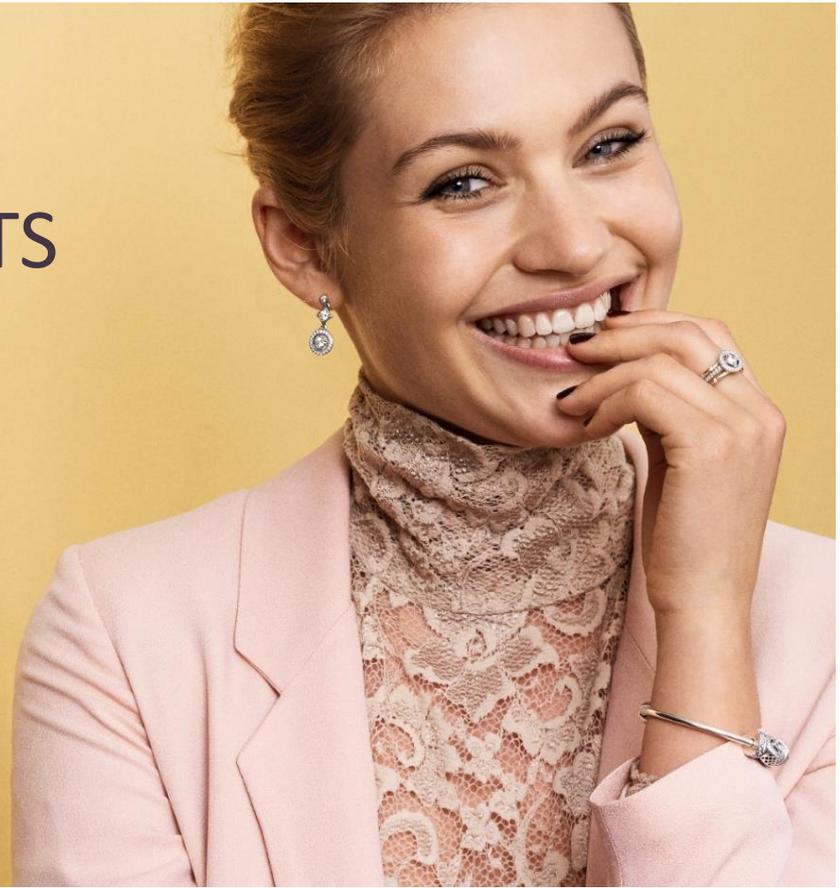


# TELECONFERENCE Q3 2016 FINANCIAL RESULTS

11:00 CET, 1 NOVEMBER 2016



**PANDORA**

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# AGENDA

FINANCIAL HIGHLIGHTS Q3 2016

FINANCIAL EXPECTATIONS 2016

FINANCIAL REVIEW Q3 2016

SUMMARY



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# 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,” “estimates” 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 rights, 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 regulations 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 to in this presentation.

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# FINANCIAL HIGHLIGHTS Q3 2016

## HIGHLIGHTS

- Revenue in Q3 2016 was DKK 4,612 million, an increase of 18% (21% in local currency) compared to Q3 2015, driven by a positive development across the three regions:
  - Strong product launches and double digit growth in all product categories
  - 90 new concept stores opened in Q3 2016, and 344 in the last 12 months. Revenue from concept stores increased 26% and represented 62% of revenue compared with 58% in Q3 2015
  - eSTORE revenue contributed with 3.1% of group revenue in Q3 2016 compared with 2.5% in Q3 2015
- Continued relevant product offering resulting in 4% like-for-like growth in concept stores for the Group
  - Like-for-like growth of 5% in EMEA and 7% in Asia Pacific
  - US like-for-like growth was 3% - Americas in total was 0%
- EBITDA for Q3 2016 was DKK 1,842 million, up 27% compare with Q3 2015, corresponding to an EBITDA margin of 39.9%
- Free cash flow was DKK 577 million compared with DKK 263 million in Q3 2015
- DKK 4.0 billion share buyback programme on track – DKK 1.2 billion share buyback in Q3 2016

