

Pandora Jewelry Taiwan A/S

Havneholmen 17-19, 1561 Copenhagen V.

CVR no. 39 58 40 85

Annual report

for the period 18 May – 31 December 2018
(8 months)

1st financial year

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

Chairman:



Contents

	<u>Page</u>
Statement by the Executive Board	1
Independent auditors' report	2
Management review	4
Accounting policies	6
Income statement 18 May – 31 December	8
Balance sheet at 31 December	9
Statement of changes in equity	11
Notes	12

Management's Statement

The Executive Board has today discussed and approved the annual report of Pandora Jewelry Taiwan A/S for the financial year 18 May – 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 18 May – 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

Kenneth Madsen

Board of directors

Peter Ring
Chairman

Tracy Chen

Kenneth Madsen

Independent auditors' report

To the shareholder of Pandora Jewelry Taiwan A/S

Opinion

We have audited the financial statements of Pandora Jewelry Taiwan A/S for the financial year 18 May – 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 18 May – 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 skepticism throughout the audit. We also:

- 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.

Independent auditors' report

- 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-no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised
Public Accountant
mne24687

Kristian Bjerge
State Authorised
Public Accountant
mne40740

Management review

Company details

Name	Pandora Jewelry Taiwan A/S
Address, postal code, city	Havneholmen 17-19, DK-1561 Copenhagen V.
Website	www.pandora.net
CVR no.	39 58 40 85
Financial year	18 May - 31 December
Registered office	Copenhagen municipality, Denmark
Parent company	Pandora A/S Interest: 100% CVR no.: 28 50 51 16
Board of Directors	Peter Ring (Chairman) Tracy Chen Kenneth Madsen
Executive Board	Kenneth Madsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg CVR no.: 30 70 02 28

Management review

Business review

The Company's main activity is to operate the PANDORA sales activity in Taiwan. The PANDORA sales activity was acquired in an asset deal 1 January 2019.

Development in the year

In 2018, the Company did not have any activity in 2018 except capital injection into Pandora Jewelry Taiwan A/S. No sales activity was performed in 2018.

Subsequent events

On 1 January 2019, Pandora Jewelry Taiwan A/S acquired the distribution in Taiwan in an asset deal from the previous distributor, Carrera Corporation, as the distribution agreement ended. The acquisition comprised inventories and non-current assets relating to five concept stores and 13 shop-in-shops. The purchase price was DKK 94 million of which DKK 89 million was paid in cash. DKK 5 million, was deferred 6 months. Goodwill from the acquisition based on the preliminary purchase price allocation is DKK 51 million. All goodwill is expected to be deductible for income tax purposes. Goodwill mainly consists of know-how, future growth expectations and the effect of converting the acquired business from distribution to Pandora owned retail.

The acquisition was financed by a loan in TWD from the parent company, Pandora A/S.

Accounting policies

The Annual Report of Pandora Jewelry Taiwan A/S for the period 18 May – 31 December 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B.

As this is the first annual report, no comparative figures is presented.

Recognition and measurement

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

Liabilities are recognised in the balance sheet 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.

Functional and presentation currency

The financial statements are presented in Taiwan Dollars (TWD) which is the functional currency of the company. The company's only activity is to sell Pandora Jewelry through the stores in Taiwan. The choice of functional currency is determined by the fact that all revenue and all significant costs relating to the branch as well as the financing are all denominated in TWD.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies from TWD 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

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.

Other external expenses

Gross profit consists with reference to Danish Financial Statements Act section 112 of revenue, cost of sales, other external expenses and other operating income.

Financial income and expenses

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

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 (fill allocation with reimbursement of tax losses)

Balance sheet

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 18 May – 31 December

	<u>Notes</u>	2018 <u>(8 months)</u> TWD '000
Gross profit		<u>0</u>
Profit before tax		0
Income tax expense		<u>0</u>
Net profit for the year		<u>0</u>
Proposed distribution of results		
Retained earnings		<u>0</u>
Proposed distribution of profit (loss)		<u>0</u>

Balance sheet at 31 December

Assets

	<u>Notes</u>	<u>2018</u> TWD '000
Cash		<u>4,982</u>
Total current assets		<u>4,982</u>
Total assets		<u>4,982</u>

Balance sheet at 31 December

Equity and liabilities

	<u>Notes</u>	<u>2018</u>
		TWD '000
Contributed capital		4,700
Retained earnings		0
Total Equity		<u>4,700</u>
Other payables		<u>0</u>
Loans and borrowings		<u>282</u>
Total current liabilities		<u>282</u>
Total liabilities		<u>282</u>
Total equity and liabilities		<u>4,982</u>

Collaterals	1
Contingent liabilities and other financial obligations	2
Related parties	3
Subsequent events	4

Statement of changes in equity

	<u>Notes</u>	<u>Contribut- ted capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
		TWD '000	TWD '000	TWD '000	TWD '000
Establishment at 18 May		4,700	0	0	4,700
Appropriation of profit/loss	17	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Equity at 31 December 2018		<u>4,700</u>	<u>0</u>	<u>0</u>	<u>4,700</u>

Notes

1 Collaterals

The Company has not provided any security or other collateral in assets at 31 December 2018.

2 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.

3 Related parties

Shareholders

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

Pandora Jewelry Taiwan A/S 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.

4 Subsequent events

On 1 January 2019, Pandora Jewelry Taiwan A/S acquired the distribution in Taiwan in an asset deal from the previous distributor, Carrera Corporation, as the distribution agreement ended. The acquisition comprised inventories and non-current assets relating to five concept stores and 13 shop-in-shops. The purchase price was DKK 94 million of which DKK 89 million was paid in cash. DKK 5 million, was deferred 6 months. Goodwill from the acquisition based on the preliminary purchase price allocation is DKK 51 million. All goodwill is expected to be deductible for income tax purposes. Goodwill mainly consists of know-how, future growth expectations and the effect of converting the acquired business from distribution to Pandora owned retail.

The acquisition was financed by a loan in TWD from the parent company, Pandora A/S.