

COMPANY PRESENTATION Q4 2011

21 February 2012



PANDORA
UNFORGETTABLE MOMENTS

AGENDA



AGENDA

- Q4 2011 & FY 2011 FINANCIAL SNAPSHOT
- STRATEGIC AND MANAGEMENT REVIEW
CONCLUSIONS AND ACTION PLAN
- Q4 2011 RESULTS
- FY 2012 GUIDANCE

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KEY FINANCIALS FY 2011

P&L, CF (% change Y/Y)	
	FY 2011
Revenue (DKKm) Change	6,658 -0.1%
EBITDA (DKKm) Change	2,281 -15.0%
Net Profit (DKKm) ¹ Change	2,037 8.9%
Free cash flow (DKKm) Change	1,670 20.3%
Dividend per share (DKK) Change	5.50 10%

¹ Including revaluation of CWE earn-out provision of DKK 511 million in 2011

MARGINS		
	FY 2011	FY 2010
Gross Margin	73.0%	70.9%
EBITDA Margin	34.3%	40.3%
EBIT Margin	30.9%	36.2%

CASH CONVERSION, ROIC, DEBT		
	FY 2011	FY 2010
Cash conversion ¹	82.0%	74.2%
ROIC	34.7%	42.7%
NIBD (DKKm)	209	1,102
NIBD to EBITDA	0.1	0.4

KEY FINANCIALS Q4 2011

P&L, CF (% change Y/Y)	
	Q4 2011
Revenue (DKKm) Change	1,952 -15.0%
EBITDA (DKKm) Change	524 -38.9%
Net Profit (DKKm) ¹ Change	555 -10.3%
Free cash flow (DKKm) Change	930 1.4%

MARGINS		
	Q4 2011	Q4 2010
Gross Margin	72.7%	70.1%
EBITDA Margin	26.8%	37.3%
EBIT Margin	24.3%	34.0%

CASH CONVERSION, ROIC, DEBT		
	Q4 2011	Q4 2010
Cash conversion ¹	167.6%	148.1%
ROIC	34.7%	42.7%
NIBD (DKKm)	209	1,102
NIBD to EBITDA	0.1	0.4

¹ Including revaluation of CWE earn-out provision of DKK 215 million in Q4 2011

STRATEGIC AND MANAGEMENT REVIEW CONCLUSIONS & ACTION PLAN

STRATEGIC REVIEW CONCLUDED

- 2 August 2011:
 - Management embarks on a thorough assessment of issues within the business
 - Company launches a strategic review (external consultants), to test and confirm our strategy.
- Two work streams finalized during Q4 2011:
 - Confirmed that the fundamentals of PANDORA's strategy are sound
 - However, execution has faltered in a number of areas
 - Remedial actions for the short term put in place
 - As well as actions to enhance implementation of our strategy

STRATEGIC REVIEW OVERVIEW

STRATEGIC REVIEW OVERVIEW

A.

RE-SETTING THE BUSINESS SHORT-TERM

1

Improve the quality of retailers' stock

2

Realign our price architecture and product range



B.

EVOLVING ORGANISATION AND SYSTEMS FOR FUTURE GROWTH

3

Improve competencies and capabilities centrally and across our markets

4

Streamline business processes and decisions

C.

DELIVERING OUR LONG-TERM GROWTH STRATEGY

9

Launch online sales and CRM engines

8

Explore opportunities for further consolidation of our distribution network

7

Establish a solid presence in key new markets

6

Refine long-term product range architecture

5

Continue upgrading and improving the quality of our store network

A. RE-SETTING THE BUSINESS SHORT-TERM

1

ISSUE

- Improve the quality of retailers' stock

ACTIONS

- One-off, time limited stock balancing programme with a wholesale value in the range from DKK 500-800 million
- Discontinued items only – including recently discontinued additional 270 DVs depending on markets (20% of total DVs)
- Will affect 2012 financials, mainly in H1 2012

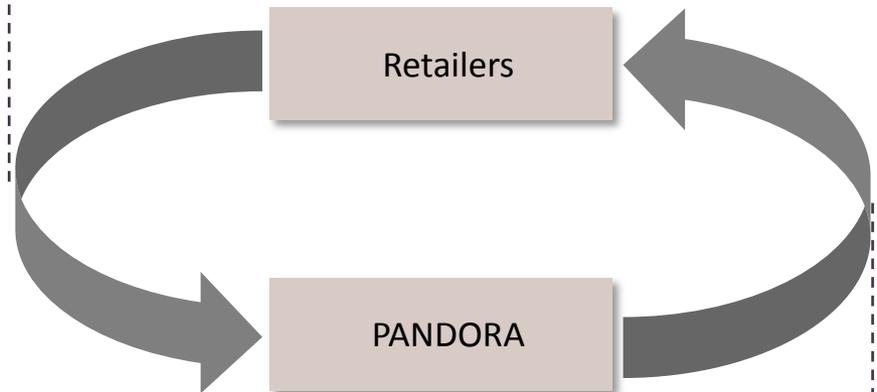
GOAL

- To accelerate like-for-like sales growth by improving the quality of the stock mix at our key retail partners