# REVENUE IN CHINA MORE THAN DOUBLE IN Q3 2016 TO 6% OF GROUP REVENUE

## CHINA OVERVIEW

### STRONG LIKE-FOR-LIKE AND BRAND AWARENESS



120% revenue increase  
40% like-for-like growth



PANDORA awareness  
in key cities  
increased to 55%

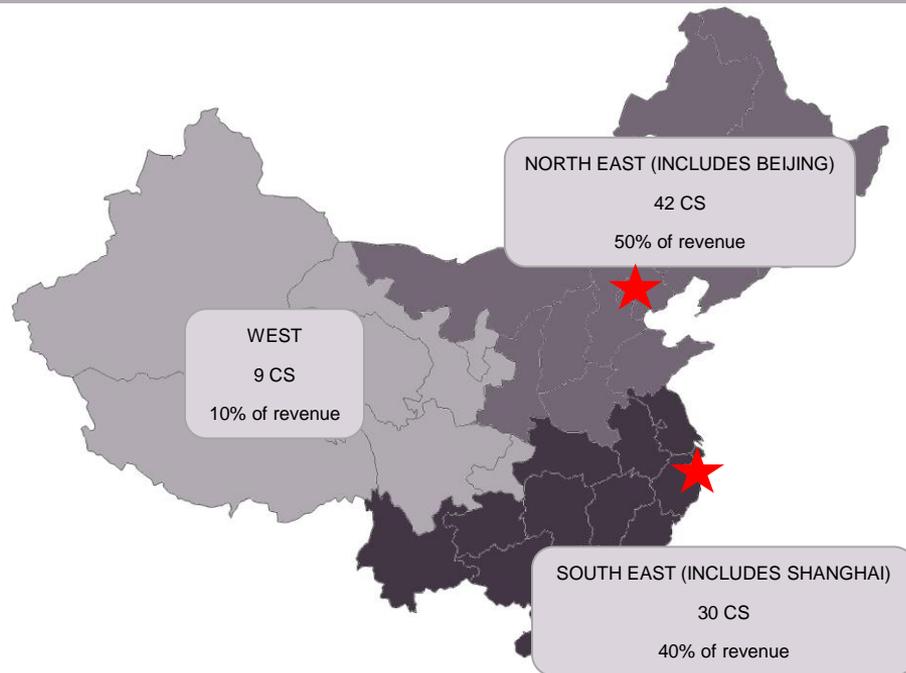


PANDORA  
launched on  
Tmall in October



Network development in Q3:  
14 new stores added  
to a total of 81 concept stores

### REGIONAL VIEW



## REGIONAL DEVELOPMENT

### REVENUE BREAKDOWN BY REGION

DKK million	Q3 2016	Growth Q3/Q3	Growth in local currency
Americas	1,510	6%	6%
EMEA	2,220	18%	25%
Asia Pacific	882	46%	47%
<b>Total</b>	<b>4,612</b>	<b>18%</b>	<b>21%</b>

### LIKE-FOR-LIKE SALES DEVELOPMENT (Y/Y GROWTH)

Concept stores (excluding eSTOREs) that have been operating for more than 12 months

	Q3 2016	Q3 2015	FY 2015
Americas	0%	5%	7%
EMEA	5%	15%	14%
Asia Pacific	7%	24%	22%
<b>Group</b>	<b>4%</b>	<b>13%</b>	<b>13%</b>

### COMMENTS

- 18% revenue growth evenly split between organic and network growth
  - 3pp negative impact from currency
- Americas revenue growth driven by the US
  - US growth driven by like-for-like, network expansion and US eSTORE
- Continued strong growth in EMEA
  - Italy and France increased revenue with around 70% and 35% respectively and had double digit like-for-like
  - Positive Like-for-like in both UK and Germany
- Asia Pacific increase 46%
  - Growth driven by China and Pacific

# 2016 FINANCIAL EXPECTATIONS

## FINANCIAL GUIDANCE 2016

	2016	2016	2015
	GUIDANCE (new)	GUIDANCE (previous)	ACTUAL
Revenue, DKK billion	>20	>20	16.7
<i>EBITDA margin</i>	<b>Approx. 39%</b>	>38%	37.1%
CAPEX, DKK billion	<b>Approx. 1.2</b>	Approx. 1.2	1.1
<i>Effective tax rate</i>	<b>Approx. 21%</b>	Approx. 21%	31.3%
Concept store, net openings	<b>&gt;325</b>	>300	392



