TELECONFERENCE Q2 2018

Copenhagen, 9 August 2018

PANDORA

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Important progress on the strategy, but performance weaker than expected

Q2 highlights

Revenue

DKK **4,819** million

(4% in local currency / 8% excluding one-offs)

EBITDA margin

31.1%

(33.4% in Q2 2017)

Q2 drivers

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- Bracelets, Rings, Earrings and Necklaces supported by the new collections
- Improvement in China
- eSTORE continues strong growth

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- Wholesale down due to inventory reductions and negative like-for-like
- Charms momentum unchanged with new product designs
- Italy impacted by negative like-for-like and closure of other points of sale
- Less leverage on costs due to lower revenue

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Financial guidance for 2018 adjusted

Full year 2018 guidance

	2018 New guidance	2018 Previous guidance
Revenue growth, *local currency*	4-7%	7-10%
EBITDA margin	*Approx. 32%*	*Approx. 35%*
CAPEX, *as a % of revenue*	*Approx. 5%*	*Approx. 5%*
Forward integration, *DKKbn*	Around 1.4	Around 1.0
Concept store openings, *net*	Around 250	Around 200

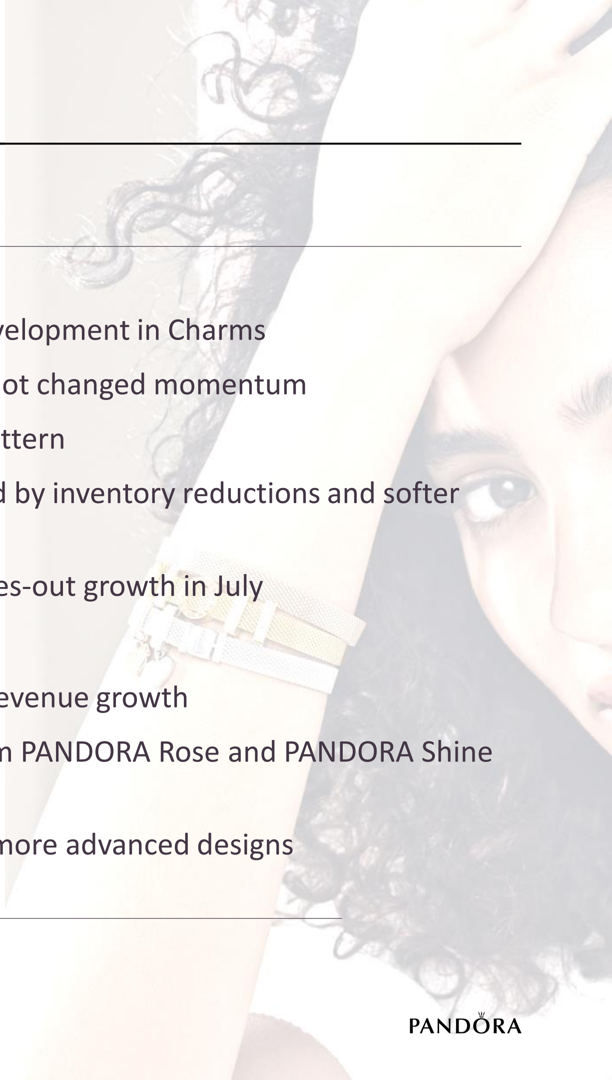
Drivers of guidance change

Revenue drivers

- Weaker than anticipated development in Charms
    - New products have not changed momentum
    - Changing demand pattern
- Wholesale channel impacted by inventory reductions and softer performance
- Weaker total like-for-like sales-out growth in July

EBITDA drivers

- Less leverage due to lower revenue growth
- Higher share of revenue from PANDORA Rose and PANDORA Shine with lower margins
- Longer production time for more advanced designs



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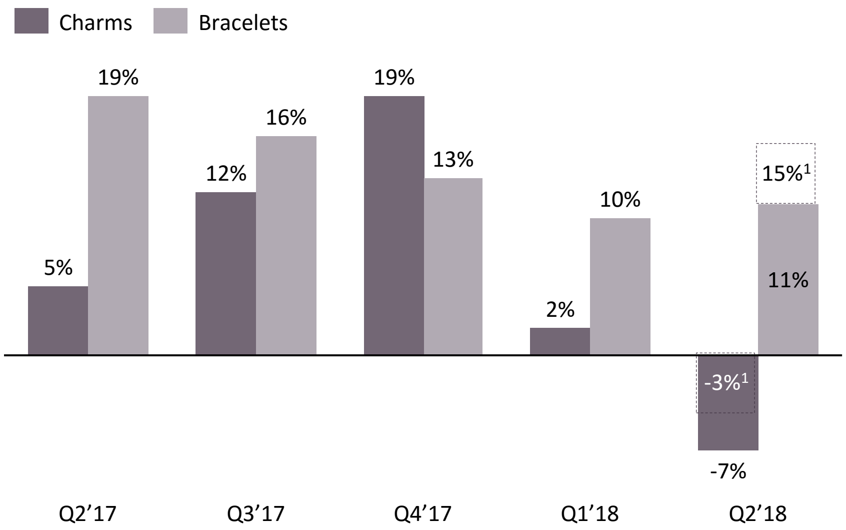
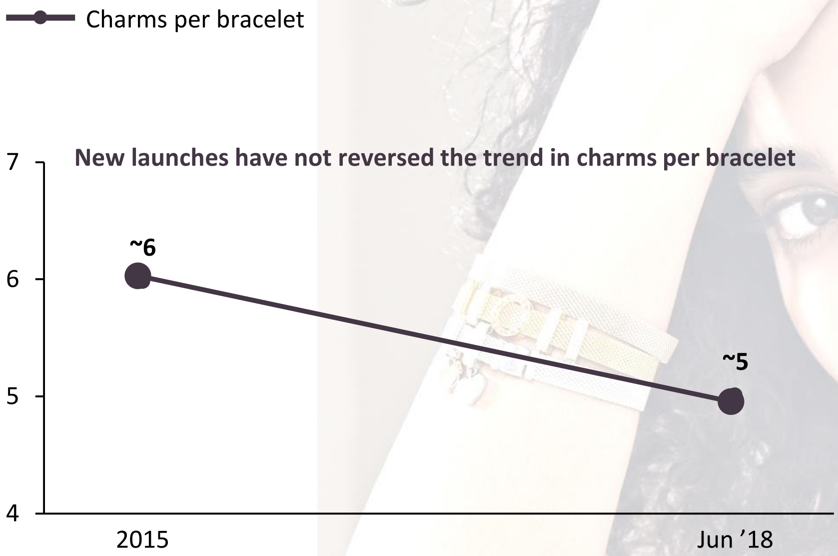
Charms momentum unchanged while bracelets are still in strong demand

