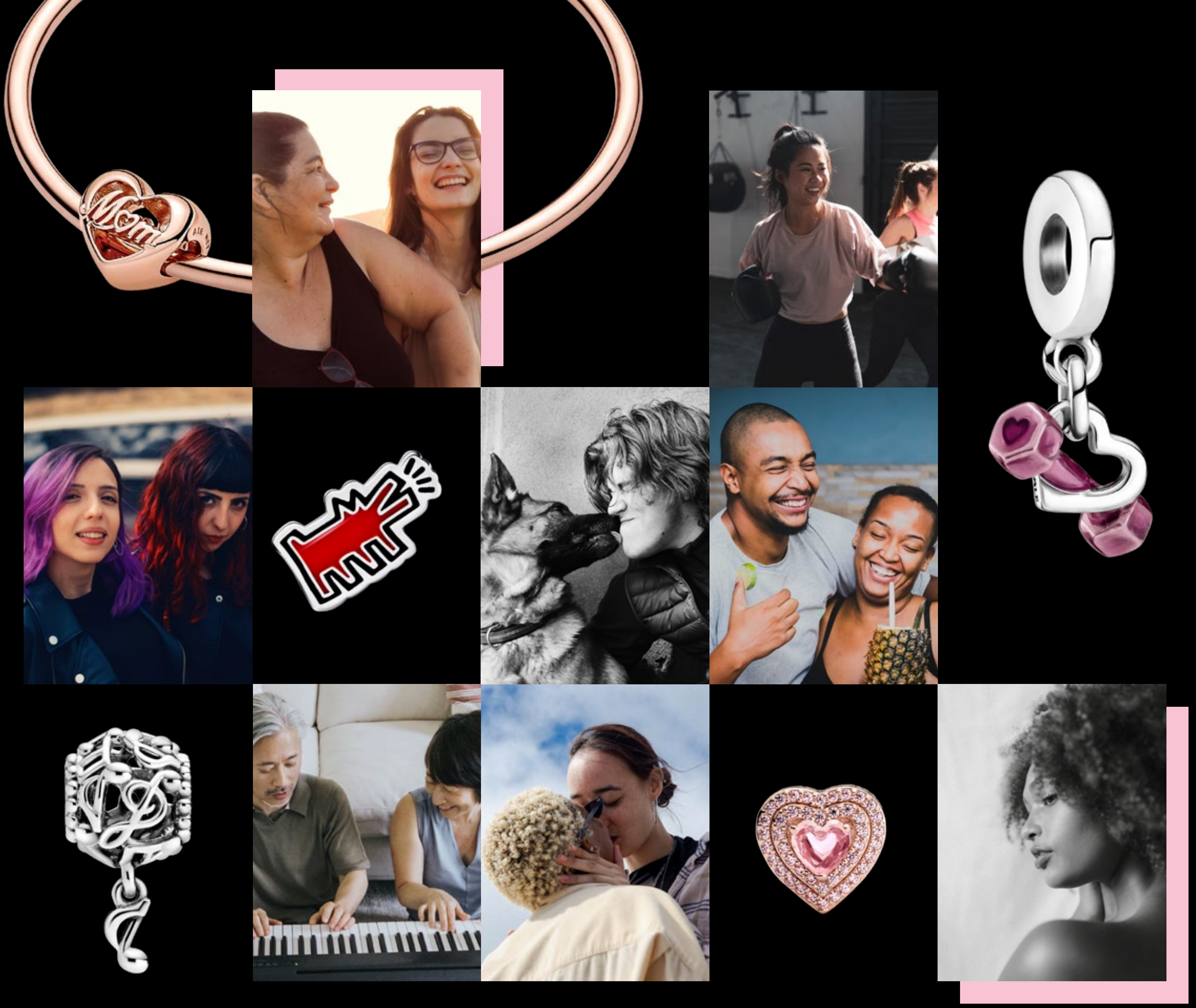
ANNUAL REPORT 2022

WE GIVE A VOICE TO PEOPLE'S LOVES

Pandora A/S · Havneholmen 17-19 · 1561 Copenhagen V · Denmark · CVR no. 28505116



OUR PURPOSE

WE GIVE A VOICE TO PEOPLE'S LOVES

Pandora is the world's largest jewellery brand. Known by more people and crafting more jewellery than any other brand in our industry, we provide affordable luxury to consumers in more than 100 countries.

Made from high-quality materials and with endless possibilities for personalisation, millions of people around the world cherish and collect Pandora jewellery to express who they are and what matters to them.

CONTENTS

Annual Report
Our Annual Report is our detailed annual disclosure relating to company performance, strategy, corporate governance and financial results. The report is available at pandoragroup.com/investor/news-and-reports/annual-reports and at cvr.dk following approval at the Annual General Meeting.

Sustainability Report
Our Sustainability Report provides detailed information on sustainability and our responsible business behaviour. The Sustainability Report serves as our supplementary document to the United Nations Global Compact Communication on Progress, which will be submitted later in 2023 using the new CoP digital platform, and as such is our disclosure in accordance with sections 99(a), 99(b) and 107(d) of the Danish Financial Statements Act. The report is available at pandoragroup.com/sustainability/resources/sustainability-reports.

Remuneration Report
Our Remuneration Report includes full disclosure of Board and Executive Management remuneration. The report is available at pandoragroup.com/investor/corporate-governance/remuneration-reports.

THE BIG PICTURE

Finishing touches

Annika and Yeliz from our Visual Merchandising team putting effort into the store display ahead of a collection launch.

AT A GLANCE

THE WORLD'S LARGEST JEWELLERY BRAND

103
million pieces of jewellery sold, corresponding to three pieces every second

61%
recycled silver and gold purchased in 2022

26.5
DKK billion revenue

32,000
employees[1]

6,500
points of sale in more than 100 countries

>600
million customer visits to our stores and online

PandoraJewelry theofficialpandora Pandora-a-s theofficialpandora @Pandora_Corp @theofficialpandora pandoragroup.com

[1] Average headcount through the year.

Pandora in Paris

Our holiday campaign took over the streets of Paris in December 2022.

LETTER TO THE SHAREHOLDERS

UNLOCKING OUR POTENTIAL

In a year marked by global instability, Pandora delivered on its targets and strategy. We successfully grew our largest platform, Pandora Moments, and pushed the boundaries of our industry with the launch of Diamonds by Pandora. We are well positioned to navigate the current economic downturn and come out strong.

ALEXANDER LACIK
President & Chief Executive Officer

PETER A. RUZICKA
Chair of the Board of Directors

Pandora launched the Phoenix strategy nearly two years ago – a strategy designed to drive sustainable growth by leveraging our key assets: strong brand awareness, a global distribution network and industry-leading manufacturing capabilities. Since then, we have been executing exceptionally well on our strategic priorities, and in 2022 we saw the potential of Phoenix begin to unfold.

Despite the significant disruptions from war, inflation and the pandemic, we met our guidance from the beginning of the year, delivering record-high revenue for four consecutive quarters and growth in most key markets. These results show the strength and resilience of Pandora's business model.

Our brand awareness remains unrivalled, and Pandora Moments, the core of our business, continues to resonate with thousands of consumers every day. We also launched new platforms, like Diamonds by Pandora, and exciting collaborations like Keith Haring and Marvel.

We are also progressing on our digital transformation. We are increasingly able to personalise our marketing communications based on our strong customer data. We are also upgrading our digital infrastructure, which will improve the customer experience across all touchpoints.

Pushing boundaries and reshaping the industry
We wish to lead the way on sustainability and are rethinking how jewellery is designed and produced with the planet and its people in mind. In 2022, we made important progress on our ambition to become a low-carbon, circular, and inclusive, diverse and fair business. Our North America launch of Diamonds by Pandora - lab-created diamonds that are grown, cut and polished using 100% renewable energy and set in 100% recycled silver and gold - was a significant milestone that points to the future of luxury.

We are proud that our efforts are noted, and in 2022 we were one of a small number of global companies to achieve an 'A' score from the leading climate organisation, CDP, for our climate action.

Pandora reacted quickly to the war in Ukraine, stopping all business with Russia and Belarus in February 2022. Pandora was also the first corporate partner to answer UNICEF's call for support for its Ukraine response with a swift donation of USD 1 million. Since 2019, Pandora has donated a total of USD 10 million towards UNICEF through donations and special jewellery collections.

Looking ahead, we see significant growth opportunities both in mature and less-developed markets. Continuing to deliver on our Phoenix strategy, we will protect profitability while investing for growth through network expansion and other initiatives. We will also keep progressing towards our ambitious sustainability targets.

Our 2022 results have been achieved thanks to the extraordinary commitment of our colleagues around the world in what has been a very demanding year. We have captured this spirit in our new global employer brand, Craft the Incredible, which helps us attract top talent and build a great workplace. This was reflected in our employee surveys, which showed very high engagement levels, placing us in the top 5% of benchmark companies worldwide.

On behalf of the Board and the Executive Leadership Team, we extend our sincere gratitude and thanks to employees, customers and shareholders for their continued trust in Pandora.

EXECUTIVE SUMMARY

DELIVERING GROWTH DURING EXTRAORDINARY TURBULENCE

2022 was another year of growth and significant strategic progress for Pandora. In a year with unforeseen external challenges, we delivered solid revenue growth in all quarters and acted as a responsible industry leader as we continued to execute on our Phoenix growth strategy.

In 2022, Pandora delivered record-high revenue of DKK 26.5 billion, corresponding to organic revenue growth of 7% compared to 2021. The growth was delivered across most product platforms and geographies and is a testimony to the strategic investments made in the last couple of years. These developments, combined with operational efficiency and agile execution, laid the foundation for a very strong year.

