

Pandora Int. ApS

Havneholmen 17-19, DK-1561 Copenhagen V.

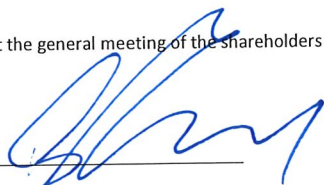
CVR no. 21 41 02 76

Annual report 2018

20th financial year

Approved at the general meeting of the shareholders on 31/5 -2019

Chairman:



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Management's Statement

The Executive Board has today discussed and approved the annual report of Pandora Int. ApS for the financial year 1 January – 31 December 2018

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2019

Executive board

DocuSigned by:

Anders Boyer

Anders Boyer Sogaard

DocuSigned by:

David Allen

David Lloyd Allen

Independent auditor's report

To the shareholder of Pandora Int. ApS

Opinion

We have audited the financial statements of Pandora Int. ApS for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28


Henrik Kronborg Iversen
State Authorised
Public Accountant
mne24687


Trine Sarka
State Authorised
Public Accountant
mne44116

Management review

Company details

Name	Pandora Int. ApS
Adress, postal code, city	Havneholmen 17-19, DK-1561 Copenhagen V.
Website	www.pandora.net
CVR no.	21 41 02 76
Financial year	1 January - 31 December
Registrered office	Copenhagen municipality, Denmark
Parent company	Pandora A/S Interest: 100% CVR no.: 28 50 51 16
Executive Board	Anders Boyer-Søgaard David Lloyd Allen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4, P.O. Box 250, DK-2000 Frederiksberg CVR no.: 30 70 02 28

Management review - continued

Financial highlights

	2018	2017	2016	2015	2014
Key figures (DKK '000)					
Revenue	345,832	627,373	881,390	939,853	725,585
Gross profit	101,833	102,229	114,989	88,869	66,732
Earnings before interest and tax (EBIT)	6,917	12,548	17,628	18,797	13,088
Net financials	-393	-919	-2,880	6,173	862
Net income for the year	4,524	11,629	14,744	33,519	14,209
Equity	8,947	14,423	72,795	58,050	24,531
Balance sheet total	91,551	165,006	449,431	421,882	289,138
Investment in property, plant and equipment	1,873	319	6,411	10,800	13,691
Financial ratios					
Gross margin	29.4%	16.3%	13.0%	9.5%	9.2%
EBIT-margin	2.0%	2.0%	2.0%	2.0%	1.8%

The financial ratios have been calculated as follows:

$$\text{Gross margin} = \frac{\text{Gross profit} \times 100}{\text{revenue}}$$

$$\text{EBIT margin} = \frac{\text{EBIT} \times 100}{\text{Revenue}}$$

Management review - continued

Management review

Business review

The Company's main activity is to sell jewelries through own and operated concept stores in Denmark and distribution of jewelries to markets in EMEA.

Uncertainty in recognizing and measuring

There is no significant uncertainty in recognition and measurement.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Development in the year

In 2018 the Company's revenue was DKK 346 mio. (2017: DKK 627 mio.) and the gross profit was DKK 102 mio. (2017: DKK 102 mio.). Furthermore the income statement of the Company for 2018 shows a net profit of DKK 5 mio. (2017: DKK 12 mio.).

The development in the Company was in line with expectations set in 2017. Revenue declined in 2018 compared to last year as a result of Pandora Group acquired the distributors in Spain, Belgium and South Africa during 2017.

Outlook

The outlook for Pandora Int. ApS is that revenue and net profit is flat compared to 2018

Particular risks

The Company's revenue are highly vulnerable to the general economic developments in Europe and in the other markets where it operates.

Statement of Corporate Social Responsibility

For the statutory report on corporate responsibility, please refer to the group sustainability report , including human rights, environmental issues, climate issues, social and employee conditions and anticorruption, which is available at the following link:

https://pandoragroup.com/-/media/Files/Corporate/PDF/CSR/Sustainability_Report_2018.ashx?la=en&hash=62A34BED3319DB1C5127D22EF1019D0EBEE87034

Statement on gender composition

The Company is subject to Pandora A/S's annual discussions on diversity in the Pandora Group management levels and the determination of specific targets.

