ANNUAL REPORT

2015

PANDORA

PANDORA designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials at affordable prices. PANDORA jewellery is sold in more than 100 countries on six continents through approximately 9,300 points of sale, including around 1,800 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 16,700 people worldwide of whom approximately 11,000 are located in Gemopolis, Thailand, where the company manufactures its jewellery. PANDORA is publicly listed on the NASDAQ Copenhagen stock exchange in Denmark. In 2015, PANDORA's total revenue was DKK 16.7 billion (approximately EUR 2.2 billion).

CONTENTS

Anders Colding Friis, President and Chief Executive Officer since March 2015.

Peder Tuborgh, Chairman of the Board of Directors since October 2014.

ANOTHER RECORD-BREAKING YEAR

2015 was another record-breaking year for PANDORA. Our revenue increased by approximately 40% to DKK 16.7 billion, and we produced more than 100 million pieces of jewellery.

We believe that we are one of the world's most recognised jewellery brands. Today, seven out of ten women around the world in our defined target group recognise the PANDORA brand. In some markets this number is even higher. But recognition is no longer enough, so in 2015 we set a new goal to become the world's most loved jewellery brand. This will help us build an even stronger connection with our consumers, and give us a strong platform for growth over the coming years.

We saw significant growth in all product categories. Charms and Bracelets continue to develop, and contributed to our growth. We continued to focus on Rings in 2015 and are pleased with the outcome of our efforts. Revenue from this category increased by 73% compared to 2014. The Ring category now makes up 12% of our revenue. We will continue to build our Rings offering in the coming years, and in 2016 we will increase our focus on Earrings as we develop a full jewellery universe for women around the world.

The PANDORA shopping experience remains key to our success and we continued to focus on branded sales. We opened approximately 400 new concept stores during the year, including more than 70 in Germany, and at the same time closed around 1,400 unbranded points of sale. 89% of our revenue now comes from branded sales. The majority of these stores follow our strong franchise model, but we also have owned and operated stores in key markets where appropriate. In 2015, the number of PANDORA owned and operated stores increased to 592, which now generate 27% of our total revenue. E-commerce is also an important part of our business, and we launched seven new eSTOREs in 2015, including stores in the US, Australia, Hong Kong and Denmark, expanding our network to 14 eSTOREs.

We continued our successful go-to-market strategy, including seven annual product launches, introducing a total of 446 new products. We further developed our collaboration with the Walt Disney Company by launching the PANDORA Disney Collection in 13 markets across the Asia Pacific region, and in May we launched the PANDORA Rose product range in the UK. Both of these launches have been very well received by our consumers.

Asia remains the world's largest jewellery market, with China alone estimated to be worth around USD 97 billion. We took steps to further strengthen our presence in this region by expanding our operations in China and Japan through new joint venture agreements. In addition, we acquired the distribution network from our partners in Singapore and Macau, and will become the sole distributor of PANDORA jewellery in these markets from 1 January 2016.

Our success would not be possible without our crafting facilities in Thailand and the dedicated and skilled employees who work there. In June, we welcomed our 10,000th employee in Thailand, and by the end of the year our facilities in Thailand employed more than 11,000 people. As demand for our products continues to grow, we began construction of a second crafting facility in Thailand, which will be fully operational in 2017.

As we look forward to an exciting 2016, we would like to take this opportunity to thank all PANDORA people for their contribution and dedication throughout the year. Without their hard work, this record-breaking year would not have been possible. On behalf of PANDORA's Board of Directors, Executive Board and employees, we would also like to thank our consumers and shareholders for their continued trust and support.

Anders Colding Friis
President and Chief Executive Officer

Peder Tuborgh
Chairman of the Board of Directors

FINANCIAL HIGHLIGHTS

DKK million	2015	2014	2013	2012	2011
Consolidated income statement					
Revenue	16,737	11,942	9,010	6,652	6,658
Gross profit	12,193	8,423	5,999	4,429	4,860
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,214	4,294	2,881	1,658	2,281
Operating profit (EBIT)	5,814	4,072	2,681	1,475	2,058
Net financials	-469	-200	61	4	311
Profit before tax	5,345	3,872	2,742	1,479	2,369
Net profit for the year	**3,674**	**3,098**	**2,220**	**1,202**	**2,037**
Consolidated balance sheet					
Total assets	13,311	10,556	9,275	8,414	8,051
Invested capital	8,255	6,080	5,976	5,900	5,923
Net working capital	925	434	1,009	1,277	1,327
Net interest-bearing debt (NIBD)	1,718	-1,121	-637	-183	209
Equity	**6,139**	**7,032**	**6,462**	**6,038**	**5,411**
Consolidated cash flow statement					
Cash flows from operating activities, net	3,384	4,322	2,428	1,339	1,823
Cash flows from investing activities, net	-1,296	-632	-543	-231	-364
Free cash flow	2,449	3,868	1,956	1,151	1,670
Cash flows from financing activities, net	-2,333	-3,259	-1,524	-943	-2,502
Net increase/decrease in cash	**-245**	**431**	**361**	**165**	**-1,043**
Growth ratios					
Revenue growth, %	40.2%	32.5%	35.4%	-0.1%	-0.1%
Gross profit growth, %	44.8%	40.4%	35.4%	-8.9%	2.9%
EBITDA growth, %	44.7%	49.0%	73.8%	-27.3%	-15.0%
EBIT growth, %	42.8%	51.9%	81.8%	-28.3%	-14.8%
Net profit growth, %	**18.6%**	**39.5%**	**84.7%**	**-41.0%**	**8.9%**
Margins					
Gross margin, %	72.9%	70.5%	66.6%	66.6%	73.0%
EBITDA margin, %	37.1%	36.0%	32.0%	24.9%	34.3%
EBIT margin, %	**34.7%**	**34.1%**	**29.8%**	**22.2%**	**30.9%**
Other ratios					
Effective tax rate, %	31.3%	20.0%	19.0%	18.7%	14.0%
Equity ratio, %	46.1%	66.6%	69.7%	71.8%	67.2%
NIBD to EBITDA, x	0.3	-0.3	-0.2	-0.1	0.1
Return on invested capital (ROIC), %	70.4%	67.0%	44.9%	25.0%	34.7%
Capital expenditure (CAPEX), DKK million[2]	1.109	455	490	276	269
Cash conversion[3], %	**42.1%**	**95.0%**	**73.0%**	**78.0%**	**81.1%**
Share information					
Dividend per share, DKK	13.00[1]	9.00	6.50	5.50	5.50
Total payout ratio (incl. share buyback)[4], %	135.8%	104.1%	63.7%	59.5%	31.9%
Earnings per share, basic, DKK	30.9	25.0	17.2	9.2	15.7
Earnings per share, diluted, DKK	30.7	24.7	17.0	9.2	15.7
Share price at year-end, DKK	**872.0**	**504.5**	**294.0**	**124.5**	**54.0**
Other key figures					
Average number of employees	**13,971**	**9,957**	**6,910**	**5,753**	**5,186**

[1] Proposed dividend per share for 2015.
[2] CAPEX includes both additions to intangible- and tangible assets, of which addition to tangibles constitutes 2015: DKK 706 million, 2014: DKK 297 million, 2013: DKK 182 million, 2012: DKK 167 million, 2011: DKK 150 million.
[3] Cash conversion according to previous accounting policy 2014: 124.9%, 2013: 88.1%, 2012: 95.8%, 2011: 82.0%.
[4] Total payout ratio according to previous accounting policy 2014: 112.7%, 2013: 68.6%, 2012: 59.5%, 2011: 35.1%.

EXECUTIVE SUMMARY

FINANCIAL REVIEW

In 2015, PANDORA delivered another solid performance, which on many parameters exceeded the Board of Directors' expectations for the year. Revenue exceeded expectations, mainly as a consequence of better operational performance across most markets, as well as favourable exchange rate movements during the year. The realised EBITDA margin was in line with expectations, whereas capital expenditure was slightly higher than anticipated, mainly due to progression in investments in the production facilities in Thailand.

- Group revenue in 2015 was DKK 16,737 million compared with DKK 11,942 million in 2014:
  - Americas increased by 31.8% (14.6% increase in local currency)
  - Europe increased by 42.3% (37.1% increase in local currency)
  - Asia Pacific increased by 58.0% (45.1% increase in local currency)
- Gross margin was 72.9% in 2015 compared with 70.5% in 2014
- EBITDA increased by 44.7% to DKK 6,214 million and the EBITDA margin was 37.1% in 2015 compared with 36.0% in 2014
- EBIT increased by 42.8% to DKK 5,814 million in 2015, corresponding to an EBIT margin of 34.7% compared with 34.1% in 2014
- Net profit increased by 18.6% to DKK 3,674 million in 2015, compared with a net profit of DKK 3,098 million in 2014
- Free cash flow was DKK 2,449 million in 2015 (or DKK 3,444 million excluding tax and interest expenses of DKK 995 million relating to settlement of transfer pricing audit) compared with DKK 3,868 million in 2014
- In 2015, PANDORA bought back 5,384,673 own shares at a purchase price value of DKK 3.9 billion
- For the financial year 2015, the Board of Directors proposes a dividend of DKK 13.00 per share
- Payout ratio was 29.6% in 2015 compared with 26.6% in 2014. Including the share buyback in 2015, the total payout ratio was 135.8% compared with 104.1% in 2014.

FINANCIAL GUIDANCE FOR 2016

	FY 2016 Guidance	FY 2015 Actual
Revenue, DKK billion	>19	16.7
EBITDA margin	>37%	37.1%
CAPEX, DKK million	Approx. 1,000	1,109
Effective tax rate	Approx. 21%	31.3%

In 2016, PANDORA will continue to focus on driving like-for-like growth in existing stores, and expand the store network in newer as well as in more penetrated markets. Revenue is expected to increase to more than DKK 19 billion, with existing stores expected to contribute roughly one third of the growth, and expansion of the store network, contributing the remaining two thirds. Assuming current exchange rates, PANDORA expects a full year headwind effect from currencies on revenue of around 3% compared to 2015.

The EBITDA margin in 2016 is expected to be more than 37%. For 2016, the EBITDA margin is anticipated to be positively impacted by lower commodity prices. However, this is expected to be offset by an increase in production complexity. Furthermore, the EBITDA margin is expected to be positively impacted by increasing leverage on costs in PANDORA's more developed markets, but partially offset by PANDORA's expansion plans primarily in Asia. Due to costs, primarily related to the expansion in Asia, the EBITDA margin in the second half of the year is expected to be higher than in the first half.

CAPEX for the year is expected to be approximately

DKK 1,000 million. The expected level of investments includes development of the crafting facilities in Thailand, investments in PANDORA´s distribution network, including the announced accelerated expansion in China and Japan, as well as continued elevated IT investments. CAPEX in 2017 is expected to stay at an elevated level similar to 2016, due to continued investments in the aforementioned areas.

The effective tax rate for 2016 is expected to be approximately 21%, which compares to an effective tax rate of 31.3% in 2015 (or 22.2% excluding the additional tax expenses related to the settlement with the Danish Tax Authorities in May 2015, including the impact on the tax position of other group entities). The decrease is primarily due to the reduction of the Danish corporate tax rate from 23.5% in 2015 to 22% in 2016.

In 2016, PANDORA plans to continue to expand the store network and expects to add more than 250 new concept stores during the year of which roughly 60% are expected to be opened in the Europe region, 20% in Americas and 20% in Asia Pacific.

Expectations are based on the foreign exchange rates at the day of announcement.

SHARE BUYBACK PROGRAMME

In the 2014 Annual Report, PANDORA announced a new share buyback programme with the intention to buy back own shares of up to DKK 3.9 billion during 2015. At 31 December 2015, a total of 5,384,673 shares had been bought back, corresponding to a purchase price of DKK 3.9 billion and an average purchase price per share of DKK 723.8. At 31 December 2015, PANDORA owned a total of 6,063,915 treasury shares, corresponding to 4.96% of the share capital.

The purpose of the share buyback programme is to adjust the capital structure in accordance with the Company's policy on capital structure and to meet obligations arising from employee share option programmes. At 31 December 2015, the total potential obligation amounted to 823,567 shares due to the annual allocation under the Company's employee share option programme. A proposal will be presented at the Annual General Meeting to reduce PANDORA's share capital by DKK 5,240,348 by cancelling 5,240,348 treasury shares held by the Company.

In 2016, an additional share buyback programme will be launched, under which PANDORA expects to buy back own shares to a maximum consideration of DKK 4.0 billion. The programme will end no later than 31 December 2016.

KEY EVENTS 2015

Organisational changes

In March 2015, Anders Colding Friis succeeded Allan Leighton as CEO of PANDORA. Also in March, Allan Leighton was elected at the Annual General Meeting to become member of the Board of Directors and subsequent appointed Co-Deputy Chairman of the Board of Directors.

Furthermore, on 1 January 2015, Peter Vekslund, former Senior Vice President, Head of Finance in PANDORA, succeeded Henrik Holmark as CFO of PANDORA.

Germany

In January 2015, PANDORA entered into an agreement with DHG GmbH (DHG) to take over up to 78 commercial leaseholds in Germany formerly trading under the BiBa name. During 2015, PANDORA opened owned and operated concept stores in 77 of the locations, of which some were relocations of stores. Including relocations, PANDORA opened a net total of 60 new owned and operated stores in Germany related to the transaction. The total purchase price for the new owned and operated stores, including establishment and relocation of stores (including initial inventory in the stores), costs related to temporarily inactive stores in the transition period, key money to DHG as well as all other costs related to store implementation, was around EUR 50 million (approximately DKK 370 million), of which the majority was recognised as intangible assets and inventories.

eSTORE roll-out

In April 2015, PANDORA launched an e-commerce platform in the US. The launch was part of the Company's aim to offer PANDORA jewellery online globally. Also in 2015, PANDORA launched eSTOREs in Australia, Denmark, Hong Kong and Sweden. PANDORA now offers eSTOREs in 14 countries.

Tax settlement

In May 2015, PANDORA made a settlement with the Danish tax authorities (SKAT) regarding a transfer pricing audit for the period 2009 to 2014. SKAT and PANDORA did not agree on the applicable pricing methodology within the Group. Following a dialogue with SKAT, PANDORA decided to make a settlement whereby PANDORA will recognise a higher proportion of the Group's profit in Denmark. According to the settlement, PANDORA was to pay a sum of DKK 995 million to SKAT covering tax payments and interest for the 6-year period. The full amount was paid in 2015.

China

On 1 July 2015, PANDORA started joint distribution of PANDORA jewellery in China with Oracle Investment (Hong Kong) Limited ("Oracle"). The collaboration is expected to run until 31 December 2018, and at the end of the collaboration, PANDORA will take over the full distribution of PANDORA jewellery in China. Before July 2015, Oracle was PANDORA's distributor in China and was originally granted distribution rights to PANDORA jewellery in 2011.

Through the new collaboration, PANDORA is accelerating the store roll-out, enhancing the retail focus as well as making significant marketing investments in the Chinese market. Oracle is contributing with its in-depth knowledge of the retail market and the Chinese consumer as well as its insight into the Chinese real estate market, thus helping PANDORA secure the most attractive locations.

As part of the agreement with Oracle, PANDORA has purchased the majority of Oracle's assets in China. The total amount to be paid to Oracle will depend on the realised revenue in 2018 and part of the payment will be delayed to the expiring of the agreement. The total payment will be in the range of HKD 200-500 million (or approximately DKK 170-420 million). An initial payment of DKK 51 million was paid in 2015.

Disney collaboration in the Asia Pacific region

In October 2015, PANDORA expanded its strategic alliance with The Walt Disney Company to include 13 markets in the Asia Pacific region, including Australia, China and Japan. In November 2015, PANDORA launched the first Disney-inspired products in the region.

As part of the alliance, PANDORA is now designated the Official Charm Bracelet of Hong Kong Disneyland Resort and will have a presence in the upcoming Shanghai Disney Resort. PANDORA products are and will be sold in multiple locations inside both resorts, while the PANDORA Disney Collection is also available in concept stores and shop-in-shops throughout the region.

KEY EVENTS IN 2016

Singapore, Macau and the Philippines

On 1 January 2016, PANDORA acquired from Norbreeze Group (Norbreeze) its PANDORA store network in Singapore and Macau. Furthermore, the distribution agreements with Norbreeze for distributing PANDORA jewellery in Singapore, Macau and the Philippines expired on 31 December 2015. Distribution in the Philippines will continue under a new agreement with the existing distributor. PANDORA is expected to pay a total amount of SGD 36 million (approximately DKK 175 million) to Norbreeze, related to the agreement.

The acquisition has granted PANDORA the opportunity to enter Singapore and Macau directly and to add to its retail chain 18 PANDORA concept stores and 6 shop-in-shops located in these two markets. On 1 January 2016, PANDORA established a local office in Singapore for the Singapore operation, whereas Macau and the Philippines are operated out of PANDORA's offices in Hong Kong.

Capital Markets day in Thailand

On 7 January 2016, PANDORA hosted a Capital Markets Day in Thailand for analysts, institutional investors and media. The purpose of the event was to give an update on PANDORA's strategy in the Asia Pacific as well as an insight into PANDORA's supply chain, including a tour of the Company's crafting facilities in Gemopolis.

As part of the presentations on the Capital Markets Day, and as stated in Company Announcement no. 280, the following forward-looking statements were disclosed:

- PANDORA plans to add a net total of 200-300 concept stores annually in 2016-2018, of which approximately 60% are expected to be opened in the Europe region, 20% in Americas and 20% in Asia Pacific
- From January 2016, PANDORA's category focus will be expanded to include earrings in PANDORA's developed markets. The earrings category represented around 3% of Group revenue for the first nine months of 2015
- Revenue in Australia and New Zealand is expected to increase more than 30% from 2015 to 2018
- Like-for-like sales-out growth in Australia is expected to exceed 10% in 2016 and is expected to normalise to around 3-5% long term
- PANDORA expects to add a net total of 5-10 concept stores annually in Australia until 2018
- PANDORA expects to add a net total of approximately 30 concept stores in China in 2016, and a net total of approximately 25 in 2017 and 2018, respectively
- PANDORA expects to add a net total of approximately 10 concept stores and shop-in-shops annually in Japan until 2018
- PANDORA plans to invest around DKK 1.8 billion in capital expenditures in the period 2015-2019 related to production capacity expansion in Thailand
- The production capacity expansion programme is planned to potentially double the Group's current production capacity.

2015 HIGHLIGHTS

PANDORA was founded in Copenhagen, Denmark, in 1982. Since then, the Company has made the exceptional journey from a local Danish jeweller's shop to one of the world's largest jewellery brands. 2015 added more important steps to that journey – here are a few of the highlights:

JANUARY

EXPANDING THE STORE NETWORK IN GERMANY

PANDORA makes a major strategic move in Germany, taking over 77 concept store leases in prime locations, almost doubling the number of branded stores.

FEBRUARY

PANDORA RETURNS DKK 5 BILLION TO SHAREHOLDERS

In connection with the release of the 2014 Annual Report, PANDORA proposes to return DKK 5 billion to shareholders in dividend and share buyback, which is subsequently approved at the Annual General Meeting.

PANDORA produced more than 100 million pieces of jewellery in 2015.

MARCH

NEW CEO AT PANDORA

Anders Colding Friis joins PANDORA as President & CEO on 1 March.

APRIL

PANDORA GOES VIRAL

For Mother's Day, PANDORA releases a film celebrating the bond between mother and child, emphasizing that all women are unique. The film immediately goes viral and is viewed 36 million times on YouTube and Facebook by the end of the year.

MAY

1,500 CONCEPT STORES

PANDORA reaches a major retail milestone in May with the opening of concept store number 1,500. In all, we opened 392 new concept stores across the globe in 2015, bringing the total number to more than 1,800.

JUNE

PANDORA ROSE LAUNCHES IN THE UK

As the second market after the US, the UK launches PANDORA Rose, fusing a unique blend of metals to create a beautiful rose colour.

JULY

STRATEGIC ALLIANCE IN CHINA

PANDORA opens an office in Shanghai as part of its strategic alliance with Oracle Investment Ltd. about joint distribution of PANDORA jewellery in China from 2015 to 2018. PANDORA will subsequently take over full distribution.

AUGUST

RE-CERTIFIED BY THE RJC

PANDORA is re-certified by the Responsible Jewellery Council; a seal of approval that we continue to meet or exceed the standards for responsible business practice in the jewellery industry.

SEPTEMBER

NEW FLAGSHIP STORE IN GINZA, JAPAN

PANDORA opens the doors to a new flagship store in Tokyo's Ginza district. PANDORA entered into a strategic alliance with Japanese company Bluebell about joint distribution of PANDORA jewellery in Japan from 1 January 2015.

OCTOBER

CONSTRUCTION OF NEW CRAFTING FACILITY STARTS

PANDORA takes one of several steps to increase production capacity over the coming years as we start the construction of a new crafting facility in Chiang Mai, Thailand. The facility is expected to be commercially operational from 2017.

By the end of the year, PANDORA employs more than 16,700 people globally.

PANDORA is present in more than 100 countries across six continents.

NOVEMBER

THE PANDORA DISNEY COLLECTION LAUNCHES IN ASIA PACIFIC

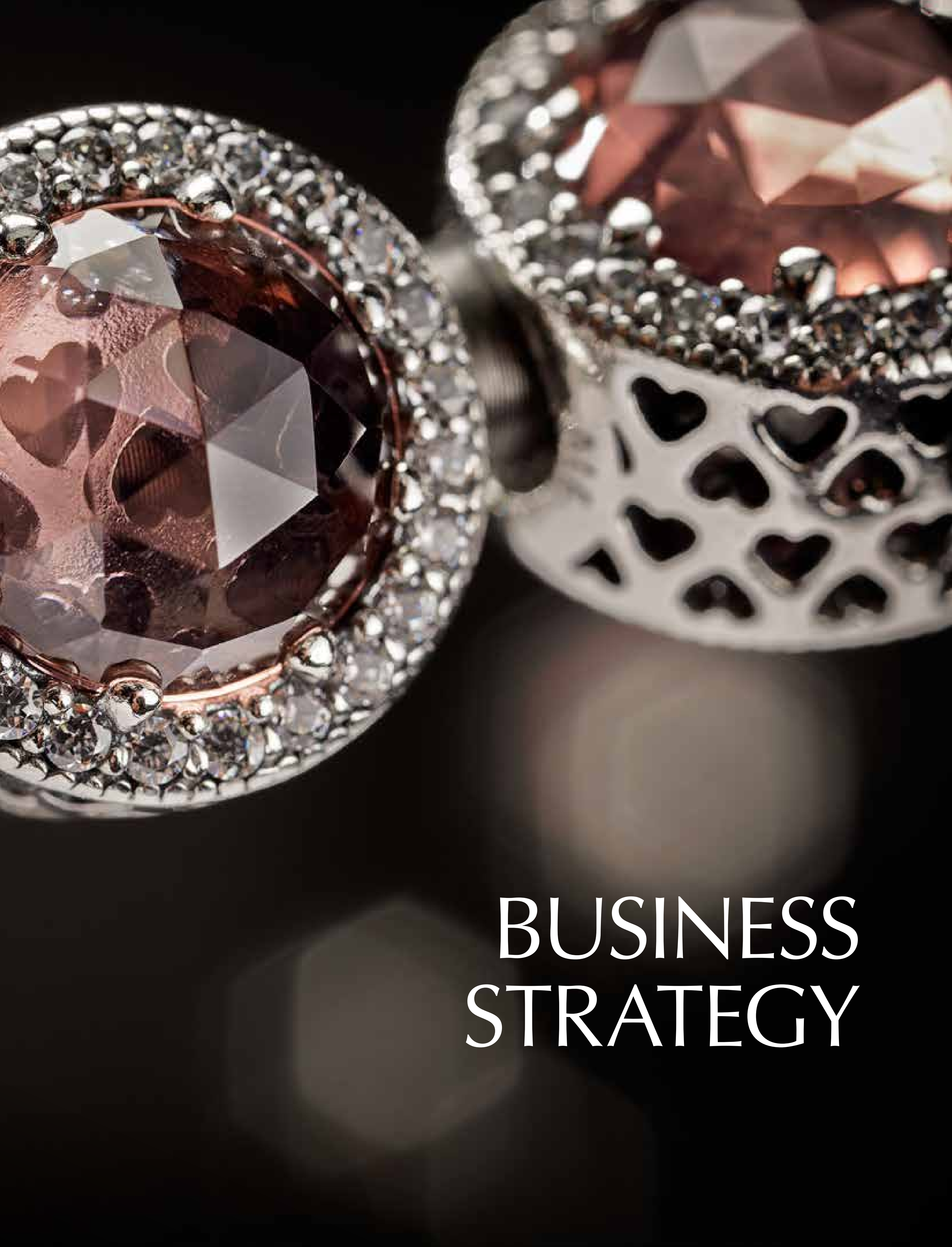
The PANDORA Disney Collection launches in 13 markets across Asia Pacific, including Australia, China and Japan. The collection is sold at multiple locations inside Hong Kong Disneyland as well as in local PANDORA concept stores and shop-in-shops across the region. The PANDORA Disney Collection was first launched in North America in 2014.

DECEMBER

ELEVATING OUR PARTNERSHIP WITH JARED® IN THE US

As part of our efforts to improve our branded store network, we extend our partnership with US jewellery chain Jared®. This involves upgrading more than 200 Jared stores carrying PANDORA jewellery to shop-in-shops.

The button-shaped charms introduced with the Autumn collection 2015 are innovative additions to the PANDORA assortment. Embellished with patterns of stones on both sides, the charms feature rows of cut-out hearts along the sides. These sculptural charm designs are inspired by the richly embellished buttons found in couture fashion.



BUSINESS STRATEGY

BUSINESS STRATEGY

THE PANDORA VISION

We want to become the world's most loved jewellery brand.

THE PANDORA MISSION

To celebrate women by offering them the opportunity for personal expression through our universe of high-quality and contemporary jewellery at affordable prices.

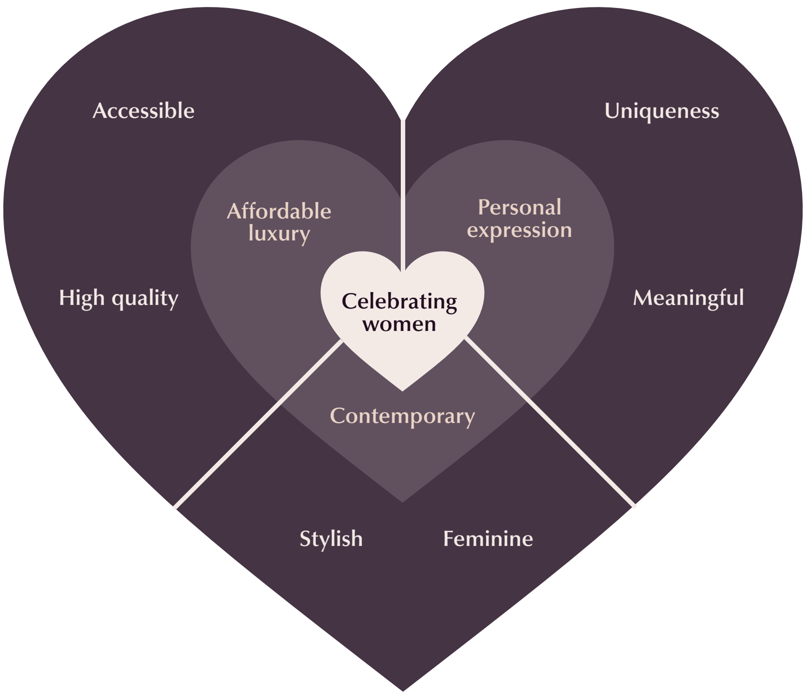
In recent years, PANDORA has been working to become the world's most recognised jewellery brand. Today, seven out of ten women in our defined target group around the world recognise the PANDORA brand, and in some markets the number is even higher. While brand recognition has increased, PANDORA has also changed significantly. The Company has grown in size and expanded our global presence, and we have significantly developed the design and complexity of our jewellery.

As we have reached most of the goals we set in 2011, we adjusted our aspirations in 2015. Our general direction remains the same, and the adjustments lay the groundwork for the next stage of our evolution: to become the world's most loved jewellery brand.

Recognition remains a goal in new and emerging markets, but we want to create a stronger emotional bond with our consumers. Many consumers already love the PANDORA brand and products, and we will build on this by putting the consumer at the heart of everything we do, from product development and design through to manufacturing, marketing and retail.

In 2015, we adapted our mission in line with our new vision. We want to become the world's most loved jewellery brand by offering women high-quality and affordable jewellery that allows them to express themselves and their personality.

THE PANDORA BRAND DNA



The PANDORA brand DNA
The PANDORA brand is special. Through our people, products, stores, marketing and everything else we do, we have created a brand that not only celebrates the uniqueness of every woman, but lets her express this uniqueness in her own special way. This is summed up in our brand DNA, which is a key tool designed to ensure that our brand presentation remains consistent across the globe.

Every employee – whether in design, marketing, logistics, retail or some other area of the Company – uses our brand DNA to ensure everything they do reflects and strengthens the brand.

Our brand DNA is the same in all markets. However, there is a certain amount of flexibility in how the brand is presented. In certain markets, for example, we may decide to increase our focus on Affordable luxury, while in others we may prefer to emphasise Personal expression or Contemporary design.

Our brand DNA was updated in 2015 to match our updated vision and mission, and it contains three key elements:

- **Affordable luxury** establishes our position in the market. Our jewellery is aspirational, yet affordable.
- **Contemporary** speaks of our brand as well as our design. Our brand and products are stylish and match our consumers' desire for a modern look.
- **Personal expression** applies to our full jewellery universe and expresses our desire to help women express both their stories and their style.

FOUR STRATEGIC PILLARS

In order to become the world's most loved jewellery brand, we modified our four strategic pillars in 2015 to ensure we create an emotional bond with consumers. We are convinced we can achieve our new aspiration and our four strategic pillars form the basis of all our work.

FULL JEWELLERY PRODUCT OFFERING

PANDORA offers a full assortment of jewellery. Charms and bracelets are still our strongest product category and we will continue to protect and grow this category. At the same time, however, we are continuing to develop other jewellery product categories, one at a time. Since 2013, we have worked to build a strong Rings category. In 2016, we will increase our focus on earrings. Whatever the category, we will continue to offer affordable luxury, as this is key to our ongoing success. We will also work to further activate our existing assortment in order to balance sales of existing and new products, and leverage our full product portfolio.

BALANCED GLOBAL BUSINESS

We ensure balance in our geographical footprint by sustaining strong performance in developed markets while also increasing our revenue share in new and emerging markets. This ensures that we are less dependent on individual markets and can capture market potential across the globe. Growth will not come from new and emerging markets alone. There is still potential for growth in all our markets, and we will focus on penetrating further into our developed markets while also grasping new opportunities in new and emerging markets.

BRANDED RETAIL EXCELLENCE

We offer our consumers an unforgettable PANDORA shopping experience through excellent retail execution. In most cases, stores are run by franchisees. Franchise remains our preferred retail model and we actively support our franchisees to ensure they deliver a consistent retail and brand experience. However, we are also increasing the number of PANDORA owned and operated concept stores - and the choice of whether to operate owned and operated or franchise stores depends on a number of factors, including location and market needs. At the same time, our consumers expect to be able to shop online. We already have eSTOREs in 14 countries and will continue to develop this further in the years to come.

ONE BRAND – TARGETED SEGMENTS

We must maintain one brand across the globe that is instantly recognisable and known to offer a full range of jewellery products. The PANDORA brand experience must be consistent, regardless of where consumers meet us. However, we also employ a segmented approach that addresses consumers in a more targeted way. In 2014, we completed a segmentation study that established our key consumer segments in each market. Over the coming years, we will adjust our channels, products and messaging to target the most relevant segments in each market, while ensuring our brand remains consistent across the globe.

