

TELECONFERENCE FY 2014 FINANCIAL RESULTS

10:00 CET, 17 February 2015



PANDORA
UNFORGETTABLE MOMENTS

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AGENDA

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- Business highlights:
 - Q4 2014 headlines
 - Key developments in FY 2014
 - Market development and sales-out in Q4
 - Performance of newly launched products
 - Guidance 2015
- Financial review for Q4 2014
- Recap and Q&A



Q4 2014 HEADLINES



SUMMARY

- Strongest quarter ever
- Revenue growth of 40.4%
(35.2% in local currency)
- EBITDA growth of 52.6%
- Cash conversion of 169.3%
- + DKK 1 billion in revenue from concept stores
- Positive like-for-like sales-out growth in all core markets

FY 2014 SUMMARY

- Full year revenue was DKK 11,942 million, an increase of 32.5% or 32.7% in local currency compared to FY 2013, driven by all geographic regions, positively impacted by:
 - Success of newly launched products – all collections launched in 2014 improved compared to 2013
 - Strong development in revenue from Rings, which surpassed DKK 1 billion
 - Network expansion across all geographies – revenue from concept stores increased 51.4% and generated 56.4% of revenue compared to 49.4% in 2013
- 310 concept stores opened (net) to a total of 1,410
- All four major markets experienced positive like-for-like growth in all four quarters driven by relevant products, targeted marketing efforts and improved in-store execution
- EBITDA increased by 49.0% to DKK 4,294 million compared to FY 2013 – an EBITDA margin of 36.0%
 - Including a gain of 4pp on gross margin driven by lower commodity prices
- Free cash flow was DKK 3,868 million vs. DKK 1,956 million in 2013
- DKK 2.4 billion share buyback programme successfully executed

