

TELECONFERENCE FY 2016



PANDORA

AGENDA

FINANCIAL HIGHLIGHTS FY 2016

FINANCIAL REVIEW Q4 2016

FINANCIAL EXPECTATIONS 2017



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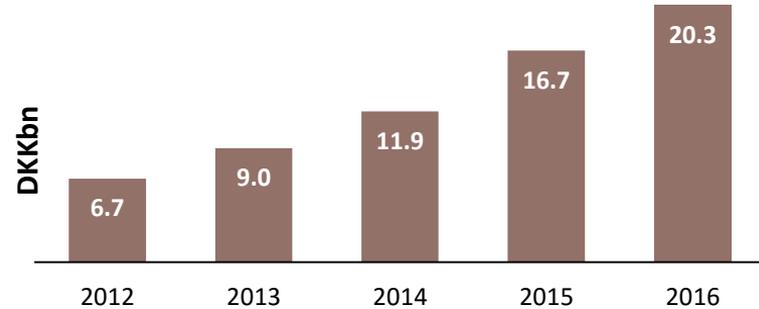
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ANOTHER GOOD YEAR FOR PANDORA

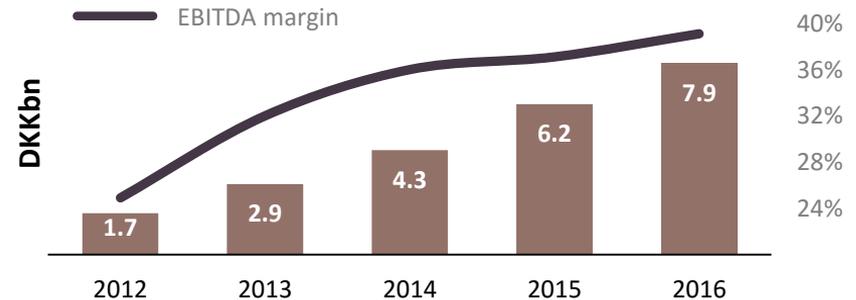
FY 2016 HIGHLIGHTS

- Total revenue increase 21% (or 24% in local currency) to DKK 20.3 billion
 - ~50% revenue growth from stores open more than 12 months and ~50% network expansion
- Net 336 new concept stores added in 2016
- EBITDA increase 27% to DKK 7.9 billion, corresponding to an margin of 39.1% (compared to 37.1% in 2015)
 - Supported by 1pp tailwind from commodities
- Free cash flow of DKK 5.4 billion
- PANDORA plans to return DKK 5.8 billion to shareholders
 - Total combined dividend of DKK 36 per share or DKK 4.0 billion in total
 - DKK 1.8 billion share buyback programme

5-YEAR REVENUE DEVELOPMENT



5-YEAR EBITDA DEVELOPMENT



IMPROVED CONSUMER EXPERIENCE IN THE UK



UK DEVELOPMENT	2015	2016	GROWTH
 NUMBER OF CONCEPT STORES	195	228	<u>33</u>
 LIKE-FOR-LIKES SALES OUT	~18%	~6%	
 PANDORA REVENUE (£mn)	241	301	<u>+25%</u>
ACTUAL EXAMPLE			
BIRMINGHAM 'CANNIBALISATION'	2015	2016	
 NUMBER OF CONCEPT STORES	7	11	<u>4</u>
 LIKE-FOR-LIKES SALES OUT	15%	2%	
 Sales-out revenue (£mn) (Average revenue per store)	20.6 (2.9)	26.0 (2.4)	<u>+26%</u>

COMMENTS
<ul style="list-style-type: none"> • 25% local currency growth in the UK on a fixed cost base (franchise revenue) • Strong and branded store network • 17 consecutive quarters positive like-for-like sales (15 of those with double digit like-for-like sales) • Retail expansion needed to clear queues and improve consumer experience