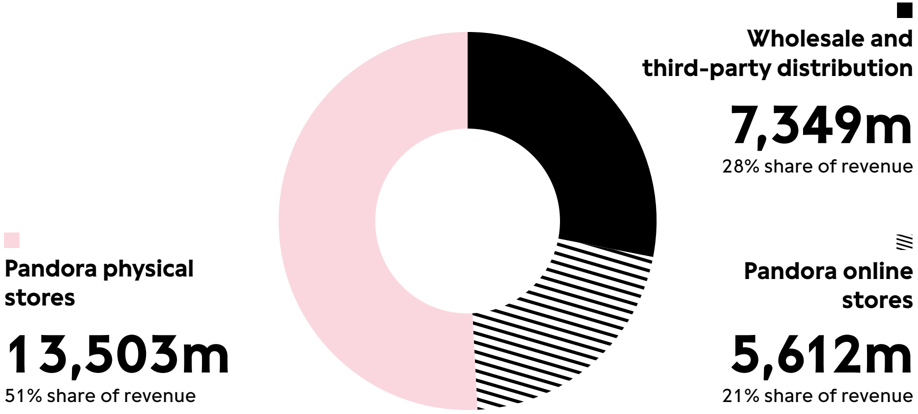
Pandora delivered solid results despite difficult market conditions such as COVID-19 in China, inflationary pressure and the war in Ukraine, and managed to deliver on the 2022 guidance despite these unforeseen headwinds. Despite the challenges seen in 2022, Pandora's customers remain loyal and the brand strong. Our strong foundation, the desirability of our products and our affordable luxury proposition place us in a good position against the uncertain geopolitical and economic backdrop of 2023.

Our efforts to drive sustainability continue to play a central role in creating a resilient business. Our actions to make Pandora low-carbon, circular and inclusive, diverse and fair are the right thing to do as a corporate citizen and will help us mitigate against the impacts of climate change, the significant regulatory shift that is underway, and growing consumer expectations.

On 5 October 2023, we will host a Capital Markets Day to update our shareholders on our continued execution on and progress of the strategy.

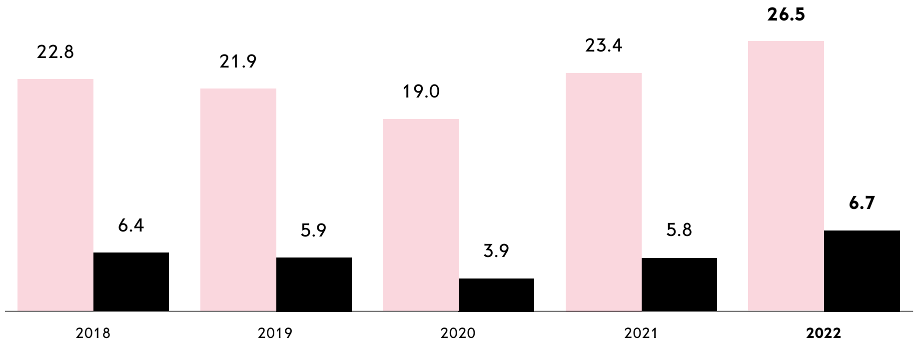
OUR CHANNELS

Revenue, DKK, and share of revenue, %



OUR GROWTH JOURNEY[1]

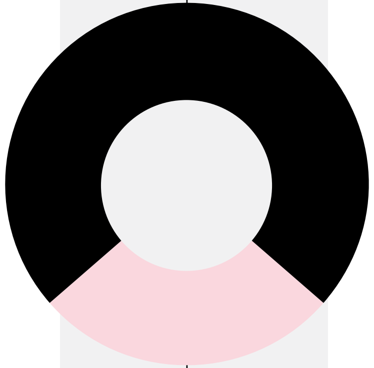
DKK billion



[1] Presented on the basis of the applicable accounting standards at the time.
[2] 2019 and 2020 figures exclude Programme NOW restructuring costs.

OUR SEGMENTS
Share of revenue,
% of total

73%
Moments incl. Collabs



27%
Style

Read more about segment and revenue information in note 2.1.

Growing the core while fuelling with more

Pandora launched the Phoenix strategy in May 2021 and execution is on track.

In 2022, our Moments incl. Collabs segment represented 73% of total revenue and delivered sell-out growth of 5%. Brand metrics are strong, the core Pandora Moments platform is growing, and important steps to build new product platforms have been taken. Growing Moments is a key pillar in our Phoenix strategy.

In order to drive additional revenue growth on top of Pandora Moments, Pandora is leveraging existing product platforms and launching new product platforms that are within or close to the existing core business. A good example is our lab-created diamonds collection, Diamonds by Pandora. Following a test launch in the UK in 2021, we successfully launched the Diamonds by Pandora collection in North America in August 2022. This is our first collection made with 100% recycled silver and gold. With this collection, we aim to democratise diamond jewellery by making it accessible to a wider audience.

Pandora ME is another product platform designed to drive additional revenue growth, which primarily targets Generation Z. In 2022, Pandora ME grew 40% compared to 2021.

The Diamonds by Pandora and Pandora ME platforms are both part of our second segment, Style, which represented a 27% share of our business and delivered sell-out growth of -1%. Style also includes Pandora Timeless and Pandora Signature.

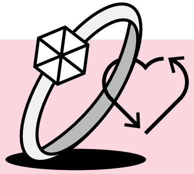
Read more about our Phoenix growth strategy on page 18.

Our key markets

In 2022, sell-out growth continued to be positive across most key markets.

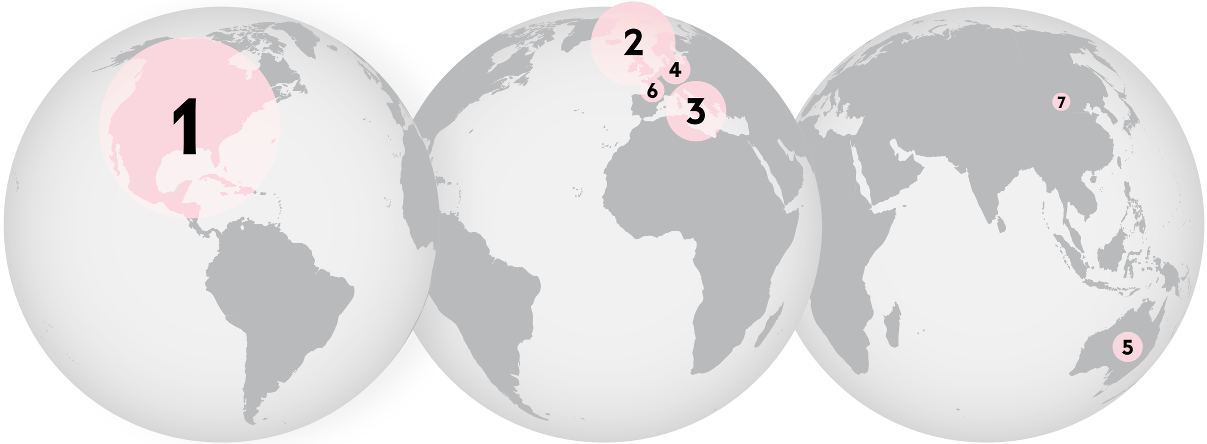
Our largest market, the US, saw an expected decline in 2022 following extraordinary growth in 2021 fuelled by government stimulus cheques. Compared to a cleaner pre-pandemic base in 2019, the performance in the US remained strong with 53% organic growth. Pandora continues to see ample growth opportunities in the US in the mid-term, coming from both

PUSHING THE BOUNDARIES OF SUSTAINABLE JEWELLERY

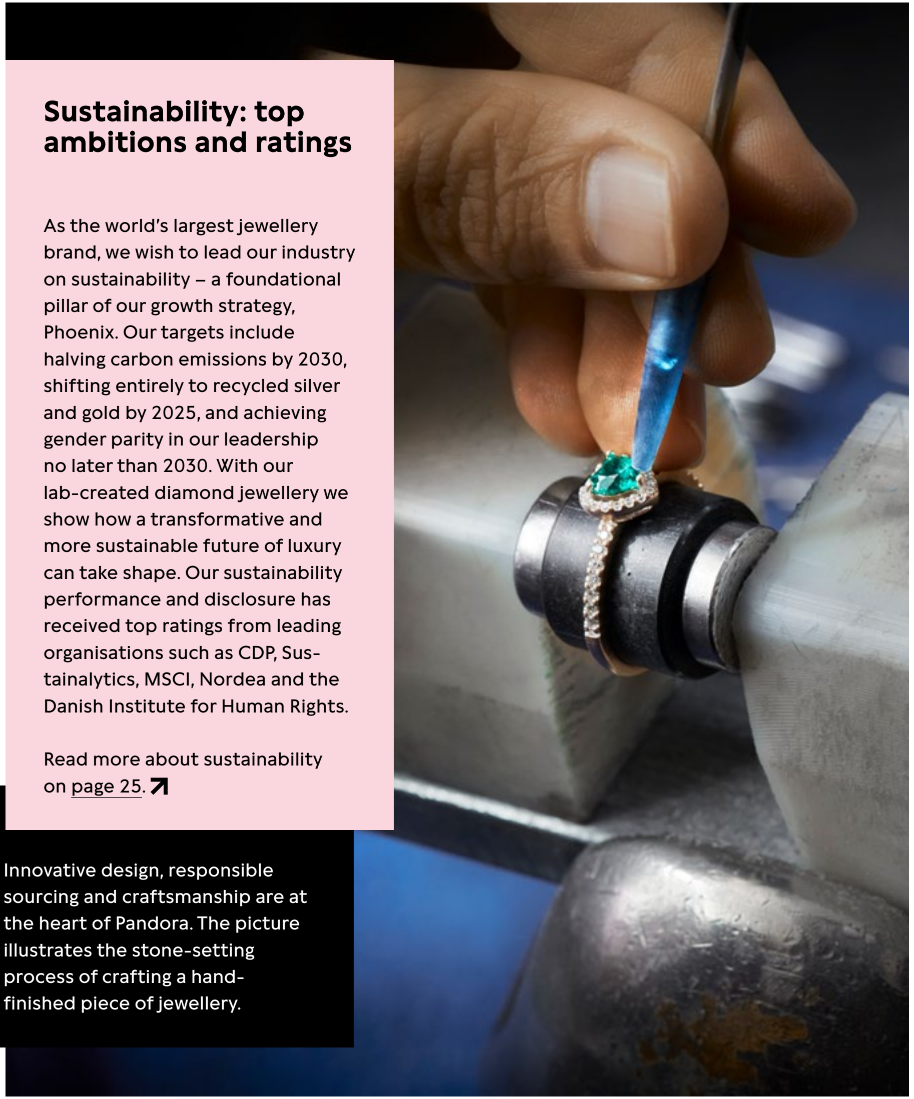


Diamonds by Pandora is made with 100% recycled silver and gold, and with lab-created diamonds produced using 100% renewable energy.