Management review - continued

Executive Board

The Company's Executive Board consists of two men elected by the general meeting. The Executive Board does not comply with the rules for gender diversity. The Company's long-term goal for gender diversity in the Executive Board is that one member of the Executive Board should be a woman before 2022. The goal was not reached during 2018 as there were no suitable candidates for the underrepresented gender. The Company still intends to reach the target within the stipulated timeframe.

Other management

Gender diversity in other management is 78% women and 22% men (including store managers). As a result of this, the Company has set a goal that 30-35% shall be of the underrepresented gender in other management by end of 2022. PANDORA has implemented a diversity policy which, among other, is used when working to increase the underrepresented gender. The policy include that employment and promotions at PANDORA must always be based on merit, balance in job advertisements and other general employer branding material (tone of voice between "male" and "female") etc. The proportion of underrepresented gender has not improved compared with 2017. In order to increase the underrepresented gender in other managerial positions, PANDORA has in 2018 sought to have both genders represented in the final stages of recruitment, including for new store manager. On store level however, the nature of PANDORA's products and primary target group attracts a very high proportion of female applicants (+90%). Being mindful of this fact, an equal distribution on the gender parameter is not considered realistic, albeit desirable nonetheless. PANDORA do encourage and welcome male store staff applicants, provided they have the required qualifications. In 2019 it is expected that the Company will develop an action plan that supports the goal.

Accounting policies

The Annual Report of Pandora Int. ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

According to section 112 (1) of Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Pandora Int. ApS and its subsidiaries are included in the consolidated financial statements of Pandora A/S.

According to section 96 (3) of the Danish Financial Statements Act the Company has not disclosed information about audit fees. Audit fees in Pandora Int. ApS and its subsidiaries are included in the consolidated financial statements of Pandora A/S.

According to section 86 (4) of the Danish Financial Statements Act no cash flow statement have been prepared. The cashflow statement for Pandora Int. ApS and its subsidiaries are included in the consolidated financial statements of Pandora A/S.

The accounting policies applied remain unchanged from last year.

Recognition and measurement

Assets are recognised in the balance sheet when it probable that future economics benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition assets and liabilities are measured at cost. Measurement of assets and liabilities after initial recognition is effected as described below for each item.

In recognition and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement when earned. Furthermore, costs incurred to archive earnings for the year are recognised in the income statement including depreciation, amortization, impairment losses and provisions as well as reversal of entries as a result of changed accounting estimates, which were formerly recognised in the income statement.

Accounting policies - continued

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the goods consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Accounting policies - continued

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax for the year, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly on equity by the portion attributable to entries directly on equity.

Current tax are computed on the basis of the pretax profit/loss for the year adjusted for non-taxable income expenditure. Taxed paid on account are offset against taxed payable at year end.

The Company is jointly taxed with the parent company and its Danish subsidiaries. Danish corporation taxes on are fully allocated among the jointly taxed companies on the basis of the companies' taxable income (full allocation with reimbursement of tax losses)

Balance sheet

Intangible assets

Intangible assets consist of key money and software. Intangible assets are measured at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment consist of other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which is 5 years.

Investments

Investments in subsidiaries are measured at cost. Where the cost exceeds the net realizable value a write-down is made to such lower value.

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flow from the disposal of the asset or the group of assets after the end of the useful life.

Accounting policies - continued

Inventories

Inventories are measured at the lower of cost using FIFO method and net realisable value.

The cost of goods sold for resale equals landed cost as well as other costs directly attribute to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Equity – dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions comprise primary return provisions and restoration costs for relocation of leases.

Corporation tax and deferred tax

The current tax payable and receivable is recognized in the balance sheet as tax calculated on this year's taxable income, adjusted for prior years' taxable income and prepaid taxes.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to be applied as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Other payables

Other payables are measured at net realisation value.

Income statement 1 January – 31 December

	<u>Notes</u>	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Revenue	1	345,832	627,373
Cost of sales		-183,112	-447,492
Other external expenses		-60,887	-77,652
Gross profit		<u>101,833</u>	<u>102,229</u>
Staff costs	2	-88,574	-83,447
Amortisation and depreciation	3	-6,342	-6,234
Earnings before interest and taxes (EBIT)		<u>6,917</u>	<u>12,548</u>
Financial income	4	224	1,083
Financial expenses	5	-617	-2,002
Profit before tax		6,524	11,629
Income tax expense	6	-2,000	0
Net profit for the year		<u>4,524</u>	<u>11,629</u>

