

TELECONFERENCE FY 2015 FINANCIAL RESULTS

10:00 CET, 9 February 2016



PANDORA
UNFORGETTABLE MOMENTS

AGENDA

- KEY DEVELOPMENTS IN 2015
- MARKET DEVELOPMENT AND SALES-OUT (Q4 2015)
- FINANCIAL GUIDANCE FOR 2016
- FINANCIAL REVIEW (Q4 2015)
- SUMMARY 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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ANOTHER SUCCESSFUL YEAR

2015 SUMMARY

- 2015 revenue was DKK 16,737 million, an increase of 40.2% or 28.9% in local currency compared to 2014, driven by all geographic regions and product categories impacted by:
 - Success of newly launched products – all collections launched in 2015 improved compared to 2014
 - Strong development in revenue from Rings, which surpassed DKK 2 billion
 - Network expansion across all geographies, with 392 concept stores added during 2015 - revenue from concept stores increased 54.1% and generated more than 60% of total revenue
 - eSTORE launched in 7 new markets, including the US, Australia and Hong Kong
- All major markets saw a continued positive development in sales-out from concept stores (like-for-like)
- EBITDA was DKK 6,214 million, up 44.7% compared to 2014, corresponding to an EBITDA margin of 37.1%
- Free cash flow in 2015 was DKK 2,449 million compared to DKK 3,868 million in 2014
 - Including tax and interest expenses of DKK 995 million relating to settlement of transfer pricing audit in 2015
- DKK 5 billion returned to shareholders, including DKK 3.9 billion share buyback programme and DKK 1.1 billion in dividend

REGIONAL REVENUE DEVELOPMENT

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

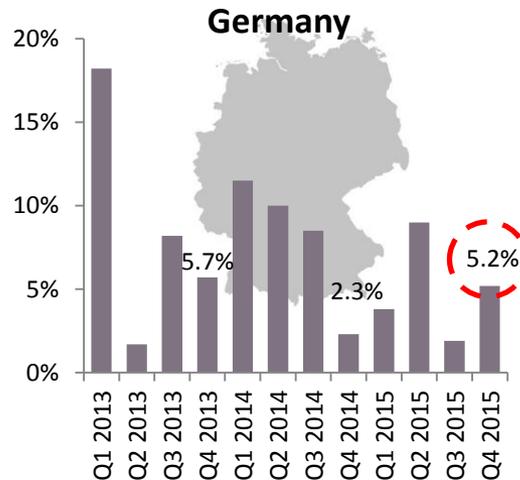
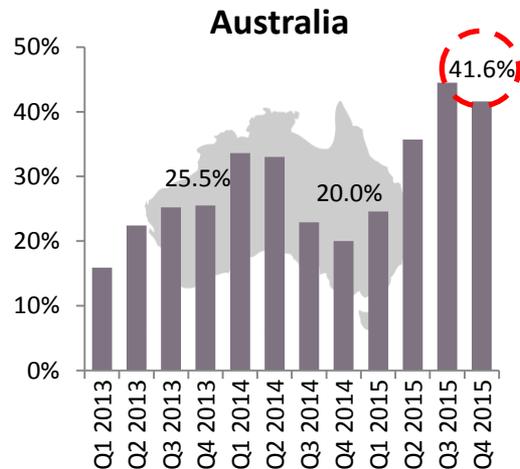
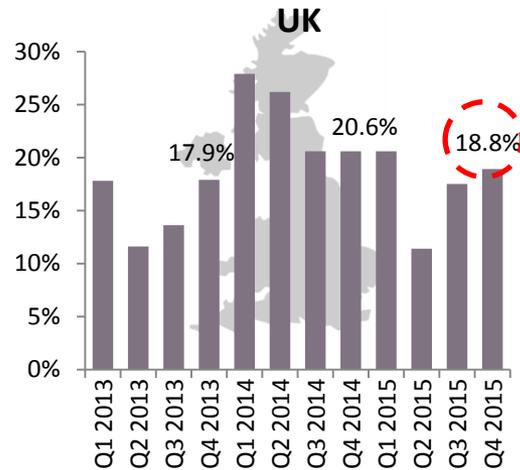
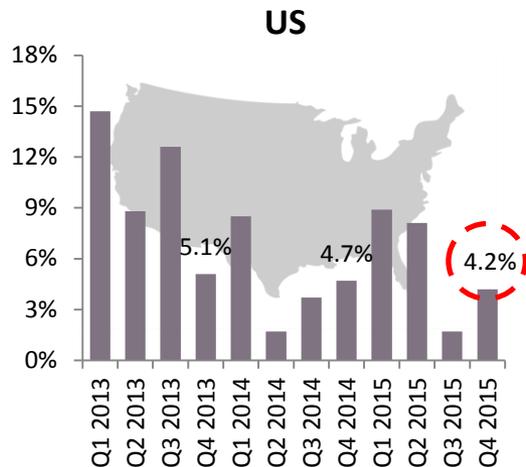
	Q4 2015	Q4 2014	Growth	Growth in local currency	FY 2015	FY 2014	Growth	Growth in local currency
US	1,456	1,090	33.6%	16.5%	4,893	3,629	34.8%	12.6%
Other Americas	501	437	14.6%	19.7%	1,644	1,330	23.6%	20.2%
Americas	1,957	1,527	28.2%	17.4%	6,537	4,959	31.8%	14.6%
UK	979	654	49.7%	35.9%	2,487	1,654	50.4%	36.4%
Germany	356	206	72.8%	72.8%	833	578	44.1%	44.1%
Other Europe	1,449	981	47.7%	46.7%	4,228	3,072	37.6%	36.2%
Europe	2,784	1,841	51.2%	45.7%	7,548	5,304	42.3%	37.1%
Australia	471	328	43.6%	47.6%	1,120	806	39.0%	39.5%
Other Asia Pacific	469	265	77.0%	58.9%	1,532	873	75.5%	50.3%
Asia Pacific	940	593	58.5%	52.6%	2,652	1,679	58.0%	45.1%
Total	5,681	3,961	43.4%	35.8%	16,737	11,942	40.2%	28.9%