PANDORA wristwear in continued demand

Charms & bracelets reported revenue growth in local currency



However, demand pattern in Charms has changed as women wear fewer charms on their bracelet [2]



[1]Adjusting for the sales return reserve in US, the growth would have been 4%-p higher across categories

[2] PANDORA Sell-out, based on rolling 12 months, # of units sold out

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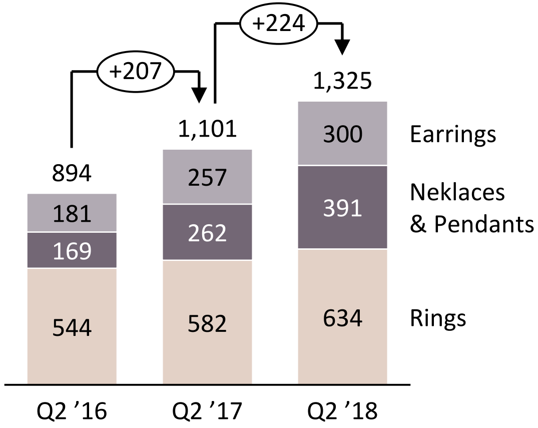
New charms-platform to cater for broader consumer base, accelerated focus on the other categories

Launch PANDORA Reflexions to expand wristwear category

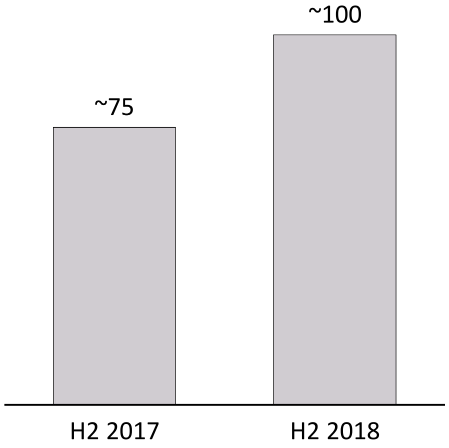
59 *DVs are being launched in the Reflexions platform during the rest of 2018 with introduction in October*

Growth YoY in other categories expected to continue and be supported by newness

Growth in other categories quarter by quarter
DKK millions *(Rings, Earrings, Necklaces & Pendants)*



New DVs in other categories vs. last year
(Rings, Earrings, Necklaces & Pendants)



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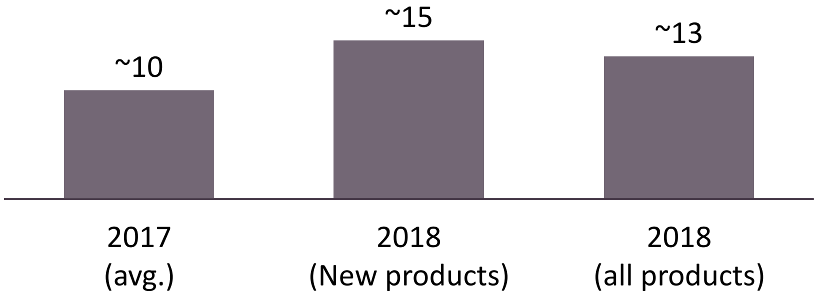
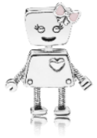
More advanced new products increase production time, while plated concepts impact gross margin

