

Pandora Jewelry Taiwan A/S

Havneholmen 17-19, 1561 Copenhagen V.

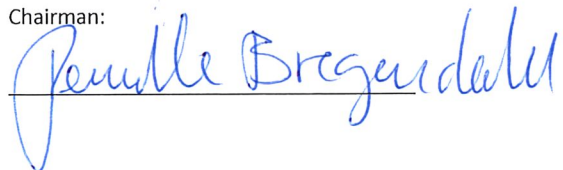
CVR no. 39 58 40 85

Annual report 2019

2nd financial year

Approved at the general meeting of the shareholders on **31** / July 2020

Chairman:

A handwritten signature in blue ink, reading "Pernille Bregendahl", written over a horizontal line.

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Management's Statement

The Executive Board and the Board of Directors has today discussed and approved the annual report of Pandora Jewelry Taiwan A/S for the financial year 1 January – 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.


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, ³¹July 2020

Executive Board

Kenneth Madsen


Board of Directors
Peter Ring
Chairman


Tracy Chen

Kenneth Madsen

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Copenhagen, July 2020

Executive Board



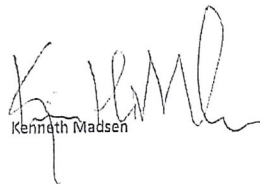
Kenneth Madsen

Board of Directors



Peter Ring
Chairman

Tracy Chen



Kenneth Madsen

Independent auditor's 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 1 January – 31 December 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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:

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 July 2020

EY GODKENDT REVISIONSPARTNERSELSKAB
CVR-nr. 30 70 02 28



Mikkel Sthyr
State Authorised
Public Accountant
mne26693



Kristian Bjerger
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	1 January - 31 December
Date of establishment	18 May 2018
Registered office	Copenhagen municipality, Denmark
Board of Directors	Peter Ring (Chairman) Tracy Chen Kenneth Madsen
Executive Board	Kenneth Madsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250 DK-2000 Frederiksberg CVR no.: 30 70 02 28

Management review - continued

Financial highlights

	2019	2018
Key figures (TWD '000)		
Revenue	772,888	0
Gross profit	164,038	0
Earnings before interest and tax (EBIT)	13,014	0
Net financials	-802	0
Net income for the year	10,328	0
Equity	15,034	4,700
Balance sheet total	614,814	4,982
Investment in property, plant and equipment	28,309	0
Financial ratios		
Gross margin	21.2%	NA
EBIT-margin	1.7%	NA

The Company was established on 18 May 2018.

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 operate the PANDORA sales activity in Taiwan. The PANDORA sales activity was acquired in an asset deal 1 January 2019.

Uncertainty in recognizing and measuring

There is no significant uncertainty in recognition and measurement.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Development in the year

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. As such, 2019 is the first year with operation.

In 2019 the Company's revenue was TWD 773 mill. and the gross profit was TWD 164 mill. Furthermore, the income statement of the Company for 2019 shows a net profit of TWD 12 mill.

The company in general generates revenue from sales through stores. The 5 owned and operated concept stores and 12 owned and operated shop in shop stores are all located in Taiwan through a local Taiwan branch (Pandora Jewelry Taiwan A/S Taiwan Branch) The branch's registered office of the main business location is at 7F., No. 2, Sec. 3, Minsheng E. Rd., Taipei City, Taiwan.

Subsequent events and Outlook

The COVID-19 pandemic is affecting people and businesses around the globe in an unprecedented way. The Pandora Group has first and foremost prioritised a safe environment for employees and consumers. All necessary measures have been taken across markets to comply with local authorities. COVID-19 has impacted the commercial results in Taiwan indirectly as open stores in Taiwan are negatively impacted by suppressed consumer confidence and spending and less travelling. The online stores have continued to operate as normal throughout 2020.