OUR KEY MARKETS
Share of revenue



	1. US	2. UK	3. ITALY	4. GERMANY	5. AUSTRALIA	6. FRANCE	7. CHINA
2022:	30% DKK 7,907m	14% DKK 3,802m	10% DKK 2,580m	5% DKK 1,307m	5% DKK 1,271m	4% DKK 1,190m	3% DKK 737m
2021:	30% DKK 7,026m	14% DKK 3,314m	10% DKK 2,443m	5% DKK 1,191m	5% DKK 1,131m	5% DKK 1,122m	5% DKK 1,126m



Sustainability: top ambitions and ratings

As the world's largest jewellery brand, we wish to lead our industry on sustainability – a foundational pillar of our growth strategy, Phoenix. Our targets include halving carbon emissions by 2030, shifting entirely to recycled silver and gold by 2025, and achieving gender parity in our leadership no later than 2030. With our lab-created diamond jewellery we show how a transformative and more sustainable future of luxury can take shape. Our sustainability performance and disclosure has received top ratings from leading organisations such as CDP, Sustainalytics, MSCI, Nordea and the Danish Institute for Human Rights.

Read more about sustainability on page 25. ↗

Innovative design, responsible sourcing and craftsmanship are at the heart of Pandora. The picture illustrates the stone-setting process of crafting a hand-finished piece of jewellery.

higher brand awareness and network expansion. In 2022, we acquired 49 stores from franchise partners in the US and opened net 32 new concept stores. A part of our strategy is to further strengthen our presence in the US, not least on the West Coast.

Our key markets in Europe delivered positive sell-out growth in 2022. In 2021, these markets were impacted by temporary store closures due to COVID-19, but they saw a strong rebound in 2022. The UK and Germany delivered double-digit sell-out growth rates following solid execution. In Italy, we started to see an impact from a weak macro backdrop in the second half of 2022, and sell-out growth ended at 5% in 2022. In France, we detoxed the promotional level and ended the year with sell-out growth of 4%.

Australia delivered sell-out growth of 6%, driven by healthy underlying business and an easier comparison due to COVID-19 temporary store closures in 2021. Performance in China was significantly impacted by the continued and widespread COVID-19 restrictions during 2022 and sell-out growth was -47%. China is the largest jewellery market in the world and represents a significant opportunity for us. We have previously communicated that we aim to triple our business in China compared to 2019, but have postponed our investment to transform our business in China until market conditions stabilise.

Pandora's business outside of its seven key markets continued to grow in 2022. The largest markets outside of the seven key markets are Spain and Mexico, which ended the year with a revenue of DKK 1.1 billion and DKK 1.0 billion respectively.

Brand momentum remains strong

Our strong brand momentum continued in 2022 and Pandora maintained a leading brand position. Pandora's global unaided brand awareness remained well ahead of the closest competitor, and Pandora ranked number one in five out of seven key markets. We also launched our new loyalty programme, My Pandora, in France and continued our network expansion to strengthen our brand and business even further. Additionally, Pandora initiated selected and careful price increases across its portfolio of products.

Financial performance

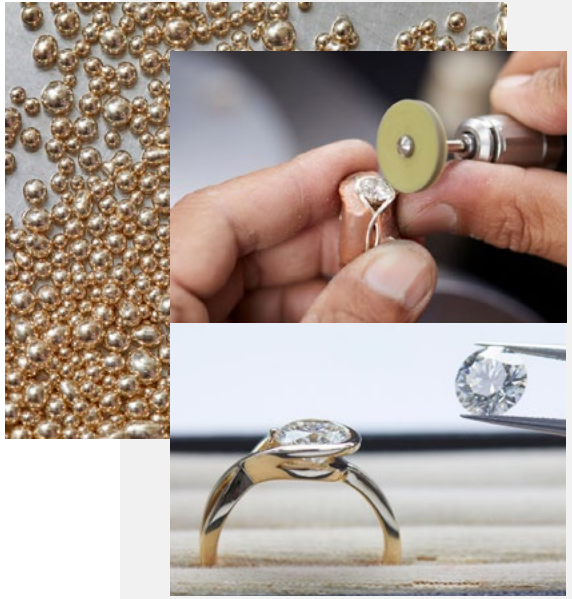
Total revenue reached DKK 26.5 billion, corresponding to revenue growth of 8% in local currency. The EBIT margin remained strong at 25.5% in 2022.

Distributions to shareholders in 2022, including both dividends and share buybacks, totalled DKK 5.1 billion, equal to 11% of the market cap of Pandora at the end of 2022. For 2023, the Board proposes a dividend of DKK 16 per share and a new share buy-back programme of DKK 2.4 billion until 30 June 2023 with an intention to go up to DKK 5.0 billion over the course of the next 12 months, assuming no material deterioration in the macroeconomic climate.

Pandora in a strong position to manage uncertain macro environment

During 2022, the macroeconomic environment continued to deteriorate. Inflation and higher interest rates are impacting consumers across many countries. Up until now, Pandora has demonstrated a good level of resilience against these headwinds. As a consequence of the macro headwinds, Pandora is implementing several preemptive measures. Should a recession scenario become a reality, Pandora will be in a strong position to manage macroeconomic turbulence thanks to the company's robust business model, favourable margin structure, strong cash generation, low financial leverage and conservative capital structure. We have implemented prudent cost measures and will continue to do so, and our strong starting point will also enable us to continue to invest and accelerate during a recession as required.

HIGHLIGHTS 2022



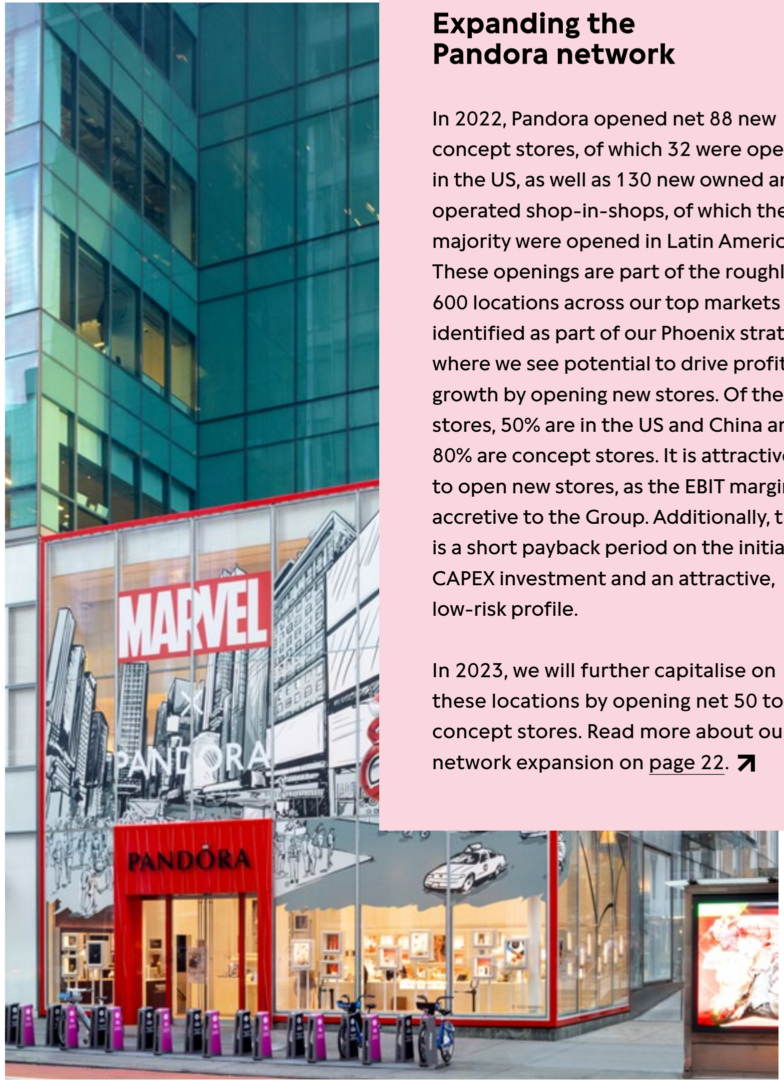
Pandora brings lab-created diamonds to North America

In August, we launched our highly anticipated Diamonds by Pandora collection in the US and Canada. The collection features lab-created diamonds that are grown using 100% renewable energy and that have a carbon footprint that is only 5% when compared to mined diamonds. It is also the first Pandora collection to be crafted with 100% recycled silver and gold.

Pandora stops business with Russia and Belarus

On the day Russia invaded Ukraine, Pandora decided to stop all business with Russia and Belarus. We also informed our suppliers and business partners that Pandora will not accept raw materials, products or services supplied directly or indirectly from Russia or Belarus. Additionally, we donated USD 1 million towards UNICEF's humanitarian relief work in Ukraine.

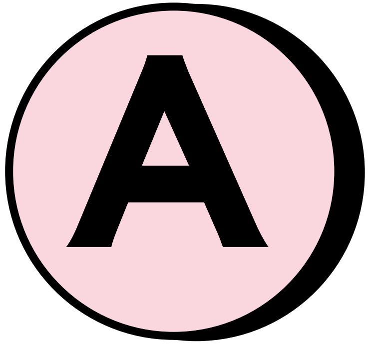
Before the war, Russia and Belarus accounted for less than 1% of our total revenue, and the business was handled by local distributors. Pandora does not have any remaining assets tied up with these distributors, and we no longer count their stores as part of the Pandora network.