A UNIVERSE OF JEWELLERY

When creating a new collection, the Design team's goal is to maintain the high level of quality for which PANDORA is renowned, while introducing exquisite details and embellishments that make the hand-finished jewellery beautiful, current – and forever relevant. We look at data on what has worked well in previous seasons and consider fashion forecasts and the emerging trends relevant to the PANDORA brand.

Each collection is designed to further widen the PANDORA jewellery universe, with creative themes applied across all our product categories. The Majestic Feather series (pictured), which was part of our 2015 Autumn collection, is an example of this. And for every new collection, we focus on creating pieces that can both stand alone and complement other designs.

Increasingly, our jewellery is also designed with previous collections in mind. We place great focus on the quality and crafting of our jewellery to ensure that our products have longevity. By renewing and refining classic motifs, we tap into the old to create new pieces and increase their relevance by providing as big an assortment as possible for women to style and wear our jewellery. Reworking the popular 2013 feather series to a fairytale motif, the Majestic Feather series, for example, is inspired by the mythical Phoenix, an ongoing symbol of renewal and strength.

DESIGN AND PRODUCTS

PANDORA RELEASED 446 NEW PIECES IN 2015

PRODUCT DEVELOPMENT STRATEGY

Our strategy involves capitalising on our product offering through consumer-centric, market-led design of new products. Many factors, including sales-out data on existing PANDORA products, raw material prices and price points, are taken into account when deciding on designs, and the themes for each collection are chosen based on global trends and seasonality.

PANDORA's focus is to continue to develop the Charms and Bracelets categories. Furthermore, we have increased our focus on the Rings category, which we believe holds significant, untapped potential. It is the largest jewellery category in the world, but rings generated just 6.1% of PANDORA's revenue back in 2013. We therefore focused on growing the Rings category, leading to a share of 12.3% of revenue in 2015. Out of a total of 446 new pieces, 13.5% were rings.

The Other jewellery category, which includes earrings, other bracelets, necklaces and pendants, completes the PANDORA product universe, holds great long-term potential aiming for becoming the world's most loved jewellery brand.

Consumer-centric and market-led design

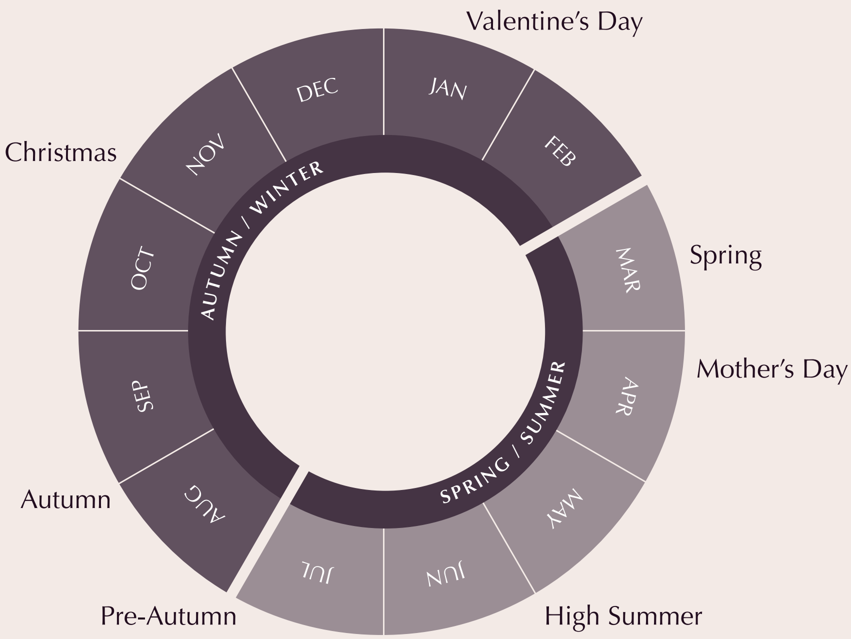
Our retail insight system provides us with sales-out figures for products in concept stores. This data is fed back into our product design. If a specific design or colour performs particularly well, for example, we may create a number of variations of that design for the next product launch. This process is known as design-to-data. Increased revenue from new products indicates that our design team is able to meet consumer demand in terms of design, colour, materials and price.

Launch strategy

We have seven product launches a year, arranged around traditional fashion and gift-giving seasons to ensure consumers have a constant variety of new PANDORA products to choose from.

This launch strategy has contributed significantly to PANDORA's growth in like-for-like sales-out figures, as it both refreshes the assortment and drives traffic into stores throughout the year. In total, PANDORA introduced 446 new pieces in 2015. Slow-moving items were retired through sales promotions, clearance through outlets or permanent stock balancing programmes in selected countries.

PRODUCT OFFERING IN SEVEN ANNUAL LAUNCHES



Our design team begins preparations for every collection a year in advance. In order to ensure each launch has a modern and innovative feel, our designers keep abreast of the latest trends – not just within jewellery, but within all aspects of consumer behaviour, from fashion and interior design to motoring and IT. This information is then combined with sales data from our retail insight system to create a mood board that sets the scene for the collection.

Once a theme has been settled on – the theme for Autumn 2015, for example, was Magnificent Kingdom – the design work starts. Each piece of jewellery is drawn in state-of-the-art 3D at the PANDORA Innovation Centre in Thailand, a state-of-the-art facility where design and crafting converge. The centre's development team creates prototypes of each piece and analyses the new designs in order to establish the most efficient crafting process.

For each launch, we develop a 360° marketing and sales toolkit. The toolkit is designed around all consumer touch points and contains a full range of materials, from advertisements and PR to point-of-sale materials and sales training. Prior to and during a launch, we also promote the new products through our digital channels, including social media, the PANDORA Club and our network of bloggers.

Crafting

Developing the right designs requires access to the right raw materials. PANDORA sources high-quality materials from around the globe. These are crafted into finished jewellery at our crafting facilities in Gemopolis, just outside Bangkok, Thailand. The facilities combine standardised and scalable modern production techniques with centuries-old craftsmanship, and every piece is hand-finished by experienced and skilled craftspeople. In total, PANDORA Production Thailand employs more than 11,000 people.

As we own our crafting facilities, we are able to ensure a constant supply of high-quality jewellery to the market and to scale the production of different pieces up or down, depending on demand. In 2015, we produced around 100 million pieces of jewellery, an increase of 12% on 2014. To meet future demand, we have decided to establish a second production unit. The new crafting facility will be located in Lamphun near Chiang Mai, Thailand, and will be inaugurated in the autumn 2016 and fully operational in 2017.

Bangle with button-inspired charms.

The classic Moments charm bracelet.

The PANDORA assortment features around 700 different charms, spacers and dangles.

PANDORA ESSENCE COLLECTION

THE PANDORA PRODUCT UNIVERSE

PANDORA's products are a direct reflection of our desire to offer women a universe of high-quality, hand-finished and contemporary jewellery at affordable prices. Each product is a piece of personal storytelling, affordable luxury and contemporary design – and the jewellery can be worn on its own or combined with other PANDORA pieces to create a unique and individual look.

Charms and Bracelets

PANDORA's classic charm bracelet concept Moments offers a selection of charms and bracelets that let women wear mementos of their unforgettable moments on their wrists. Equipped with patented 'stoppers' and 'keepers', the bracelets enable women to add and combine charms in any way they choose to create highly personalised pieces of jewellery. As a result, almost no two PANDORA charm bracelets are ever the same.

With the launch of the PANDORA ESSENCE COLLECTION in 2013, we added a new dimension to our Charms and Bracelets categories. The collection features a range of slender silver bracelets and an accompanying assortment of charms representing personal values. It also includes an innovative and patent-pending solution that enables the wearer to position charms along the bracelet, and keeps the charms in place through the use of a flexible silicone grip inside the core of each charm. The collection was developed using extensive research, including the

The Majestic Feathers statement ring from 2015 is inspired by the legend of the phoenix, embellished with 132 hand-set cubic zirconia stones.

Earrings will be a focus area for PANDORA in 2016.

Our range of necklaces and pendants covers a great variety of materials and designs and can be mixed with pendants and charms to create multiple styles.

help of thousands of women worldwide. In 2015, sales of PANDORA's Charms and Bracelets made up 76.3% of revenue. 312 new charms were added to the collection and 170 were discontinued during 2015.

Rings

Most PANDORA rings can be stacked to create a personal look and are designed to complement other PANDORA jewellery. The Rings category continued to be a key focus area in 2015. New initiatives in this category, such as a ring marketing toolkit and touch-and-feel in-store displays, proved very successful.

Ring sales increased 73.3% in 2015, with Rings making up 12.3% of revenue. This has firmly established Rings as our second-largest product category.

Other jewellery

In addition to charms, bracelets and rings, we design, produce and sell earrings, other bracelets, necklaces and pendants. These versatile collections can be combined with our other product categories to create a unique and highly personal look, or can be worn on their own. Other jewellery made up 11.4% of PANDORA's total revenue in 2015, compared with 11.6% in 2014. In 2016, we will increase our focus on earrings to develop this category even further.

CRAFTSMANSHIP, QUALITY AND PASSION

Just four years ago, PANDORA Production Thailand employed 5,000 people. In June 2015, that number passed 10,000 and by the end of the year, it had increased to more than 11,000. Most employees at our crafting facilities in Gemopolis, just outside Bangkok, are craftspeople; goldsmiths, silversmiths and stone-setters who combine traditional craftsmanship with modern production techniques to turn every piece of PANDORA jewellery into a beautiful, hand-finished product.

Love, care and attention to detail are bestowed upon each piece from start to finish. Before a piece of PANDORA jewellery reaches a consumer, it passes through between 25 and 75 pairs of expert hands, depending on the complexity of the product, as it transforms from raw material into a finished piece.

PANDORA craftspeople acquire their expertise through intensive training that begins on the first day of work and continues throughout their careers. The increasing complexity and level of detail of PANDORA jewellery demands the highest technical skills. Our craftspeople draw out the beauty of the high-quality metals and materials they work with, from 14k gold and sterling silver to gemstones, stones, cultured pearls, Murano glass and enamel.

In 2015, our team produced more than 100 million pieces of jewellery, hand-setting a staggering 2.5 billion stones. The scale of our production is only possible thanks to our unique processes and a passionate workforce committed to exceptional craftsmanship and high quality.

BRAND AND MARKETING

BRAND AWARENESS

7 out of 10 women

in our target group know PANDORA

PANDORA CLUB

7.9 million members

3 million of the members have online PANDORA wish lists

PANDORA CONSUMER WEBSITE

124 million visits

in 2015

FACEBOOK

7.7 million fans

on our global and 25 local pages

TARGETING MEN

More than 60% of women who own PANDORA jewellery receive it as a gift, and more than half of the givers are men. That is why we devote a proportion of our marketing spend to men. Our marketing initiatives targeted at men include the Giftfinder, a simple online tool that helps men find the perfect PANDORA item for their loved one. In 2015, we added new functionality that enables the gifter to discretely ask his loved one's friends for their opinion on the gift via Facebook or email.

Connecting with consumers

In 2015, we continued to build and strengthen the PANDORA brand. Broadly speaking, the typical PANDORA consumer is a woman between 18 and 49 years of age, and within this group we find several relevant consumer segments, each with individual characteristics.

In addition to female consumers, we also connect with men buying PANDORA jewellery as gifts for women. Aided brand awareness in our female target group has reached a high and stable level in our developed markets, while we are still seeing healthy growth in awareness in our newer markets.

In 2015, we spent 9.6% of our revenue on marketing, a nominal increase of 40.2% compared with 2014. Our global marketing spend was supplemented by the marketing spend of franchisees, multi-brand retailers and third-party distributors.

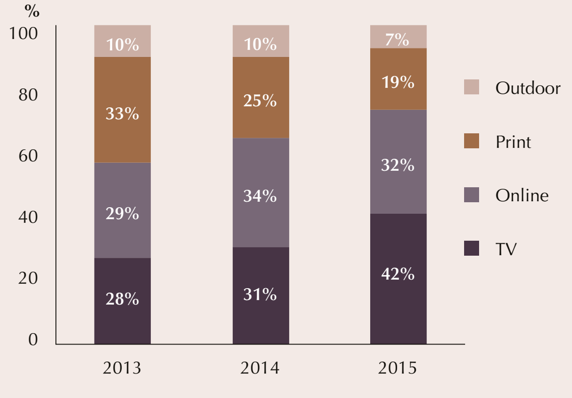
Changed focus on media
We constantly assess the media landscape and adjust our media spread to increase the effectiveness of campaigns to ensure we connect with consumers in the most effective way. In recent years, we have shifted much of our media spend from traditional print media to online media and TV.

Online media gives us an opportunity to both connect and interact with consumers. We create online spaces where consumers can meet and share their passions, jewellery designs and fashion tips – and consumer feedback is monitored and fed back into the design process.

We enjoy a close relationship with consumers, and this is enhanced by continuous online engagement via a variety of social media platforms such as Facebook, the PANDORA Club and Instagram. The monthly online PANDORA Magazine has more than 2 million readers per year and our global Facebook page sees more than 10,000 fan posts per week.

Targeted communication
In 2014, we completed a target group segmentation study providing deep insights into current and potential customers. The study was implemented in 2015 and allows us to create more tailored communication that will enable our consumers to find even better, more fulfilling ways to express their personal stories. We will be able to optimise the product mix in advertising and in stores more accurately, and our sales staff will be better equipped to identify customers and recommend the pieces most relevant to them.

PANDORA MARKETING SPEND PER MEDIA



BUILDING RELATIONS

Social media gives us a unique opportunity to connect with consumers around the world, not only by giving fans sneak peeks of new collections and behind-the-scenes snapshots, but also through specific online campaigns.

In 2015, our social media campaigns included The Unique Connection video, which quickly went viral and by the end of the year, it had been viewed more than 36 million times on YouTube and Facebook combined.

We also launched the Life Wish campaign, which gave customers the chance to have their biggest wish come true. To take part, they simply had to share their life wish with us online. We chose four lucky winners and made their life wish come true in December. In all, we received more than 10,000 wishes. The winning wishes included a trip across the world to reunite a family and a Christmas party for orphaned children. The stories of all four winners were shared on our Facebook pages around the world.

The campaigns help us developing our social media channels. Our fastest growing social media site in 2015 was Instagram, where we share a more personal and intimate side of PANDORA, as well as style and fashion inspiration, and images and videos of our craftspeople at work. Launched in October 2013, our Instagram feed had 700,000 followers in May 2015. By the end of the year, this had doubled to more than 1.4 million followers.

CREATING A BUZZ

PANDORA's Autumn/Winter 2015 collections featured majestic feathers, phoenix wings and heirloom-inspired timeless elegance. To help entice consumers into this universe, we invited 60 of the world's top fashion journalists into a PANDORA Magnificent Kingdom in Venice in June. The fashion press shape popular opinion around the globe and it's important that they know the stories behind our collections and fully understand what PANDORA is about.

Surrounded by design mood boards and jewellery displays for two days, the journalists were able to immerse themselves in the new pieces and the trends that inspired them. They saw presentations by our Chief Creative Officer Stephen Fairchild and representatives from Marketing and PR, and visited Murano, the Venetian island where the glass used in our Murano charms originates from. But perhaps the biggest splash was caused by the presence of craftspeople from PANDORA's crafting facilities in Thailand who demonstrated their intricate art for all to see.

Corporate social responsibility (CSR) is becoming increasingly important to consumers around the world, and the event gave us a chance to profile our dedication to CSR and show that our products are not only beautiful and high-quality, but also manufactured with respect for people and planet. Since the event, our PR teams' inboxes have been filled with media enquiries; but the proof of the event's success lies in the coverage. 2015 was a bumper year for media features on PANDORA – covering both the products and the brand as a whole – with media coverage close to double compared to the year before.

SALES CHANNELS

Entering a PANDORA universe
When you visit a PANDORA concept store, you are entering a complete PANDORA universe. Every aspect of the in-store experience, from the lighting and music to product displays and interaction with the sales staff, is carefully thought through. This 360° approach has made our concept stores, along with our other branded sales channels, an increasingly important part of our business model.

We continuously focus on expanding our network of PANDORA branded sales channels, particularly concept stores, and in 2014 we started to revamp the shop experience with the Evolution store design concept. In 2015, all new PANDORA stores featured the Evolution concept and we began refitting existing stores with the Evolution design.

Our focus on our branded distribution network includes opening owned and operated branded stores in selected markets when deemed feasible. This improves implementation of our branded network strategy, which focuses on high-quality locations and strong in-store execution.

Branded stores
Concept stores, shop-in-shops and eSTOREs are an integral part of PANDORA's business model. Here, our products are displayed in a PANDORA-branded environment, giving us full control over the consumers' shopping experience. Branded store environments have a positive impact on sales. In 2015, branded stores made up 88.7% of revenue, compared with 85.6% in 2014.

Our strategy is to increase the number of branded stores, by upgrading gold, silver or white stores where PANDORA products are selling well and to open new concept stores and shop-in-shops. In 2015, we opened 392 new concept stores and 119 new shop-in-shops. Furthermore, our eSTORES in 14 markets enable a branded online presence.

Multi-brand stores
Gold, silver and white multi-brand stores have historically been an important part of our strategy, especially in new and expanding markets, as the stores enable us to reach a broader consumer base with low investment. As we move further into branded sales, the number of silver and white stores will naturally decrease. At the end of 2015, PANDORA jewellery was available in a total of 5,795 gold, silver and white stores, compared with 6,941 at the end of 2014.

BUILDING A BRANDED STORE NETWORK IN GERMANY

PANDORA took a quantum leap forward in Germany in 2015 when we took over 77 commercial leaseholds from BiBa, a ladies fashion brand. The deal enabled us to almost double our number of branded stores in Germany, taking us a long way towards building the ideal branded store network across the country.

All 77 stores were fitted and opened between January and November in a huge project that included recruiting and training more than 400 new sales staff in the PANDORA way of selling. As a result of this work, we now have a network of 158 concept stores in many of the country's best retail locations.

The branded sales strategy is part of a Group-wide strategy to increase focus on branded sales. The strategy is clearly working. In 2015, PANDORA Germany generated revenue of DKK 833 million, corresponding to an increase of 44.1% compared to 2014.

THE PERFECT SETTING

In almost any major city on the globe, it's possible to step from the busy everyday into a PANDORA world. Whether you are in London or Lisbon, São Paulo or Shanghai, a PANDORA concept store is something special: a feminine environment carefully created to show our entire universe of jewellery at its best.

Warm, bright and welcoming, with zoning colours that guide you to the products you seek, our concept stores have been designed to reinforce the PANDORA aesthetic. They are the perfect setting for the PANDORA way of selling – and allow us to continue building and strengthening the PANDORA brand. Most of the PANDORA concept stores are based on the Evolution store design, rolled out in 2014, but the concept is slightly tweaked to suit the individual space and location. This makes every PANDORA concept store unique, while customers get the same unified brand experience, no matter where they are in the world.

In 2015, we focused on opening more concept stores around the globe. By the end of the year, we had a grand total of around 1,800 concept stores, bringing the PANDORA brand and shopping experience to an ever-greater consumer base.

MARKET STRATEGIES

Seeking growth globally
With 9,271 points of sale across more than 100 countries, PANDORA products are readily available to consumers almost anywhere around the globe. In 2015, we continued to grow our presence in new markets, while at the same time growing revenue in developed markets. We did this through a continuous effort to renew and develop our product offering and optimise our store network.

Growing in new markets
Our aim is to reduce our dependency on individual markets and seek growth opportunities by entering and expanding in new markets. We apply a tailored approach to new markets in order to best take advantage of opportunities, present our brand the right way and mitigate risk. This tailored approach also applies to marketing and the split between branded and unbranded stores.

The global jewellery market is currently worth approximately DKK 2,100 billion (2015) and is predicted to grow to DKK 2,500 billion by 2018 according to Euromonitor International. A large proportion of this growth will come from Asia, mainly driven by China and India.

Asia is still a new region for PANDORA and holds great potential for the Group. PANDORA has been present in this region since 2009, but our presence in large jewellery markets like China and Japan is still limited. In 2016, we will further increase our focus on China and Japan, together representing almost one third of the global jewellery market.

ASIA PACIFIC

Revenue
2,652
DKK million

EBITDA
1,236
DKK million

Concept stores
268

Italy and France are two of Europe's largest jewellery markets. Revenue in these two relatively new markets for PANDORA constituted around 12% of total revenue in 2015 compared with 10% in 2014. There is still great growth potential in these markets and we aim to expand our business.

Driving growth in developed markets
Our business model is as strong as our signature product, the charm bracelet, which encourages repeat purchase of charms. However, we also see significant opportunities in leveraging our brand recognition in other jewellery categories, especially so in developed markets, where the PANDORA brand is strong and well known.

The US, the UK and Australia are some of our most developed markets, jointly making up 50.8% of the Group's total revenue in 2015. Although developed, these markets still hold potential for growth. In 2015, revenue in the UK and Australia grew by 50.4% and 39.0% respectively, driven both by increasing sales of Charms and Bracelets and by a strong performance in the Rings category. Revenue in the US grew by 34.8%, driven by positive like-for-like sales in all areas other than the Northeast.

39
new concept stores
195 in total

4
new O&O stores
9 in total

50.4%
growth in revenue
since 2014

GROWING IN BOTH DEVELOPED...

THE PERFECT MATCH

According to PANDORA staff in the UK, there are two places where a British woman will tell her entire life story to a complete stranger: at the hairdresser's and in a PANDORA store. There's just something about the store and the PANDORA way of selling that makes British women feel comfortable and open up. But it's not just the in-store experience. The British consumer is very fashion savvy and she wants her fashion to be personal, high-quality and at the right price. PANDORA matches these needs perfectly.

It will come as no surprise, therefore, that PANDORA is now a household name in the UK, despite only being available in the country since 2005. The UK is now PANDORA's second-largest market, after the US in terms of annual revenue, and PANDORA UK continued to expand in 2015.

Like-for-like sales were up 17.7% compared to 2014, outperforming a sluggish retail market, and we opened 39 new concept stores in the country, bringing the total number to 195 by the end of the year. Most stores are owned by franchisees, and we have built strong relationships with these invaluable partners. We also took over four stores in 2015, bringing the total number of owned and operated stores to nine. These stores allow us to test new features – such as window displays, products and training – which means we can take them to franchisees knowing how and why they work. Despite the success, there is no room for complacency and the UK team is keen to keep innovating. In 2015, this included launching a new charm specially designed for the UK charity Children in Need. It's a cause close to our consumers' hearts and a portion of the sales will be donated to the charity.

24
new concept stores
53 in total

316.0%
growth in revenue
since 2014

39
O&O stores added
53 in total

...AND NEW MARKETS

CRACKING THE WORLD'S LARGEST MARKET

China is by far the world's largest jewellery market, with an estimated value of USD 97 billion. But how do you succeed in a country as large and diverse as China? We first entered China in 2011 through a number of distributors, including Oracle Investment Limited, a distribution partner that knows the country and its jewellery market well. By 2014, we had 29 concept stores and 20 shop-in-shops throughout the country. But the Chinese market still has huge, untapped potential. PANDORA signed a new agreement with Oracle in 2015 to help us further accelerate growth. Under the new agreement, Oracle will use its local knowledge to find ideal locations for additional PANDORA stores. We will run the stores once they are opened, giving us full control of the retail experience and environment.

In 2015, we opened an office in Shanghai as well as 24 new stores. Judged on our success so far, we expect to significantly increase our presence in China over the next few years, before taking full control of our operations when the agreement with Oracle ends in December 2018.

Uniting innovative antique-cut stone cuts and elegant halo designs, the Timeless Elegance series launched for Autumn 2015 is a nod to the past and at the same time modern in the way it's created using new jewellery techniques. We introduced two innovative stone cuts never before used in PANDORA jewellery – the vintage cut and the Danube cut which is shown here about to be set in an earring.

GOVERNANCE AND MANAGEMENT

CORPORATE GOVERNANCE

RECOMMENDATIONS AND PRACTICE

PANDORA's aim regarding good corporate governance is to ensure transparency, accountability, and that we meet our obligations to shareholders, customers, consumers, employees, authorities and other key stakeholders to the best of our ability in order to maximise long-term value creation.

At PANDORA, we intend to exercise good corporate governance at all times and to assess our practices according to the corporate governance recommendations of the Danish Committee on Corporate Governance. As a publicly listed company, PANDORA is subject to the disclosure requirements laid down by Nasdaq Copenhagen, which has included the recommendations in its 'Rule Book for Issuers of Shares'. The Danish corporate governance recommendations were updated in May 2013 with minor revisions in 2014, which do not impact PANDORA's reporting. In 2015, PANDORA chose to deviate partly from Clause 3.4.6 as the Chairman of the Nomination Committee is not the Chairman of the Board. At PANDORA, the Nomination Committee elects a chairman, who must be either the Chairman or one of the Deputy Chairmen of the Board. The Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairmen and thus, in practice, the Deputy Chairman represents the Chairman on the Nomination Committee. All other Corporate Governance recommendations are followed by PANDORA.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

Powers are distributed between the Board of Directors and the Executive Board and independence exists between these two bodies as is normal practice in Denmark. The Board of Directors is elected at the General Meeting and all Board members are up for election every year. The Executive Board is appointed by the Board. The Executive Board handles day-to-day management, while the Board supervises the work of the Executive Board and is responsible for the general strategic direction. The primary tasks for the Board are to ensure that PANDORA has a strong management team, an adequate organisational structure, efficient business processes, optimal capital structure, transparent bookkeeping and practices, and responsible asset management.

The composition of the Board must be such that, at any time, the consolidated competencies of the Board enable it to supervise the Company's development and diligently address the specific opportunities and challenges faced by PANDORA. The Board and the Executive Board together develop the Company's overall strategies and oversees that the competencies and resources are in place to maximise the likelihood of PANDORA achieving its objectives. Furthermore, the Board oversees the financial development of PANDORA and the related planning and reporting systems.

BOARD ACTIVITIES IN 2015

During 2015, the Board held seven ordinary Board meetings. The total attendance rate was 90%. In 2015, the primary focus area for the Board was continued growth and global expansion, exemplified by entering into a strategic alliance in China, acquisition of store network in Singapore and Macau, taking over the distribution rights for Philippines, taking over leaseholds in Germany, expanding the strategic alliance with The Walt Disney Company to include Asia Pacific, and launching e-commerce in several countries, including in the US.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee.

The Board appoints Committee members and the Committee chairman. The Committees' terms of reference are disclosed via the Company's website.

The Audit Committee

The current members of the Audit Committee are Anders Boyer-Søgaard (Chairman), Andrea Alvey and Michael Hauge Sørensen. The Audit Committee reviews and assesses the Company's financial reporting and audit process as well as the internal control systems and evaluates the adequacy of control procedures. More specifically, the duty of the Audit Committee is to supervise the following areas:

- financial reporting process
- internal control and risk management systems
- external audit

In 2015, the Audit Committee met seven times and had an attendance rate of 90%. The main activities in 2015 were:

- meetings with the Executive Board and external auditors to review the audited annual report
- meetings with the Executive Board to review quarterly financial statements, the key accounting policies and significant accounting estimates
- review of the adequacy and effectiveness of the Company's internal controls and risk management systems
- review of significant risks of the Company
- re-assessment of the need for an internal audit function and approved implementation of a Governance Risk & Compliance function
- recommendation for the selection of external auditors, including evaluation of independence, competencies and compensation
- the Audit Committee's annual self-assessment

The Remuneration Committee

The current members of the Remuneration Committee are Peder Tuborgh (Chairman), Christian Frigast, Allan Leighton, Bjørn Gulden and Andrea Alvey. The main duties of the Remuneration Committee are:

- to prepare recommendations to the Board on the pay and remuneration policy applicable to the Board and the top 15 executives, including the Executive Board, with respect to fixed and variable pay components
- to submit proposals to the Board for the total individual pay and remuneration package of the Board members and the Company's executive managers

The Remuneration Committee met four times in 2015 and had an attendance rate of 85%. The main activities were the annual review of the remuneration policy and guidelines on incentive payments as well as approval of the Company's overall wage regulation. The Committee also performed a review of the Long Term Incentive Program covering the Company's top management.

The Nomination Committee

The current members of the Nomination Committee are Christian Frigast (Chairman), Anders Boyer-Søgaard, Ronica Wang and Per Bank. The Nomination Committee assists the Board in fulfilling its responsibilities with regard to the:

- description of the qualifications required for members of the Board and the Executive Board
- nomination of candidates for approval by the Board to fill vacancies on the Board and the Executive Board
- self-evaluation of the Board
- assessment of the performance of the Executive Board and the cooperation between the Board and the Executive Board
- succession planning for top executive positions

In 2015, the Nomination Committee met twice and had an attendance rate of 87%. The main activities were the annual self-evaluation and an in-depth analysis of the qualifications required for members of the Board and the Executive Board.

Board self-evaluation

The Board conducts an annual self-assessment to constantly improve the performance of the Board and its cooperation with the Executive Board. The chairman of the Nomination Committee directs the assessment process. The assessment is carried out by each Board member completing a questionnaire followed by a Board discussion where improvement areas are defined and agreed upon. Once a year, the CEO must perform an assessment of the individual members of the Executive Board.

Among the topics covered in the Board self-assessment are Board composition, the nomination process and competencies of the Board. Also covered is e.g. the Board's involvement in financial management and control, risk management, cooperation with the Executive Board, personal contributions and committee work.

The self-assessment conducted in 2015 identified the following strengths and development areas for the Board. In general, the Board demonstrates appropriate industry knowledge and includes a diversity of experience and backgrounds well fitted to PANDORA's business and strategy. Board structure and committee work are effective, and the Board considers itself to be sufficiently involved in financial oversight. The primary action points for 2016 are improvement of the processes around Board meetings and the interaction between the Board and the committees. Furthermore, in order to gain further insight, the Board will allocate time for market visits and enhancing its experience to all levels of the organisation.

Additional information

The statutory report on corporate governance for 2015 cf. section 107b of the Danish Financial Statements Act is disclosed on http://investor.pandora.net/governancestatement.cfm.

CORPORATE SOCIAL RESPONSIBILITY

Product, People, Planet

At PANDORA, we are committed to developing and crafting our Product with integrity, providing a proper environment for our People, and taking action to minimise our environmental impact on the Planet. We believe that Corporate Social Responsibility (CSR), or Ethics as we coin it at PANDORA, and our aspiration to offer high-quality and affordable jewellery go hand in hand. Responsibility is reflected in our company values of pride, passion and performance and integrated in our business model and daily operations. In addition, we proactively engage in initiatives that aim to raise the ethical performance of the entire jewellery industry.

Product, People, Planet is our way of operationalising and communicating our ethics philosophy, approach and goals so they are easy to understand for consumers, employees, industry peers and other stakeholders. Product, People, Planet ensures consistency across all of the Group's communication channels, from websites and the Annual PANDORA Ethics Reports to training and internal presentations. In 2015, the PANDORA Ethics programme focused on:

- Launching a new internal Code of Ethics
- Responsible Jewellery Council re-certification
- Consumer communication and transparency
- Supplier due diligence and training

PANDORA Ethics

PANDORA Ethics, our CSR and compliance programme, covers all the Group's ethical policies, guidelines and tools within human rights, health and safety, environment and climate, business integrity and supplier relations. PANDORA Ethics is integrated into the entire value chain, from the design phase, through sourcing of materials and crafting of jewellery to the trading of our jewellery at 9,271 points of sale around the world. You can find the PANDORA Ethics policies at www.pandoragroup.com.