COMMENTS

- Double digit growth in all regions lifted by favourable currency moves
- Americas driven by positive development in the US and Brazil
- Continued strong growth in Europe, driven by all major markets
 - Italy and France both increase more than 50%
- Asia Pacific driven primarily by Australia, Hong Kong and China
 - Conversion of distributor revenue to retail revenue added around DKK 50 million in China

SALES-OUT POSITIVE IN ALL MAJOR MARKETS

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



COMMENTS

- Continued positive like-for-like growth across all four major markets
- US sales-out growth driven by all major regions, including the North East
- UK and Australia driven by improved in-store execution and high brand awareness
- Like-for-like sales-out growth in Germany positive despite opening 74 new concept stores in the last 12 months

DIVIDEND AND SHARE BUYBACK PROGRAMME

DIVIDEND OF DKK 13 PER SHARE AND DKK 4.0BN SHARE BUYBACK

- Board of Directors proposes a dividend of DKK 13 per share for 2015 (2014: DKK 9)
- Share buyback programme of up to DKK 4.0 billion during 2016 (2015: DKK 3.9 billion)
 - The programme is being implemented under the Safe Harbour regulations (EC no. 2273/2003)
- Following the share buyback programme for 2015, the Board proposes cancellation of 5,240,348 shares equal to 4.28% of the total share capital

- Unchanged capital structure ratio target of 0–1x NIBD/EBITDA

FINANCIAL GUIDANCE FOR 2016

OUTLOOK			
	2016	2015	
	GUIDANCE	ACTUAL	LATEST GUIDANCE
Revenue (DKKbn)	>19	16.7	16.7
EBITDA margin	>37%	37.1%	Approx. 37%
CAPEX (DKKbn)	Approx. 1,000	1,109	1,000
Effective tax rate	Approx. 21%	31.3%	30%
Concept store, net openings	> 250	392	>375