Balance sheet at 31 December

Assets

	<u>Notes</u>	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Other intangible assets		5,669	6,668
Intangible assets	7	<u>5,669</u>	<u>6,668</u>
Other fixtures, fittings, tools and equipment		6,184	9,654
Property, plant and equipment	8	<u>6,184</u>	<u>9,654</u>
Investments in subsidiaries	9	122	122
Deposits		2,504	2,585
Deferred tax assets	10	8,000	10,000
Investments		<u>10,626</u>	<u>12,707</u>
Total non-current assets		<u>22,479</u>	<u>29,029</u>
Inventories		<u>11,596</u>	<u>20,088</u>
Trade receivables		32,318	38,826
Receivables from group entities		244	45,885
Other receivables		5,635	27,898
Prepayments		970	2,227
Receivables		<u>39,167</u>	<u>114,836</u>
Cash		<u>18,309</u>	<u>1,053</u>
Total current assets		<u>69,072</u>	<u>135,977</u>
Total assets		<u>91,551</u>	<u>165,006</u>

Balance sheet at 31 December

Equity and liabilities

	<u>Notes</u>	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Contributed capital		2,364	2,364
Retained earnings		1,583	2,059
Proposed dividend		5,000	10,000
Total Equity		<u>8,947</u>	<u>14,423</u>
Provisions	11	<u>1,650</u>	<u>1,650</u>
Provisions		<u>1,650</u>	<u>1,650</u>
Provisions	11	2,846	3,885
Trade payables		12,170	17,579
Payables to group entities		57,874	115,695
Other payables		8,064	11,774
Total short-term liabilities		<u>80,954</u>	<u>148,933</u>
Total liabilities		<u>82,604</u>	<u>150,583</u>
Total equity and liabilities		<u>91,551</u>	<u>165,006</u>
Collaterals	12		
Contingent assets	13		
Contingent liabilities and other financial obligations	14		
Related parties	15		

Statement of changes in equity

	<u>Notes</u>	<u>Contribut- ted capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
		DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2018		2,364	2,059	10,000	14,423
Dividend paid		0	0	-10,000	-10,000
Appropriation of profit/loss	16	<u>0</u>	<u>-476</u>	<u>5,000</u>	<u>4,524</u>
Equity at 31 December 2018		<u>2,364</u>	<u>1,583</u>	<u>5,000</u>	<u>8,947</u>

The share capital consists of 2,364,000 shares of a nominal value of DKK 1. The Company's share capital has remained unchanged the past 5 years.

Notes

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
1 Segment information		
Pandora-owned concept stores	58,443	65,949
Wholesale	54,242	88,813
Third party distribution	233,147	472,611
	<u>345,832</u>	<u>627,373</u>
Revenue is only generated in EMEA.		
2 Staff costs		
Wages and salaries	78,173	73,776
Pensions	5,317	4,827
Other staff costs	4,172	4,061
Social security costs	912	783
	<u>88,574</u>	<u>83,447</u>
No remuneration has been paid to the Executive Board.		
Average number of full-time employees during the year	<u>135</u>	<u>132</u>
3 Depreciation		
Intangible assets	999	1,085
Property, plant and equipment	5,343	5,149
	<u>6,342</u>	<u>6,234</u>
4 Financial income		
Interest income from group entities	0	1,033
Exchange rate adjustments	96	0
Other financial income	128	50
	<u>224</u>	<u>1,083</u>
5 Financial expenses		
Interest expenses to group entities	87	832
Exchange rate adjustments	0	839
Other financial expenses	530	331
	<u>617</u>	<u>2,002</u>

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
6 Tax on profit/loss for the year		
Change in deferred tax	2,000	2,782
Recognition of not previously recognized tax asset	0	-2,782
	<u>2,000</u>	<u>0</u>

7 Intangible assets

(DKK '000)	<u>Other intangi- ble assets</u>
Cost	
Cost at 1 January 2018	8,534
Cost at 31 December 2018	<u>8,534</u>
Amortisation	
Amortisation at 1 January 2018	-1.866
Amortisation for the year	-999
Amortisation at 31 December 2018	<u>-2.865</u>
Carrying amount at 31 December 2018	<u>5,669</u>