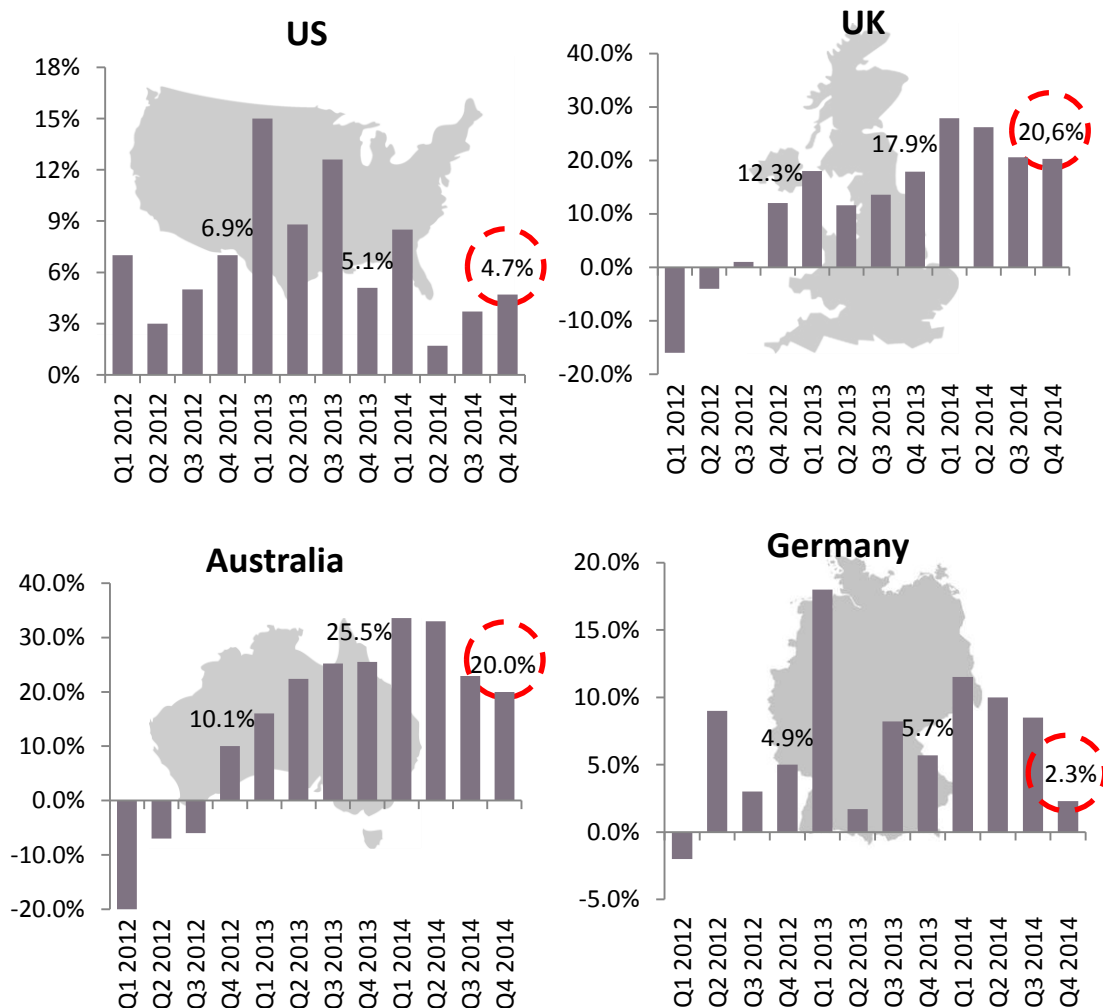
REGIONAL REVENUE DEVELOPMENT IN Q4 2014

REVENUE BREAKDOWN BY GEOGRAPHY								
DKKkm	Q4 2014	Q4 2013	Growth	Growth in local currency	FY 2014	FY 2014	Growth	Growth in local currency
Americas	1,527	1,064	43.5%	35.2%	4,959	4,156	19.3%	20.6%
US	1,090	838	30.1%	20.0%	3,629	3,201	13.4%	13.0%
Other	437	226	93.4%	90.7%	1,330	955	39.3%	46.1%
Europe	1,841	1,381	33.3%	30.8%	5,304	3,760	41.1%	38.8%
UK	654	482	35.7%	28.2%	1,654	1,158	42.8%	36.1%
Germany	206	200	3.0%	3.0%	578	544	6.3%	6.3%
Other	981	699	40.3%	40.3%	3,072	2,058	49.3%	48.9%
Asia Pacific	593	377	57.3%	52.0%	1,679	1,094	53.5%	58.1%
Australia	328	250	31.2%	30.4%	806	681	18.4%	25.6%
Other	265	127	108.7%	94.5%	873	413	111.4%	111.9%
Total	3,961	2,822	40.4%	35.2%	11,942	9,010	32.5%	32.7%

COMMENTS
<ul style="list-style-type: none"> US increased 20.0% in local currency primarily driven by West Coast stores, as well as the new Disney products Other Americas increased 93.4% driven by Canada and the inclusion of Brazil (from Q1 2014) Continued strong development in most European markets – in particular the UK, France, Italy and Russia Australia increased 30.4% in local currency primarily driven by strong ring sales Hong Kong, Malaysia, South Korea, Taiwan and China drive growth in Other Asia Pacific

SALES-OUT POSITIVE IN ALL MAJOR MARKETS

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



COMMENTS

- Eight consecutive quarters of positive like-for-like growth in all reported markets
- US sales-out growth high-single digit or more in all major regions except for the Northeast
- UK and Australia driven by strong in-store execution and products
- Sales-out in Germany continues to be driven by good performance in PANDORA owned concept stores

PERFORMANCE OF NEWLY LAUNCHED PRODUCTS



COMMENTS

- Christmas collection launched in the quarter and has been well received
- 41 Disney-themed products launched in November in 372 concept stores as well Disney theme parks – initial feedback very encouraging
 - More products to be launched in the Spring/Summer collections
- The PANDORA ESSENCE COLLECTION continues to perform well
- Products launched within the last 12 months continue to do well both in terms of sales-in and sales-out

DIVIDEND AND SHARE BUYBACK PROGRAMME

DIVIDEND OF DKK 9 PER SHARE AND DKK 3,900m SHARE BUYBACK

- Board of Directors proposes to increase the dividend with 38% compared to 2013 to DKK 9 per share for 2014
- Increase share buyback programme 63% compared to 2014 to up to DKK 3,900 million during 2015
 - The programme is being implemented under the Safe Harbour regulations (EC no. 2273/2003)
- Following the share buyback programme for 2014, the Board proposes cancellation of 5,818,651 shares equal to 4.5% of the total share capital
- Unchanged capital structure ratio target of 0–1x NIBD/EBITDA

