

TELECONFERENCE PRESENTATION

Q1 2012

8 May 2012



PANDORA
UNFORGETTABLE MOMENTS

AGENDA



AGENDA

- Important events in Q1 2012
- Stock balancing campaign
- Realigned price architecture and product range
- Financial highlights
- Q&A

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IMPORTANT EVENTS IN Q1 2012

CEO MESSAGE

- First 60 days:
 - Feedback from major markets and organisation
 - Strategy confirmed
 - Operational issues and challenges are being addressed
 - Focus is on the consumer, the product and sales-out
- Executed in Q1 12:
 - Stock balancing campaign
 - Realignment of price architecture and product range

KEY FINANCIALS Q1 2012

P&L, CF (% change Y/Y)	
	Q1 2012
Revenue (DKKm) Change	1,424 -18.4%
EBITDA (DKKm) Change	401 -43.4%
Net Profit (DKKm) ¹ Change	338 -34.4%
Free cash flow (DKKm) Change	118 -75.2%

MARGINS		
	Q1 2012	Q1 2011
Gross Margin	71.6%	71.6%
EBITDA Margin	28.2%	40.6%
EBIT Margin	24.8%	36.5%

CASH CONVERSION, ROIC, DEBT		
	Q1 2012	Q1 2011
Cash conversion	34.9%	92.4%
ROIC	29.9%	47.0%
NIBD (DKKm)	746	705
NIBD to EBITDA	0.4	0.2

STOCK BALANCING CAMPAIGN (1/4) – THE MECHANICS

ISSUE

- Improve the quality of retailers' stock

ACTIONS

- One-off, time limited stock balancing campaign 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

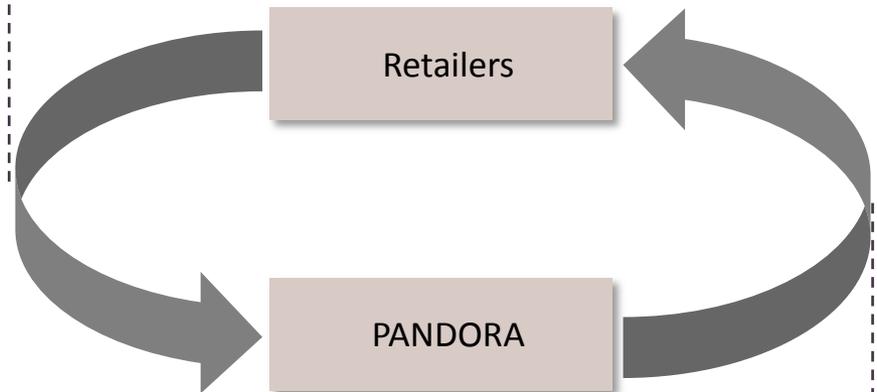
GOAL

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

TIME LIMITED STOCK BALANCING CAMPAIGN

RETURNS

Discontinued stock
Volume: DKK 500-800 million



REPLACEMENTS

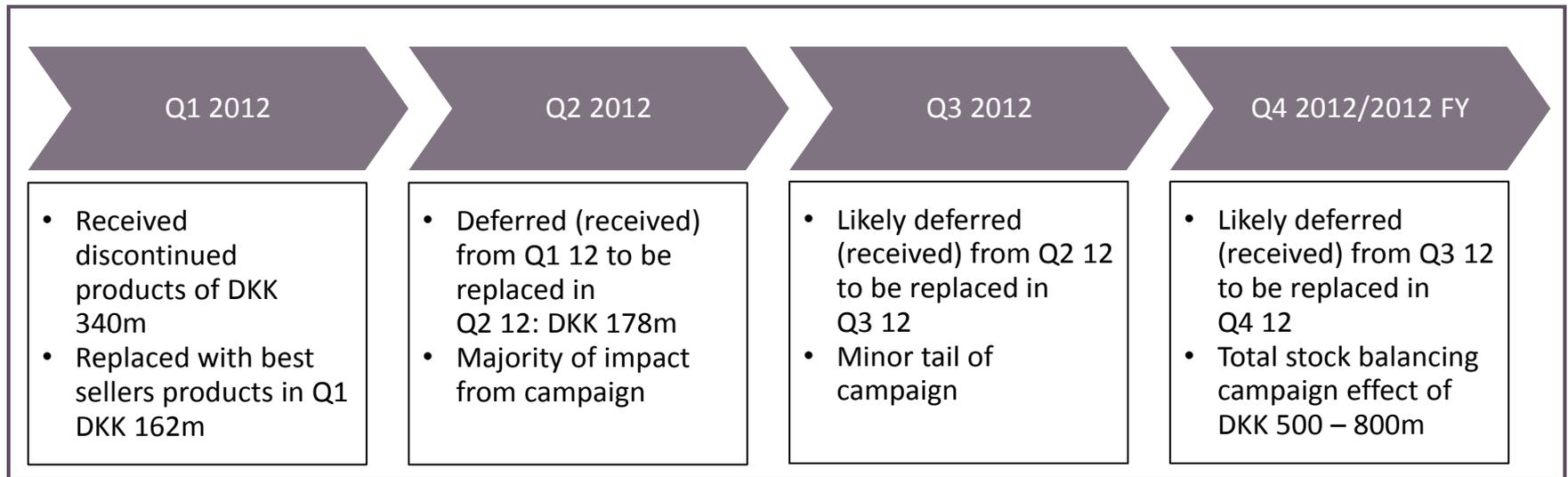
Top 500 bestselling SKUs
Volume: DKK 500-800 million
Net impact DKK 0