8 Property, plant and equipment

(DKK '000)	<u>Other fix- tures, fittings, tools and equip- ment</u>
Cost	
Cost at 1 January 2018	23,122
Additions	1,873
Cost at 31 December 2018	<u>24,995</u>
Depreciation	
Depreciation at 1 January 2018	-13,468
Depreciation for the year	-5,343
Depreciation at 31 December 2018	<u>-18,811</u>
Carrying amount at 31 December 2018	<u>6,184</u>

9 Investments in subsidiaries

(DKK '000)	<u>Investments in subsidiaries</u>
Cost	
Cost at 1 January 2018	<u>122</u>
Cost at 31 December 2018	<u>122</u>
Accumulated net revaluation at 1 January 2018	<u>0</u>
Accumulated net revaluation at 31 December 2018	<u>0</u>
Carrying amount at 31 December 2018	<u><u>122</u></u>

According to the latest annual report net result for the year and equity are as follows:

Subsidiaries	<u>Domicile</u>	<u>Interest</u>	<u>Currency</u>	<u>Equity</u>	<u>Net result</u>
Pandora Norge AS	Norway	100 %	NOK	766,550	328,836

The annual report of Pandora Norge AS regarding 2018 is not yet released. Instead the net result and equity from the approved annual report of 2017 is disclosed.

10 Deferred tax assets

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Deferred tax assets at 1 January 2018	10,000	10,000
Recognition of not previously recognized tax asset	0	2,782
Change in deferred tax	<u>-2,000</u>	<u>-2,782</u>
Deferred tax assets at 31 December 2018	<u>8,000</u>	<u>10,000</u>
Specification of deferred tax:		
Tax loss carryforwards	32,356	34,734
Not recognized tax loss carryforwards	-28,223	-27,701
Provisions	704	932
Other	-853	-1,170
Intangible assets and property, plant and equipment	<u>4,016</u>	<u>3,205</u>
	<u>8,000</u>	<u>10,000</u>

	<u>2018</u>	<u>2017</u>
	DKK '000	DKK '000
11 Provisions		
Provisions at 1 January 2018	5,535	18,844
Additions in the year	12,628	12,346
Unused provisions reversed	-5,772	-1,250
Utilised in the year	-7,895	-24,405
Provisions at 31 December 2018	<u>4,496</u>	<u>5,535</u>
Provisions are recognised in the balance sheet:		
Non-current	1,650	1,650
Current	2,846	3,885
Provisions at 31 December 2018	<u>4,496</u>	<u>5,535</u>

12 Collaterals

The Company has provided guarantees as per 31 December 2018 of DKK 3.3 mio. regarding rent. Beyond this the Company has not any security or other collateral in assets at 31 December 2018.

13 Contingent assets

The Company has as per 31 December 2018 deferred tax assets not recognised of DKK 28 mio. (2017: DKK 28 mio.) which relate to tax loss carryforwards that are not expected to be utilized in the foreseeable future. The Company has recognised a deferred tax asset of DKK 8 mio.

14 Contingent liabilities and other financial obligations

Contingent liabilities

The Company is jointly taxed with Pandora A/S and other Danish group entities. The Company is jointly and severally with other liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends in the group of jointly taxed entities. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Operating leases

The rent and lease liabilities include a rent obligation totaling DKK 59 mio. (2017: DKK 26 mio.) in interminable rent agreements with remaining contract terms of 1-10 years. Furthermore the Company has liabilities under operating leases for cars totaling DKK 1 mio. (2017: DKK 2 mio.) with remaining contract terms of 1-4 years.

15 Related parties

Shareholders

Pandora A/S, Havneholmen 17-19, DK-1561 Copenhagen V, owns 100% of the shares in Pandora Int. ApS and holds the majority of the share capital in the Company.

Pandora Int. ApS is included in the Group Annual Report of Pandora A/S. The Group Annual Report of PANDORA A/S can be obtained in the following link:

<https://investor.pandoragroup.com/static-files/806f8a35-915f-4452-a147-94be22ddd4a8>

Other related parties

Other related parties with significant influence on Pandora include the Executive Board and their close family members.

Transactions with related parties

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Cost of sales	-183,112	-447,492
Other external expenses	-23,012	-26,453
Interest income from group entities	0	1,033
Interest expenses to group entities	-87	-832
Receivables from group entities	244	45,885
Payables to group entities	-57,874	-115,695
Paid dividends	-10,000	-70,000
16 Appropriation of profit/loss		
Retained earnings	-476	1,629
Proposed dividend	5,000	10,000
	<u>4,524</u>	<u>11,629</u>