ANNUAL REPORT

2014

PANDORA
UNFORGETTABLE MOMENTS

PANDORA designs, manufactures and markets hand-finished and modern jewellery made from genuine metals at affordable prices. PANDORA jewellery is sold in more than 90 countries on six continents through approximately 9,900 points of sale, including more than 1,400 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 11,400 people worldwide of whom approximately 7,900 are located in Gemopolis, Thailand, where the company manufactures its jewellery. PANDORA is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2014, PANDORA's total revenue was DKK 11.9 billion (approximately EUR 1.6 billion). For more information, please visit www.pandoragroup.com.

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A PROSPEROUS YEAR

We have had a prosperous year, allowing us once again to celebrate strong top-line performance and increased profitability. 2014 delivered remarkable growth for PANDORA both in terms of geographical areas and products and with the opening of concept store number 1,400 we now have more branded stores in our network than ever before.

In 2014, PANDORA moved into seven new markets, and expanded further in existing markets. In our more developed markets, the US, the UK, Germany and Australia, we opened 96 concept stores, while our existing concept stores in these countries delivered increasing sales-out in all four quarters of the year, compared with the same quarters in 2013. Most of our markets saw the same trend – an increase in the number of concept stores and positive developments in existing stores. In line with our aim to expand PANDORA's online sales, we continued our eSTORE expansion in 2014, with the establishment of PANDORA-owned eSTOREs in France, Italy, the Netherlands and Poland. We now have our own eSTOREs in a total of seven European countries.

With growth of more than 25% in revenue from charms and charm bracelets in 2014, both the Moments collection and the PANDORA ESSENCE COLLECTION continue to be as successful as ever. Also, our second core category, Rings, had a tremendous year. The focused effort on growing this category resulted in revenue from Rings of more than DKK 1 billion, which represents 10% of full-year revenue compared with only 6% in 2013. During the year, we entered into a strategic alliance with The Walt Disney Company that resulted in the launch of 41 Disney-inspired charms in the US in November. The charms have been very well received by consumers.

We continued to expand our branded network in 2014. Our main focus is to increase our share of revenue from concept stores, in which we offer our customers the best possible branded experience. During the year we opened 310 new concept stores, taking the total to 1,410 and revenue from the store type increased by approximately 50% compared with last year. 56% of our revenue is now generated in concept stores compared with 49% last year. The total number of stores actually decreased during the year, but the number of branded PANDORA stores increased by 564, while the number of PANDORA-owned stores also increased during the year.

We operate a strong franchisee model, but also operates owned and operated branded stores in selected markets when deemed beneficial. Examples of this in 2014 include the acquisition of net 22 PANDORA stores in the US, the forward integration of our operations in Japan, beginning in January 2015 and taking over up to 78 commercial store leases in prime locations in Germany, which we will convert into PANDORA-owned concept stores in 2015.

We owe a substantial part of our success to our crafting facilities in Thailand. In 2014, we produced around 91 million pieces of jewellery and in the process we hired more than 3,100 new employees, bringing the total to 11,400, of whom approximately 7,900 are located at our facilities in Thailand. In 2015, we plan to expand production by at least one new facility to cater for future demand.

Here on the threshold of an exciting 2015, we extend a hearty 'thank you' to our people for their efforts and hard work in the past year – without their dedicated and strong performance we would not have been able to achieve these results. On behalf of PANDORA's Board of Directors, Executive Management and employees, we would also like to sincerely thank all our customers as well as our shareholders for the interest and trust they have shown in our company throughout 2014.

Peder Tuborgh
Chairman

Allan Leighton
Chief Executive Officer

FINANCIAL HIGHLIGHTS

DKK million	2014	2013	2012	2011	2010
Consolidated income statement					
Revenue	11,942	9,010	6,652	6,658	6,666
Gross profit	8,423	5,999	4,429	4,860	4,725
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,294	2,881	1,658	2,281	2,684
Operating profit (EBIT)	4,072	2,681	1,475	2,058	2,416
Net financials	-200	61	4	311	-164
Profit before tax	3,872	2,742	1,479	2,369	2,252
Net profit for the year	**3,098**	**2,220**	**1,202**	**2,037**	**1,871**
Consolidated balance sheet					
Total assets	10,556	9,275	8,414	8,051	8,959
Invested capital	6,080	5,976	5,900	5,923	5,659
Net working capital	434	1,009	1,277	1,327	1,266
Net interest-bearing debt (NIBD)	-1,121	-637	-183	209	1,102
Equity	**7,032**	**6,462**	**6,038**	**5,411**	**4,315**
Consolidated cash flow statement					
Cash flows from operating activities	4,322	2,428	1,339	1,823	1,316
Cash flows from investing activities	-632	-543	-231	-364	-304
Free cash flow	3,868	1,956	1,151	1,670	1,388
Cash flows from financing activities	-3,259	-1,524	-943	-2,502	-644
Net increase (decrease) in cash	**431**	**361**	**165**	**-1,043**	**368**
Growth ratios					
Revenue growth, %	32.5%	35.4%	-0.1%	-0.1%	92.6%
Gross profit growth, %	40.4%	35.4%	-8.9%	2.9%	91.2%
EBITDA growth, %	49.0%	73.8%	-27.3%	-15.0%	70.7%
EBIT growth, %	51.9%	81.8%	-28.3%	-14.8%	69.7%
Net profit growth, %	**39.5%**	**84.7%**	**-41.0%**	**8.9%**	**86.2%**
Margins					
Gross margin, %	70.5%	66.6%	66.6%	73.0%	70.9%
EBITDA margin, %	36.0%	32.0%	24.9%	34.3%	40.3%
EBIT margin, %	**34.1%**	**29.8%**	**22.2%**	**30.9%**	**36.2%**
Other ratios					
Tax rate, %	20.0%	19.0%	18.7%	14.0%	16.9%
Equity ratio, %	66.6%	69.7%	71.8%	67.2%	48.2%
NIBD to EBITDA, x	-0.3	-0.2	-0.1	0.1	0.4
Return on invested capital (ROIC), %	67.0%	44.9%	25.0%	34.7%	42.7%
Capital expenditure (CAPEX), DKK million	455	490	276	269	262
Cash conversion, %	**124.9%**	**88.1%**	**95.8%**	**82.0%**	**74.2%**
Share information					
Dividend per share, DKK	*9.00	6.50	5.50	5.50	5.00
Total payout ratio (incl. share buyback), %	*112.7%	68.6%	59.5%	35.1%	36.9%
Earnings per share, basic, DKK	25.0	17.2	9.2	15.7	14.8
Earnings per share, diluted, DKK	24.7	17.0	9.2	15.7	14.6
Share price at year-end, DKK	**504.5**	**294.0**	**124.5**	**54.0**	**336.0**
Other key figures					
Average number of employees	**9,957**	**6,910**	**5,753**	**5,186**	**4,336**

* Proposed dividend per share for 2014.

EXECUTIVE SUMMARY

FINANCIAL REVIEW

In 2014, PANDORA delivered a solid performance in revenue, margins and cash flow, which all exceeded full year expectations. Strong revenue growth was seen across all major regions.

- Group revenue in 2014 was DKK 11,942 million compared with DKK 9,010 million in 2013:
  - Americas increased by 19.3% (20.6% increase in local currency)
  - Europe increased by 41.1% (38.8% increase in local currency)
  - Asia Pacific increased by 53.5% (58.1% increase in local currency)
- Gross margin was 70.5% in 2014 compared with 66.6% in 2013
- EBITDA increased by 49.0% to DKK 4,294 million and the EBITDA margin was 36.0% in 2014 compared with 32.0% in 2013
- EBIT increased by 51.9% to DKK 4,072 million, corresponding to an EBIT margin of 34.1% in 2014 compared with 29.8% in 2013
- Net profit increased by 39.5% to DKK 3,098 million in 2014 compared with a net profit of DKK 2,220 million in 2013
- Free cash flow was DKK 3,868 million in 2014 compared with DKK 1,956 million in 2013
- In 2014, PANDORA bought back 5,875,257 own shares at a purchase price value of DKK 2,400 million
- For the financial year 2014, the Board of Directors proposes a dividend of DKK 9.0 per share, correspon-ding to a pay-out ratio of 35.1% compared with 37.1% in 2013. Including the share buyback in 2014 the total pay-out ratio was 112.7% compared with 68.6% in 2013.

FINANCIAL GUIDANCE FOR 2015

	2015 Guidance	2014 Actual
Revenue, DKK billion	> 14	11.9
EBITDA margin	approx. 37%	36.0%
CAPEX, DKK million	approx. 800	455
Effective tax rate	approx. 20%	20.0%

In 2015, PANDORA will continue to focus on driving like-for-like growth in the existing stores, as well as expanding the store network in newer as well as in more penetrated markets. Revenue is expected to increase to more than DKK 14 billion, with the two growth drivers expected to contribute equally. The EBITDA margin is expected to increase from 36.0% in 2014 to approximately 37% in 2015. The increase includes an expected gain from lower hedged commodity prices compared to 2014, tempered by continued investments in infrastructure. Expectations are based on unchanged currency rates.

CAPEX for the year is expected to be approximately DKK 800 million. The expected level of investments includes development of the crafting facilities in Thailand, investments in the Company's distribution network, including the announced accelerated expansion in Germany, China and Japan, as well as significant IT investments. CAPEX in the period 2016-2017 is expected to continue to stay at an elevated level similar to 2015, due to continued investments in the aforementioned areas.

PANDORA plans to continue to expand the store network and expects to add more than 300 new concept stores in 2015. This includes an expected opening of around 60 new owned and operated concept stores in Germany following the recent acquisition of up to 78 lease-holds in the country. The geographic split of the remaining concept store openings is expected to be similar to the concept store openings in 2014.

SHARE BUYBACK PROGRAMME

In the 2013 Annual Report, PANDORA announced its intention to buy back own shares of up to DKK 2,400 million during 2014 in a share buyback programme. At 31 December 2014, a total of 5,875,257 shares had been bought back, corresponding to a purchase price of DKK 2,400 million and an average purchase price of DKK 408.5. At 31 December 2014, PANDORA owned a total of 7,216,058 treasury shares, corresponding to 5.6% of the share capital.

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. At 31 December 2014, the total potential obligation amounted to 1,382,800 shares due to the annual allocation under the Company's employee share option programme.

A proposal will be presented to the Annual General Meeting to reduce PANDORA's share capital by DKK 5,818,651 by cancelling 5,818,651 treasury shares held by the Company.

In 2015, an additional share buyback programme will be launched, under which PANDORA expects to buy back own shares to a maximum consideration of DKK 3,900 million. The programme will end no later than 31 December 2015.

The full share buyback programme is subject to the approval of an extension of the current authorisation to acquire own shares on behalf of the Company at the Annual General Meeting on 18 March 2015. PANDORA has bought back own shares corresponding to 7.2% of the share capital under the current authorisation, which allows the Company to acquire own shares with a total nominal value of up to 10% of its share capital.

KEY EVENTS IN 2014

Middle East
In March 2014, PANDORA signed an agreement to acquire 100% of the shares in Pan Me A/S. The transaction was closed on 16 January 2015 upon fulfilment of certain conditions. Pan Me A/S holds the rights to distribute PANDORA jewellery in the UAE, Bahrain, Qatar and Oman. PANDORA paid a one-time cash payment of DKK 110 million, primarily related to the rights to distribute PANDORA jewellery in the UAE, Bahrain, Qatar and Oman, and non-current assets and inventories related to 11 concept stores and three shop-in-shops in the UAE.

Japan
In September 2014, PANDORA signed an agreement with Bluebell on joint distribution of PANDORA jewellery in Japan from 1 January 2015. Through the cooperation, PANDORA plans to accelerate the store roll-out, enhance the retail focus and make significant marketing investments in the Japanese market. Bluebell will contribute with in-depth knowledge of the retail market and the Japanese consumer as well as its insight into the Japanese real estate market.

As part of the agreement with Bluebell, PANDORA will purchase the assets related to the distribution of PANDORA jewellery in Japan in a non-cash transaction on 1 January 2015. The initial term of the agreement is five years. Upon 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 and will be in the range of HKD 74-220 million (or approximately DKK 52-156 million).

Hannoush (US)
In August 2014, PANDORA acquired 27 concept stores from US jeweller Hannoush, as part of a process to refresh the network in the Northeastern US, which has been underperforming relative to the rest of the US. Following the transaction five of the stores located outside the Northeast were sold to a franchisee, resulting in a net total of 22 stores acquired. The transaction value totalled USD 28 million (DKK 162 million), including locations, inventories and other assets. Initial in-store remodelling costs are estimated at USD 6 million (DKK 37 million), bringing the total investment to USD 34 million (DKK 199 million).

Organisational changes
Chairman of the Board of Directors
In March 2014, PANDORA announced that Marcello Bottoli would be standing down from his role as Chairman of the Board due to other professional commitments. At an Extraordinary General Meeting in October, Peder Tuborgh was elected as new member of the Board of Directors, and the Board of Directors subsequently constituted itself with Peder Tuborgh as new Chairman.

CEO
In August, PANDORA announced that Anders Colding Friis will succeed Allan Leighton as CEO in March 2015. At that time, Allan Leighton will be stepping down from his role as CEO. At the next Annual General Meeting, the current Board of Directors will recommend Allan Leighton as new Co-Deputy Chairman of the Board.

CFO
Peter Vekslund, former Senior Vice President, Head of Finance, succeeded Henrik Holmark as CFO of PANDORA on 1 January 2015. As announced in August 2014, Henrik Holmark stepped down from his role as CFO of PANDORA to join Dr. Martens Airwair Group Ltd as CFO.

Indictment
In November, the District Court in Glostrup passed its verdict in a case against PANDORA concerning potential breach of section 27(1) of the Securities Trading Act, cf. section 93(6), cf. subsection 1. PANDORA was found to be in breach of this section in the Securities Trading Act and the Company was to pay a fine of DKK 2 million. PANDORA has appealed the verdict to the Eastern High Court.

The verdict concerned a case dating back to 2011 and relates to Company Announcement No. 30 of 2 August 2011, when the Company announced its downward adjustment of its revenue growth expectations, two weeks earlier than the ordinary reporting date for the Q2 2011 results. The District Court in Glostrup found that the Company was obliged to announce a downward adjustment of the revenue growth expectations for 2011, no later than 18 July 2011. As previously communicated, PANDORA's position is that:

- the Company acted properly during a swift and unexpected downturn in sales by making a timely and precise announcement adjusting its annual forecast in light of new information and based on an analysis of the changing market dynamics in July 2011,
- the Company has at all times been in full compliance with all relevant rules and regulations for issuers of shares.

EVENTS AFTER THE REPORTING PERIOD

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 (a ladies fashion brand). PANDORA will pay a service fee to DHG for making the leaseholds available. All 78 leaseholds concern stand-alone stores located in prime locations in Germany that fit well with our existing concept store expansion strategy in Germany. During 2015, PANDORA will open owned and operated concept stores in the new locations, some of which will be a relocation of existing PANDORA-owned stores.

The total investment 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, service fees to DHG as well as all other costs related to store implementation, is expected to be around EUR 50 million (approximately DKK 370 million), of which the majority will be recognised as CAPEX and inventories. The funds will be spent over the course of 2015.

China

In February 2015, PANDORA entered an agreement with Oracle Investment (Hong Kong) Limited ("Oracle") about joint distribution of PANDORA jewellery in China from 1 July 2015 to 31 December 2018. At the end of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in China.

PANDORA plans, through the cooperation, 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 their insight into the Chinese real estate market, which will aid PANDORA in securing the most attractive locations.

On 1 July 2015, PANDORA will, as part of the agreement with Oracle, purchase the majority of Oracle's assets in China. The term of the agreement ends December 2018. 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 end of the term of the agreement. The initial payment to Oracle is expected to be approximately HKD 120 million (or approximately DKK 100 million), depending on the value of the assets at the time of the completion of the agreement. The total payment will be in the range of HKD 200-500 million (or approximately DKK 170-420 million). The agreement is subject to certain conditions to be fulfilled.

Major shareholder announcement

On 16 February 2015 PANDORA was notified by BlackRock Investment Management (UK) Limited that BlackRock, Inc. has increased its holding of shares in PANDORA A/S at 13 February 2015 to 6,434,446 shares, corresponding to 5.02% of the share capital and the voting rights.

2014
PANDORA HIGHLIGHTS

The PANDORA ESSENCE COLLECTION has now been launched worldwide

PANDORA Australia celebrates its 10-year anniversary

Q1

Q2

Q3

PANDORA Club members reach
5,000,000

PANDORA announces share buyback programme of up to
2,400
DKK million

PANDORA and Disney announce strategic alliance

PANDORA enters into strategic alliance in Japan

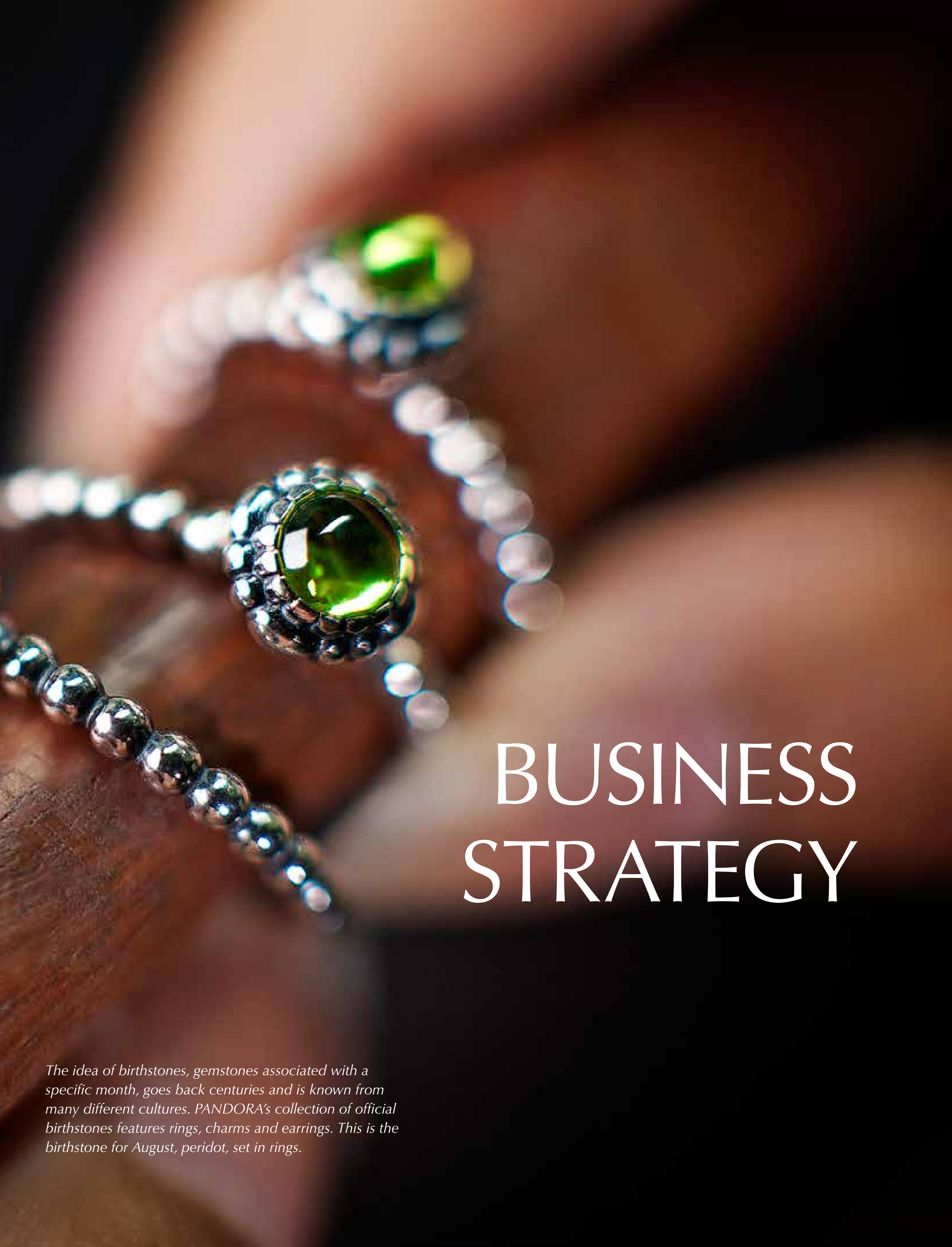
Ring sales exceed 1,000
DKK million

Q4

100%
of waste glass from PANDORA's production is now being recycled

Facebook followers reach
3,000,000

PANDORA acquires 27 concept stores in the Northeastern US



BUSINESS STRATEGY

The idea of birthstones, gemstones associated with a specific month, goes back centuries and is known from many different cultures. PANDORA's collection of official birthstones features rings, charms and earrings. This is the birthstone for August, peridot, set in rings.

FOUR STRATEGIC PILLARS

DESIGN AND PRODUCTS

Capitalise on our product offering through seven yearly product launches and consumer-centric, data-based design of new products

SALES CHANNELS

Focus on branded sales channels, particularly increasing the number of concept stores

BRAND AND MARKETING

Build a global brand through the use of targeted marketing and a consistent consumer experience across borders

MARKET STRATEGIES

Adopt a tailored approach in new markets, using proven distribution and marketing approaches from prior market entries

Our vision is to become the world's most recognised jewellery brand by offering women across the world high-quality hand-finished jewellery at affordable prices. To achieve this aspiration, we base our work on four strategic pillars designed to strengthen our market position and increase our revenue and profitability.

Capitalise on our product offering

We design, produce and sell affordable genuine jewellery and continuously aim to improve our product portfolio to meet consumer demands. To optimise the potential of our product offering, we have seven yearly product launches to ensure freshness in the stores and increase store traffic.

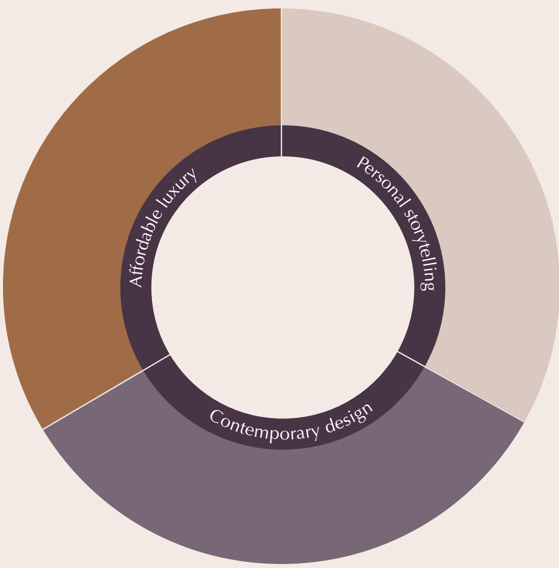
To ensure that our products stay relevant for consumers, our product development is based on a consumer-centric and market-led design strategy building on analysis of consumers' buying patterns and sales-out data from stores.

Build a global brand

Our global brand strategy focuses on creating brand consistency across all communication channels and markets. We invest a significant amount of revenue in marketing and use targeted marketing approaches to ensure we effectively reach our desired audience in each region.