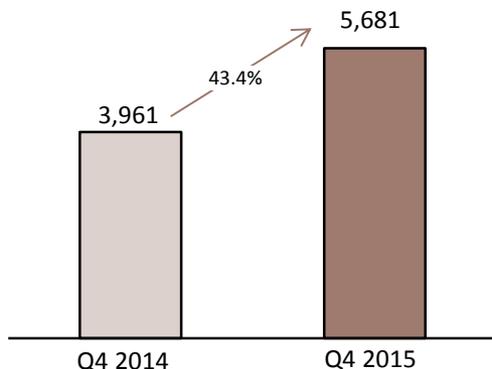


COMMENTS

- Revenue of more than DKK 19 billion expected to be driven by 1/3 like-for-like and 2/3 network expansion
- Positive impact on margin from lower commodity prices is expected to be offset by higher production complexity...
 - ... and operational leverage in developed markets to be partially offset by regional expansion, primarily in Asia
- Effective tax rate of approx. 21%
 - 2015 impacted by one-off related to tax settlement
- Around 60% of concept stores expected to be opened in EMEA, 20% in Americas and 20% in Asia Pacific

REVENUE DEVELOPMENT

REVENUE (DKKm)

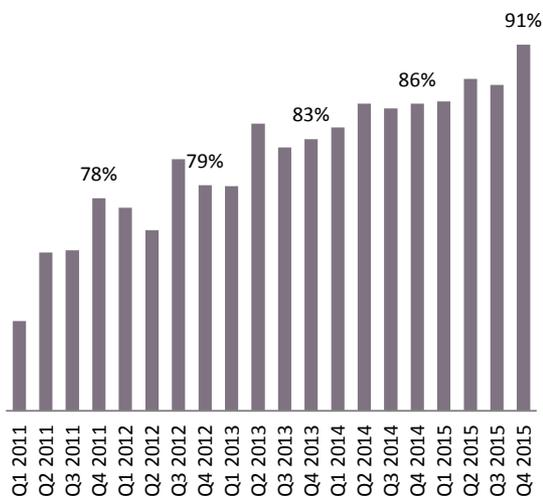


- 35.8% growth in local currency
- Volume up 21.1%
- ASP DKK 172 (vs. DKK 145 in Q4 2015)

COMMENTS

- Total revenue increased by 43.4% driven network expansion (2/3) and like-for-like sales-in growth (1/3)
- ASP increase 19% driven by currency, product mix and an increased share of revenue from PANDORA owned stores
- Revenue from O&O stores increased 118% to DKK 1,893 million
- Branded distribution generated 91% of revenue compared to 86% in Q4 2014

SHARE OF BRANDED REVENUE



SHARE OF REVENUE PER CHANNEL

	Q4 2015	Growth	Share of rev.
Concept stores	3,937	60.6%	69.3%
Shop-in-shops	755	27.5%	13.3%
Gold	500	37.7%	8.8%
Total branded	5,192	52.4%	91.4%
Silver	134	-46.4%	2.4%
White & travel retail	154	-11.0%	2.7%
Total unbranded	288	-31.9%	5.1%
Total direct	5,480	43.1%	96.5%
3rd party	201	53.4%	3.5%
Total	5,681	43.4%	100.0%

DEVELOPMENT IN THE DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Net openings	
	Q4 2015	Q3 2015	Q4 2014	Share of total (Q4 2015)	Q4 2015 vs. Q3 2015	Q4 2015 vs. Q4 2014
Concept stores	1,802	1,666	1,410	19.4%	136	392
- hereof PANDORA owned	474	440	251	5.1%	34	223
Shop-in-shops	1,674	1,613	1,555	18.1%	61	119
- hereof PANDORA owned	118	117	70	1.3%	1	48
Gold	2,676	2,595	2,400	28.9%	81	276
Total branded	6,152	5,874	5,365	66.4%	278	787
Silver	2,047	2,314	2,744	22.1%	-267	-697
White and travel retail	1,072	1,345	1,797	11.5%	-273	-725
Total	9,271	9,533	9,906	100.0%	-262	-635