REVENUE GROWTH OF 19% IN LOCAL CURRENCY IN Q4 2016

REVENUE BY REGION

DKK million	Q4 2016	Growth Q4/Q4	Growth in local currency	FY 2016	Growth FY/FY	Growth in local currency
Americas	1,905	-3%	-4%	6,852	5%	6%
EMEA	3,378	21%	30%	9,556	27%	33%
Asia Pacific	1,319	40%	37%	3,873	46%	48%
Total	6,602	16%	19%	20,281	21%	24%

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

Concept stores that have been operating for more than 12 months

	Q4 2016 (incl. eSTORE)	Q4 2016 (excl. eSTORE)	Q4 2015 (excl. eSTORE)	FY 2016 (excl. eSTORE)
Americas	-1%	-3%	7%	-1%
EMEA	7%	4%	13%	7%
Asia Pacific	11%	9%	26%	13%
Group	5%	3%	13%	5%

COMMENTS

- 19% local currency revenue growth
 - 3pp negative impact from currency
- Americas revenue decline of 4% in local currency driven by network clean-up in North America
 - Closed around 700 points of sales in Q4 2016
- 30% local currency growth in EMEA
 - Primary revenue drivers are UK, Italy and France growing around 30%, 40% and 60% respectively
- Asia Pacific increase 37% in local currency
 - Growth driven by Australia and China, increasing revenue by around 30% and 100% respectively

COMPARING LIKE-FOR-LIKE SALES GROWTH 1-TO-1 WITH REPORTED GROWTH IS NOT MEANINGFUL

	 LIKE-FOR-LIKE SALES (Concept store sales-out only)	 REVENUE GROWTH IN STORES OPEN FOR >12 MONTHS (Mix of sell-in and sales-out,)	 TIMING OF SHIPMENTS (Sales-out and recognized revenue occur simultaneously)
 CONCEPT STORES	INCLUDED	INCLUDED	
PANDORA OWNED INCL. eSTORE	Retail prices Index 240	Retail prices Index 240	✓
FRANCHISE	Retail prices Index 240	Wholesale prices Index 100	✗
DISTRIBUTOR*	Retail prices Index 240	Distributor prices Index 70	✗
 SHOP-IN-SHOP	NOT INCLUDED	INCLUDED	✗
 MULTIBRANDED	NOT INCLUDED	INCLUDED	✗

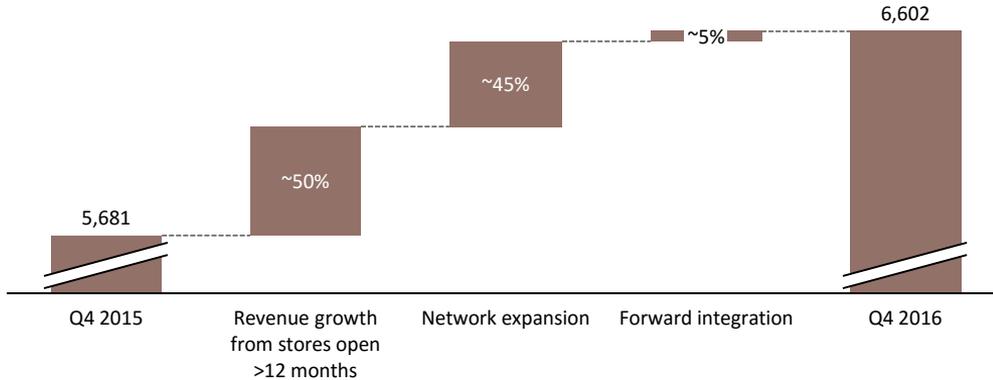
COMMENTS

- Distributor sales have large impact on like-for-like but limited impact on PANDORA's reported revenue
- All store types are included in revenue growth from stores open more than 12 months
- Sales-out and reported revenue growth do typically not occur at the same time

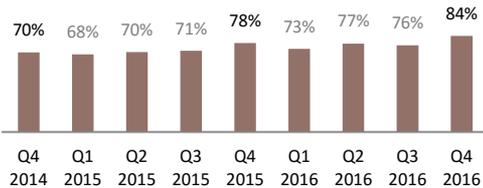
* Not included in reported concept store revenue, as PANDORA sells to distributor warehouses, who then distributes to various sales channels