Partnerships

PANDORA Ethics fully covers the ten principles defined by the United Nations (UN) Global Compact, and the entire PANDORA Group was re-certified in 2015 according to the provisions of the Responsible Jewellery Council's (RJC) Code of Practices, which includes the UN Guiding Principles on Business and Human Rights. The recertification was achieved following external audits at PANDORA's headquarters, PANDORA Production Thailand, regional market offices, and our European distribution centre as well as our stores.

As a member of the RJC Executive Committee and elected Industry Chair of the multi-stakeholder RJC Standards Setting Committee (consisting of leading jewellery brands, a range of experts and relevant civil society organisations), we constantly work to advance ethical standards in the jewellery supply chain.

PANDORA is also a member of the RJC's Steering Group on Human Rights as well as the Steering Group of the Danish Business Network for Human Rights. Through these channels, we share efforts and lessons learnt with our peers in order to advance human rights and the UN Guiding Principles in daily operations.

To provide transparency and build PANDORA's brand equity, in 2015 we focused on communicating our ethical performance to our consumers. Besides loving our jewellery, we want to make sure that consumers are aware that it is sourced, crafted and traded in compliance with the highest ethical standards in the industry.

In 2015, we proactively shared our ethical aspirations, efforts and results with both fashion and news media. CSR was among the main features at our 2015 Global Media event in Venice, which was attended by 60 journalists from 25 markets. As with numerous press visits to our crafting facilities in Thailand, the participating media representatives were very interested in three subjects: design, craftsmanship and ethical performance. The result in terms of ethics-related PR coverage was far beyond expectations.

Finally, in Q3 2015, our consumer websites launched a comprehensive Jewellery Guide with responsibility as one of the four main features (www.pandora.net/guide).

Going forward, we aim to make our Ethics policies

83% OF OUR PROCESS WASTE WAS RECYCLED IN 2015

and achievements more visible and transparent for our consumers on all available PANDORA media platforms.

Product

At PANDORA, responsible business practices begin in the design phase with the choice of materials and continue through ethical sourcing, procurement and manufacturing. Since 2013, CSR compliance has been one of the five pillars driving the PANDORA Group Procurement strategy.

When entering into a contractual agreement with PANDORA, suppliers sign our Supplier Code of Conduct. To ensure compliance with the code, we screen all suppliers, taking into consideration a range of parameters, such as business importance and product-related and country-related risks as well as company-specific information. This screening process is part of our four-step Responsible Supplier Programme, which includes training and dialogue, supplier audits and ensures timely follow-up whenever non-compliances are identified.

Thanks to the Responsible Supplier Programme, we have been able to meet our 2015 sourcing KPIs, which require that 80% of the total sourcing value for PANDORA Production Thailand and 80% of the purchasing value from Group Procurement categories (such as fixtures and furniture, bags and boxes etc.) must originate from companies that are either certified members of the RJC or have been audited by independent consultants to verify compliance with our Supplier Code of Conduct.

In 2015, our crafting facilities in Thailand had management systems audited and re-certified in accordance with the ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health & Safety Management) standards. In addition, PANDORA Production Thailand is certified according to the ISO 50001 standard (Energy Management).

People

As part of the preparations for the 2015 RJC re-certification, PANDORA launched a new Code of Ethics detailing our ethical aspirations as a company and the behaviour we expect from our staff within 18 topics material to our business such as business integrity, human rights and gender diversity. The code has been distributed to all our people worldwide, and has been delivered through Group-wide training, a mandatory e-learning module and an improved ethics hotline, allowing our people to raise concerns whenever they perceive that external regulations or internal standards are being breached. The ethics hotline is externally administered and enables our people to raise concerns in their own time and language through both web and phone.

We regard store associates as front-line brand ambassadors and take special pride in ensuring that they are fully up to date with the latest PANDORA information and training delivered by more than 100 trainers and PANDORA's e-learning system. All shop associates and office team members can access our e-learning platform to receive training on a range of topics, from general sales techniques to visual merchandising, specific jewellery collections and CSR issues. Maintaining a working environment in which everyone has clarity, competence, confidence and commitment remained the foundation of PANDORA Production Thailand's organisational development programmes in 2015. Over the year, PANDORA Production Thailand welcomed an additional 3,250 colleagues, who enjoy safe and healthy working conditions and attractive compensation and benefits.

A total of 2,500 craftspeople participated in health & safety training conducted by PANDORA Production Thailand's Safety, Health & Environmental (SHE) team using a number of training methods and supported by communication channels such as PANDORA Production TV and PANDORA Radio. Despite the growth in the number of pieces of jewellery produced, PANDORA Production Thailand managed to keep average weekly working hours in line with international standards. We achieved this by hiring additional people and heavily expanding our capacity by acquiring additional production buildings in Gemopolis, Thailand.

We believe that a successful company benefits from having a diverse management team. To this end, the Group has set a number of management diversity objectives, and progress is reviewed once a year. The objectives and recent results are as follows:

- By 2020, the gender split in senior management positions (members of the Executive Board, general managers and vice presidents) should be 40%-60%. At the end of 2015, 33% of senior management were women, compared to 34% in 2014, 31% in 2013 and 26% in 2012
- The gender composition of the Group's leadership programmes for the years 2012-2015 should mirror the gender composition of staff in vice president and director positions (on aggregate). In 2015, women accounted for 59% of this management group, and made up 48% of the enrolment in our leadership programmes. From 2012 to 2015 the split has been close to 50/50. The Board will continue to follow the gender composition of our leadership programmes in the years to come
- It is PANDORA's objective that, by 2018, at least 35% of Board members elected at the Annual General Meeting must be women. At the end of 2015, women made up 22% of our Board members, which is well above the average 11% for Danish listed companies, but still below our 35% target. The Board will continue to consider gender composition when appointing new members.

Planet

As part of our commitment to continuously minimise our environmental footprint, in 2014 PANDORA Production Thailand initiated a Life Cycle Assessment of its environmental impact, which was completed in 2015. The project was run in collaboration with Mahidol University in Thailand. It showed us that, under effective environmentally controlled conditions, the reuse of precious metals considerably reduces carbon emissions compared to mining, estimating that the refinement of gold scrap to gold grains reduces CO_2 emissions by 95% compared to gold mining. The corresponding figure for silver is estimated to be 93%.

As part of our efforts to promote environmentally responsible sourcing practices and secure human rights in our supply chain, 96% of the gold grains used in PANDORA products in 2015 originated from recycling. The remaining gold used in our production originated from certified mining either according to the RJC's Chain-of-Custody standard or the 'Good Delivery List' standard issued by the London Bullion Market Association.

When it comes to silver, 83% of silver grains sourced by PANDORA originate from reused sources. The remaining 17% can be traced back to certified responsible mining. Further, PANDORA is working with our specialised silver product suppliers to ensure that the silver used in their products also originates from reused sources.

PANDORA Production Thailand is by far our most energy-consuming entity, but we have a modern and energy-efficient production setup. The amount of energy used here was up from 23,243,000 kWh in 2014 to 29,472,000 kWh in 2015. The rise in energy consumption reflects the increase in complexity and the number of pieces of jewellery produced. Besides the state-of-the-art burn-out ovens used in the crafting process, the extensive use of chillers ensuring a comfortably working environment consumes a considerable amount of energy. Ovens and chillers put together account for approximately 40% of energy consumption.

In 2014, PANDORA Production Thailand achieved the ISO 50001 certification on energy management through which we now define and monitor our goals, methodology and performance within this area.

2015 saw several new projects aimed at reducing our energy consumption. The optimisation of air compressor systems has both increased efficiency and saved energy, the replacement of chillers has greatly reduced the amount of energy used, and LED lights have been installed in various training and production rooms. In addition, we are testing how to optimise energy consumption in different crafting processes.

In 2015, 480 selected people received training in energy management awareness.

In 2015, 83% of the waste produced by our crafting facilities in Thailand was reused or recycled, up from 8% in 2012. Our four main types of process waste – gypsum, glass, rubber and wax – reached an impressive result in 2015 with all four types of waste being reused or recycled 100%.

More information about PANDORA policies within business ethics, human rights, working conditions and environmental footprint, as well as the action taken to implement these, can be found at our website http://pandoragroup.com/en/CSR, where you can also find our PANDORA Ethics Report 2015.

SHOWCASING OUR ETHICS

At PANDORA, we believe that corporate social responsibility (CSR) should spread far beyond our own walls, and this includes our work with suppliers. We source vast quantities of jewellery materials, as well as a wide range of fixtures, furniture, gift bags and jewellery boxes, from around the globe, and CSR is a fixed part of our procurement strategy.

Working out of Bangkok, Hong Kong and Copenhagen, our CSR team works closely with our suppliers to make sure they fully understand our requirements – and to inspire and enable them to do even more in the pursuit of sustainability. In addition to on-going dialogue and consultation, we offer our suppliers extensive training on issues such as safety, health and environmental management, as well as human and workers rights.

We take pride in showcasing our own best practice solutions, particularly at our crafting facilities in Thailand where we work diligently to push our standards. We regularly invite suppliers to visit our crafting facilities to show them how we maintain such high standards, and how high standards help us raise safety levels, job satisfaction, commitment and employee retention – and in turn PANDORA's performance and productivity. In 2015, we trained around 150 of our key suppliers at our crafting facilities.

INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL

Protecting the PANDORA brand
The PANDORA brand is one of the most recognised in the jewellery world, and protecting it is crucial to the ongoing success of the PANDORA Group. This work entails safeguarding intellectual property rights, such as trademarks, copyrights, design rights and patents, as well as retaining and training our people and stopping the production and sale of counterfeit jewellery.

Intellectual property rights and policies
PANDORA's intellectual property rights are mainly vested in trademarks, copyrights, patents and designs. They are strengthened by business secrets, visually distinct products, non-disclosure procedures and non-competition regulations.

PANDORA's intellectual property rights are crucial to our business, competitive advantage and future development. We therefore protect these intellectual property rights using all available means, including a comprehensive global surveillance, registration and control programme. We have a zero-tolerance policy towards infringement of PANDORA's intellectual property rights on the internet and towards counterfeit products and trademarks in general. No distributors, dealers or others are permitted to register or use PANDORA's intellectual property without prior agreement.

COUNTERING THE COUNTERFEITERS

Our unique designs are protected by either design registrations or copyrights. However, the fight against counterfeiters is an ongoing battle that entails, among other strategies, visiting manufacturers, wholesalers and retailers who sell counterfeit jewellery, and removing counterfeit PANDORA products from web outlets. In 2015, we succeeded in removing more than 4,000 fake PANDORA websites and more than 81,000 pieces of counterfeit items from auction sites.

Patents
PANDORA has been granted patents for the Moments charm bracelet in 30 countries, including in the majority of the EU member states, the US, Australia, and China. In the US, PANDORA's patent expires in 2023 and in other jurisdictions in 2024.

In 2015, PANDORA was granted additional patents for the PANDORA ESSENCE COLLECTION charms. Patents are now granted in Europe (European patent), Australia and the US. Patents are currently pending in 60 countries. A registered utility model exists in China.

In 2015, PANDORA filed patent applications for specific charms and clips innovations, which are pending and not yet published.

Trademarks
PANDORA has word and figurative trademarks registered in a number of jurisdictions worldwide, including the EU, the US, Australia and Asia. The trademarks are registered in various international goods and service classes, but are primarily in international class 14, which covers jewellery and watches. The trademark portfolio includes EU registrations of the PANDORA name and crowned O logo in various international classes, including the international classes for jewellery, leather goods and clothing. At the end of 2015, PANDORA's trademark portfolio consisted of approximately 1,100 trademark applications and registrations. Of these, more than 100 trademark applications were filed in 2015.

Copyrights and design rights
In 2015, PANDORA significantly increased its portfolio of design and copyright registrations covering its unique and distinctive jewellery designs in Australia, the US, the EU and China.

HUMAN RESOURCES

Our people are the heart of PANDORA, and their continual development has always been a main driver of our success. To help every member of our global team feel empowered in their daily work and prepare them for future challenges, we offer a number of training programmes developed for various levels and areas within the organisation. Most training is run by local HR departments, ensuring that content is directly related to our people's daily work. This locally offered curriculum includes a centrally developed management training course designed to help prepare the next generation of PANDORA leaders. The course covers a range of topics, from personal effectiveness to leadership, and almost 1,500 leadership training courses were taken by managers around the world.

Global training programmes, which bring together people from around the world, include the Life Leadership Programme – a one-year development curriculum for vice presidents and potential vice presidents launched in 2012. In 2015, 24 leaders started the programme, which includes a module developed and facilitated specifically for PANDORA by Harvard Business School. Our e-learning platform, PANDORA on Demand (POD), is another essential tool that enables more than 33,000 users worldwide, including shop associates in non-PANDORA owned points of sale, to follow a broad selection of training modules. More than 625,000 POD e-learning modules were completed globally in 2015, up 64% from 380,000 in 2014.

In 2015, we also launched a number of initiatives to continue our focus on ensuring stability of succession and bolster our reputation as an attractive place to work. In 2015, we continued working with our HR succession tool that will help identify candidates for leadership positions around the globe and ensure we can create a robust internal pipeline for the future. We are also initiating a global graduate programme that will enable high-performing young graduates to undergo a two-and-a-half-year training programme working in four different countries. The first pilot programme is being run in Group Supply Chain, and other departments are also being considered for the programme.

The continual addition of new talent is essential to a dynamic, growing organisation. To ensure that we can continue to attract the best people, we initiated a number of projects in 2015 that help us define the benefits and opportunities that we offer our people.

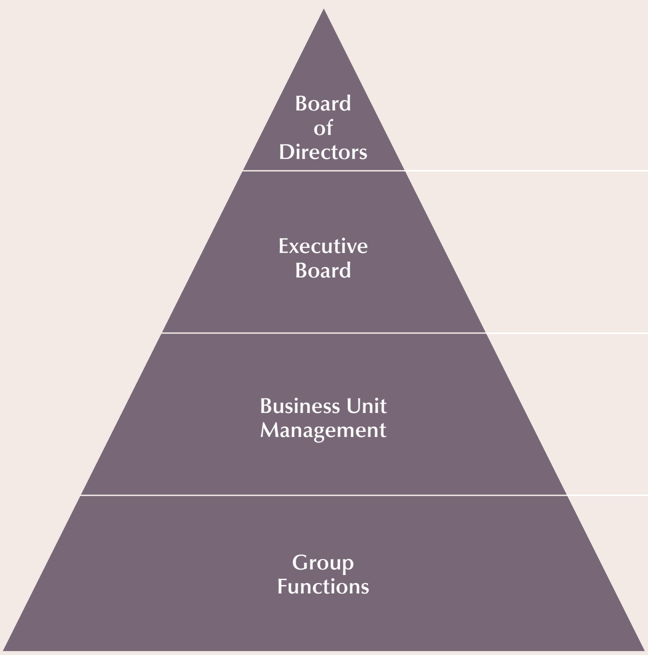
THE HEARTBEAT OF PANDORA

An employee satisfaction survey provides significant insights and perhaps the most important is how engaged your people are. Conducted globally between January and September 2015, the Heartbeat Survey took the pulse of our people. Here are the highlights:

- 84% of our people would recommend PANDORA as a workplace
- 82% of our people see the PANDORA values in the organisation

RISKS

RISK MANAGEMENT GOVERNANCE



Board of Directors

Monitor the effectiveness of risk management.
Review and recommend changes to PANDORA risk management approach.

Executive Board

Monitor the effectiveness of the company risk management process.
Monitor that key risks are appropriately managed.
Establish Group risk management approach.

Business Unit Management

Ensure that an appropriate and effective process is in place to identify, assess and manage risks in business units.
Drive risk mitigation and action plans.

Group Functions

Ensure that an appropriate and effective process is in place to identify, assess and manage risks across the organisation.
Coordinate corporate risk identification and assessment.
Report on risk management initiatives and risks.

Taking action to mitigate risks

As a global company with central production facilities, a global distribution network and points of sale across the world, PANDORA needs to proactively manage risks. The Board of Directors makes regular assessments of the overall and specific risks associated with the Group's business and operations to ensure significant risk is managed in a proactive and efficient manner.

The Board of Directors regularly reviews the Group's established internal control systems – including a whistleblowing function – to ensure that they remain appropriate and sufficient. In the case of highly complex transactions and contracts, we work with advisers to mitigate risks.

Risk Management Governance

The Audit Committee assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal controls and risk management systems. The Audit Committee reviews significant risks related to PANDORA's business, activities and operations as well as risks related to financial reporting.

The Executive Board is responsible for setting the tone of the risk management. Management at all levels is responsible for identifying and appropriately managing risks related to their business area. Group functions support and facilitate the implementation of the risk process.

Risk management activities and status

In 2015, we focused on mitigating and managing key risks reported in the 2014 annual report. PANDORA has formed a Group Governance, Risk and Compliance department to further drive its risk and control agenda.

Furthermore, we have focused on increasing awareness of risk management across the organisation. We have consequently appointed a risk responsible in local markets. The local risk responsible is an individual who is part of our risk management in order to enhance the risk awareness in our entities.

Key risks

In PANDORA, we prioritise risk to maintain a focus on the most relevant risks. Risks in PANDORA are evaluated based on impact and likelihood analysis, and relevant actions are implemented to manage/mitigate the risk.

GROUP PRIORITISED RISKS

1. Responsible business practices and transparency
2. Supply chain risk
3. Commodity risk
4. Product development
5. Tax risk
6. Major market dependencies

1. RESPONSIBLE BUSINESS PRACTICES AND TRANSPARENCY

DESCRIPTION

The design, sourcing, crafting and distribution of our quality products rely on our ability to maintain and develop responsible business practices throughout our value chain.

In PANDORA, we rely on our ability to provide internal and external clarity and transparency about our ethical aspirations, performance and results.

ACTIONS TAKEN

- Launch of PANDORA's internal Code of Ethics, related Group-wide training and ethics hotline
- PANDORA supplier programme focusing on supplier training, audits and dialogue
- Responsible Jewellery Council re-certification
- Increased transparency and consumer-oriented communication

For more information on this, we refer to the section on Corporate Social Responsibility.

2. SUPPLY CHAIN RISK

DESCRIPTION

PANDORA designs, produces, distributes and sells affordable jewellery. Consequently, we are highly dependent on a stable reliable chain. To provide this we are dependent on:

Stable and reliable suppliers

- Availability of our crafting facilities in Thailand
- Availability of our four global distribution centres
- Availability of IT infrastructure

There are a number of events that may affect the stability of our supply chain, including but not limited to:

- Disasters at physical IT infrastructure sites or at production sites or distribution centres
- Loss of suppliers
- Geopolitical unrest

ACTIONS TAKEN

- PANDORA purchasing strategy
- Supplier audit programme
- Second manufacturing site in Thailand under development
- Business continuity planning, management and test programme
- PANDORA security manual
- Internal reviews of security and safety at distribution centres
- Emergency response plans on flooding of Gemopolis area in Thailand
- PANDORA Internal Control Framework (ICF)

3. COMMODITY RISK

DESCRIPTION

In PANDORA, we aim to provide our consumers with high-quality products at affordable prices. We are highly dependent on a stable cost of goods sold for the products currently on and close to market.

As we produce most of our products at our facilities in Thailand from genuine materials, we are mainly dependent on the cost of raw materials, especially gold and silver.

ACTIONS TAKEN

- PANDORA policies covering management of raw material price fluctuation risk
- PANDORA Pricing Board ensuring relevant pricing of products in design process
- Group commodities hedging strategy. The Group hedges approximately 100%, 80%, 60% and 40% of the risk for the following 1-3 months, 4-6 months, 7-9 months and 10-12 months respectively
- Group currency hedging strategy to ensure currency exposure within defined limits

4. PRODUCT DEVELOPMENT

DESCRIPTION

At PANDORA, a major part of our revenue comes from products that have been on the market for less than a year.

Because we design and produce most of our jewellery we are dependent on an effective design and new product introduction process. We are dependent on:

- Designs to our consumers' preferences
- Designs to market trends
- PANDORA retail excellence
- PANDORA marketing excellence

ACTIONS TAKEN

- PANDORA new product introduction process implemented
- PANDORA drop strategy and collection management based on retail insight and product life cycle data and portfolio analysis - throughout the vertically integrated value chain
- External and internal design talent use

5. TAX RISK

DESCRIPTION

PANDORA operates globally with a vertically integrated supply chain organisation and by nature therefore has a significant number of intercompany transactions, which are subject to tax legislation that is complex and open to interpretation.

At PANDORA, we put a great deal of effort into complying with local tax legislation, but we also recognise that situations may arise in which the tax authorities' understanding of how the legislation should be applied differs from ours.

Accordingly, we have identified the following risks which may affect taxation at PANDORA:

- Local authorities may challenge our set-up
- Mergers and Acquisitions may increase complexity
- Internal compliance, systems and processes on tax may fail
- Interpretation of Board of Investment agreement in Thailand (BOI)

ACTIONS TAKEN

- Transfer pricing settlement made with the Danish tax authorities, incorporating transfer pricing principles for a significant part of PANDORAs transactions
- Ongoing dialogue with tax authorities in all relevant countries
- Global Group tax risk identification process

6. MAJOR MARKET DEPENDENCIES

DESCRIPTION

As we in PANDORA sell our products globally, we have a number of significant markets that are important to our growth and earnings. Single market developments have a significant impact on Group results.

Our major markets have experienced solid growth for a substantial period. To sustain our Group growth, we are therefore dependent on:

- Continued access to our major markets
- Continued positive development in all major markets

Major markets constituting 5% or more of the Group's revenue include the US, Canada, the UK, Italy, Germany and Australia

ACTIONS TAKEN

- Quarterly business review meetings
- Monthly management reports
- Market-specific strategies developed
- Strong focus on developing PANDORA's jewellery brand in all our markets

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Responsibility for PANDORA's internal controls and risk management systems in relation to the financial reporting process rests with the Board of Directors and the Executive Board.

The purpose of PANDORA's internal controls and risk management systems in relation to the financial reporting process is to ensure that the external financial statements provide a true and fair view, free from material misstatements, and that the financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. While the internal controls and risk management systems are designed and aim to ensure that material misrepresentation of assets, losses and/or significant errors or irregularities and omissions in the financial reporting are avoided, it provides no absolute assurance that all errors are detected and corrected. Internal controls and risk management systems are under continuous development.

Control environment

The Board of Directors has established an Audit Committee that assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal controls and risk management systems. The Audit Committee reviews significant risks related to PANDORA's business, activities and operations as well as risks related to financial reporting. The Audit Committee seeks to ensure that such risks are managed proactively, efficiently and systematically.

The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken the necessary steps to address the risks identified in relation to financial reporting.

In 2015, the Governance, Risk and Compliance (GRC) department was established based on recommendation from the Audit Committee. The GRC department helps PANDORA accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of internal controls, risk management, compliance, and governance processes. The GRC department will assist PANDORA's Management and the Audit Committee in identifying, avoiding and mitigating risks. The composition of the Board of Directors, the Audit Committee and the Executive Board have ensured the availability of relevant competencies with respect to internal controls and risk management systems in relation to the financial reporting.

Risk assessment

The Board of Directors and Executive Board assess risks on an ongoing basis, including risks related to financial reporting and an assessment of measures to manage or eliminate and/or reduce the identified risk. The Audit Committee reviews certain high-risk areas quarterly, including significant accounting estimates and material changes to accounting policies.

At least once a year, the Audit Committee oversees a review of current internal controls to determine whether they are effective in relation to the risks identified in the financial reporting process.

Control activities

PANDORA operates with a global Finance Management Forum that meets three to four times a year. This forum sets the finance strategy for the Group. In addition, PANDORA Finance Manager conferences are held in order to discuss the latest developments in significant accounting matters and best practice regarding internal controls.

Controlling functions in the corporate finance function, reporting to the CFO, are responsible for controlling the financial reporting from the Parent Company and subsidiaries, and monitoring compliance with relevant legislation on an ongoing basis.

The Group has adopted and defined an internal control framework that identifies key processes, inherent risks and control procedures, in order to secure appropriate accounting processes.

The control procedures include a variety of processes in order to prevent any misrepresentation, significant errors, omissions and fraudulent behaviours. The control procedures are assessed bi-annually and reported to the Audit Committee annually.

Information and communication

The Board of Directors has adopted an Investor Relations policy that prescribes that all communication to stakeholders, including financial reporting, must be conducted adequately, timely and openly internally as well as externally and must be conducted factually and truthfully and in compliance with legislation and applicable regulations.

Monitoring

PANDORA's internal controls and risk management systems are continuously monitored, tested, documented and subject to evaluation. The Audit Committee monitors the internal controls and risk management systems to ensure that any weaknesses are eliminated and material errors corrected, including controls or procedures implemented to prevent such errors.

PANDORA's external auditors are appointed for a term of one year at the Annual General Meeting following recommendation from the Board of Directors. Prior to recommendation, the Board of Directors assesses, in consultation with the Executive Board, the independence and competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit and non-audit services, is agreed annually between the Board of Directors and the auditors following recommendation from the Audit Committee.

BOARD OF DIRECTORS

Peder Tuborgh was born in 1963, is a Danish citizen and currently lives in Højbjerg, Denmark.

Peder Tuborgh has been Chairman and a member of the Board of Directors since October 2014 and is also Chairman of the Remuneration Committee.

Peder Tuborgh is regarded as an independent Board member.

The special skills possessed by Peder Tuborgh that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience in global manufacturing and logistics, global branding, sales and marketing as well as consumer sales and retail marketing.

Peder Tuborgh holds an MSc in Economics and Business Administration from Odense University, Denmark. Currently, he is CEO of Arla Foods amba. In addition, Peder Tuborgh is vice chairman of Aarhus University and a Board member of Global Dairy Platform as well as The Denmark-America Foundation, and the Fulbright Commission.

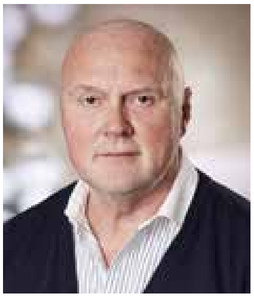
Christian Frigast was born in 1951, is a Danish citizen and currently lives in Klampenborg, Denmark.

Christian Frigast has been a member of the Board of Directors of PANDORA A/S since August 2010 and is also Deputy Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee.

He is regarded as an independent Board member.

The special skills possessed by Christian Frigast that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience in general management obtained through his numerous directorships as well as his active involvement in a number of retail and other companies.

Christian Frigast holds an MSc in Political Science and Economics from the University of Copenhagen. Currently, Christian Frigast is Managing Partner of Axcel Management A/S and CEO of Axcel III KS Invest ApS, Axcel IndustriInvestor A/S, MNGT1 ApS, MP-AX I Invest ApS and MP-AX II Invest ApS. Further, Christian Frigast is currently Chairman of the Boards of Directors of Ax No Invest ApS, Axcel II A/S, Axcel II Management A/S, AxIII MP Holding ApS, KIFU-AX II A/S, Management Invco A/S and MNGT2 ApS. In addition, Christian Frigast is Deputy Chairman of the Boards of Directors of Danish Venture Capital and Private Equity Association (DVCA) and Royal Scandinavia A/S. Christian Frigast is also a member of the Boards of Directors of Axcel Management A/S, Nordic Waterproofing AB and Frigast ApS.



Allan Leslie Leighton was born in 1953, is a British citizen and currently lives in London, UK.

Allan L. Leighton has been Co-Deputy Chairman of the Board of Directors of PANDORA A/S since March 2015. Allan L. Leighton served as Chairman of the Board of Directors of PANDORA A/S from 8 September 2010 to 1 July 2013 and as Chief Executive Officer of PANDORA A/S from 1 July 2013 to 1 March 2015. Due to his previous management positions with PANDORA A/S, Allan L. Leighton is not regarded as an independent Board member.

The special skills possessed by Allan L. Leighton that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience within general management in listed companies, financial management in listed companies, global supply chain and sourcing, consumer sales and retail marketing, and global cross platform branding.

Allan L. Leighton attended Harvard Business School's Advanced Management Program. He has an Honorary degree from Cranfield University and an Honorary Fellowship from the University of Lancashire.

Currently, Allan L. Leighton is Chair of the Co-Operative Group and Chairman of the Boards of Directors of Entertainment One PLC, Matalan Ltd., Wagamama Ltd. and the Canal River Trust.

Andrea Dawn Alvey was born in 1967, is an American citizen and currently lives in Raleigh, North Carolina, US.

Andrea Dawn Alvey has been a member of the Board of Directors of PANDORA A/S since August 2010 and is also a member of the Audit and Remuneration Committees. Andrea Dawn Alvey is regarded as an independent Board member.

The special skills possessed by Andrea Dawn Alvey that are important for the performance of her duties as a member of the Board of Directors of PANDORA A/S are her experience and insight into global supply chains, IT operations and retail financing.

Andrea Dawn Alvey holds a BSc in Business Economics/Statistics from Southern Connecticut State University. Currently, Andrea Dawn Alvey is President of Kitabco Investments, Inc., and Regional Developer for Peak Franchising.

Ronica Wang was born in 1962, is a citizen of Hong Kong and is currently based in Asia, where she spends a large portion of her time in China.

Ronica Wang has been a member of the Board of Directors of PANDORA A/S since March 2012 and is also a member of the Nomination Committee.

Ronica Wang is regarded as an independent Board member.

The special skills possessed by Ronica Wang that are important for the performance of her duties as a member of the Board of Directors of PANDORA A/S include her international experience within general management in listed companies, consumer sales and retail marketing, global and cross platform branding and the affordable goods industry.

Ronica Wang holds an MBA from The Wharton Business School, University of Pennsylvania, and a Bachelor Degree in Applied Science and Engineering (Industrial Engineering) from the University of Toronto. She has also studied multinational management at The London Business School.

Currently, Ronica Wang is the Chairman and Managing Director of The InnoGrowth Group, Ltd., which she co-founded in 2007. She is a Company Director and member of the Board of Directors of Active Kidz Shanghai as well as a member of the Board of Directors of GN Store Nord A/S.

Anders Boyer-Søgaard was born in 1970, is a Danish citizen and lives in Charlottenlund, Denmark.

Anders Boyer-Søgaard has been a member of the Board of Directors of PANDORA A/S since March 2012 and is also Chairman of the Audit Committee and a member of the Nomination Committee.

Anders Boyer-Søgaard is regarded as an independent Board member.

The special skills possessed by Anders Boyer-Søgaard that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience within general management in listed companies, financial management in listed companies, as well as global supply chain and manufacturing.

Anders Boyer-Søgaard holds an MSc (Finance and Accounting) from Copenhagen Business School from 1997. Currently, Anders Boyer-Søgaard is CFO of GN Store Nord A/S, GN ReSound A/S and GN ReSound LLC. Furthermore, Anders Boyer-Søgaard is a member of the Boards of Directors of GN Ejendomme A/S, GN GROC Ltd., GN Hearing s.r.l., GN Otometrics A/S, GN ReSound China Ltd., GN ReSound Japan K.K. and GN ReSound Shanghai Ltd.

Bjørn Gulden was born in 1965, is a Norwegian citizen and currently lives in Hattingen, Germany.

Bjørn Gulden has been a member of the Board of Directors of PANDORA A/S since August 2013 and is also a member of the Remuneration Committee.

Bjørn Gulden is not regarded as an independent Board member due to the fact that he served as CEO of PANDORA A/S from 21 February 2012 until 1 July 2013.

The special skills possessed by Bjørn Gulden that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his substantial skills related to global sourcing, consumer sales and retail and comprehensive insight into the affordable goods industry.