COMMENTS

- 278 branded points of sale opened in Q4 2015, including 136 concept store net openings
- In total, a net of 392 new concept stores were opened in 2015, including 223 owned and operated stores
- Continued focus on global branded network – net 787 branded stores added since Q4 2014
- In the same time period, a net total of 1,422 unbranded stores were closed



PRODUCT MIX

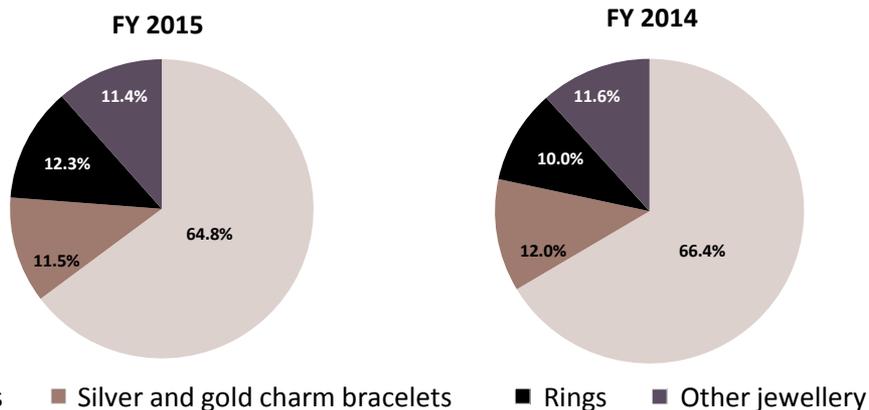
PRODUCT MIX (DKKm)

	Q4 2015	Q4 2014	Growth Q4/Q4	Share of total Q4 2015	FY 2015	FY 2014	Growth Y/Y	Share of total FY 2015
Charms	3,568	2,656	34.3%	62.7%	10,833	7,933	36.6%	64.8%
Silver and gold charm bracelets	719	465	54.6%	12.7%	1,923	1,427	34.8%	11.5%
Rings	663	355	86.8%	11.7%	2,066	1,192	73.3%	12.3%
Other jewellery	731	485	50.7%	12.9%	1,915	1,390	37.8%	11.4%
Total	5,681	3,961	43.4%	100.0%	16,737	11,942	40.2%	100.0%

COMMENTS

- All product categories delivers high double digit growth
 - Revenue from Bracelets in the US return to growth
- Revenue from Rings increased 87% driven by all regions
- Necklaces and Earrings increased by 60% and 90% respectively
- Charms and Bracelets share of revenue decreased to 76.3% in 2015 from 78.4% in 2014
- Product focus to include Earrings from January 2016