Production time has increased by ~30% compared with 2017

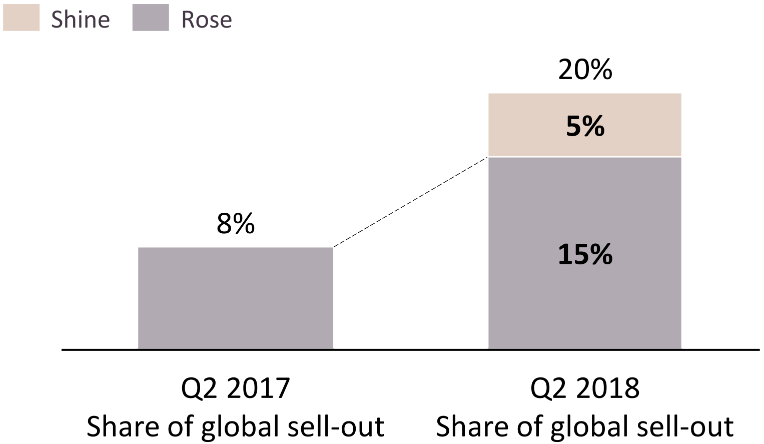
Average production time per unit
Minutes



New designs are more advanced to produce due to more details and functionalities (e.g. Bella Bot)



PANDORA Shine well received, while PANDORA Rose continues to grow leading to negative GM impact



Source: PANDORA sell-out

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Cost and efficiency initiatives taken to protect long-term profitability

STRONG PROGRESSION IN GLOBAL PROCUREMENT PROGRAMME

Additional annual savings of

DKK 200m

identified through global procurement programme

Savings to be made within:

MEDIA

IT SERVICES

PACKAGING

FINISHED GOODS

TRAVEL

STRENGTHENING ORGANISATIONAL EFFICIENCY

Organisational alignment executed in Q3 2018

- 397 employees terminated
- Improved global alignment of organisation
- Strengthening strategic priorities such as Digital and eCommerce

Financial implications

- DKK –50 million booked in Q3 2018
- DKK ~150 million in annual savings from 2019

Our strategy and growth model remain unchanged

4 strategic pillars	Objectives towards 2022	Actions
INNOVATE AFFORDABLE JEWELLERY	**~50%/50%** charms vs other categories	• +500 new products • 1 new concept per year (incl. new wristwear platform)
DIGITALISED BRAND EXPERIENCE	**>50%** awareness of other categories **~8%** marketing spend **~60%** spend on digital media	• 15-20% marketing efficiency increase • Ensure automated and personalised 1:1 marketing • Increase social media presence
WINNING IN OMNI-CHANNEL RETAIL	**>15%** eSTORE share of revenue **~3,500** concept stores **~65%** O&O share (# of stores)	• 200 concept stores net openings per year • Take over 75-150 franchise stores annually • eSTORE platform development & trading optimisation • Expand omni-channel fulfilment and service
AGILE MANU-FACTURING	**4** months new product launch (fast track) & **4** weeks lead time **200** million units in total production capacity	• Expand manufacturing capabilities • Enable next level product innovation • Increase productivity and ensure procurement and cost savings

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Total like-for-like will now be disclosed and includes all concept stores incl. eSTORE

More transparency on like-for-like sales during transition period for the Group and the 7 key markets

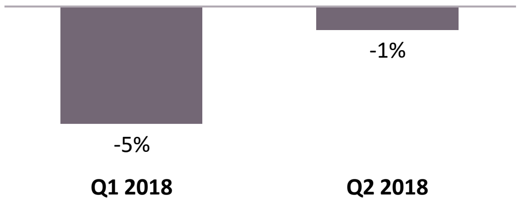
	Retail like-for-like[1]	NEW Total like-for-like[2]
Group	• PANDORA owned concept stores • eSTORE	• PANDORA owned concept stores • eSTORE • Franchise & 3rd party distributor concept stores
Top 7 markets		• PANDORA owned concept stores • eSTORE • Franchise concept stores
	• *Bridgeable to Retail revenue*	• *Not bridgeable* • *To provide transparency on consumer demands*

Note: [1] Full data coverage on O&O concept stores incl. eSTORE
[2] ~95% data coverage on franchise and 3rd party distributor concept stores

Sequential improvement of like-for-like

Retail like-for-like sales-out growth
PANDORA owned concept stores incl. eSTORE

Total like-for-like sales-out growth
All concept stores incl. eSTORE



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Revenue growth of 4%, and 8% excluding one-offs – like-for-like improvement

Revenue	EBITDA margin	Cash flow	Total LfL	Retail LfL
DKK **4,819** million	**31.1**%	DKK **1,149** million	**-1**%	**3**%
(4% in LCY, 8% excl. one-offs)	*(Q2 2017: 33.4%)*	*(Q2 2017: DKK 556 million)*	*(Q1 2018: -5%)*	*(Q1 2018: 0%)*

Revenue
- Retail revenue in local currency increased with 43% while wholesale decreased 27%
- eSTORE, concept store openings and acquisitions drive growth

EBITDA margin
- EBITDA margin impacted by lower than expected revenue

Cash flow
- Strong cash flow driven by favourable movements in the operating working capital
- DKK 1.1 billion returned to shareholders through share buyback
- Dividend of DKK 9 per share to be paid out in August

Total LfL
- Improvement in total like-for-like from -5% in Q1 2018 to -1% in Q2 2018 mainly due to positive US total like-for-like