We increasingly use online marketing to promote our brand, and we attract and retain customers by fostering consumer loyalty through channels such as the PANDORA Club and our Facebook fan pages.

THE PANDORA BRAND DNA



Affordable luxury
We provide a high-quality customer experience in multiple ways: the materials and craftsmanship associated with our products, our store environments and service, and the sheer accessibility of our offering, available to a wide global audience.

Personal storytelling
We enable women to express their uniqueness, style and taste. PANDORA's meaningful products provide opportunities to tell a personal story – whether worn personally or given as a gift to someone special.

Contemporary design
We embrace renewal and continually refresh our products so that we are always relevant in the eyes of consumers. Our brand universe is stylish and feminine, with a warm, joyful and inspirational feel.

Focus on branded sales channels
Our branded sales channels allow us to strengthen the image of our brand in the retail environment and to invest in an expanded product offering compared with our other points of sale. By increasing the number of PANDORA branded points of sale, particularly concept stores, we can give customers the best, branded experience.

Adopt a tailored approach in new markets
We will continue to enter new geographical markets while at the same time expanding our presence in existing markets.

We adopt a tailored approach in each new market in terms of brand, marketing and the split between branded and unbranded stores using proven distribution and marketing approaches from previous market entries.

Business model
Our business model is vertically integrated, which means we control every step of the value chain, from design and production to distribution and sales. We continually gather and analyse data from different parts of the value chain to ensure our organisation remains efficient. This allows us to benefit from scalability and flexibility, maintain a clear and complete overview of operations, and develop products and activities to match changing market needs.

DESIGN AND PRODUCTS

PANDORA RELEASED 387 NEW PIECES IN 2014

NUMBER OF EMPLOYEES IN OUR PRODUCTION FACILITIES EXCEEDS 7,900

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 primary focus is to continue to develop the Charms and Bracelets categories. Our secondary focus is 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 in 2013. We therefore focused on growing the Rings category, leading to a share of 10.0% of revenue in 2014. Out of a total of 387 new pieces, 11.1% were rings.

Both the Charms and Bracelets categories and the Rings category saw significant growth in 2014. The Other jewellery category, which includes earrings, necklaces and pendants, completes the PANDORA product universe and holds great long-term potential.

Consumer-centric and market-led design

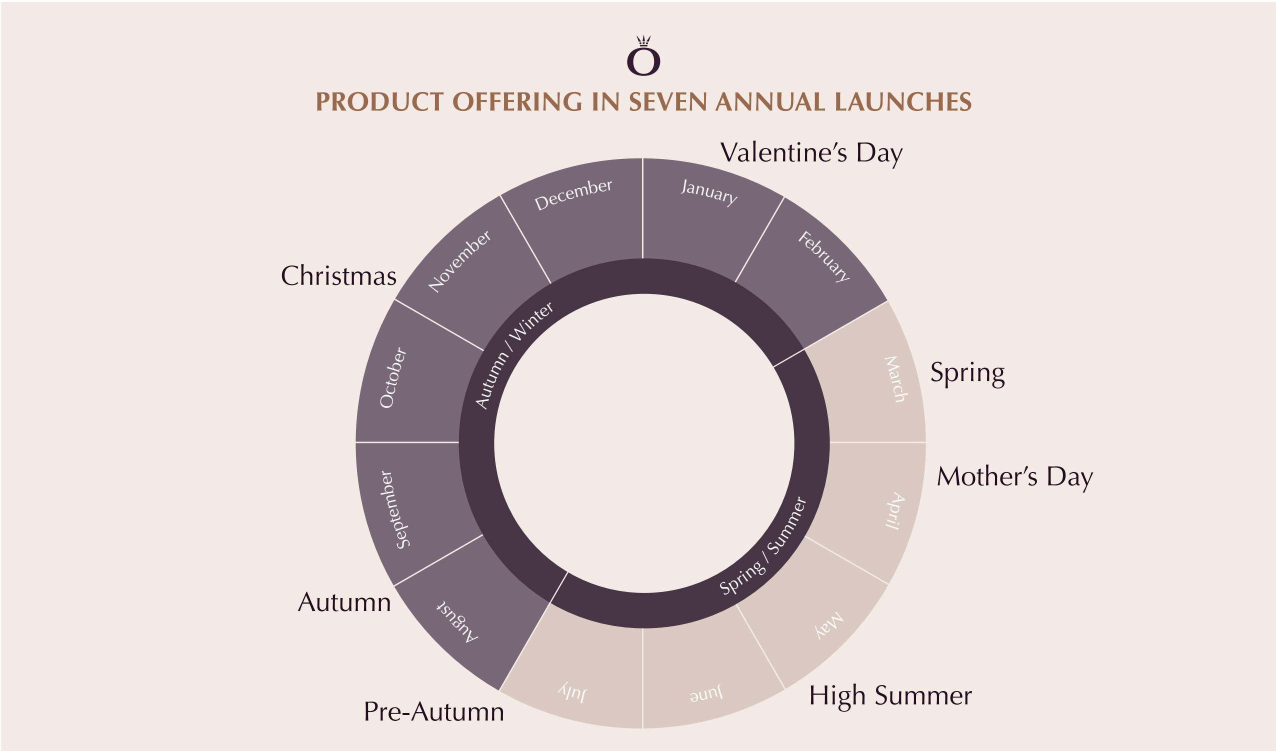
Our retail insight system provides us with sales-out figures for products in concept stores. This data is fed back into product design. If a certain design or colour performs particularly well, for example, we may create a number of variations of that design for the next product launch.

This process is known as design-to-data. Since we introduced this process in 2012, the sales-out share of new products (defined as products launched within the last 12 months) has increased significantly, indicating that our design team is able to meet consumer demand in terms of design, colour, materials and price.

Launch strategy

In order to keep freshness and relevance in our collections, we introduced a new launch structure in the second half of 2012. We now 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 387



new pieces in 2014. Slow-moving items were retired through sales promotions on discontinued items, clearance through outlets or permanent stock balancing programmes in selected countries.

Our design team begins preparations for each launch 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 cars 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 launch.

Once a theme has been settled on – the theme for Autumn 2014, for example, was Mystical Fairytale – the design work starts. Each piece of jewellery is drawn in 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 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 blogging network.

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. Collectively, PANDORA Production Thailand employs more than 7,900 people.

As we own our crafting facilities, we are able to ensure a constant supply of high-quality products to the market and to scale the production of different pieces up or down, depending on demand. In 2014, we produced around 91 million pieces of jewellery, an increase of 16.5% compared with 2013. In order to further expand capacity, we are looking to open new facilities in Thailand. Detailed planning for this will begin in 2015.

WELCOME TO GEMOPOLIS

It's 4.50pm in Gemopolis and the streets outside PANDORA's crafting facilities are buzzing. It's shift change time, and a fleet of PANDORA buses has just pulled up, bringing in thousands of people from nearby Bangkok. People fill the streets, chatting and laughing as they head into the facilities to start work or board the buses to be taken home. Welcome to Gemopolis.

At our crafting facilities in Thailand, love, care and attention to detail are bestowed on every hand-finished piece, bringing to life our design ideal of a contemporary aesthetic fused with traditional artistry. Here, skilled jewel-smiths, goldsmiths, silversmiths and stone-setters use traditional tools and techniques to apply the finishing touches, turning every piece of PANDORA jewellery into a piece of affordable luxury.

We are committed to retaining, training and developing our team of more than 7,900 people in Thailand and have created an inclusive working environment where everyone is valued, engaged and encouraged to improve. PANDORA Radio, for example, went on air in 2012 to provide entertainment, news and training for our people and is run by volunteer employee DJs.

Other initiatives include the PANDORA Edutainment Centre, an e-learning room and library with more than 15 computers and 10,100 books borrowed in 2014; an Employee Shop that sells everyday provisions (the stock is selected by our people) at prices lower than at supermarkets and convenience stores; and a Savings Cooperative managed by our people.

CHARMS AND BRACELETS ACCOUNT FOR 78.4% OF PANDORA'S TOTAL REVENUE

REVENUE FROM CHARMS AND BRACELETS ROSE BY 25.6%

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 modern 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 products 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. In 2014, sales of PANDORA's Charms and Bracelets made up 78.4% of revenue. 284 new charms were added to the collection and 217 were discontinued.

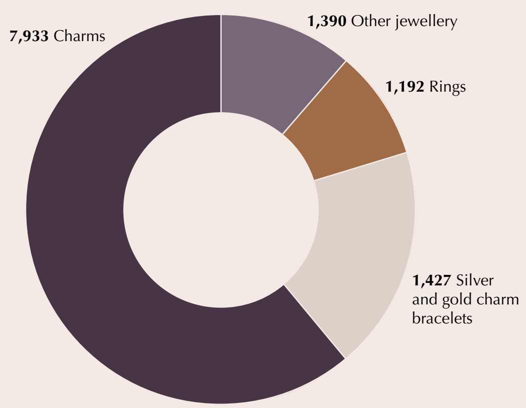
With the launch of the PANDORA ESSENCE COLLECTION in November 2013, we added a new dimension to our Charms and Bracelets categories. The collection features a range of new slender silver bracelets and an accompanying assortment of charms representing personal values. It also includes an innovative and 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 help of thousands of women worldwide.

Rings

In line with our brand DNA, most PANDORA rings can be stacked to create a personal look and are designed to complement other PANDORA jewellery. The Rings category was a key focus area in 2014. New initiatives in this category, such as a ring marketing toolkit and touch-and-feel in-store displays, proved very successful. Ring sales doubled in 2014, and Rings made up 10.0% of revenue compared with 6.1% in 2013. This has firmly established Rings as our second core product category.

REVENUE BY PRODUCT CATEGORY

DKK million



STRATEGIC ALLIANCE WITH DISNEY

PANDORA signed a 10-year strategic alliance with The Walt Disney Company in August 2014, allowing PANDORA to create an original collection of Disney inspired jewellery to be sold in the PANDORA North American region. The first Disney inspired jewellery collection launched in November 2014, with another one due to launch in spring 2015.

REVENUE FROM RINGS ROSE BY 116.7% FOLLOWING INCREASED FOCUS ON THIS CATEGORY

REVENUE FROM OTHER JEWELLERY INCREASED BY 37.6%, DRIVEN BY OTHER BRACELETS, NECKLACES AND EARRINGS

Other jewellery

In addition to charms, bracelets and rings, we also design, produce and sell necklaces, pendants and earrings. 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 11.6% of PANDORA's total revenue in 2014, compared with 11.2% in 2013.

MOMENTS CHARM BRACELET

PANDORA ESSENCE COLLECTION

RINGS AND OTHER JEWELLERY

BRAND AND MARKETING

FACEBOOK FOLLOWERS

3,085,140

'likes' on the global page

ACTIVITIES ON FACEBOOK

61,448 interactions a week

312 fan posts a week

PANDORA CLUB

6,207,105

members

INSTAGRAM

319,330

followers one year after launch

PANDORA HEARTS OF TODAY

In 2014, we launched a new social cause platform in the US called PANDORA Hearts of Today. Many women work every day to make a difference in their communities and the world at large. PANDORA Hearts of Today celebrates these women. Entrants are nominated by colleagues, friends or family and a panel of inspirational women selects the semi-finalists. The general public then votes online to select the winners who receive a donation to help the organisation they work with.

Connecting with consumers

In 2014, we continued to build and strengthen the PANDORA brand. Broadly speaking, the typical PANDORA consumer is a woman between 25 and 49 years of age, and within this group of people 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 over time, while we are still seeing healthy growth in awareness in our newer markets.

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 around half a million visits per month and our global Facebook page sees around 300 fan posts per week.

Marketing
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 and broadcast media to online. 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.

In 2014, we spent 9.6% of our revenue on marketing compared with 9.8% in 2013, an increase of 29.9%. In addition, our global marketing spend was supplemented by the marketing spend of franchisees, multi-brand retailers and third-party distributors.

In 2014, we completed a target group segmentation study providing deep insights into current and potential customers. Information from the study will enable us to target communication and products to different consumer groups even more effectively.

More than 60% of the women who own PANDORA jewellery receive it as a gift, and more than half of the gift givers are men, and we dedicate a certain amount of our marketing spend to men in order to support this position.

However, the majority of our efforts in the gift-giving area focus on helping women indicate to gift buyers which PANDORA jewellery they would like to receive. For example, the PANDORA Club allows members to share their wish lists with friends and family.

YEAR OF THE RINGS

PANDORA'S REVENUE FROM THE RINGS CATEGORY SAW AN AMAZING INCREASE IN 2014. WHAT DROVE THIS GROWTH?

When we decided to increase focus on the Rings category, we knew that the go-to-market materials needed to be as well thought-out as the products themselves. So at the end of 2013, we launched a ring toolkit, a collection of best practices and sales and marketing tools to promote the Rings category. One of the toolkit's focal points was to improve the way rings were presented in stores. Today, at least 20% of the retail category space in each concept store is dedicated to rings, and rings have experienced increased attention from consumers as a result.

Sizing is important for consumers when buying rings, so the toolkit includes various ways to help consumers ensure they get rings of the right size. This includes ring-sizing features on PANDORA's digital touch points. A PANDORA Club member, for example, can include her ring size on her wish list and share it with her friends and family through social media channels.

All the combined efforts to grow ring sales meant an increase in revenue from Rings of 116.7% to DKK 1,192 million in 2014.

MEETING CUSTOMERS IN THE DIGITAL WORLD

When an image of the PANDORA Valentine's Collection 2015 was posted on Instagram, it quickly attracted more than 20,000 'likes' and hundreds of comments from followers, many of which were recommendations to friends or hints to boyfriends and husbands. What drives so many women to follow us?

For PANDORA, the most powerful marketing tool is the women who share their lives and personalities through our products, and in many ways social media is the perfect platform. It enables women (around 95% of our followers and fans are female) to easily share their stories, style and passion for our products with friends and family, as well as with millions of other women across the globe.

The cornerstones of our digital presence remain Facebook and the PANDORA Club. These are supported by a strong presence on Instagram, Pinterest, YouTube and Twitter – and we are always on the lookout for other relevant digital platforms. Our Instagram account was recently highlighted as top performer in the watches and jewellery industry by the digital think tank L2, and our Facebook pages were recognised for their high level of organic fan engagement.

Our Facebook pages have nearly five million 'likes', and between 200,000 and 300,000 people interact with us on Facebook each month, either through our global Facebook page or one of 15 local pages. These interactions vary from sharing personal stories to simply 'liking' our content or recommending it to others.

The PANDORA Club builds a strong sense of brand loyalty among its 6.2 million members by offering regular newsletters with sneak peeks and special content, as well as member functionalities on our website such as a ring size saver. Members can even create a PANDORA wish list and share it with friends and loved ones through other social media channels.

This high level of digital interaction enables us to develop close connections with customers and build buzz around new products through sneak peeks and special promotions. But above all, we empower women from all over the world to share their stories and passion for our products with each other, and spreading their love for our brand.

SALES CHANNELS

Entering the PANDORA universe

When customers walk into a PANDORA concept store, they 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 will feature the Evolution concept and work on refitting existing stores with Evolution will commence.

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. Examples from 2014 include the acquisition of Hannoush stores in the US, the forward integration of our operations in Japan and taking over up to 78 commercial store leases in prime locations in Germany.

Concept stores, shop-in-shops and gold stores

Concept stores, shop-in-shops and gold stores 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 2014, branded stores made up 85.6% of revenue, compared with 82.3% in 2013.

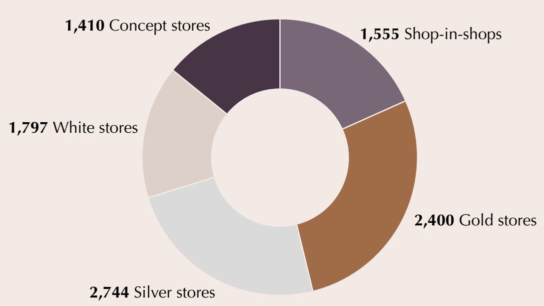
Our strategy is to increase the number of branded stores in selected markets, by upgrading silver or white stores where PANDORA products are selling well and by opening new concept stores and shop-in-shops. In 2014, we opened 310 new concept stores and 183 shop-in-shops.

Silver and white multi-brand stores

Silver and white 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 customer base with low investment. As we move further into branded sales, the number of silver and white stores naturally decreases. In 2014, PANDORA jewellery was available in a total of 4,541 silver and white stores, compared with 5,478 in 2013.

PANDORA'S POINTS OF SALE

Consumers can purchase our products through 9,906 points of sale in more than 90 countries. The points of sale range from concept stores, shop-in-shops and gold stores where products are displayed in a PANDORA-branded environment, to silver and white multi-brand stores where our products are sold alongside products from other brands.



EVOLVING THE CUSTOMER EXPERIENCE

Entering a PANDORA concept store is like meeting an old friend. But people change over time, and the PANDORA store has to evolve to stay relevant. That's where the Evolution store concept comes in.

The PANDORA concept store design is changed approximately every five years to ensure the store experience remains relevant to customers' changing demands and needs.

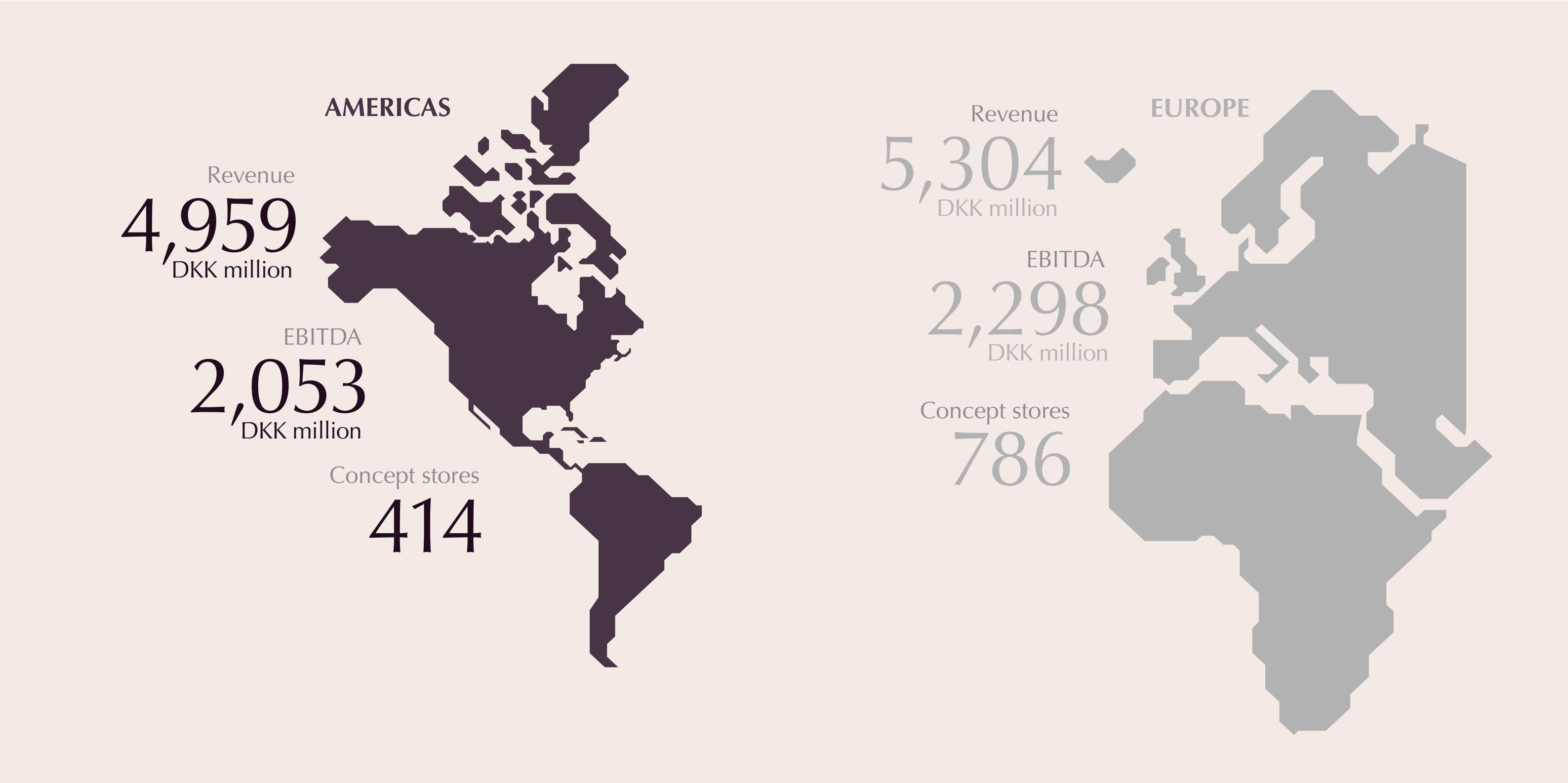
Created in collaboration with a Swiss architecture and design firm, Evolution is an accessible and feminine in-store environment with a warm and bright feel and unique zoning colours that help customers find their way to the products they seek. Every inch of the store has been carefully designed to reinforce the unique PANDORA aesthetic and improve the sales experience. The detailing on the showcases, for example, uses bracelet-like patterns to create a visual and tactile link to our signature product.

Details of this kind do not materialise overnight. Work on Evolution began in early 2012 and the first 'lab store' was created in Stuttgart, Germany, later that year. After two years of development, testing, tweaking and establishing an efficient procurement supply, the global roll-out of Evolution began in 2014. Before an Evolution store materialises, our in-house team of technical designers draws the store in 3D and fits the Evolution elements to the store's unique size and shape.

Brings products closer to the customer
The Evolution design reflects our brand's promise to help women remember, cherish and share their unforgettable moments. The traditional counters have been split up and spread out across the store so that sales staff and customers can stand side by side as they discuss the products. The jewellery is beautifully framed in cabinets and displayed on the walls to create a wall of memories. In addition, newly designed fixtures allow customers to touch and feel the products, giving them a tactile experience and a sense of the products' quality.

Fabulous and functional façades
The PANDORA store façade is the face of our brand – it is what people recognise as they pass by in the street or in a shopping centre. To enhance this reassuring moment, the Evolution design highlights core elements of the brand's visual identity, including the ribbon image that appears on many of our marketing materials.

MARKET STRATEGIES



Seeking growth globally
With 9,906 points of sale across more than 90 countries, PANDORA products are readily available to customers almost anywhere on the globe. In 2014, 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 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.

Italy, France and Russia are three of Europe's largest jewellery markets. Revenue in these three new markets for PANDORA, constituting around 15% of total revenue in 2014, increased 57.0% compared with 2013. There is still great growth potential in all three markets and we aim to expand our business here.

Asia is still a very new region for PANDORA and holds great potential for the Group. PANDORA has had a presence in this region since 2009, but its presence in large jewellery

ASIA PACIFIC

Revenue
1,679
DKK million

EBITDA
831
DKK million

Concept stores
210

PANDORA ESTORES

By the end of 2014, PANDORA had eSTOREs in seven European countries. The first PANDORA eSTORE in the UK has proven successful with high traffic, high conversion rates and low return rates. PANDORA eSTOREs appeal particularly to male gift buyers, who may not find their way to a physical PANDORA store. We will continue to develop and open PANDORA eSTOREs in an aim to offer PANDORA online sales globally.

markets like China and Japan is still limited. In 2015, we will increase our focus on China and Japan, which together represent almost one third of global jewellery sales.