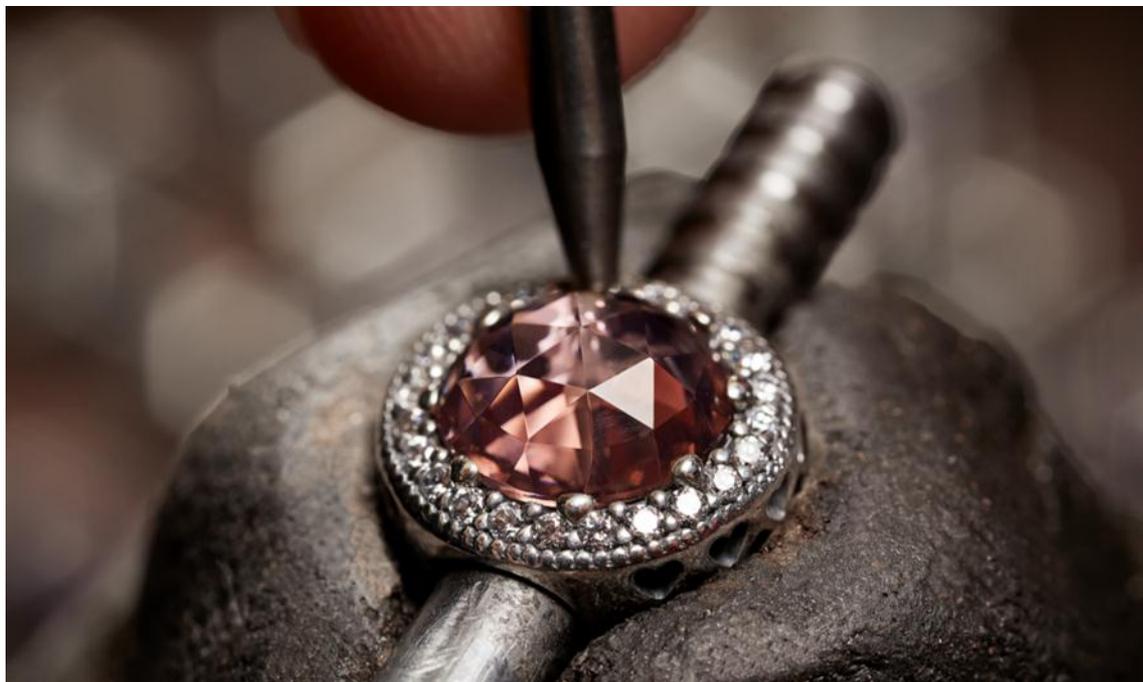
PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



GROSS MARGIN DEVELOPMENT

GROSS PROFIT (DKKm) AND GROSS MARGIN (%)

DKKm	Q4 2015	Q3 2015	Q4 2014	FY 2015	FY 2014
Revenue	5,681	3,911	3,961	16,737	11,942
Cost of sales	1,476	1,018	1,126	4,544	3,519
Gross profit	4,205	2,893	2,835	12,193	8,423
<i>Gross margin</i>	74.0%	74.0%	71.6%	72.9%	70.5%



COMMENTS

- Gross margin increased 2.4 percentage points versus Q4 2014 driven mainly by raw materials (around +2 pp), channel mix (around +1.5 pp) and FX (around -1 pp)
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 76% based on average gold and silver spot prices in Q4 2015
- Gross margin impact of +/- 1pp if 10% deviation on commodities

OPEX DEVELOPMENT

OPEX & MARGINS

	Q4 2015	Q3 2015	Q4 2014	FY 2015	FY 2014
Gross profit					
Share of revenue	74.0%	74.0%	71.6%	72.9%	70.5%
DKKm	4,205	2,893	2,835	12,193	8,423
Operational expenses					
Share of revenue	38.8%	39.7%	36.7%	38.1%	36.4%
DKKm	2,203	1,554	1,454	6,379	4,351
Sales and distribution expenses					
Share of revenue	18.5%	20.6%	16.3%	18.6%	16.4%
DKKm	1,052	807	645	3,120	1,957
Marketing expenses					
Share of revenue	10.5%	9.2%	11.5%	9.6%	9.6%
DKKm	596	360	455	1,602	1,143
Administrative expenses					
Share of revenue	9.8%	9.9%	8.9%	9.9%	10.5%
DKKm	555	387	354	1,657	1,251
EBIT					
EBIT margin	35.2%	34.2%	34.9%	34.7%	34.1%
Depreciation and amortisation*	142	115	63	400	222
EBITDA					
EBITDA margin	37.7%	37.2%	36.5%	37.1%	36.0%