2015 FINANCIAL EXPECTATIONS

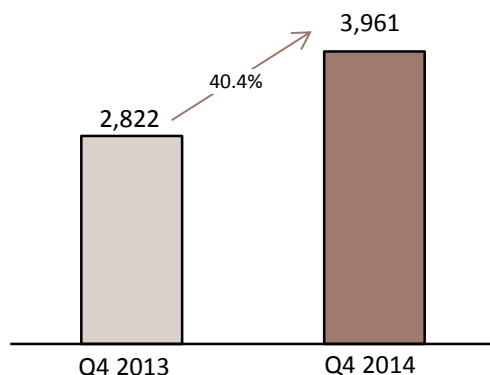


2015 FINANCIAL EXPECTATIONS

- Revenue of more than DKK 14.0 billion
- EBITDA margin of approx. 37%
- CAPEX of approx. DKK 800 million
- Effective tax rate of approx. 20%
- During 2015, PANDORA expects to open more than 300 concept stores

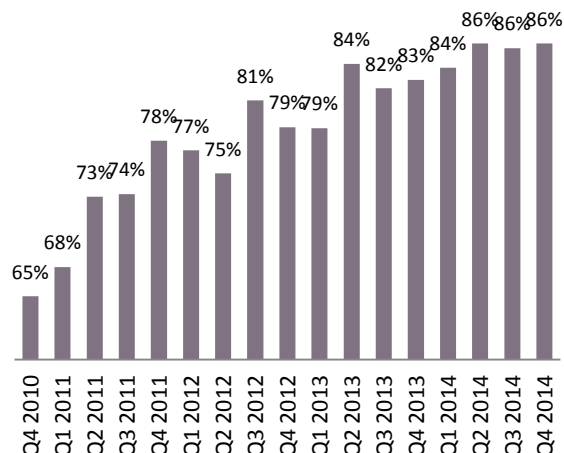
REVENUE DEVELOPMENT IN Q4 2014

REVENUE (DKKm)



- 40.4% growth
- 35.2% growth in local currency
- Volume up 22.1%
- ASP DKK 145 (vs. DKK 126 in Q4 2013)

SHARE OF BRANDED REVENUE



SHARE OF REVENUE PER CHANNEL

	Q4 2014	Share of rev.
Concept stores	2,452	61.9%
Shop-in-shops	592	14.9%
Gold	363	9.2%
Total branded	3,407	86.0%
Silver	250	6.3%
White & travel retail	173	4.4%
Total unbranded	423	10.7%
Total direct	3,830	96.7%
3rd party	131	3.3%
Total	3,961	100.0%

COMMENTS

- Total revenue increased by 40.4% driven by volume growth as well as a higher average selling price
- Revenue growth was distributed evenly between like-for-like sales-in and network expansion
- Average Sales Price increase to DKK 145 driven by higher share of Rings and increased share of revenue from PANDORA owned stores (around 22% vs. 17% in Q4 2013)
- Revenue from concept stores generated 61.9% of revenue in Q4 2014, driven by increasing revenue and 310 new stores in 2014

DEVELOPMENT IN OUR DISTRIBUTION NETWORK

NUMBER OF STORES AND OPENINGS

	Number of stores				Net openings	
	Q4 2014	Q3 2014	Q4 2013	Share of total (Q4 2014)	Q4 2014 vs. Q3 2014	Q4 2014 vs. Q4 2013
Concept stores	1,410	1,307	1,100	14.3%	103	310
- Hereof PANDORA owned	251	218	146	2.5%	33	105
Shop-in-shops	1,555	1,507	1,372	15.7%	48	183
- Hereof PANDORA owned	70	64	60	0.7%	6	10
Gold	2,400	2,349	2,329	24.2%	51	71
Total branded	5,365	5,163	4,801	54.2%	202	564
Silver	2,744	2,761	3,187	27.7%	-17	-443
White and travel retail	1,797	1,917	2,291	18.1%	-120	-494
Total	9,906	9,841	10,279	100.0%	65	-373

NUMBER OF STORES, KEY NEW MARKETS

	End of 2014								Net openings		
	Brazil	Russia	France	Italy	China	Japan	Rest of Asia	Total	Q4 2014	Q3 2014	Q2 2014
Concept stores	35	174	40	36	29	1	81	396	40	37	37
Shop-in-shop	2	56	41	7	20	9	79	214	28	12	7
Total	37	230	81	43	49	10	160	610	68	49	44