STOCK BALANCING CAMPAIGN (2/4) – THE TIMING

STOCK BALANCING CAMPAIGN – PHASING IMPACT

- Figures from the stock balancing campaign should be treated with careful consideration, as simply adding these to the reported figures, may not be representative nor meaningful, particularly due to the phasing of returns and replacements between individual quarters
- However, for the full year of 2012 the impact of the stock balancing campaign is estimated to be in the range from DKK 500 million up to a maximum of DKK 800 million

TIME LINE STOCK BALANCING CAMPAIGN



STOCK BALANCING CAMPAIGN (3/4) – Q1 RESULT BASED ON GEOGRAPHY

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)					
	Q1-2012	Q1-2011	% growth	Received Q1 2012	Replaced Q1 2012
Americas	766	782	-2.0%	258	107
US	609	677	-10.0%	211	85
Other	157	105	49.5%	47	22
Europe	474	743	-36.2%	77	50
UK	134	219	-38.8%	64	47
Germany	100	162	-38.3%	3	1
Other	240	362	-33.7%	10	2
Asia Pacific	184	220	-16.4%	5	5
Australia	124	174	-28.7%	5	5
Other	60	46	30.4%	0	0
Total	1,424	1,745	-18.4%	340	162

COMMENTS
<ul style="list-style-type: none"> US and UK impacted by stock balancing campaign which may have changed the retailers' purchasing patterns: <ul style="list-style-type: none"> US received discontinued items of a value of DKK 211m corresponding to 35% of reported revenue in Q1 2012 UK received discontinued items of a value of DKK 64m corresponding to 48% of reported revenue in Q1 2012

STOCK BALANCING CAMPAIGN (4/4) – Q1 RESULT BASED ON STORE TYPE

REVENUE BREAKDOWN BY CHANNEL (DKKm)					
	Q1-2012	Q1-2011	Received Q1 2012	Replaced Q1 2012	Number of POS Q1 2012
Concept stores	612	529	100	66	628
SiS	286	360	99	51	946
Gold	201	291	90	31	1,753
Total Branded	1,099	1,180	289	148	3,327
Silver	150	234	38	12	2,753
White & TR	121	149	13	2	2,664
Total unbranded	271	383	51	14	5,417
Total Direct	1,370	1,563	340	162	8,744
3rd party	54	182	0	0	1,755
Total	1,424	1,745	340	162	10,499

COMMENTS
<ul style="list-style-type: none"> • Very positive feedback from retailers on stock balancing campaign • The requests for returns of discontinued products show a participation rate of approximately two-thirds amongst all points of sales in our distribution network • Participation rates for Concepts stores and SiS above 80%

REALIGNED PRICE ARCHITECTURE AND PRODUCT RANGE

ISSUE

- Realign our price architecture and product range

ACTIONS

- Selected permanent price reductions, particularly in entry price ranges introduced during Q1 2012
- Discontinuation of high-priced ranges
- Introduction of the SS12 collection rich in attractively priced entry points
- Weighted average sales-in price for SS12 reduced by 30% compared to SS11

GOAL

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

PRODUCT MIX BY PRICE RANGE (ILLUSTRATIVE)