TIME LIMITED STOCK BALANCING PROGRAMME

RETURNS

Discontinued stock
Volume: DKK 500-800 million



REPLACEMENTS

Top 500 bestselling SKUs
Volume: DKK 500-800 million
Net impact DKK 0

A. RE-SETTING THE BUSINESS SHORT-TERM

2

ISSUE

- Realign our price architecture and product range

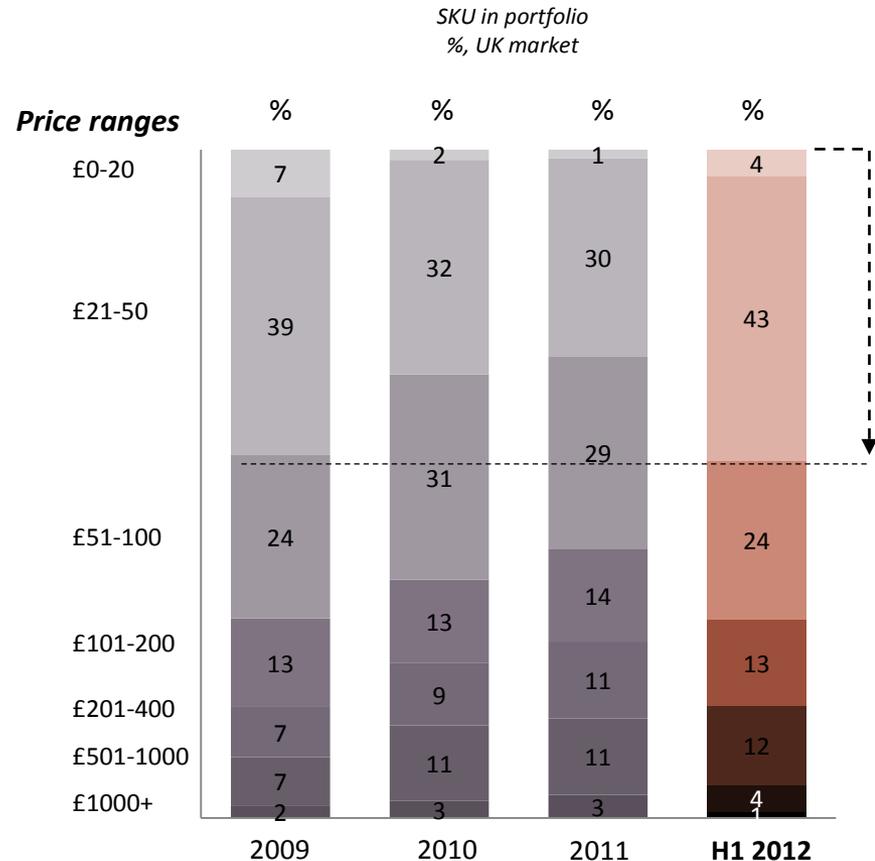
ACTIONS

- Selected permanent price reductions, particularly in entry price ranges as of 16 January 2012
- Discontinuation of high-priced ranges
- Introduction of the SS12 collection rich in attractively priced entry points
- SS12 average price point of EUR 115 vs. EUR 259 for SS11

GOAL

- To adjust our prices to re-establish PANDORA's preeminent position in the affordable luxury space

PRODUCT MIX BY PRICE RANGE (ILLUSTRATIVE)



B. EVOLVING ORGANISATION AND SYSTEMS FOR FUTURE GROWTH

3

ISSUE

- Improve competencies and capabilities centrally and across our markets

ACTIONS

- Enhance commercial performance and strengthen operational execution
- Key organisational and people changes as of Q3 2011

GOAL

- To evolve organisation and skill sets globally and in our markets to drive better execution of our strategy

4

ISSUE

- Streamline business processes and decisions

ACTIONS

- Build a retail mindset in order to work closely with our customers in their operations
- Developing lean information backbone for fast, solid and uniform decision making processes
- Systems integration
 - Front end: retail-centric, e.g. data collection and mining for merchandising and planning
 - Back end: ERP-centric, e.g. forecasting, demand and production planning