The global jewellery market is currently worth approximately DKK 1,700 billion (2013) and is predicted to grow to DKK 2,200 billion by 2017, according to Euromonitor International. A very large proportion of this growth will come from Asia, mainly driven by China and India.

Driving growth in developed markets

Our business model is as strong as our signature product, the charm bracelet, 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 51% of the Group's total revenue in 2014. Although developed, these markets still hold potential for growth. In 2014, revenue in the UK and Australia grew by 42.8% and 18.4% 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 13.4%, driven by positive like-for-like sales in all areas other than the Northeast, as well as the opening of new stores on the West Coast.

GROWING IN BOTH NEW...

BUILDING A STRONG BRAND IN THE LAND OF DESIGN

Four years ago, almost no-one in Italy knew the name PANDORA. Today, it is one of the best-known jewellery brands in the country, with increasing revenue and a blossoming reputation.

Italy is one of Europe's largest jewellery markets, with an annual retail value of almost DKK 28 billion according to Euromonitor International. The Italian jewellery industry is characterised by a large number of independent jewellers – around 20,000. PANDORA chose to focus on the top 1,000 jewellers as well as opening a number of own and operated concept stores to showcase the brand.

The openings were followed by a number of brand awareness campaigns and the brand rose to fame. One of the first franchisees to sign an agreement with PANDORA was the Songa Group – one of the biggest jewellery traders in Italy – firmly establishing the PANDORA brand in Italy.

Today, PANDORA products are available through a total of 749 points of sale across the country, including 36 concept stores and seven shop-in-shops. In 2014, PANDORA Italy delivered sales-out growth of more than 40% compared with 2013.

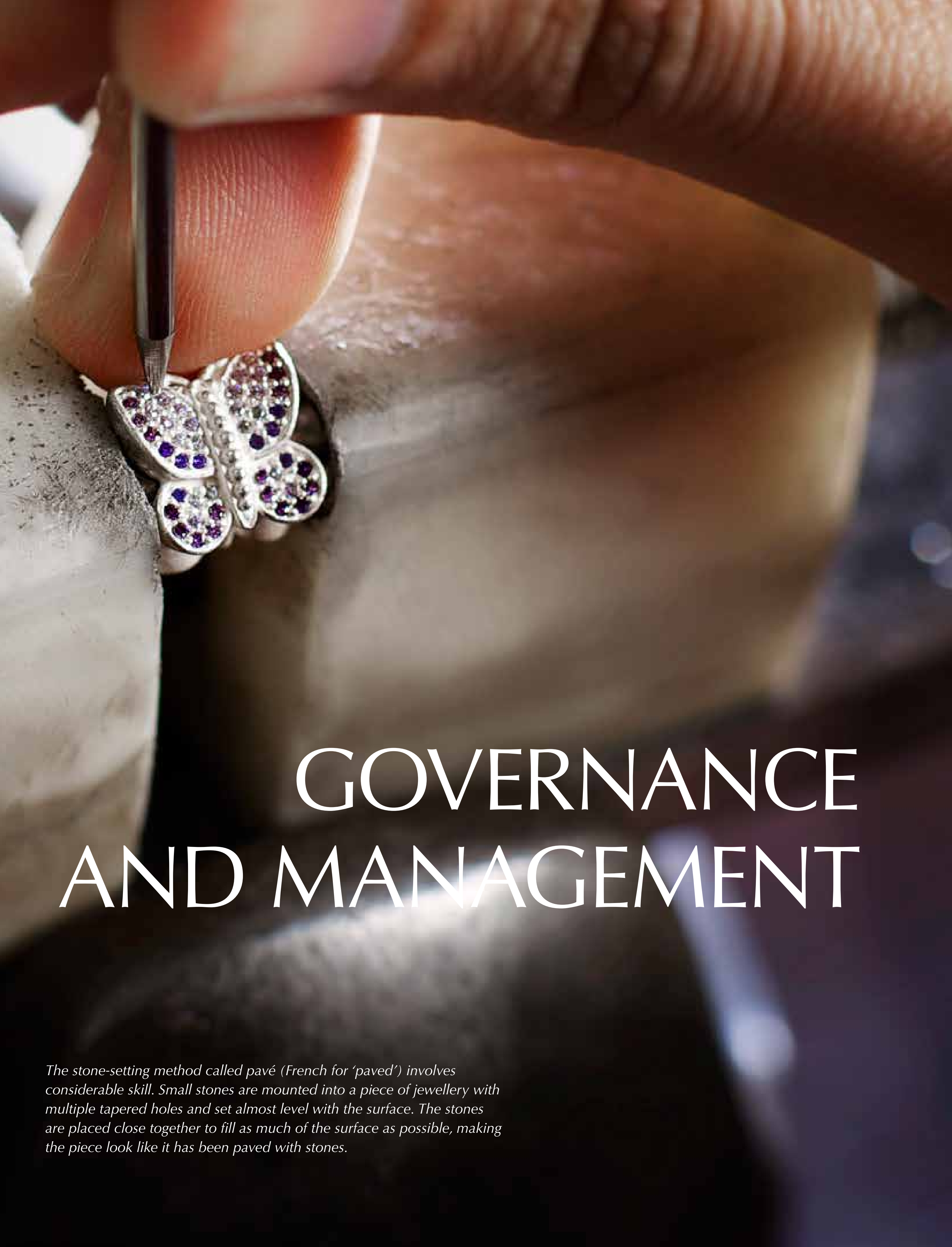
...AND DEVELOPED MARKETS

DRAWING RINGS AROUND AUSTRALIA

How can you boost sales in one of your best-performing and most developed markets? Give consumers something they did not know they wanted – rings.

PANDORA has been present in Australia since 2004. Today, consumers can buy PANDORA products in more than 393 stores across the country, and Australia is one of our most developed markets. Yet, Australia delivered like-for-like growth of 25.5% in 2014.

Ring sales have more than doubled in Australia since 2012, thanks to a clearly defined category strategy that combines merchandising, sales and marketing, aligning all commercial functions within the business. In 2014, for the first time, more of PANDORA Australia's revenue derived from rings than from bracelets – even though the Charms and Bracelets categories delivered revenue of DKK 504 million, an increase of 13.8% compared with 2013, the Rings category contributed revenue of DKK 149 million, an increase of 52.0%.



GOVERNANCE AND MANAGEMENT

The stone-setting method called pavé (French for 'paved') involves considerable skill. Small stones are mounted into a piece of jewellery with multiple tapered holes and set almost level with the surface. The stones are placed close together to fill as much of the surface as possible, making the piece look like it has been paved with stones.

CORPORATE GOVERNANCE

RECOMMENDATIONS AND PRACTICE

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

PANDORA will exercise good corporate governance at all times and assess its 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 a minor revision in 2014, which does not impact PANDORA's reporting. In 2014, PANDORA chose to deviate partly from Clause 3.4.6 as the Chairman of the Nomination Committee is not the Chairman of the Board. In PANDORA, the Nomination Committee elects a chairman, who must be either the Chairman or the Deputy Chairman of the Board. A new Chairman was appointed in 2014 and the Deputy Chairman was elected as Chairman of the Nomination Committee. The Chairman and Deputy Chairman of the Board share the Chairmanship and thus, in practice, the Deputy Chairman represents the Chairman on the Nomination Committee.

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 of Directors. The Executive Board handles day-to-day management, while the Board of Directors supervises the work of the Executive Board and is responsible for the general strategic direction.

The Board of Directors' primary duties 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 of Directors must be such that, at any time, the combined competencies of the Board of Directors enable it to supervise the Company's development and diligently address the specific opportunities and challenges faced by PANDORA. The Board of Directors, together with PANDORA's Executive Board, develops 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 of Directors oversees the financial development of PANDORA and the related planning and reporting systems.

BOARD ACTIVITIES IN 2014

In 2014, the Board held seven ordinary Board meetings. The total attendance rate was 85%. In 2014, the primary commercial focus area for the Board was the continued global expansion exemplified by a distribution agreement in Japan, acquisition of concept stores in the US and a strategic alliance with The Walt Disney Company.

Board Committees

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

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

The Audit Committee

The current members of the Audit Committee are Anders Boyer-Søgaard (Chairman), Andrea Alvey, Nikolaj Vejlsgaard 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 2014, the Audit Committee met seven times and had an attendance rate of 93%. The main activities were:

- meetings with the Executive Board and external auditors to review the audited annual report
- meetings with Management 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 the Company's significant financial risks
- assessment of the need for an internal audit function
- recommendation for the appointment 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), Bjørn Gulden, Andrea Alvey, Torben Ballegaard Sørensen and Christian Frigast. 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 packages of the Board members and the Company's executive managers
- to verify that the information on remuneration in the annual report is true, accurate and adequate

The Remuneration Committee met 4 times in 2014 and had an attendance rate of 85%. The main activity was the annual review of the remuneration policy and guidelines on incentive pay as well as approval of the Company's overall pay regulation. The Committee also performed a review of the Long Term Incentive Programme 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 of Directors and the Executive Board
- succession planning for top executive positions

In 2014, the Nomination Committee met 3 times, with an attendance rate of 83%. With the search for and recruitment of a new Chairman, two new Board members as well as a new CEO and CFO, 2014 was an unusual year for the Nomination Committee.

Board self-evaluation
The Board conducts an annual self-assessment to constantly improve its performance and its cooperation with the Executive Board. The assessment is carried out by each Board member completing a questionnaire followed by a Board discussion where areas for improvement 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, nomination process and the competencies of the Board. Topics also include 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 2014 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 feels sufficiently involved in financial oversight. The primary action item for 2015 is to allocate time to further market visits and exposure to non-executive management levels to gain further insight into the PANDORA-specific market and business dynamics.

Additional information
The statutory report on corporate governance for 2014 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 manufacturing our Product with integrity, providing a great environment for our People, and taking action to minimise our environmental impact on the Planet.

We believe that Corporate Social Responsibility (CSR) 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 jewellery industry.

Product, People, Planet is our way of operationalising and communicating our CSR 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 CSR Report to training and internal presentations. In 2014, the PANDORA Group focused on:

- continuing to roll out the Group's CSR and compliance programme, PANDORA *Ethics*, across the value chain
- developing further transparency of CSR issues through the Product, People, Planet communication strategy
- reducing our CO2 emissions and environmental footprint, including waste management at PANDORA Production Thailand

CSR and compliance programme
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 ethics and supplier relations. PANDORA *Ethics* is integrated into the entire value chain, from the sourcing of materials and crafting of jewellery to the trading of our jewellery at 9,906 points of sale around the world. Find the PANDORA Ethics policies at www.pandoragroup.com.

PANDORA *Ethics* fully covers the 10 principles defined by the United Nations Global Compact, and the entire PANDORA Group is certified compliant with the provisions from the Responsible Jewellery Council's (RJC) Code of Practices, which includes the United Nations Guiding Principles on Business and Human Rights. This demonstrates that we either meet or exceed the standards for responsible business practices in the jewellery value chain.

To strengthen the implementation of PANDORA *Ethics*, we hired more people to our CSR department in 2014. Based in Denmark, Thailand and Hong Kong, the strengthened team will help further embed PANDORA *Ethics* in the Group's local and global culture and management structure.

Joint industry action
We are committed to advancing responsible business practices, both internally and through active collaboration with the jewellery industry. PANDORA is an active member of the United Nations Global Compact and a certified member of the RJC.

As a member of the RJC Executive Committee and elected Chair of the multi-stakeholder RJC Standards Committee (consisting of leading jewellery brands, a range of experts and relevant civil society organisations), we are actively working to set new and higher standards for responsible business practices throughout the industry.

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 approaches and lessons learnt with peers in order to advance human rights in daily operations.

Product
At PANDORA, responsible business practices begin in the design phase with the choice of materials and continues through ethical sourcing, procurement and manufacturing. 2014 was the first full year with CSR compliance as one of the five pillars driving the PANDORA Group Procurement strategy.

IN 2014, 10,100 BOOKS WERE BORROWED FROM OUR STAFF EDUTAINMENT CENTRE IN BANGKOK

PANDORA'S INTERNAL RADIO AND TV BROADCASTS PROVIDE BOTH KNOWLEDGE AND ENTERTAINMENT FOR OUR PEOPLE EIGHT HOURS A DAY

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 also includes training and auditing suppliers and ensuring timely follow-up whenever non-compliance is identified.

Thanks to the Responsible Supplier Programme, we were able to meet one of our 2014 sourcing Key Performance Indicators, which required that, in 2014, 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.

Over the course of 2014, 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 was certified to the ISO 50001 standard (Energy Management).

People

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 2014. Over the year, PANDORA Production Thailand welcomed an additional 2,000 colleagues, who enjoy safe and healthy working conditions and attractive compensation and benefits.

PANDORA Production Thailand's Safety, Health & Environment team (SHE) was expanded in 2013 and the roll-out of SHE-related training continued in 2014. All our people have received SHE-related training, using a number of training methods and supported by communication channels such as PANDORA Production TV and PANDORA Radio. PANDORA Production Thailand's Edutainment Centre, where our people can borrow books and study during breaks – received a total of 50,900 unique visits during the year. Despite the unprecedented growth in the number of jewellery pieces produced, PANDORA Production Thailand managed to keep average weekly working hours in line with ILO standards by hiring additional people and introducing shift work.

We regard shop 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, and here e-learning is especially important.

As part of the PANDORA *Ethics* programme, we continued our CSR and compliance-related training and monitoring activities in 2014. PANDORA *Ethics* is now included as modules in our e-learning system. PANDORA's 50 in-house trainers conduct thousands of hours of face-to-face training and coaching throughout the Group each year. In addition, 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 and specific jewellery collections.

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 at the latest, the gender split in senior management positions (members of the Executive Management, general managers and vice presidents) should be 40%-60%. At the end of 2014, 34% of senior management were women, up from 31% in 2013.
- 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). On 1 January 2014, women accounted for 50% of this management group, and made up 50% of the enrolment in our leadership programmes in 2014.

ALL GOLD USED BY PANDORA IS CERTIFIED CONFLICT FREE

WE OFFER OUR SUPPLIERS TRAINING, ADVICE AND ASSISTANCE TO HELP THEM COMPLY WITH OUR CSR REQUIREMENTS

- It has been PANDORA's objective that, by 2015, at least 35% of Board members elected at the Annual General Meeting must be women. At the end of 2014, women made up 20% of our Board members, which is well above the average 11% for Danish listed companies, but still below our 35% target. Subsequently we have changed the target year from 2015 to 2018, and from 2015 we will work to reach our target.

Planet

As part of our commitment to continuously minimise our environmental footprint, PANDORA Production Thailand in 2014 initiated a Life Cycle Assessment of its environmental impact. The project is being run in collaboration with the Eco-Efficient Engineering Research Laboratory (Eco-Lab) at Mahidol University in Thailand and has already resulted in a range of interesting findings. Under effective environmentally controlled conditions, the reuse of precious metals will considerably reduce carbon emissions compared to mining.

Based on the Ecoinvent Database, Eco-Lab estimates that reused gold results in CO2 emissions of as little as 5% compared to gold mining. The corresponding figure for silver is estimated to be 7%. This makes the use of reused precious metals extremely efficient in terms of potential CO2 reductions.

As part of our efforts to promote environmentally responsible sourcing practices 90% of the gold grains used in PANDORA products in 2014 originated from recycling. The remaining 10% originated from mines certified either according to the RJC's Chain-of-Custody standard or the 'Good Delivery Refinery' standard issued by the London Bullion Market Association.

When it comes to silver, 99% of the silver grains sourced by PANDORA originate from reused sources. The remaining 1% 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. Reused silver may enable us to guarantee the ethical origin of silver sourced by PANDORA, but it does not help solve potential problems related to the silver mining in general. In 2015, we will work in close cooperation with our suppliers to develop responsible chain-of-custody standards for silver mining.

PANDORA Production Thailand is our most energy consuming entity by far, but we have a modern and energy efficient production setup. The amount of energy used here was up from 19,170,000 kWh in 2013 to 23,243,000 kWh in 2014. 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 cool working environment consumes a considerable amount of energy. Ovens and chillers put together account for approximately 40% of the energy consumption.

In Q2 2014, PANDORA Production Thailand achieved the ISO 50001 certification on energy management through which we define and monitor our goals, methodology and performance in reducing our energy consumption. 2014 also saw several new pilot projects aimed at reducing our energy consumption. Thus, solar panels have been installed across the entire roof of one of the buildings, LED lights have been tested in a relevant area with good results and will be installed where appropriate. In addition, we are testing how to optimise energy consumption in different processes. Training in energy management awareness has been initiated and will continue into 2015, when an expected 500 selected people are to undergo training.

Finally, we have identified CO2 emissions from the transport of our jewellery as a new focus area, and we are investigating, in close cooperation with our transport providers, how to gather data to minimise these emissions in the future.

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: www.pandoragroup.com/csr, where you can also find our PANDORA *Ethics* 2014 Report.

FROM PURE WASTE TO TRUE RECYCLING

At PANDORA, waste is seen as a resource. In 2014, 81% of the waste produced by our crafting facilities in Thailand was reused or recycled, an increase of 24% compared with 2013. Our waste management procedures were improved with the help of recycling experts from Mahidol University in Thailand.

The crafting of our jewellery generates three main types of process waste: gypsum, glass and rubber. The gypsum derives from the jewellery casting process, the glass from making our Murano charms and the rubber from jewellery moulds. Today, 90% of our gypsum waste is recycled in the construction sector, 100% of our Murano glass waste is recycled for producing glass tiles and 100% of our rubber waste is used as fuel by the cement industry.

It is a great pleasure to see our waste being transformed into something useful. The benefits are twofold as we optimise the world's resources and also reduce our own waste.

100%

of glass waste is used to make tiles
- up from 45% in 2013

90%

of gypsum waste is reused in the construction industry
- up from 46% in 2013

100%

of rubber waste is used as fuel
- up from 29% in 2013

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 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.

Patents

PANDORA's international patent families encompass patent rights relating to the functionality of the charm bracelet. Patents have been granted by the member states of the EU, the US, Australia, New Zealand, South Africa, China, Switzerland and Norway. In general, these patents protect a jewellery chain (a necklace or bracelet) with a stop joint, known as a 'stopper', which prevents charms from falling off the chain. The patents also protect a detachable holder, known as a 'keeper'. A keeper can be added to a jewellery chain in order to divide the charms into groups and to prevent the moveable charms from bundling at one end of the chain. In the US, PANDORA's patent expires in 2023 and in other jurisdictions in 2024.

PANDORA filed patent applications related to the PANDORA ESSENCE COLLECTION in 2013. The first patent was granted in 2014 in Australia and more patents are expected to be granted in the first half of 2015.

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 2014, PANDORA's trademark portfolio consisted of approximately 1,000 trademark applications and registrations. Of these, more than 100 trademark applications were filed in 2014.

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 2014, we succeeded in removing more than 2,800 fake PANDORA websites and more than 93,000 pieces of counterfeit PANDORA jewellery from auction sites.

HUMAN RESOURCES

Our people are the heart of the PANDORA Group 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 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 2014, 20 leaders completed 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 29,000 users worldwide, including shop associates in non-PANDORA-owned points of sale, to follow a broad selection of training modules. More than 380,000 POD e-learning modules were completed globally in 2014, up from 200,000 in 2013.

In 2014, we also began a number of initiatives to ensure stability of succession and bolster our reputation as an attractive place to work. In 2014, we started developing an 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 in 2014 and 2015, 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 2014 that help us define the benefits and opportunities that we offer our people.

THE HEARTBEAT OF PANDORA

An employee satisfaction survey can tell you many things, but perhaps the most important is how engaged your people are. Conducted globally between January and September 2014, the Heartbeat Survey took the pulse of our people. Here are the highlights:

- 86% of our people would recommend PANDORA as a workplace
- 81% of our people see the PANDORA values in the organisation

RISKS

Taking action to mitigate risks
As a global company with central crafting facilities, a global distribution network and points of sale across the world, PANDORA needs to be fully aware of future risks and opportunities. The Board of Directors makes regular assessments of the overall and specific risks associated with the Group's business and operations to ensure all risk is managed in a proactive and efficient manner. The Board also develops long-term and short-term strategies to take advantage of opportunities as they arise.

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 risk.

The significant current risks are (no specific order):

BRAND AND REPUTATION

Our sales are to a large extent dependent on the success of the PANDORA brand, and loss of brand value or damage to the brand's reputation could have an effect on the Group's earnings.

Description	Status
Our reputation and business could be affected by negative events covered on social media, related to PANDORA's core business and values. PANDORA has not experienced negative coverage on social media on a major scale.	In recent years, we have strengthened our presence in digital media channels through our websites, eSTOREs, PANDORA Club and social media. These channels enable us to engage directly with end customers and respond quickly and transparently to questions and comments.
Our reputation and business could be seriously affected if the Group does not comply with applicable laws and regulations, or if it is perceived by the public as failing to meet certain Corporate Social Responsibility (CSR) standards, including labour standards.	We have taken steps to align our CSR standards globally. These steps include formally adhering to the United Nations Global Compact, taking an active role in the Responsible Jewellery Council, and integrating PANDORA *Ethics*, our CSR and compliance programme, into our entire value chain.

CONCENTRATION OF KEY FUNCTIONS IN THAILAND AND SUPPLY CHAIN DISRUPTION

Our production and product development are concentrated in Thailand and supply four distribution centres globally.

Description	Status
We have concentrated key functions in Thailand, including Production and New Product Development. In addition, we have one of four global distribution centres located in Thailand.	We set up a Thailand Business Continuity Management Department in 2012 to monitor any factors that could impact operations or production. The Business Continuity Plan for production has been tested with satisfactory results.
Our operations are dependent on raw materials being imported into Thailand and on the uninterrupted operation of our facilities. In the past, political unrest in Thailand has occasionally caused brief disruptions to our supply chain.	Supply chain disruptions have not had any significant impact on production or product development to date. We continuously evaluate the benefit and risk of concentrating production and product development in Thailand.
Thailand, including Bangkok, is occasionally hit by heavy monsoon rain, which can result in severe flooding.	We currently have seven crafting facilities in Gemopolis, an industrial zone outside Bangkok. This area is generally well drained and protected from flooding. We have a contingency plan in place should flooding occur, although there have been no significant disruptions to date. In addition, we are planning to establish a new crafting facility in Northern Thailand. Detailed planning for this facility will begin in 2015.
We operate four global distributions centres responsible for supplying stores with merchandise throughout the year. A major breakdown of IT or facilities with lengthy supply chain outage as a result will impact PANDORA's results.	Our global physical and information security requirements ensure that our operations can be restored to minimise impact on the business.

MAJOR MARKET DEPENDENCY

PANDORA's revenue is to some extent exposed to the development in major markets.

Description	Status
We are exposed to performance and development in the major markets. The major markets have experienced solid growth for a substantial period. In the event of a significant market decline or loss of access to a market, this will have an impact on Group results.	We continuously analyse the key drivers of potential growth and failure in major markets.
Major markets constituting 5% or more of the Group's revenue include the US, Canada, the UK, Italy, Germany, Russia and Australia.	We have developed market-specific strategies to ensure continued growth in our major markets.