Expanding the Pandora network

In 2022, Pandora opened net 88 new concept stores, of which 32 were opened in the US, as well as 130 new owned and operated shop-in-shops, of which the majority were opened in Latin America. These openings are part of the roughly 600 locations across our top markets identified as part of our Phoenix strategy, where we see potential to drive profitable growth by opening new stores. Of these stores, 50% are in the US and China and 80% are concept stores. It is attractive to open new stores, as the EBIT margin is accretive to the Group. Additionally, there is a short payback period on the initial CAPEX investment and an attractive, low-risk profile.

In 2023, we will further capitalise on these locations by opening net 50 to 100 concept stores. Read more about our network expansion on page 22. ↗



Recognised with "A" score for transparency on climate change

Pandora's leadership in corporate transparency and performance on climate change received recognition by the global environmental non-profit CDP, securing a place on its annual 'A List'. Based on data reported through CDP's 2022 Climate Change questionnaire, Pandora was one of around 2% of CDP-evaluated companies to achieve an 'A' out of nearly 15,000 companies scored. This was a milestone in our journey to become a low-carbon business.

12

pieces in the Keith Haring X Pandora collection

2.4%

of our total revenue came from the Marvel X Pandora collection

Collaborations to grow business and build brand

Collaborations with other brands enable Pandora to reach more consumers around the globe, and we have increased our focus in this space. Sales from collaborations have tripled over the past five years.

2022 saw superheroes arriving to our stores with the popular launch of our first Marvel X Pandora collection. By the end of the year, the 14 carat gold-plated Marvel Iron Man was the fourth best-selling charm in Pandora's full charms assortment, and the Marvel Infinity 14 carat gold-plated ring saw huge popularity and was the top three best-seller in the rings category.

We also launched our first art collaboration with the aim of expanding our brand into new cultural universes. The collaboration was inspired by the late street artist and activist Keith Haring, who was part of the legendary New York art scene during the 1980s. The collection features Haring's colourful and symbolic works, including the barking dog, angel baby and signature bold lines.

North American headquarters relocates to New York City

In December, we announced the opening of Pandora's new North American headquarters located at Times Square in New York City. The new office will create around 130 full-time jobs. New York is the largest commercial market in the US and one of the largest commercial markets in the world. The new headquarters will place Pandora in closer proximity of leading talent as we continue our long-term growth ambition in the US, for example to increase market share and double revenue in the US compared to 2019. Our North America Hub in Baltimore will remain at the current location through at least 2026, and both the Baltimore corporate office and the logistics centre in Columbia, Maryland, remain open and integral to our US business operations.

FIVE-YEAR SUMMARY

DKK million	2022	2021	2020	2019	2018[1]
Financial highlights					
Revenue	26,463	23,394	19,009	21,868	22,806
Organic growth, %	**7%**	**23%**	**-11%**	**-8%**	**-2%**
Sell-out growth, (like-for-like), %[2]	4%	20%	-12%	-8%	-4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,716	7,838	4,999	6,148	7,421
Operating profit (EBIT)	6,743	5,839	2,684	3,829	6,431
EBIT margin, %[3]	**25.5%**	**25.0%**	**20.4%**	**26.8%**	**28.2%**
Net financials	-210	-461	-190	1	151
Net profit for the period	5,029	4,160	1,938	2,945	5,045
Financial ratios					
Revenue growth, DKK, %	13%	23%	-13%	-4%	0%
Revenue growth, local currency, %	8%	24%	-11%	-6%	3%
Gross margin, %	76.3%	76.1%	75.6%	72.7%	74.3%
EBITDA margin, %	32.9%	33.5%	26.3%	28.1%	32.5%
EBIT margin, %	25.5%	25.0%	14.1%	17.5%	28.2%
Effective tax rate, %	23.0%	22.6%	22.3%	23.1%	23.4%
Equity ratio, %	33%	38%	37%	24%	33%
NIBD to EBITDA, x[3]	0.8	0.4	0.5	1.1	0.8
Return on invested capital (ROIC), %	48%	59%	25%	27%	53%
Cash conversion incl. lease payments, %	39%	88%	183%	133%	86%
Net working capital, % of last 12 months' revenue	4.2%	-5.0%	-7.6%	-1.3%	6.7%
Capital expenditure, % of revenue	4.9%	2.7%	2.6%	3.8%	5.0%

[1] Comparative figures have not been restated following the adoption of IFRS 16 Leases.
[2] Sell-out growth includes sell-out from all concept stores, including partner owned and Pandora online. Sell-out growth is a like-for-like KPI and includes stores which have been operating for +12 months and stores which are temporarily closed due to COVID-19. Other points of sales are not included in sell-out growth.
[3] 2019 and 2020 figures exclude Programme NOW restructuring costs.

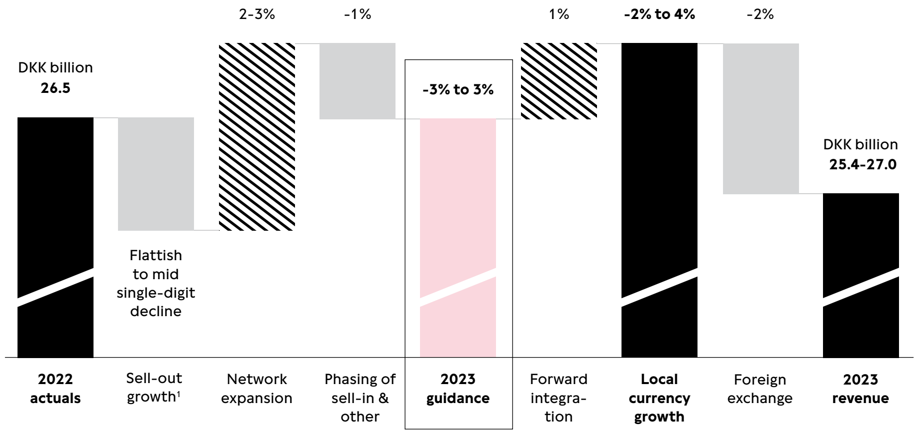
DKK million	2022	2021	2020	2019	2018[1]
Stock ratios					
Total payout ratio (incl. share buyback), %[4]	100%	115%	65%	147%	104%
Dividend per share, proposed for the year, DKK	16.0	16.0	-	9.0	9.0
Dividend per share, paid, DKK	16.0	15.0	-	9.0	9.0
Earnings per share, basic, DKK	54.2	42.1	20.0	30.3	47.2
Earnings per share, diluted, DKK	53.7	41.7	19.9	30.1	47.0
Consolidated balance sheet					
Total assets	22,013	18,542	19,984	21,571	19,244
Invested capital	13,961	9,884	10,540	14,268	12,071
Net working capital	1,104	-1,181	-1,447	-293	1,536
Net interest-bearing debt (NIBD)	6,794	2,882	3,151	9,019	5,652
Equity	7,167	7,001	7,389	5,249	6,419
Consolidated statement of cash flows					
Cash flows from operating activities	4,434	6,228	5,975	6,775	6,624
Capital expenditure – total	1,290	641	491	822	1,129
Capital expenditure – property, plant and equipment	929	341	369	556	753
Free cash flows incl. lease payments	2,602	5,137	4,908	5,075	5,558
Sustainability					
Scope 1, 2 & 3 emissions, tonnes CO_2 equivalent[5]	280,370	277,450	266,075	296,777	n/a
Recycled silver and gold, total, %[6]	61%	54%	57%	60%	n/a
Leadership Team gender ratio, female/male, %[7]	29/71	23/77	n/a	n/a	n/a

[4] Excluding sale of treasury shares amounting to DKK 1.8 billion in Q2 2020.
[5] Within limited assurance scope. The scope 2 emissions are calculated as market-based emissions. All emissions are in metric tonnes, as aligned with the Greenhouse Gas Protocol.
[6] Within limited assurance scope.
[7] The Leadership Team comprises Vice Presidents, Senior Vice Presidents, members of the Executive Leadership Team and the Board of Directors.

FINANCIAL GUIDANCE 2023

ORGANIC GROWTH	EBIT MARGIN
-3% to 3%	Around 25%

ORGANIC GROWTH GUIDANCE
Percentage point approximations



Resiliency in an uncertain environment

The economic outlook for 2023 remains highly uncertain. High inflation and rising mortgage rates suggest that consumer spending will come under pressure. The brand has demonstrated strong resilience since macroeconomic conditions started to worsen during 2022, and current trading remains encouraging. For now, Pandora has seen some, but only limited, signs of a shift in consumer spending. Nonetheless, Pandora will plan for a range of scenarios, including a weakening of the current macroeconomic backdrop. Our guidance considers external factors, our own internal brand initiatives and current trading to form an initial wide range.

Pandora is therefore currently targeting an organic growth of -3% to 3% and an EBIT margin of Around 25%. The wider-than-normal revenue guidance range reflects the elevated macroeconomic uncertainty and, as usual, will be narrowed as visibility improves through the year. The low end of the organic growth range would require a worsening of trading conditions relative to today.

Whilst predicting near-term sales trends is currently challenging, Pandora's strong brand position, solid financials, flexible business model and position in affordable gifting make the company well equipped to weather a potential recession and at the same time seize relevant investment opportunities which may arise.

Revenue guidance

Pandora is currently planning for sell-out growth of flattish to a decline of mid-single digits, depending on how macroeconomic conditions progress through the year. Continued network expansion is expected to add 2 to 3 percentage points to growth and help lift organic growth to -3% to 3%. Forward integration is expected to add around 1% revenue with revenue growth in local currency ending at -2% to 4%.

The organic growth guidance can be illustrated as shown above.