GOAL

- The implementation of efficient standardised systems and business processes across the key areas our businesses

C. DELIVERING OUR LONG-TERM GROWTH STRATEGY

5

ISSUE

- Continue upgrading and improving the quality of our store network

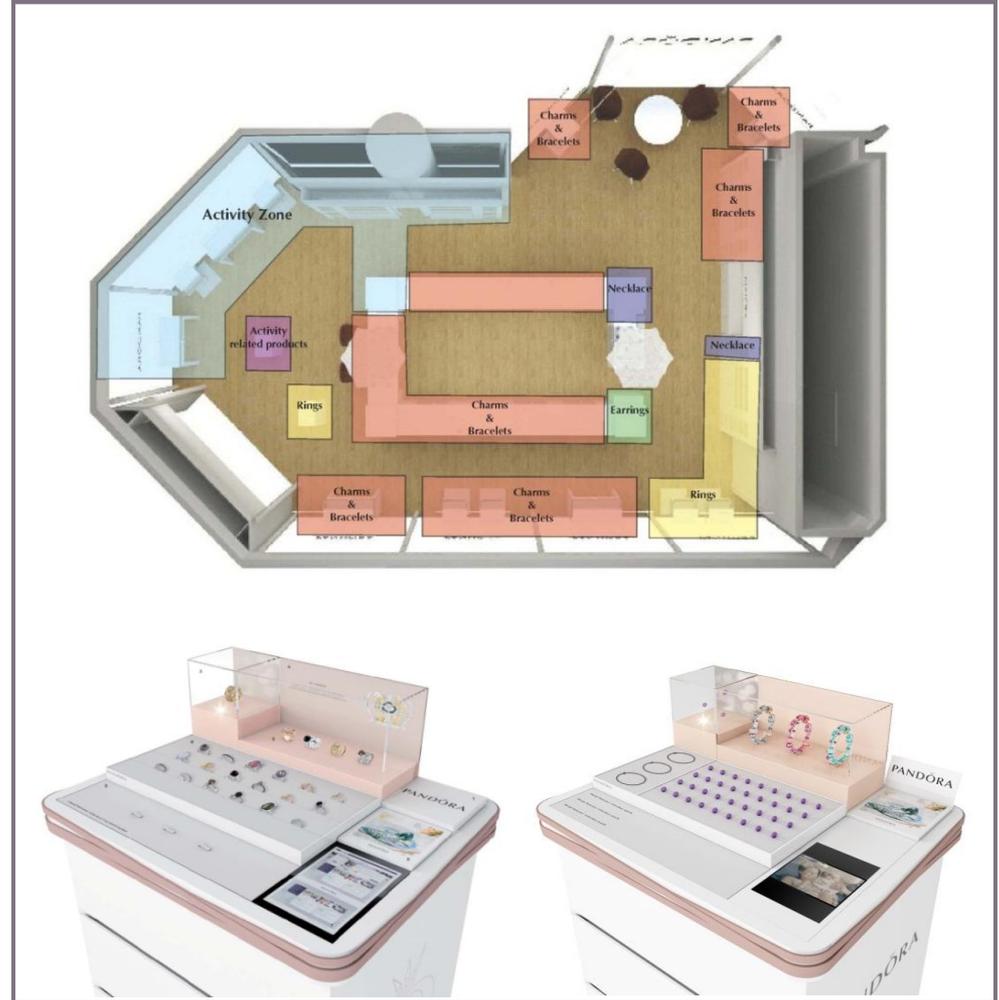
ACTIONS

- Reduce number of less productive un-branded stores where relevant
- Roll out to begin in Q2 2012:
 - Upgraded zoning and traffic flows
 - New display material and visual merchandising incl. “create and combine” and “touch and feel”
- New evolutionary store concept with more inclusive and simpler shopping experience to begin roll out end of 2012

GOAL

- To drive higher sales per store by constantly upgrading the quality of our product presentation to consumers