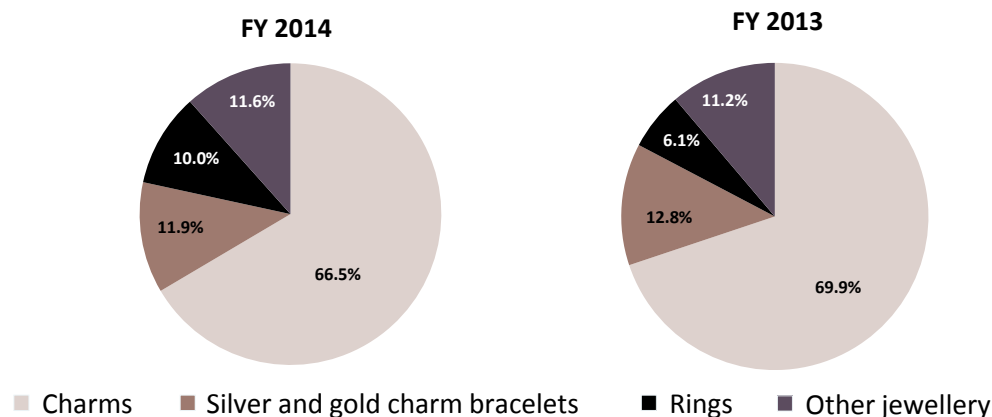
COMMENTS

- 202 branded points of sale opened in Q4 2014, including 103 concept store net openings
- Continued focus on global branded network with 564 branded points of sale opened since Q4 2013 including:
 - 310 concept stores
 - 183 shop-in-shops
- 33 new O&O concept stores were added in Q4 2014, including 10 in Germany, 8 in France and 4 in Hong Kong

PRODUCT MIX

PRODUCT MIX (DKKm)								
	Q4 2014	Q4 2013	Growth Q4/Q4	Share of total Q4 2014	FY 2014	FY 2013	Growth Y/Y	Share of total FY 2014
Charms	2,656	1,966	35.1%	67.1%	7,933	6,293	26.1%	66.5%
Silver and gold charm bracelets	465	394	18.0%	11.7%	1,427	1,157	23.3%	11.9%
Rings	355	167	112.6%	9.0%	1,192	550	116.7%	10.0%
Other jewellery	485	295	64.4%	12.2%	1,390	1,010	37.6%	11.6%
Total	3,961	2,822	40.4%	100.0%	11,942	9,010	32.5%	100.0%