Due to COVID-19, the Company has experienced a pressured revenue and margin, however due to the Company being a sales subsidiary with limited risk the Company is still expected to generate a profit for 2020.

Particular risks

The Company's revenue are highly vulnerable to the general economic developments in Greater China.

Management review - continued

Statement of Corporate Social Responsibility

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

<https://pandoragroup.com/sustainability/publications>

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.

Board of Directors

The Company's board of directors consists of two men and one woman elected by the general meeting. The Board of Directors is compliant with the rules for gender diversity. The Company's long-term goal for gender diversity in the Board of Directors is that one member of the Board should be a woman before 2022.

Other management

Gender diversity in other management is 100% women (including store managers).

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. In order to increase the underrepresented gender in other managerial positions, PANDORA has in 2019 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.

Accounting policies

The Annual Report of Pandora Jewelry Taiwan A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C.

According to section 96 (3) of the Danish Financial Statements Act the Company has not disclosed information about audit fees. Audit fees in Pandora Jewelry Taiwan A/S 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 Jewelry Taiwan A/S is included in the consolidated financial statements of Pandora A/S.

The accounting policies applied remain unchanged from last year.

Recognition and measurement

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

Liabilities are recognized 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 recognized in the income statement when earned. Furthermore, costs incurred to archive earnings for the year are recognized 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 recognized 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.

Accounting policies - continued

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 recognized 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 recognized in the most recent financial statements is recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of goods is recognized 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 recognized exclusive of VAT and net of discounts relating to sales.

A refund liability is recognised for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Please refer to provision section for details.

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.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Accounting policies – continued

Financial income and expenses

Financial income and expenses are recognized 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 recognized in the income statement by the portion attributable to the profit/loss for the year and recognized 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. Taxes paid on account are offset against taxes 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

Intangible assets

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets and liabilities acquired. 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 amortisation. Goodwill is amortised over its economic useful life, which is assessed at 10 years.

Other intangible assets consist of key money and software. Other intangible assets are measured at cost less accumulated amortization. Other intangible assets are amortized 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 arrive at the lower value.

Accounting policies – continued

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.

Inventories

Inventories are measured at the lower of cost using FIFO method and net realizable 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 amortized cost, which usually corresponds to the nominal value. An impairment loss is recognized 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 realizable 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 recognized 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.

The company recognizes a refund and warranty liability related to return rights provided to customers. The return provision for estimated sales returns is recognized when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. Refund liability to cover warranty claims is based on expected replacements provided for products still covered by warranty at the end of the period.

Accounting policies – continued

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 realized, 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 recognized in the income statement.

Other payables

Other payables are measured at net realization value.

Income statement 1 January – 31 December

	<u>Notes</u>	<u>2019</u> TWD '000	<u>2018</u> TWD '000
Revenue	1	772,888	0
Cost of sales		-316,016	0
Other external expenses		-293,229	0
Gross profit		163,643	0
Staff costs	2	-95,411	0
Amortization and depreciation	3	-55,218	0
Earnings before interest and taxes (EBIT)		13,014	0
Financial income	4	616	0
Financial expenses	5	-1,419	0
Profit before tax		12,212	0
Income tax expense	6	-1,884	0
Net profit for the year		10,328	0

Balance sheet at 31 December

Assets

	<u>Notes</u>	<u>2019</u> TWD '000	<u>2018</u> TWD '000
Goodwill		214,963	0
Other intangible assets		3,309	0
Intangible assets	7	218,272	0
Other fixtures, fittings, tools and equipment		19,510	0
Property, plant and equipment	8	19,510	0
Deposits		662	0
Deferred tax assets		267	0
Financial assets		929	0
Total non-current assets		238,711	0
Inventories		143,557	0
Trade receivables		185,840	0
Receivables from group entities		4,821	0
Joint taxation contribution		7,623	0
Other receivables		210	0
Prepayments		2,689	0
Receivables		201,182	0
Cash		31,365	4,982
Total current assets		376,104	4,982
Total assets		614,814	4,982