UPGRADED ZONING AND DISPLAY MATERIALS



C. DELIVERING OUR LONG-TERM GROWTH STRATEGY

6

ISSUE

- Refine long term product range architecture

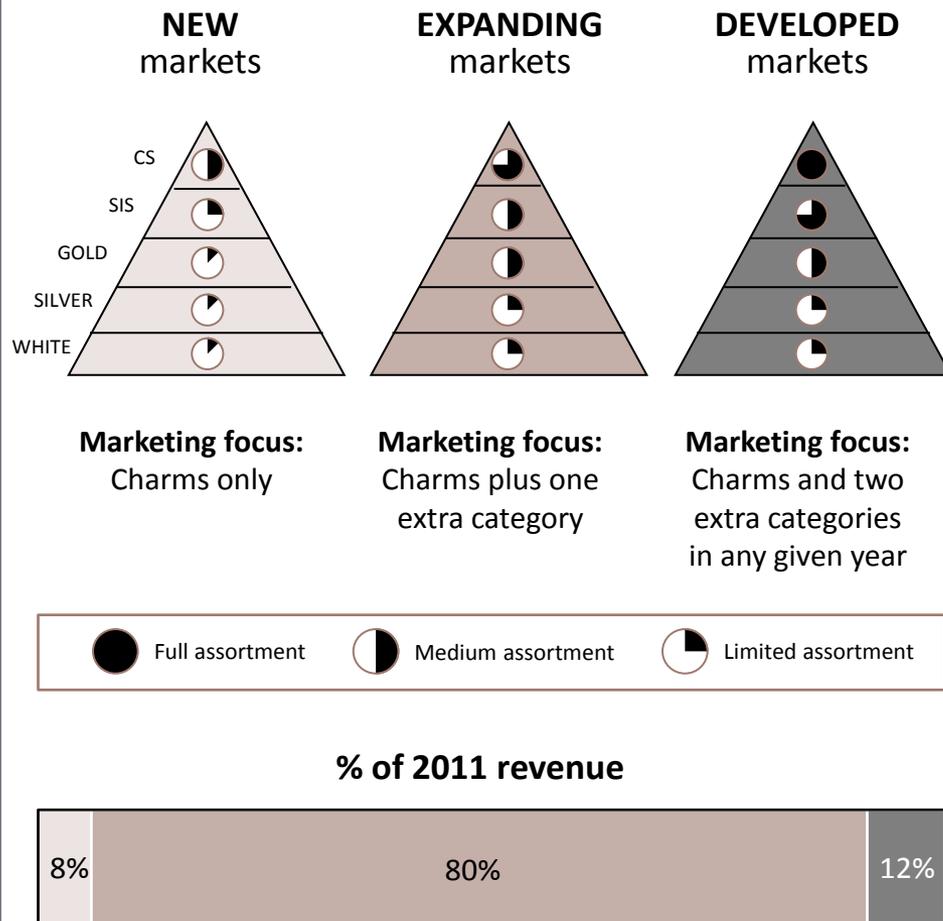
ACTIONS

- Clustered markets by maturity
 - Different product offerings and category focus by market
- Develop and maintaining product architecture
- Lead innovation and design projects
- New product development centre in Thailand operational Q1 2012

GOAL

- To continue growing revenue per customer offering innovative products that consumers want and can afford

NEW PHASED APPROACH



C. DELIVERING OUR LONG-TERM GROWTH STRATEGY

7

ISSUE

- Establish a solid presence in key new markets

ACTIONS

- PANDORA's performance in new markets not ambitious enough
- Significantly stepped up efforts particularly in Asia as of Q3 2011
- Expect to open at least 135 concept stores and Shop-in-Shops in Italy, France, Russia and Asia in 2012

GOAL

- To establish a successful business in key new markets across Europe and Asia, with a particular focus on Italy, France, Russia, China and Japan

NUMBER OF STORES AND OPENINGS

	Number of stores				Openings			
	Q4 2011	Q3 2011	Q4 2010	% of total	Q4 2011	Q3 2011	H1 2011	Q4 2010
Concept stores	672	568	421	6.2%	104	75	72	92
Shop-in-Shop	1,182	1,061	958	11.0%	121	50	53	92
Gold	1,821	1,728	1,523	17.0%	93	123	82	-6
Total branded	3,675	3,357	2,902	34.2%	318	248	207	178
Silver	2,698	2,672	2,458	25.1%	26	-22	236	187
White	4,359	4,371	5,258	40.7%	-12	-200	-687	-133
Total	10,732	10,400	10,618	100.0%	332	26	-244	232

STORE OPENINGS, KEY NEW MARKETS

	End of Q4 2011					Openings			
	Russia	China	Japan	Rest of Asia	Total	Q4 2011	Q3 2011	H1 2011	Q4 2010
Concept stores	30	12	5	37	84	24	23	13	12
Shop-in-shop	11	9	11	28	59	29	14	3	8
Total	41	21	16	65	143	53	37	16	20

C. DELIVERING OUR LONG-TERM GROWTH STRATEGY

8

ISSUE

- Explore opportunities for further consolidation of our distribution network

ACTIONS

- Exact pace and sequencing of these plans would depend on development levels, quality of partners and readiness to forward integration in various markets
- Step-by-step approach will include JVs

GOAL

- To ensure, over an appropriate time horizon, stronger control over the execution of our strategic plan in new markets