PRODUCT SPLIT AS PERCENTAGE OF TOTAL REVENUE



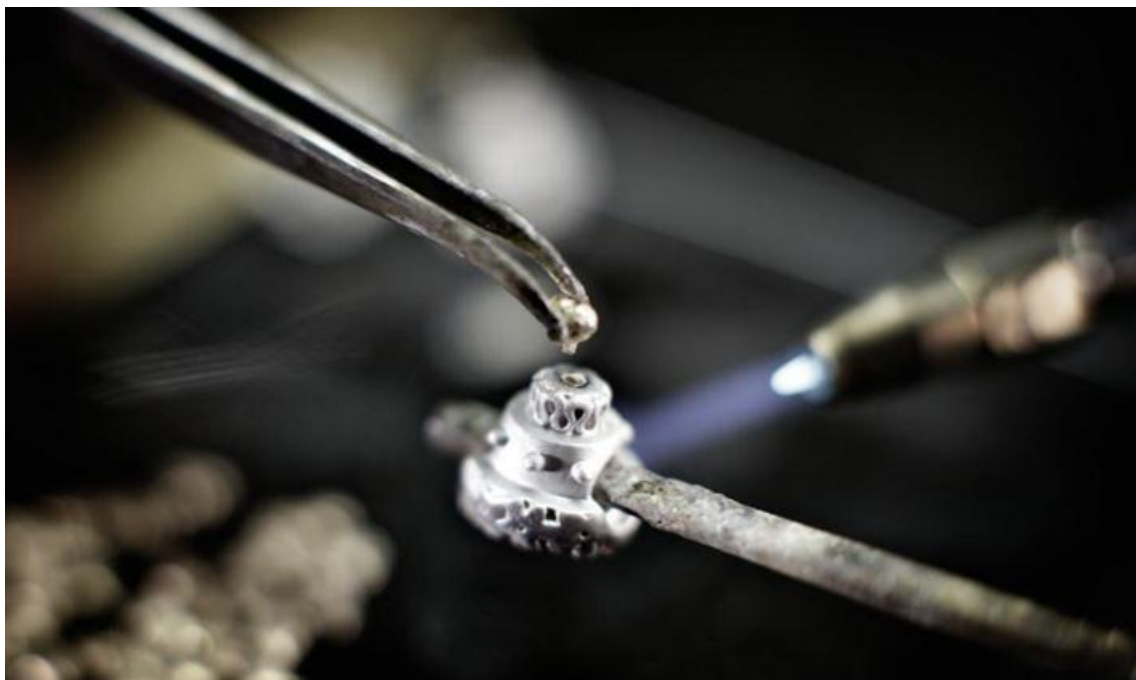
COMMENTS

- Core categories continue the positive development
- Revenue from Rings increased 112.6% following the increased focus on the category across all regions
- Other Jewellery increased 64.4% driven by most subcategories
 - Necklaces and Earrings increased around 50%, Other Bracelets up around 80%
- For 2014 Charms and Bracelets share of revenue decreased to 78.5%, as Rings capture an increasing share of revenue

GROSS MARGIN DEVELOPMENT IN Q4 2014

GROSS PROFIT (DKKk) AND GROSS MARGIN (%)

DKKk	Q4 2014	Q3 2014	Q4 2013	FY 2014	FY 2013
Revenue	3,961	2,845	2,822	11,942	9,010
Cost of sales	1,126	846	904	3,519	3,011
Gross profit	2,835	1,999	1,918	8,423	5,999
<i>Gross margin</i>	71.6%	70.3%	68.0%	70.5%	66.6%



COMMENTS

- Gross margin up 3.6 percentage points vs. Q4 2013 driven by:
 - Lower commodity prices
 - Higher share of revenue from PANDORA O&O stores
- Excluding hedging and inventory time lag, underlying gross margin would have been approximately 74% based on average gold and silver spot prices in Q4 2014
- Gross margin impact of 1pp if 10% change in commodity prices

OPEX DEVELOPMENT IN Q4 2014

OPEX & MARGINS

	Q4 2014	Q3 2014	Q4 2013	FY 2014	FY 2013
Gross profit					
Share of revenue	71.6%	70.3%	68.0%	70.5%	66.6%
DKKm	2,835	1,999	1,918	8,423	5,999
Operational expenses					
Share of revenue	36.7%	36.4%	36.4%	36.4%	36.8%
DKKm	1,454	1,036	1,027	4,351	3,318
Sales and distribution expenses					
Share of revenue	16.3%	15.5%	17.4%	16.4%	16.8%
DKKm	645	440	491	1,957	1,517
Marketing expenses					
Share of revenue	11.5%	9.1%	9.7%	9.6%	9.8%
DKKm	455	259	273	1,143	880
Administrative expenses					
Share of revenue	8.9%	11.8%	9.3%	10.5%	10.2%
DKKm	354	337	263	1,251	921
EBIT					
EBIT margin	34.9%	33.8%	31.6%	34.1%	29.8%
Depreciation and amortisation*	63	57	55	222	200
EBITDA					
EBITDA margin	36.5%	35.9%	33.5%	36.0%	32.0%

*Excluding gains/losses from sale of assets

COMMENTS

- Increase in sales and distribution expenses driven by higher revenue, an increase in owned and operated stores and investments in the e-commerce platform
- Marketing expenses were DKK 455 million corresponding to 11.5% of revenue compared to 9.7% in Q4 2013, driven targeted investments in more media activity across all regions
- Administrative expenses were DKK 354 million corresponding to 8.9% of revenue and impacted by:
 - Increase in IT costs
 - Increased headcount

REGIONAL EBITDA MARGINS

EBITDA MARGINS							
	Q4 2014	Q3 2014	Q4 2014 vs. Q3 2014 (% pts)	Q4 2013	Q4 2014 vs. Q4 2013 (% pts)	FY 2014	FY 2013
Americas	35.8%	41.3%	-5.5%	37.7%	-1.9%	41.4%	42.6%
Europe	44.5%	47.8%	-3.3%	40.4%	4.1%	43.3%	36.1%
Asia Pacific	53.3%	45.2%	8.1%	38.7%	14.6%	49.5%	37.8%
Unallocated costs ¹	-6.0%	-9.0%	3.0%	-5.6%	-0.4%	-7.4%	-7.4%
Group EBITDA margin	36.5%	35.9%	0.6%	33.5%	3.0%	36.0%	32.0%