## COMMENTS

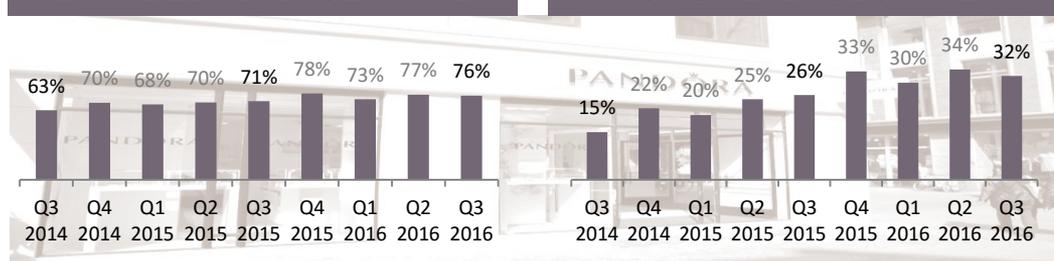
- Full year revenue guidance maintained
  - Revenue of more than DKK 20 billion including a -4% impact from currency
- EBITDA margin guidance changed to around 39% (from more than 38%)
  - Better ability to cope with production complexity
  - Marginally increased operating leverage
- CAPEX maintained at DKK 1.2 billion
- Effective tax rate of approximately 21%
- More than 325 concept store openings (from more than 300 concept store openings)

# REVENUE DEVELOPMENT PER SALES CHANNEL

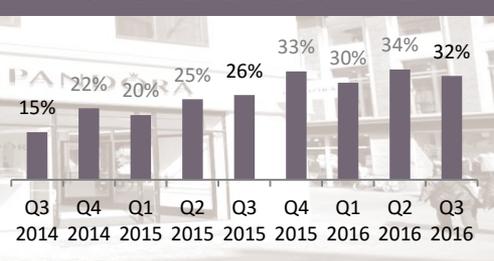
## REVENUE PER SALES CHANNEL

DKK million	Q3 2016	Growth Q3/Q3	Share of revenue
Concept stores	2,863	26%	62%
- hereof PANDORA owned	1,322	47%	29%
Shop-in-shops	623	23%	14%
- hereof PANDORA owned	138	13%	3%
<b>Branded</b>	<b>3,486</b>	<b>26%</b>	<b>76%</b>
<b>Multibranded</b>	<b>739</b>	<b>-9%</b>	<b>16%</b>
<b>Total direct</b>	<b>4,225</b>	<b>18%</b>	<b>92%</b>
3 <sup>rd</sup> party distributors	387	18%	8%
<b>Total revenue</b>	<b>4,612</b>	<b>18%</b>	<b>100%</b>

## BRANDED REVENUE SHARE



## O&O REVENUE SHARE



## COMMENTS

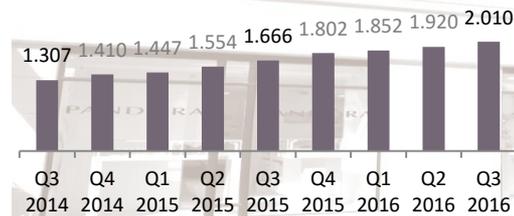
- O&O revenue from concept stores increased 47% and contributed with 29% of revenue
  - Total O&O share of revenue increased 6pp to 32%
- Growth in concept stores driven by all regions supported by strong product launches and network expansion
- Shop-in-shop revenue increased 23%, driven primarily by Jared upgrade
- Multibranded revenue declined 9% due to a net decrease of 1,330 points of sales
  - Including the 208 upgraded Jared stores, now recognised as shop-in-shops