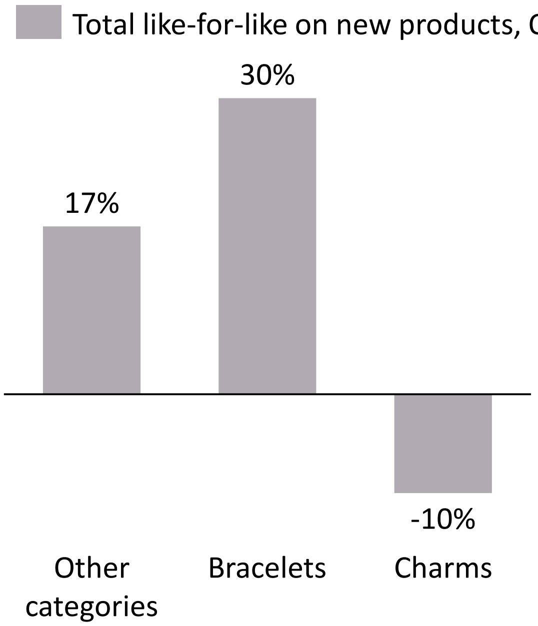
Retail LfL
- Retail like-for-like driven by strong eSTORE growth and improved performance in China

New collections growing in all categories, except charms impacted by changing demand pattern

Sample of best selling new products launched in H1

Source: PANDORA Sell-out data

2% total like-for-like on new products, impacted by a negative development of charms



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2%
total like-for-like for new products

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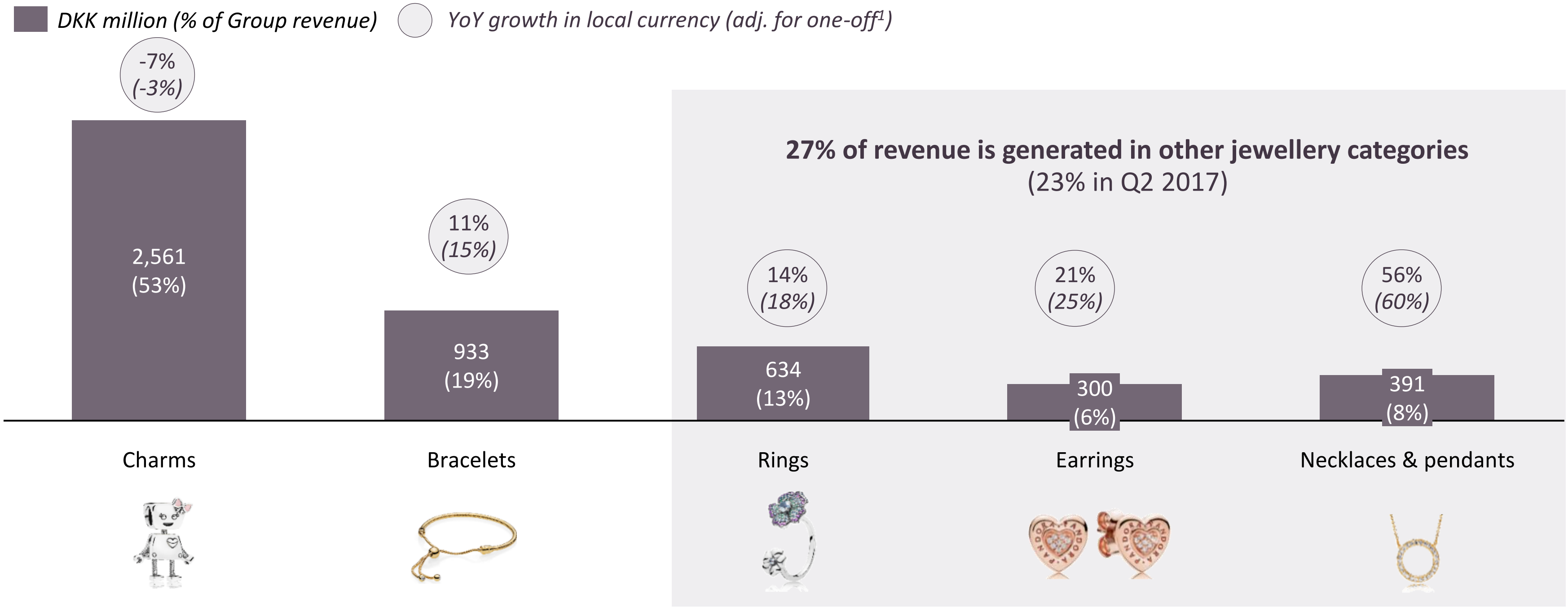
Continued strong development in Other categories and Bracelets

Q2 2018 group revenue and YoY growth in local currency by category

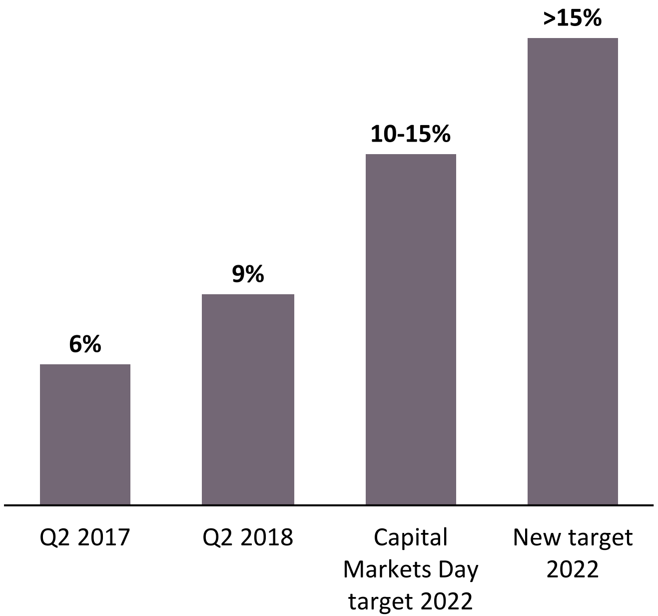


[1]Adjusting for the sales return reserve in US, the growth would have been 4%-p higher across categories