COMMENTS
<ul style="list-style-type: none"> All regional margins positively impacted by the improved gross margin Americas margin decrease 1.9 percentage points compared to Q4 2013 impacted by: <ul style="list-style-type: none"> Brazil being moved from Other Europe to Other Americas (1pp) Short-term impact from acquisition of Hannoush stores (2pp) Higher marketing spend and investments into the Northeast US Asia Pacific significantly up compared to Q4 2013, driven by leverage on costs in new markets

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

PROFIT DEVELOPMENT IN Q4 2014

FINANCIAL ITEMS, TAX AND NET PROFIT				
DKKm	Q4 2014	Q4 2013	FY 2014	FY 2013
EBIT	1,381	891	4,072	2,681
Finance income	1	58	14	167
Finance expenses	-123	-35	-214	-106
Profit before tax	1,259	914	3,872	2,742
Income tax expenses	-252	-175	-774	-522
Effective tax rate	20.0%	19.1%	20.0%	19.0%
Net profit	1,007	739	3,098	2,220

COMMENTS
<ul style="list-style-type: none"> • Net finance costs amounted to net loss of DKK 122 million in Q4 2014 <ul style="list-style-type: none"> • DKK 29 million related to unrealised losses on intercompany loans in USD • DKK 93 million was interest expenses and other costs, including loss on commodity and FX contracts. • Net profit increased to DKK 1,007 million • Effective tax rate 20.0%

WORKING CAPITAL DEVELOPMENT IN Q4 2014

WORKING CAPITAL AND CASH MANAGEMENT

DKKm	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Inventory	1,684	2,126	1,684	1,574	1,490
Trade receivables	1,110	1,327	792	889	895
Trade payables	804	758	633	613	539
Operating working capital	1,990	2,695	1,843	1,850	1,846
Share of revenue ¹	16.7%	24.9%	18.0%	19.3%	20.5%
Other receivables	503	352	571	548	731
Tax receivables	52	94	49	41	35
Provisions	739	575	590	601	506
Income tax payable	643	995	769	651	546
Other payables	898	653	388	576	699
Net working capital including derivatives	265	918	716	611	861
Share of revenue ¹	2.2%	8.5%	7.0%	6.4%	9.6%
Derivatives	169	188	13	49	148
Net working capital excluding derivatives	434	1,106	729	660	1,009
Share of revenue ¹	3.6%	10.2%	7.1%	6.9%	11.2%
Free cash flow	1,705	567	547	1,049	1,085
Cash conversion²	169.3%	78.2%	82.6%	149.0%	146.8%
NIBD/EBITDA³	-0.3	0.0	-0.1	-0.2	-0.2
ROIC⁴	67.0%	54.6%	56.9%	52.4%	44.9%

COMMENTS

- Operating working capital improved during the quarter and represented 16.7% of revenue at the end of Q4 2014, compared to 20.5% at the end of Q4 2013
- Inventories increased slightly due to increasing share of O&O stores
 - Inventory at low levels - expected to increase as share of revenue going forward
- Trade receivables decreased compared to Q3 2014 due to strong cash collection following Christmas
- Free cash flow increased to DKK 1,705 million compared to Q4 2013 driven by:
 - Higher EBITDA
 - Favourable NWC movements

¹ % of revenue in relation to last 12 months revenue. DKK 11,942m for the period ended 31 December 2014

² Calculated as free cash flow / net profit

³ Calculated as last 12 months EBITDA

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

FY 2014 IN SUMMARY



SUMMARY

- Revenue increase 32.5%
- Continued roll out of stores with the addition of 310 new concept stores
- Gross margin was 70.5%
- EBITDA margin was 36.0%
- Free cash flow was DKK 3,868 million, corresponding to a cash conversion of 124.9%
- Proposed dividend increase 38% to DKK 9.0 per share
- Guidance for 2015 of more than DKK 14.0 billion with a EBITDA margin approx. 37%
- Share buyback programme of DKK 3,900 million, an increase of 63% compared to 2014

FUTURE FRAMEWORK



- Enhance and broaden out our product platform
- Increase and constantly refresh the quality of our store network
- Develop a significant omni-channel business
- Build an infrastructure that supports our growth
- Create a scale business in Asia.

QUESTIONS AND ANSWERS