# STORE NETWORK DEVELOPMENT

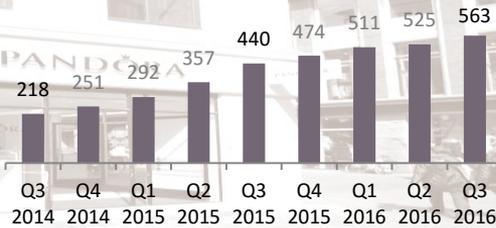
## STORE NETWORK

	Number of stores Q3 2016	Share of total Q3 2016	Net openings	
			Q3 2016 vs. Q2 2016	Q3 2016 vs. Q3 2015
Concept stores	2,010	23%	90	344
- hereof PANDORA owned	563	6%	38	123
Shop-in-shops	1,987	22%	160	374
- hereof PANDORA owned	112	1%	-6	-3
<b>Branded</b>	<b>3,997</b>	<b>45%</b>	<b>250</b>	<b>718</b>
<b>Multibranded</b>	<b>4,924</b>	<b>55%</b>	<b>-248</b>	<b>-1,330</b>
<b>Total PoS</b>	<b>8,921</b>	<b>100%</b>	<b>2</b>	<b>-612</b>

## TOTAL CONCEPT STORES



## O&O CONCEPT STORES



## COMMENTS

- 90 new concept stores opened in Q3 2016, to a total of 2,010 concept stores
  - Including the addition of 38 O&O concept stores in Q3 2016, to a total of 563 O&O concept stores
- Net opening of 160 shop-in-shops in Q3 2016, hereof 110 upgraded from multibranded stores to shop-in-shops in relation to the collaboration with Jared
- 1,330 multibranded stores closed in the last 12 months, including Jared upgrades
  - Multibranded store closings primarily in the US, Italy, Germany, France and Spain

# PRODUCT CATEGORY DEVELOPMENT

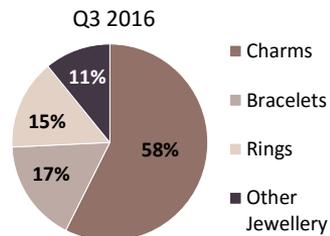
## REVENUE PER PRODUCT CATEGORY

DKK million	Q3 2016	Growth Q3/Q3	Share of revenue	Share of growth
Charms	2,661	10%	58%	33%
Bracelets	777	35%	17%	29%
- Hereof Moments and ESSENCE collections	556	32%	12%	19%
Rings	686	11%	15%	10%
Other jewellery	488	67%	11%	28%
<b>Total revenue</b>	<b>4,612</b>	<b>18%</b>	<b>100%</b>	<b>100%</b>

## COMMENTS

- Charms increased 10%, driven by Asia Pacific and EMEA partially offset by Americas
  - US charms impacted by lower revenue from the Disney collection
- Rings were up 11% and contributed with 15% of revenue for the quarter
  - Rings in North America impacted by change in promotions
- Earrings increased around 100%, and generated around 6% of total revenue
- Necklaces increased close to 40%
- Rings, Earrings and Necklaces contributed with around 40% of the growth for the quarter

