 30 June 2013

² Excluding earn-out

³ Calculated as free cash flow / net profit

⁴ Calculated as last 12 months EBITDA

⁵ Calculated as last 12 months' EBIT / Invested capital (at end of period)

Q2 2013 IN SUMMARY



- Group revenue was up more than 50%
- Strong performance from newly launched products
- Gross margin was 66.0%
- EBITDA margin was 27.4%
- Free cash flow was DKK 102 million
- Guidance updated on 30 July
- Share buyback of up to DKK 700m in 2013 on track
- Main focus continues to be on the consumer, the product and sales-out

QUESTIONS AND ANSWERS