New eSTORE target based on performance, store footprint strategy to be monitored accordingly

eSTORE expected to be above 15% in 2022

eSTORE as % of Group revenue



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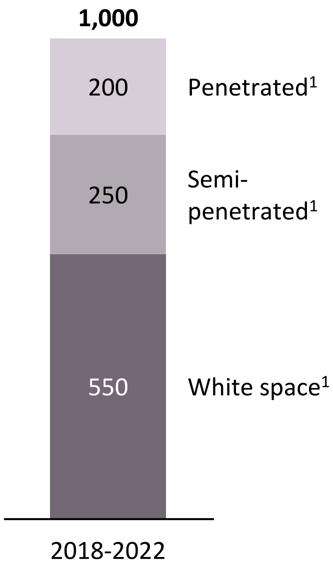
Concept store strategy primarily focusing on white space areas

# of planned concept store openings, net



Examples of markets:

Monitor planned store openings in penetrated areas, ensuring that demand is not already met through eSTORE

Maintain planned store openings in semi-penetrated areas

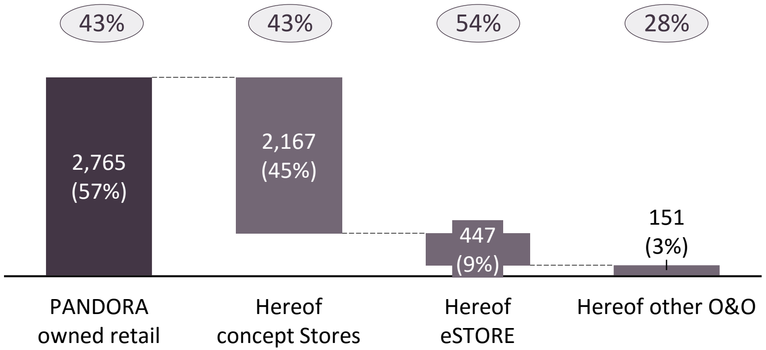
Maintain planned store openings in white space areas - eSTORE revenue increases when new stores open

Note 1: Markets are scored after store expansion rate, which is defined as: Planned store openings in % of existing stores in 2017.
Penetrated: <20%, semi-penetrated: 20-100% and white space: +100%

Q2 2018 revenue by channel – continued growth in PANDORA owned retail

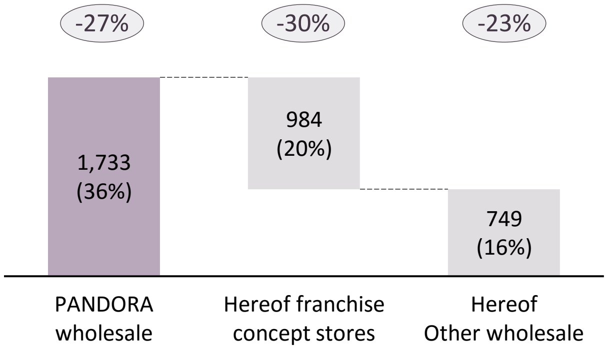
PANDORA owned retail

DKK million (% of Group revenue) *YoY growth in local currency*



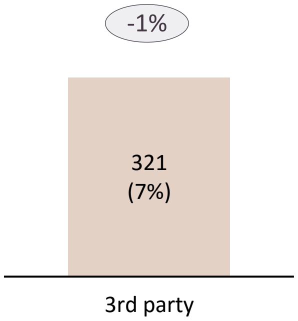
- Revenue growth from **PANDORA owned concept stores (including eSTORE)** was driven by acquisitions (+18%), store openings (+23%) and 3% like-for-like growth
- Continued strong **eSTORE** performance, driven by all major markets

Wholesale



- Adjusted for acquisitions and one-off related to returns, **franchise concept stores** decreased 16%, driven by inventory reduction and negative like-for-like
- **Other points of sale** challenged by decrease in inventory levels and an overexposure to Charms – and also impacted by one-off related to sales return reserve

3rd party distributor



- Excluding the takeover of Spain, Belgium and South Africa, revenue from **3rd party distributors** increased 22%

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Italy remains a strong market with opportunities ahead despite weak Q2 2018