FLUCTUATIONS IN RAW MATERIAL PRICES

An increase in silver or gold prices may have an adverse material effect on PANDORA's business.

Description	Status
Raw materials make up the largest part of the Group's cost of sales. Our products are mainly made of silver and gold, hence these metals account for a significant part of the cost of sales. An increase in silver or gold prices could therefore increase cost of sales significantly.	PANDORA's financial policy requires that exposure to raw material price fluctuations is mitigated, and the Group uses financial instruments to hedge both silver and gold exposure. 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. Actual production can deviate from the 12 month rolling production plan. In case of deviations, the realised commodity hedging ratio can deviate from the estimated hedging ratio.
Since PANDORA needs to stay in the affordable luxury segment, it may not be possible to transfer this increased cost to end consumers, as jewellery competes with other fashion, leisure and entertainment products for consumers' discretionary expenditure.	These 12-month rolling hedges, combined with the time lag from inventory turnover, mean that we can take raw material prices into account when selecting the main materials to use in upcoming product launches.

PRODUCT RISK

We are dependent on the performance of launched new collections throughout the year. A large part of our revenue is driven by products launched in the last year.

We have a high exposure to the Charms & Bracelets category as it accounts for a significant part of revenue reported.

Description	Status
Our ability to achieve future goals is dependent on our ability to develop products aligned with market trends and consumers' preferences.	To provide consumers with new and contemporary products, we have seven product launches a year. When developing new collections, we use data from various sources, including trendspotters, external global design talent and our in-house designers, to ensure that our designs are aligned with market trends. In addition, we use a data retail insight system to determine how to structure our collections. We also apply product life cycle management, sales-out data and portfolio analysis to ensure that we deliver the optimum split between category, drops, metal and design into the right pricing points.

TAX RISKS

Changes in the distribution of the Group's profit could have significant impact on the Group's consolidated tax payments.

Description	Status
Due to significant differences in tax rates between Group entities, a change in the distribution of the Group's profit could have significant impact on the Group's consolidated tax payments. The risk mainly relates to differences in corporate taxation in Denmark and Thailand. Corporate income tax in Denmark is 24.5% (gradually to be reduced to 22% by 2016) while PANDORA Production Co. Ltd. is currently subject to a BOI agreement that significantly reduces the corporate tax rate in Thailand (many types of income are free from taxation, while other types are subject to taxation at 20%).	We maintain an ongoing dialogue with tax authorities, including the Danish and Thai authorities, with regard to the computation of taxable income. In Management's opinion, the tax recognised reflects the most likely amount required to settle the present obligation, including potential tax cases.

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 financial statements give a true and fair view, free from material misstatements, and to ensure 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 omission 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.

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 the current internal controls to consider 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 Chief Financial Officer, are responsible for controlling the financial reporting from the Parent Company and the subsidiaries, and monitor 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 accounting processes. The control procedures include a variety of processes in order to prevent any misrepresentation, significant errors, omission and fraudulent behaviours. The control procedures are tested bi-annually and reported to the Audit Committee annually.

Information and communication

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

Monitoring

PANDORA's internal controls and risk management systems are continuously monitored, tested, documented and subject to quality control. The Audit Committee monitors the internal controls and risk management systems to ensure that any weaknesses are eliminated and that any material errors are 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 upon recommendation by the Board. 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 tasks, is agreed annually between the Board of Directors and the auditors upon recommendation by 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, The Denmark-America Foundation, and the Fulbright Commission, Royal Greenland A/S.

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.

Christian Frigast is not regarded as an independent Board member due to his position as Managing Partner of Axcel.

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, CCTC Invest ApS, 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 IV Exhausto Invest ApS, 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 DVCA Danish Venture Capital and Private Equity Association 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 CCTC Invest ApS.

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

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.

Torben Ballegaard Sørensen was born in 1951, is a Danish citizen and currently lives in Højbjerg, Denmark.

Torben Ballegaard Sørensen has been a member of the Board of Directors of PANDORA A/S since March 2008 and is also a member of the Remuneration Committee. Torben Ballegaard Sørensen is regarded as an independent Board member.

The special skills possessed by Torben Ballegaard 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 international sales and marketing and within branded goods, combined with his knowledge of PANDORA A/S.

Torben Ballegaard Sørensen holds an MBA from Aarhus School of Business and is an adjunct professor in the Department of Management at Aarhus University. Currently, Torben Ballegaard Sørensen is Managing Director of Investeringsselskabet af 1. juli 2008 ApS. Further, Torben Ballegaard Sørensen is Chairman of the boards of directors of AS3 Companies, CAPNOVA A/S Venture Fund, Tajco Group A/S, Realfiction A/S and PowerBrands A/S. Torben Ballegaard Sørensen is Deputy Chairman of Systematic A/S and a member of the Boards of Directors of AB Electrolux, Egmont Fonden, and Egmont International Holding A/S.

Nikolaj Vejlsgaard was born in 1971, is a Danish citizen and currently lives in Vedbæk, Denmark.

Nikolaj Vejlsgaard has been a member of the Board of Directors of PANDORA A/S since March 2008 and is also a member of the Audit Committee. Nikolaj Vejlsgaard is not regarded as an independent Board member due to his position as Partner of Axcel.

The special skills possessed by Nikolaj Vejlsgaard 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 and active involvement in a number of retail and other companies obtained through his numerous directorships, combined with his knowledge of PANDORA A/S.

Currently, Nikolaj Vejlsgaard is a Partner of Axcel Management A/S and Managing Director of Royal Scandinavia Invest A/S, Waldorf & Statler ApS, AXIII MPH Invest ApS and UIM Holding ApS. Further, Nikolaj Vejlsgaard is currently Chairman of the Boards of Directors of IP Gruppen Holding ApS and IP Development A/S. Nikolaj Vejlsgaard is also a member of the Boards of Directors of Royal Scandinavia Invest A/S, Royal Scandinavia A/S, ERA Biler ApS, ERA A/S, ERA Ejendomme A/S, Partsplexer ApS, IP Online A/S, IP Administration A/S Royal Scandinavia II ApS, MNGT2 ApS, AXIII MP Holding ApS, Axcel Management A/S, Axcel II A/S, KIFU-AX II A/S, and Axcel II Management A/S.

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 also a company Director and member of the Board of Directors of Active Kidz Shanghai.

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, Scanning Technology A/S and Beltone Europe Holdings ApS. Furthermore, Anders Boyer-Søgaard is a member of the Boards of Directors of GN Ejendomme A/S, GN GROC Ltd., GN Hearing Benelux B.V., GN Hearing s.r.l., GN Otometrics A/S, GN Hearing Sverige AB, GN ReSound China Ltd., GN ReSound Japan K.K., GN ReSound Norge as, GN ReSound Shanghai Ltd. and Scanning Technology A/S.

Bjørn Gulden was born in 1965 in Switzerland, 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 affordabel goods industry.

Bjørn Gulden holds a BBA from the University of Rogaland, Norway, and an MBA from Babson Graduate School of Business in Boston, USA. Currently, Bjørn Gulden is the CEO of Puma SE. Further, Bjørn Gulden serves on the Boards of Directors of Tchibo GmbH, Ekornes AS, 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 member of the Nomination Committee.

Per Bank is regarded as an independent Board member. The special skills possessed by Per Bank 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.

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 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 Kwintet AB, member of the Boards of Directors of Zebra A/S and IC Group A/S and Director of Michaso Holding Limited.

EXECUTIVE MANAGEMENT

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

- Allan has been President, Chief Executive Officer since July 2013.
- Allan 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 is Chairman of Pace PLC, Entertainment One Ltd., Office Ltd., and Matalan Ltd., and non-executive director of Bighams Ltd.

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

- Peter has been Executive Vice President, Chief Financial Officer since January 2015.
- Peter holds a HD-R and an MSc (Business Economics & Auditing), Copenhagen Business School, and an E*MBA, SIMI, Scandinavian International Management Institute.

Thomas Ryge Mikkelsen was born in 1972, is a Danish citizen and currently lives in Copenhagen, Denmark.

- Thomas has been Executive Vice President at PANDORA A/S since March 2008, and has held his current role of Chief Marketing & Merchant Officer since June 2013.
- Thomas holds an MSc (International Business).
- Currently, Thomas is a member of the Board of Directors of Prokura P/S.

SHAREHOLDER INFORMATION

Enamel is one of the oldest ornamental techniques, adding striking colours, depth and dimension to jewellery and providing it with a durable finish. PANDORA uses an enameling technique in which enamel is applied by hand using a needle – here a heart charm in sterling silver and 14k gold with hand-applied enamel in soft pink.

SHAREHOLDER INFORMATION

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

In 2014, the lowest closing price was DKK 302 on 2 January 2014 and the highest closing price was DKK 531 on 28 November 2014. At the end of 2014, the share price was DKK 504.5, corresponding to an increase of 71.6% in 2014. By comparison, the OMX C20 increased 20.9% during the year.

Around 225 million PANDORA shares were traded in 2014 with an average trading volume of approximately 900,000 shares per day. These numbers include placings of existing shares by former main shareholders in PANDORA through three accelerated book buildings during the year, placing 31.9 million shares in total.

CAPITAL STRUCTURE

It is PANDORA's capital structure policy to maintain an 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 an 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 2014, the Board of Directors proposes a dividend of DKK 9.0 per share.

PANDORA shares are traded ex-dividend the day after the Annual General Meeting, which will be held on 18 March 2015. The dividend will be paid automatically via VP Securities on 23 March 2015.

SHARE BUYBACK PROGRAMME

The Board of Directors is authorised to acquire own shares on behalf of the Company until 17 September 2015 with a total nominal value of up to 10% of PANDORA's share capital, according to a decision made at an Extraordinary General Meeting held on 17 September 2010. 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 2014

5,875,257 shares, corresponding to 4.6% of the share capital, were bought back in 2014 at an average price of DKK 408.5 and a total value of DKK 2.4 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 5,818,651 by cancellation of 5,818,651 own shares of DKK 1, equal to 4.5% 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 at 31 December 2014 are 1,382,800.

Share buyback 2015

The Board of Directors of PANDORA has decided to launch a share buyback programme in 2015, under which PANDORA expects to buy back own shares to a maximum consideration of DKK 3,900 million.

The share buyback programme is subject to approval of an extension of the current authorisation to acquire own shares on behalf of the Company at the Annual General Meeting on 18 March 2015. PANDORA has bought back own shares corresponding to 7.2% of the share capital under the current authorisation, which allows the Company to acquire own shares with a total nominal value of up to 10% of PANDORA's share capital.

The Board of Directors intends to propose to PANDORA's shareholders at the Annual General Meeting in 2016 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 2015. The total obligation for the 2015 programme is expected to be approximately 170,000 shares.

The share buyback programme is being 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 2015. PANDORA may terminate the programme at any time.

SHAREHOLDERS

PANDORA has no major shareholders that hold the equivalent of or more than 5% of the share capital in PANDORA.

As of 31 December 2014, PANDORA A/S owned a total of 7,216,058 treasury shares of nominally DKK 1 (in total nominally DKK 7,216,058), corresponding to 5.6% of the shares and thus more than 5% of the total share capital and the total voting rights in the Company.

As of 31 December 2014, institutional investors in Denmark held 13% of the share capital, institutional investors in Europe held 38% of the share capital of which 21% was held by UK investors, and institutional investors in North America held 17%. As of 31 December 2014, 9% of the PANDORA shares were held by Danish retail investors.

As of 31 December 2014, PANDORA's Board of Directors and Executive Board held a total of 104,966 and 12,380 PANDORA shares respectively, corresponding to 0.1% of the total shares outstanding.

INVESTOR RELATIONS

The Executive Board is responsible for the existence 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 among the best relative to peers. This will be achieved by complying with the rules and legislation for listed companies on Nasdaq Copenhagen and 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 announcements

The publication of company announcements complies with the rules in Danish legislation. Immediately after publication, the information is published on PANDORA's website. Regulatory company announcements and financial reports are published 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
- provide information that PANDORA believes is clearly non-material
- discussing general factors that might influence the underlying assumptions used for future projections

In 2014, 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 reports, PANDORA does not comment on matters related to financial results or expectations.

Conference call
Upon the 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 2014

Financial calendar 2015

17 February 2015	Annual Report 2014
18 March 2015	Annual General Meeting
23 March 2015	Payment of annual dividend
12 May 2015	Interim report for the first quarter of 2015
11 August 2015	Interim report for the second quarter of 2015
10 November 2015	Interim report for the third quarter of 2015

Share information

Exchange:	Nasdaq Copenhagen
Trading symbol:	PNDORA
Identification number/ISIN:	DK0060252690
Number of shares:	128,115,820 of DKK 1 each with 1 vote
Share classes:	1
GICS:	25203010
Sector:	Apparel, Accessories & Luxury Goods
Segment:	Large

Analysts covering PANDORA

Firm	Analyst	Contact information
ABG Sundal Collier	Michael V. Rasmussen	Email: Michael.rasmussen@abgsc.com Phone: +45 33 18 61 16
Alm. Brand Markets	Jesper Christensen	Email: Abjpch@almbrand.dk Phone: +45 35 47 71 97
Bank of America Merrill Lynch	Stephanie D’ath	Email: Stephanie.dath@baml.com Phone: +44 207 996 9204
Carnegie	Lars Topholm	Email: Lars.topholm@carnegie.dk Phone: +45 32 88 03 53
Citi Research	Christine Jensen	Email: Christine.jensen@citi.com Phone: +44 207 986 4008
Danske Bank	Poul Ernst Jessen	Email: Poul.jessen@danskebank.dk Phone: +45 45 12 80 48
Goldman Sachs	William Hutchings	Email: William.hutchings@gs.com Phone: +44 207 051 3017
HSBC	Antoine Belge	Email: Antoine.belge@hsbc.com Phone: +33 1 56 52 43 48
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@enskilda.dk Phone: +45 33 28 33 09
Sydbank	Søren Løntoft Hansen	Email: S.loentoft@sydbank.dk Phone: +45 74 37 44 64

FINANCIAL REVIEW

All glass for PANDORA's around 50 different Murano charm designs originates from the Murano island, off the coast of Venice in Italy. The glass is transported to our crafting facilities in Thailand, where our craftspeople turn it into charms.

FINANCIAL HIGHLIGHTS

REVENUE
11,942
DKK million

EBITDA MARGIN
36.0%

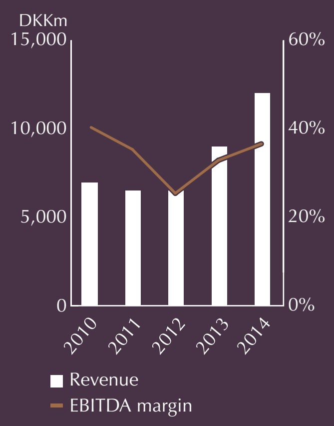
CAPEX
455
DKK million

TAX RATE
20.0%

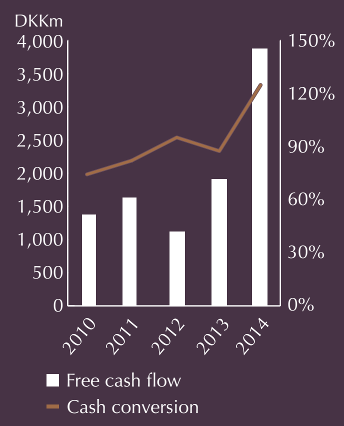
FREE CASH FLOW
3,868
DKK million

CONCEPT STORES
1,410

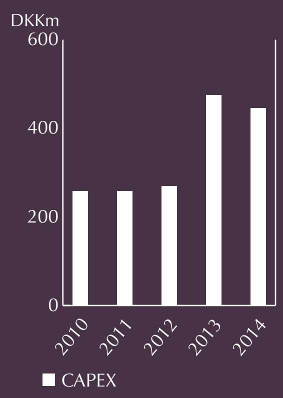
Revenue and EBITDA



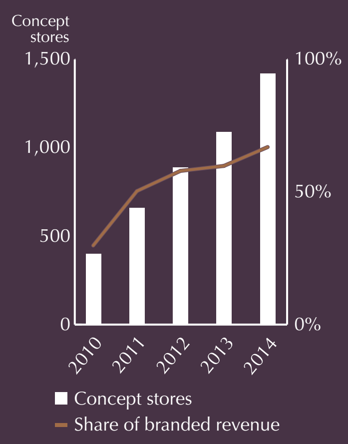
Cash flow



CAPEX

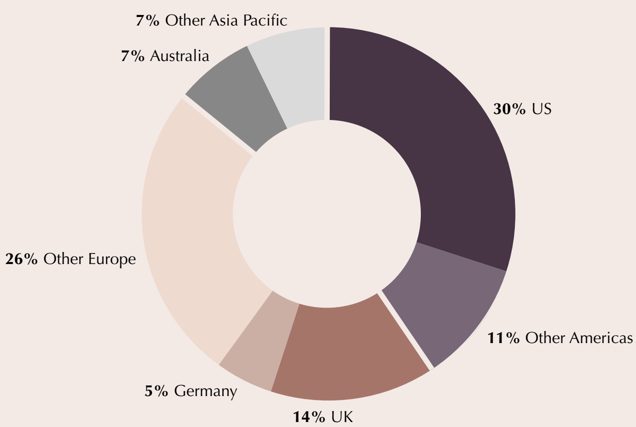


Concept stores



REVENUE BY GEOGRAPHY

REVENUE 2014



REVENUE BREAKDOWN BY GEOGRAPHY

DKK million	2014	2013	Growth	Growth in local currency
US	3,629	3,201	13.4%	13.0%
Other Americas	1,330	955	39.3%	46.1%
Americas	**4,959**	**4,156**	**19.3%**	**20.6%**
UK	1,654	1,158	42.8%	36.1%
Germany	578	544	6.3%	6.3%
Other Europe	3,072	2,058	49.3%	48.9%
Europe	**5,304**	**3,760**	**41.1%**	**38.8%**
Australia	806	681	18.4%	25.6%
Other Asia Pacific	873	413	111.4%	111.9%
Asia Pacific	**1,679**	**1,094**	**53.5%**	**58.1%**
Total	**11,942**	**9,010**	**32.5%**	**32.7%**

Revenue development
Total revenue for 2014 was DKK 11,942 million, an increase of 32.5% or 32.7% in local currency, compared with 2013. All major regions saw significant revenue growth. The development was driven by significant marketing investments, strong retail execution, global network expansion and increasing share of branded sales channels.

At the end of 2014, sales return provisions corresponded to approximately 8% of revenue value which was unchanged from 2013.

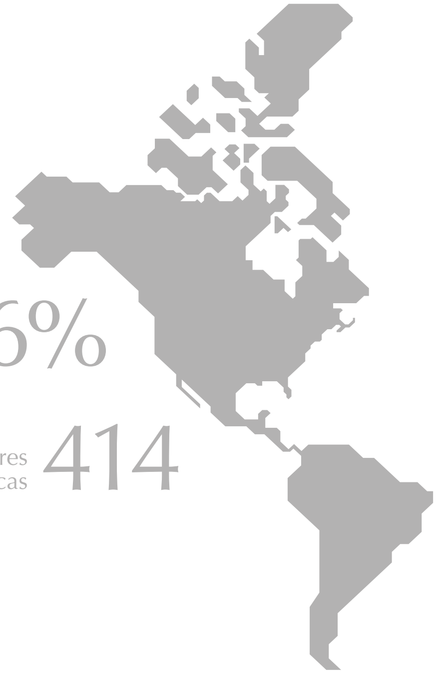
Like-for-like sales-out in concept stores in PANDORA's four major markets (US, UK, Germany and Australia) developed positively in all quarters of 2014. The positive development was driven by successful new product launches and generally better execution in stores. About one third of the concept stores' sales-out was generated by new products launched within the last 12 months.

The Group's revenue is realised in different currencies. A 10% deviation in the main currencies (1% deviation for EUR) would have affected revenue by DKK 452 million for USD, DKK 169 million for GBP, DKK 84 million for CAD, DKK 31 million for EUR and DKK 81 million for AUD.

Due to the seasonal nature of the jewellery business, higher revenue is historically realised in the second half of the year. Refer to company announcement no. 217 for a review of the development in Q4.

Revenue breakdown by geography
The geographical distribution of revenue in 2014 was 41.5% for the Americas compared with 46.1% in 2013, 44.4% for Europe compared with 41.7% in 2013 and 14.1% for Asia Pacific compared with 12.1% in 2013.

AMERICAS



Growth in local currency 20.6%

Concept stores in Americas 414

Revenue in the Americas, constituting 41.5% of total Group revenue, was up 19.3% to DKK 4,959 million in 2014 from DKK 4,156 million in 2013. Excluding foreign exchange rate movements, the underlying revenue increase was 20.6% compared with 2013. The increase was driven equally by the US and Other Americas, which benefited from the inclusion of Brazil in the region from 1 January 2014, adding DKK 171 million to revenue. The Disney collection was launched in North America in November, and has been very well received.

Revenue in the US, constituting 30.4% of total Group revenue, was up 13.4% compared with 2013. The growth in local currency was 13.0%. Growth was primarily driven by increasing demand for PANDORA's newer products, as well as an improved store network. The focus on Rings in the US supported growth, with revenue from this category having more than tripled compared with 2013. During 2014, 38 new concept stores were opened in the US, bringing the total number of concept stores to 315. In September 2014, PANDORA purchased a net total of 22 concept stores in the US from former franchisee Hannoush as part of a process to refresh the store network. The impact of converting wholesale revenue to retail revenue added around DKK 50 million to revenue in the US.

As in 2013, PANDORA experienced positive like-for-like sales-out of US concept stores throughout 2014. The strong sales-out performance was based on strong sales-through for newly launched products.

Revenue from Other Americas was DKK 1,330 million, an increase of 39.3% compared with 2013. The strong development in the Canadian market continued in 2014 with revenue growth of 22% compared with 2013. Revenue in Canada now accounts for more than 60% of revenue in Other Americas.

The number of branded stores in Americas increased by 225 to a total of 1,978 stores during 2014. By the end of the year, branded stores accounted for 58.5% of the total number of stores compared with 54.2% at the end of 2013.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2014	2013	Growth
Concept stores	414	332	82
- hereof PANDORA owned	51	5	46
Shop-in-shops	683	572	111
- hereof PANDORA owned	2	-	2
Gold	881	849	32
Branded	**1,978**	**1,753**	**225**
Branded as % of total	**58.5%**	**54.2%**	
Silver	1,094	1,056	38
White and travel retail	308	426	-118
Total PoS	**3,380**	**3,235**	**145**

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

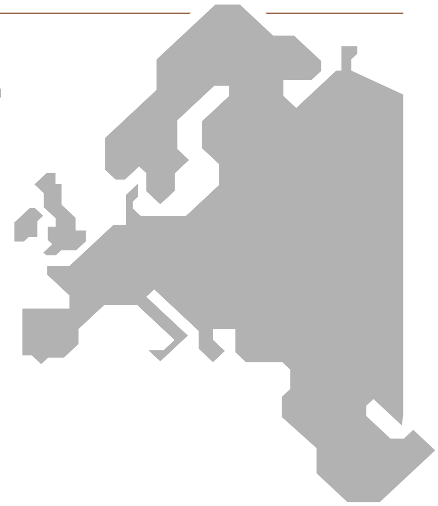
	Q4 2014 vs. Q4 2013	Q3 2014 vs. Q3 2013	Q2 2014 vs. Q2 2013	Q1 2014 vs. Q1 2013	Q4 2013 vs. Q4 2012
US	4.7%	3.7%	1.7%	8.5%	5.1%

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

EUROPE

Growth in local currency 38.8%

Concept stores in Europe 786



Revenue in Europe, constituting 44.4% of total Group revenue, was DKK 5,304 million corresponding to an increase of 41.1% or 38.8% in local currency.