BALANCED GROWTH BETWEEN NETWORK EXPANSION AND GROWTH IN EXISTING STORES

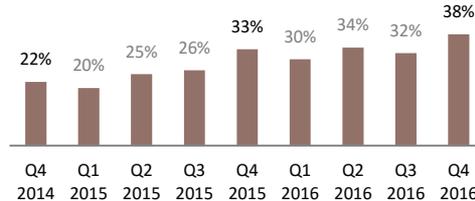
CONTRIBUTION TO GROWTH*



BRANDED REVENUE SHARE



O&O REVENUE SHARE



*Revenue growth from stores open >12 months: All stores, across all channels that have been open for more than 12 months.
 Network expansion: The net effect of opening and closing stores across all channels
 Forward integration: The net effect of PANDORA buying back distributor rights and franchisee stores

COMMENTS

- Revenue growth from stores open more than 12 months contributed with around 50% of the growth in Q4 2016
- Network expansion contributed with around 45% of revenue growth
- Forward integration, acquired stores and distribution rights, contributed with around 5% of the growth
- Highest branded share of revenue recorded at 84% of total revenue
- Highest O&O share of revenue recorded at 38%
 - The impact of more O&O vs. franchise is, that sales are booked later in the year

SUCCESSFUL PRODUCT DIVERSIFICATION SUPPORT GROWTH

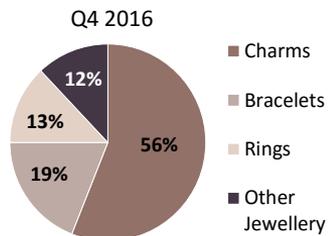
REVENUE PER PRODUCT CATEGORY

DKK million	Q4 2016	Growth Q4/Q4	Share of revenue	FY 2016	Growth FY/FY	Share of revenue
Charms	3,706	4%	56%	11,991	11%	59%
Bracelets	1,233	21%	19%	3,672	37%	18%
- Hereof Moments and ESSENCE	867	21%	13%	2,729	42%	13%
Rings	881	33%	13%	2,643	28%	13%
Other jewellery	782	81%	12%	1,975	72%	10%
Total revenue	6,602	16%	100%	20,281	21%	100%

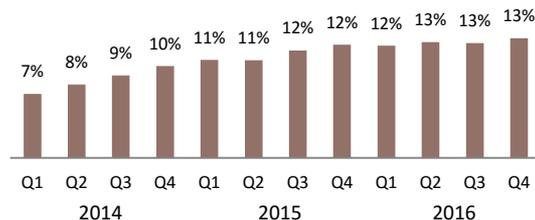
COMMENTS

- Charms increased 4%, driven by 30% growth in Asia Pacific and 10% in EMEA partially offset by Americas
 - Americas charms revenue impacted by returns from store closures
- Rings were up 33% and contributed with 13% of revenue for the quarter
- Earrings increased around 80%, and generated 6% of total revenue
- Necklaces increased around 75%
- Rings, Earrings and Necklaces contributed with 25% of the revenue for the quarter