Bjørn Gulden holds a BBA from the University of Rogaland, Norway, and an MBA from Babson Graduate School of Business in Boston, US. Currently, Bjørn Gulden is the CEO of Puma SE. Further, Bjørn Gulden serves on the Boards of Directors of Tchibo GmbH, Borussia Dortmund (BUB) GmbH & Co. KGaA, Dansk Supermarked A/S and Deichmann SE.

Per Bank was born in 1967, is a Danish citizen and lives in Aarhus, Denmark.

Per Bank has been a member of the Board of Directors of PANDORA A/S since March 2014 and is also a member of the Nomination Committee.

Per Bank is regarded as an independent Board member.

The special skills possessed by Per Bank that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience within general management in listed companies, consumer sales and retail marketing and manufacturing.

Per Bank graduated as an industrial engineer from the University of Southern Denmark in 1992. Currently, Per Bank is the Managing Director of Dansk Supermarked A/S. Further, Per Bank is currently Chairman of the Boards of Directors of F. Salling A/S and Købmand Herman Sallings Mindefond. In addition, Per Bank is a member of the Board of Directors of Danmarks Nationalbank.

Michael Hauge Sørensen was born in 1973, is a Danish citizen and lives in Hong Kong.

Michael Hauge Sørensen has been a member of the Board of Directors of PANDORA A/S since March 2014 and is also a member of the Audit Committee.

Michael Hauge Sørensen is regarded as an independent Board member.

The special skills possessed by Michael Hauge Sørensen that are important for the performance of his duties as a member of the Board of Directors of PANDORA A/S are his experience within consumer sales and retail marketing, global and cross platform branding and the affordable goods industry.

Michael Hauge Sørensen is an alumnus of Stanford Graduate School of Business and has attended numerous management programmes at INSEAD and IMD. Currently, Michael Hauge Sørensen is the Chairman of Fristads Kansas Group AB and TOP-TOY A/S, TT Holding II A/S and TT Holding III A/S. In addition, he is a member of the Boards of Directors of Zebra A/S, IC Group A/S, Santa Fe Group A/S and Michaso Holding Limited.

EXECUTIVE BOARD

Anders Colding Friis was born in 1963, is a Danish citizen and currently lives in Copenhagen, Denmark.

Anders C. Friis has been President, Chief Executive Officer since March 2015.

Anders C. Friis holds a MSc (Economics and Business Administration) from Copenhagen Business School.

Currently, Anders C. Friis is Deputy Chairman of the Board of Directors of IC Group A/S and a member of the Boards of Directors of Topdanmark A/S and Topdanmark Forsikring A/S.

Anders C. Friis is member of the Confederation of Danish Industry's Executive Committee and Central Board and Vice Chairman of The Copenhagen Industries Employer's Federation.

Peter Vekslund was born in 1967, is a Danish citizen and currently lives in Copenhagen, Denmark.

Peter Vekslund has been Executive Vice President, Chief Financial Officer since January 2015.

Peter Vekslund holds an HD-R and an MSc (Business Economics & Auditing) from Copenhagen Business School, and an E*MBA, SIMI from the Scandinavian International Management Institute.

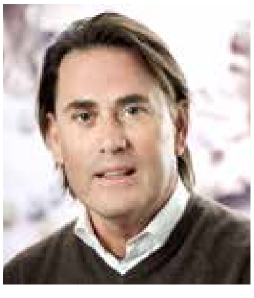
MANAGEMENT BOARD

Anders Colding Friis
President &
Chief Executive Officer
Nationality: Danish
Residence: Denmark

David Allen
President, EMEA
Nationality: Australian
Residence: Denmark

Peter Vekslund
Chief Financial Officer
Nationality: Danish
Residence: Denmark

Kenneth Madsen
President, APAC
Nationality: Danish
Residence: Hong Kong

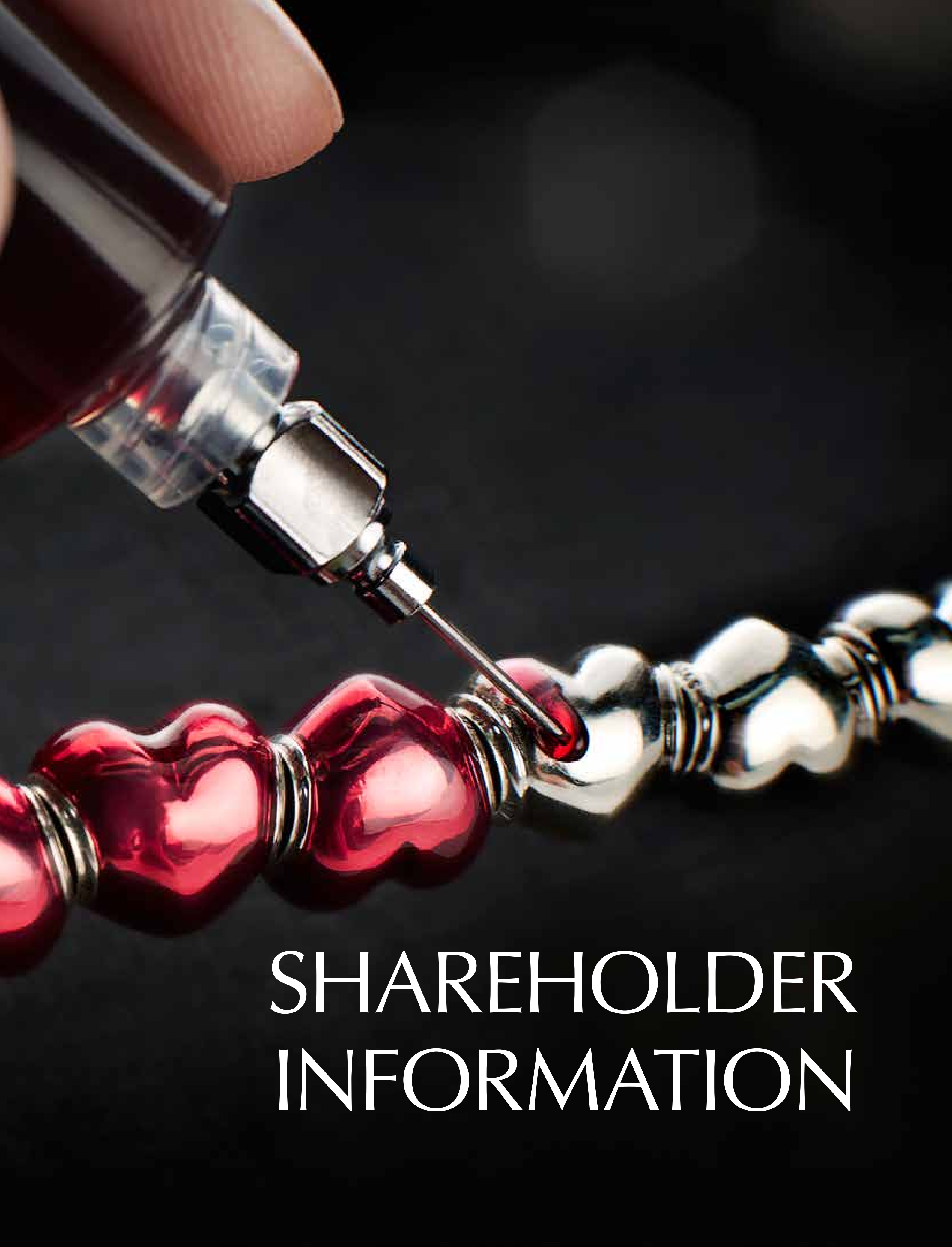


Stephen Fairchild
SVP, Chief Creative Officer
Nationality: American
Residence: Belgium

Scott Burger
President, Americas
Nationality: American
Residence: USA

Thomas Touborg
SVP, Group Operations
Nationality: Danish
Residence: Denmark

Enamel is carefully applied by hand using a thin needle. Here it is applied around the entire product – a new method which requires considerable skill. This heart-shaped charm with striking pink enamel launched for Valentine's adds a new, fashionable aspect to our classic silver heart charm launched in 2000.



SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

PANDORA shares have been listed on the NASDAQ OMX Copenhagen stock exchange since 5 October 2010. PANDORA is included in the blue chip index OMX C20.

In 2015, the lowest closing price was DKK 428 on 6 February 2015 and the highest closing price was DKK 872 on 30 December 2015. At the end of 2015, the share price was DKK 872, corresponding to an increase of 71.1% in 2015. By comparison, OMX C20 increased 34.7% during the year.

Around 148 million PANDORA shares were traded in 2015 with an average trading volume of approximately 593,000 shares per day.

CAPITAL STRUCTURE

It is PANDORA's capital structure policy to maintain a NIBD/EBITDA ratio of 0-1x on a 12-month rolling basis. The Board of Directors determines, on an ongoing basis, whether any surplus capital should be distributed through share buyback programmes or as extraordinary dividend in order to reach the optimal capital structure.

DIVIDEND

The Board of Directors aims to increase the nominal dividend per share annually. For the financial year 2015, the Board of Directors proposes a dividend of DKK 13.00 per share.

PANDORA shares are traded ex-dividend the day after the Annual General Meeting, which will be held on 16 March 2016. The dividend will be paid automatically via VP Securities on 21 March 2016.

SHARE BUYBACK PROGRAMME

The Board of Directors is authorised to acquire own shares on behalf of the Company until 17 March 2020 with a total nominal value of up to 10% of PANDORA's share capital, according to a decision made at the Annual General Meeting held on 18 March 2015. The purpose of the share buyback programme is to reduce PANDORA's share capital, to adjust the capital structure in accordance with the Company's policy on capital structure and to meet obligations arising from employee share option programmes.

Share buyback 2015
5,384,673 shares, corresponding to 4.40% of the share capital, were bought back in 2015 at an average price of DKK 723.8 and a total value of DKK 3.9 billion. At the Annual General Meeting, the Board of Directors will propose that the Company's share capital be reduced by a nominal amount of DKK 5,240,348 by cancellation of 5,240,348 own shares of DKK 1, equal to 4.28% of the Company's total share capital. The remaining treasury shares may be used to meet obligations arising from employee share option programmes. Total share options outstanding on 31 December 2015 were 823,567.

New share buyback programme for 2016
The Board of Directors of PANDORA has decided to launch a share buyback programme in 2016, under which PANDORA expects to buy back own shares to a maximum consideration of DKK 4.0 billion compared with DKK 3.9 billion in 2015. The share buyback programme is subject to an approval of an extension of the current authorisation to acquire own shares on behalf of the Company on the Annual General Meeting on 16 March 2016. Under the current authorisation approved at the Annual General Meeting in 2015 and applicable from 19 March 2015, the Company is allowed to acquire own shares with a total nominal value of up to 10% of PANDORA's share capital. PANDORA has bought back own shares corresponding to 3.8% of the share capital under the authorisation. The Board of Directors intends to propose to PANDORA's shareholders at the Annual General Meeting in 2017 that PANDORA's share capital be reduced by shares purchased under the programme. PANDORA may also use shares

purchased under the programme to meet obligations arising from employee share option programmes issued in 2016. The total obligation for the 2016 programme is expected to be approximately 100,000 shares.

The share buyback programme is implemented in accordance with the provisions of the European Commission's regulation no. 2273/2003 of 22 December 2003 ('safe harbour'), which protects listed companies against violation of insider legislation in connection with share buybacks. The programme will end no later than 31 December 2016.

PANDORA has appointed Nordea Bank Danmark A/S (Nordea) as Lead Manager of the programme. Nordea will, under a separate agreement with the Company, buy back shares on behalf of PANDORA and make trading decisions in respect of PANDORA shares independently of and without influence from PANDORA.

The programme will be implemented under the authorisation and the following framework:

- The maximum total consideration for PANDORA shares bought back in the period of the programme is DKK 4.0 billion
- The programme will end no later than 31 December 2016
- The maximum number of shares to be bought per daily market session will be the equivalent to 25% of the average daily volume of shares in the Company traded on NASDAQ Copenhagen during the preceding 20 business days
- Shares cannot be purchased at prices higher than the two following prices:
  a) The price of the latest independent trade
  b) The price of the highest independent bid on NASDAQ Copenhagen

PANDORA may terminate the programme at any time. In the event such decision is taken, PANDORA shall give notice thereof, and Nordea shall consequently no longer be entitled to buy shares on behalf of PANDORA.

On a weekly basis the Company will issue an announcement in respect of transactions made under the programme.

SHAREHOLDERS

As of 9 June 2015, BlackRock, Inc. increased its holding of shares in PANDORA A/S to 6,234,764 shares, corresponding to 5.1% of the share capital and the voting rights.

As of 31 December 2015, PANDORA A/S owned a total of 6,063,915 treasury shares of nominally DKK 1 (in total nominally DKK 6,063,915), corresponding to 4.96% of the total shares outstanding.

As of 31 December 2015, institutional investors in Denmark held 12% of the share capital, institutional investors in Europe held 40% of the share capital of which 21% was held by UK investors, and institutional investors in North America held 19%. As of 31 December 2015, 9% of the PANDORA shares were held by retail investors.

As of 31 December 2015, PANDORA's Board of Directors and Executive Board held a total of 87,845 and 14,347 PANDORA shares respectively, corresponding to 0.1% of the total shares outstanding.

INVESTOR RELATIONS

The Executive Board is responsible for the presence of an Investor Relations (IR) function, which is responsible for PANDORA's compliance with the Company's Investor Relations Policy. IR is organised as a separate unit and reports directly to the Chief Financial Officer.

The purpose of PANDORA's investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of the share.

PANDORA will ensure that the Company is perceived as visible, accessible, reliable and professional by the financial markets and that PANDORA is regarded as being among the best relative to its peers. This will be achieved by complying with the rules and legislation for listed companies on NASDAQ OMX as well as PANDORA's internal policies.

PANDORA will endeavour to maintain a high and uniform level of information from the Company and ensure that information is channelled back from the stock market to the Executive Board and the Board of Directors. Furthermore, PANDORA will continuously ensure awareness of, and confidence in, the Company's vision, strategy, policies and decisions in the capital market.

Spokespersons

The following functions are authorised to communicate with the investment community (including analysts, stockbrokers, individuals and institutional investors) unless otherwise agreed:

- Chairman of the Board of Directors
- Executive Board
- Investor Relations

Company announcement
Company announcements are published in accordance with the rules set out in Danish legislation. Immediately after publication, the information is published on PANDORA's website. Regulatory Company announcements and financial reports appear in English and Danish. To ensure swift access to Company announcements and press releases, PANDORA invites all interested parties to sign up to email alerts on the investor section of the Company's website.

Meetings
It is the Company's policy to hold meetings with interested investors and analysts regularly in both large and small groups and individually. At such meetings, PANDORA's general circumstances are discussed, but insider information is never disclosed.

When asked to review analyst draft reports, PANDORA will limit its review and comments to the following:

- correcting historical factual information only
- pointing out information that is in the public domain
- providing information that PANDORA believes is clearly non-material
- discussing general factors that might influence the underlying assumptions used for future projections

In 2015, PANDORA held more than 300 meetings with investors and analysts.

Silent period
For a period of four weeks prior to the planned release of any interim financial report, PANDORA does not comment on matters related to financial results or expectations.

Conference call
On release of the financial statements and other major news, PANDORA holds conference calls or video transmissions that can be followed from its website at the same time as the meeting, along with accompanying presentations.

External conferences and presentations
Presentations from conferences, road shows, investor meetings and other investor-related events are available on the Company's website at the same time as the event or as soon as possible afterwards. Planned activities and events can be tracked via the online financial calendar on the Company's website.

Capital markets days and similar events
PANDORA holds capital markets days and similar events as appropriate. All presentations are available on the Company´s website at the same time as the event or as soon as possible afterwards.

SHARE PRICE DEVELOPMENT 2015

Analysts covering PANDORA

Firm	Analyst	Contact information
ABG Sundal Collier	Michael Vitfell-Rasmussen	Email: michael.rasmussen@abgsc.com Phone: +45 30 67 61 16
Alm. Brand Markets	Michael Friis Jørgensen	Email: abmifj@almbrand.dk Phone: +45 35 47 69 23
Carnegie	Lars Topholm	Email: lars.topholm@carnegie.dk Phone: +45 32 88 03 53
Danske Bank Markets	Poul Ernst Jessen	Email: poul.jessen@danskebank.com Phone: +45 45 12 80 48
Deutsche Bank	Gilles Errico	Email: gilles.errico@db.com Phone: +44 207 547 0680
Goldman Sachs	Jamie Bajwa	Email: jamie.bajwa@gs.com Phone: +44 207 051 4068
Handelsbanken	Erik Sandstedt	Email: ersa07@handelsbanken.se Phone: +46 8701 3128
HSBC BANK Plc	Anne-Laure Bismuth	Email: annelaure.bismuth@hsbcib.com Phone: +44 207 991 6587
J.P. Morgan Cazenove	Chiara Battistini	Email: chiara.x.battistini@jpmorgan.com Phone: +44 207 134 5417
Jyske Bank	Frans Høyer	Email: frans.hoyer@jyskebank.dk Phone: +45 89 89 70 33
Kepler Cheuvreux	Stefan Billing	Email: sbilling@keplercheuvreux.com Phone: +46 8 723 51 48
Nordea	Patrik Setterberg	Email: patrik.setterberg@nordea.com Phone: +45 33 33 62 94
Nykredit	Klaus Kehl	Email: kehl@nykredit.dk Phone: +45 44 55 47 28
SEB	Kristian Godiksen	Email: kristian.godiksen@seb.dk Phone: +45 33 28 33 09
Sydbank	Søren Løntoft Hansen	Email: s.loentoft@sydbank.dk Phone: +45 74 37 44 64

Financial calendar 2016

9 February 2016	Annual Report 2015
16 March 2016	Annual General Meeting
21 March 2016	Payment of annual dividend
10 May 2016	Interim Report for the first quarter of 2016
9 August 2016	Interim Report for the second quarter of 2016
1 November 2016	Interim Report for the third quarter of 2016

Share information

Exchange:	NASDAQ Copenhagen
Trading symbol:	PNDORA
Identification number/ISIN:	DK0060252690
Number of shares:	122,297,169 of DKK 1 each with one vote
Share classes:	1
GICS:	25203010
Sector:	Apparel, Accessories & Luxury Goods
Segment:	Large

Due to the petite size of the PANDORA ESSENCE COLLECTION charms, our craftspeople need to exhibit extreme precision at every step of the process. The different parts of each charm – the sterling silver core, the silicone insert, the outer shell of metal or stone are carefully put together and assembled by hand. For Spring 2015, we launched the first charm with an outer shell of cultured pearl. The size of the charm and the fragility of the pearl make this a demanding piece to craft.

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

REVENUE
16,737
DKK million

EBITDA MARGIN
37.1%

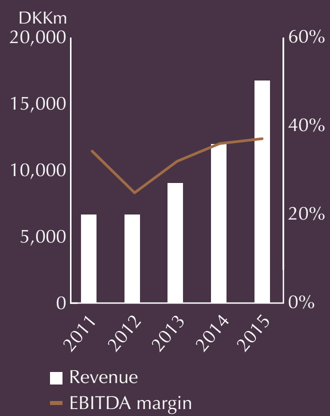
CAPEX
1,109
DKK million

EFFECTIVE TAX RATE
31.3%

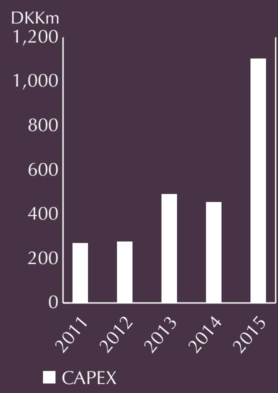
FREE CASH FLOW
2,449
DKK million

CONCEPT STORES
1,802

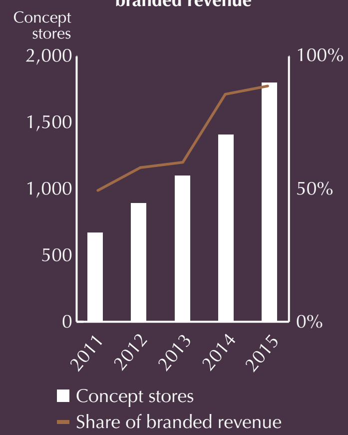
Revenue and EBITDA



CAPEX

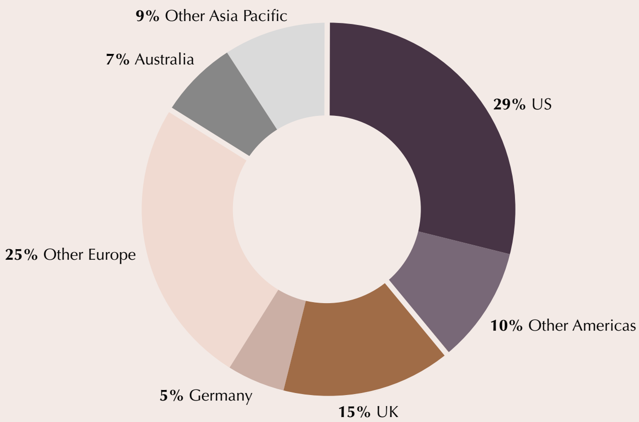


Concept stores and branded revenue



REVENUE BY GEOGRAPHY

REVENUE 2015



REVENUE BREAKDOWN BY GEOGRAPHY

DKK million	2015	2014	Growth	Growth in local currency
US	4,893	3,629	34.8%	12.6%
Other Americas	1,644	1,330	23.6%	20.2%
Americas	**6,537**	**4,959**	**31.8%**	**14.6%**
UK	2,487	1,654	50.4%	36.4%
Germany	833	578	44.1%	44.1%
Other Europe	4,228	3,072	37.6%	36.2%
Europe	**7,548**	**5,304**	**42.3%**	**37.1%**
Australia	1,120	806	39.0%	39.5%
Other Asia Pacific	1,532	873	75.5%	50.3%
Asia Pacific	**2,652**	**1,679**	**58.0%**	**45.1%**
Total	**16,737**	**11,942**	**40.2%**	**28.9%**

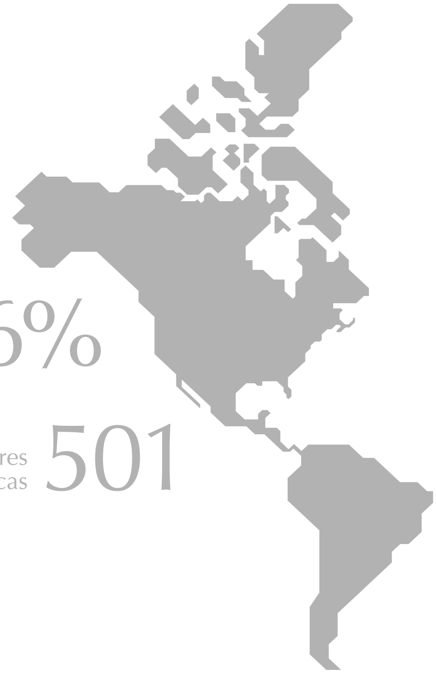
Revenue development
Total revenue for 2015 was DKK 16,737 million, an increase of 40.2% (or 28.9% in local currency) compared with 2014. The development was driven by strong retail execution, significant marketing investments, global network expansion and an increasing share of branded sales channels. All three regions saw double-digit revenue growth.

At the end of 2015, sales return provisions corresponded to approximately 7% of revenue value, compared to approximately 8% at the end of 2014.

Like-for-like sales-out in concept stores in four of PANDORA's major markets (US, UK, Germany and Australia) developed positively in all quarters of 2015. The positive development was driven by a successful product portfolio with continuously relevant products, generally better in-store execution as well as increased awareness through regional marketing campaigns boosting store traffic in most stores.

Revenue breakdown by geography
The geographical distribution of revenue in 2015 was 39.1% for the Americas compared with 41.5% in 2014, 45.1% for Europe compared with 44.4% in 2014 and 15.8% for Asia Pacific compared with 14.1% in 2014.

AMERICAS



Growth in local currency **14.6%**

Concept stores in Americas **501**

Revenue in the Americas, constituting 39.1% of Group revenue, was DKK 6,537 million corresponding to an increase of 31.8% (or 14.6% in local currency).

Revenue in the US, constituting 29.2% of Group revenue, was DKK 4,893 million and increased 34.8% compared with 2014. The growth in local currency was 12.6%. Growth was primarily driven by increasing demand for PANDORA's newer products, including the continued success of PANDORA's Disney collection, as well as an improved store network. As in 2014, PANDORA experienced positive like-for-like sales-out growth in the US concept stores in all four quarters in 2015. During 2015, 36 new concept stores were opened in the US, bringing the total number of concept stores to 324, and in April 2015, a PANDORA eSTORE was launched in the US. The focus on Rings continued in 2015 and supported growth, with revenue from this category more than doubling compared with 2014. In 2015, revenue from the Rings category represented around 12% of US revenue, compared with around 7% in 2014.

Revenue from Other Americas was DKK 1,644 million, an increase of 23.6% compared with 2014. Revenue in Canada, which represented around 50% of revenue from Other Americas, increased slightly compared to 2014. Revenue in Canada was impacted by a reduction of in-store inventories by franchisees in the second half of 2015, reflecting high inventories at retail level. At the end of 2015, inventory levels were normalised. Revenue in Brazil, representing around 20% of revenue from Other Americas, increased around 80% compared to 2014, driven by double-digit like-for-like growth rates as well as an expansion of the store network. At the end of 2015, PANDORA had 68 concept stores in Brazil compared to 35 at the end of Q4 2014.

During 2015, the number of branded stores in the Americas increased by 169 to a total of 2,147 stores, while more than one third of PANDORA's unbranded doors closed in the same period. By the end of the year, branded stores accounted for 71.1% of the total number of stores compared with 58.5% at the end of 2014.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2015	2014	Growth
Concept stores	501	414	87
- hereof PANDORA owned	79	51	28
Shop-in-shops	681	683	-2
- hereof PANDORA owned	2	2	-
Gold	965	881	84
Branded	**2,147**	**1,978**	**169**
Branded as % of total	**71.1%**	**58.5%**	
Silver	698	1,094	-396
White and travel retail	175	308	-133
Total PoS	**3,020**	**3,380**	**-360**

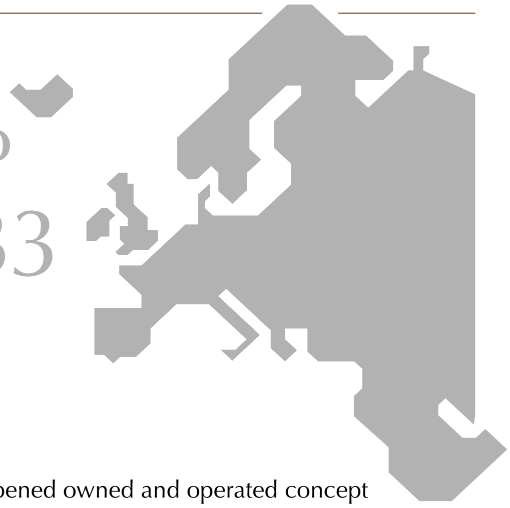
GROWTH IN LIKE-FOR-LIKE SALES-OUT[1]

	Q4 2015 vs. Q4 2014	Q3 2015 vs. Q3 2014	Q2 2015 vs. Q2 2014	Q1 2015 vs. Q1 2014	Q4 2014 vs. Q4 2013
US	4.2%	1.7%	8.1%	8.9%	4.7%

[1] Concept stores that have been open for more than 12 months

Growth in local currency 37.1%

Concept stores in Europe 1,033



EUROPE

Revenue in Europe, constituting 45.1% of Group revenue, was DKK 7,548 million corresponding to an increase of 42.3% (or 37.1% in local currency).

The UK is PANDORA's largest single market in Europe, accounting for 14.9% of Group revenue compared with 13.9% in 2014. Revenue in the UK was DKK 2,487 million, corresponding to an increase of 50.4% (or 36.4% in local currency) compared with 2014. Growth in the UK was driven by a positive sales-out performance, as well as the expansion of the store network, including 39 new concept stores opened in 2015, taking the total number of concept stores to 195. Furthermore, growth was supported by the introduction of the PANDORA Rose collection in the UK stores in June 2015. The focus on the Rings category continued to underpin growth in 2015 with revenue from this category increasing by around 75% compared to 2014. In 2015, Rings generated around 20% of revenue in the UK.

PANDORA experienced positive like-for-like sales-out of UK concept stores throughout 2015. The strong sales-out performance was driven by newness in the overall product assortment driving a significant increase in transactions as well as focus on the Rings category.

Germany accounted for 5.0% of 2015 Group revenue, compared with 4.8% in 2014. Revenue in Germany was DKK 833 million and increased by 44.1% in 2015 compared with 2014. The increase primarily reflected an increase in the number of concept stores, supported by positive like-for-like sales-out growth in all four quarters in 2015. In January 2015, as a part of the efforts to improve the store network, PANDORA agreed to take over 77 commercial leaseholds in Germany. During the year, PANDORA opened owned and operated concept stores in all 77 locations. At the end of 2015, PANDORA owned and operated 143 concept stores out of a total of 158 concept stores in Germany. This compared to a total of 84 concept stores at the end of 2014.

Revenue in Other Europe was DKK 4,228 million, up 37.6% on 2014. The main drivers of growth were Italy and France, which both increased by more than 50% compared to 2014. Growth in these countries was driven by expansion of the store network and continued high like-for-like growth. Revenue from Russia decreased by around 55% in 2015 compared with 2014. The decrease was driven by low double-digit negative like-for-like sales-out growth during 2015, impacted by the decreasing consumer spend in Russia, and consequently a more hesitant purchasing behaviour from PANDORA's local distributor in Russia.

During 2015, the number of branded stores in Europe increased by 559 to a total of 3,402 stores, in line with PANDORA's overall strategy to increase branded sales. The share of branded stores, accounting for 61.5% of the total number of stores by the end of 2015 compared with 48.6% in 2014.

The total number of stores in Europe decreased by 317 to a total of 5,534 in 2015 due to the closing of 876 unbranded stores.

At the end of 2015, PANDORA had eSTOREs in nine European countries.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2015	2014	Growth
Concept stores	1,033	786	247
- hereof PANDORA owned	298	169	129
Shop-in-shops	791	677	114
- hereof PANDORA owned	85	68	17
Gold	1,578	1,380	198
Branded	**3,402**	**2,843**	**559**
Branded as % of total	**61.5%**	**48.6%**	
Silver	1,249	1,577	-328
White and travel retail	883	1,431	-548
Total PoS	**5,534**	**5,851**	**-317**

GROWTH IN LIKE-FOR-LIKE SALES-OUT[1]

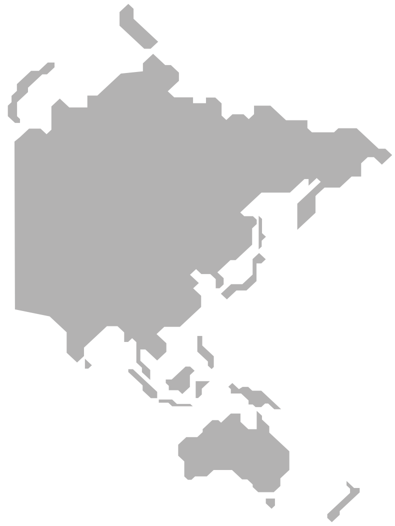
	Q4 2015 vs. Q4 2014	Q3 2015 vs. Q3 2014	Q2 2015 vs. Q2 2014	Q1 2015 vs. Q1 2014	Q4 2014 vs. Q4 2013
UK	18.8%	17.5%	11.4%	20.6%	20.6%
GER	5.2%	1.9%	9.0%	3.8%	2.3%

[1] Concept stores that have been open for more than 12 months

ASIA PACIFIC

Growth in local currency 45.1%

Concept stores in Asia Pacific 268



Revenue in Asia Pacific was DKK 2,652 million, constituting 15.8% of Group revenue compared to 14.1% in 2014, and corresponding to an increase of 58.0% (or 45.1% in local currency) compared with 2014. Growth was driven by a positive development in most of the region.