The UK is PANDORA's largest single market in Europe, accounting for 13.9% of Group revenue compared with 12.9% in 2013. Revenue in the UK was DKK 1,654 million, up 42.8% or 36.1% in local currency compared with 2013. Growth in the UK was primarily driven by positive sales-out development, expansion of the store network and the continued success of the UK eSTORE.

PANDORA experienced positive like-for-like sales-out of UK concept stores throughout 2014. 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 accounts for 4.8% of 2014 Group revenue, compared with 6.0% in 2013. Revenue in Germany was DKK 578 million and increased by 6.3% in 2014 compared with 2013.

PANDORA experienced positive like-for-like sales-out of German concept stores throughout 2014, driven by strong performance by PANDORA's owned and operated stores. As part of its ongoing efforts to improve its store network, PANDORA opened 22 owned and operated concept stores in Germany in 2014.

At the end of 2014, PANDORA owned and operated stores made up 61 of the 84 concept stores in Germany.

Revenue in Other Europe was DKK 3,072 million, up 49.3% on 2013. The main drivers of growth were Italy, France and Russia. Growth in these countries was driven by expansion of the store network and continued high like-for-like growth. However, growth in Russia slowed down in Q4. Revenue for the three new markets constituted around 60% of revenue from Other Europe in 2014.

During 2014, the number of branded stores in Europe increased by 281 to a total of 2,843 stores, in line with PANDORA's overall strategy to increase branded sales. The share of branded stores increased compared with 2013, accounting for 48.6% of the total number of stores by the end of 2014 compared with 39.9% in 2013.

The total number of stores in Europe decreased by 563 to a total of 5,851 in 2014 due to the closing of 844 unprofitable unbranded stores.

At the end of 2014, PANDORA had eSTOREs in seven European countries.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2014	2013	Growth
Concept stores	786	602	184
- hereof PANDORA owned	169	115	54
Shop-in-shops	677	628	49
- hereof PANDORA owned	68	60	8
Gold	1,380	1,332	48
Branded	**2,843**	**2,562**	**281**
Branded as % of total	**48.6%**	**39.9%**	
Silver	1,577	2,058	-481
White and travel retail	1,431	1,794	-363
Total PoS	**5,851**	**6,414**	**-563**

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

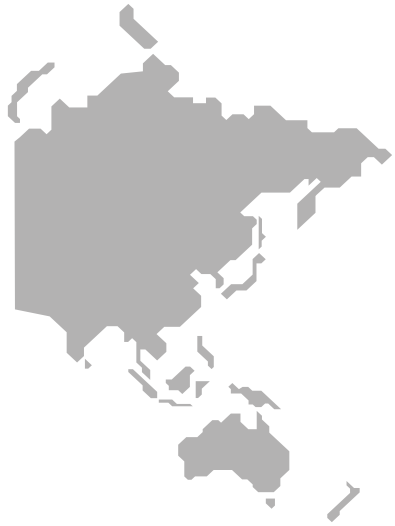
	Q4 2014 vs. Q4 2013	Q3 2014 vs. Q3 2013	Q2 2014 vs. Q2 2013	Q1 2014 vs. Q1 2013	Q4 2013 vs. Q4 2012
UK	20.6%	20.6%	26.2%	27.9%	17.9%
GER	2.3%	8.5%	10.0%	11.5%	5.7%

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

ASIA PACIFIC

Growth in local currency 58.1%

Concept stores in Asia Pacific 210



Revenue in Asia Pacific was DKK 1,679 million, constituting 14.1% of total Group revenue, and corresponding to an increase of 53.5% or 58.1% in local currency compared with 2013. Growth was driven by a positive development in most of the region.

Revenue in Australia, constituting 6.7% of Group revenue, increased by 18.4% in 2014 compared with 2013. In local currency, the growth was 25.6%. The growth in Australia reflected continued strong sales-out growth, fuelled by successful new launches, as well as an expansion of the branded store network. The Rings category is performing well in Australia and revenue from this category was up 52% compared with 2013. This category represented around 18% of revenue for the year compared with 14% in 2013.

PANDORA experienced positive like-for-like sales-out of Australian concept stores throughout 2014. The positive development was primarily due to an increase in store traffic driven by newness in the stores.

Revenue from Other Asia Pacific, constituting 7.3% of total Group revenue, increased by 111.4% in 2014 compared with 2013. The increase was primarily driven by Hong Kong, Singapore and Taiwan in a combination of strong like-for-like growth and improvement of the store network.

In Asia Pacific, the distribution network increased by 45 shops to a total of 675 in 2014. The increase was primarily related to an increase in branded stores, which accounted for 80.6% of the total number of stores compared with 77.1% at the end of 2013.

STORE NETWORK, NUMBER OF POINTS OF SALE

	2014	2013	Growth
Concept stores	210	166	44
- hereof PANDORA owned	31	26	5
Shop-in-shops	195	172	23
- hereof PANDORA owned	-	-	-
Gold	139	148	-9
Branded	**544**	**486**	**58**
Branded as % of total	**80.6%**	**77.1%**	
Silver	73	73	-
White and travel retail	58	71	-13
Total PoS	**675**	**630**	**45**

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

	Q4 2014 vs. Q4 2013	Q3 2014 vs. Q3 2013	Q2 2014 vs. Q2 2013	Q1 2014 vs. Q1 2013	Q4 2013 vs. Q4 2012
AUS	20.0%	22.9%	33.0%	33.6%	25.5%

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

SALES CHANNELS AND PRODUCT MIX

Direct distribution accounted for 96.7% of revenue in 2014 compared with 97.0% in 2013. The increase in distributor revenue showed growth in all markets, but was primarily driven by strong performance in Spain.

Branded sales accounted for 88.5% of total direct sales compared with 84.8% in 2013. Underperforming unbranded stores are being closed across all regions in order to improve the quality of revenue and focus on branded store performance and, as a consequence, the number of unbranded points of sale decreased by 937 stores compared with 2013.

Concept stores accounted for 56.4% of total revenue in 2014 compared with 49.4% in 2013 and PANDORA opened net 310 new concept stores and 183 shop-in-shops during 2014. The expansion of the store network in PANDORA's new markets continues, and the network increased by 137 concept stores and 53 shop-in-shops in 2014.

Revenue from PANDORA's owned and operated stores, including all PANDORA eSTOREs, increased 83% compared to last year and corresponded to 17% of Group revenue compared with around 12% in 2013. 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 115 new owned and operated stores in 2014 to a total of 251 concept stores and 70 shop-in-shops.

PRODUCT OFFERING

Revenue from Charms was DKK 7,933 million in 2014, up 26.1% on 2013, while revenue from Silver and gold charm bracelets increased by 23.3% compared with 2013. The two categories represented 78.4% of total revenue in 2014 compared with 82.7% of total revenue in 2013. In November, the Disney collection - comprising 41 Disney

STORE NETWORK, NUMBER OF POINTS OF SALE

	2014	2013	Growth
Concept stores	1,410	1,100	310
- hereof PANDORA owned	251	146	105
Shop-in-shops	1,555	1,372	183
- hereof PANDORA owned	70	60	10
Gold	2,400	2,329	71
Branded	**5,365**	**4,801**	**564**
Branded as % of total	**54.2%**	**46.7%**	
Silver	2,744	3,187	-443
White and travel retail	1,797	2,291	-494
Total PoS	**9,906**	**10,279**	**-373**

REVENUE BREAKDOWN BY SALES CHANNELS

DKK million	2014	2013	Growth
Concept stores	6,741	4,451	51.4%
Shop-in-shops	2,008	1,648	21.8%
Gold	1,471	1,314	11.9%
Total branded	**10,220**	**7,413**	**37.9%**
Silver	791	749	5.6%
White and travel retail	538	575	-6.4%
Total unbranded	**1,329**	**1,324**	**0.4%**
Total direct	**11,549**	**8,737**	**32.2%**
3rd party	393	273	44.0%
Total revenue	**11,942**	**9,010**	**32.5%**

products - was launched in North America, and initial feedback has been positive.

Revenue from Rings was DKK 1,192 million, an increase of 116.7% compared with 2013. The revenue growth in most markets reflected the improved offering as well as an increased commercial effort. This category represented 10.0% of total revenue compared with 6.1% in 2013.

Revenue from Other jewellery was DKK 1,390 million, an increase of 37.6% compared with 2013. The growth was driven by all subcategories, in particular revenue from other bracelets (including bangles), necklaces and earrings. Other jewellery represented 11.6% of total revenue in 2014 compared with 11.2% in 2013.

In 2014, the average sales price (ASP) recognised by PANDORA was DKK 140, compared with DKK 130 in 2013. The increase in ASP was mainly driven by a higher share of revenue from Rings, which are sold at higher average prices compared to individual charms as well as a proportionally higher share of revenue from PANDORA owned and operated stores. Prices for each individual product were virtually unchanged compared with 2013.

PRODUCT MIX

DKK million	2014	2013	Growth	Share of revenue 2014
Charms	7,933	6,293	26.1%	66.5%
Silver and gold charm bracelets	1,427	1,157	23.3%	11.9%
Rings	1,192	550	116.7%	10.0%
Other jewellery	1,390	1,010	37.6%	11.6%
Total revenue	**11,942**	**9,010**	**32.5%**	**100.0%**

INCOME STATEMENT

GROSS PROFIT

Gross profit was DKK 8,423 million in 2014 compared with DKK 5,999 million in 2013, resulting in a gross margin of 70.5% in 2014 compared with 66.6% in 2013. 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 73% based on the average gold (USD 1,266/oz) and silver (USD 19.08/oz) market prices in 2014. Based on these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage points. Reference is made to note 4.4.

COST

Total costs for 2014, including depreciation and amortisation, were DKK 7,870 million, an increase of 24.3% compared with 2013. The increase was primarily due to increasing sales. Costs corresponded to 65.9% of revenue for the year compared with 70.2% in 2013.

OPERATING EXPENSES

Operating expenses in 2014 were DKK 4,351 million compared with DKK 3,318 million in 2013, representing 36.4% of revenue in 2014 compared with 36.8% in 2013.

Sales and distribution expenses increased to DKK 1,957 million in 2014 from DKK 1,517 million in 2013, an increase of 29.0%, and corresponding to 16.4% of revenue in 2014 compared with 16.8% in 2013. The nominal increase in sales and distribution expenses was primarily driven by increasing sales efforts and an increase in the number of PANDORA-owned stores (321 stores in 2014 compared with 206 stores in 2013).

Marketing expenses in 2014 were 9.6% of revenue compared with 9.8% in 2013. Marketing expenses increased to DKK 1,143 million in 2014 from DKK 880 million in 2013. The increase was due to higher PR and media activity.

Administrative expenses amounted to DKK 1,251 million in 2014 compared with DKK 921 million in 2013, representing 10.5% of revenue, up from 10.2% in 2013. The increase in administrative expenses was primarily due to costs related to relocation of offices, higher IT costs and increased headcount.

COST DEVELOPMENT

DKK million	2014	2013	Growth	Share of revenue 2014	Share of revenue 2013
Cost of sales	3,519	3,011	16.9%	29.5%	33.4%
Gross profit	**8,423**	**5,999**	**40.4%**	**70.5%**	**66.6%**
Sales and distribution expenses	1,957	1,517	29.0%	16.4%	16.8%
Marketing expenses	1,143	880	29.9%	9.6%	9.8%
Administrative expenses	1,251	921	35.8%	10.5%	10.2%
Total costs	**7,870**	**6,329**	**24.3%**	**65.9%**	**70.2%**

EBITDA

EBITDA for 2014 increased by 49.0% to DKK 4,294 million, resulting in an EBITDA margin of 36.0% compared with 32.0% in 2013.

The EBITDA margin for Americas was 41.4%, down 1.2 percentage points compared with 2013. The decrease was partially due to the inclusion of Brazil in Other Americas (previously included in Other Europe), which had a diluting effect on margins of approximately one percentage point. Furthermore, EBITDA margin was negatively impacted by the purchase of inventory from a net total of 22 concept stores from US jeweller Hannoush at wholesale prices which will continue to impact EBITDA negatively until sold out. The EBITDA margin was also affected by the improvement in gross margin from lower raw material prices, which was partially offset by nominally higher customs cost in Canada and Brazil.

The EBITDA margin for Europe increased from 36.1% in 2013 to 43.3% in 2014. 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 Asia Pacific region improved by 11.7 percentage points to 49.5% in 2014. The improvement was primarily driven by higher revenue in the region as well as improved gross margin.

Unallocated costs were 7.4% of revenue in 2014 compared with 7.4% in 2013.

REGIONAL EBITDA MARGINS

	2014	2013	2014 vs. 2013 (% pts)
Americas	41.4%	42.6%	-1.2%
Europe	43.3%	36.1%	7.2%
Asia Pacific	49.5%	37.8%	11.7%
Unallocated costs	-7.4%	-7.4%	-
Group EBITDA margin	**36.0%**	**32.0%**	**4.0%**

EBITDA is impacted by different currencies. A 10% increase in average exchange rates for the main currencies (1% deviation for EUR) would impact EBITDA by approximately DKK 164 million for USD, DKK 138 million for GBP, DKK 73 million for CAD, DKK 21 million for EUR, DKK 60 million for AUD and DKK -163 million for THB.

EBIT

EBIT for 2014 increased to DKK 4,072 million (2013: DKK 2,681 million), an increase of 51.9% compared with 2013, resulting in an EBIT margin of 34.1% for 2014 versus 29.8% in 2013.

NET FINANCIALS

Net financials amounted to an expense of DKK 200 million in 2014 compared with income of DKK 61 million in 2013. The decrease in net financials was mainly related to unrealised exchange rate losses.

INCOME TAX EXPENSE

Income tax expense was DKK 774 million in 2014 compared with DKK 522 million in 2013, corresponding to an effective tax rate of 20% for 2014 compared with 19% in 2013.

SENSITIVITY ANALYSIS ON CURRENCY[1]

DKK million	Change in exchange rate	Revenue	EBITDA
USD	+ 10%	452	164
CAD	+ 10%	84	73
AUD	+ 10%	81	60
GBP	+ 10%	169	138
EUR	+ 1%	31	21
THB	+10%	-	-163

[1] Revenue and EBITDA would have been impacted by the above amounts if exchange rates in 2014 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

PANDORA generated a free cash flow of DKK 3,868 million in 2014 compared with DKK 1,956 million in 2013 corresponding to a cash conversion of 124.9% compared with 88.1% in 2013. The improved cash flow was primarily driven by increasing profits as well as a favourable movement in working capital.

Operating working capital at the end of 2014 was 16.7% of revenue, compared with 20.5% at the end of 2013.

Inventories were DKK 1,684 million, up 13.0% on 2013, primarily driven by higher production as a consequence of higher revenue. Compared with 2013, silver and gold prices affected inventories with a decrease of approximately 17%. However, this decrease was more than offset by the higher production.

Trade receivables increased to DKK 1,110 million in 2014 (9.3% of revenue) from DKK 895 million in 2013 (9.9% of revenue).

Trade payables increased to DKK 804 million in 2014 compared with DKK 539 million in 2013. The increase was primarily related to a higher level of activity.

PANDORA invested a total of DKK 455 million in capital expenditure (CAPEX) in 2014, including intangible assets of DKK 164 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 291 million mainly consisted of investments in crafting facilities in Thailand, office relocations and leasehold improvements related to the opening of several stores during the year. CAPEX was 3.8% of 2014 revenue.

During 2014, DKK 2,400 million was used to purchase own shares related to the share buyback programme launched on 18 February 2014. At 31 December 2014, PANDORA held 7,216,058 treasury shares, corresponding to 5.6% of the share capital.

Interest-bearing debt was DKK 10 million at the end of 2014 compared with DKK 49 million at the end of 2013.

Cash amounted to DKK 1,131 million at the end of 2014 compared with DKK 686 million at the end of 2013.

Net interest-bearing debt (NIBD) at the end of 2014 was DKK -1,121 million corresponding to a ratio of -0.3 to EBITDA (NIBD/EBITDA).

DEVELOPMENT IN NET WORKING CAPITAL

DKK million	**2014**	**2013**	**2014 vs. 2013 (%)**	**Share of revenue 2014**	**Share of revenue 2013**
Inventories	1,684	1,490	13.0%	14.1%	16.5%
Trade receivables	1,110	895	24.0%	9.3%	9.9%
Trade payables	-804	-539	49.2%	-6.7%	-6.0%
Other	-1,556	-837	85.9%	-13.0%	-9.3%
Total	**434**	**1,009**	**-57.0%**	**3.6%**	**11.2%**

FINANCIAL STATEMENTS

At PANDORA, we carefully select the highest quality gold, silver, gemstones, cultured pearls and stones and other jewellery materials in order to design outstanding pieces of jewellery, accessible to women all over the world.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2014	2013
CONSOLIDATED INCOME STATEMENT			
Revenue	2.1, 2.2	11,942	9,010
Cost of sales	2.3	-3,519	-3,011
Gross profit		**8,423**	**5,999**
Sales, distribution and marketing expenses	2.3	-3,100	-2,397
Administrative expenses	2.3	-1,251	-921
Operating profit	**2.2**	**4,072**	**2,681**
Finance income	4.6	14	167
Finance costs	4.6	-214	-106
Profit before tax		**3,872**	**2,742**
Income tax expense	2.5	-774	-522
Net profit for the year		**3,098**	**2,220**
Attributable to:			
Equity holders of PANDORA A/S		3,098	2,220
Net profit for the year		**3,098**	**2,220**
Earnings per share, basic (DKK)	4.2	25.0	17.2
Earnings per share, diluted (DKK)	4.2	24.7	17.0
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**3,098**	**2,220**
Items that may be reclassified to profit (loss) for the year			
Exchange rate differences on translation of foreign subsidiaries		537	-355
- Commodity hedging instruments:			
Realised in cost of sales		-5	-
Realised in net financials		12	-
Realised in inventories		171	268
Value adjustments		-172	-341
- Foreign exchange hedging instruments:			
Realised in net financials		38	-9
Value adjustments		-62	-16
Income tax on other comprehensive income	2.5	5	6
Other comprehensive income, net of tax		**524**	**-447**
Total comprehensive income for the year		**3,622**	**1,773**
Attributable to:			
Equity holders of PANDORA A/S		3,622	1,773
Total comprehensive income for the year		**3,622**	**1,773**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2014	2013
ASSETS			
Goodwill		2,080	1,904
Brand		1,053	1,053
Distribution network		268	300
Distribution rights		1,047	1,042
Other intangible assets		411	318
Total intangible assets	**3.1**	**4,859**	**4,617**
Property, plant and equipment	3.2	711	497
Deferred tax assets	2.5	407	276
Other non-current financial assets		99	48
Total non-current assets		**6,076**	**5,438**
Inventories	3.3	1,684	1,490
Financial instruments	4.5	99	-
Trade receivables	3.4	1,110	895
Tax receivable		52	35
Other receivables		404	731
Cash	4.3	1,131	686
Total current assets		**4,480**	**3,837**
Total assets		**10,556**	**9,275**
EQUITY AND LIABILITIES			
Share capital	4.1	128	130
Share premium		1,229	1,248
Treasury shares		-2,679	-738
Reserves		729	205
Proposed dividend		1,088	823
Retained earnings		6,537	4,794
Total equity		**7,032**	**6,462**
Provisions	3.5	61	35
Deferred tax liabilities	2.5	430	471
Other non-current liabilities		-	3
Total non-current liabilities		**491**	**509**
Provisions	3.5	678	471
Loans and borrowings	4.3	10	49
Financial instruments	4.5	268	148
Trade payables		804	539
Income tax payable		643	546
Other payables		630	551
Total current liabilities		**3,033**	**2,304**
Total liabilities		**3,524**	**2,813**
Total equity and liabilities		**10,556**	**9,275**

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 2014		130	1,248	-738	348	-143	823	4,794	6,462
Net profit for the year		-	-	-	-	-	-	3,098	3,098
Exchange rate differences on translation of foreign subsidiaries		-	-	-	537	-	-	-	537
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**
Equity at 1 January 2013		130	1,248	-38	703	-51	715	3,331	6,038
Net profit for the year		-	-	-	-	-	-	2,220	2,220
Exchange rate differences on translation of foreign subsidiaries		-	-	-	-355	-	-	-	-355
Value adjustment of hedging instruments		-	-	-	-	-98	-	-	-98
Tax on other comprehensive income	2.5	-	-	-	-	6	-	-	6
Other comprehensive income, net of tax		**-**	**-**	**-**	**-355**	**-92**	**-**	**-**	**-447**
Total comprehensive income for the year		**-**	**-**	**-**	**-355**	**-92**	**-**	**2,220**	**1,773**
Share-based payments	2.4	-	-	-	-	-	-	64	64
Purchase of treasury shares		-	-	-700	-	-	-	-	-700
Dividend paid	4.2	-	-	-	-	-	-715	2	-713
Proposed dividend	4.2	-	-	-	-	-	823	-823	-
Equity at 31 December 2013		**130**	**1,248**	**-738**	**348**	**-143**	**823**	**4,794**	**6,462**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2014	2013
Profit before tax		3,872	2,742
Finance income	4.6	-14	-167
Finance costs	4.6	214	106
Amortisation, depreciation and impairment losses		222	200
Share-based payments	2.4	71	64
Change in inventories		91	-292
Change in receivables		63	-215
Change in payables and other liabilities		795	182
Other non-cash adjustments		-208	169
Interest etc. received		7	3
Interest etc. paid		-30	-29
Income tax paid		-761	-335
Cash flows from operating activities		**4,322**	**2,428**
Acquisition of subsidiaries and activities, net of cash acquired	5.1	-174	-45
Divestment of businesses	5.1	19	-
Purchase of intangible assets	3.1	-164	-312
Purchase of property, plant and equipment	3.2	-291	-178
Change in other non-current assets		-45	-25
Proceeds from sale of property, plant and equipment		23	17
Cash flows from investing activities		**-632**	**-543**
Dividend paid	4.2	-820	-713
Purchase of treasury shares	4.1	-2,402	-700
Proceeds from loans and borrowings		560	41
Repayment of loans and borrowings		-597	-152
Cash flows from financing activities		**-3,259**	**-1,524**
Net increase (decrease) in cash		**431**	**361**
Cash at 1 January		686	341
Net exchange differences		14	-16
Net increase (decrease) in cash		431	361
Cash at 31 December		**1,131**	**686**
Cash flows from operating activities		4,322	2,428
- Interest etc. received		-7	-3
- Interest etc. paid		30	29
Cash flows from investing activities		-632	-543
- Acquisition of subsidiaries and activities, net of cash acquired		174	45
- Divestment of businesses		-19	-
Free cash flow		**3,868**	**1,956**
Unutilised credit facilities		3,677	2,716

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

§ Accounting policies

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

Cash flows from investing activities mainly comprise purchase of intangible assets and property, plant and equipment, and business combinations.