Profitability guidance

The EBIT margin guidance for 2023 is Around 25% and can be illustrated as shown on the following page. Temporary and non-recurring costs from 2022 drive a tailwind of 0.8 percentage points. Structural cost reductions and the price increases implemented in Q4 2022 will be funding the invest-

[1] Sell-out growth (like-for-like) including temporarily closed stores.

ments in our Phoenix strategy initiatives and future growth. Higher-than-normal salary increases are expected to suppress the EBIT margin by 1.0 percentage points. Foreign exchange rates and commodity assumptions per 31 January 2023 currently represent a net headwind of 0.4 percentage points. Lastly, operating leverage will mainly decide where Pandora will end the year. The guidance also allows for an additional element of cost flexibility which could be utilised depending on the growth outcome. The EBIT margin phasing through the year is expected to be slightly more skewed towards the second half than usual. This reflects, among others, phasing of costs, hedged silver prices and foreign exchange rates.

2023 guidance – other parameters

Pandora expects to open net 50 to 100 concept stores and 50 to 100 owned and operated other points of sales in 2023.

CAPEX is expected to end at around 6% share of revenue, primarily driven by investments into the store network, digital initiatives and crafting facilities. The effective tax rate is expected to be 23% to 24%, unchanged from last year.

Capital Markets Day September 2021 – financial targets

Pandora hosted a Capital Markets Day (CMD) in September 2021 and provided the following financial targets:

- 5-7% organic growth CAGR from 2021 to 2023
- 25-27% EBIT margin in 2023

Since the targets were communicated in September 2021, the geopolitical and macroeconomic situation has worsened significantly. Additionally, the 2023 targets did not include any impact from COVID-19, which had a severe negative impact on the performance in China in 2022. As previously mentioned, the impact of these factors on the 2023 CMD targets is uncertain but despite the headwinds the new 2023 EBIT margin guidance is just within the targeted range. In relation to the organic growth target announced at the CMD, the outcome is somewhat dependent on macroeconomic conditions, but the upper end of the new 2023 guidance would also see Pandora within the targeted CMD range.

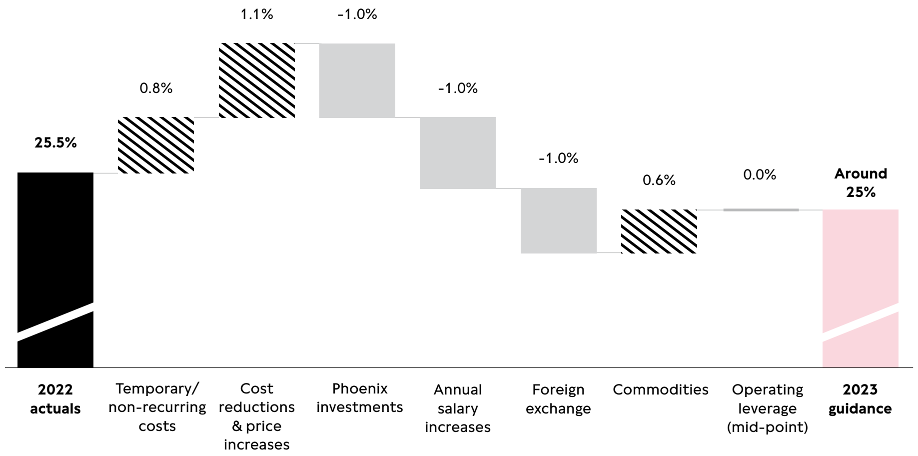
Capital structure policy and cash distribution

At the end of 2022, Pandora's leverage ratio was only 0.8x NIBD to EBITDA and consequently at the lower end of the capital structure policy range of 0.5x to 1.5x. The increased leverage of 0.4x versus 2021 primarily reflects significant cash distributions to the shareholders as well as increased inventories and higher CAPEX through the year.

During 2022, Pandora paid out DKK 5.1 billion to its shareholders, equivalent to 11% of market cap as of 31 December 2022. DKK 1.5 billion was distributed as an ordinary dividend of DKK 16 per share and DKK 3.6 billion were distributed through share buybacks.

Pandora continues to be highly cash-generative and has ample liquidity to continue cash distributions to shareholders. Pandora has decided to update its dividend policy from previously targeting a 2% dividend yield to now paying a progressive dividend (stable to increasing dividend per share). For 2023, the Board proposes a dividend of DKK 16 per share and a new share buyback of DKK 2.4 billion until 30 June 2023 with an intention to go up to DKK 5.0 billion over the course of the next 12 months, assuming no material deterioration in the macroeconomic climate. The total cash distribution of DKK 6.4 billion will be the highest in Pandora's history. The Board already has the authority to initiate a share buyback at any point in time.

EBIT MARGIN GUIDANCE BRIDGE
Percentage point approximations



FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – AS OF 31 JANUARY 2023	Average 2022	Average 2023	Financial impact 2023 Y-Y
USD/DKK	7.07	6.87	
THB/DKK	0.20	0.20	
GBP/DKK	8.73	8.45	
CNY/DKK	1.05	1.02	
AUD/DKK	4.91	4.81	
Silver/USD (per ounce)	24.9	22.7	
Revenue (DKK million)			**Approx. -500**
EBIT (DKK million)			**Approx. -225**
EBIT margin (foreign exchange)			**Approx. -1.0%**
EBIT margin (commodities)			**Approx. 0.6%**

Disclaimer: the guidance 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. Please also refer to the full disclaimer on page 90.

STORY

LAB-CREATED DIAMONDS POINT TO THE FUTURE OF LUXURY

In the 1950s, scientists succeeded in creating the first diamonds in a lab. The diamonds were initially used mostly for industrial purposes, but in recent years the technology and quality have improved, and today lab-created diamonds are a growing part of the market for diamond jewellery.

Following a successful test launch in the UK, Pandora introduced Diamonds by Pandora, a line of lab-created diamond jewellery currently available in UK, the US and Canada. The US is the world's largest market for diamond jewellery, and we aim to transform the market with more affordable products that also have reduced carbon emissions.

"A diamond is a diamond. Thanks to innovation, lab-created diamonds are exactly the same and just as beautiful as mined diamonds, but grown in a lab instead of mined from the ground. We want to make diamond jewellery accessible to a wider audience and for more occasions. Diamonds are not only forever, but for everyone," says Joshua Braman, Senior Vice President, Diamond, Pandora.

Diamonds grown in the US with low carbon emissions

Lab-created diamonds have the exactly same optical, chemical, thermal and physical characteristics as mined diamonds and are graded by the same standards known as the 4Cs – cut, colour, clarity and carat. Our lab-created diamonds are grown, cut and polished using 100% renewable energy and have a carbon footprint that is only 5% when compared to mined diamonds. Pandora no longer uses mined diamonds.

The lab-created diamonds are grown in the US and point to a future of low-carbon diamonds for jewellery. For perspective, if all diamonds were mined with the same low-carbon footprint as our lab-created diamonds, it would save more than 6 million tonnes of carbon emissions annually – equivalent to replacing all cars in New York City with electric cars.

First collection with 100% recycled silver and gold

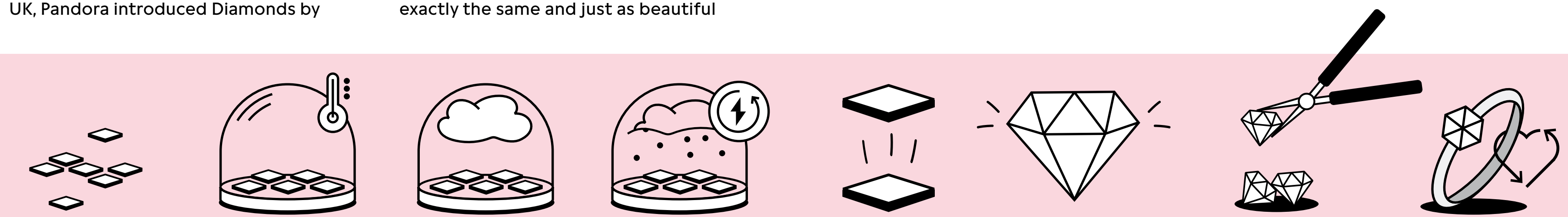
To further reduce the climate impact of our jewellery, it is the first Pandora collection crafted with 100% recycled silver and gold. This brings the greenhouse gas emissions of the collection's entry product – a silver ring with a 0.15 carat lab-created diamond (USD 300) – down to 2.7 kg CO_2e, which is equal to the average emissions of a t-shirt.

The new collection is a significant breakthrough for Pandora, as the company has committed to craft all its jewellery from recycled silver and gold by 2025.

A growing market

The global diamond jewellery market is a USD 84 billion industry. Lab-created diamonds currently account for around 10%, but the segment is growing faster than the rest of the market. North America is the largest market for lab-created diamond jewellery.

> "
>
> One of my recent customers was very excited about Pandora's sustainable jewellery, as she was looking for a gift to celebrate her granddaughter's PhD degree in Environmental Science. She was stunned by the 0.5ct lab-created diamond necklace, which became a surprise gift for the occasion.
>
> **MELISSA**
> Store Manager



1. Begins with tiny seeds of high-quality lab-created diamonds
2. Seeds placed in vacuum chamber with very high heat
3. Chamber filled with carbon-rich gas
4. Using 100% renewable energy, microwave energy heats the gases and gas molecules break apart
5. Carbon atoms bond to the seeds and they grow one layer at a time
6. The lab-created diamonds are cut and polished using 100% renewable energy
7. Pandora chooses lab-created diamonds with high-quality grading
8. Lab-created diamonds are set in jewellery crafted using 100% recycled silver and gold

OUR BUSINESS

“

I love getting to know each and every customer’s story. I think it is truly unique for my job. I value every step of helping my customers to anchor unforgettable moments and to find self-expression through Pandora’s jewellery.