2012 FINANCIAL GUIDANCE

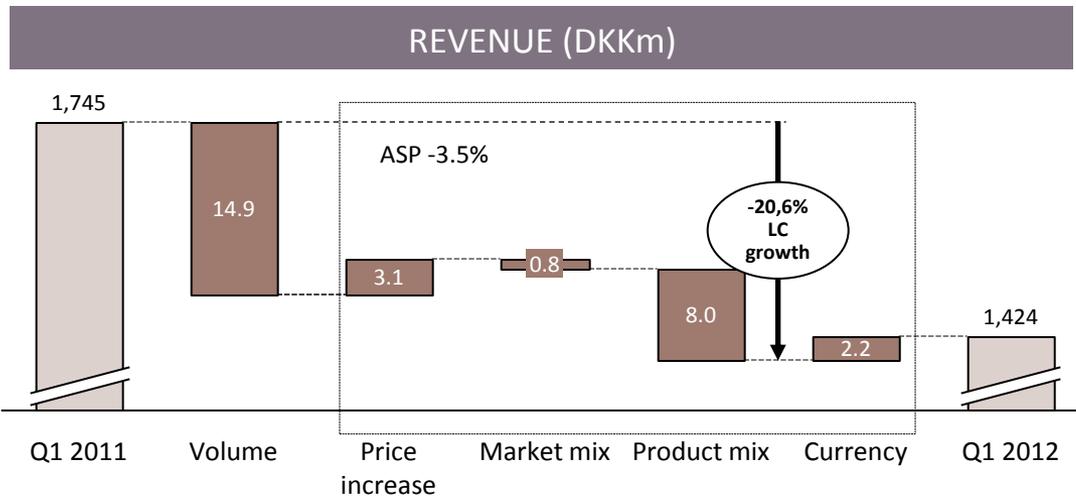


2012 FINANCIAL GUIDANCE

- Revenue above DKK 6 billion
- Gross margin in the low 60's
- EBITDA margin in the low 20's.
- CAPEX around DKK 300 million
- Effective tax rate of 18%
- Expectation of at least 200 new concept stores

Excluding the negative impact of the one-off stock balancing campaign PANDORA expects 2012 revenue growth in mid-single digits; gross margin in the low 60's driven by the impact of commodities prices and a reduction in our selling prices; and EBITDA margin in the mid 20's.

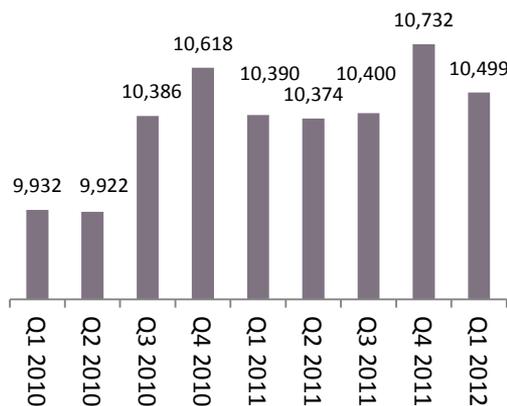
REVENUE DEVELOPMENT IN LINE WITH OUR EXPECTATIONS IN Q1 2012



COMMENTS

- Total revenue decreased by 18.4%
- Negatively impacted from the derived effects of the stock balancing campaign initiated in February 2012
- Branded distribution generating three-quarter of Q1 12 revenue with CS as largest contributor
- Direct distribution accounts for more than 96% of revenue generated in Q1 12

PoS (END OF PERIOD)



REVENUE PER CHANNEL

	Q1-2012
Concept stores	43.0%
SiS	20.1%
Gold	14.1%
Total Branded	77.2%
Silver	10.5%
White & TR	8.5%
Total unbranded	19.0%
Total Direct	96.2%
3rd party	3.8%
Total	100.0%

DEVELOPMENT IN OUR DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Openings			
	Q1 2012	Q4 2011	Q1 2011	% of total	Q1 2012	Q4 2011	Q3 2011	Q1 2011
Concept stores	689	672	451	6.2%	26	104	75	30
Shop-in-Shop	1,088	1,182	986	11.0%	-94	121	50	28
Gold	2,006	1,821	1,622	17.0%	185	93	123	99
Total branded	3,792	3,675	3,059	34.2%	117	318	248	157
Silver	2,957	2,698	2,542	25.1%	259	26	-22	84
White	3,750	4,359	4,789	40.7%	-609	-12	-200	-469
Total	10,499	10,732	10,390	100.0%	-233	332	26	-228

NUMBER OF STORES, KEY NEW MARKETS

	End of Q1 2012							Openings	
	Russia	China	Japan	Rest of Asia	France	Italy	Total	Q1 2012	Q1 2011
Concept stores	38	11	5	37	4	1	96	7	5
Shop-in-shop	8	11	12	33	17	10	91	8	2
Total	46	22	17	70	21	11	187	15	7