Cash flows from financing activities comprise dividend paid, proceeds and repayments of loans and borrowings, and share buyback.

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

PANDORA is continuously developing the Group's financial reporting. As part of this development, PANDORA has restructured the consolidated financial statements in order to increase focus on what drives the Group's performance. The notes have therefore been 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. This is done to provide full transparency on the disclosed amounts, describing 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 2014 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 consolidated financial statements have 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 consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which have been measured at fair value.

The consolidated financial statements are presented in Danish kroner and all amounts are rounded to the nearest million (DKK million) except where otherwise indicated.

The accounting policies as described below and in the respective notes have been used consistently for the financial year and for the comparative figures.

§ Accounting policies

The overall accounting policies applied to the consolidated financial statements as a whole are described below. The accounting policies related to specific line items are described in connection with the notes to which they relate.

The description of accounting policies in the notes forms part of the overall description of 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, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. 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 DKK, which is also the functional currency of the Parent Company. Each entity in the Group 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 by 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 retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences 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 operations are translated into DKK at the rate of exchange prevailing at the reporting date, and their income statements are translated at exchange rates prevailing at the dates of the transactions. Exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, 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 the revenue for the year, comprising raw materials, consumables, production staff and depreciation 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 of distribution equipment.

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

The distribution of amortisation and depreciation is presented in notes 3.1 and 3.2.

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 2014.

The implementation of the new or amended standards has not had any material impact on PANDORA's consolidated financial statements.

Standards issued, but not yet effective
The IASB has issued a number of new IFRS standards, amended standards, revised standards and IFRIC interpretations, which are effective for financial years beginning after 1 January 2014.

PANDORA is currently assessing the effect of implementing IFRS 9 and IFRS 15 not yet adopted by the EU, expected to be effective on 1 January 2018 and 1 January 2017 respectively. All other new or amended standards and interpretations not yet effective are not expected to have any material impact on PANDORA's consolidated financial statements.

! 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 return provisions, valuation of inventories and tax as key estimates. However, all significant accounting estimates are described in the following notes:

Taxation	note	2.5
Impairment testing of intangible assets	note	3.1
Valuation of inventories	note	3.3
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 2014, Group revenue was DKK 11,942 million compared with DKK 9,010 million in 2013. The continued growth in revenue across all major 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
32.5%

GROSS MARGIN
70.5%

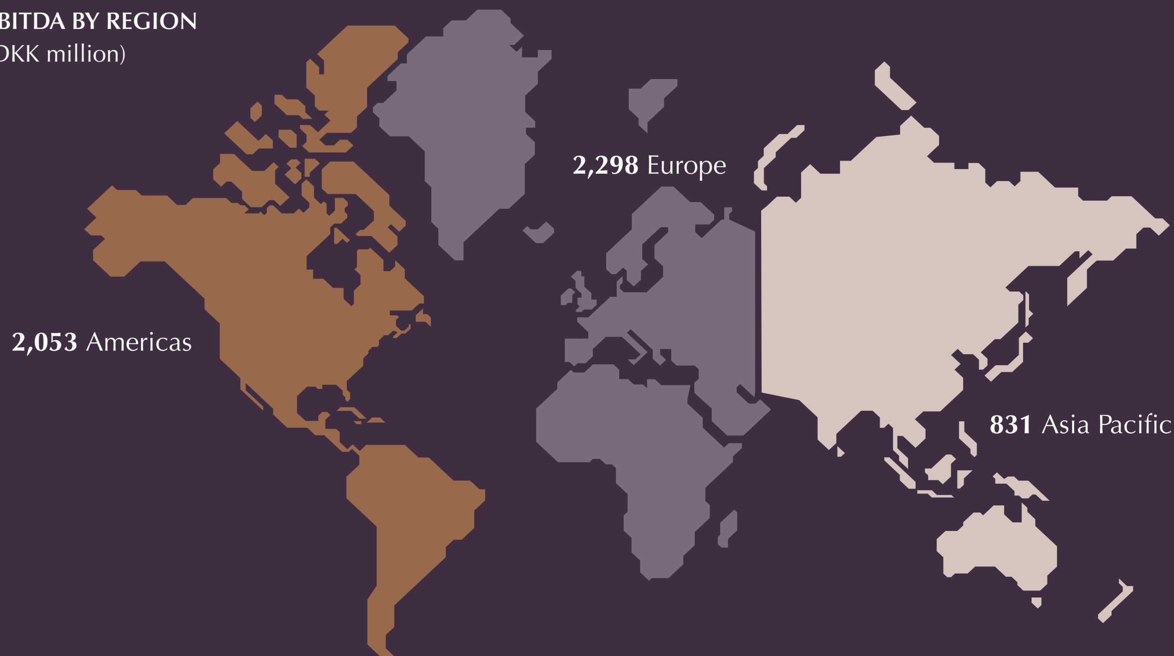
TAX RATE
20.0%

NUMBER OF CONCEPT STORES
1,410

RINGS SHARE OF REVENUE
10.0%

EBITDA
4,294
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	2014	2013
Charms	7,933	6,293
Silver and gold charm bracelets	1,427	1,157
Rings	1,192	550
Other jewellery	1,390	1,010
Total revenue	**11,942**	**9,010**

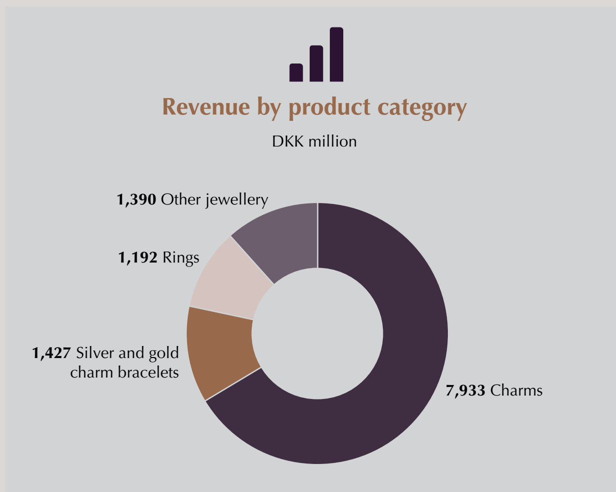
[1] Franchise fees of DKK 146 million (2013: DKK 118 million) are included in the above figures since it is allocated to the relevant product categories.

§ Accounting policies

Revenue is recognised to the extent that it is probable that economic benefits will flow to PANDORA and 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 are recognised as a reduction of revenue on the basis of historical experience and the specific terms in the individual agreements.

The effect of expected returns is recorded as a reduction of gross profit, ie. revenue and cost of sales. Where there is historical experience or a reasonably accurate estimate of future returns can otherwise be made, a provision for expected sales returns is recognised.



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, both measured on business performance. EBITDA is the primary performance measure and EBIT 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 amortisation, depreciation and impairment losses in respect of non-current assets.

Income statement

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
2014					
External revenue	**4,959**	**5,304**	**1,679**	**-**	**11,942**
Segment profit (EBITDA)	**2,053**	**2,298**	**831**	**-888**	**4,294**
Amortisation, depreciation and impairment losses					-222
Consolidated operating profit (EBIT)					**4,072**
2013					
External revenue	**4,156**	**3,760**	**1,094**	**-**	**9,010**
Segment profit (EBITDA)	**1,772**	**1,359**	**414**	**-664**	**2,881**
Amortisation, depreciation and impairment losses					-200
Consolidated operating profit (EBIT)					**2,681**

Unallocated cost mainly comprises costs at the Danish headquarters and the Thai crafting facilities.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.2 SEGMENT INFORMATION, CONTINUED

Geographic information, revenue

DKK million	2014	2013
US	3,629	3,201
Other Americas	1,330	955
Americas	**4,959**	**4,156**
UK	1,654	1,158
Denmark	48	32
Other Europe	3,602	2,570
Europe	**5,304**	**3,760**
Asia Pacific	**1,679**	**1,094**
Total revenue	**11,942**	**9,010**

No single external customer accounted for 10% or more of PANDORA's revenue in 2014 or 2013.

Geographic information, assets

DKK million	2014	2013
US	1,411	1,286
Other Americas	45	45
Americas	**1,456**	**1,331**
Germany	619	621
Denmark	1,869	1,837
Other Europe	72	45
Europe	**2,560**	**2,503**
Australia	314	307
Thailand	494	445
Other Asia Pacific	35	31
Asia Pacific	**843**	**783**
Total intangible assets	**4,859**	**4,617**
Total property, plant and equipment[1]	711	497
Deferred tax assets	407	276
Other non-current financial assets	99	48
Total current assets	4,480	3,837
Total consolidated assets	**10,556**	**9,275**

[1] The crafting facilities in Thailand accounted for DKK 340 million (2013: DKK 308 million), corresponding to 47.8% of property, plant and equipment.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.3 STAFF COSTS

DKK million	2014	2013
Wages and salaries	1,499	1,199
Pensions	78	62
Share-based payments	71	64
Social security costs	64	71
Other staff costs	205	105
Total staff costs	**1,917**	**1,501**
Staff costs have been recognised in the consolidated income statement:		
Cost of sales	365	284
Sales, distribution and marketing expenses	947	784
Administrative expenses	605	433
Total staff costs	**1,917**	**1,501**
Average number of employees during the year	9,957	6,910

The Group's pension plans are primarily defined contribution plans. PANDORA has defined benefit plans relating to obligations to pay a defined benefit to employees in Thailand and Italy. The defined benefit plans are recognised at the present value of the actuarially measured obligations. In 2014, these obligations amounted to DKK 20 million (2013: DKK 9 million). The increased obligation was due to a combination of an increased number of employees and increased wages and salaries.

	2014				2013
DKK million	Base salary	Bonus	Shares	Total	Total
Compensation of key management personnel of PANDORA					
Allan Leighton[1]	8.7	8.0	4.0	20.7	7.1
Henrik Holmark[2]	4.2	4.1	3.7	12.0	8.2
Bjørn Gulden	-	-	-	-	12.8
Sten Daugaard	-	-	-	-	21.0
Total compensation of key management personnel	**12.9**	**12.1**	**7.7**	**32.7**	**49.1**

DKK million	2014	2013
Compensation of Board of Directors		
Peder Tuborgh, Chairman[3]	0.3	-
Marcello Bottoli, former Chairman[3]	1.2	1.7
Allan Leighton[1]	-	1.3
Christian Frigast, Deputy Chairman	0.9	0.8
Torben Ballegaard Sørensen	0.6	0.6
Andrea Alvey	0.6	0.6
Nikolaj Vejlsgaard	0.6	0.6
Ronica Wang	0.6	0.6
Bjørn Gulden	0.6	0.2
Anders Boyer-Søgaard	0.7	0.7
Per Bank	0.5	-
Michael Hauge Sørensen	0.5	-
Total compensation of Board of Directors	**7.1**	**7.1**

[1] Allan Leighton will be stepping down from his role as CEO in March 2015. As part of the severance agreement, a compensation of DKK 34.3 million in the notice period through to end 2016 has been recognised in addition to the above. The compensation comprise DKK 10.2 million as base salary, DKK 12.0 million as bonus and DKK 12.1 million as share-based payments. At the next general meeting, the current Board of Directors will recommend Allan Leighton as new Co-Deputy Chairman of the Board.
[2] Henrik Holmark stepped down from his position as CFO on 31 December 2014.
[3] 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 year in which the 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 AND EMPLOYEE SHARES

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

	Executive Board and Board of Directors	Other employees	Total	Average exercise price per option, DKK
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**	
Share options outstanding at 1 January 2013	233,870	874,253	1,108,123	0.70
Share options 2013 one-year programme	-	103,295	103,295	2.10
Share options granted during the year	84,441	352,787	437,228	1.25
Share options lapsed during the year	-54,816	-82,245	-137,061	0.93
Share options outstanding at 31 December 2013	**263,495**	**1,248,090**	**1,511,585**	

The total cost of share-based payments was DKK 71 million (2013: DKK 64 million). The cost of share-based payments is included in staff costs. In the remaining vesting periods, an amount of DKK 62 million (2013: DKK 59 million) is expected to be recognised in respect of the current share option programmes.

As part of the severance agreement with Allan Leighton, participation (pro rata) in the upcoming programmes expected for 2015 and 2016 has been agreed. Salary costs relating to this participation has been included in 2014 for share-based payments with an amount of DKK 7 million.

For options exercised in 2014, the average share price was DKK 354.5 at the time of vesting.

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 programme 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.

Granted in 2013
In 2013, PANDORA granted a total of 540,523 share options in two different share-based programmes. One programme comprises 103,295 options with a vesting

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.4 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES, CONTINUED

period of only one year and a market value at the grant date of DKK 14 million. The other share-based programme comprises 437,228 options with a vesting period of three years and a market value of DKK 64 million. The value of the programmes is recognised over the vesting periods based on the likelihood that targets for group revenue and EBITDA for 2013 and 2015 respectively will be reached, and that the share options will vest.

Granted in 2012
In 2012, PANDORA granted 1,009,977 share options. The recognised value of the share options in the income statement and in equity is based on the number of shares expected to vest in February 2015 as the targets for this programme are reached.

Number of shares in PANDORA A/S

	2013	Purchase of shares	Sale of shares	2014
Executive Board				
Allan Leighton	12,380	-	-	12,380
Henrik Holmark	289,584	-	-189,820	99,764
Total number of shares	**301,964**	**-**	**-189,820**	**112,144**
Henrik Holmark	-289,584	-	189,820	-99,764
Total number of shares	**12,380**	**-**	**-**	**12,380**
Board of Directors				
Peder Tuborgh	-	-	-	-
Marcello Bottoli	29,461	-	-9,820	19,641
Christian Frigast	786,516	-	-740,516	46,000
Torben Ballegaard Sørensen	12,674	-	-11,000	1,674
Bjørn Gulden	-	68,014	-58,000	10,014
Andrea Alvey	6,107	-	-	6,107
Nikolaj Vejlsgaard	501,455	-	-469,075	32,380
Ronica Wang	4,070	-	-	4,070
Michael Hauge Sørensen	-	600	-	600
Anders Boyer-Søgaard	4,121	-	-	4,121
Per Bank	-	-	-	-
Total number of shares	**1,344,404**	**68,614**	**-1,288,411**	**124,607**
Marcello Bottoli	-29,461	-	9,820	-19,641
Total number of shares	**1,314,943**	**68,614**	**-1,278,591**	**104,966**

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.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.4 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES, CONTINUED

	2012	Purchase of shares	Sale of shares	2013
Executive Board				
Allan Leighton	12,380	-	-	12,380
Sten Daugaard	10,785	-	-10,785	-
Henrik Holmark	426,825	-	-137,241	289,584
Total number of shares	**449,990**	**-**	**-148,026**	**301,964**
Board of Directors				
Marcello Bottoli	29,461	-	-	29,461
Allan Leighton	12,380	-	-	12,380
Christian Frigast	59,636	1,368,149	-641,269	786,516
Torben Ballegaard Sørensen	192,670	-	-179,996	12,674
Andrea Alvey	6,107	-	-	6,107
Nikolaj Vejlsgaard	57,630	837,158	-393,333	501,455
Ronica Wang	4,070	-	-	4,070
Anders Boyer-Søgaard	-	4,121	-	4,121
Total number of shares	**361,954**	**2,209,428**	**-1,214,598**	**1,356,784**
Allan Leighton transferred to Executive Board	-12,380	-	-	-12,380
Total number of shares	**349,574**	**2,209,428**	**-1,214,598**	**1,344,404**

§ 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 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 PANDORA's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

Assumptions

Assumptions concerning the calculation of fair value at date of grant:

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 the options granted.

Year of grant	Exercise price	Expected volatility	Risk-free interest rate	Dividend per share
2014 3-year	2.99	46%	0.47%	6.50
2013 1-year	2.10	48%	0.09%	5.50
2013 3-year	1.25	48%	0.16%	5.50
2012 3-year	0.52	100%	1.34%	5.50

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

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.5 TAXATION

Income tax expense

DKK million	**2014**	**2013**
Current income tax charge	786	561
Adjustment concerning previous years	35	136
Impact of change in tax rates	17	-57
Change in deferred tax	-64	-118
Total income tax expense	**774**	**522**
Tax reconciliation		
Profit before tax	3,872	2,742
Corporate tax rate in Denmark, 24.5% (2013: 25%)	949	686
Tax effect of:		
Differences in foreign subsidiaries' tax rates compared to Danish tax rate	18	52
Impact of change in tax rates	17	-57
Non-taxable income and non-deductible expenses	-243	-292
Adjustment concerning previous years	35	136
Adjustments of deferred tax assets, net	-2	-3
Total income tax expense	**774**	**522**
Effective income tax rate	20.0%	19.0%

Deferred tax

DKK million	**2014**	**2013**
Deferred tax at 1 January	195	362
Exchange rate adjustments	-21	14
Change in deferred tax - recognised in income statement	-64	-118
Change in deferred tax - recognised in statement of comprehensive income	-5	-6
Change in deferred tax - recognised in statement of changes in equity	-99	-
Impact of change in the Danish tax rate	17	-57
Deferred tax at 31 December	**23**	**195**
Deferred tax assets	407	276
Deferred tax liabilities	430	471
Deferred tax, net	**23**	**195**
Specification of deferred tax		
Intangible assets	527	534
Property, plant and equipment	-206	-13
Non-current assets and liabilities	-298	-327
Tax loss carry-forwards	0	1
Deferred tax, net	**23**	**195**
Unrecognised share of tax loss carry-forwards	79	62
Latent tax liability on undistributed dividends[1]	277	246

[1] The latent tax liability on undistributed dividends relates to a dividend tax of 10%, 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

The Group is taxed jointly with its Danish subsidiaries. These subsidiaries are included in the joint taxation from the date they are consolidated 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 amount 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 the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available. The deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be offset against this 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. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 the temporary differences 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 when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been 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 deferred tax liabilities are offset if the Group had 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 worldwide. Significant estimates are required in determining the worldwide accrual for income taxes, deferred tax assets and liabilities, and provision for uncertain tax positions.

Due to significant differences in tax rates between the Group entities, a change in the distribution of the Group's profit could have a significant impact on the Group's consolidated tax payments. For instance, the corporate tax rate in Denmark is 24.5% (will gradually be reduced to 22% in 2016) while in Thailand PANDORA is subject to a Board of Investment agreement (BOI) which significantly reduces Thailand income taxes.

Under the Thailand BOI, many types of net income are free from taxation, while other types of income are subject to 20% tax. This rate applies to financial years beginning on or after 1 January 2013. Before that the rate was reduced from 30% to 23% in 2012. Under the tax legislation in Thailand, the classification of different types of income and expenses therefore determines the amount of tax payable. (The BOI status of PANDORA Production Co. Ltd. has currently been granted until Q3 2020).

PANDORA has ongoing dialogue with tax authorities with regard to the computation of taxable income, including the Danish and Thai authorities. In Management's opinion, the tax expense recognised reflects the most likely amount required to settle the present obligation, including potential tax cases.

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 80% 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 2014 included the acquisition of a net total of 22 concept stores from US jeweller Hannoush, DKK 143 million.

Working capital at the end of 2014 was 16.7% of revenue, compared with 20.5% at the end of 2013.

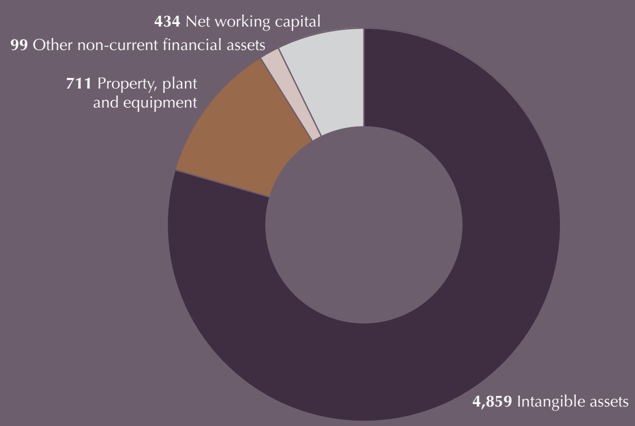
Financial risks are described in note 4.4.

CAPEX
455
DKK million

INVESTED CAPITAL
6,080
DKK million

OPERATING WORKING CAPITAL / REVENUE
16.7%

INVESTED CAPITAL



Invested capital

DKK million	Notes	2014	2013
Intangible assets	3.1	4,859	4,617
Property, plant and equipment	3.2	711	497
Other non-current financial assets		99	48
Net working capital		434	1,009
Net deferred tax liability	2.5	-23	-195
Invested capital		**6,080**	**5,976**

Working capital

DKK million	Notes	2014	2013
Inventories	3.3	1,684	1,490
Trade receivables	3.4	1,110	895
Trade payables		-804	-539
Operating working capital		**1,990**	**1,846**
Other receivables		404	731
Provisions	3.5	-739	-506
Net tax payable		-591	-511
Other payables		-630	-551
Net working capital		**434**	**1,009**

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 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 and impairment losses 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**
Cost at 1 January 2013	1,922	1,053	478	1,358	195	5,006
Acquisition of subsidiaries and activities	30	-	3	-	13	46
Additions	44	-	-	-	268	312
Disposals	-	-	-3	-	-2	-5
Reclassifications	-	-	-	-	-4	-4
Exchange rate adjustments	-92	-	-	-	-37	-129
Cost at 31 December 2013	**1,904**	**1,053**	**478**	**1,358**	**433**	**5,226**
Amortisation and impairment losses at 1 January 2013	-	-	147	313	59	519
Amortisation and impairment losses for the year	-	-	34	3	63	100
Disposals	-	-	-3	-	-	-3
Reclassifications	-	-	-	-	-2	-2
Exchange rate adjustments	-	-	-	-	-5	-5
Amortisation and impairment losses at 31 December 2013	**-**	**-**	**178**	**316**	**115**	**609**
Carrying amount at 31 December 2013	**1,904**	**1,053**	**300**	**1,042**	**318**	**4,617**

The majority of the intangible assets have been acquired through business combinations.
There were no impairment losses in 2014 or 2013.

DKK million	2014	2013
Amortisation, depreciation and impairment losses for the year		
Intangible assets	100	100
Property, plant and equipment	122	100
Total	**222**	**200**
Amortisation, depreciation and impairment losses have been recognised in the income statement:		
Cost of sales	49	41
Sales, distribution and marketing expenses	92	83
Administrative expenses	81	76
Total	**222**	**200**

3.1 INTANGIBLE ASSETS, CONTINUED

Carrying amount of recognised goodwill:

DKK million	2014	2013
PANDORA core business[1]	751	713
PANDORA Jewelry America ApS, the American distributor	261	231
AD Astra Holdings Pty Ltd., the Australian distributor	307	295
PANDORA Jewelry Central Western Europe A/S, the German distributor	602	591
Other distributors	159	74
Total	**2,080**	**1,904**

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

Goodwill
Goodwill was 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. (Thailand) and Pilisar ApS on 7 March 2008, the acquisition of AD Astra Holdings Pty Ltd. in July 2009 and the acquisition of PANDORA Jewelry Central Western Europe A/S in 2010. Additions in 2014 mainly relate to the acquisition of a net total of 22 concept stores from US jeweller Hannoush.