CATEGORY SHARE % OF REVENUE



RINGS SHARE OF REVENUE % OF LAST 12 MONTHS REVENUE

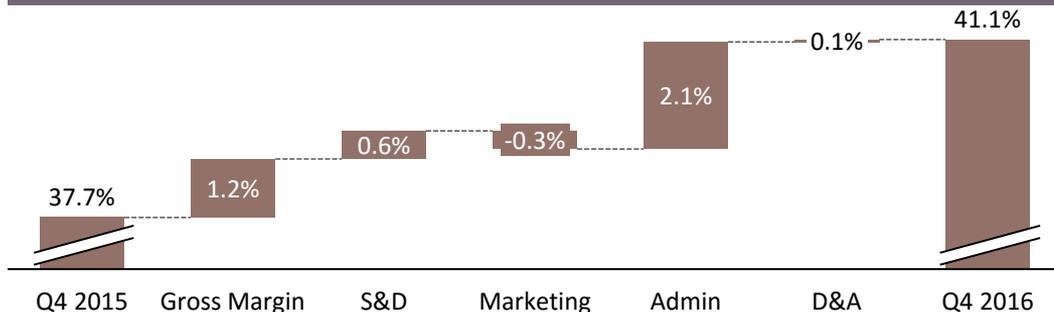


IMPROVED GROSS MARGIN AND OPEX DRIVE EBITDA MARGIN

COST AND PROFIT

DKK million	Q4 2016	Share of revenue Q4 2016	Share of revenue Q4 2015	FY 2016	Share of revenue FY 2016	Share of revenue FY 2015
Gross profit	4,963	75.2%	74.0%	15,223	75.1%	72.9%
Operational expenses (incl. D&A)	2,411	36.5%	38.8%	7,819	38.6%	38.1%
- hereof sales & distribution	1,185	17.9%	18.5%	4,011	19.8%	18.6%
- hereof marketing	716	10.8%	10.5%	1,827	9.0%	9.6%
- hereof administrative	510	7.7%	9.8%	1,981	9.8%	9.9%
Depreciation and amortisation	159	2.4%	2.5%	518	2.6%	2.4%
EBITDA	2,711	41.1%	37.7%	7,922	39.1%	37.1%

EBITDA MARGIN DEVELOPMENT Q4 2016 (Y/Y)



COMMENTS

- Gross margin increased 1.2pp, driven by increased O&O share and favourable raw material prices partially offset by currency moves
 - Gross margin impact of +/-1pp if 10% deviation on raw material prices
- Operational expenses improved by 2.3pp compared to Q4 2015
 - S&D ratio improved by 0.6pp driven by operational leverage
 - Increased media spend drives marketing expenses to 10.8% of revenue
 - Administrative ratio improved by 2pp to 7.7% of revenue, primarily due to leverage and a one-off costs of DKK 75 million in Q4 2015

CONTINUED STRONG CASH FLOW SUPPORTED BY WORKING CAPITAL FOCUS

WORKING CAPITAL AND CASH MANAGEMENT

DKK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Inventory	2,729	3,166	2,929	2,474	2,357
- Share of revenue (last 12 months)	13.5%	16.4%	15.7%	13.8%	14.1%
Trade receivables	1,673	1,976	1,253	1,361	1,360
- Share of revenue (last 12 months)	8.2%	10.2%	6.7%	7.6%	8.1%
Trade payables	1,622	1,309	1,239	1,259	1,329
- Share of revenue (last 12 months)	8.0%	6.8%	6.6%	7.0%	7.9%
Operating working capital	2,780	3,833	2,943	2,576	2,388
- Share of revenue (last 12 months)	13.7%	19.8%	15.8%	14.4%	14.3%
Free cash flow	2,849	577	576	1,356	1,464
CAPEX	249	324	352	274	319
NIBD to EBITDA (last 12 months)	0.3x	0.6x	0.5x	0.4x	0.3x
Selected KPIs					
Days Sales of Inventory					
- last 6 months of COGS (183 days)	179	262	236	169	173
Days Sales of Outstanding					
- last 3 months of wholesale revenue (90 days)	37	56	39	37	32