LARGE & PROFITABLE MARKET

PANDORA's **2nd** largest market

119 profitable concept stores

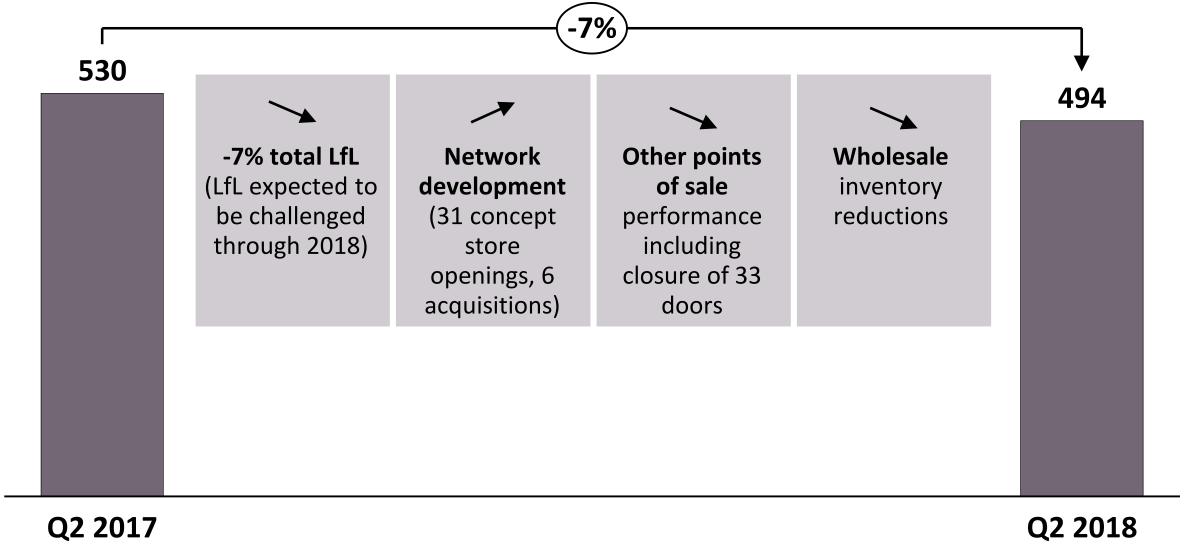
STRONG BRAND

91% brand awareness

Consideration of **47%** - highest amongst key markets

Source: PANDORA Brand tracker and sell-out data

Revenue development, Italy
DKK million



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Revenue and like-for-like performance improved in China

Actions taken to improve the situation in China

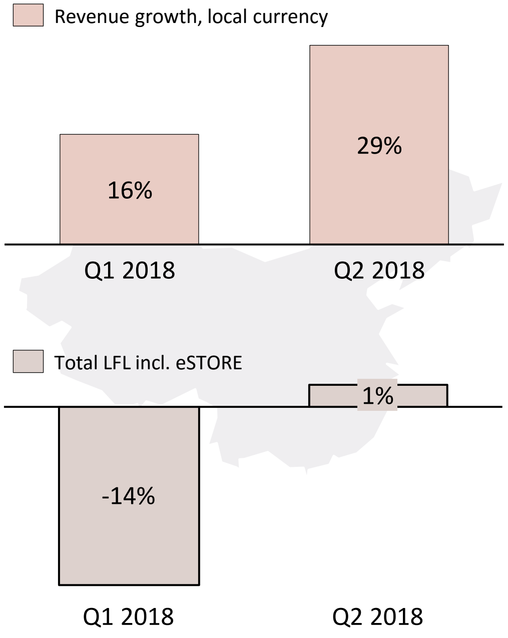
HANDLING GREY MARKET TRADING

- Closed more than 11,000 grey market trading accounts due to copy right infringements of marketing material
- Reduced prices with 15% in beginning of Q3
- Slightly less grey market sales compared with Q1 2018

DRIVING MORE TRAFFIC TO THE STORES & ESTORE

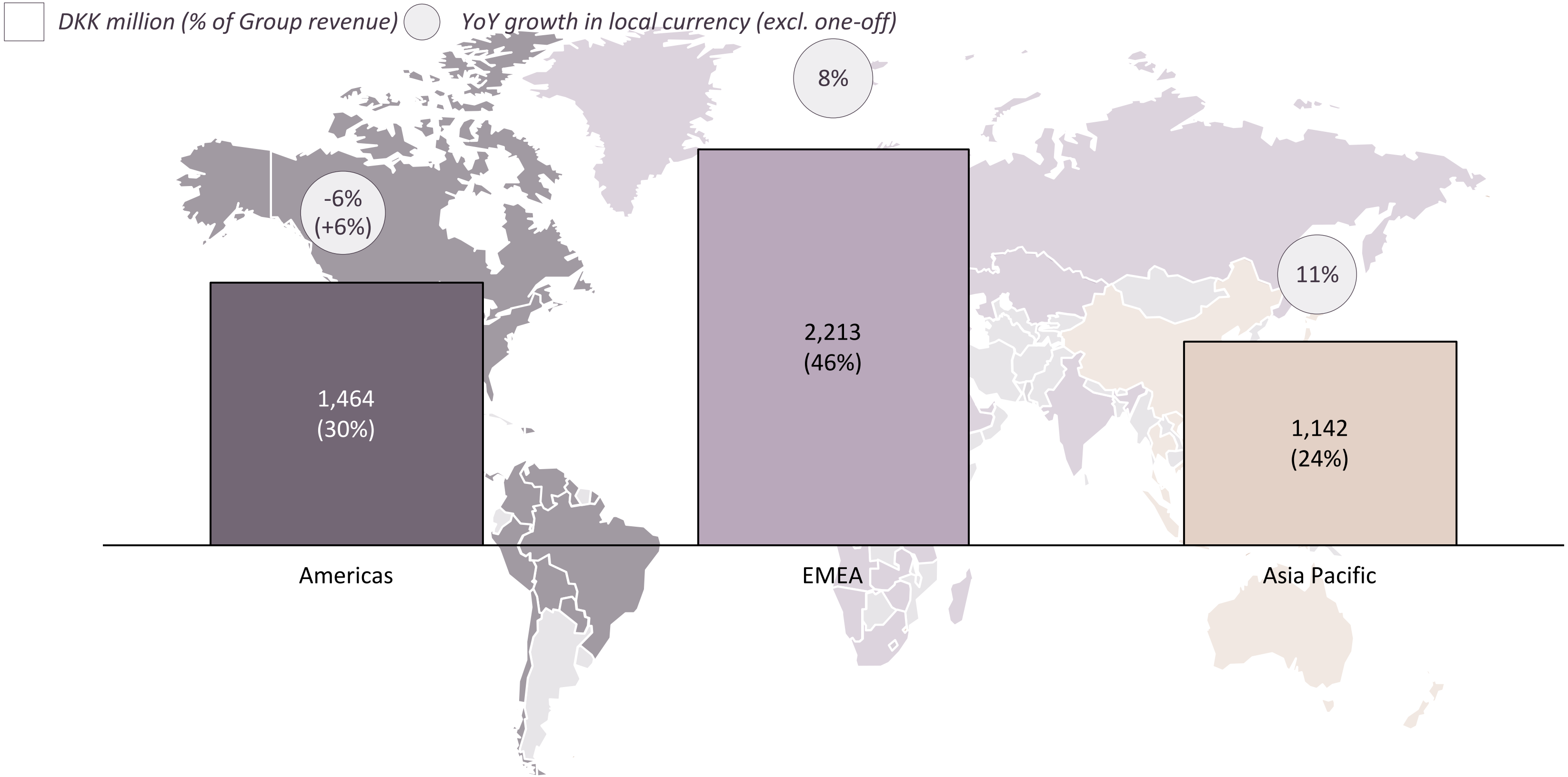
- Increased “out-of-home” marketing spend such as billboards, print etc.
- Improved commercial trading plans around campaigns and promotions