Brand
The brand 'PANDORA' is the only brand of the Group that is capitalised as an asset in the financial statements. It is built on a group of complementary intangible assets relating to the brand, domain name, product, image and customer experience related to products sold under the PANDORA brand. The brand was acquired with 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 2014 (2013: DKK 1,034 million).

Other intangible assets
Other intangible assets mainly comprise software implementation projects.

§ Accounting policies
All intangible assets are tested for impairment at least annually. Reference is made to 'Significant accounting estimates' below.

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. The brand is considered to have an indefinite useful life. Based on the very long future life expected for the brand, any set time would be arbitrary.

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 it (the cost approach). The distribution network is amortised over an expected life of 15 years.

Distribution rights
The distribution rights for PANDORA products in the North American markets are measured based on a residual model, since the distribution agreement underlying the distribution rights is non-terminable. Consequently, the distribution

3.1 INTANGIBLE ASSETS, CONTINUED

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 useful lives.

Other intangible assets
Software is measured at cost and amortised over three years.

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

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 individual asset, unless the asset does not generate cash flows that are independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and 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 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 five CGUs: Americas, UK, Central Western Europe, Australia and distributors & travel retail. The recoverable amount has been 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 to equal the expected long-term rate of inflation of 2.0% (2013: 2.0%).

The brand is applied and supported globally in all of the Group's entities. Through common strategy and product development at Group level and marketing in the individual sales entities, the brand is maintained and preserved. Therefore, the brand is tested for impairment at Group level. The calculations of the recoverable amounts of the 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

Allocation of intangible assets on CGUs

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
2014						
Americas	605	-	-	1,034	46	1,685
UK	43	-	-	-	-	43
Central Western Europe	705	-	-	13	16	734
Australia	482	-	-	-	6	488
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**
2013						
Americas	448	-	-	1,034	22	1,504
UK	36	-	-	-	-	36
Central Western Europe	700	-	-	8	18	726
Australia	461	-	-	-	12	473
Distributors & travel retail	226	-	-	-	4	230
Group	33	1,053	300	-	262	1,648
Total	**1,904**	**1,053**	**300**	**1,042**	**318**	**4,617**

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.1 INTANGIBLE ASSETS, CONTINUED

capital for the industry. The rates have further been adjusted to reflect the market assessment of any risk specific to the 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 to:

- revenue growth considering development in network (store openings, retail/wholesale share), product mix and market share
- cost of sales based on metal consumption and average lagged hedge commodity prices at the time the budget is prepared
- OPEX development
- currency rates are based on actual rates at the time the budget is prepared.

The 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. In Management's opinion, no probable change in any of the key assumptions mentioned above would cause the carrying amount of the Group or CGUs to exceed its recoverable amount.

Discount rates and growth rates in terminal period

	Americas	UK	Central Western Europe	Australia	Distributors & travel retail	Group
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%
2013						
Discount rate before tax	11.9%	10.9%	12.6%	13.4%	12.7%	12.5%
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 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
Reclassifications	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**
Cost at 1 January 2013	232	405	65	702
Acquisition of subsidiaries and activities	-	9	-	9
Additions	20	129	33	182
Disposals	-1	-50	-7	-58
Reclassifications	52	19	-63	8
Exchange rate adjustments	-23	-34	-7	-64
Cost at 31 December 2013	**280**	**478**	**21**	**779**
Depreciation and impairment losses at 1 January 2013	43	187	-	230
Depreciation for the year	13	87	-	100
Disposals	-	-35	-	-35
Reclassifications	-1	7	-	6
Exchange rate adjustments	-4	-15	-	-19
Depreciation and impairment losses at 31 December 2013	**51**	**231**	**-**	**282**
Carrying amount at 31 December 2013	**229**	**247**	**21**	**497**
Useful lives, years	20-50[1]	3-5	-	

[1] Land is not depreciated.

PANDORA has pledged assets at a total value of DKK 0 million (2013: DKK 0 million).

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	303	23	326
Between 1- 5 years	826	27	853
After 5 years	371	1	372
Total 2014	**1,500**	**51**	**1,551**
Within 1 year	182	50	232
Between 1- 5 years	417	15	432
After 5 years	128	-	128
Total 2013	**727**	**65**	**792**

PANDORA has a large number of individually insignificant leases. The leases are mainly for stores, offices and copy machines etc. The increase in commitments in 2014 is mainly related to new owned and operated concept stores, including the stores acquired from US jeweller Hannoush, and the lease for a new Danish headquarters from April 2016.

§ Accounting policies

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.3 INVENTORIES

DKK million	**2014**	**2013**
Raw materials and consumables	412	327
Work in progress	71	78
Finished goods	1,054	948
Point of sale materials	147	137
Total inventories at 31 December	**1,684**	**1,490**
Inventory write-downs at 1 January	300	208
Write-downs during the year	227	265
Utilised in the year	-264	-168
Reversal of write-downs in the year	-17	-5
Inventory write-downs at 31 December	**246**	**300**

The write-downs of inventories are recognised in Cost of sales DKK 130 million (2013: DKK 209 million), and Distribution expenses DKK 80 million (2013: DKK 51 million).

Inventories at 31 December 2014 include inventories at a nominal value of DKK 1,930 million (2013: DKK 1,790 million), which have been written down to DKK 1,684 million (2013: DKK 1,490 million).

Silver and gold prices decreased in 2014, leading to losses on re-melting of goods, with a negative impact on gross profit of DKK 136 million (2013: DKK 189 million).

§ Accounting policies

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase costs on a first-in, first-out basis
- finished goods and work in progress – cost of direct materials and labour and a proportion of production overheads based on normal operating capacity, but excluding borrowing costs.

! Significant accounting estimates

Net realisable value

Net realisable value is the re-melt value or the estimated selling price less estimated costs of completion and distribution. The re-melt value is based on the weight of silver and gold in the products and the market prices for silver and gold on the reporting date. Future changes in the market prices of silver or gold will result in changes in the re-melt value.

PANDORA divides inventories into four categories: introduction, released-for-sale, phasing-out and discontinued. Group Supply Chain monitors the sales-out of all products and, based on sales ratios, some products may be regarded as slow-moving and thus assigned to the categories phasing-out or discontinued. The part of discontinued inventory that is not expected to be sold is written down to re-melt value. Inventories in the phasing-out category can be sold on normal terms or transferred to the discontinued category, and the amount expected to be transferred to discontinued is therefore written down as described above.

Sales forecasts are used to assess which products in the released-for-sale category need to be written down. Inventories exceeding estimated demand for the next 12 months are written down.

Historically, PANDORA has not made any significant write-downs as a result of damaged goods.

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. The carrying amount of capitalised production overheads was DKK 39 million at 31 December 2014 (2013: DKK 24 million).

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.4 TRADE RECEIVABLES

DKK million	2014	2013
Analysis of trade receivables that were past due at 31 December		
Up to 30 days	177	144
Between 30 and 60 days	34	58
Between 60 and 90 days	26	19
Over 90 days	1	21
Total past due	**238**	**242**
Not past due	872	653
Total trade receivables at 31 December	**1,110**	**895**
Analysis of movements in bad debt provisions		
Provisions at 1 January	33	32
Additions	6	6
Utilised	-6	-5
Unused amounts reversed	-9	-1
Exchange rate adjustments	-1	1
Provisions at 31 December	**23**	**33**

Trade receivables at 31 December 2014 include receivables at a nominal value of DKK 1,133 million (2013: DKK 928 million), which have been written down to DKK 1,110 million (2013: DKK 895 million).

Historically, PANDORA has 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 impairment are recognised in the income statement as administrative expenses.

A write-down for bad or doubtful debts is made if there is any indication of impairment 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.

NOTES

SECTION 3: INVESTED CAPITAL AND WORKING CAPITAL ITEMS, CONTINUED

3.5 PROVISIONS

DKK million	Earn-outs, acquisition of non-controlling interests	Sales return and warranty provisions	Other provisions	Total
Provisions at 1 January 2014	-	458	48	506
Provisions made in 2014	-	774	86	860
Utilised in the year	-	-543	-7	-550
Unused amounts reversed	-	-75	-29	-104
Reclassifications	-	33	-33	-
Exchange rate adjustments	-	23	4	27
Provisions at 31 December 2014	**-**	**670**	**69**	**739**
Provisions are recognised in the consolidated balance sheet:				
Current	-	670	8	678
Non-current	-	-	61	61
Total provisions at 31 December 2014	**-**	**670**	**69**	**739**
Provisions at 1 January 2013	-	416	54	470
Provisions made in 2013	-	492	35	527
Utilised in the year	-	-423	-7	-430
Unused amounts reversed	-	-20	-34	-54
Exchange rate adjustments	-	-7	-	-7
Provisions at 31 December 2013	**-**	**458**	**48**	**506**
Provisions are recognised in the consolidated balance sheet:				
Current	-	458	13	471
Non-current	-	-	35	35
Total provisions at 31 December 2013	**-**	**458**	**48**	**506**

Sales return and warranty provisions

In 2014, provisions for warranty claims were reclassified so that they are now presented together with return provisions. This is due to a change in the handling of warranty claims, which now mainly lead to replacements instead of repairs.

PANDORA only provides return rights to customers in some countries. Sales return provisions in 2014 mainly related to the Americas, DKK 460 million (2013: DKK 353 million).

Other provisions

Other provisions include a provision for onerous contracts due to the future relocation of PANDORA's office in Denmark which may lead to a period of rent payments for an empty location.

Earn-outs, acquisition of non-controlling interests

The earn-out payment provision DKK 0 million (2013: DKK 0 million) relates to the acquisition of the non-controlling interests in PANDORA Jewelry Central Western Europe A/S.

§ 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.

! Significant accounting estimates

In some countries, PANDORA has provided return rights to customers. The provision is to a large extent based on historical return patterns and changes in future return patterns may therefore result in changes compared to the provision recognised. Provisions are also 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 financial instruments to hedge its exposure to fluctuations in commodity prices and similar. Financial instruments are described in note 4.5.

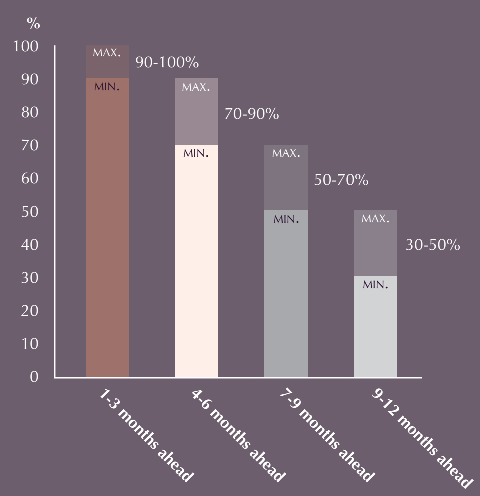
The basis of PANDORA's capital management is the NIBD/EBITDA ratio, which Management seeks to maintain between 0 and 1. At 31 December 2014, the ratio was -0.3. PANDORA's ability to keep this low ratio is based on the high cash conversion. The cash conversion was 124.9% in 2014 compared with 88.1% in 2013.

CASH CONVERSION
124.9%

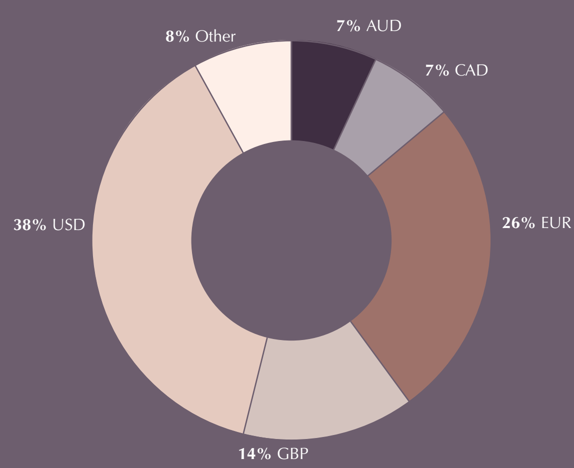
SHARE BUYBACK
2,400
DKK million

TOTAL PAYOUT RATIO
112.7%

COMMODITY HEDGE RATIO



REVENUE BREAKDOWN BY CURRENCY



4.1 SHARE CAPITAL

Share capital	Shares (number)	Nominal value (DKK)
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**
Balance at 1 January 2013	130,143,258	130,143,258
Balance at 31 December 2013	**130,143,258**	**130,143,258**

Treasury shares	Shares (number)	Nominal value (DKK)	Purchase price	% of shares
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%
Acquisition 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%**
Balance at 1 January 2013	182,925	182,925	38,414,250	0.1%
Acquisition of treasury shares	3,356,098	3,356,098	699,999,659	2.6%
Balance at 31 December 2013	**3,539,023**	**3,539,023**	**738,413,909**	**2.7%**

At 31 December 2014, the share capital comprised 128,115,820 shares with a par value of DKK 1. No shares have special rights.

In 2014, PANDORA launched a share buyback programme under which PANDORA expected to buy back own shares of DKK 2,400 million or a maximum of 9,475,303 shares.

In 2014, PANDORA bought 5,875,257 treasury shares equal to a purchase price of DKK 2,399,991,096.

Treasury shares

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

4.2 EARNINGS PER SHARE AND DIVIDEND

DKK million	**2014**	**2013**
Profit attributable to the equity holders of PANDORA A/S	**3,098**	**2,220**
Weighted average number of ordinary shares	124,092,966	129,120,685
Effect of share options	1,382,800	1,372,577
Weighted average number of ordinary shares adjusted for the effect of dilution	**125,475,766**	**130,493,262**
Basic earnings per share, DKK	25.0	17.2
Diluted earnings per share, DKK	24.7	17.0

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

Dividend

At the end of 2014, proposed dividend (not yet declared) was DKK 9.0 per share (2013: DKK 6.5 per share), corresponding to DKK 1,088 million. Declared dividend of DKK 6.5 per share, corresponding to DKK 823 million in 2013, was paid to the shareholders in 2014. No dividend was paid on treasury shares.

Distributable reserves

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

§ Accounting policies

Proposed dividends are included in equity until they 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	2014	2013
Loans and borrowings, current	10	49
Cash	-1,131	-686
Net interest-bearing debt	**-1,121**	**-637**

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 2014, the NIBD/EBITDA ratio was -0.3 (2013: -0.2).

In February 2014, PANDORA obtained a new revolving credit facility in the amount of DKK 1,000 million. Total committed credit facilities amount to DKK 3,500 million (2013: DKK 2,500 million) and are committed until July 2018.

§ 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 costs.

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 via 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.

Financial risk related to commodity prices

PANDORA's raw material risk is the risk of fluctuating commodity prices resulting in additional costs. The most important raw materials are silver and gold, which are priced in USD by suppliers.

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 can deviate from the 12 months rolling productions plan. In case of deviations, the realised commodity hedging ratio can deviate from the estimated hedging ratio. For 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%

4.4 FINANCIAL RISKS, CONTINUED

Foreign currency risk

PANDORA's presentation currency is DKK, but the majority of PANDORA's activities and investments are in other currencies. Consequently, there is a substantial risk of exchange rate fluctuations having a negative 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 from suppliers that price their products 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' needs for cash 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 its 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.

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 2014		31 December 2013	
DKK million	Change in exchange rate	Profit (loss) before tax	Equity	Profit (loss) before tax	Equity
USD	-10%	156	305	171	59
USD	+10%	-156	-305	-171	-59
CAD	-10%	1	39	-	32
CAD	+10%	-1	-39	-	-32
AUD	-10%	4	37	4	6
AUD	+10%	-4	-37	-4	-6
GBP	-10%	15	104	11	21
GBP	+10%	-15	-104	-11	-21
EUR	-1%	-11	-11	-12	-7
EUR	+1%	11	11	12	7
THB	-10%	-	-154	-	-93
THB	+10%	-	154	-	93

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

4.4 FINANCIAL RISKS, CONTINUED

Credit risk

PANDORA's 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 risk 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 of PANDORA's cash not covering PANDORA's payables 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. PANDORA's 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 3,500 million, which are committed until July 2018. Furthermore, PANDORA has minor local uncommitted credit facilities to ensure efficient and flexible local liquidity management. These credits are facilitated by PANDORA's Group Treasury.

Interest rate risk

Interest rate risk is the risk of interest rate fluctuations resulting in additional costs. Most of PANDORA's interest rate risk is related to floating-rate loans. It is PANDORA's policy to minimise interest rate risk by managing the overall duration of interest rate-sensitive assets and liabilities. At the reporting date, all interest-bearing loans and borrowings were unhedged.

Liabilities fall due as follows:

DKK million	Falling due within 1 year	Falling due within 1-5 years	Falling due after 5 years	Total
2014				
Financial instruments	268	-	-	268
Loans and borrowings	10	-	-	10
Trade payables	804	-	-	804
Other payables	630	-	-	630
Total liabilities at 31 December 2014	**1,712**	**-**	**-**	**1,712**
2013				
Financial instruments	148	-	-	148
Loans and borrowings	49	-	-	49
Other non-current liabilities	-	3	-	3
Trade payables	539	-	-	539
Other payables	551	-	-	551
Total liabilities at 31 December 2013	**1,287**	**3**	**-**	**1,290**

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 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 currency contracts and interest rate swaps.

DKK million	Assets	Liabilities	Carrying amount	Hedge reserve
2014				
Commodities	9	-133	-124	-122
Foreign exchange	90	-135	-45	-34
Total financial instruments	**99**	**-268**	**-169**	**-156**
2013				
Commodities	-	-127	-127	-127
Foreign exchange	-	-21	-21	-16
Total financial instruments	**-**	**-148**	**-148**	**-143**

Classification according to the fair value hierarchy
The fair value at 31 December 2014 and 2013 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 the unrealised financial instruments. The value of unrealised silver and gold instruments are tested against the prices observable at LBMA (London Bullion Market Association). The value of unrealised foreign exchange instruments are 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 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 which has effectiveness 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 part of the realised gain or loss on a commodity hedging transaction is recognised in Group inventories whereas the ineffective part 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	2014	2013
Finance income from financial assets and liabilities measured at fair value through the income statement:		
Fair value adjustments, financial instruments	-	9
Total finance income from financial instruments	**-**	**9**
Finance income from loans and receivables measured at amortised cost:		
Foreign exchange gains	7	154
Interest income, bank	1	2
Interest income, loans and receivables	6	2
Total finance income from loans and receivables	**14**	**158**
Total finance income	**14**	**167**

Finance costs

DKK million	2014	2013
Finance costs from financial assets and liabilities measured at fair value through the income statement:		
Fair value adjustments, financial instruments	50	-
Total finance costs from financial instruments	**50**	**-**
Finance costs from financial liabilities measured at amortised cost:		
Foreign exchange losses	89	54
Interest on loans and borrowings	4	5
Other finance costs	71	47
Total finance costs from loans and borrowings	**164**	**106**
Total finance costs	**214**	**106**

§ 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 expenses are 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 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 or 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 or 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 contributed approximately DKK 95 million in revenue and DKK 22 million in net profit since the acquisition on 22 September 2014. If the stores had been acquired on 1 January 2014, 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 impact on 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 revenue and net profit would have been equally insignificant.

	2014			2013
DKK million	**Hannoush**	**Other**	**Total**	**Brazil**
Other intangible assets	-	1	1	13
Property, plant and equipment	4	5	9	9
Receivables	2	-	2	3
Inventories	77	-	77	12
Other current assets	-	-	-	4
Assets acquired	**83**	**6**	**89**	**41**
Non-current liabilities	3	-	3	5
Payables	3	-	3	18
Other non-current liabilities	2	-	2	5
Deferred tax	-	-	-	3
Liabilities assumed	**8**	**-**	**8**	**31**
Total identifiable net assets acquired	**75**	**6**	**81**	**10**
Goodwill arising from acquisition	87	6	93	30
Purchase consideration	**162**	**12**	**174**	**40**
Cash movements on acquisition:				
Purchase consideration transferred	162	12	174	40
Deferred payment	-	-	-	-2
Net cash flows on acquisition	**162**	**12**	**174**	**38**
Cash flow sale of businesses[1]	19	-	19	-
Net cash flow from business combinations	**143**	**12**	**155**	**38**

[1] The sale of businesses included mainly inventories, DKK 12 million, assets related to stores, DKK 1 million, and goodwill, DKK 6 million.

5.1 BUSINESS COMBINATIONS, CONTINUED

Acquisitions in 2013

Acquisition of the distribution in Brazil

On 24 October 2013, PANDORA acquired 100% of the share capital of City Time do Brasil Comércio e Importação Ltda. (the name has subsequently been changed to PANDORA do Brasil Comércio e Importação Ltda.), based in São Paulo, obtaining control of the company. The company is a retail company with eight stores and an e-store operating in five cities in Brazil.

With the acquisition, PANDORA has strengthened its presence in a country with great potential. A base in Brazil will provide PANDORA with the opportunity to directly affect distribution in Brazil and other South American markets.

The above table summarises the consideration paid for City Time do Brasil Comércio e Importação Ltda., and the fair value of assets acquired and liabilities assumed at the acquisition date.

The purchase price was DKK 40 million, of which DKK 2 million was deferred. The deferred payment was due on 1 January 2018, but the amount was paid in full in 2014.

Acquisition-related costs of DKK 1 million were recognised as administrative expenses in the consolidated income statement for the year ended 31 December 2013.

Assets and liabilities assumed mainly comprise key money, property, plant and equipment related to the acquired stores, inventories and accounts payable. The market value of key money is calculated annually by the centre operators and is deemed to have an indefinite life.

The goodwill of DKK 30 million arising from the acquisition is attributable to the expected synergies from a strengthened presence and increased opportunities to improve both the retail and wholesale markets in South America while maintaining control of the PANDORA brand. None of the goodwill recognised is deductible for income tax purposes.

Other acquisitions in 2013

In 2013, PANDORA acquired concept stores that have been accounted for as business combinations and are also recognised in the line acquisition of subsidiaries and activities.

Impact on the consolidated financial statements

The acquisitions have neither individually nor in combination had any significant impact on the Group's revenue or net profit. If the acquired companies had been owned by the Group from the beginning of the year, there would have been no significant impact on Group revenue or Group net profit.

Acquisition after the reporting period

Strategic alliance in Japan

On 1 January 2015, PANDORA acquired assets related to the distribution of PANDORA jewellery 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.

DKK million	**Japan/ Bluebell**
Other intangible assets	29
Property, plant and equipment	3
Inventories	6
Assets acquired	**38**
Total identifiable net assets acquired	**38**
Goodwill arising from acquisition	17
Purchase consideration	**55**
Cash movements on acquisition:	
Earn-out	-55
Net cash flows on acquisition	**-**

5.1 BUSINESS COMBINATIONS, CONTINUED

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 discounted fair value of the earn-out is DKK 55 million.