## CATEGORY SHARE % OF REVENUE



## RINGS SHARE OF REVENUE % OF LAST 12 MONTHS REVENUE

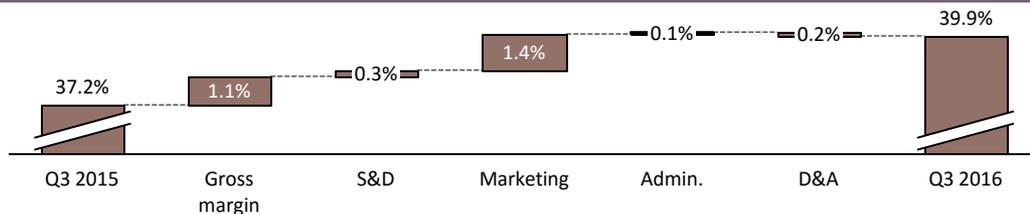


# P&L OVERVIEW

## COST AND PROFIT

DKK million	Q3 2016	Growth Q3/Q3	Share of revenue Q3 2016	Q3/Q3 (pp)	Share of revenue Q3 2015
Gross profit	3,464	20%	75.1%	1.1	74.0%
Operational expenses (incl. D&A)	1,745	12%	37.8%	-1.9	39.7%
- hereof sales & distribution	934	16%	20.3%	-0.3	20.6%
- hereof marketing	360	0%	7.8%	-1.4	9.2%
- hereof administrative	451	17%	9.8%	-0.1	9.9%
Depreciation and amortisation	123	7%	2.7%	-0.2	2.9%
<b>EBITDA</b>	<b>1,842</b>	<b>27%</b>	<b>39.9%</b>	<b>2.7</b>	<b>37.2%</b>
Net financials	60				
Income tax expenses	374				
Net profit	1,405	40%	30.5%	4.8	25.7%

## EBITDA MARGIN DEVELOPMENT (Y/Y)



## COMMENTS

- Gross margin increased 1.1pp, driven by increased O&O share and favourable raw material prices partially offset by currency moves and increased complexity
  - Gross margin impact of +/-1pp if 10% deviation on raw material prices
- Operational expenses were DKK 1.7 billion, corresponding to 37.8% of revenue, down 1.9pp compared to Q3 2015
  - S&D ratio improved by 0.3pp driven primarily by leverage in key markets partially offset by more O&O
  - Marketing expenses was DKK 360 million on par with Q3 2015
  - Administrative ratio improved by 0.1pp to 9.8% of revenue

# REGIONAL AND GROUP EBITDA MARGINS

## REGIONAL EBITDA

DKK million	Q3 2016	Growth Q3/Q3	EBITDA margin Q3 2016	Q3/Q3 (pp)	EBITDA margin Q3 2015
Americas	539	8%	35.7%	0.9%	34.8%
EMEA	974	25%	43.9%	2.5%	41.4%
Asia Pacific	329	83%	37.3%	7.4%	29.9%
<b>Group</b>	<b>1,842</b>	<b>27%</b>	<b>39.9%</b>	<b>2.7%</b>	<b>37.2%</b>



## COMMENTS

- EBITDA increased 27% to DKK 1.8 billion driven by all regions
  - Americas' margin increased 0.9pp primarily driven by improved gross margin
  - EMEA's margin increased 2.5pp driven by increased operating leverage due to higher revenue and improved gross margin
  - Asia Pacific's margin increased 7.4pp driven by leverage from a strong performance in particularly China, while Q3 2015 was negatively impacted by 5pp due to buyback of inventory in relation to the takeover of China

# BALANCE SHEET AND CASH FLOW

## WORKING CAPITAL AND CASH MANAGEMENT

DKK million	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Inventory	3,166	2,929	2,474	2,357	2,584
Trade receivables	1,976	1,253	1,361	1,360	1,392
Trade payables	1,309	1,239	1,259	1,329	1,036
<b>Operating working capital</b>	<b>3,833</b>	<b>2,943</b>	<b>2,576</b>	<b>2,388</b>	<b>2,940</b>
- Share of revenue (last 12 months)	19.8%	15.8%	14.4%	14.3%	19.6%
Free cash flow	577	576	1,356	1,464	263
CAPEX	324	352	274	319	384
NIBD to EBITDA (LTM)	0.6x	0.5x	0.4x	0.3x	0.4x

## COMMENTS

- Operating working capital was 19.8% of revenue on par with Q3 2015 and increased compared to Q2 2016
  - Increase in inventory related to inventory build up ahead of the Christmas collection
  - Increase in receivables is related to extended credit terms for selected markets
  - ...and Q3 revenue being skewed towards end of quarter
- Free cash flow was DKK 577 million
- CAPEX amounted to DKK 324 million
- NIBD to EBITDA ratio within capital structure policy



## Q3 2016 SUMMARY



### SUMMARY

- Revenue increased 18% (21% in local currency)
  - Driven by all regions and categories
- Continued roll out of concept stores with the addition of 90 new concept stores during the quarter
  - Online presence established in Canada and China
- Gross margin was 75.1%
- EBITDA margin was 39.9%
- Free cash flow was DKK 577 million
- Revenue guidance intact – EBITDA now expected to be around 39%.

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## Q&A