Impact of initiatives



Source: PANDORA reported figures, Q2 2018 announcement and PANDORA Sell-out data

Growth driven by the EMEA & Asia Pacific region, Americas impacted by a one-off



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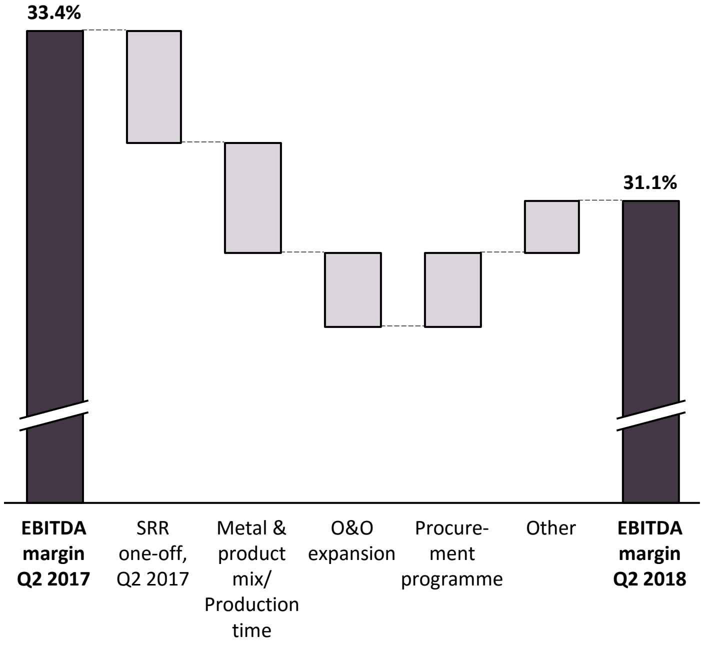
Decrease in EBITDA margin driven by the one-off in Q2 2017 and O&O expansion

EBITDA margin development (Q2 2018 vs. Q2 2017)

For directional purposes



Commentary on profitability

- The one-off related to sales returns in the US positively impacted the EBITDA margin last year by around 1.5 percentage points
- The Q2 2018 EBITDA margin is below our expectations mainly due to the lower than expected revenue growth (leverage)
- The Q2 2018 EBITDA margin includes a negative impact of close to 1 percentage point related to the ongoing acquisitions and related inventory write-offs

Gross margin increased by 1.6pp mainly driven by

- More O&O revenue
- Partially offset by metal- and product mix and longer production time

The OPEX ratio (including depreciation and amortisations) increased 5.3pp compared with Q2 2017 mainly due to

- O&O expansion - higher sales and distribution costs (partially offset by a higher gross margin)
- Higher depreciation and amortisations mainly related to acquisitions (1.5 percentage points)