COMMENTS

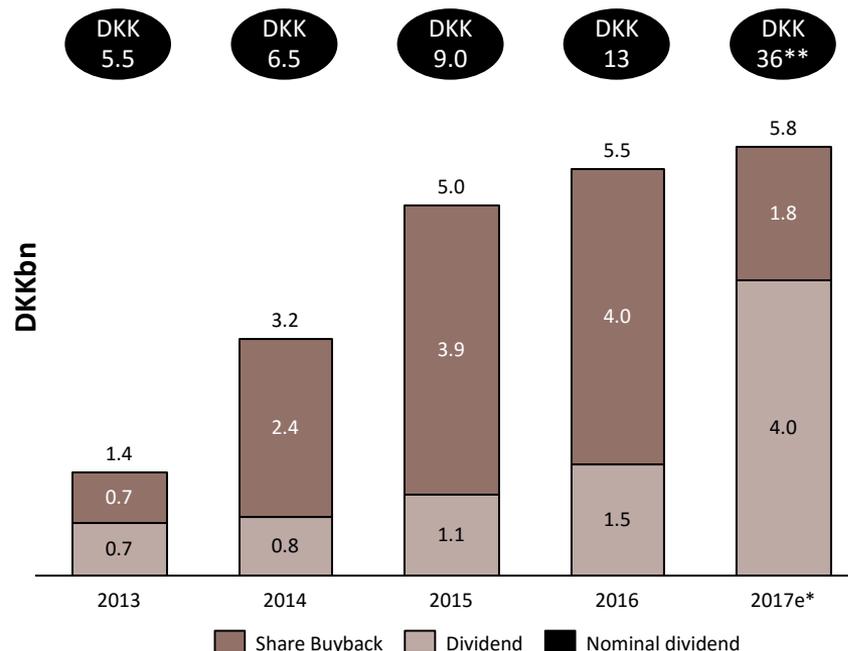
- Operating working capital was 13.7% of revenue compared with 14.3% in Q4 2015 and decreased compared to Q3 2016
 - The Q/Q decrease in inventory is related to the expected de-stocking following a strong Q4 2016
 - The Q/Q decrease in receivables is due to a strong cash collection
 - The Q/Q increase of payables is driven by increasing activity across the group
- CAPEX investments amounted to DKK 249 million in the quarter
- NIBD to EBITDA was 0.3x by the end of Q4 2016, on par with Q4 2015

HEALTHY CASH FLOW ENABLES PANDORA TO DISTRIBUTE DKK 5.8 BILLION

HIGHLIGHTS

- Capital structure ratio target of 0–1x NIBD/EBITDA
 1. Repayment of interest bearing debt if outside the capital structure policy
 2. Funding of value creating business opportunities
 3. Distribution to shareholders
- Board of Directors proposes to distribute DKK 4.0 billion in dividends in 2017 (in total DKK 36 per share)
 - DKK 1 billion in ordinary dividend
 - DKK 3 billion in extraordinary quarterly dividends
- Share buyback programme for 2016 finalised
 - The Board to propose cancellation of 3.9% of the total share capital
- New share buyback programme of up to DKK 1.8 billion initiated, finalised no later than 6 February 2018

5-YEAR CASH DISTRIBUTION DEVELOPMENT



* Share buyback programme in 2017 will begin on 7 February, and conclude no later than 6 February 2018

** The dividend in 2017, is proposed as a combination of an ordinary dividend of DKK 9 per share, and three extraordinary quarterly dividends of DKK 9 per share

PANDORA

2017 FINANCIAL EXPECTATIONS

FINANCIAL GUIDANCE 2017

	2017	FY 2016
	GUIDANCE	ACTUAL
Revenue, DKK billion	23 – 24	20.3
<i>EBITDA margin</i>	<i>Approx. 38%</i>	39.1%
CAPEX, share of revenue	Around 5% of revenue	5.9% of revenue
<i>Effective tax rate</i>	<i>Approx. 21%</i>	21.2%
Concept store, net openings	>275	336



COMMENTS

- Revenue between DKK 23 billion and DKK 24
 - Expect single digit revenue growth in Q1 2017
- EBITDA margin of around 38%
 - Commodity prices and foreign exchange, primarily USD, will negatively impact margins compared to FY 2016
- CAPEX at around 5% of revenue
- Effective tax rate of approximately 21%
- Concept store openings of more than 275 of which ~1/2 will be PANDORA owned stores

SUMMARY



SUMMARY

- Revenue for 2016 increase 21% or 24% in local currency
- Concept store base increased to more than 2,100 stores
 - Clean-up of multibranded store network continued
- EBITDA margin was 39.1% resulting in DKK 5.4 billion in free cash flow
- Proposed cash return of DKK 5.8 billion in 2017

- Revenue for 2017 expected to increase to DKK 23-24 billion
- The branded store expansion will continue, including an increased focus on PANDORA owned stores
- Geographic focus to expand to less explored geographies, including Latin America and India

Q&A