Revenue in Australia, constituting 6.7% of Group revenue, was DKK 1,120 in 2015. An increase of 39.0% compared with 2014. The growth in Australia primarily reflected continued strong sales-out growth, fuelled by successful new launches, as well as an expansion of the branded store network. PANDORA experienced positive like-for-like sales-out growth in the Australian concept stores throughout 2015, with all quarters seeing above 20% growth.

Revenue from Other Asia Pacific, constituting 9.1% of Group revenue, increased by 75.5% (or 50.3% in local currency) compared with 2014, to DKK 1,532 million. The increase was primarily driven by Hong Kong, China and Japan. Revenue in Hong Kong, which represents around 30% of revenue in Other Asia Pacific, increased around 80%, driven primarily by the expansion of the store network. During 2015, a total of nine new concept stores were opened, bringing the total in Hong Kong to 25. Revenue in China, which represents around 20% of revenue in Other Asia Pacific, was driven by high double-digit like-for-like sales-out growth in all four quarters of 2015, as well as the addition of 24 new concept stores, taking the total to 53, at the end of 2015. Furthermore, revenue in China was impacted by the conversion of distributor revenue to retail revenue following the new and improved partnership in China from 1 July 2015, which added around DKK 120 million to revenue in 2015 compared to 2014.

In Asia Pacific, the distribution network increased by 42 shops to a total of 717 in 2015. The increase was primarily related to an increase in branded stores, which accounted for 84.1% of the total number of stores compared with 80.6% at the end of 2014.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2015	2014	Growth
Concept stores	268	210	58
- hereof PANDORA owned	97	31	66
Shop-in-shops	202	195	7
- hereof PANDORA owned	31	-	31
Gold	133	139	-6
Branded	**603**	**544**	**59**
Branded as % of total	**84.1%**	**80.6%**	
Silver	100	73	27
White and travel retail	14	58	-44
Total PoS	**717**	**675**	**42**

GROWTH IN LIKE-FOR-LIKE SALES-OUT[1]

	Q4 2015 vs. Q4 2014	Q3 2015 vs. Q3 2014	Q2 2015 vs. Q2 2014	Q1 2015 vs. Q1 2014	Q4 2014 vs. Q4 2013
AUS	41.6%	44.5%	35.7%	24.6%	20.0%

[1] Concept stores that have been open for more than 12 months

SALES CHANNELS AND PRODUCT MIX

In 2015, PANDORA continued the focus on expanding the concept store network, and during the year, a net total of 392 new concept stores were added to the store network, including a net total of 223 owned and operated concept stores. In the same period, a net total of 1,422 unbranded doors closed. Revenue from concept stores was up 54.1% at DKK 10,390 million, corresponding to 62.1% of total revenue in 2015 compared with 56.4% in 2014. Branded revenue accounted for 88.7% of Group revenue compared with 85.6% in 2014.

Revenue from PANDORA's owned and operated stores, including all PANDORA eSTOREs, increased by 125% compared with last year, corresponding to 27% of Group revenue compared with around 17% in 2014. The growth in retail revenue was driven by strong in-store execution resulting in positive like-for-like growth as well as the addition of 271 new owned and operated stores in 2015, bringing the total to 474 concept stores and 118 shop-in-shops. Of the new PANDORA owned and operated stores, a net total of 62 concept stores and 35 shop-in-shops were converted from franchisee stores, and the net effect of converting wholesale revenue from franchisee stores to retail revenue, including the effect from stores converted during 2014, was approximately DKK 450 million compared to 2014.

PRODUCTS

In 2015, revenue from all product categories increased with double-digit growth, driven by continued newness across all categories, as well as tailor-made promotions, focusing primarily on charms, bracelets and rings.

Revenue from Charms was DKK 10,833 million in 2015, up 36.6% on 2014, while revenue from Silver and gold charm bracelets increased by 34.8% to DKK 1,923 million. The two categories represented 76.3% of total revenue in 2015 compared with 78.4% in 2014.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2015	2014	Growth
Concept stores	1,802	1,410	392
- hereof PANDORA owned	474	251	223
Shop-in-shops	1,674	1,555	119
- hereof PANDORA owned	118	70	48
Gold	2,676	2,400	276
Branded	**6,152**	**5,365**	**787**
Branded as % of total	**66.4%**	**54.2%**	
Silver	2,047	2,744	-697
White and travel retail	1,072	1,797	-725
Total PoS	**9,271**	**9,906**	**-635**

REVENUE BREAKDOWN BY SALES CHANNELS

DKK million	2015	2014	Growth
Concept stores	10,390	6,741	54.1%
Shop-in-shops	2,675	2,008	33.2%
Gold	1,783	1,471	21.2%
Total branded	**14,848**	**10,220**	**45.3%**
Silver	692	791	-12.5%
White and travel retail	604	538	12.3%
Total unbranded	**1,296**	**1,329**	**-2.5%**
Total direct	**16,144**	**11,549**	**39.8%**
3rd party	593	393	50.9%
Total revenue	**16,737**	**11,942**	**40.2%**

In November, the Disney collection was launched in 13 countries in the Asia Pacific region, following the successful launch of the collection in North America in 2014.

Revenue from Rings was DKK 2,066 million, an increase of 73.3% compared with 2014. The increase was driven by the continued use of revenue-generating initiatives in most markets, including more emphasis on rings in staff training, improved in-store focus on rings, as well as successful Rings promotions across most markets. The Rings category represented 12.3% of total revenue in 2015 compared with 10.0% in 2014.

Revenue from Other jewellery was DKK 1,915 million, up 37.8% on 2014. The growth was driven by all subcategories, in particular revenue from necklaces and earrings, which both increased by more than 70% compared to 2014. Other jewellery represented 11.4% of total revenue in 2015 compared with 11.6% in 2014.

In 2015, the average sales price (ASP) recognised by PANDORA was DKK 171, compared with DKK 140 in 2014. The increase in ASP was mainly driven by a higher share of revenue from Rings, which are sold at higher average prices compared with individual charms, a proportionally higher share of revenue from PANDORA owned and operated stores, as well as exchange rate movements having a positive impact of roughly 10 percentage points.

PRODUCT MIX

DKK million	**2015**	**2014**	**Growth**	**Share of revenue 2015**
Charms	10,833	7,933	36.6%	64.8%
Silver and gold charm bracelets	1,923	1,427	34.8%	11.5%
Rings	2,066	1,192	73.3%	12.3%
Other jewellery	1,915	1,390	37.8%	11.4%
Total revenue	**16,737**	**11,942**	**40.2%**	**100.0%**

INCOME STATEMENT

COSTS

Total costs for 2015, including depreciation and amortisation, were DKK 10,923 million, an increase of 38.8% compared with 2014. The increase primarily reflected increasing sales. Costs corresponded to 65.3% of revenue for the year compared with 65.9% in 2014.

GROSS PROFIT

Gross profit was DKK 12,193 million in 2015 compared with DKK 8,423 million in 2014, resulting in a gross margin of 72.9% in 2015 compared with 70.5% in 2014. The increase in gross margin was mainly due to lower prices for silver and gold, as well as a higher share of revenue for PANDORA owned and operated stores, which have a higher gross margin compared with wholesale revenue.

Cost of sales is impacted by hedging of raw materials. Excluding hedging and the time lag effect from inventories, the underlying gross margin would have been approximately 74% based on the average gold (USD 1,160/oz) and silver (USD 15.68/oz) market prices in 2015. Based on these assumptions, a 10% deviation in quarterly average gold and silver prices would impact PANDORA's gross margin by approximately +/- 1 percentage points. Please refer to note 4.4.

OPERATING EXPENSES

Operating expenses in 2015 were DKK 6,379 million compared with DKK 4,351 million in 2014, representing 38.1% of revenue in 2015 compared with 36.4% in 2014.

Sales and distribution expenses increased to DKK 3,120 million in 2015 from DKK 1,957 million in 2014, an increase of 59.4%, corresponding to 18.6% of revenue in 2015 compared with 16.4% in 2014. The increase in sales and distribution expenses was primarily driven by increasing sales efforts and an increase in the number of PANDORA-owned stores (592 stores in 2015 compared with 321 stores in 2014). The higher costs in owned and operated stores mainly related to property and staff cost, which had a negative impact of around 2.5 percentage points on the sales and distribution expenses ratio compared with 2014.

Marketing expenses in 2015 were 9.6% of revenue, which is unchanged compared to 2014, and corresponded to DKK 1,602 million in 2015 and DKK 1,143 million in 2014. The increase was primarily due to an increase in media costs related to TV and online.

Administrative expenses amounted to DKK 1,657 million in 2015 compared with DKK 1,251 million in 2014, representing 9.9% of revenue, down from 10.5% in 2014. The nominal increase in administrative expenses was

COST DEVELOPMENT

DKK million	2015	2014	Growth	Share of revenue 2015	Share of revenue 2014
Cost of sales	4,544	3,519	29.1%	27.1%	29.5%
Gross profit	**12,193**	**8,423**	**44.8%**	**72.9%**	**70.5%**
Sales and distribution expenses	3,120	1,957	59.4%	18.6%	16.4%
Marketing expenses	1,602	1,143	40.2%	9.6%	9.6%
Administrative expenses	1,657	1,251	32.5%	9.9%	10.5%
Total costs	**10,923**	**7,870**	**38.8%**	**65.3%**	**65.9%**

primarily due to an increase in staff cost, as well higher IT costs, reflecting an increase in IT projects.

EBITDA

EBITDA for 2015 increased by 44.7% to DKK 6,214 million, resulting in an EBITDA margin of 37.1% compared with 36.0% in 2014.

The EBITDA margin for the Americas was 41.4% and in line with 2014. The improvement in the gross margin was offset by market mix, as well as an increase in number of employees, primarily related to the increase in owned and operated stores in the region.

The EBITDA margin for Europe increased from 43.3% in 2014 to 45.3% in 2015. The increase in Europe was primarily driven by the increase in gross margin as well as improved leverage on the cost base from an increase in revenue - primarily in the UK, Italy and France.

The EBITDA margin for the Asia Pacific region was 46.6% in 2015 compared with 49.5% in 2014. The improvement in gross margin was more than offset by an increase in costs related to the expansion in China, Japan and Singapore, which had a negative impact of around 6 percentage points for 2015.

Unallocated costs were 6.9% of revenue in 2015 compared with 7.4% in 2014.

EBIT

EBIT for 2015 increased to DKK 5,814 million (2014: DKK 4,072 million), an improvement of 42.8% on 2014, resulting in an EBIT margin of 34.7% for 2015 versus 34.1% in 2014.

NET FINANCIALS

Net financials amounted to an expense of DKK 469 million in 2015, compared with an expense of DKK 200 million in 2014. The increase in net financials was mainly due to unrealised exchange rate losses, primarily related to unrealised losses on intercompany loans in US dollars, as well as losses on ineffective commodity and foreign exchange contracts.

INCOME TAX EXPENSE

Income tax expense was DKK 1,671 million in 2015 compared with DKK 774 million in 2014, corresponding to an effective tax rate of 31.3% for 2015 compared with 20.0% in 2014. The increase was due to a settlement made in May 2015 with the Danish tax authorities, including the impact of the tax position of other Group entities.

REGIONAL EBITDA MARGINS

	2015	2014	2015 vs. 2014 (% pts)
Americas	41.4%	41.4%	0.0%
Europe	45.3%	43.3%	2.0%
Asia Pacific	46.6%	49.5%	-2.9%
Unallocated costs	-6.9%	-7.4%	0.5%
Group EBITDA margin	**37.1%**	**36.0%**	**1.1%**

SENSITIVITY ANALYSIS ON CURRENCY[1]

DKK million	Change in exchange rate	Revenue	EBITDA
USD	+ 10%	606	207
CAD	+ 10%	86	77
AUD	+ 10%	112	90
GBP	+ 10%	254	211
EUR	+ 1%	43	28
THB	+10%	-	-192

[1] Revenue and EBITDA would have been impacted by the above amounts if exchange rates in 2015 had been higher than the realised exchange rates. The impact would have been the opposite if exchange rates had been lower.

BALANCE SHEET AND CASH FLOW STATEMENT

PANDORA generated a free cash flow of DKK 2,449 million in 2015 compared with DKK 3,868 million in 2014, corresponding to a cash conversion of 42.1% compared with 95.0% in 2014. The positive effect from an increase in net profit was more than offset by an increase in CAPEX, as well as tax and interest expenses of DKK 995 million related to a settlement made with the Danish tax authorities regarding the period 2009 to 2014.

Operating working capital at the end of 2015 was 14.3% of revenue, compared with 16.7% at the end of 2014.

Inventories were DKK 2,357 million, an increase of 40% compared to 2014, and corresponding to 14.1% of revenue. The increase was primarily driven by higher activity, an increase in owned and operated stores as well as currency movements. Compared with 2014, silver and gold prices affected inventories with a decrease of approximately 13%.

Trade receivables increased to DKK 1,360 million in 2015 (8.1% of revenue) from DKK 1,110 million in 2014 (9.3% of revenue). The relative decrease in trade receivables compared to 2014 was primarily due to a continued strong cash collection as well as the increase in revenue from owned and operated stores, where payment occurs at time of sale.

Trade payables increased to DKK 1,329 million in 2015 compared with DKK 804 million in 2014. The increase was primarily related to a higher level of activity.

PANDORA invested a total of DKK 1,109 million in CAPEX in 2015, including intangible assets of DKK 403 million mainly related to key money in connection with the opening of PANDORA-owned stores and IT investments. Investments in property, plant and equipment of DKK 706 million mainly consisted of investments in crafting facilities in Thailand and leasehold improvements related to the opening of several stores during the year. CAPEX was 6.6% of 2015 revenue.

During 2015, DKK 3.9 billion was used to purchase own shares related to the share buyback programme launched on 17 February 2015. At 31 December 2015, PANDORA held 6,063,915 treasury shares, corresponding to 4.96% of the share capital.

Interest-bearing debt was DKK 2,607 million at the end of 2015 compared with DKK 10 million at the end of 2014 and cash amounted to DKK 889 million compared with DKK 1,131 million at the end of 2014. The increase in debt was primarily due to the 2015 share buyback programme as well as an elevated CAPEX level.

Net interest-bearing debt (NIBD) at the end of 2015 was DKK 1,718 million, corresponding to a NIBD/EBITDA ratio of 0.3x of the last twelve months' EBITDA compared with DKK -1,121 million at the end of 2014, corresponding to a NIBD/EBITDA ratio of -0.3x.

DEVELOPMENT IN NET WORKING CAPITAL

DKK million	2015	2014	2015 vs. 2014 (%)	Share of revenue 2015	Share of revenue 2014
Inventories	2,357	1,684	40.0%	14.1%	14.1%
Trade receivables	1,360	1,110	22.5%	8.1%	9.3%
Trade payables	-1,329	-804	65.3%	-7.9%	-6.7%
Other	-1,463	-1,556	-6.0%	-8.7%	-13.0%
Total	**925**	**434**	**113.1%**	**5.5%**	**3.6%**

Inspired by heirloom jewellery styles, this Crystallised Floral Fancy ring launched for Autumn 2015 has a timeless, elegant appeal. The centre stone is cushion cut – an antique stone cut that combines a square cut with rounded corners. The name refers to the cut's visual similarity to a pillow.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2015	2014
CONSOLIDATED INCOME STATEMENT			
Revenue	2.1, 2.2	16,737	11,942
Cost of sales	2.3	-4,544	-3,519
Gross profit		**12,193**	**8,423**
Sales, distribution and marketing expenses	2.3	-4,722	-3,100
Administrative expenses	2.3	-1,657	-1,251
Operating profit	**2.2**	**5,814**	**4,072**
Finance income	4.6	84	14
Finance costs	4.6	-553	-214
Profit before tax		**5,345**	**3,872**
Income tax expense	2.5	-1,671	-774
Net profit for the year		**3,674**	**3,098**
Earnings per share, basic (DKK)	4.2	30.9	25.0
Earnings per share, diluted (DKK)	4.2	30.7	24.7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**3,674**	**3,098**
Items that may be reclassified to profit/loss for the year			
Exchange rate adjustments of investments in subsidiaries		249	537
Commodity hedging instruments:			
- Realised in cost of sales		-9	-5
- Realised in net financials		23	12
- Realised in inventories		183	171
- Fair value adjustments		-193	-172
Foreign exchange hedging instruments:			
- Realised in net financials		175	38
- Fair value adjustments		-156	-62
Tax on other comprehensive income, hedging instruments, income/expense	2.5	22	5
Other comprehensive income, net of tax		**294**	**524**
Total comprehensive income for the year		**3,968**	**3,622**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2015	2014
ASSETS			
Goodwill		2,424	2,080
Brand		1,057	1,053
Distribution network		216	268
Distribution rights		1,069	1,047
Other intangible assets		683	411
Total intangible assets	**3.1**	**5,449**	**4,859**
Property, plant and equipment	3.2	1,237	711
Deferred tax assets	2.5	879	407
Other financial assets		159	99
Total non-current assets		**7,724**	**6,076**
Inventories	3.3	2,357	1,684
Financial instruments	4.5	65	99
Trade receivables	3.4	1,360	1,110
Income tax receivable		113	52
Other receivables		803	404
Cash	4.3	889	1,131
Total current assets		**5,587**	**4,480**
Total assets		**13,311**	**10,556**
EQUITY AND LIABILITIES			
Share capital	4.1	122	128
Share premium		-	1,229
Treasury shares		-4,152	-2,679
Reserves		1,023	729
Proposed dividend		1,511	1,088
Retained earnings		7,635	6,537
Total equity		**6,139**	**7,032**
Provisions	3.5	97	61
Loans and borrowings	4.3, 4.4	2,350	-
Deferred tax liabilities	2.5	394	430
Other payables		249	-
Total non-current liabilities		**3,090**	**491**
Provisions	3.5	971	678
Loans and borrowings	4.3, 4.4	257	10
Financial instruments	4.4, 4.5	214	268
Trade payables	4.4	1,329	804
Income tax payable		306	643
Other payables		1,005	630
Total current liabilities		**4,082**	**3,033**
Total liabilities		**7,172**	**3,524**
Total equity and liabilities		**13,311**	**10,556**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	Share capital	Share premium	Treasury shares	Translation reserve	Hedging reserve	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2015		128	1,229	-2,679	885	-156	1,088	6,537	7,032
Net profit for the year		-	-	-	-	-	-	3,674	3,674
Exchange rate adjustments of investments in subsidiaries		-	-	-	249	-	-	-	249
Fair value adjustment of hedging instruments		-	-	-	-	23	-	-	23
Tax on other comprehensive income	2.5	-	-	-	-	22	-	-	22
Other comprehensive income, net of tax		**-**	**-**	**-**	**249**	**45**	**-**	**-**	**294**
Total comprehensive income for the year		**-**	**-**	**-**	**249**	**45**	**-**	**3,674**	**3,968**
Transfers		-	-1,229	-	-	-	-	1,229	-
Share-based payments	2.4	-	-	266	-	-	-	-139	127
Purchase of treasury shares		-	-	-3,900	-	-	-	-	-3,900
Reduction of share capital		-6	-	2,161	-	-	-	-2,155	-
Dividend paid	4.2	-	-	-	-	-	-1,088	-	-1,088
Proposed dividend	4.2	-	-	-	-	-	1,511	-1,511	-
Equity at 31 December 2015		**122**	**-**	**-4,152**	**1,134**	**-111**	**1,511**	**7,635**	**6,139**
Equity at 1 January 2014		130	1,248	-738	348	-143	823	4,794	6,462
Net profit for the year		-	-	-	-	-	-	3,098	3,098
Exchange rate adjustments of investments in subsidiaries		-	-	-	537	-	-	-	537
Fair value adjustment of hedging instruments		-	-	-	-	-18	-	-	-18
Tax on other comprehensive income	2.5	-	-	-	-	5	-	-	5
Other comprehensive income, net of tax		**-**	**-**	**-**	**537**	**-13**	**-**	**-**	**524**
Total comprehensive income for the year		**-**	**-**	**-**	**537**	**-13**	**-**	**3,098**	**3,622**
Share-based payments	2.4	-	-	36	-	-	-	134	170
Purchase of treasury shares		-	-	-2,400	-	-	-	-2	-2,402
Reduction of share capital		-2	-19	423	-	-	-	-402	-
Dividend paid	4.2	-	-	-	-	-	-823	3	-820
Proposed dividend	4.2	-	-	-	-	-	1,088	-1,088	-
Equity at 31 December 2014		**128**	**1,229**	**-2,679**	**885**	**-156**	**1,088**	**6,537**	**7,032**

The “Share premium” is a distributable reserve under Danish regulation and has therefore been transferred to ’Retained earnings’ in 2015.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2015	2014
Profit before tax		5,345	3,872
Finance income	4.6	-84	-14
Finance costs	4.6	553	214
Depreciation, amortisation and impairment losses		400	222
Share-based payments	2.4	75	71
Change in inventories		-431	91
Change in receivables		-560	63
Change in payables and other liabilities		1,139	795
Other non-cash adjustments		-432	-208
Interest etc. received		3	7
Interest etc. paid		-104	-30
Income taxes paid		-2,520	-761
Cash flows from operating activities, net		**3,384**	**4,322**
Acquisition of subsidiaries and activities, net of cash acquired	5.1	-289	-174
Divestment of businesses	5.1	29	19
Purchase of intangible assets	3.1	-402	-164
Purchase of property, plant and equipment	3.2	-620	-291
Change in other non-current assets		-49	-45
Proceeds from sale of property, plant and equipment		35	23
Cash flows from investing activities, net		**-1,296**	**-632**
Dividend paid	4.2	-1,088	-820
Purchase of treasury shares	4.1	-3,900	-2,402
Proceeds from loans and borrowings		4,658	560
Repayment of loans and borrowings		-2,003	-597
Cash flows from financing activities, net		**-2,333**	**-3,259**
Net increase/decrease in cash		**-245**	**431**
Cash at 1 January		1,131	686
Exchange gains/losses on cash		3	14
Net increase/decrease in cash		-245	431
Cash at 31 December		**889**	**1,131**
Cash flows from operating activities, net		3,384	4,322
- Interest etc. received		-3	-7
- Interest etc. paid		104	30
Cash flows from investing activities, net		-1,296	-632
- Acquisition of subsidiaries and activities, net of cash acquired		289	174
- Divestment of businesses		-29	-19
Free cash flow		**2,449**	**3,868**
Unutilised credit facilities		3,089	3,677

The above cannot be derived directly from the income statement and the balance sheet.

§ Accounting policies

Cash flows from operating activities are presented using the indirect method.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction dates.

NOTES

The notes are grouped into five sections related to key figures. The notes contain the relevant financial information as well as a description of accounting policies applied for the topics of the individual notes.

NOTES

SECTION 1: BASIS OF REPORTING

This section introduces PANDORA's accounting policies and significant accounting estimates. A more detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the respective notes. The purpose is to provide transparency on the disclosed amounts and to describe the relevant accounting policy, significant estimates and numerical disclosure for each note.

1.1 BASIS OF REPORTING

PANDORA A/S is a public limited company with its registered office in Denmark.

The Annual Report for the period 1 January - 31 December 2015 comprises the consolidated financial statements of PANDORA A/S and its subsidiaries (the Group) as well as separate financial statements for the Parent Company, PANDORA A/S.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

The Annual Report has been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

The Annual Report is presented in Danish kroner and all amounts are rounded to the nearest million (DKK million), unless otherwise stated.

The accounting policies as described below and in the respective notes are unchanged from last year, except for the calculation of two key figures. "Cash conversion" is changed from "free cash flow / net profit" to "free cash flow before acquisitions / EBIT", and "total payout ratio" is changed from "dividends for the year and value of share buyback / net profit" to "dividends paid for the year plus value of share buyback / net profit". The financial highlights for 2011-2014 have been changed accordingly and the effect is presented in connection to the financial highlights.

§ Accounting policies

The overall accounting policies applied to the Annual Report as a whole are described below. The accounting policies related to specific line items are described in the notes to which they relate.

The description of accounting policies in the notes forms part of the overall description of PANDORA's accounting policies:

Revenue	note	2.1
Staff costs	note	2.3
Share-based payments	note	2.4
Income tax	note	2.5
Deferred tax	note	2.5
Intangible assets	note	3.1
Property, plant and equipment	note	3.2
Inventories	note	3.3
Trade receivables	note	3.4
Provisions	note	3.5
Dividend	note	4.2
Net interest-bearing debt	note	4.3
Financial instruments	note	4.5
Net financials	note	4.6
Business combinations	note	5.1

The consolidated financial statements

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which PANDORA obtains control, until the date that such control ceases. All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Foreign currency

The consolidated financial statements are presented in Danish kroner, DKK, which is also the functional currency of the Parent Company. Each subsidiary determines its own functional currency, and items recognised in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recognised in the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. All adjustments are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

NOTES

SECTION 1: BASIS OF REPORTING, CONTINUED

Group companies with another functional currency than DKK
The assets and liabilities of foreign subsidiaries are translated into DKK at the rate of exchange prevailing at the reporting date, and their income statements are translated at the exchange rates prevailing at the dates of the transactions.

Exchange rate adjustments arising on translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The consolidated income statement
The consolidated income statement is presented based on costs classified by function. Cost of sales comprises direct and indirect expenses incurred to generate revenue for the year, comprising raw materials, consumables, production staff, depreciation, amortisation and impairment losses of production equipment.

Sales, distribution and marketing expenses comprise expenses related to the distribution of goods sold and sales campaigns, including packaging materials, brochures, wages and salaries and other expenses related to sales and distribution staff and depreciation, amortisation and impairment losses of distribution equipment.

Administrative expenses comprise expenses incurred in the year to manage PANDORA, including expenses related to administrative staff and depreciation, amortisation and impairment losses of assets used in the administration.

The allocation of amortisation and impairment losses from intangible assets is presented in note 3.1.

Implementation of new or amended standards and interpretations
PANDORA has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2015.

The implementation of these new or amended standards has not had any material impact on PANDORA's Annual Report in 2015.

Standards issued, but not yet effective
The IASB has issued a number of new IFRS standards, amended standards, revised standards and interpretations, which are effective for financial years beginning on or after 1 January 2016, most significantly:

IFRS 9 'Financial Instruments', with expected effective date 1 January 2018 (currently awaiting EU adoption). The standard is part of the IASB's project to replace IAS 39, and the new standard will change the classification and measurement of financial instruments and hedging requirements. PANDORA has assessed the expected impact of the standard and determined that it will not have any significant impact on the consolidated financial statements. The expected impact on the Parent Company financial statements is described in the basis of reporting hereof.

IFRS 15 'Revenue from Contracts with Customers', with effective date 1 January 2018. The standard is part of the IASB's convergence project to replace IAS 18. The new standard will establish a single framework for the treatment of revenue. PANDORA has assessed the expected impact of the standard and determined that it will not have any significant impact on the Annual Report.

IFRS 16 'Leases' was released in January 2016 and is expected to be effective 1 January 2019 (awaiting EU adoption). The standard requires recognition of all operational leasing contracts as basis. PANDORA has assessed the expected impact from the standard and determined that it will only have a significant impact on the consolidated financial statements. The expected impact on total asset is potentially equal to the minimum lease commitments from the operating leases (DKK 2,434 million at 31 December 2015), just as EBITDA is improved by the amount of the annual operational lease costs (DKK 540 million in 2016) as disclosed in note 3.2 No significant impact on the result before tax is expected.

All other new or amended standards and interpretations not yet effective are not expected to have any material impact on PANDORA's Annual Report.

NOTES

SECTION 1: BASIS OF REPORTING, CONTINUED

! Significant accounting estimates
In preparing the consolidated financial statements, Management makes various accounting estimates and assumptions which form the basis of the presentation, recognition and measurement of PANDORA's assets and liabilities.

Determining the carrying amounts of some assets and liabilities requires estimates and assumptions concerning future events. Estimates and assumptions are based on historical experience and other factors, which Management assesses to be reasonable, but which by their nature involve uncertainty and unpredictability. These assumptions may have to be revised, and unexpected events or circumstances may occur.

PANDORA is subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Specific risks for PANDORA are discussed in the relevant sections of the Management's review and in the notes.

Management regards estimates related to tax, sales return provisions and litigations as key estimates.

Taxation	note	2.5
Provisions	note	3.5
Litigation	note	5.2

SECTION 2
RESULTS FOR THE YEAR

This section comprises notes related to the results for the year, including operating segment disclosures, and provides additional information related to two of PANDORA's key targets: Revenue and EBITDA.

In 2015, Group revenue was DKK 16,737 million compared with DKK 11,942 million in 2014. The continued growth in revenue across all regions was driven by a strong network roll-out strategy and consistent, high like-for-like growth in all regions, supported by successful new product launches.

A detailed description of the results for the year is given in the Financial review section of the Management´s review.

REVENUE GROWTH
40.2%

GROSS MARGIN
72.9%

EFFECTIVE TAX RATE
31.3%

NUMBER OF CONCEPT STORES
1,802

RINGS SHARE OF REVENUE
12.3%

EBITDA
6,214
DKK million

EBITDA BY REGION
(DKK million)

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.1 REVENUE

Revenue by product category[1]

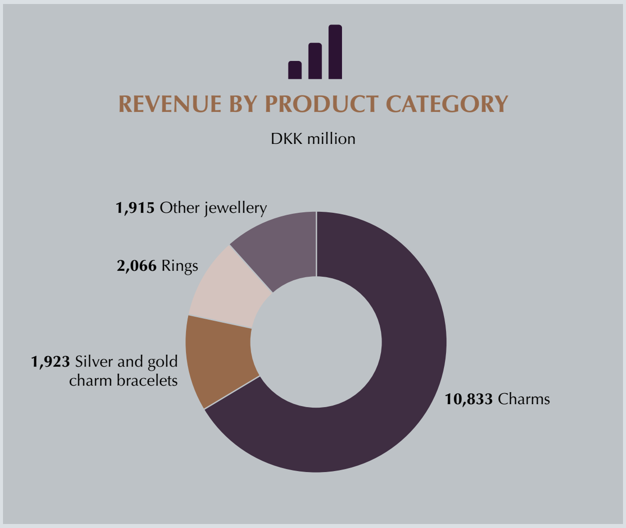
DKK million	2015	2014
Charms	10,833	7,933
Silver and gold charm bracelets	1,923	1,427
Rings	2,066	1,192
Other jewellery	1,915	1,390
Total revenue	**16,737**	**11,942**

[1] Figures include franchise fees of DKK 138 million (2014: DKK 146 million), which are allocated to the product categories.

§ Accounting policies

Revenue is recognised to the extent that it is probable that economic benefits will flow to PANDORA, the revenue can be reliably measured and when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes and duties.

Provisions for rebates and discounts granted to wholesalers and franchisees are recognised as a reduction of revenue, whereas the effect of expected returns is recorded as a reduction of gross profit, i.e. revenue and cost of sales. The provisions are measured on the basis of the terms in the specific agreements and historical experience.



NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.2 SEGMENT INFORMATION

PANDORA's activities are segmented on the basis of geographical areas in accordance with the management reporting structure.

In determining reporting segments, a number of segments have been aggregated. All segments derive their revenue from the types of products shown in the product information in note 2.1.

The Group operates with two performance measures with EBITDA as the primary performance measure and EBIT as the secondary performance measure.

Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as EBITDA, corresponding to "operating profit" in the consolidated financial statements before depreciation, amortisation and impairment losses in respect of non-current assets.

EBIT as a performance measure is only measured at Group level.

Income statement

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
2015					
External revenue	**6,537**	**7,548**	**2,652**	**-**	**16,737**
Segment profit (EBITDA)	**2,704**	**3,422**	**1,236**	**-1,148**	**6,214**
Depreciation, amortisation and impairment losses					-400
Consolidated operating profit (EBIT)					**5,814**
2014					
External revenue	**4,959**	**5,304**	**1,679**	**-**	**11,942**
Segment profit (EBITDA)	**2,053**	**2,298**	**831**	**-888**	**4,294**
Depreciation, amortisation and impairment losses					-222
Consolidated operating profit (EBIT)					**4,072**

Unallocated costs mainly comprise costs at the headquarters in Denmark and administrative expenses at the crafting facilities in Thailand.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.2 SEGMENT INFORMATION, CONTINUED

Geographic information, revenue

DKK million	**2015**	**2014**
US	4,893	3,629
Other Americas	1,644	1,330
Americas	**6,537**	**4,959**
UK	2,487	1,654
Denmark	63	48
Other Europe	4,998	3,602
Europe	**7,548**	**5,304**
Asia Pacific	**2,652**	**1,679**
Total revenue	**16,737**	**11,942**

Geographic information, intangible assets

DKK million	**2015**	**2014**
US	1,486	1,411
Other Americas	39	45
Americas	**1,525**	**1,456**
Germany	767	619
Denmark	1,968	1,869
Other Europe	195	72
Europe	**2,930**	**2,560**
Australia	309	314
Thailand	536	494
Other Asia Pacific	149	35
Asia Pacific	**994**	**843**
Total intangible assets	**5,449**	**4,859**
Property, plant and equipment[1]	1,237	711
Deferred tax assets	879	407
Other non-current financial assets	159	99
Current assets	5,587	4,480
Total consolidated assets	**13,311**	**10,556**

[1] The crafting facilities in Thailand accounted for DKK 547 million (2014: DKK 340 million), corresponding to 44.2% of property, plant and equipment (2014: 47.8%).

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.3 STAFF COSTS

DKK million	**2015**	**2014**
Wages and salaries	2,345	1,499
Pensions	102	78
Share-based payments	75	71
Social security costs	79	64
Other staff costs	319	205
Total staff costs	**2,920**	**1,917**
Staff costs have been recognised in the consolidated income statement:		
Cost of sales	731	365
Sales, distribution and marketing expenses	1,471	947
Administrative expenses	718	605
Total staff costs	**2,920**	**1,917**
Average number of employees during the year	13,971	9,957

The Group's pension plans are primarily defined contribution plans. PANDORA has defined benefit plans relating to employees in Thailand and Italy. The defined benefit plans are recognised at the present value of the actuarially measured obligations. In 2015, these obligations amounted to DKK 27 million (2014: DKK 20 million). The increased obligation is primarily due to more employees.

	2015				**2014**
DKK million	**Base salary**	**Bonus**	**Shares**	**Total**	**Total**
Anders Colding Friis[1]	7.0	10.1	1.6	18.7	-
Peter Vekslund[2]	3.1	3.0	1.1	7.2	-
Allan Leighton[3]	4.3	4.0	4.3	12.6	20.7
Henrik Holmark[2]	-	-	-	-	12.0
Total compensation of Executive Board	**14.4**	**17.1**	**7.0**	**38.5**	**32.7**

DKK million	**2015**	**2014**
Peder Tuborgh, Chairman[4]	1.5	0.3
Marcello Bottoli, former Chairman[4]	-	1.2
Christian Frigast, Deputy Chairman	0.9	0.9
Allan Leighton, Deputy Chairman	0.7	-
Torben Ballegaard Sørensen	0.1	0.6
Andrea Alvey	0.6	0.6
Nikolaj Vejlsgaard	0.1	0.6
Ronica Wang	0.6	0.6
Bjørn Gulden	0.6	0.6
Anders Boyer-Søgaard	0.7	0.7
Per Bank	0.6	0.5
Michael Hauge Sørensen	0.6	0.5
Total compensation of Board of Directors	**7.0**	**7.1**

[1] Anders Colding Friis succeeded Allan Leighton as CEO on 1 March 2015.
[2] Peter Vekslund succeeded Henrik Holmark as CFO on 1 January 2015.
[3] Allan Leighton stepped down from his role as CEO in March 2015. As part of his severance agreement, compensation of DKK 34.3 million in the notice period through to end-2016 was recognised in addition to the above amount for 2014. The compensation comprises base salary of DKK 10.2 million, bonus of DKK 12.0 million and share-based payments of DKK 12.1 million.
[4] Peder Tuborgh succeeded Marcello Bottoli as Chairman of the Board on 9 October 2014.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.3 STAFF COSTS, CONTINUED

§ Accounting policies

Wages and salaries, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognised in the financial year in which services are rendered by employees of PANDORA. Whenever PANDORA provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

Termination benefits are recognised at the time an agreement between PANDORA and the employee is made and no future service is provided by the employee in exchange for the benefits.

2.4 SHARE-BASED PAYMENTS

The decision to grant share options is made by the Board of Directors in accordance with general guidelines on incentive payments for PANDORA. Share options have been granted to members of the Executive Board and other key employees in PANDORA.

	Executive Board	Other key employees	Total	Average exercise price per option, DKK
Share options outstanding at 1 January 2015	210,278	1,172,522	1,382,800	1.10
Share options granted during the year	32,061	139,617	171,678	5.00
Share options exercised during the year	-48,077 [1]	-670,088	-718,165	0.52
Share options lapsed during the year	-	-12,746	-12,746	3.19
Share options outstanding at 31 December 2015	**194,262**	**629,305**	**823,567**	**2.34**
Share options outstanding at 1 January 2014	263,495	1,248,090	1,511,585	0.93
Share options granted during the year	40,452	187,103	227,555	2.99
Share options exercised during the year	-68,014	-102,770	-170,784	1.47
Share options lapsed during the year	-25,655	-159,901	-185,556	1.71
Share options outstanding at 31 December 2014	**210,278**	**1,172,522**	**1,382,800**	**1.10**

[1] Former CDO Steen Daugaard was granted the right to exercise his share options in 2015 according to severance agreement.

The total cost of share-based payments was DKK 75 million (2014: DKK 71 million). The cost of share-based payments is included in staff costs. In the remaining vesting periods, an amount of DKK 86 million (2014: DKK 62 million) is expected to be recognised in respect of the current share option programmes.

For options exercised in 2015, the average share price was DKK 485.8 at the time of vesting.

Granted in 2015

In 2015, PANDORA granted a total of 171,678 share options. The market value at the grant date was DKK 105

Share options outstanding have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2015	Share options 31 December 2014
May 2012	2015	0.52	-	670,926
May 2012	2017	0.52	76,816	124,893
February 2013	2016	1.25	312,732	318,063
February 2013	2018	1.25	54,070	54,070
February 2014	2017	2.99	183,859	183,534
February 2014	2019	2.99	31,314	31,314
March 2015	2018	5.00	132,715	-
March 2015	2020	5.00	32,061	-
Total number of shares outstanding			**823,567**	**1,382,800**

Weighted average remaining contractual life of share options outstanding at the end of the period was 2.0 years (2014: 2.1 years).

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.4 SHARE-BASED PAYMENTS, CONTINUED

million. The value of the programmes is recognised over the vesting period based on the likelihood that targets for Group revenue and EBITDA for 2017 will be reached and that the share options will vest. Two programmes have been released. One is for the Executive Board comprising 32,061 share options with a five-year vesting period, while the other programme is for other key employees comprising 139,617 share options and with a three-year vesting period. The financial targets are the same in the two programmes.

Granted in 2014

In 2014, PANDORA granted a total of 227,555 share options. The market value at the grant date was DKK 78 million. The value of the programmes is recognised over the vesting period based on the likelihood that targets for Group revenue and EBITDA for 2016 will be reached and that the share options will vest. Like the 2015 programmes, the 2014 programmes have been split into a programme for the Executive Board comprising 40,452 share options with a five-year vesting period and a three-year programme for other key employees comprising 187,103 share options.

Granted in 2013

In 2013, PANDORA granted a total of 540,523 share options in three different share-based programmes. The first programme comprises 103,295 share options with a vesting period of only one year and a market value at the grant date of DKK 14 million. The programme vested in 2014. The second share-based programme is for the Executive Board and comprises 84,441 share options with a vesting period of five years. The last programme, for other key employees, comprises 352,787 share options with a three-year vesting period. The financial targets are the same for the second and third programmes and are based on Group revenue and EBITDA for 2015. Both targets were reached and the three-year programme will vest in 2016. The recognised value for the last two programmes was DKK 64 million at grant date.

Granted in 2012

In 2012, PANDORA granted 1,009,977 share options in two programmes. One programme, for the Executive Board, comprises 154,808 share options with a vesting period of five years. The second programme comprises 855,169 share options for other key employees and has a vesting period of three years. The three-year programme reached the targets in 2014 and 718,161 share options vested in 2015.

Number of shares in PANDORA A/S

	2014	Changes during the year	Purchase of shares	Sale of shares	2015	Market value[1] DKK million
Executive Board						
Anders Colding Friis	-	13,820	-	-	13,820	12.1
Peter Vekslund	-	-	3,027	-	3,027	2.6
Allan Leighton	12,380	-12,380	-	-	-	-
Total number of shares	**12,380**	**1,440**	**3,027**	**-**	**16,847**	**14.7**
Board of Directors						
Peder Tuborgh, Chairman	-	-	2,630	-	2,630	2.3
Christian Frigast, Deputy Chairman	46,000	-	-	-	46,000	40.1
Allan Leighton, Deputy Chairman	-	12,380	-	-	12,380	10.8
Torben Ballegaard Sørensen	1,674	-1,674	-	-	-	-
Bjørn Gulden	10,014	-	-	-	10,014	8.7
Andrea Alvey	6,107	-			6,107	5.3
Nikolaj Vejlsgaard	32,380	-32,380	-	-	-	-
Ronica Wang	4,070	-	-	-	4,070	3.6
Michael Hauge Sørensen	600	-	-	-	600	0.5
Anders Boyer-Søgaard	4,121	-	-	-	4,121	3.6
Per Bank	-	-	1,923	-	1,923	1.7
Total number of shares	**104,966**	**-21,674**	**4,553**	**-**	**87,845**	**76.6**

[1] Calculation of the market value is based on the quoted share price of DKK 872 at the end of the year.

2.4 SHARE-BASED PAYMENTS, CONTINUED

PANDORA has established a share plan for the members of the Board of Directors whereby the Chairman and the other members of the Board are each required to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation. The members of the Board of Directors must hold the shares for as long as they are members of the Board of Directors of PANDORA.

§ Accounting policies

Key employees of PANDORA receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The calculated fair values are based on the Black-Scholes model for measuring share options. The cost of equity-settled transactions is recognised as staff costs together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Management's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or income for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

Assumptions

Given that the exercise price for one option equals 1% of the market price of one share at grant date, the fair value of one option almost equals the market value of one share at grant date. The assumptions listed below therefore have a very limited impact on the estimated fair value of options granted.

Year of grant	Exercise price	Expected volatility	Risk-free interest rate	Dividend per share
2015 5-year	5.00	33%	-0.22%	9.00
2015 3-year	5.00	33%	0.02%	9.00
2014 3-year[1]	2.99	46%	0.47%	6.50
2013 3-year[1]	1.25	48%	0.16%	5.50

[1] As the effect of recalculating the 5-year programmes is immaterial, new values have not been calculated for share options allocated for 5-year programmes regarding previous years.

For the above programmes, volatility is based on the historical volatility of the PANDORA share in the preceding two years.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.5 TAXATION

Income tax expense

DKK million	2015	2014
Current income tax charge	1,305	786
Adjustment concerning previous years[1]	486	35
Impact of change in tax rates	-5	17
Change in deferred tax	-115	-64
Total income tax expense	**1,671**	**774**
Tax reconciliation		
Profit before tax	5,345	3,872
Corporate tax rate in Denmark, 23.5% (2014: 24.5%)	1,256	949
Tax effect of:		
Deviations in foreign subsidiaries' tax rates compared to tax rate applicable for the Parent Company	34	18
Impact of change in tax rates	-5	17
Non-taxable income and non-deductible expenses	-80	-243
Adjustment concerning previous years	486	35
Adjustments of deferred tax assets, net	-20	-2
Total income tax expense	**1,671**	**774**
Effective income tax rate	31.3%	20.0%

Deferred tax

DKK million	2015	2014
Deferred tax at 1 January	-23	-195
Exchange rate adjustments	11	21
Change in deferred tax - recognised in income statement	411	64
Change in deferred tax - recognised in statement of comprehensive income, hedging instruments	22	5
Change in deferred tax - recognised in statement of changes in equity, share-based payments	59	99
Impact of change in tax rates	5	-17
Deferred tax at 31 December	**485**	**-23**
Deferred tax assets	879	407
Deferred tax liabilities	-394	-430
Deferred tax, net	**485**	**-23**
Specification of deferred tax		
Intangible assets	-615	-527
Property, plant and equipment	31	206
Current assets	570	105
Non-current assets and liabilities	491	193
Tax loss carry-forwards	8	-
Deferred tax, net	**485**	**-23**
Unrecognised share of tax loss carry-forwards	53	79
Latent tax liability on undistributed dividends[2]	244	277

[1] The adjustment concerning previous years amounting to DKK 486 million comprises the tax expense recognised in 2015 from the settlement made in May 2015 with the Danish tax authorities amounting to DKK 364 million.

[2] The latent tax liability on undistributed dividends relates to a 10% withholding tax on dividends, which will be payable if retained earnings earned before 1 September 2012 are distributed as dividends from PANDORA Production Co. Ltd. to PANDORA A/S. At present, Management does not intend to distribute this dividend.

2.5 TAXATION, CONTINUED

§ Accounting policies

Income tax

PANDORA A/S is taxed jointly with its Danish subsidiaries. These subsidiaries are included in the joint taxation from the date they are recognised in the consolidated financial statements and up to the date on which they are no longer consolidated. Current tax assets and liabilities for current and prior periods are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted, by the reporting date, in the countries where PANDORA operates and generates taxable income.

Deferred tax

Deferred tax is provided using the balance-sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available. Deductible temporary differences, carry-forwards of unused tax credits and unused tax losses can be offset against taxable profit except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. With respect to deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which they can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year the asset is realised or the liability settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive income or directly in equity. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same tax authority.

! Significant accounting estimates

PANDORA is subject to income tax in the countries in which the Group operates, comprising various tax rates worldwide. Significant judgements are required in determining the accrual for income taxes, deferred tax assets and liabilities, and provision for uncertain tax positions.

Changes in the profit allocation within entities could therefore have a significant impact on the Group's consolidated tax expense. For instance, the corporate tax rate in Denmark is 23.5% (will be reduced to 22% in 2016) while, in Thailand, PANDORA is subject to Board of Investment agreements (BOIs), which significantly reduces Thailand income taxes.

Under the Thailand BOIs, many types of net income are tax exempt, while other types of income are subject to 20% tax. The classification of different types of income and expenses therefore determines the applicable tax rate.

As part of PANDORA conducting business globally, disputes with tax authorities may occur. Any unsettled disputes with local tax authorities are recognised as tax provisions based on an assessment of the most likely outcome. However, the actual obligation may deviate from this and is dependent on the result of litigations and settlements with the tax authorities.

SECTION 3

INVESTED CAPITAL AND WORKING CAPITAL ITEMS

The notes in this section describe the assets that form the basis for the activities of PANDORA and the related liabilities.

Approximately 66% of invested capital is made up of intangible assets, the value of which remains unchanged as both the PANDORA brand and free cash flow continue to grow.

Additions to invested capital in 2015 included acquisitions described in note 5.1 for a total consideration of DKK 525 million.

Operating working capital at the end of 2015 was 14.3% of revenue, compared with 16.7% at the end of 2014.

Financial risks are described in note 4.4.

CAPEX

1,109
DKK million

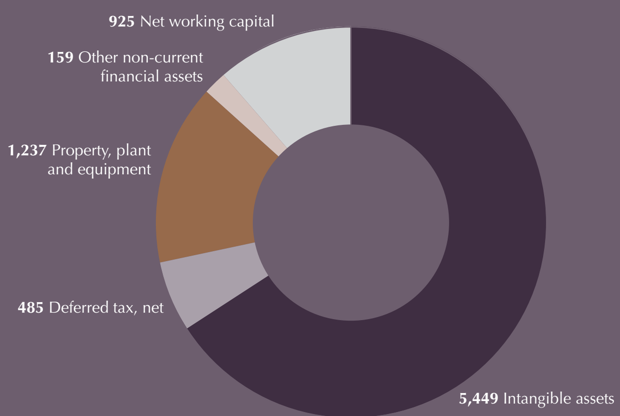
INVESTED CAPITAL

8,255
DKK million

OPERATING WORKING CAPITAL / REVENUE

14.3%

INVESTED CAPITAL



Invested capital

DKK million	Notes	**2015**	**2014**
Intangible assets	3.1	5,449	4,859
Property, plant and equipment	3.2	1,237	711
Other non-current financial assets		159	99
Net working capital		925	434
Deferred tax, net	2.5	485	-23
Invested capital		**8,255**	**6,080**

Working capital

DKK million	Notes	**2015**	**2014**
Inventories	3.3	2,357	1,684
Trade receivables	3.4	1,360	1,110
Trade payables		-1,329	-804
Operating working capital		**2,388**	**1,990**
Other receivables		803	404
Provisions	3.5	-1,068	-739
Net tax payable		-193	-591
Other payables		-1,005	-630
Net working capital		**925**	**434**

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.1 INTANGIBLE ASSETS

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
Cost at 1 January 2015	2,080	1,053	478	1,363	596	5,570
Acquisition of subsidiaries and activities	281	-	-	69	-	350
Disposal of subsidiaries and activities	-9	-	-	-	-	-9
Additions	-	4	-	-	399	403
Disposals	-3	-	-	-	-30	-33
Reclassifications	-	-	-23	-	23	-
Exchange rate adjustments	75	-	-	-	-	75
Cost at 31 December 2015	**2,424**	**1,057**	**455**	**1,432**	**988**	**6,356**
Amortisation and impairment losses at 1 January 2015	-	-	210	316	185	711
Amortisation for the year	-	-	32	47	120	199
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-3	-	3	-
Exchange rate adjustments	-	-	-	-	-3	-3
Amortisation and impairment losses at 31 December 2015	**-**	**-**	**239**	**363**	**305**	**907**
Carrying amount at 31 December 2015	**2,424**	**1,057**	**216**	**1,069**	**683**	**5,449**
Cost at 1 January 2014	1,904	1,053	478	1,358	433	5,226
Acquisition of subsidiaries and activities	93	-	-	-	1	94
Disposal of subsidiaries and activities	-6	-	-	-	-	-6
Additions	-	-	-	5	159	164
Disposals	-	-	-	-	-22	-22
Exchange rate adjustments	89	-	-	-	25	114
Cost at 31 December 2014	**2,080**	**1,053**	**478**	**1,363**	**596**	**5,570**
Amortisation and impairment losses at 1 January 2014	-	-	178	316	115	609
Amortisation for the year	-	-	32	-	68	100
Disposals	-	-	-	-	-1	-1
Exchange rate adjustments	-	-	-	-	3	3
Amortisation and impairment losses at 31 December 2014	**-**	**-**	**210**	**316**	**185**	**711**
Carrying amount at 31 December 2014	**2,080**	**1,053**	**268**	**1,047**	**411**	**4,859**

The majority of the intangible assets have been acquired through business combinations. There were no impairment losses in 2015 or 2014.

DKK million	2015	2014
Amortisation and impairment losses have been recognised in the income statement as follows:		
Cost of sales	11	10
Sales, distribution and marketing expenses	141	45
Administrative expenses	47	45
Total	**199**	**100**

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.1 INTANGIBLE ASSETS, CONTINUED

Carrying amounts of recognised goodwill:

DKK million	2015	2014
PANDORA core business[1]	790	751
PANDORA Jewelry America ApS, the American distributor	291	261
AD Astra Holdings Pty Ltd., the Australian distributor	306	307
PANDORA Jewelry Central Western Europe A/S, the German distributor	605	602
Other distributors	432	159
Total	**2,424**	**2,080**

[1] PANDORA's acquisition of all of the voting shares in PANDORA Production Co. Ltd., Populair A/S and Pilisar ApS. The companies comprise the Thai crafting facilities and the Danish headquarters.

Goodwill

Goodwill was mainly acquired in connection with the acquisitions of PANDORA Jewelry A/S, PANDORA Jewelry America ApS (subsequently merged with PANDORA A/S), PANDORA Production Co. Ltd. and Pilisar ApS on 7 March 2008, AD Astra Holdings Pty Ltd. in July 2009, PANDORA Jewelry Central Western Europe A/S in 2010, and concept stores acquired from US jeweller Hannoush in 2014. Additions in 2015 relate to acquisitions of companies and activities. Note 5.1 includes an overview of the acquired goodwill.

Brand

The brand 'PANDORA' is the only brand of the Group that is capitalised in the financial statements. It comprises a group of complementary intangible assets relating to the brand, domain name, products, image and customer experience related to products sold under the PANDORA brand. The brand was acquired as part of the PANDORA core business in 2008.

Distribution network

The distribution network covers PANDORA's relations with its distributors. The main part of the distribution network was acquired with the PANDORA core business in 2008.

Distribution rights

Distribution rights are mainly related to the distribution rights for PANDORA products in North America. They were acquired with the American distributor in 2008 and the carrying amount was DKK 1,034 million at 31 December 2015 (2014: DKK 1,034 million).

Other intangible assets

Other intangible assets mainly comprise software and key money.

§ Accounting policies

All intangible assets are tested for impairment at least annually.

Goodwill

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets, liabilities and contingent liabilities. Goodwill comprises future growth expectations, buyer-specific synergies, the workforce in place and know-how. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, and impairment losses charged in previous years are not reversed.

Brand

Brand is measured based on the "Relief from Royalty" method, which is considered to have an indefinite useful life.

Distribution network

The distribution network is initially recognised at fair value based on an estimation of the costs the entity avoids by owning the intangible assets and not needing to rebuild the network (the cost approach). The distribution network is amortised over an expected useful life of 15 years.

3.1 INTANGIBLE ASSETS, CONTINUED

Distribution rights
The distribution rights for PANDORA products in the North American market are measured based on a residual model, since the distribution agreement underlying the distribution rights is non-terminable. Consequently, the distribution rights are considered to have an indefinite useful life.

Other acquired distribution rights are measured based on the "Multi-period Excess Earnings" model and amortised over their expected useful lives.

Other intangible assets
Software is measured at cost and amortised over three years. Key money is measured at cost and amortised over the term of the contract. Contracts that are considered to have an indefinite term are not amortised, but are tested for impairment.

Impairment
At each reporting date, PANDORA assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing of an asset is required, PANDORA estimates the recoverable amount of the asset.

The most significant factors when assessing the potential need for write-downs are:
- decreasing revenue
- decreasing brand value
- changes to the product mix

The indicators above should be viewed in the context of PANDORA´s relatively high margins and low asset base.

The recoverable amount of an asset is the higher of the fair value of the asset or cash-generating unit (CGU) less costs to sell and its value in use. The recoverable amount is determined for the smallest group of assets that are independent from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of

Allocation of intangible assets to CGUs

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
2015						
North America	652	-	-	1,034	41	1,727
South America	22	-	-	-	17	39
Western Europe	117	-	-	-	59	176
Central Western Europe	712	-	1	13	161	887
Central Eastern Europe	57	-	-	-	8	65
Pacific	490	-	-	-	3	493
Asia	117	-	-	22	3	142
Distributors & travel retail	218	-	-	-	3	221
Group	39	1,057	215	-	388	1,699
Total	**2,424**	**1,057**	**216**	**1,069**	**683**	**5,449**
2014						
North America	576	-	-	1,034	30	1,640
South America	29	-	-	-	16	45
Western Europe	43	-	-	-	-	43
Central Western Europe	705	-	-	13	16	734
Central Eastern Europe	-	-	-	-	-	-
Pacific	482	-	-	-	6	488
Asia	-	-	-	-	-	-
Distributors & travel retail	207	-	-	-	13	220
Group	38	1,053	268	-	330	1,689
Total	**2,080**	**1,053**	**268**	**1,047**	**411**	**4,859**

3.1 INTANGIBLE ASSETS, CONTINUED

the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Goodwill and distribution rights are allocated to nine CGUs. The recoverable amount is based on a calculation of the value in use using cash flow estimates based on budgets and expectations for the next three years. The long-term growth rate in the terminal period has been set so that it equals the expected long-term rate of inflation.

The brand is applied and supported globally in all of the Group's entities. The brand is maintained and preserved through common strategy and product development at Group level and marketing in the individual sales entities. The brand is consequently tested for impairment at Group level. The calculations of the recoverable amounts of CGUs or groups of CGUs are based on the following key assumptions:

Discount rates reflect the current market assessment of the risks specific to each CGU. The Group discount rates have been estimated based on a weighted average cost of capital for the industry. The rates have further been adjusted to reflect the market assessment of any risk specific to each CGU.

The EBIT figures used in the impairment test are based on the budget for next year, prepared and approved by Management, and the expectations for the two subsequent years.

The EBIT margin in the budget of the individual CGU is based on historical experience and expectations concerning:

- revenue growth taking into account development in network (store openings, retail/wholesale share), product mix and market share
- cost of sales based on raw materials consumption effected by mix of materials (stones, gold, silver and salaries) and average lagged hedge commodity prices at the time the budget is prepared
- development in operating expenses
- currency rates are based on actual rates at the time the budget is prepared.

Net working capital in the budget for next year, relative to the revenue of the individual CGUs, is based on historical experience and is maintained for the remainder of the expected lives. The working capital is thus increased on a linear basis as the level of activity increases.

The impairment tests did not show any need for impairment losses to be recognised. Based on sensitivity analyses, it is Management's opinion that no probable change in any key assumptions would cause the carrying amount of the CGUs or groups of CGUs to exceed the recoverable amount.

Discount rates and growth rates in terminal period

	North America	South America	Western Europe	Central Western Europe	Central Eastern Europe	Pacific	Asia	Distributors & travel retail	Group
2015									
Discount rate before tax	11.4%	55.5%	9.6%	10.1%	13.0%	11.5%	10.0%	10.4%	11.3%
Growth rate in the terminal period	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2014									
Discount rate before tax	12.2%	-	10.8%	14.9%	-	14.1%	-	11.8%	12.1%
Growth rate in the terminal period	2.0%	-	2.0%	2.0%	-	2.0%	-	2.0%	2.0%

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.2 PROPERTY, PLANT AND EQUIPMENT

DKK million	Land and buildings	Plant and equipment	Assets under construction	Total
Cost at 1 January 2015	342	686	78	1,106
Acquisition of subsidiaries and activities	-	23	-	23
Additions	69	353	284	706
Disposals	-5	-36	-3	-44
Transfers	9	233	-242	-
Exchange rate adjustments	5	7	7	19
Cost at 31 December 2015	**420**	**1,266**	**124**	**1,810**
Depreciation and impairment losses at 1 January 2015	81	314	-	395
Depreciation for the year	16	185	-	201
Disposals	-2	-28	-	-30
Exchange rate adjustments	1	6	-	7
Depreciation and impairment losses at 31 December 2015	**96**	**477**	**-**	**573**
Carrying amount at 31 December 2015	**324**	**789**	**124**	**1,237**
Cost at 1 January 2014	280	478	21	779
Acquisition of subsidiaries and activities	-	9	-	9
Disposal of subsidiaries and activities	-	-1	-	-1
Additions	8	207	82	297
Disposals	-1	-57	-	-58
Transfers	15	12	-27	-
Exchange rate adjustments	40	38	2	80
Cost at 31 December 2014	**342**	**686**	**78**	**1,106**
Depreciation and impairment losses at 1 January 2014	51	231	-	282
Depreciation for the year	19	103	-	122
Disposals	-	-43	-	-43
Exchange rate adjustments	11	23	-	34
Depreciation and impairment losses at 31 December 2014	**81**	**314**	**-**	**395**
Carrying amount at 31 December 2014	**261**	**372**	**78**	**711**

There were no impairment losses in 2015 or 2014.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.2 PROPERTY, PLANT AND EQUIPMENT, CONTINUED

Operating leases

DKK million	Land and buildings	Plant and equipment	Total
Future minimum lease payments on existing contracts at 31 December			
Within 1 year	513	27	540
Between 1- 5 years	1,258	19	1,277
After 5 years	617	-	617
Total 2015	**2,388**	**46**	**2,434**
Within 1 year	303	23	326
Between 1- 5 years	826	27	853
After 5 years	371	1	372
Total 2014	**1,500**	**51**	**1,551**

PANDORA has a large number of individually insignificant leases. The leases are mainly for stores, offices, office equipment etc. The increase in commitments in 2015 is mainly related to new owned and operated concept stores, including the stores acquired in Germany, and the lease for the new headquarters in Denmark with expected occupancy from mid-2016.

§ Accounting policies

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Leases

Leasing agreements in which a substantial portion of the risks and benefits of ownership are transferred to PANDORA are classified as finance leases. All other leasing agreements are classified as operating leases.

Assets held under finance leases are reported as non-current assets and future minimum payments are reported as liabilities in the balance sheet. PANDORA had no finance leases at the reporting date.

Minimum lease payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Contingent (sales-based) rents are recognised in the same period as the corresponding sales.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.3 INVENTORIES

DKK million	**2015**	**2014**
Raw materials and consumables	469	412
Work in progress	104	71
Finished goods	1,582	1,054
Point-of-sale materials	202	147
Total inventories at 31 December	**2,357**	**1,684**
Inventory write-downs at 1 January	246	300
Write-downs during the year	230	227
Utilised in the year	-185	-264
Reversal of write-downs in the year	-22	-17
Inventory write-downs at 31 December	**269**	**246**

Write-downs of inventories are recognised in cost of sales, DKK 135 million (2014: DKK 130 million), and distribution expenses DKK 73 million (2014: DKK 80 million).

Remelt costs

Remelting of goods (realised and unrealised) has had a negative impact on gross profit of DKK 104 million (2014: DKK 136 million).

§ Accounting policies

Inventories are valued at the lower of cost and net realisable value. Costs are accounted for on a first-in, first-out basis (FIFO). Besides costs for purchases, costs also include labour and a proportion of production overheads based on normal operating capacity, but excluding borrowing costs.

Point-of-sale materials comprise purchase costs regarding equipment, displays and packaging materials etc. and are also accounted for on a FIFO basis.

Net realisable value

Net realisable value is based on the estimated selling price less estimated costs of completion and distribution. Alternatively, the expected remelt value on the reusable raw materials (primarily silver and gold) measured at the market prices for silver and gold at the reporting date is used as base if the inventories are not expected to be sold.

Capitalised production overheads

Capitalised production overheads are calculated using a standard cost method, which is reviewed regularly to ensure relevant assumptions concerning capacity utilisation, lead times and other relevant factors.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.4 TRADE RECEIVABLES

DKK million	2015	2014
Analysis of trade receivables that were past due at 31 December		
Up to 30 days	193	177
Between 30 and 60 days	85	34
Between 60 and 90 days	47	26
Over 90 days	2	1
Total past due	**327**	**238**
Not past due	1,033	872
Total trade receivables at 31 December	**1,360**	**1,110**
Analysis of movements in bad debt write-downs		
Write-downs at 1 January	23	33
Additions	10	6
Utilised	-5	-6
Unused amounts reversed	-5	-9
Exchange rate adjustments	1	-1
Write-downs at 31 December	**24**	**23**

PANDORA has historically not suffered any significant bad debt losses.