COMMENTS

- Concept store openings in Q1 12 in line expectations
- Openings in new markets kept at high level
- Total number of stores decline from closing unbranded stores particularly in Germany and Australia
- Reclassification of Shop-in-Shops following review in CWE

MAJOR MARKETS DEVELOPMENT

REVENUE BREAKDOWN BY GEOGRAPHY (DKKm)

	Q1-2012	Q4-2011	Q3-2011	Q2-2011	Q1-2011	% growth	% LC growth
Americas	766	883	755	724	782	-2.0%	-5.5%
US	609	701	614	545	677	-10.0%	-8.7%
Other	157	182	141	179	105	49.5%	
Europe	474	779	618	483	743	-36.2%	-35.9%
UK	134	344	222	166	219	-38.8%	-40.0%
Germany	100	184	173	119	162	-38.3%	
Other	240	251	223	198	362	-33.7%	
Asia Pacific	184	290	196	185	220	-16.4%	-22.3%
Australia	124	210	138	134	174	-28.7%	-34.4%
Other	60	80	58	51	46	30.4%	
Total	1,424	1,952	1,569	1,392	1,745	-18.4%	-20.6%

COMMENTS

- US and UK adversely impacted by stock balancing campaign
- Germany and Australia continued to see negative effects from restructuring of distribution network
- Other Asia Pacific show strong growth albeit from low levels
- Revenue in direct markets -12.3% y/y
- Revenue in 3rd party distributor markets negatively impacted by tough macroeconomic conditions and retailers destocking

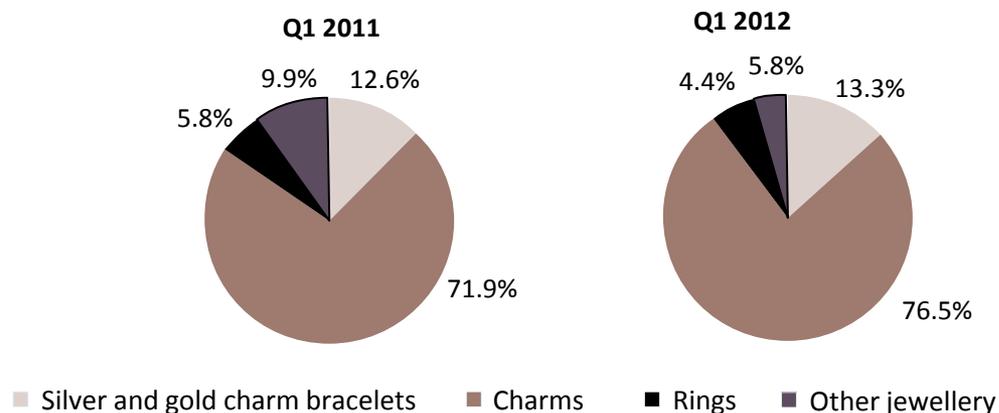
PRODUCT MIX AFFECTED BY STOCK BALANCING

PRODUCT MIX (DKKm)						
	Q1-2012	Q1-2011	% growth	% of total	Received Q1 2012	Replaced Q1 2012
Charms	1,088	1,251	-13.0%	76.5%	144	124
Silver and gold charms bracelets	190	220	-13.6%	13.3%	2	16
Rings	83	102	-18.6%	5.8%	63	10
Other jewellery	63	172	-63.4%	4.4%	131	12
Total	1,424	1,745	-18.4%	100.0%	340	162