Balance sheet at 31 December

Equity and liabilities

	Notes	2019	2018
		TWD '000	TWD '000
Contributed capital		4,700	4,700
Retained earnings		10,334	0
Total Equity		15,034	4,700
Provisions – Non-current	9	7,933	0
Deferred tax liabilities	10	2,261	0
Total non-current liabilities		10,194	0
Provisions – current	9	1,335	0
Trade payables		57,893	0
Payables to group entities	15	518,921	282
Tax payable		7,513	0
Other payables		3,925	0
Total current liabilities		589,586	282
Total liabilities		599,780	282
Total equity and liabilities		614,814	4,982
Collaterals	11		
Contingent assets	12		
Related parties	13		
Subsequent events	14		
Financing and liquidity	15		

Statement of changes in equity

<u>Notes</u>	<u>Contributed capital</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	TWD '000	TWD '000	TWD '000	TWD '000
Equity at 1 January 2019	4,700	0	0	4,700
Appropriation of profit	0	0	10,328	10,328
Exchange rate adjustments	<u>0</u>	<u>7</u>	<u>0</u>	<u>7</u>
Equity at 31 December 2019	<u>4,700</u>	<u>7</u>	<u>10,328</u>	<u>15,034</u>

Notes

	<u>2019</u>	<u>2018</u>
	TWD '000	TWD '000
1 Segment information		
Pandora-owned concept stores	771,993	0
Wholesale	895	0
	<u>772,888</u>	<u>0</u>
Revenue is only generated in Taiwan.		
2 Staff costs		
Wages and salaries	77,374	0
Pensions	11,157	0
Other staff costs	6,270	0
Social security costs	609	0
	<u>95,411</u>	<u>0</u>
No remuneration has been paid to the Executive Board or Board of Directors.		
Average number of full-time employees during the year	<u>117</u>	<u>0</u>
3 Amortization and depreciation		
Goodwill	23,885	0
Other intangible assets	1,265	0
Property, plant and equipment	30,068	0
	<u>55,218</u>	<u>0</u>
4 Financial income		
Exchange rate adjustments	140	0
Other financial income	477	0
	<u>616</u>	<u>0</u>
5 Financial expenses		
Interest expenses to group entities	1,174	0
Other financial expenses	244	0
	<u>1,419</u>	<u>0</u>
6 Tax on profit/loss for the year		
Change in deferred tax	1,994	0
Current income tax charge for the year	-110	0
	<u>1,884</u>	<u>0</u>

The Company has tax payable to local Taiwan tax authorities as the branch in Taiwan has permanent establishment. The holding company in Denmark, excluding the Taiwan branch, is jointly taxed with Pandora A/S and other Danish group entities. The company is entitled to joint taxation receivable in Denmark.

7 Intangible assets

(TWD '000)	Goodwill	Other in- tangible assets	Total intan- gible assets
Cost			
Cost at 1 January 2019	0	0	0
Additions in the year	0	4,282	4,282
Additions from acquisitions	238,848	292	239,140
Cost at 31 December 2019	238,848	4,574	243,422
Amortization			
Amortization at 1 January 2019	0	0	0
Amortization for the year	-23,885	-1,265	-25,150
Amortization at 31 December 2019	-23,885	-1,265	-25,150
Carrying amount at 31 December 2019	214,963	3,309	218,272

8 Property, plant and equipment

(TWD '000)	Other fixtures, fittings, tools and equipment
Cost	
Cost at 1 January 2019	0
Additions in the year	28,309
Additions from acquisitions	21,439
Disposals	-8,124
Cost at 31 December 2019	41,624
Depreciation	
Depreciation at 1 January 2019	0
Depreciation for the year	-30,068
Disposals	7,954
Depreciation at 31 December 2019	-22,114
Carrying amount at 31 December 2019	19,510