Intangible assets comprise reacquired distribution rights (remaining lifespan approximately three years) of DKK 29 million. The fair value is based on comparison of peer markets similar to the Japanese market 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 individual items.

Goodwill 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.

Acquisition of Pan Me A/S

On 16 January 2015, PANDORA acquired 100% of the shares in Pan Me A/S. Pan Me A/S holds the rights to distribute PANDORA jewellery in the UAE, Bahrain, Qatar and Oman.

PANDORA has paid the purchase price of DKK 110 million primarily related to the rights to distribute PANDORA jewellery in the UAE, Bahrain, Qatar and Oman, as well as non-current assets and inventories related to 11 concept stores and three shop-in-shops in the UAE. An amount of DKK 1 million is withheld until fulfilment of certain conditions related to inventories.

Due to the late closing date of the acquisition, it has not been practically possible to prepare the initial accounting for the business combination. The purchase price allocation for the acquisition will be included in the interim financial report for the first quarter of 2015.

China

In February 2015, PANDORA entered an agreement with Oracle Investment (Hong Kong) Limited ("Oracle") about joint distribution of PANDORA jewellery in China from 1 July 2015 to 31 December 2018. At the end of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in China. On 1 July 2015, PANDORA will, as part of the agreement with Oracle, purchase the majority of Oracle's assets in China. The agreement is subject to certain conditions to be fulfilled.

Due to the subsequent closing date, it is not possible to prepare the accounting for the business combination.

§ 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, this cost is recorded at fair value at the time of acquisition.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.2 CONTINGENT LIABILITIES

Litigation
PANDORA is 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 226 million (2013: DKK 92 million). Apart from the liabilities already recognised in the balance sheet, the Group does not expect to incur any significant financial losses 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 2014, treasury shares accounted for 5.6% of the share capital, see note 4.1. No other shareholders held more than 5% of the share capital.

Until June 2014, Axcel Management A/S exercised control over more than 5% of the shares in PANDORA through its controlling interest in the following PANDORA shareholders: Axcel III K/S 1, Axcel III K/S 2 and Axcel III K/S 3.

Other related parties of PANDORA with significant influence include the Boards of Directors and the Executive Boards of these companies 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 2014, PANDORA has 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.

In the third quarter, PANDORA included the full accrual of potential severance payments through to end of 2016 of DKK 34 million related to the agreement with the current CEO, Allan Leighton. Besides this severance payment, 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	**2014**	**2013**
Fee for statutory audit	4	3
Other assurance engagements	1	2
Tax consultancy	11	10
Other services	3	4
Total fees to statutory auditor	**19**	**19**

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

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.5 APPROVAL OF THE ANNUAL REPORT

The Annual General Meeting adopts the approval of the Annual Report for the financial year 2014. Management expects the Annual Report to be approved at the Annual General Meeting on 18 March 2015.

5.6 COMPANIES IN THE PANDORA GROUP

The table below shows information about the Group entities:

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 Ventures Canada Ltd.	100%	Canada	11 January 2013
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
PANDORA Jewellery DMCC	100%	Dubai	8 October 2014
PANDORA 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
World Max International Trading Limited	100%	Hong Kong	21 December 2010
PANDORA Jewelry Hungary Kft.	100%	Hungary	2 June 2010
PANDORA Italia SRL	100%	Italy	23 May 2012
PANDORA Jewelry Japan	100%	Japan	29 October 2014
PANDORA Jewelry B.V.	100%	Netherlands	20 September 2010
PANDORA Jewelry Ltd. NZ	100%	New Zealand	1 July 2009
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%	UK	1 December 2008
PANDORA Jewelry Inc.	100%	USA	1 July 2008
PANDORA Jewelry LLC	100%	USA	7 March 2008
PANDORA Franchising LLC	100%	USA	1 November 2009
PANDORA Ventures LLC	100%	USA	10 May 2012

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.7 FINANCIAL DEFINITIONS

Key figures and financial ratios stated in the consolidated financial statements have been calculated as follows:

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) (Rolling 12 month) Last year's revenue
Gross profit growth, %	(This year's gross profit - last year's gross profit) (Rolling 12 month) Last year's gross profit
EBITDA growth, %	(This year's EBITDA - last year's EBITDA) (Rolling 12 month) Last year's EBITDA
EBIT growth, %	(This year's EBIT - last year's EBIT) (Rolling 12 month) Last year's EBIT
Net profit growth, %	(This year's net profit - last year's net profit) (Rolling12 month) Last year's net profit
Gross margin, %	Gross profit / revenue
EBITDA margin, %	EBITDA / revenue
EBIT margin, %	EBIT / revenue
Tax rate, %	Income tax expense / profit before tax
Cash conversion, %	Free cash flow / net profit
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
Total payout ratio	Dividends for the year and value of share buyback / net profit
EPS basic	Net profit / average number of shares outstanding
EPS diluted	Net profit / sum of 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 forecast in this report due to a variety of factors.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.8 EVENTS AFTER THE REPORTING PERIOD

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 (a ladies fashion brand). PANDORA will pay a service fee to DHG for making the leaseholds available. All 78 leaseholds concern stand-alone stores located in prime locations in Germany that fit well with our existing concept store expansion strategy in Germany. During 2015, PANDORA will open owned and operated concept stores in the new locations, some of which will be a relocation of existing PANDORA-owned stores.

The total investment 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, service fees to DHG as well as all other costs related to store implementation, is expected to be around EUR 50 million (approximately DKK 370 million), of which the majority will be recognised as CAPEX and inventories. The funds will be spent over the course of 2015.

China

In February 2015, PANDORA entered an agreement with Oracle Investment (Hong Kong) Limited ("Oracle") about joint distribution of PANDORA jewellery in China from 1 July 2015 to 31 December 2018. At the end of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in China.

PANDORA plans, through the cooperation, 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 their insight into the Chinese real estate market, which will aid PANDORA in securing the most attractive locations.

On 1 July 2015, PANDORA will, as part of the agreement with Oracle, purchase the majority of Oracle's assets in China. The term of the agreement ends December 2018. 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 end of the term of the agreement. The initial payment to Oracle is expected to be approximately HKD 120 million (or approximately DKK 100 million), depending on the value of the assets at the time of the completion of the agreement. The total payment will be in the range of HKD 200-500 million (or approximately DKK 170-420 million). The agreement is subject to certain conditions to be fulfilled.

Major shareholder announcement

On 16 February 2015 PANDORA was notified by BlackRock Investment Management (UK) Limited that BlackRock, Inc. has increased its holding of shares in PANDORA A/S at 13 February 2015 to 6,434,446 shares, corresponding to 5.02% of the share capital and the voting rights.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2014	2013
INCOME STATEMENT			
Revenue		7,891	5,917
Cost of sales		-5,370	-4,149
Gross profit		**2,521**	**1,768**
Sales, distribution and marketing expenses	2.1	-247	-277
Administrative expenses	2.1	-649	-412
Operating profit		**1,625**	**1,079**
Dividends from subsidiaries		2,096	1,269
Finance income	4.3	58	466
Finance costs	4.3	-203	-325
Profit before tax		**3,576**	**2,489**
Income tax expense	2.3	-536	-396
Net profit for the year		**3,040**	**2,093**

STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**3,040**	**2,093**
Items that may be reclassified to profit (loss) for the year			
- Commodity hedging instruments:			
Realised in cost of sales		-5	-
Realised in net financials		12	-
- Foreign exchange hedging instruments:			
Realised in net financials		38	-9
Value adjustments		-62	-16
Income tax on other comprehensive income	2.3	5	5
Other comprehensive income, net of tax		**-12**	**-20**
Total comprehensive income for the year		**3,028**	**2,073**

BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2014	2013
ASSETS			
Intangible assets	3.2	2,881	2,859
Property, plant and equipment	3.3	18	21
Investments in subsidiaries	3.1	2,367	2,215
Loans to subsidiaries		161	143
Other non-current financial assets		20	7
Total non-current assets		**5,447**	**5,245**
Inventories	3.4	810	745
Financial instruments	4.2	99	-
Trade receivables	3.5	8	10
Receivables from subsidiaries		2,549	1,901
Other receivables		82	375
Cash		527	329
Total current assets		**4,075**	**3,360**
Total assets		**9,522**	**8,605**
EQUITY AND LIABILITIES			
Share capital	4.1	128	130
Share premium		1,229	1,248
Treasury shares		-2,679	-738
Reserves		-29	-17
Proposed dividend		1,088	823
Retained earnings		5,080	3,405
Total equity		**4,817**	**4,851**
Provisions	3.6	15	-
Deferred tax liabilities	2.3	361	469
Total non-current liabilities		**376**	**469**
Provisions	3.6	141	126
Loans and borrowings		-	45
Financial instruments	4.2	268	148
Payables to subsidiaries		3,321	2,506
Trade payables		164	154
Income tax payable		329	253
Other payables		106	53
Total current liabilities		**4,329**	**3,285**
Total liabilities		**4,705**	**3,754**
Total equity and liabilities		**9,522**	**8,605**

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 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**
Equity at 1 January 2013		130	1,248	-38	3	715	2,069	4,127
Net profit for the year		-	-	-	-	-	2,093	2,093
Value adjustment of hedging instruments		-	-	-	-25	-	-	-25
Tax on other comprehensive income	2.3	-	-	-	5	-	-	5
Other comprehensive income, net of tax		**-**	**-**	**-**	**-20**	**-**	**-**	**-20**
Total comprehensive income for the year		**-**	**-**	**-**	**-20**	**-**	**2,093**	**2,073**
Share-based payments	2.2	-	-	-	-	-	64	64
Purchase of treasury shares		-	-	-700	-	-	-	-700
Dividend paid		-	-	-	-	-715	2	-713
Proposed dividend		-	-	-	-	823	-823	-
Equity at 31 December 2013		**130**	**1,248**	**-738**	**-17**	**823**	**3,405**	**4,851**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2014	2013
Profit before tax		3,576	2,489
Finance income	4.3	-58	-466
Finance costs	4.3	203	325
Dividends from subsidiaries		-2,096	-1,269
Amortisation, depreciation and impairment losses		73	86
Share-based payments	2.2	38	34
Change in inventories		-65	-94
Change in intercompany receivables/payables		513	-295
Change in receivables		195	-71
Change in payables and other liabilities		212	57
Other non-cash adjustments		-185	105
Interest etc. received		49	41
Interest etc. paid		-26	-22
Income tax paid		-475	-234
Cash flows from operating activities		**1,954**	**686**
Acquisition of subsidiaries and activities, net of cash acquired	3.1	-119	-116
Purchase of intangible assets	3.2	-83	-31
Purchase of property, plant and equipment	3.3	-13	-7
Change in other non-current assets		-13	-3
Proceeds from sale of property, plant and equipment		4	-
Dividends received		2,096	1,269
Cash flows from investing activities		**1,872**	**1,112**
Dividend paid		-820	-713
Purchase of treasury shares		-2,402	-700
Proceeds from loans and borrowings		478	41
Repayment of loans and borrowings		-884	-149
Cash flows from financing activities		**-3,628**	**-1,521**
Net increase (decrease) in cash		**198**	**277**
Cash at 1 January		329	52
Net increase (decrease) in cash		198	277
Cash at 31 December		**527**	**329**
Unutilised credit facilities		3,567	2,708

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

Inventory CWE
The financial statements of PANDORA A/S are affected by a transaction with the subsidiary PANDORA Jewelry Central Western Europe A/S (CWE). Since 2012, wholesale inventory for all European countries has been centralised and owned by PANDORA A/S. Part of the inventory was sold by PANDORA A/S to CWE in December 2014 at normal sales prices at a total value of DKK 177 million. At 31 December 2014, CWE consequently owned the wholesale inventory related to CWE markets. The transaction was completed as a result of the earn-out agreement with PANDORA's former distributor in Central Western Europe in order to neutralise the sale of the wholesale inventory in 2012.

Gross profit
The Parent Company takes back inventory from subsidiaries for the purpose of re-melting excess inventory. Gross profit is significantly impacted by realised losses from re-melting activities and unrealised losses from inventory write-downs. Fluctuations in market prices of silver and gold have a major impact on gross profit.

Hedging transactions
The Parent Company realised a net loss of DKK 7 million (2013: DKK 0 million) on commodity hedge contracts. A net loss of DKK 12 million relates to the elimination of over-hedged positions. A net gain of DKK 5 million (2013: DKK 0 million) relates to efficient hedging of re-melt of metal.

Earn-out
Changes in the value of the earn-out provision are recognised in the income statement as finance income or finance costs. In 2014, there were no adjustments (2013: DKK 0 million).

1.2 BASIS OF REPORTING

Parent Company financial statements
The accounting policies for 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.

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.

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

NOTES FOR THE PARENT COMPANY

2.1 STAFF COSTS

DKK million	2014	2013
Wages and salaries	269	223
Pensions	11	9
Share-based payments	38	34
Social security costs	2	4
Other staff costs	32	17
Total staff costs	**352**	**287**
Staff costs have been recognised in the income statement as follows:		
Sales, distribution and marketing expenses	112	105
Administrative expenses	240	182
Total staff costs	**352**	**287**
Average number of employees during the year	250	268

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 AND EMPLOYEE SHARES

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 71 million (2013: DKK 64 million), DKK 33 million relates to subsidiaries (2013: DKK 29 million).

NOTES FOR THE PARENT COMPANY

2.3 TAXATION

Income tax expense

DKK million	2014	2013
Current income tax charge	561	316
Adjustment concerning previous years	-9	157
Impact of change in the Danish tax rate	-	-66
Change in deferred tax	-16	-11
Total income tax expense	**536**	**396**
Tax reconciliation:		
Profit before tax	3,576	2,489
Corporate tax rate in Denmark: 24.5% (2013: 25%)	876	622
Tax effect of:		
Impact of change in the Danish tax rate	-	-66
Non-taxable income and non-deductible expenses	-331	-317
Adjustment concerning previous years	-9	157
Total income tax expense	**536**	**396**

Deferred tax

DKK million	2014	2013
Deferred tax at 1 January	469	551
Change in deferred tax - recognised in income statement	-16	-11
Change in deferred tax - recognised in statement of comprehensive income	-5	-5
Change in deferred tax - recognised in statement of changes in equity	-87	-
Impact of change in the Danish tax rate	-	-66
Deferred tax at 31 December	**361**	**469**
Deferred tax liabilities	361	469
Deferred tax, net	**361**	**469**
Specification of deferred tax		
Intangible assets	526	528
Property, plant and equipment	-15	-9
Other assets and liabilities	-150	-50
Deferred tax, net	**361**	**469**

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 2014	2,215
Additions	119
Additions relating to share-based payments	33
Cost at 31 December 2014	**2,367**
Cost at 1 January 2013	2,070
Additions	116
Additions relating to share-based payments	29
Cost at 31 December 2013	**2,215**

Subsidiaries	**Registered office**
PANDORA do Brasil Participações Ltda.	Brazil
PANDORA Jewelry Ltd.	Canada
PANDORA Ventures Canada Ltd.	Canada
Pilisar ApS	Denmark
PANDORA Int. ApS	Denmark
PANDORA Eastern Europe A/S	Denmark
PANDORA Jewelry Central Western Europe 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
World Max International Trading 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	UK
PANDORA Jewelry Inc.	USA

See notes 5.1 and 5.6 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 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 and impairment losses 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**
Cost at 1 January 2013	423	1,040	453	1,084	116	3,116
Additions	-	-	-	-	31	31
Cost at 31 December 2013	**423**	**1,040**	**453**	**1,084**	**147**	**3,147**
Amortisation and impairment losses at 1 January 2013	-	-	146	36	39	221
Amortisation and impairment losses for the year	-	-	31	-	36	67
Amortisation and impairment losses at 31 December 2013	**-**	**-**	**177**	**36**	**75**	**288**
Carrying amount at 31 December 2013	**423**	**1,040**	**276**	**1,048**	**72**	**2,859**

No intangible assets were impaired in 2014 or 2013. See note 3.1, intangible assets, to the consolidated financial statements for a description of impairment testing.

DKK million	2014	2013
Amortisation, depreciation and impairment losses for the year		
Intangible assets	61	67
Property, plant and equipment	12	19
Total	**73**	**86**
Amortisation, depreciation and impairment losses for the year have been recognised in the income statement:		
Sales, distribution and marketing expenses	31	44
Administrative expenses	42	42
Total	**73**	**86**

NOTES FOR THE PARENT COMPANY

3.3 PROPERTY, PLANT AND EQUIPMENT

DKK million	Plant and equipment	Assets under construction	Total
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**
Cost at 1 January 2013	54	-	54
Additions	6	1	7
Disposals	-2	-	-2
Cost at 31 December 2013	**58**	**1**	**59**
Depreciation and impairment losses at 1 January 2013	21	-	21
Depreciation for the year	19	-	19
Disposals	-2	-	-2
Depreciation and impairment losses at 31 December 2013	**38**	**-**	**38**
Carrying amount at 31 December 2013	**20**	**1**	**21**

3.4 INVENTORIES

DKK million	2014	2013
Finished goods	810	745
Total inventories at 31 December	**810**	**745**
Inventory write-downs at 1 January	198	113
Write-downs during the year	233	269
Utilised in the year	-308	-172
Reversal of write-downs in the year	-20	-12
Inventory write-downs at 31 December	**103**	**198**

Write-downs of inventories are recognised in Cost of sales DKK 193 million (2013: DKK 257 million) and Distribution expenses DKK 20 million (2013: DKK 0 million).

NOTES FOR THE PARENT COMPANY

3.5 TRADE RECEIVABLES

DKK million	2014	2013
Analysis of trade receivables that were past due at 31 December		
Up to 30 days	-	2
Between 30 and 60 days	1	1
Over 90 days	-	-
Total past due	**1**	**3**
Not past due	7	7
Total trade receivables at 31 December	**8**	**10**
Analysis of movements in bad debt provisions		
Provisions at 1 January	1	1
Additions	3	-
Provisions at 31 December	**4**	**1**

Trade receivables at 31 December 2014 include receivables of nom. DKK 12 million (2013: DKK 11 million) that have been written down to DKK 8 million (2013: DKK 10 million). Historically, PANDORA A/S has not suffered any significant bad debt losses.

3.6 PROVISIONS

DKK million	Earn-out, acquisition of non-controlling interests	Sales return provisions	Other provisions	Total
Provisions at 1 January 2014	-	126	-	126
Provisions made in 2014	-	139	15	154
Utilised in the year	-	-110	-	-110
Unused amounts reversed	-	-14	-	-14
Provisions at 31 December 2014	**-**	**141**	**15**	**156**
Provisions are recognised in the balance sheet:				
Current	-	141	-	141
Non-current	-	-	15	15
Total provisions at 31 December 2014	**-**	**141**	**15**	**156**
Provisions at 1 January 2013	-	153	10	163
Provisions made in 2013	-	126	-	126
Utilised in the year	-	-153	-	-153
Unused amounts reversed	-	-	-10	-10
Provisions at 31 December 2013	**-**	**126**	**-**	**126**
Provisions are recognised in the balance sheet:				
Current	-	126	-	126
Total provisions at 31 December 2013	**-**	**126**	**-**	**126**

Earn-out, acquisition of non-controlling interests
The earn-out payment provision relates to the acquisition of the non-controlling interests in PANDORA Jewelry Central Western Europe A/S.

Sales return provisions
Provisions regarding returns of products from customers are based on historical return percentages. Where the return prices are reduced over time, this has been taken into account in the calculation of the provisions.

From time to time, the Parent Company takes back inventory from subsidiaries, primarily related to discontinued items and excess inventory. Inventory is taken back at original sales prices invoiced to the subsidiaries. The provision represents expected losses in the Parent Company related to expected returns from subsidiaries of discontinued products included in inventories at subsidiaries at year end. This does not impact PANDORA's consolidated financial statements.

Other provisions
Other provisions include a provision for onerous contracts due to the future relocation of PANDORA's office in Denmark, which may lead to a period of rent payments for an empty location.

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 FINANCIALS

Finance income

DKK million	2014	2013
Finance income from loans and receivables measured at amortised cost:		
Interest income from subsidiaries	49	41
Foreign exchange gains	9	425
Total finance income	**58**	**466**

Finance costs

DKK million	2014	2013
Finance costs from financial assets and liabilities at fair value through the income statement:		
Fair value adjustments, financial instruments	50	-
Total finance costs from financial instruments	**50**	**-**
Finance costs from financial liabilities measured at amortised cost:		
Foreign exchange losses	83	303
Interest on loans and borrowings	7	1
Other finance costs	63	21
Total finance costs from loans and borrowings	**153**	**325**
Total finance costs	**203**	**325**

5.1 CONTINGENT LIABILITIES

Contingent liabilities

PANDORA A/S is a party to a number of minor legal proceedings, which are not expected to affect future earnings.

PANDORA A/S has issued letters of support and letters of guarantee in favour of creditors of certain subsidiaries.

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.

On behalf of PANDORA A/S, a bank guarantee of EUR 37 million has been provided.

Contractual obligations

PANDORA A/S is a party to a number of long-term purchase, sales and supply contracts entered into in the course of the Company's ordinary business. In addition to the lease commitments disclosed below, contractual obligations amount to DKK 206 million (2013: DKK 72 million). Apart from the liabilities already 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.

NOTES FOR THE PARENT COMPANY

5.1 CONTINGENT LIABILITIES, CONTINUED

Future minimum lease payments relating to existing contracts

DKK million	2014	2013
Within 1 year	17	51
Between 1 and 5 years	70	42
After 5 years	119	9
Total	**206**	**102**

5.2 RELATED PARTIES

Besides the related parties referred to 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 5.6 to the consolidated financial statements.

The table below shows all transactions entered into with related parties.

	Subsidiaries	
DKK million	2014	2013
Income statement:		
Sales to related parties	7,861	5,669
Purchases from related parties	-5,563	-4,460
Dividend	2,096	1,269
Finance income	48	41
Finance costs	-4	-
Total	**4,438**	**2,519**
Balance sheet:		
Receivables	2,710	2,044
Payables	-3,321	-2,506
Total	**-611**	**-462**

5.3 FEES TO STATUTORY AUDITOR

DKK million	2014	2013
Fee for statutory audit	1	1
Tax consultancy	2	3
Other services	2	3
Total fees to statutory auditor	**5**	**7**

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 2014.

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 2014 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 2014.

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 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, 17 February 2015

Executive Board

Allan Leighton
Chief Executive Officer

Peter Vekslund
Chief Financial Officer

Board of Directors

Peder Tuborgh
Chairman

Christian Frigast
Deputy Chairman

Andrea Alvey

Torben Ballegaard Sørensen

Per Bank

Anders Boyer-Søgaard

Bjørn Gulden

Michael Hauge Sørensen

Nikolaj Vejlsgaard

Ronica Wang

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of PANDORA A/S

INDEPENDENT AUDITORS' 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 2014, 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 that 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.

AUDITORS' 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 auditors' 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 auditors consider 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 2014 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 2014 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, 17 February 2015

Ernst & Young
Godkendt Revisionspartnerselskab

Niels-Jørgen Andersen
State Authorised Public Accountant

Henrik Kronborg Iversen
State Authorised Public Accountant

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