COMMENTS

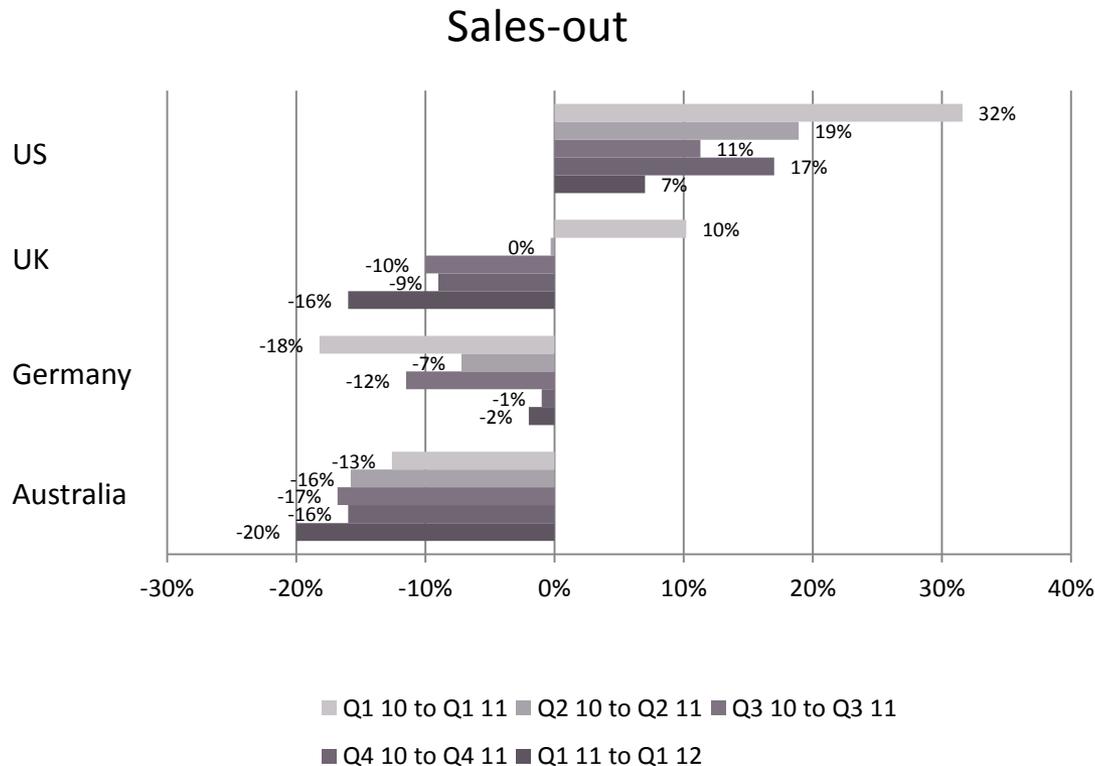
- Product mix assumed to be highly affected by stock balancing campaign
- Main trend in stock balancing campaign is discontinued items within...
 - Gold products (including charms)
 - Rings and Other jewellery
- ... which are replaced with best sellers, especially silver charms
- New ring collection selling well

PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



CONCEPT STORE SALES-OUT IN US CONTINUES ON A POSITIVE NOTE - BUT STILL CHALLENGING IN THE UK AND AUSTRALIA

LIKE FOR LIKE CONCEPT STORES – SALES-OUT DEVELOPMENT



COMMENTS

- Continued sales-out growth in the US
- UK retail environment characterised by heavy discounting in Q1 2012
- Temporary respite in Germany
- Australia negatively affected by discounting from discontinued stores

GM IMPACTED BY INCREASING RAW MATERIAL PRICES LARGELY OFFSET BY PRODUCT AND MARKET MIX

GROSS PROFIT (DKKm) AND GROSS MARGIN (%)				
	Q1 2012	Q1 2011	2011	2010
Gross Profit	1,020	1,250	4,860	4,725
Gross Margin %	71.6%	71.6%	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
Reversal of Internal Profit on Inventory from CWE				50
Adj. Gross Profit	1,020	1,250	4,860	4,785
Adj. Gross Margin	71.6%	71.6%	73.0%	71.8%

COMMENTS
<ul style="list-style-type: none"> Gross margin negatively affected by increasing raw material prices (-5.5%) but positively affected by price changes (+0.8%) currencies (+1.0%), product and market mix (3.7%) No impact from stock campaign Excluding hedging and inventory time lag, underlying gross margin would have been approximately 69% based on average gold and silver prices in Q1 2012 Gross margin impact of approx. 300 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 (%)				
	Q1 2012	Q1 2011	2011	2010
Gross margin				
% of revenue	71.6%	71.6%	73.0%	70.9%
DKKm	1,020	1,250	4,860	4,725
Distribution costs				
% of revenue	31.9%	26.3%	30.9%	26.1%
DKKm	455	459	2,053	1,733
<i>Of which marketing costs</i>				
% of Revenue	11.9%	9.7%	14.6%	11.1%
DKKm	169	170	973	743
Administrative costs				
% of revenue	14.9%	8.8%	11.2%	8.6%
DKKm	212	154	749	576
EBIT				
% of revenue	24.8%	36.5%	30.9%	36.2%
DKKm	353	637	2,058	2,416
D&A	48	72	223	268
EBITDA				
% of revenue	28.2%	40.6%	34.3%	40.3%