§ Accounting policies

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest rate method, less impairment. Any losses arising from write-down are recognised in the income statement as sales expenses.

A write-down for bad or doubtful debts is made if there is any indication of write-down of a receivable or a portfolio of receivables. The write-down is calculated as the difference between the carrying amount and the present value of estimated future cash flows associated with the receivable. The discount rate used is the effective interest rate for the individual receivable or portfolio of receivables.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.5 PROVISIONS

DKK million	Sales return and warranty provisions	Other	Total
Provisions at 1 January 2015	670	69	739
Made in the year	936	108	1,044
Utilised in the year	-702	-6	-708
Unused provisions reversed	-48	-10	-58
Exchange rate adjustments	46	5	51
Provisions at 31 December 2015	**902**	**166**	**1,068**
Provisions are recognised in the consolidated balance sheet as follows:			
Current	902	69	971
Non-current	-	97	97
Total provisions at 31 December 2015	**902**	**166**	**1,068**
Provisions at 1 January 2014	458	48	506
Made in year	774	86	860
Utilised in the year	-543	-7	-550
Unused provisions reversed	-75	-29	-104
Transfers	33	-33	-
Exchange rate adjustments	23	4	27
Provisions at 31 December 2014	**670**	**69**	**739**
Provisions are recognised in the consolidated balance sheet as follows:			
Current	670	8	678
Non-current	-	61	61
Total provisions at 31 December 2014	**670**	**69**	**739**

Sales return and warranty provisions
Provision for warranty claims is presented together with return provisions. This is due to the handling of warranty claims, which lead to replacements instead of repairs.

PANDORA provides return rights to customers in most countries. Sales return provisions mainly relate to the Americas, DKK 490 million (2014: DKK 460 million).

Other provisions
Other provisions include a provision for onerous contracts due to the future relocation of PANDORA's headquarters in Denmark, which may lead to a period of rent payments for vacant premises.

§ Accounting policies
Provisions are recognised when PANDORA has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognised in the income statement net of any reimbursement.

A provision for estimated sales returns is recognised when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. The provision is recognised at the gross margin on the expected returns. The part of estimated sales returns that is not expected to be sold is written down to remelt value.

! Significant accounting estimates
In most countries, PANDORA has provided return rights to customers. The provision is to a large extent based on historical return patterns, and changes in actual return patterns will therefore impact gross profit at the time of the return. Provisions are made on a case-by-case basis when PANDORA expects to take back specific goods for commercial reasons.

SECTION 4
CAPITAL STRUCTURE AND NET FINANCIALS

This section includes notes related to PANDORA's capital structure and net financials, including financial risks (see note 4.4). As a consequence of its operations, investments and financing, PANDORA is exposed to a number of financial risks that are monitored and managed via PANDORA's Group Treasury. PANDORA uses a number of derivative financial instruments to hedge its exposure to fluctuations in commodity prices and similar. Derivative financial instruments are described in note 4.5.

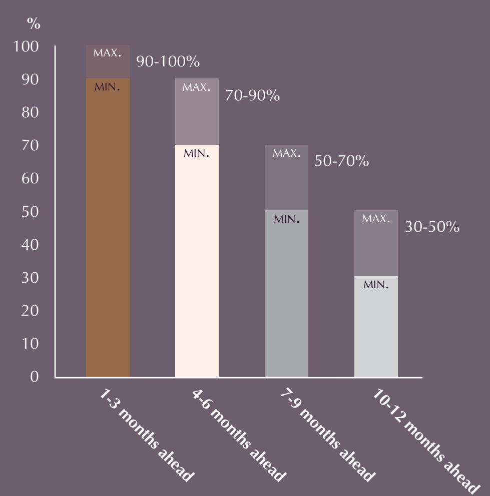
The basis of PANDORA's capital management is the NIBD/EBITDA ratio, which Management seeks to maintain between 0 and 1. At 31 December 2015, the ratio was 0.3 compared with -0.3 at 31 December 2014. PANDORA's ability to keep this low ratio is based on the high cash conversion. The cash conversion was 42.1% in 2015 compared with 95.0% in 2014.

CASH CONVERSION
42.1%

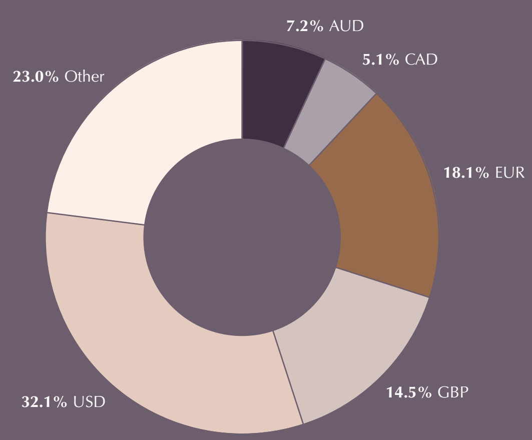
SHARE BUYBACK
3,900
DKK million

TOTAL PAYOUT RATIO
135.8%

COMMODITY HEDGE RATIO



REVENUE BREAKDOWN BY CURRENCY



NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.1 SHARE CAPITAL

Share capital	Shares (number)	Nominal value (DKK)
Balance at 1 January 2015	128,115,820	128,115,820
Reduction of share capital	-5,818,651	-5,818,651
Balance at 31 December 2015	**122,297,169**	**122,297,169**
Balance at 1 January 2014	130,143,258	130,143,258
Reduction of share capital	-2,027,438	-2,027,438
Balance at 31 December 2014	**128,115,820**	**128,115,820**

Treasury shares	Shares (number)	Nominal value (DKK)	Purchase price	% of shares
Balance at 1 January 2015	7,216,058	7,216,058	2,679,520,750	5.6%
Used to settle share options	-718,165	-718,165	-266,674,411	-0.6%
Reduction of share capital	-5,818,651	-5,818,651	-2,160,625,107	-4.5%
Purchase of treasury shares	5,384,673	5,384,673	3,899,999,621	4.4%
Balance at 31 December 2015 [1]	**6,063,915**	**6,063,915**	**4,152,220,853**	**5.0%**
Balance at 1 January 2014	3,539,023	3,539,023	738,413,909	2.7%
Used to settle share options	-170,784	-170,784	-35,861,172	-0.1%
Reduction of share capital	-2,027,438	-2,027,438	-423,023,083	-1.6%
Purchase of treasury shares	5,875,257	5,875,257	2,399,991,096	4.6%
Balance at 31 December 2014	**7,216,058**	**7,216,058**	**2,679,520,750**	**5.6%**

[1] At 31 December 2015 treasury shares accounted for 4.96%, rounded to 5.0%.

At 31 December 2015, the share capital comprised 122,297,169 shares with a par value of DKK 1. No shares have special rights.

In 2015, PANDORA launched a share buyback programme under which PANDORA expected to buy back own shares of DKK 3,900 million. PANDORA bought 5,384,673 treasury shares in 2015, corresponding to a total purchase price of DKK 3,900 million.

Treasury shares

All treasury shares are owned by PANDORA A/S. Treasury shares include hedges for share-based incentive plans and restricted stock grants to the Board of Directors, the Executive Board and key employees.

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.2 EARNINGS PER SHARE AND DIVIDEND

	2015	2014
Profit attributable to the equity holders, DKK million	**3,674**	**3,098**
Weighted average number of ordinary shares	118,981,186	124,092,966
Effect of share options	823,567	1,382,800
Weighted average number of ordinary shares adjusted for the effect of dilution	**119,804,753**	**125,475,766**
Basic earnings per share, DKK	30.9	25.0
Diluted earnings per share, DKK	30.7	24.7

There have been no transactions between the reporting date and the date of completion of the Annual Report involving shares that would have significantly changed the number of shares or potential shares in PANDORA A/S.

Dividend
At the end of 2015, proposed dividend (not yet declared) was DKK 13.00 per share (2014: DKK 9.00 per share), corresponding to DKK 1,511 million. Declared dividend of DKK 9.00 per share, corresponding to DKK 1,088 million in 2014, was paid to the shareholders in 2015. No dividend was paid on treasury shares.

Distributable reserves
When calculating the amount available for distribution of dividends, treasury shares are deducted from distributable reserves.

§ Accounting policies
Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date). Extraordinary dividends are recognised as a liability at the declaration date.

4.3 NET INTEREST-BEARING DEBT

DKK million	2015	2014
Loans and borrowings, non-current	2,350	-
Loans and borrowings, current	257	10
Cash	-889	-1,131
Net interest-bearing debt	**1,718**	**-1,121**

Capital management
The principal objectives of PANDORA's capital management are to ensure shareholders a competitive return on their investment and to ensure that PANDORA will be able to meet all the commitments set out in the loan agreements with the banks. The basis of PANDORA's capital management is the NIBD/EBITDA ratio. It is the policy of the Group that this ratio should be between 0 and 1 on a 12-month rolling basis. At 31 December 2015, the NIBD/EBITDA ratio was 0.3 (2014: -0.3).

In June 2015, PANDORA refinanced existing committed credit facilities of DKK 3,500 million and secured a further DKK 1,500 million. Total committed credit facilities amount to DKK 5,000 million (2014: DKK 3,500 million) and are committed until June 2020.

§ Accounting policies
Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at inception, and fees and other costs.

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.4 FINANCIAL RISKS

As a consequence of its operations, investments and financing, PANDORA is exposed to a number of financial risks that are monitored and managed by PANDORA's Group Treasury.

To manage financial risks, PANDORA uses a number of financial instruments, such as forward contracts, silver and gold swaps, currency and interest rate swaps, options and similar instruments within the framework of its current policies. Financial risks are divided into commodity price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk.

Commodity price risk
Raw material risk is the risk of fluctuating commodity prices resulting in additional production costs. The most important raw materials are silver and gold, which are priced in USD.

It is the policy of PANDORA to ensure stable, predictable raw material prices. Based on a rolling 12-month production plan, the policy is for Group Treasury to hedge approximately 100%, 80%, 60% and 40% of the risk for the following 1-3 months, 4-6 months, 7-9 months and 10-12 months respectively. Any deviation from the policy must be approved by the Group CFO and the Audit Committee. Commodity hedging is updated at the end of each month or in connection with revised 12-month rolling production plans. Actual production may deviate from the 12-month rolling production plan. In case of deviations, the realised commodity hedge ratio may deviate from the estimated hedge ratio. For the fair value of hedging instruments, see note 4.5.

Hedge ratio for the coming 12 months:

Months ahead	Commodity	All major currencies
1-3	90-100%	100%
4-6	70-90%	80%
7-9	50-70%	60%
10-12	30-50%	40%

Foreign currency risk
PANDORA's presentation currency is DKK, but the majority of PANDORA's activities and investments are denominated in other currencies. Consequently, there is a substantial risk of exchange rate fluctuations having an impact on PANDORA's reported cash flows, profit (loss) and/or financial position in DKK.

The majority of PANDORA's revenue is in USD, CAD, AUD, GBP and EUR. A drop in the strength of these currencies against DKK will result in a decline in the translated future cash flows. A substantial portion of PANDORA's costs are related to raw materials purchased in USD. PANDORA also purchases raw materials and pays other costs in THB. Exchange rate increases will result in a decline in the translated value of future cash flows. PANDORA finances the majority of its subsidiaries' cash requirements via intercompany loans denominated in the local currency of the individual subsidiary. A drop in the strength of these currencies against DKK will result in a foreign exchange loss in the Parent Company. PANDORA owns foreign subsidiaries where the translation of equity into DKK is influenced by exchange rate fluctuations. Declining exchange rates will result in a foreign exchange loss in the Group's equity.

Exchange rate fluctuations may lead to a decrease in revenue and an increase in costs and thus declining margins. In addition, exchange rate fluctuations affect the translated value of the profit or loss of foreign subsidiaries and the translation of foreign currency assets and liabilities.

It is PANDORA's policy to hedge foreign currency risks related to the risk of declining net cash flows resulting from exchange rate fluctuations. PANDORA basically does not hedge balance sheet items or ownership interests in foreign subsidiaries. It is PANDORA's policy for Group Treasury to hedge 100% of the risk 1-3 months forward, 80% of the risk 4-6 months forward, 60% of the risk 7-9 months forward and 40% of the risk 10-12 months forward, based on a rolling 12-month liquidity budget. Foreign currency hedging is updated at the end of each quarter or in connection with revised 12-month rolling cash forecasts.

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.4 FINANCIAL RISKS, CONTINUED

Below is an illustration of the impact in DKK million on the net profit and changes in equity resulting from a change in the Group's primary foreign currencies after the effect of hedge accounting.

Analysis of assets and liabilities

		31 December 2015		31 December 2014	
DKK million	Change in exchange rate	Profit (loss) before tax	Equity	Profit (loss) before tax	Equity
USD	-10%	38	103	156	305
USD	+10%	-38	-103	-156	-305
CAD	-10%	2	49	1	39
CAD	+10%	-2	-49	-1	-39
AUD	-10%	4	64	4	37
AUD	+10%	-4	-64	-4	-37
GBP	-10%	15	150	15	104
GBP	+10%	-15	-150	-15	-104
EUR	-1%	-9	-10	-11	-11
EUR	+1%	9	10	11	11
THB	-10%	-11	-197	-	-154
THB	+10%	11	197	-	154

The movements in the income statement arise from monetary items (cash, borrowings, receivables and payables) where the functional currency of the entity differs from the currency that the monetary items are denominated in. The movements in equity arise from monetary items and hedging instruments where the functional currency of the entity differs from the currency that the hedging instruments or monetary items are denominated in.

Credit risk

Credit risk is primarily related to trade receivables, cash and unrealised gains on financial contracts. The maximum credit risk related to financial assets corresponds to the carrying amounts recognised in the consolidated balance sheet.

It is PANDORA's policy for subsidiaries to be responsible for credit evaluation and credit risk on their trade receivables. In case of deviation from standard agreements, Group Treasury and/or the CFO must approve any significant transactions related to direct distributors and local key customers.

Note 3.4 includes an overview of the credit risk related to trade receivables.

Credit risks related to PANDORA's other financial assets mainly include cash and unrealised gains on financial contracts. The credit risk is related to default of the counterparty with a maximum exposure corresponding to the carrying amount of the assets. It is PANDORA's policy for Group Treasury to monitor and manage these credit risks.

Liquidity risk

Liquidity risk is the risk that PANDORA will have insufficient funds to meet its liabilities when due.

The aim of liquidity management is to maintain optimal cash resources to fund PANDORA's commitments at all times, to minimise interest and bank costs and to avoid financial distress. Group Treasury is responsible for monitoring and managing PANDORA's total liquidity position. PANDORA currently does not use cash pools, but intercompany loans exist between PANDORA A/S and its subsidiaries. Whenever possible, liquidity is accumulated in PANDORA A/S.

PANDORA's cash resources comprise cash and unutilised committed and uncommitted credit facilities. It is Management's opinion that the cash resources of the Group and the Parent Company are adequate. It is PANDORA's policy to ensure adequate cash resources in case of unforeseen cash fluctuations.

PANDORA has revolving credit facilities of DKK 5,000 million, which are committed until June 2020. Furthermore, PANDORA has minor local uncommitted credit facilities to ensure efficient and flexible local liquidity management. These credits are facilitated by Group Treasury.

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.4 FINANCIAL RISKS, CONTINUED

Interest rate risk

Interest rate risk is the risk of interest rate fluctuations resulting in changed costs related to floating-rate loans. Interest rate risk is minimised by managing the overall duration of interest rate-sensitive assets and liabilities. At the reporting date, all interest-bearing loans and borrowings were unhedged.

Contractual maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Earn-outs relate to the acquisitions in Japan in January 2015 and China in July 2015. The highest amounts payable according to the respective contracts are for Japan DKK 156 million and China DKK 420 million. Based on Management assessment the fair value of the earn-out in Japan is calculated considering the revenue at the end of the contract. Discounted fair value at the reporting date was recognised at DKK 71 million, while the earn-out relating to China was recognised at DKK 132 million. Also included is the earn-out payment relating to the non-controlling interest in PANDORA Jewelry Central Western Europe A/S recognised at DKK 0 (2014: DKK 0). Refer to note 5.1 for more information.

Commitments regarding operating leases have not been included in the table below. Information regarding operating leases can be found in note 3.2.

Based on the Group's expectations for the future operation and the Group's current cash resources, no other significant liquidity risks have been identified.

Liabilities fall due as follows:

DKK million	Falling due within 1 year	Falling due within 1-5 years	Falling due after 5 years	Total
2015				
Non-derivatives				
Loans and borrowings	257	2,350	-	2,607
Earn-outs	-	282	-	282
Trade payables	1,329	-	-	1,329
Other payables	814	-	-	814
Derivatives				
Financial instruments	214	-	-	214
Total liabilities at 31 December 2015	**2,614**	**2,632**	**-**	**5,246**
2014				
Non-derivatives				
Loans and borrowings	10	-	-	10
Earn-outs	-	-	-	-
Trade payables	804	-	-	804
Other payables	630	-	-	630
Derivatives				
Financial instruments	268	-	-	268
Total liabilities at 31 December 2014	**1,712**	**-**	**-**	**1,712**

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.5 FINANCIAL INSTRUMENTS

Financial assets and liabilities are measured at cost with the exception of derivative financial instruments (forward contracts etc.), which are measured at fair value.

PANDORA uses a number of financial instruments to hedge its exposure to fluctuations in commodity prices, exchange rates and interest rates. Financial instruments include forward commodity contracts, forward exchange contracts and interest rate swaps.

DKK million	Assets	Liabilities	Carrying amount	Hedge reserve
2015				
Commodities	4	-127	-123	-92
Foreign exchange	61	-87	-26	-19
Total financial instruments	**65**	**-214**	**-149**	**-111**
2014				
Commodities	9	-133	-124	-122
Foreign exchange	90	-135	-45	-34
Total financial instruments	**99**	**-268**	**-169**	**-156**

Classification according to the fair value hierarchy
The fair value at 31 December 2015 and 2014 of PANDORA's financial instruments was measured in accordance with level 2 in the fair value hierarchy (IFRS 7). Level 2 is based on non-quoted prices, observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). PANDORA uses third-party valuation specialists to quote prices for unrealised financial instruments. The value of unrealised silver and gold instruments is tested against the prices observable at LBMA (London Bullion Market Association). The value of unrealised foreign exchange instruments is tested against observable foreign exchange forward rates.

§ Accounting policies
Financial instruments are initially recognised at fair value at the date on which a contract is entered into and are subsequently measured at fair value. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation methods. Such methods may include comparison with recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same or discounted cash flow analysis.

PANDORA has designated certain financial instruments as cash flow hedges as defined under IAS 39. Hedge accounting is classified as a cash flow hedge when hedging variability in cash flow is attributable to a highly probable forecast transaction. PANDORA uses a range of 80% to 125% for hedge effectiveness, and any relationship with an effectiveness that falls outside this range is deemed to be ineffective and hedge accounting is suspended. PANDORA designates and documents all hedging relationships between commodity contracts and transactions.

Financial instruments that qualify for cash flow hedge accounting
The effective portion of the unrealised gain or loss on all hedging instruments is recognised directly as other comprehensive income in the equity hedging reserve. The ineffective portion is recognised in net financials.

The effective portion of the realised gain or loss on a commodity hedging transaction is recognised in Group inventories whereas the ineffective portion is realised in net financials. The realised gain or loss on all forward exchange contracts is recognised in net financials.

NOTES

SECTION 4: CAPITAL STRUCTURE AND NET FINANCIALS, CONTINUED

4.6 NET FINANCIALS

Finance income

DKK million	2015	2014
Finance income from financial assets and liabilities measured at fair value through the income statement:		
Fair value adjustments, financial instruments	2	-
Total finance income from financial instruments	**2**	**-**
Finance income from loans and receivables measured at amortised cost:		
Foreign exchange gains	79	7
Interest income, bank	3	1
Interest income, loans and receivables	-	6
Total finance income from loans and receivables	**82**	**14**
Total finance income	**84**	**14**

Finance costs

DKK million	2015	2014
Finance costs from financial assets and liabilities measured at fair value through the income statement:		
Fair value adjustments, financial instruments	199	50
Total finance costs from financial instruments	**199**	**50**
Finance costs from financial liabilities measured at amortised cost:		
Foreign exchange losses	234	89
Interest on loans and borrowings	10	4
Other finance costs	110	71
Total finance costs from loans and borrowings	**354**	**164**
Total finance costs	**553**	**214**

§ Accounting policies

Finance income and costs comprise interest income and expenses, realised and unrealised gains and losses on payables/receivables and transactions in foreign currencies.

For all financial instruments measured at amortised cost, interest income or expense is recognised using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

SECTION 5
OTHER DISCLOSURES

This section includes other statutory notes, which are of secondary importance to the understanding of the financial performance of PANDORA.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.1 BUSINESS COMBINATIONS

Acquisitions in 2015

Strategic alliance in Japan

On 1 January 2015, PANDORA acquired assets related to distribution in Japan from Bluebell in a business combination. In addition to the distribution rights, assets included branded stores – one concept store and nine shop-in-shops. The acquisition was part of a strategic alliance with Bluebell in Japan with the intent to jointly distribute PANDORA jewellery in Japan.

The agreement initially has a five-year term. On termination of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in Japan. The total amount to be paid to Bluebell will depend on the realised revenue in 2019. The fair value of the earn-out is estimated at DKK 58 million.

Intangible assets comprise reacquired distribution rights (remaining lifespan approximately three years) of DKK 30 million. The fair value is based on comparison of peer markets and the EBITDA that can be expected from similar stores in these markets.

Inventories, DKK 6 million, have been measured at market value based on the saleability of the inventory.

Goodwill of DKK 20 million is attributable to the expected synergies from combining PANDORA's willingness and ability to invest in the Japanese market with Bluebell's in-depth knowledge of the Japanese retail market, Japanese consumers and insight into the Japanese real estate market, to build a considerable presence in Japan. None of the goodwill recognised is deductible for income tax purposes.

Transaction costs, DKK 3 million, have been recognised as administrative expenses in profit or loss for 2014.

The contribution to Group revenue and net profit for the period 1 January – 31 December 2015 was insignificant.

	2015						2014
DKK million	Japan	Middle East	UK	China	Other	Total	Total
Other intangible assets	30	5	-	34	-	69	1
Property, plant and equipment	2	7	-	12	2	23	9
Other non-current receivables	-	3	3	6	-	12	-
Receivables	-	24	5	-	1	30	2
Inventories	6	25	5	64	41	141	77
Cash	-	21	-	-	-	21	-
Assets acquired	**38**	**85**	**13**	**116**	**44**	**296**	**89**
Non-current liabilities	-	1	2	2	-	5	3
Payables	-	27	9	-	4	40	3
Other non-current liabilities	-	-	6	-	1	7	2
Liabilities assumed	**-**	**28**	**17**	**2**	**5**	**52**	**8**
Total identifiable net assets acquired	**38**	**57**	**-4**	**114**	**39**	**244**	**81**
Goodwill arising on acquisition	20	55	74	94	38	281	93
Purchase consideration	**58**	**112**	**70**	**208**	**77**	**525**	**174**
Cash movements on acquisitions:							
Purchase consideration transferred	58	112	70	208	77	525	174
Deferred payment (including earn-out)	-58	-	-	-164	-	-222	-
Cash aquired	-	-21	-	-	-	-21	-
Net cash flows on acquisitions for the year	**-**	**91**	**70**	**44**	**77**	**282**	**174**
Prepayments, acquisitions[1]						7	-
Net cash flow on acquisitions						**289**	**174**
Cash flow from sale of businesses[2]						-29	-19
Net cash flow from business combinations						**260**	**155**

[1] Prepayments relate to the acquisitions in Singapore, Macau and the Philippines on 1 January 2016. The amount paid was DKK 7 million.

[2] Sale of businesses includes mainly inventories, DKK 18 million (2014: DKK 12 million), assets related to stores, DKK 0 million (2014: DKK 1 million), and goodwill, DKK 9 million (2014: DKK 6 million).

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.1 BUSINESS COMBINATIONS, CONTINUED

Acquisition of PAN ME A/S
On 16 January 2015, PANDORA acquired 100% of the shares in PAN ME A/S, which holds the rights to distribute PANDORA jewellery in the United Arab Emirates (UAE), Bahrain, Qatar and Oman.

The purchase price of DKK 112 million was primarily related to non-current assets and inventories related to 11 concept stores and three shop-in-shops in the UAE and the distribution rights.

Intangible assets comprise reacquired distribution rights (with a remaining lifespan of approximately one year) of DKK 5 million. The fair value is based on comparison of peer markets and the EBITDA that can be expected from similar stores in these markets.

Inventories of DKK 25 million have been measured at market value based on the saleability of the inventory. Receivables mainly consist of prepayments and other receivables which are recognised at the value of the expected cash inflow. Goodwill, DKK 55 million, is attributable to the expected synergies from PANDORA's direct involvement in the region and establishing Dubai as the future hub for PANDORA's activities in the Middle East and North Africa. None of the goodwill recognised is deductible for income tax purposes.

Transaction costs, DKK 2 million, have been recognised as administration expenses, mainly in 2014.

The contribution to Group revenue and net profit for the period 16 January – 31 December 2015 was insignificant.

UK
On 2 April 2015, PANDORA acquired 100% of the shares in four Evernal companies comprising concept stores in Liverpool, Blackpool, Trafford and Arndale.

The purchase price was DKK 70 million. Assets acquired mainly consist of inventories and other assets and liabilities relating to the stores. Of the purchase price, DKK 74 million was allocated to goodwill. Goodwill is attributable to the increased margins from owning these already well-performing stores. None of the goodwill recognised is deductible for income tax purposes.

Transaction costs, DKK 3 million, have been recognised as sales expenses.

The contribution to Group revenue and net profit for the period 2 April – 31 December 2015 was insignificant.

China
On 1 July 2015, PANDORA acquired assets related to the distribution in China from Oracle Investment (Hong Kong) Limited in a business combination. In addition to the distribution rights, assets comprised inventories and assets related to 49 branded stores - 30 concept stores and 19 shop-in-shops. The acquisition was part of a strategic alliance with Oracle in China to jointly distribute PANDORA jewellery in China until 31 December 2018. On expiry of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in China. Some stores are operated by Oracle under consignment agreements with PANDORA until licenses and other sanctions are obtained. PANDORA thus obtained control of all stores at the acquisition date 1 July 2015.

5.1 BUSINESS COMBINATIONS, CONTINUED

Assets acquired are mainly inventories, the reacquired distribution rights (0.5 year remaining) and other non-current assets related to the acquired stores. The total price will be calculated based on revenue in 2018 and is expected to be DKK 208 million. Assets and inventories acquired will be paid when transferred. The remaining payment - the earn-out – will be delayed until the distribution agreement ends in 2018.

Goodwill of DKK 94 million is attributable to the expected synergies from PANDORA being able to accelerate the store roll-out, enhance the retail focus and make significant marketing investments in the Chinese market. Oracle will contribute with its in-depth knowledge of the retail market and the Chinese consumer as well as its insight into the Chinese real estate market, which will aid PANDORA in securing the most attractive locations.

Transaction costs were DKK 13 million, which has been recognised as administrative expenses.

The contribution to Group revenue and net profit for the period 1 July – 31 December 2015 was DKK 251 million and DKK -57 million respectively.

Other business combinations in 2015

PANDORA acquired concept stores in the US and Germany in 2015. These were accounted for as business combinations. Assets acquired mainly consist of inventories and other assets relating to the stores. Of the purchase price, DKK 38 million was allocated to goodwill. None of the goodwill recognised is deductible for income tax purposes.

The contribution to Group revenue and net profit for the period 1 January – 31 December 2015 from the acquired stores was insignificant.

If all the acquisitions in 2015 had been made on 1 January 2015, consolidated pro-forma revenue and net profit would have been DKK 17.0 billion and DKK 3.7 billion respectively.

Acquisitions in 2014

Acquisition of a net total of 22 concept stores from Hannoush

On 22 September 2014, PANDORA acquired 27 stores from US jeweller Hannoush in a business combination. With the acquisition of the 27 stores, PANDORA will execute its strategy to refresh its network in the Northeast region of the US.

The purchase consideration was DKK 162 million and was paid in cash. There were no other significant terms or payments related to the acquisition. The transaction costs, DKK 1 million, have been recognised as administrative expenses in profit and loss for 2014.

Five of the acquired stores located outside the Northeast region were re-sold to an existing franchisee on 22 September 2014. The sale did not have any effect on profit and loss. The net cash effect from the Hannoush acquisition was an outflow of DKK 143 million.

Assets acquired and liabilities assumed mainly comprise inventories, equipment and obligations to restore the leased premises. Inventories have been measured at market value based on the saleability of the individual items.

Goodwill from the acquisition amounted to DKK 81 million (excluding goodwill of DKK 6 million related to the five stores that were re-sold), and is attributable to the expected synergies from an increased presence in the region, including the effect from a refreshed network. None of the goodwill recognised is deductible for income tax purposes.

The 22 stores have contributed approximately DKK 95 million in revenue and DKK 22 million in net profit since their acquisition on 22 September 2014. If the stores had been acquired on 1 January 2014, Group revenue and net profit would have been DKK 115 million and DKK 4 million higher respectively.

Other business combinations in 2014

PANDORA acquired concept stores in the UK, Germany and the Netherlands in 2014. These were accounted for as business combinations. Assets acquired mainly consist of key money and other assets relating to the stores. Of the purchase price, DKK 6 million was allocated to goodwill. None of the goodwill recognised is deductible for income tax purposes.

The contribution to Group revenue and net profit for 2014 from the acquired stores was insignificant. If the stores had been owned from the beginning of the year, the impact on PANDORA's Group revenue and net profit would have been equally insignificant.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.1 BUSINESS COMBINATIONS, CONTINUED

Acquisition after the reporting period
Acquisitions after the reporting period comprise the acquisition of 100% of the shares in two newly established companies in Singapore and Macau from multi-brand distributor Norbreeze Group ("Norbreeze") on 1 January 2016. The distribution agreements with Norbreeze for distributing PANDORA jewellery in Singapore, Macau and the Philippines expired on 31 December 2015. Distribution in the Philippines will continue under a new agreement with the existing distributor. Assets acquired and liabilities assumed are mainly related to the acquired stores, 18 PANDORA concept stores and 6 shop-in-shops. Goodwill can be attributed to the effect from driving the growth directly in the Singapore and Macau markets. Goodwill can be attributed to the increased earnings from the already developed retail business and strengthened foothold in the region. Payment is deferred until the final values of the assets transferred have been established. Preliminary figures are included in the table below. Final purchase price allocation is expected no later than Q2 2016.

§ Accounting policies
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to those of PANDORA's CGUs that are expected to benefit from the combination. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is recognised in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

If any part of the cost of an acquisition is contingent on future events or achievements, the cost is recognised at fair value at the time of acquisition. Changes to the fair value of the contingent payment is recognised in net financials in the income statement.

DKK million	Other Asia/ Norbreeze
Assets acquired	**83**
Total identifiable net assets acquired	**67**
Goodwill arising on acquisition	108
Purchase consideration	**175**
Cash movements on acquisition:	
Prepayment	-7
Deferred payment	-168
Net cash flows on acquisition	**-**

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.2 CONTINGENT LIABILITIES

Litigation
PANDORA is a party to various legal proceedings, which are not expected to significantly affect PANDORA's financial position or future earnings.