9

ISSUE

- Launch online sales and CRM engines

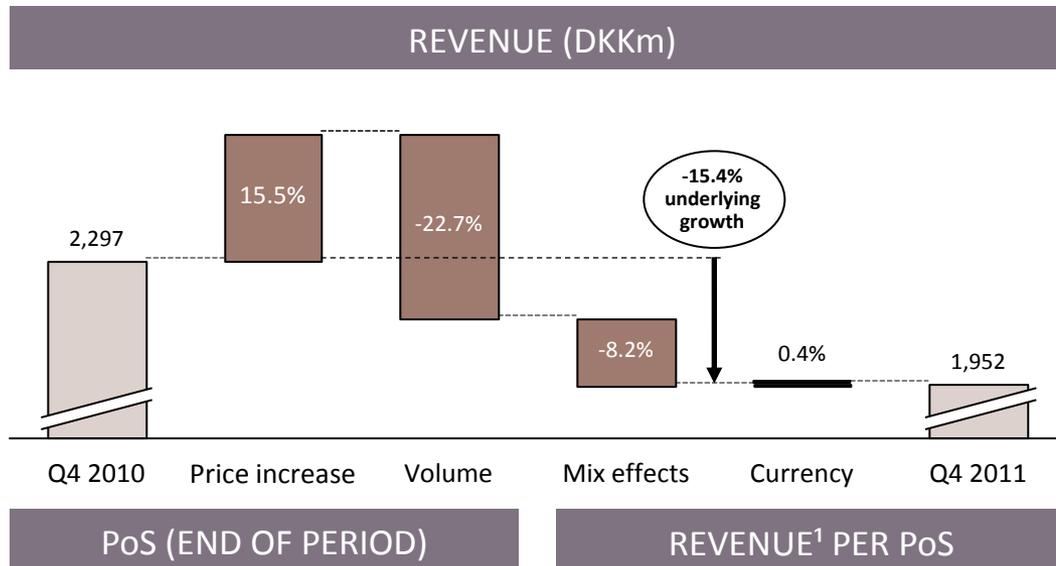
ACTIONS

- An outsourced e-commerce site being launched in a test market in Q4 2012
- A test CRM program being introduced by Q4 2012

GOAL

- To offer transactional capabilities online whilst developing an effective CRM programme focused on generating stronger online and in-store sales from our loyal PANDORA Club customers

REVENUE DEVELOPMENT IN LINE WITH OUR EXPECTATIONS IN Q4 2011



COMMENTS

- Q4 2011 reported revenue -15.0% y/y

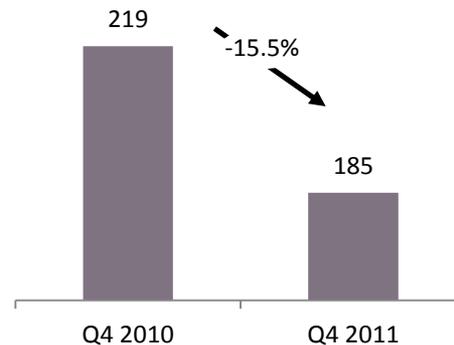
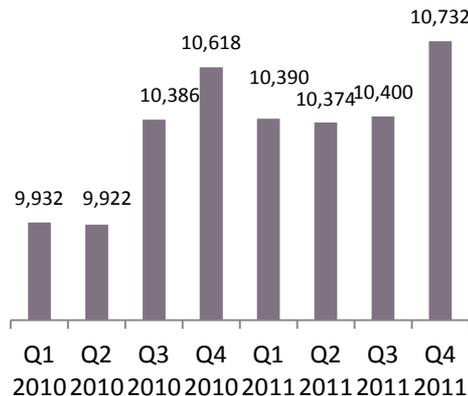
- Price: +15.5%

- Volume: -22.7%

- Mix: -8.2%

- Currency: +0.4%

- Q4 2011 revenue -12% y/y adjusted for US, UK and GER phasing



¹ Revenue per PoS in DKK '000s; Ratios calculated based on the average of PoS between the beginning and the end of the period

MAJOR MARKETS DEVELOPMENT

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

	Q4-2011	Q3-2011	Q2-2011	Q1-2011	Q4-2010	% growth	% LC growth ¹
Americas	883	755	724	782	1,002	-11.9%	-12.4%
US	701	614	545	677	820	-14.5%	-14.8%
Other	182	141	179	105	182	0.0%	
Europe	779	618	483	743	956	-18.5%	-17.9%
UK	344	222	166	219	320	7.5%	8.1%
Germany	184	173	119	162	191	-3.7%	
Other	251	223	198	362	445	-43.6%	
Asia Pacific	290	196	185	220	339	-14.5%	-16.5%
Australia	210	138	134	174	292	-28.1%	-29.6%
Other	80	58	51	46	47	70.2%	
Total	1,952	1,569	1,392	1,745	2,297	-15.0%	-15.4%

¹ Growth in local currency. Revenue in Q3 2011 is adjusted for the exchange rate development.