*Excluding gains/losses from sale of assets

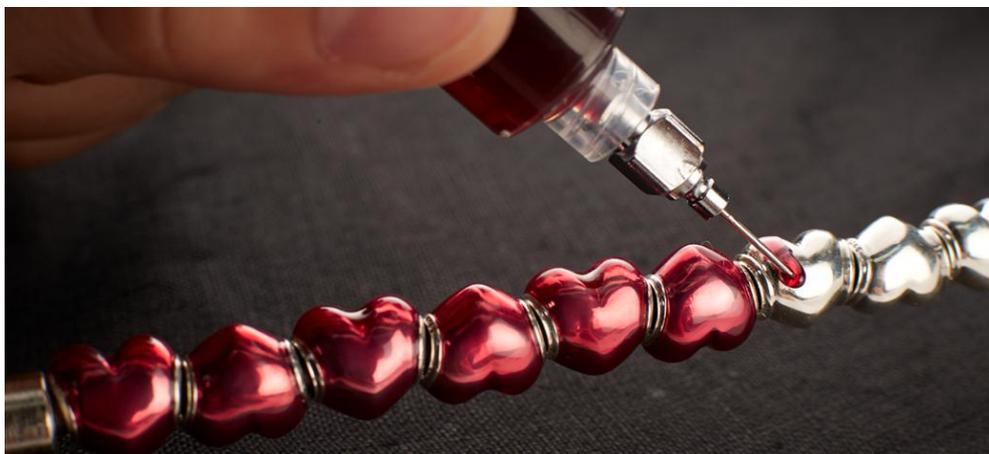
COMMENTS

- All cost lines negatively impacted by currency with a total effect of approximately DKK 100 million
- Increase in sales and distribution expenses driven by higher revenue as well as an increase in revenue from O&O stores (with an impact of 2.5pp on the S&D ratio)
- Marketing expenses were DKK 596 million corresponding to 10.5% of revenue compared to 11.5% in Q4 2014
- Administrative expenses were DKK 555 million corresponding to 9.8% of revenue and impacted by:
 - Increased headcount
 - DKK 75 million one-off related to new HQ and organisational changes

REGIONAL EBITDA MARGINS

EBITDA MARGINS								
	Q4 2015	Q3 2015	Q4 2015 vs. Q3 2015		Q4 2015 vs. Q4 2014		FY 2015	FY 2014
			(% pts)		(% pts)			
Americas	38.0%	41.6%	-3.6%	35.8%	2.2%	41.4%	41.4%	
Europe	48.0%	48.0%	0.0%	44.5%	3.5%	45.3%	43.3%	
Asia Pacific	47.7%	37.3%	10.4%	53.3%	-5.6%	46.6%	49.5%	
Unallocated costs ¹	-6.8%	-6.8%	0.0%	-6.0%	-0.8%	-6.9%	-7.4%	
Group EBITDA margin	37.7%	37.2%	0.5%	36.5%	1.2%	37.1%	36.0%	

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



COMMENTS

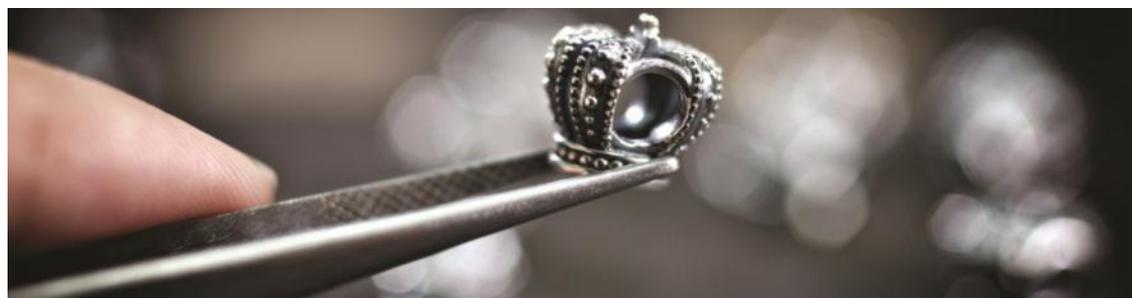
- All regional margins positively impacted by the improved gross margin
- Americas' margin impacted by increase in OPEX related to head count
- Europe's margin positively impacted by increased leverage in more developed markets
- Asia Pacific decreased 5.6pp driven primarily by the expansion into China, Japan, and Singapore which had a negative impact of around 7pp