ANGIE
Sales Associate, Italy

OUR BUSINESS MODEL

Every day, millions of people express who they are and what matters to them with their Pandora jewellery. Whether it is a display of friendship or romance, or a love for art, gardening or our planet. Our jewellery is a way to show these loves. That is our purpose: **We give a voice to people's loves.**

INPUT

Natural resources:
Raw materials, water and energy

Community:
Employees and stakeholder engagement

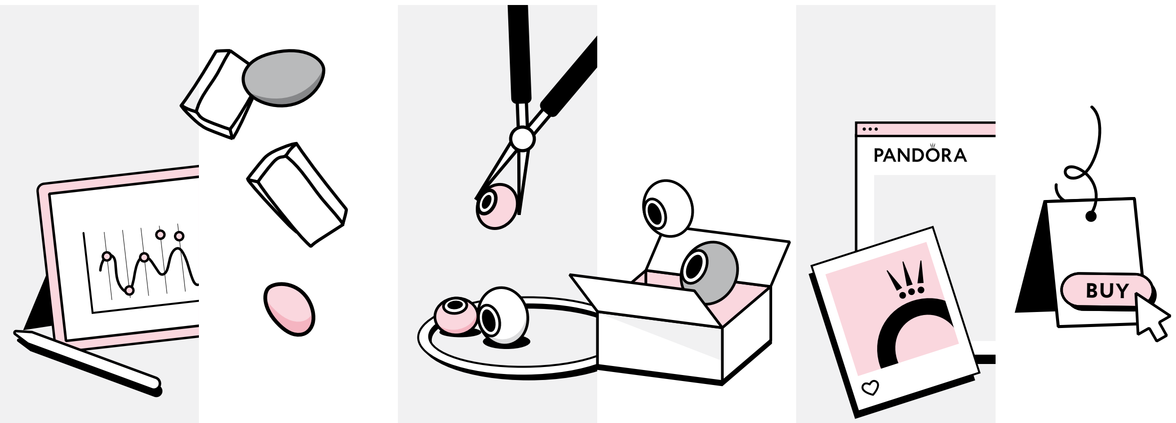
Innovation:
Data and design

Manufacturing:
Crafting facilities

Supply chain:
Supplier partnering

Financial:
Cash flows

BUSINESS ACTIVITIES



Design inspired by art and data

Responsible and circular sourcing

Crafting at scale

Efficient distribution

Strong marketing and brand

Omnichannel retail operations

OUTPUT

Natural resources:
Processed materials, emissions, waste and waste water

Community:
Job creation and tax contribution

Innovation:
Relevant and personalised products

Manufacturing:
High-quality products

Supply chain:
Sustainable supply chain

Financial:
Shareholder returns

OUTCOME

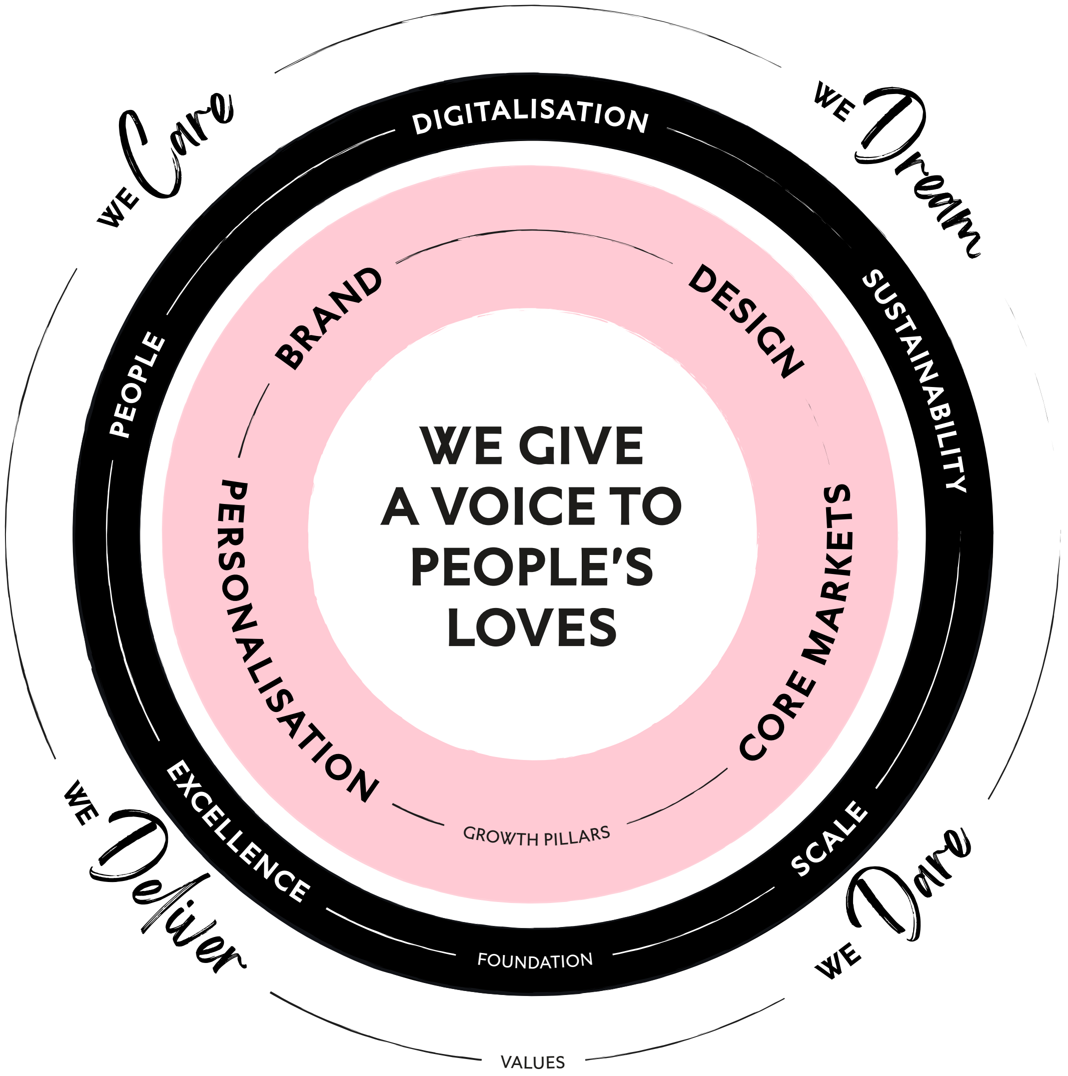
Affordable luxury with sustainability integrated from source to sale

Industry-leading profitable growth

OUR PHOENIX STRATEGY

In 2021, we launched our Phoenix growth strategy with our purpose, We give a voice to people's loves. During 2022, we saw good progress across our Phoenix initiatives, which we will continue to build on in 2023. On 5 October 2023, we will host a Capital Markets Day to give an update on our Phoenix strategy.

Phoenix has four growth pillars aiming at delivering sustainable and profitable revenue growth: brand, design, personalisation and core markets. Phoenix centres around the significant untapped opportunities within Pandora's core business. The gross list of opportunities is rich, and we have deliberately prioritised the most important to guide decision-making and the allocation of resources.



Phoenix builds on our strong foundation and is focused on the significant untapped opportunities in Pandora's core business.

No. 1

Pandora's global unaided brand awareness remained well ahead of the closest competitor, and we ranked number one in five out of seven key markets.

Growth pillar 1: Brand

Pandora is a global affordable luxury brand with a high level of consumer awareness, strong brand equity, and a loyal customer base.

Our strong brand momentum continued in 2022 and Pandora maintained a leading brand position. Pandora's global unaided brand awareness remained well ahead of the closest competitor, and we ranked number one in five out of seven key markets.

To ensure that Pandora continues to excite customers and win the hearts of the new generations, we focus on increasing brand desirability. Using behavioural science, data analytics and social listening to understand our consumers, we can create more engaging, authentic and culturally relevant brand experiences across all touchpoints, including products, campaigns, stores, the selling ceremony, online and more.

Over the past years, we have increased our media investments considerably, and we will continue to invest at a competitive level to maintain brand awareness leadership in today's complex and fragmented media landscape.

The Pandora product universe

Moments incl. Collabs

Pandora Moments, home of our iconic snake chain bracelet and ten different jewellery themes, is the core of our business. It allows for self-expression, modern storytelling and collectability. We also collaborate with well-known brands to create jewellery with characters and icons from universes like Marvel, Walt Disney and Pixar. In total, Moments incl. Collabs accounts for 73% of revenue.

Style

To fuel our brand with incremental growth, we offer our consumers additional collections. In total, Style accounts for 27% of revenue.

Pandora Timeless offers sparkling modern classic design with a twist and includes Pandora Timeless Wish with its wishbone motifs and distinct mesh bracelets from Pandora Reflexions.

Another collection is **Pandora Signature**, characterised by the Pandora logo, pavé, hearts and beads adding a geometric dimension and linear aesthetic.

Pandora ME pays tribute to a Generation Z mindset in a uniquely bold and customisable link chain design and styling accents to reflect every aspect of their personality.

Diamonds by Pandora seeks to democratise diamonds by using lab-created diamonds elevated in designs of floating and unique shapes lending a stand-alone luxurious expression.

Growth pillar 2: Design

Pandora has three clear design priorities: drive the core (Moments), fuel the brand with more platforms, and establish dedicated support models for each platform.

Pandora's original charms and bracelet offering, Moments, has formed the basis for the company's success over the past two decades. Today, Moments incl. Collabs accounts for 73% of total revenue. We see ample opportunities to continue growing the Moments business by ensuring a strong pipeline of innovation behind charms and charm carriers, personalisation and collaborations. Combined with commercial focus and visibility, this will ensure we build on our core strength.

To fuel the brand with more, we added new product platforms to our assortment which are designed to target specific consumer segments and drive incremental growth. New platforms are considered low-risk opportunities, as they are built on existing assets and infrastructure. When going to market, we introduce new platforms in steps to test, learn and adjust before potentially scaling up. In 2022, we continued to roll out new platforms such as Pandora ME and Diamonds by Pandora. In 2022, Pandora ME generated 40% in sell-out growth compared to 2021 and we continued to diversify the platform's proposition by launching the first gold-plated pieces in October. These gold-plated pieces accounted for a 16% share of revenue within Pandora ME in the fourth quarter. Diamonds by Pandora delivered sell-out growth of 130% and ended the year at DKK 213 million in revenue. In 2022, the 0.15 carat lab-created diamond ring was the bestseller among our customers.