COMMENTS

- US adversely impacted by early Q3 2011 Fall deliveries. Adjusted revenue: +1.6% y/y
- UK and Germany favourably impacted by early Christmas deliveries in Q3 2010. Adjusted revenue: UK -6% y/y and Germany -19% y/y
- Revenue in direct markets -5.9% y/y
- Revenue in 3rd party distributor markets negatively impacted by:
 - Tough macroeconomic conditions
 - Retailers destocking

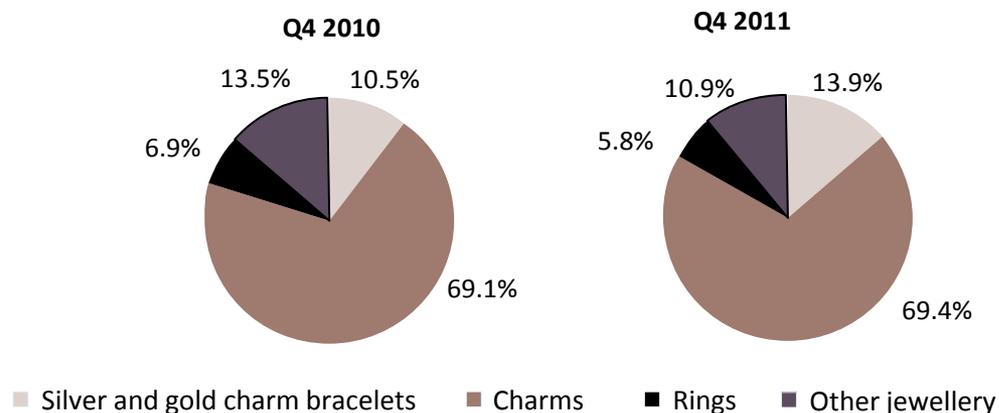
LOWER CHARMS, RINGS AND OTHER JEWELLERY SALES – HOWEVER BRACELET SALES GROWTH REMAINS STRONG

PRODUCT MIX (DKKm)						
	Q4-2011	Q3-2011	Q2-2011	Q1-2011	Q4-2010	% growth
Charms	1,353	1,040	995	1,251	1,587	-14.7%
Silver and gold charms bracelets	272	162	132	220	242	12.4%
Rings	114	96	89	102	158	-27.8%
Other jewellery	213	271	176	172	310	-31.3%
Total	1,952	1,569	1,392	1,745	2,297	-15.0%

COMMENTS

- Performance positively affected by higher Silver & Gold bracelet sales...
- ... whereas Rings and Other Jewellery comparable were affected by launch or promotional campaigns in H2 2010...
- Total bracelet sales (including non gold and silver) up 14.8% y/y

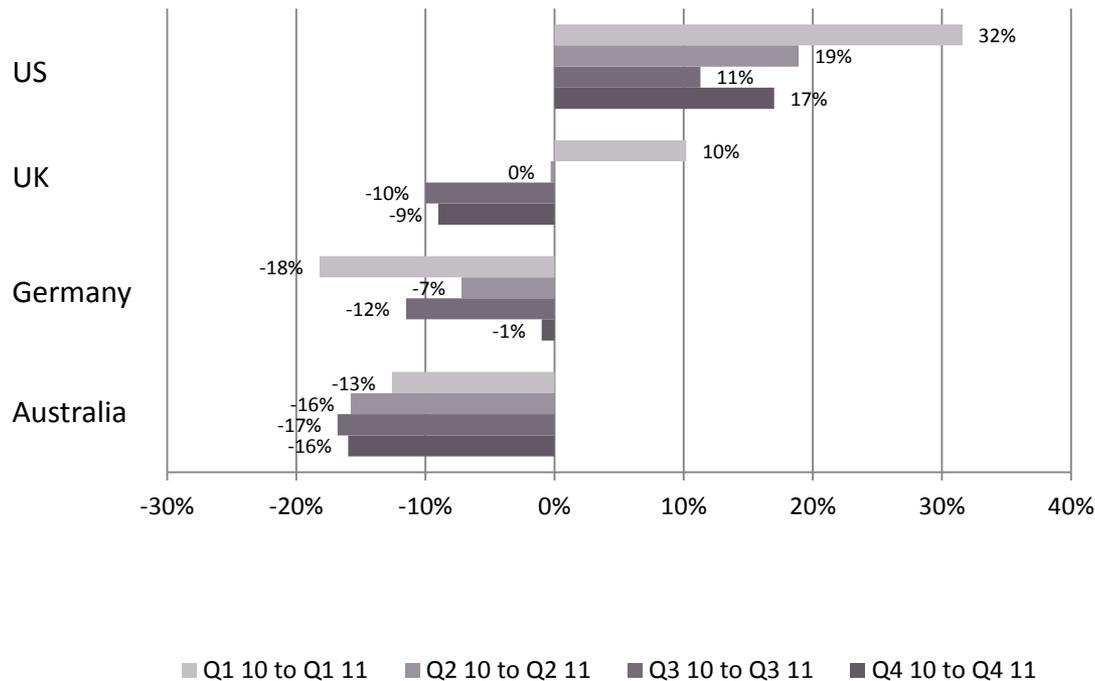
PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