PROFIT DEVELOPMENT

FINANCIAL ITEMS, TAX AND NET PROFIT				
DKKm	Q4 2015	Q4 2014	FY 2015	FY 2014
EBIT	2,002	1,381	5,814	4,072
Finance income	37	1	84	14
Finance expenses	-121	-123	-553	-214
Profit before tax	1,918	1,259	5,345	3,872
Income tax expenses	-543	-252	-1,671	-774
Effective tax rate	28.3%	20.0%	31.3%	20.0%
Net profit	1,375	1,007	3,674	3,098

COMMENTS

- Net finance costs amounted to a net loss of DKK 84 million compared to a loss of DKK 122 million in Q4 2014
- Effective tax rate for the quarter increased to 28.3% and primarily as a result of the impact on the tax position of other group entities from the settlement with the Danish Tax Authorities
- Net profit increased to DKK 1,375 million



WORKING CAPITAL DEVELOPMENT

WORKING CAPITAL AND CASH MANAGEMENT

DKKm	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Inventory	2,357	2,584	2.161	1,925	1,684
Trade receivables	1,360	1,392	1.009	1,093	1,110
Trade payables	1,329	1,036	979	954	804
Operating working capital	2,388	2,940	2.191	2,064	1,990
<i>Share of revenue¹</i>	<i>14.3%</i>	<i>19.6%</i>	<i>15.7%</i>	<i>16.0%</i>	<i>16.7%</i>
Other receivables	868	896	881	934	503
Tax receivables	113	308	236	259	52
Provisions	1,068	772	797	807	739
Income tax payable	306	1,178	838	1,114	643
Other payables	1,219	1.252	911	1,342	898
Net working capital including financial instruments	776	942	762	-6	265
<i>Share of revenue¹</i>	<i>4.6%</i>	<i>6.3%</i>	<i>5.5%</i>	<i>-0.1%</i>	<i>2.2%</i>
Derivatives	149	182	177	132	169
Net working capital excluding financial instruments	925	1,124	939	126	434
<i>Share of revenue¹</i>	<i>5.5%</i>	<i>7.5%</i>	<i>6.7%</i>	<i>1.0%</i>	<i>3.6%</i>
Free cash flow	1,464	263	-268	990	1,705
Cash conversion²	73.1%	19.6%	-21.7%	80.0%	123.5%
NIBD/EBITDA³	0.3	0.4	0.2	-0.1	-0.3
ROIC⁴	70.4%	65.9%	65.5%	70.9%	67.0%

COMMENTS

- Operating working capital was 14.3% of revenue at the end of 2015, compared to 16.7% at the end of 2014
- Inventory increased compared to end of 2014 mainly driven by higher activity, currency and acquisition of stores
 - Decreased due to lower raw material prices
- Free cash flow was DKK 1,817 million, excluding one-off payment to Danish tax authorities of DKK 353, compared to DKK 1,705 million in Q4 2014
 - Increase was driven by higher profit, but partially offset by increase in CAPEX

¹ % of revenue in relation to last 12 months revenue. DKK 16,737 m for the period ended 31 December 2015

² Calculated as free cash flow / EBIT

³ Calculated as last 12 months EBITDA

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

2015 IN SUMMARY



SUMMARY

- Revenue increase 40.2%
- Continued roll out of stores with the addition of 392 new concept stores during the year
- Gross margin was 72.9%
- EBITDA margin was 37.1%
- Free cash flow was DKK 2,449 million
- Proposed dividend of DKK 13 per share and share buyback programme of up to DKK 4.0 billion
- Guidance for 2016 of more than 19 billion with a EBITDA margin of more than 37%

QUESTIONS AND ANSWERS