COMMENTS
<ul style="list-style-type: none"> • Q1 2012 Distribution costs at same level as last year, however Q1 2011 affected by DKK 46 million from amortisation of distribution rights in Pandora CWE • Q1 2012 Impacted by increased sales costs in new markets • Administrative costs increase related to... <ul style="list-style-type: none"> • Increased personnel headcount • IT infrastructure • External consultants

DIVERGENCE IN EBITDA MARGIN BY REGION

EBITDA MARGIN							
	Q1 2012	Q4 2011	Q3 2011	Q1 2012 vs Q4 2011 (% pts)	Q1 2011	Q4 2010	Q1 2012 vs Q1 2011 (% pts)
Americas	51.8%	46.1%	53.8%	5.7%	51.4%	46.9%	0.4%
Europe	14.1%	34.9%	30.3%	-20.8%	44.5%	42.3%	-30.4%
Asia Pacific	23.9%	33.4%	36.7%	-9.5%	42.7%	46.0%	-18.8%
Unallocated costs ¹	-7.5%	-12.9%	-8.2%	5.4%	-6.8%	-7.5%	-0.7%
Group EBITDA margin	28.2%	26.8%	34.2%	1.4%	40.6%	37.3%	-12.4%

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

COMMENTS

- Americas margin in line with last year
- Europe margin particularly affected by
 - Stock balancing campaign effect in the UK,
 - Weak revenue in Germany and amongst 3rd party distributors;
 - Start-up costs to develop direct distribution in Italy and France
- Asia Pacific EBITDA margin decline driven by declining revenues in Australia

NET FINANCIALS IMPACTED BY AN UNREALISED FX GAIN

INTEREST, TAX AND MINORITIES (DKKm)				
DKKm	Q1 2012	Q1 2011	2011	2010
EBIT	353	637	2,058	2,416
Financial expenses	-7	-56	-331	-218
Financial income	66	47	642	54
Profit before tax	412	628	2,369	2,252
Income tax expenses	-74	-113	-332	-381
Effective tax rate	18.0%	18.0%	14.0%	16.9%
Group net profit	338	515	2,037	1,871
Minority interests	-	-	-	-25
Net profit attributable to shareholders	338	515	2,037	1,846

COMMENTS

- Net financial income amounted to DKK 59 million in Q1 2012
- Financial income of DKK 66 million affected by exchange rate gain on USD

WORKING CAPITAL DRIVEN BY INVENTORY

WORKING CAPITAL					
DKK m	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Inventory	1,668	1,609	1,964	1,697	1,464
Trade receivables	704	900	984	630	678
Trade payables	143	288	179	175	221
Operating working capital	2,229	2,221	2,769	2,152	1,921
<i>% of revenue¹</i>	35.2%	33.4%	39.5%	29.8%	26.8%
Other receivables	302	177	206	362	639
Tax receivables	43	41	48	70	72
Provisions ⁴	248	243	155	125	89
Income tax payable	378	344	618	545	474
Other payables	616	775	489	373	408
Net working capital including derivatives	1,332	1,077	1,761	1,541	1,661
<i>% of revenue¹</i>	93.5%	16.2%	25.1%	21.3%	23.2%
Derivatives	68	250	139	-79	-369
Net working capital excluding derivatives	1,400	1,327	1,900	1,462	1,292
<i>% of revenue¹</i>	98.3%	19.9%	27.1%	20.2%	18.0%
Free cash flow	118	930	37	227	476
Cash conversion²	34.9%	167.6%	10.9%	36.3%	92.4%
Adjusted cash conversion²	34.9%	167.6%	10.9%	68.8%	92.4%
ROIC³	29.9%	34.7%	37.4%	45.1%	47.0%

COMMENTS
<ul style="list-style-type: none"> Operating working capital increase driven by inventory Q1 2012 vs Q1 2011 Inventory increase explained by <ul style="list-style-type: none"> Soaring gold and silver prices (up approximately +30%) DKK 90 million in inventory caused by take back from the stock balancing campaign Improvement vs Q4 2011 driven by inventory and receivables reductions

¹% of revenue in relation to last twelve months' revenue. DKK 6,337m for the period ended 31 March 2012

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

Q1 2012 IN SUMMARY



- Group revenue was DKK 1,424 million
- Gross margin of 71.6%
- EBITDA margin was 28.2%
- Net profit was DKK 338 million
- Strategy confirmed
- Stock balancing campaign on track
- Realigned price architecture and product range
- Successful launch of Spring/Summer 2012 collection