Contractual obligations
PANDORA is a party to a number of long-term purchase, sales and supply contracts entered into in the course of the Group's ordinary business. In addition to the lease commitments disclosed in note 3.2, contractual obligations amounted to DKK 388 million (2014: DKK 226 million). Apart from the liabilities already recognised in the balance sheet, no significant financial losses are expected to incur as a result of these contracts.

! Significant accounting estimates
Litigation
The factors taken into account when estimating a potential liability in connection with litigation include the nature of the litigation or claim. Other factors taken into account are the development of the case, the judgements and recommendations of legal or other advisers, experience from similar cases, and Management's decision on how the Group will react to the litigation or claim.

5.3 RELATED PARTIES

Related parties with significant interests
At 31 December 2015, treasury shares accounted for 4.96% of the share capital, see note 4.1.

As of 9 June 2015, BlackRock, Inc. increased its holding of shares in PANDORA to 6,234,764 shares, corresponding to 5.1% of the share capital and the voting rights.

Other related parties of PANDORA with significant influence include the Boards of Directors, Executive Board and their close family members. Related parties also include companies in which the aforementioned persons have control or significant interests.

Transactions with related parties
As part of the share buyback carried out in 2015, PANDORA purchased own shares from major shareholders. The shares were purchased at the volume-weighted average purchase price for the shares purchased under the share buyback programme in the market on the relevant day of trading.

PANDORA did not enter into any significant transactions with members of the Board of Directors or the Executive Board, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA. Reference is made to notes 2.3 and 2.4.

5.4 FEES TO STATUTORY AUDITOR

DKK million	**2015**	**2014**
Fee for statutory audit	5	4
Other assurance engagements	2	1
Tax consultancy	9	11
Other services	4	3
Total fees to statutory auditor	**20**	**19**

The costs are recognised in the consolidated income statement as administrative expenses.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.5 COMPANIES IN THE PANDORA GROUP

The table below shows information about the Group entities at 31 December 2015:

Company	Ownership	Registered office	Date of consolidation
AD Astra Holdings Pty Ltd.	100%	Australia	1 July 2009
AD Astra IP Pty Ltd.	100%	Australia	1 July 2009
PANDORA Retail Pty Ltd.	100%	Australia	1 July 2009
PANDORA Jewelry Pty Ltd.	100%	Australia	1 July 2009
PANDORA Property Leasing Ltd.	100%	Australia	1 July 2009
PANDORA Österreich GmbH	100%	Austria	23 May 2012
PANDORA do Brasil Participações Ltda.	100%	Brazil	24 October 2013
PANDORA do Brasil Comércio e Importação Ltda.	100%	Brazil	24 October 2013
PANDORA Jewelry Ltd.	100%	Canada	7 March 2008
PANDORA Franchising Canada Ltd.	100%	Canada	19 January 2011
PANDORA Retail Canada Ltd.	100%	Canada	4 February 2014
PANDORA Jewelry (Shanghai) Company Ltd.	100%	China	4 February 2015
PANDORA Jewelry CR sro.	100%	Czech Republic	2 December 2009
Pilisar ApS	100%	Denmark	7 March 2008
PANDORA Int. ApS	100%	Denmark	1 October 2009
Ejendomsselskabet af 7. maj 2008 ApS	100%	Denmark	1 October 2009
PANDORA Eastern Europe A/S	100%	Denmark	1 March 2009
PANDORA Jewelry Central Western Europe A/S	100%	Denmark	5 January 2010
PAN ME A/S	100%	Denmark	16 January 2015
PANDORA Jewellery DMCC	100%	Dubai	8 October 2014
Panmeas Jewellery LLC	100%	Dubai	16 January 2015
PANDORA Jewelry Finland Oy	100%	Finland	1 January 2012
PANDORA France SAS	100%	France	25 February 2011
PANDORA EMEA Distribution Center GmbH	100%	Germany	5 December 2011
PANDORA Jewelry GmbH	100%	Germany	5 January 2010
PANDORA Jewelry Asia-Pacific Limited	100%	Hong Kong	1 November 2009
PANDORA Jewelry Hong Kong Company Ltd.	100%	Hong Kong	4 February 2015
PANDORA Jewelry Hungary Kft.	100%	Hungary	2 June 2010
PANDORA Italia SRL	100%	Italy	23 May 2012
PANDORA Jewelry Japan Ltd.	100%	Japan	29 October 2014
PANDORA Jewelry B.V.	100%	Netherlands	20 September 2010
PANDORA Norge AS	100%	Norway	17 August 2010
PANDORA Jewelry Shared Services CEE Sp. z.o.o.	100%	Poland	7 February 2012
PANDORA Jewelry CEE Sp. z.o.o.	100%	Poland	1 March 2009
PANDORA Jewelry Romania SRL	100%	Romania	18 August 2011
PANDORA Sweden AB	100%	Sweden	4 November 2013
PANDORA Schweiz AG	100%	Switzerland	6 December 2011
PANDORA Production Co. Ltd.	100%	Thailand	7 March 2008
PANDORA Services Co. Ltd.	100%	Thailand	15 October 2010
PANDORA Jewelry Mücevherat Anonim Şirketi	100%	Turkey	4 November 2013
PANDORA Jewellery UK Limited	100%	England	1 December 2008
PANDORA Jewelry Inc.	100%	USA	1 July 2008
PANDORA ECOMM LLC	100%	USA	21 August 2014
PANDORA Jewelry LLC	100%	USA	7 March 2008
PANDORA Franchising LLC	100%	USA	1 November 2009
PANDORA Ventures LLC	100%	USA	10 May 2012

PANDORA has six dormant companies, which are omitted from the table.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.6 FINANCIAL DEFINITIONS

Key figures and financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's guidelines 'Recommendations & Financial Ratios 2015':

EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses
EBIT	Earnings before interest and tax (Operating profit)
Revenue growth, %	(This year's revenue - last year's revenue) / Last year's revenue (rolling 12 months)
Gross profit growth, %	(This year's gross profit - last year's gross profit) / Last year's gross profit (rolling 12 months)
EBITDA growth, %	(This year's EBITDA - last year's EBITDA) / Last year's EBITDA (rolling 12 months)
EBIT growth, %	(This year's EBIT - last year's EBIT) / Last year's EBIT (rolling 12 months)
Net profit growth, %	(This year's net profit - last year's net profit) / Last year's net profit (rolling 12 months)
Gross margin, %	Gross profit / revenue
EBITDA margin, %	EBITDA / revenue
EBIT margin, %	EBIT / revenue
Effective tax rate, %	Income tax expense / profit before tax
Cash conversion, %	Free cash flow before acquisitions / EBIT
Capital expenditure (CAPEX)	Purchase of intangible assets and property, plant and equipment for the year, excluding acquisitions of subsidiaries
Equity ratio, %	Equity / total assets
Return on invested capital (ROIC), %	EBIT / invested capital incl. goodwill
Payout ratio	Dividends paid for the year / net profit
Total payout ratio	Dividends paid for the year plus value of share buyback / net profit
EPS basic	Net profit / average number of shares outstanding
EPS diluted	Net profit / average number of shares outstanding, including the dilutive effect of share options 'in the money'
Like-for-like sales-out	Revenue from concept stores which have been operating for more than 12 months

Forward-looking statements
The annual report contains forward-looking statements, which include estimates of financial performance and targets. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecasted in this report due to a variety of factors.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2015	2014
INCOME STATEMENT			
Revenue		10,834	7,891
Cost of sales		-5,548	-5,370
Gross profit		**5,286**	**2,521**
Sales, distribution and marketing expenses	2.1	-466	-247
Administrative expenses	2.1	-764	-649
Operating profit		**4,056**	**1,625**
Dividends from subsidiaries		1,490	2,096
Finance income	4.5	185	58
Finance costs	4.5	-570	-203
Profit before tax		**5,161**	**3,576**
Income tax expense	2.3	-1,473	-536
Net profit for the year		**3,688**	**3,040**
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**3,688**	**3,040**
Items that may be reclassified to profit/loss for the year			
Commodity hedging instruments:			
- Realised in cost of sales		-9	-5
- Realised in net financials		-1	-1
- Fair value adjustments		5	13
Foreign exchange hedging instruments:			
- Realised in net financials		175	38
- Fair value adjustments		-156	-62
Tax on other comprehensive income, hedging instruments, income/expense	2.3	-4	5
Other comprehensive income, net of tax		**10**	**-12**
Total comprehensive income for the year		**3,698**	**3,028**

BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2015	2014
ASSETS			
Intangible assets	3.2	2,990	2,881
Property, plant and equipment	3.3	17	18
Investments in subsidiaries	3.1	2,850	2,367
Loans to subsidiaries		180	161
Other financial assets		20	20
Total non-current assets		**6,057**	**5,447**
Inventories	3.4	797	810
Financial instruments	4.2	65	99
Trade receivables	3.5	27	8
Receivables from subsidiaries		3,274	2,549
Tax receivable		82	-
Other receivables		104	82
Cash		66	527
Total current assets		**4,415**	**4,075**
Total assets		**10,472**	**9,522**
EQUITY AND LIABILITIES			
Share capital	4.1	122	128
Share premium		-	1,229
Treasury shares		-4,152	-2,679
Reserves		-19	-29
Proposed dividend		1,511	1,088
Retained earnings		6,198	5,080
Total equity		**3,660**	**4,817**
Provisions	3.6	30	15
Loans and borrowings	4.3, 4.4	2,350	-
Deferred tax liabilities	2.3	283	361
Total non-current liabilities		**2,663**	**376**
Provisions	3.6	441	141
Loans and borrowings	4.3, 4.4	227	-
Financial instruments	4.2, 4.4	214	268
Payables to subsidiaries	4.4	2,958	3,321
Trade payables	4.4	231	164
Income tax payable		-	329
Other payables	4.4	78	106
Total current liabilities		**4,149**	**4,329**
Total liabilities		**6,812**	**4,705**
Total equity and liabilities		**10,472**	**9,522**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	Share capital	Share premium	Treasury shares	Hedging reserve	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2015		128	1,229	-2,679	-29	1,088	5,080	4,817
Net profit for the year		-	-	-	-	-	3,688	3,688
Value adjustment of hedging instruments		-	-	-	14	-	-	14
Tax on other comprehensive income	2,3	-	-	-	-4	-	-	-4
Other comprehensive income, net of tax		**-**	**-**	**-**	**10**	**-**	**-**	**10**
Total comprehensive income for the year		**-**	**-**	**-**	**10**	**-**	**3,688**	**3,698**
Transfers		-	-1,229	-	-	-	1,229	-
Share-based payments	2.2	-	-	266	-	-	-133	133
Purchase of treasury shares		-	-	-3,900	-	-	-	-3,900
Reduction of share capital		-6	-	2,161	-	-	-2,155	-
Dividend paid		-	-	-	-	-1,088	-	-1,088
Proposed dividend		-	-	-	-	1,511	-1,511	-
Equity at 31 December 2015		**122**	**-**	**-4,152**	**-19**	**1,511**	**6,198**	**3,660**
Equity at 1 January 2014		130	1,248	-738	-17	823	3,405	4,851
Net profit for the year		-	-	-	-	-	3,040	3,040
Value adjustment of hedging instruments		-	-	-	-17	-	-	-17
Tax on other comprehensive income	2.3	-	-	-	5	-	-	5
Other comprehensive income, net of tax		**-**	**-**	**-**	**-12**	**-**	**-**	**-12**
Total comprehensive income for the year		**-**	**-**	**-**	**-12**	**-**	**3,040**	**3,028**
Share-based payments	2.2	-	-	36	-	-	124	160
Purchase of treasury shares		-	-	-2,400	-	-	-2	-2,402
Reduction of share capital		-2	-19	423	-	-	-402	-
Dividend paid		-	-	-	-	-823	3	-820
Proposed dividend		-	-	-	-	1,088	-1,088	-
Equity at 31 December 2014		**128**	**1,229**	**-2,679**	**-29**	**1,088**	**5,080**	**4,817**

The ”Share premium” is a distributable reserve under Danish regulation and has therefore been transferred to ’Retained earnings’ in 2015.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2015	2014
Profit before tax		5,161	3,576
Finance income	4.5	-185	-58
Finance costs	4.5	570	203
Dividends from subsidiaries		-1,490	-2,096
Depreciation, amortisation and impairment losses		88	73
Share-based payments	2.2	28	38
Change in inventories		13	-65
Change in intercompany receivables/payables		-1,059	513
Change in receivables		-6	195
Change in payables and other liabilities		299	212
Other non-cash adjustments		-295	-185
Interest etc. received		66	49
Interest etc. paid		-131	-26
Income tax paid		-1,907	-475
Cash flows from operating activities, net		**1,152**	**1,954**
Acquisition of subsidiaries and activities, net of cash acquired	3.1	-436	-119
Purchase of intangible assets	3.2	-209	-83
Purchase of property, plant and equipment	3.3	-10	-13
Change in other non-current assets		-	-13
Proceeds from sale of property, plant and equipment		11	4
Dividends received		1,490	2,096
Cash flows from investing activities, net		**846**	**1,872**
Dividend paid		-1,088	-820
Purchase of treasury shares		-3,900	-2,402
Proceeds from loans and borrowings		4,510	478
Repayment of loans and borrowings		-1,981	-884
Cash flows from financing activities, net		**-2,459**	**-3,628**
Net increase/decrease in cash		**-461**	**198**
Cash at 1 January		527	329
Net increase/decrease in cash		-461	198
Cash at 31 December		**66**	**527**
Unutilised credit facilities		2,863	3,567

The above cannot be derived directly from the income statement and the balance sheet.

NOTES FOR THE PARENT COMPANY

NOTES FOR THE PARENT COMPANY

1.1 SUPPLEMENT TO MANAGEMENT´S REVIEW FOR THE GROUP

Gross profit
The Parent Company operates as the principal of PANDORA, and thereby all inventory are traded from the crafting facilities in Thailand to the wholesalers and retailers through the Parent Company. Similarly, all inventories are returned from subsidiaries through the Parent Company for the purpose of remelting any excess inventory.

The gross profit is therefore significantly impacted by realised losses from re-melting activities and unrealised losses from inventory write-downs. Fluctuations in market prices of silver and gold also have a major impact on gross profit.

The effective portion of realised and unrealised gains and losses on all commodity hedge contracts is recognised in cost of sales as the Group's commodity price risk is hedged by the Parent Company, which can significantly impact the gross profit. The net loss in 2015 amounts to DKK 304 million (2014: DKK 0 million).

Hedging transactions
The ineffective portion of the realised and unrealised gains and losses on all commodity hedge instruments is recognised in net financials. The net loss in 2015 amounts to DKK 23 million (2014: DKK 12 million).

1.2 BASIS OF REPORTING

Parent Company financial statements
The accounting policies of the Parent Company are unchanged from last year and identical to the accounting policies in PANDORA's consolidated financial statements, with the following exceptions:

Foreign currency translation
Foreign exchange adjustments of balances accounted for as part of the total net investment in enterprises that have a functional currency other than DKK are recognised in profit for the year as net financials in the Parent Company financial statements.

Financial instruments
The effective portion of the realised and unrealised gains and losses on all commodity hedging instruments is recognised as cost of goods sold, while the ineffective portion of the realised and unrealised gains and losses is recognised in net financials. Derivative financial instruments are treated as economic hedging if the hedge accounting requirements in IAS 39 are not met.

Dividends from subsidiaries
Dividends from investments in subsidiaries are recognised in the financial year in which they are received.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the Parent Company financial statements. Impairment testing is carried out if there is any indication of impairment, as described in PANDORA's consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount. The impairment loss is recognised as a finance cost in profit for the year. If the Parent Company has a legal or constructive obligation to cover a deficit in subsidiaries, a provision for this is recognised.

! Significant accounting estimates
In the process of preparing the Parent Company financial statements, a number of accounting estimates and judgements have been made that affect assets and liabilities at the reporting date and income and expenses for the reporting period. Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances. Management is of the opinion that no accounting estimates or judgements are made in connection with the presentation of the Parent Company financial statements applying the Parent Company accounting policies that are material to the financial reporting, other than those disclosed in note 3.1 to the consolidated financial statements concerning impairment testing.

NOTES FOR THE PARENT COMPANY

1.2 BASIS OF REPORTING, CONTINUED

New standards and interpretations
Reference is made to the description in note 1.1 to the consolidated financial statements.

PANDORA has estimated the impact of IFRS 9 ‘Financial Instruments’ with expected effective date 1 January 2018 and concluded that it will have an expected material impact on the Parent Company financial statements.

It is PANDORA’s assessment that the Parent Company will not be able to support the requirements for documentation to support the use of hedge accounting under IAS 39. With the implementation of IFRS 9, some of these requirements lapse and it is expected that the Parent Company will again be able to account for such transactions as hedge accounting.

2.1 STAFF COSTS

DKK million	**2015**	**2014**
Wages and salaries	269	269
Pensions	11	11
Share-based payments	28	38
Social security costs	2	2
Other staff costs	40	32
Total staff costs	**350**	**352**
Staff costs have been recognised in the income statement as follows:		
Sales, distribution and marketing expenses	125	112
Administrative expenses	225	240
Total staff costs	**350**	**352**
Average number of employees during the year	291	250

Key management personnel at PANDORA A/S represent the same persons as key management personnel of the PANDORA Group. For information regarding compensation of key management personnel of PANDORA A/S, see note 2.3 to the consolidated financial statements.

2.2 SHARE-BASED PAYMENTS

The share option programme described in note 2.4 to the consolidated financial statements is issued by PANDORA A/S. The value of share options granted to employees in the Parent Company’s subsidiaries is recognised in investments in subsidiaries. Of the total expense of DKK 75 million (2014: DKK 71 million), DKK 47 million relates to subsidiaries (2014: DKK 33 million).

NOTES FOR THE PARENT COMPANY

2.3 TAXATION

Income tax expense

DKK million	**2015**	**2014**
Current income tax charge	937	561
Adjustment concerning previous years	569	-9
Change in deferred tax	-33	-16
Total income tax expense	**1,473**	**536**
Tax reconciliation:		
Profit before tax	5,161	3,576
Corporate tax rate in Denmark: 23.5% (2014: 24.5%)	1,213	876
Tax effect of:		
Non-taxable income and non-deductible expenses	-309	-331
Adjustment concerning previous years	569	-9
Total income tax expense	**1,473**	**536**
Effective tax rate	28.5%	15.0%

Deferred tax

DKK million	**2015**	**2014**
Deferred tax at 1 January	-361	-469
Change in deferred tax - recognised in income statement	23	16
Change in deferred tax - recognised in statement of comprehensive income, hedging instruments	-4	5
Change in deferred tax - recognised in statement of changes in equity, share-based payments	59	87
Deferred tax at 31 December	**-283**	**-361**
Deferred tax liabilities	-283	-361
Deferred tax, net	**-283**	**-361**
Specification of deferred tax		
Intangible assets	-561	-526
Property, plant and equipment	32	15
Other assets and liabilities	246	150
Deferred tax, net	**-283**	**-361**

See note 2.5 to the consolidated financial statements for information on significant accounting estimates.

NOTES FOR THE PARENT COMPANY

3.1 INVESTMENTS IN SUBSIDIARIES

DKK million	**Investments in subsidiaries**
Cost at 1 January 2015	2,367
Additions	436
Additions relating to share-based payments	47
Cost at 31 December 2015	**2,850**
Cost at 1 January 2014	2,215
Additions	119
Additions relating to share-based payments	33
Cost at 31 December 2014	**2,367**

Subsidiaries	**Registered office**
PANDORA do Brasil Participações Ltda.	Brazil
PANDORA Jewelry Ltd.	Canada
Pilisar ApS	Denmark
PANDORA Int. ApS	Denmark
PANDORA Eastern Europe A/S	Denmark
PANDORA Jewelry Central Western Europe A/S	Denmark
PAN ME A/S	Denmark
PANDORA Jewellery DMCC	Dubai
PANDORA Finland Oy	Finland
PANDORA France SAS	France
PANDORA EMEA Distribution Center GmbH	Germany
PANDORA Jewelry Asia-Pacific Limited	Hong Kong
PANDORA Jewelry Shared Services CEE Sp. z.o.o.	Poland
PANDORA Sweden AB	Sweden
PANDORA Production Co. Ltd.	Thailand
PANDORA Services Co. Ltd.	Thailand
PANDORA Jewelry Mücevherat Anonim Şirketi	Turkey
PANDORA Jewellery UK Limited	England
PANDORA Jewelry Inc.	USA

The Company has one dormant company, which is omitted from the table above. See notes 5.1 and 5.5 to the consolidated financial statements for details on business combinations, ownership and date of investment.

NOTES FOR THE PARENT COMPANY

3.2 INTANGIBLE ASSETS

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
Cost at 1 January 2015	423	1,040	453	1,087	227	3,230
Additions	39	4	-	-	166	209
Disposals	-	-	-	-	-23	-23
Cost at 31 December 2015	**462**	**1,044**	**453**	**1,087**	**370**	**3,416**
Amortisation and impairment losses at 1 January 2015	-	-	207	36	106	349
Amortisation for the year	-	-	32	-	45	77
Amortisation and impairment losses at 31 December 2015	**-**	**-**	**239**	**36**	**151**	**426**
Carrying amount at 31 December 2015	**462**	**1,044**	**214**	**1,051**	**219**	**2,990**
Cost at 1 January 2014	423	1,040	453	1,084	147	3,147
Additions	-	-	-	3	80	83
Cost at 31 December 2014	**423**	**1,040**	**453**	**1,087**	**227**	**3,230**
Amortisation and impairment losses at 1 January 2014	-	-	177	36	75	288
Amortisation for the year	-	-	30	-	31	61
Amortisation and impairment losses at 31 December 2014	**-**	**-**	**207**	**36**	**106**	**349**
Carrying amount at 31 December 2014	**423**	**1,040**	**246**	**1,051**	**121**	**2,881**

See note 3.1, intangible assets, to the consolidated financial statements for a description of impairment testing. There were no impairment losses in 2015 or 2014.

DKK million	2015	2014
Amortisation and impairment losses have been recognised in the income statement as follows:		
Sales, distribution and marketing expenses	41	31
Administrative expenses	36	30
Total	**77**	**61**

NOTES FOR THE PARENT COMPANY

3.3 PROPERTY, PLANT AND EQUIPMENT

DKK million	Plant and equipment	Assets under construction	Total
Cost at 1 January 2015	66	-	66
Additions	7	3	10
Disposals	-1	-	-1
Cost at 31 December 2015	**72**	**3**	**75**
Depreciation and impairment losses at 1 January 2015	48	-	48
Depreciation for the year	11	-	11
Disposals	-1	-	-1
Depreciation and impairment losses at 31 December 2015	**58**	**-**	**58**
Carrying amount at 31 December 2015	**14**	**3**	**17**
Cost at 1 January 2014	58	1	59
Additions	13	-	13
Disposals	-5	-1	-6
Cost at 31 December 2014	**66**	**-**	**66**
Depreciation and impairment losses at 1 January 2014	38	-	38
Depreciation for the year	12	-	12
Disposals	-2	-	-2
Depreciation and impairment losses at 31 December 2014	**48**	**-**	**48**
Carrying amount at 31 December 2014	**18**	**-**	**18**

The Company did not pledge assets in 2015 and 2014. There were no impairment losses in 2015 or 2014.

3.4 INVENTORIES

DKK million	2015	2014
Finished goods	797	810
Total inventories at 31 December	**797**	**810**
Inventory write-downs at 1 January	103	198
Write-downs during the year	210	233
Utilised in the year	-190	-308
Reversal of write-downs in the year	-2	-20
Inventory write-downs at 31 December	**121**	**103**

Write-downs of inventories are recognised in cost of sales, DKK 190 million (2014: DKK 193 million), and distribution expenses, DKK 18 million (2014: DKK 20 million).

3.5 TRADE RECEIVABLES

DKK million	**2015**	**2014**
Trade receivables that were past due at 31 December		
Up to 30 days	-	-
Between 30 and 60 days	-	1
Over 90 days	1	-
Total past due	**1**	**1**
Not past due	26	7
Total trade receivables at 31 December	**27**	**8**
Analysis of movements in bad debt write-downs		
Write-downs at 1 January	4	1
Additions	1	3
Utilised	-4	-
Write-downs at 31 December	**1**	**4**

PANDORA A/S has historically not suffered any significant bad debt losses.

3.6 PROVISIONS

DKK million	**Sales return provisions**	**Other**	**Total**
Provisions at 1 January 2015	141	15	156
Made in the year	438	18	456
Utilised in the year	-139	-	-139
Unused provisions reversed	-2	-	-2
Provisions at 31 December 2015	**438**	**33**	**471**
Provisions are recognised in the balance sheet as follows:			
Current	438	3	441
Non-current	-	30	30
Total provisions at 31 December 2015	**438**	**33**	**471**
Provisions at 1 January 2014	126	-	126
Made in the year	139	15	154
Utilised in the year	-110	-	-110
Unused provisions reversed	-14	-	-14
Provisions at 31 December 2014	**141**	**15**	**156**
Provisions are recognised in the balance sheet as follows:			
Current	141	-	141
Non-current	-	15	15
Total provisions at 31 December 2014	**141**	**15**	**156**

Sales return provisions
According to the distribution agreements, a provision is made for expected sales returns from customers and subsidiaries. The provision is based on historical experience and is measured at the gross margin on expected sales returns, including write-downs related to remelting of returns that are not expected to be sold.

Other provisions
Other provisions include a provision for onerous contracts due to the future relocation of PANDORA's headquarters in Denmark, which may lead to a period of rent payments for vacant premises.

NOTES FOR THE PARENT COMPANY

4.1 SHARE CAPITAL

Reference is made to note 4.1 to the consolidated financial statements.

4.2 FINANCIAL INSTRUMENTS

Reference is made to note 4.5 to the consolidated financial statements.

4.3 NET INTEREST-BEARING DEBT

Reference is made to note 4.3 to the consolidated financial statements.

4.4 FINANCIAL RISKS

As a consequence of its operations, investments and financing, PANDORA A/S is exposed to a number of financial risks that are monitored and managed by PANDORA's Group Treasury.

The Company's financial risks and the management of these are in all material aspects identical to the disclosures made in note 4.4 to the consolidated financial statements, unless otherwise stated below.

Credit risk

The Company's credit risk also includes the risk related to receivables from subsidiaries.

Contractual maturities of financial liabilities

The table below analyses PANDORA A/S's financial liabilities similar to note 4.4 to the consolidated financial statements.

Liabilities fall due as follows:

DKK million	Falling due within 1 year	Falling due within 1-5 years	Falling due after 5 years	Total
2015				
Non-derivatives				
Loans and borrowings	227	2,350	-	2,577
Payables to subsidiaries	2,958	-	-	2,958
Trade payables	231	-	-	231
Other payables	78	-	-	78
Derivatives				
Financial instruments	214	-	-	214
Total liabilities at 31 December 2015	**3,708**	**2,350**	**-**	**6,058**
2014				
Non-derivatives				
Loans and borrowings	-	-	-	-
Payables to subsidiaries	3,321	-	-	3,321
Trade payables	164	-	-	164
Other payables	106	-	-	106
Derivatives				
Financial instruments	268	-	-	268
Total liabilities at 31 December 2014	**3,859**	**-**	**-**	**3,859**

NOTES FOR THE PARENT COMPANY

4.5 NET FINANCIALS

Finance income

DKK million	**2015**	**2014**
Finance income from financial assets and liabilities at fair value through the income statement:		
Fair value adjustments, derivative financial instruments	2	-
Total finance income from derivative financial instruments	**2**	**-**
Finance income from loans and receivables measured at amortised cost:		
Interest income from subsidiaries	66	49
Foreign exchange gains	117	9
Total finance income from loans and receivables	**183**	**58**
Total finance income	**185**	**58**

Finance costs

DKK million	**2015**	**2014**
Finance costs from financial assets and liabilities at fair value through the income statement:		
Fair value adjustments, derivative financial instruments	200	50
Total finance costs from derivative financial instruments	**200**	**50**
Finance costs from financial liabilities measured at amortised cost:		
Interest costs to subsidiaries	5	4
Foreign exchange losses	239	83
Interest on loans and borrowings	9	3
Other finance costs	117	63
Total finance costs from loans and borrowings	**370**	**153**
Total finance costs	**570**	**203**

NOTES FOR THE PARENT COMPANY

5.1 CONTINGENT LIABILITIES

Contingent liabilities
PANDORA A/S is a party to a number of legal proceedings, which are not expected to have material impact on future earnings.

PANDORA has issued letters of support in favour of certain subsidiaries. Furthermore, the Company has in favour of certain subsidiaries issued guarantees totalling DKK 426 million as per 31 December 2015 on securing local credit lines, Direct Debit withdrawals and rental agreements (2014: DKK 392 million).

The Company is jointly taxed with Danish subsidiaries. The Company is jointly and severally liable with other jointly taxed Danish companies within the Group for income tax and withholding taxes due on or after 1 July 2012 in the joint taxation.

PANDORA A/S has provided a bank guarantee of EUR 50 million (2014: EUR 37 million) on behalf of a subsidiary.

Contractual obligations
PANDORA A/S has entered into a number of long-term purchase, sales and supply contracts in the course of the Company's ordinary business. In addition to the lease commitments disclosed, contractual obligations amount to DKK 272 million (2014: DKK 206 million). Apart from the liabilities recognised in the balance sheet, the Company does not expect to incur any significant financial losses as a result of these contracts.

Other obligations
PANDORA A/S's other financial obligations mainly relate to leases for office premises and operating equipment.

Future minimum lease payments relating to existing contracts

DKK million	2015	2014
Within 1 year	22	17
Between 1 and 5 years	67	70
After 5 years	106	119
Total	**195**	**206**

NOTES FOR THE PARENT COMPANY

5.2 RELATED PARTIES

In addition to the related parties disclosed in note 5.3 to the consolidated financial statements, related parties of PANDORA A/S also include the subsidiaries listed in the Group structure in note 5.5 to the consolidated financial statements.

The table below shows transactions entered into with related parties.

	Subsidiaries	
DKK million	**2015**	**2014**
Income statement:		
Sales to related parties	10,821	7,861
Purchases from related parties	-5,085	-5,563
Dividend	1,490	2,096
Finance income	66	48
Finance costs	-5	-4
Total	**7,287**	**4,438**
Balance sheet:		
Receivables	3,454	2,710
Payables	-2,958	-3,321
Total	**496**	**-611**

5.3 FEES TO STATUTORY AUDITOR

DKK million	**2015**	**2014**
Fee for statutory audit	1	1
Tax consultancy	-	2
Other services	1	2
Total fees to statutory auditor	**2**	**5**

Fees are recognised as an administrative expense in the income statement.

MANAGEMENT STATEMENT

Today, the Board of Directors and Executive Board have discussed and approved the Annual Report of PANDORA for the financial year 1 January – 31 December 2015.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the Management's Review includes a true and fair review of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and the Parent Company, as well as a review of the more significant risks and uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, 9 February 2016

Executive Board

Anders Colding Friis
Chief Executive Officer

Peter Vekslund
Chief Financial Officer

Board of Directors

Peder Tuborgh
Chairman

Christian Frigast
Deputy Chairman

Allan Leighton
Deputy Chairman

Per Bank

Anders Boyer-Søgaard

Bjørn Gulden

Michael Hauge Sørensen

Ronica Wang

Andrea Alvey

INDEPENDENT AUDITOR'S REPORT

To the shareholders of PANDORA A/S

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and the Parent Company financial statements of PANDORA A/S for the financial year 1 January – 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Parent Company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the Parent Company financial statements.

Copenhagen, 9 February 2016

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30700228

Henrik Kronborg Iversen
State Authorised Public Accountant

Niels-Jørgen Andersen
State Authorised Public Accountant

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