CONCEPT STORE SALES-OUT IN US CONTINUES ON A STRONG NOTE - BUT STILL CHALLENGING IN OTHER MAJOR MARKETS

LIKE FOR LIKE CONCEPT STORES – SALES-OUT DEVELOPMENT

Sales-out



COMMENTS

- Strong sales-out growth in the US
- Temporary respite in Germany
- Continued but slower decline in UK & Australia

GM DRIVEN BY PRICE INCREASES PARTIALLY OFFSET BY RAW MATERIAL PRICES

GROSS PROFIT (DKKm) AND GROSS MARGIN (%)				
	Q4 2011	Q4 2010	2011	2010
Gross Profit	1,420	1,610	4,860	4,725
Gross Margin %	72.7%	70.1%	73.0%	70.9%
Adjustments				
Unrealised losses/(gains) on Commodity Derivatives				
Reversal of Internal Profit on Inventory from Australia				
Reversal of Internal Profit on Inventory from former Dutch Distributor				
IPO Salary bonus production		10		10
Reversal of Internal Profit on Inventory from CWE				50
Adj. Gross Profit	1,420	1,620	4,860	4,785
Adj. Gross Margin	72.7%	70.5%	73.0%	71.8%

COMMENTS

- Gross margin positively affected by global price increases
- Negatively affected by increasing raw material prices
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 68% based on average gold and silver prices in Q4 2011
- Gross margin impact of approx. 250 bps if 10% deviation on commodities

COSTS IMPACTED BY FURTHER DEVELOPMENT OF OUR DISTRIBUTION NETWORK AND THE RESETTING OF OUR BUSINESS

EBITDA, EBIT (DKKm) AND MARGIN (%)				
	Q4 2011	Q4 2010	2011	2010
Gross margin				
% of revenue	72.7%	70.1%	73.0%	70.9%
DKKm	1,420	1,610	4,860	4,725
Distribution costs				
% of revenue	35.8%	29.6%	30.9%	26.1%
DKKm	699	680	2,053	1,733
<i>Of which marketing costs</i>				
% of Revenue	20.1%	14.3%	14.6%	11.1%
DKKm	392	328	973	743
Administrative costs				
% of revenue	12.6%	6.5%	11.2%	8.6%
DKKm	246	149	749	576
EBIT				
% of revenue	24.3%	34.0%	30.9%	36.2%
DKKm	475	781	2,058	2,416
D&A	49	76	223	268
EBITDA				
% of revenue	26.8%	37.3%	34.3%	40.3%

COMMENTS
<ul style="list-style-type: none"> Q4 2011 Distribution costs at same level as last year, however... <ul style="list-style-type: none"> Q4 2010 affected by DKK 46 million from amortisation of distribution rights in Pandora CWE Impacted by increased marketing cost Administrative costs increase related to... <ul style="list-style-type: none"> External consultants IT infrastructure Increased personnel headcount

DIVERGENCE IN EBITDA MARGIN BY REGION

EBITDA MARGIN							
	Q4 2011	Q3 2011	Q2 2011	Q4 2011 vs Q3 2011 (% pts)	Q4 2010	Q3 2010	Q4 2011 vs Q4 2010 (% pts)
Americas	46.1%	53.8%	55.9%	-7.7%	46.9%	53.1%	-0.8%
Europe	34.9%	30.3%	25.5%	4.6%	42.3%	53.4%	-7.4%
Asia Pacific	33.4%	36.7%	33.5%	-3.3%	46.0%	43.4%	-12.6%
Unallocated costs ¹	-12.9%	-8.2%	-5.6%	-4.7%	-7.5%	-7.0%	-5.4%
Group EBITDA margin	26.8%	34.2%	36.8%	-7.4%	37.3%	45.1%	-10.5%