In addition, strategic collaborations continue to drive growth. The Marvel collaboration was successfully launched with the goal of further expanding brand awareness and building other co-created universes. In 2022, two Marvel collections were launched and accounted for 2.4% of our total revenue.

Growth pillar 3: Personalisation

A key strength at Pandora is the direct relationship to millions of consumers through our strong owned and operated retail network and online touchpoints. This connection provides rich insights on purchase history, website visits, email and paid media, allowing Pandora to offer a better and more personalised service throughout the customer journey.

In 2022, we launched the Personalisation Centre of Excellence as the focal point for these efforts. The team works in cross-functional "pods" based on mixed disciplines spanning marketing, data science and technology. Each pod is responsible for a critical customer group (for example repeat buyers or gifters) and has specific goals to achieve (for example the number of occasions where a gifter buys Pandora).

To further drive personalisation, we launched the loyalty programme My Pandora in France. By offering members exclusive benefits and effectively gathering customer data, the programme has proven to significantly increase customer value. My Pandora has over 520,000 members in France and will be rolled out to more markets in 2023.

Growth pillar 4: Core markets

Pandora has a rich and diversified geographical presence across the world. There are ample opportunities to grow both our seven key markets and other markets.

The markets with the highest potential for growth are the US and China, where our network footprints are underpenetrated. Additionally, the Pandora brand is not as strong in these markets as in the UK, Italy and Australia, so there is potential to drive revenue growth through higher brand awareness. Markets like France and Germany also represent opportunities for growth, as brand awareness is relatively low in these markets. We also see growth opportunities outside our key markets, for example in Spain, Canada and Latin America. Mexico is one example of a market in which growth opportunities have been successfully exploited. Pandora entered Mexico in 2017 and has achieved strong growth in a relatively short time span: revenue increased from DKK 122 million in 2017 to DKK 994 million in 2022.

Read more about our geographical performance in our Financial review on page 45.

Our strong foundation

To succeed with the four growth pillars in our Phoenix strategy, we are building on our strong foundation.

People — We work as a world-class team, leveraging our global presence. Our operating model enables us to deliver a strong and consistent customer shopping experience while we constantly refine our ability to work as one global company with one brand expression, shared processes and clear roles. We strive to create a healthy performance culture powered by innovative digital solutions where we craft the incredible.

Read more about people efforts on page 25.

Digitalisation — The solid digital foundation we have built enables us to deliver on our strategy. This includes more use of data and advanced analytics, modern IT solutions, and many other aspects of digitalising our business. We are also unifying the tech and data platform that drives Pandora today. We also invest in the back-end systems at our crafting facilities, in our supply chain and in a new Enterprise Resource Planning (ERP) system, which will support and further enhance our digital foundation.

Sustainability — We believe high-quality jewellery, strong business performance and high ethical standards go hand in hand, and we craft our jewellery with respect for resources, environment and people. Our ambition is to be an industry leader in sustainability. We strive to become a low-carbon and circular business that is also inclusive, diverse and fair with a positive impact across our entire supply chain.

Read more about sustainability on page 25.

Excellence — We will continue to improve our operational excellence, expand and leverage our profitable store network and continue embedding a cost-conscious mindset.

Scale — Pandora is the largest jewellery manufacturer in the world, and we will continue to strengthen this part of our organisation to benefit from our scale. Through an integrated and sustainable supply base we will enable consumer-centric, innovative products while at the same time driving continuous optimisation of cost, quality and service. In 2022, we took the first steps towards our new factory in Vietnam. As a result, we decided to reorganise the legal structure and consolidate our crafting activities into a separate manufacturing sub-group. Read more about the intra-group restructuring in note 3.3 in the Parent Company financial statements.

Best-selling bracelet with 1.2 million pieces sold

Our bracelets remain popular among our consumers as they enable them to express themselves through beautiful Pandora charms. In 2022, our heart-lock Moments bracelet was our best-selling bracelet with more than 1.2 million pieces sold.

STORY

EXPANDING THE PANDORA NETWORK

Central store in New York City

The new incredible Evoke store on Fifth Avenue in New York City is a great addition to our network in the US. It is strategically positioned to increase brand accessibility to our customers in the southern part of Manhattan.

We see significant potential in making our brand more accessible in many of our markets, and in 2022 Pandora opened net 88 new concept stores and net 130 owned and operated shop-in-shops. These stores are part of approximately 600 locations across our top 40 markets that we have identified as the most attractive opportunities to drive profitable growth. The locations were selected based on a detailed mapping and evaluation of 13,000 global locations.

The business case for opening new stores is attractive. New stores are EBIT margin accretive, have a short payback period, and the risk is low.

Another element in Pandora's network strategy is forward integration by taking over partner stores. We assess possible transactions on a case-by-case basis, for example when a franchise contract expires or if a partner wishes to exit the business. We evaluate each opportunity on a number of parameters, including performance, future potential, operational set-up, proximity to other Pandora stores, and scale.

In 2022, we added 80 owned and operated concept stores through forward integration, including two large franchise acquisitions in North America. We took over 37 stores from Ben Bridge Jeweler, primarily on the US West Coast, and 13 stores from Panbor in Las Vegas.

We also acquired 25 concept stores and nine shop-in-shops from our Portuguese distributor, Visão do Tempo, to assume full ownership of the business in Portugal.

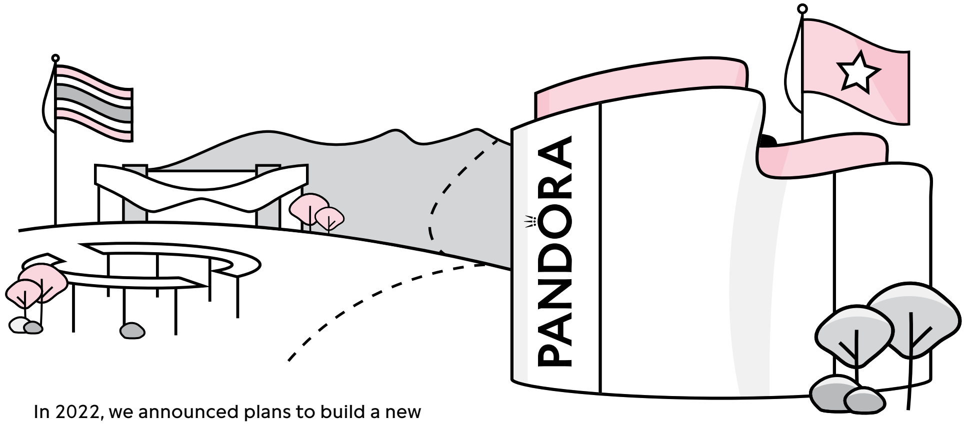
"Our strong store network expansion and optimisation efforts during 2022 have resulted in a record number of new openings with stellar performance across the board while simulataneously improving the quality of our existing physical footprint. We expect this to continue during 2023 with most of the activities taking place in North America, Latin America and parts of Asia," says Kai Aejmelaeus, Senior Vice President, Omnichannel Network, Pandora.

In 2023, we expect to open net 50 to 100 concept stores and net 50 to 100 owned and operated shop-in-shops.

INDUSTRY TRENDS

RESPONDING TO A CHANGING WORLD

Changes and global trends emerge that require businesses to adapt and respond. For Pandora, four major industry trends are of particular relevance to our Phoenix growth strategy.



In 2022, we announced plans to build a new crafting facility in Vietnam, our first outside Thailand.

Macroeconomic uncertainty

The business landscape continues to undergo changes, some of which have been accelerated by uncertainty shocks like the pandemic, the Russian invasion of Ukraine, and global supply chain disruptions and product shortages. According to McKinsey's Consumer Pulse[1] conducted in the US, consumers are twice as pessimistic about the economy today as they were throughout the pandemic.

PANDORA'S RESPONSE

Even though Pandora relies on discretionary consumer spending, the fact that the majority of our revenue is generated from gifting and our affordable positioning provides a level of resilience. Pandora is also in a healthy position due to our favourable margin structure, strong cash generation and low financial leverage. A stress-test of Pandora's financial capacity shows the company would still be highly profitable even in a deep recession scenario. We saw proof of that in 2020, when the pandemic hit the hardest and yet the EBIT margin for 2020 landed above 20%. We have fully variable expenses that are mainly related to cost of goods sold, point-of-sale materials, variable rent, freight costs and variable salary. Additionally, most of our marketing expenses, which accounted for 14.1% of revenue in 2022, can be adjusted with short notice.

To mitigate risk related to macroeconomic uncertainty, we already took several precautionary measures in 2022 by reducing costs and reprioritising non-urgent initiatives such as postponing expansion plans in Thailand. Further cost actions are currently being taken. We also announced plans to build a new crafting facility in Vietnam, our first outside Thailand. By diversifying our geographical footprint, we become more resilient to potential supply disruptions. Read more about management's judgements and estimates on page 58.

[1] McKinsey 2022.

A seamless customer experience

While the physical store experience remains essential in an industry that is all about experiencing the product, consumer demand for digital shopping has accelerated significantly during the pandemic, and so has consumers' expectations to omnichannel services. Not least mobile shopping is moving rapidly, with the global mobile commerce market valued at USD 268 billion in 2021, expected to grow at a Compound Annual Growth Rate (CAGR) of 27% until 2030.

PANDORA'S RESPONSE

To provide a seamless omnichannel shopping experience that meets our customers' preferences, Pandora has invested significantly in digital capabilities in recent years. In 2022, we migrated our largest market to a new e-commerce platform optimised for mobile usage, and remaining markets are scheduled for 2023. Reflecting a positive consumer response, our online Net Promoter Score was 5 percentage points higher compared to 2021 and exceeded our target for 2022.