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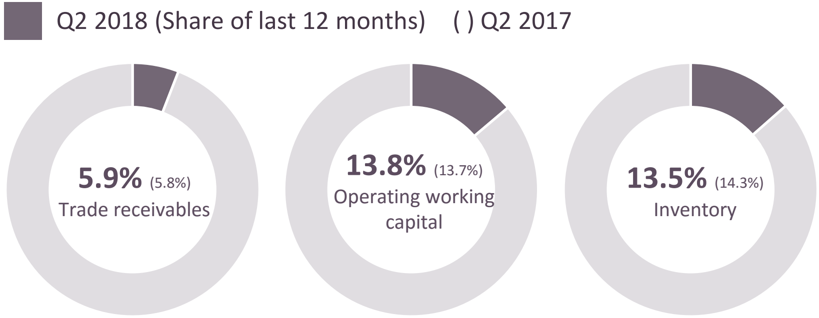
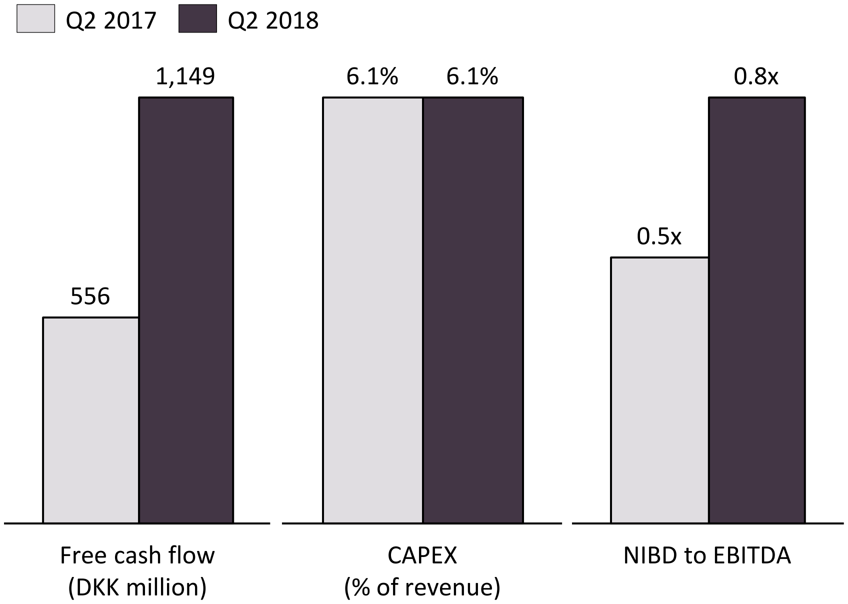
Strong free cash flow as a result of lower receivables

Working capital



%, last 12 months rolling revenue	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Trade receivables	5.8%	10.4%	8.6%	8.1%	5.9%
Trade payables	-6.3%	-6.3%	-7.4%	-5.9%	-5.6%
Inventories	14.3%	14.8%	12.0%	12.4%	13.5%
Working Capital	**13.7%**	**19.0%**	**13.1%**	**14.6%**	**13.8%**

Cash management



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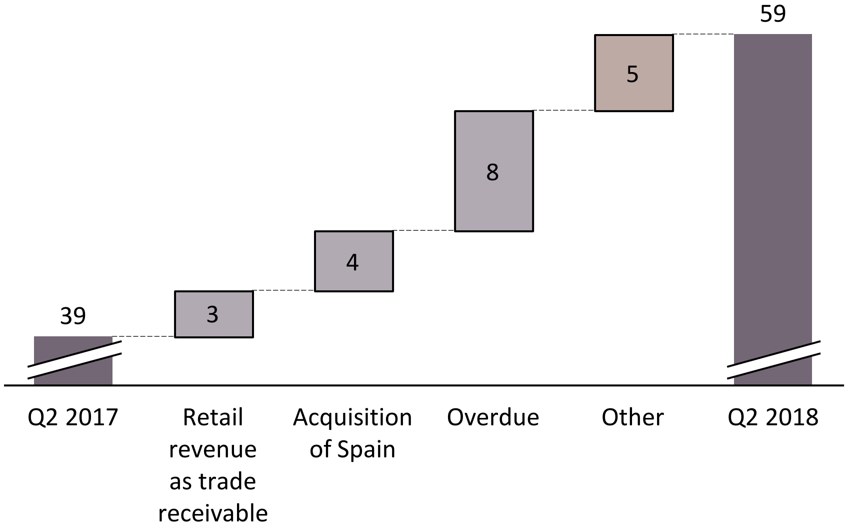
Days sales outstanding impacted primarily by overdue receivables

DSO bridge



DSO calculated as trade receivables divided by wholesale revenue incl. 3rd party revenue

Comment on DSO development

DSO up 20 days since last year

- A part of the retail revenue (eSTORE and some mall revenue) drives receivables, impacting the quarter with 3 days (total retail receivables represent around 7 days)
- Overdue receivables increased DSO with 8 days
  - Some partners have delayed the payment to PANDORA
  - Overdue receivables not at risk of default
  - Collection focus and effort have been increased
- Acquisitions (primarily Spain) impacted the DSO with 4 days

DSO improved 7 days relative to Q1 2018

- As of Q3 2018, a further breakdown of receivables will be provided in the company announcement to carve out wholesale-driven receivables

Closing remarks

Q2 2018 RESULTS

4%

revenue growth in local currency (8% excl. one-off)

31.1%

EBITDA margin

Full year guidance changed to reflect longer transition period

Highlights

- New collections well received
- Strong performance in “other categories, however, Charms not fueled by new product introductions
- eSTORE continues strong growth, while wholesale is down
- Improvement in China and the US, while Italy challenged
- Retail revenue now 57% of the business

LOOKING AHEAD

- New charms/bracelet concept to be launched in October
- Accelerated focus on Rings, Earrings and Necklaces and pendants
- Cost initiatives taken across the Group to support profitability – impact from 2019

H2 outlook

- Continued negative impact on changing inventory levels
- Revenue skewed towards Q4 due to increasing share of revenue from PANDORA owned retail
- Severance payments related to organisational changes

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