	<u>2019</u>	<u>2018</u>
	TWD '000	TWD '000
9 Provisions		
Provisions at 1 January	0	0
Additions in the year	10,029	0
Additions from acquisitions	3,104	0
Unused provisions reversed	-1,847	0
Utilized in the year	<u>-2,018</u>	<u>0</u>
Provisions at 31 December	<u>9,268</u>	<u>0</u>
Provisions are recognized in the balance sheet:		
Non-current	7,933	0
Current	<u>1,335</u>	<u>0</u>
Provisions at 31 December	<u>9,268</u>	<u>0</u>

10 Deferred tax liabilities

	<u>2019</u>	<u>2018</u>
	TWD '000	TWD '000
Deferred tax liability at 1 January	0	0
Change in deferred tax	<u>2,261</u>	<u>0</u>
Deferred tax liability at 31 December	<u>2,261</u>	<u>0</u>
Specification of deferred tax:		
Intangible assets and property, plant and equipment	<u>2,261</u>	<u>0</u>
Deferred tax liability at 31 December	<u>2,261</u>	<u>0</u>

11 Collaterals

The Company has provided bank guarantees as per 31 December 2019 of TWD 1.1 mill regarding rent. Beyond this the Company has not any security or other collateral in assets at 31 December 2019.

12 Contingent liabilities and other financial obligations

Contingent liabilities

The Company is set up as a Danish holding company, which is taxable in Denmark and the Taiwan located branch 100% owned by the holding company, which is only taxable in Taiwan via permanent establishment setup. The holding company excluding Taiwan branch 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 TWD 21 mill (2018: TWD 0 mill) in interminable rent agreements with remaining contract terms of 1-5 years.

13 Related parties

Shareholders

Pandora A/S, Havneholmen 17-19, DK-1561 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://pandoragroup.com/staticcontent?url=http://investor.pandoragroup.com/static-files/84d758a8-9d17-4e4b-bfa6-59e4dd29ec51&format=pdf&title=Annual Report 2019>

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>2019</u>	<u>2018</u>
	TWD '000	TWD '000
Cost of sales	-316,016	0
Other external expenses	-5,678	0
Interest expenses to group entities	-1,174	0
Receivables from group entities	4,821	0
Payables to group entities	-518,921	-282

14 Subsequent events

The COVID-19 pandemic is affecting people and businesses around the globe in an unprecedented way. Pandora has first and foremost prioritised a safe environment for employees and consumers. All necessary measures have been taken across markets to comply with local authorities. COVID-19 has impacted the commercial results in Taiwan indirectly as open stores in Taiwan are negatively impacted by suppressed consumer confidence and spending and less travelling. The online stores have continued to operate as normal throughout 2020.

Due to COVID-19, the Company has experienced a pressured revenue and margin, however due to the Company being a sales subsidiary with limited risk the Company is still expected to generate a profit for 2020.

15 Financing and liquidity

As at 31 December 2019 the Company had a positive equity equal to TWD 15 million. Current assets amount to TWD 376 million with corresponding current liabilities of TWD 590 million. At 31 December 2019, debt towards group entities, mainly the parent company, amounts to TWD 519 million. The debt towards group entities relates to the acquisition of distribution in Taiwan for which the purchase price was TWD 440 million.

As part of the financing, a loan agreement has been entered between the Company and its parent company, Pandora A/S, in which the Company has secured a credit facility of TWD 700 million. All outstanding amounts under the credit facility is payable on the last day of the term. The last day of the credit facility is 31 December 2020 and the credit facility is automatically extended with consecutive 1 year. The credit facility may be terminated with 30-day written notice before the last day of the term. The Board of Directors and the Executive Board expects the credit facility to be automatically extended until besides 2020 in accordance with the practice of the Pandora Group.

Based on the abovementioned credit facility, the Board of Directors and the Executive Board consider it reasonable and well-founded to base the financial reporting on going concern assumption.