COMMENTS
<ul style="list-style-type: none"> Americas margin in line with last year Europe margin particularly affected by <ul style="list-style-type: none"> Lower revenues from 3rd party distributors Development of operations in Italy and France Asia Pacific EBITDA margin decline driven by declining revenues in Australia

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

NET FINANCIALS IMPACTED BY CWE EARN-OUT REVALUATION AND UNREALISED FX LOSS

INTEREST, TAX AND MINORITIES (DKKm)				
DKKm	Q4 2011	Q4 2010	2011	2010
EBIT	475	781	2,058	2,416
Financial expenses	-107	-72	-331	-218
Financial income	252	16	642	54
Profit before tax <i>Adjusted Profit before tax</i>	620	725	2,369	2,252
Income tax expenses	-65	-106	-332	-381
Effective tax rate <i>Adjusted Effective tax rate</i>	10.5%	14.6%	14.0%	16.9%
Group net profit <i>Adjusted Group net profit</i>	555	619	2,037	1,871
Minority interests	-	-	-	-25
Net profit attributable to shareholders <i>Adjusted Net profit attributable to shareholders</i>	555	619	2,037	1,846

COMMENTS

- Net financial income amounted to DKK 145 million in Q4 2011
- Financial expenses significantly impacted by unrealized FX loss of DKK 100 million (USD appreciation)
- Financial income affected by DKK 215 million regarding revaluation of CWE earn-out

WORKING CAPITAL DRIVEN BY INVENTORY

WORKING CAPITAL					
DKKm	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Inventory	1,609	1,964	1,697	1,464	1,272
Trade receivables	900	984	630	678	834
Trade payables	288	179	175	221	245
Operating working capital	2,221	2,769	2,152	1,921	1,861
<i>% of revenue¹</i>	33.4%	39.5%	29.8%	26.8%	27.9%
Other receivables	177	206	362	639	533
Tax receivables	41	48	70	72	97
Provisions ⁴	243	155	125	89	94
Income tax payable	344	618	545	474	351
Other payables	775	489	373	408	486
Net working capital including derivatives	1,077	1,761	1,541	1,661	1,560
<i>% of revenue¹</i>	16.2%	25.1%	21.3%	23.2%	23.4%
Derivatives	250	139	-79	-369	-294
Net working capital excluding derivatives	1,327	1,900	1,462	1,292	1,266
<i>% of revenue¹</i>	19.9%	27.1%	20.2%	18.0%	19.0%
Free cash flow	930	37	227	476	917
Cash conversion²	167.6%	10.9%	36.3%	92.4%	148.1%
Adjusted cash conversion²	167.6%	10.9%	68.8%	92.4%	148.1%
ROIC³	34.7%	37.9%	45.1%	47.0%	42.7%

COMMENTS

- Operating working capital increase driven by inventory Q4 2011 vs Q4 2010
- Inventory increase explained by
 - Soaring gold and silver prices (approx. +20%)
 - Delayed effect of adjusting our production to the lower than expected revenue (approximately +15%)
 - Partially offset by remelting (approximately -10%)
- Significant improvement vs Q3 2011 driven by inventory and receivables reductions

¹% of revenue in relation to last twelve months' revenue. DKK 7,003m for the period ended 30 September 2011

² Calculated as free cash flow / net profit

³ Calculated as last 12 months' EBIT / Invested capital (at end of period)

⁴ Excluding earn-out

FY 2011 IN SUMMARY



- Group revenue was DKK 6,658 million
- EBITDA margin was 34.3%
- Net profit was DKK 2,037 million
- BoD proposes dividend of 35% of net profit (DKK 5.50 per share) up 10% y/y
- Management and Strategic review completed
- Selected permanent price reductions implemented
- Stock balancing campaign has initiated this week
- Concrete plans in place to
 - Evolve organisation and systems for future growth
 - Deliver long term growth strategy

2012 FINANCIAL GUIDANCE



2012 FINANCIAL GUIDANCE

- Underlying revenue growth in the mid-single digits
- Gross margin in the low 60's
- EBITDA margin in the mid 20's
- CAPEX around DKK 300 million
- Effective tax rate of 18%
- Including the effects on revenue and EBITDA of the DKK 500-800m one-off stock balancing campaign PANDORA expect to report revenue above DKK 6 billion, a gross margin in the low 60's and an EBITDA margin in the low 20's
- Expectation of at least 200 new concept stores in 2012

QUESTIONS AND ANSWERS