In 2022, we also optimised our Click & Collect process further so that we are now able to deliver to customers in as little as two hours to meet last-minute gifting needs and launched our new loyalty programme, My Pandora, in France.

Running the business, sustainably

The requirements on global brands to operate with high standards of responsible business across the sustainability agenda continue to increase. Local governments are increasing regulation, investors assess the sustainability performance, and many consumers are highly engaged in the debate. The correlation between average consumer preference and brand credentials in sustainability is still largely uncharted, but indications are that groups of consumers attach increasing importance to the subject when making their purchasing decisions. Research from Boston Consulting Group[1] found that 38% of consumers switched from their preferred clothing brand to one with better environmental and social practices.

PANDORA'S RESPONSE

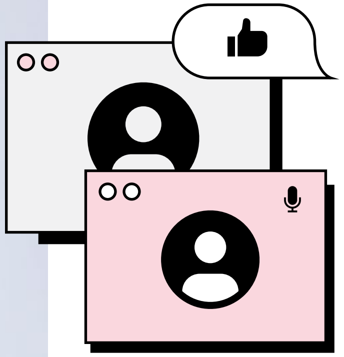
As part of the Phoenix strategy, we wish to lead the way on sustainability in the industry by becoming a low-carbon, circular, and inclusive, diverse and fair business. In 2022, we made strong progress on our ambitious targets. We launched the Diamonds by Pandora collection in North America, featuring lab-created diamonds that are grown, cut and polished using 100% renewable energy and set in 100% recycled silver and gold. We formalised our human rights programme with a focus on key business areas where impacts to people are highest. In 2022, we also conducted a global employee listening survey with focus on inclusivity. The survey showed an 86% inclusion score, above our 2025 target of 85%.

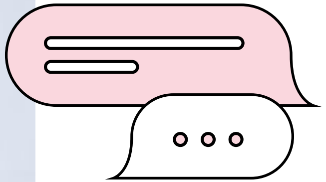
Through Pandora's long-standing partnership with UNICEF, we support children and adolescents around the world through learning and skills development, rights awareness and gender equality activities, just as we supported UNICEF's emergency relief work in Ukraine.

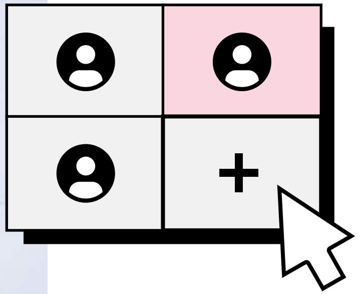
For the seventh consecutive year, we received the highest ranking in MSCI's annual sustainability rating.

Recyclable silver dust

Silver dust is a by-product of our crafting process. Silver dust is just as valuable as silver grains and is part of our recycled metals process.







New ways of working

COVID-19 has changed office routines across the world. Flexible ways of working were born in response to the pandemic but have since become a desirable job feature that many employees expect their employer to provide. McKinsey's American Opportunity Survey[2] conducted among American respondents shows that when people have the opportunity to work flexibly, 87% take it. To attract and retain talent, many companies are introducing solutions that meet employees' expectations to flexibility and a healthy work-life balance.

PANDORA'S RESPONSE

Pandora is investing in the long-term well-being of our employees, and our FutureWork principles for office employees support new ways of working. New flexible working policies include guidelines for virtual meetings, a new e-learning platform, and a new digital people portal that focuses on development, goal setting and career growth. We have also introduced role model awards, expanded our incentive programme, and launched digital tools for day-to-day work and career growth.

Hiring top talent is essential for the continued growth of Pandora, and in 2022 we launched a new employer brand, Craft the Incredible, to attract great talent. We also built a strong global recruitment team, opened a global Digital Hub in London and moved our North American headquarters to New York City to access an even larger talent pool.

Read more about our people efforts on page 25.

[1] Watchwire 2021.
[2] McKinsey 2022.

PEOPLE AND SUSTAINABILITY

8.3
Leadership Effectiveness Score

86%
Inclusion Score

58
Employee Net Promoter Score

Creating strong results starts with our people and is founded on responsible business practices. That is why Pandora nurtures its people and drives a strong sustainability agenda.

Innovative and agile organisation

Pandora operates and is organised to combine art and innovation in a way that delivers strong results. Cross-functional teams are responsible for developing and marketing our products using consumer insights and data. Closely aligned with the business, our supply organisation boosts speed and agility when delivering to customers. We have two powerful digital hubs in London and Copenhagen to accelerate and strengthen our digital journey.

To bring leadership closer to customers and ensure strong execution, we have designed a flat organisation and have created direct connections between our nine clusters and our Global Office.

World-class talent

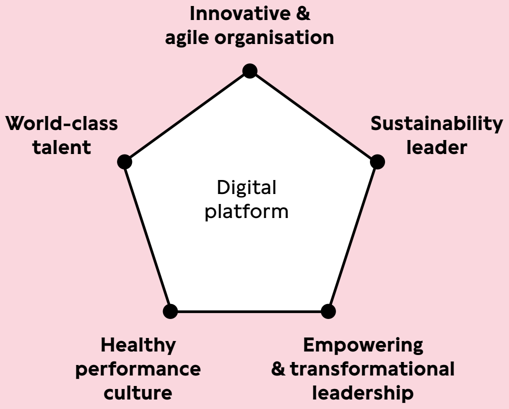
Pandora is a global workplace with more than 32,000 employees representing more than 125 nationalities and spanning disciplines such as crafting, distribution, retail and office.

Attracting top external talent is imperative to supporting Pandora's growth agenda, and during 2022 we worked to achieve ambitious recruitment goals in a highly dynamic employment market.

In August, our new employer brand, Craft the Incredible, came to life to express what it means to work at Pandora and to attract external talent to our teams around the world.

Five integrated people and sustainability priorities as part of Phoenix

Leveraging synergies across a combined people and sustainability agenda, our work is focused on five key areas underpinned by an advanced digital platform.



We are guided by four values:

We Dream
We Dare
We Care
We Deliver

CRAFT THE Incredible

Through activating this campaign, Pandora has been able to attract highly skilled talent from leading brands and across other industries. Our new employer brand was integral to attracting around 1,100 office colleagues in 2022 and the hiring of more than 4,500 retail colleagues for our peak trading period in the fourth quarter.

Healthy performance culture

Pandora's purpose, We give a voice to people's loves, paired with our four core values – We Care, We Dream, We Dare, and We Deliver – set a shared direction for our work. Business results are important, but just as important is how we get there. And part of this is building a workplace where employees thrive and feel compelled to recommend it to others.
For example, we have set an Employee Net Promoter Score (eNPS), a measure of employee sentiment and engagement, as a core indicator for the company. In 2022, the eNPS was 58, an increase of 20 compared to 2021, and in the top 5% of Pandora's benchmark in the consumer sector.

Building an amazing company where we can achieve incredible things also means nurturing a culture where we can be ourselves. Twice yearly, employees are asked to provide feedback on their inclusion and diversity experience at Pandora. In 2022, Pandora had an inclusion score of 86%, in the top quartile of Pandora's benchmark in the consumer sector. We believe that inclusion, diversity and fairness are core tenets of a responsible growing business, and they are key in our strategic sustainability priorities.

Empowering and transformational leadership

Driving transformational and courageous leadership that can inspire and empower colleagues is a top priority. In 2022, employees scored Leadership Effectiveness at 8.3, which is a significant increase compared to 7.9 in 2021. This has led to an increase in employee engagement overall. In line with our diversity and inclusion target, we increased the ratio of women in the Leadership Team from 23% in 2021 to 29% in 2022. A good improvement, which underlines our commitment to make Pandora an even more equitable and fair workplace.

3,900

leaders to enrol in our Global Leadership Programme, Pandora RISE, over the coming two years

>350

top leaders have been trained on our talent approach

To heighten and globalise our leadership standards, we launched our first global leadership development programme, RISE, in 2022. Pandora RISE guides and inspires people leaders on how to develop, coach and enable performance for their team members. It is important that leaders at Pandora feel empowered to create the best conditions for our employees and enable the realisation of the Phoenix strategy. The programme will be rolled out to 3,900 leaders over the next two years. In addition, more than 350 top leaders are continually trained on our talent approach to ensure solid leadership growth and succession for the years to come.

Our efforts to create a world-class workplace are underpinned by continuous investments in a global digital infrastructure that supports and empowers our employees. In 2022, we rolled out several new components in the areas of learning, performance management and recruitment, with more to follow in 2023. With investments made in 2022, we will fully digitise our core people processes and start wider utilisation of data through our enhanced analytics capabilities. Our digital platform serves as our foundation to deliver on each of our people and sustainability priorities.

Sustainability Report 2022

Read more about Pandora's reporting to the Task Force on Climate-Related Financial Disclosures and EU taxonomy disclosures in our Sustainability Report 2022.

Sustainability leader

As the global leader in affordable jewellery, we believe that we have a responsibility to rethink how jewellery is designed and produced with the planet and its people in mind. Therefore, sustainability is one of five foundational elements of Pandora's Phoenix strategy, contributing to long-term growth ambitions and aligning actions with values. Placing sustainability at the core of our business is a natural path for us to take as a responsible global brand and a means of future-proofing our company.

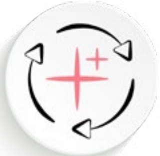
Our sustainability strategy has three priorities: low-carbon business, circular innovation and inclusive, diverse and fair culture. We have set long-term targets and developed detailed roadmaps for each of these priorities. Read more about our sustainability targets on the following page.

Additionally, our sustainability strategy is a commitment to responsible business operations and adhering to local regulation and international guidelines.

To deliver on our ambition and targets, in 2022 we continued to expand the number of people dedicated to this work with teams at our Global Office in Denmark, in our crafting and supply activities in Thailand and in other strategic locations. We are proud that our efforts are noted, and in 2022 we were one of a small number of global companies to achieve an 'A' score from the leading climate organisation, CDP, for our climate action.

Our sustainability priorities

LOW-CARBON BUSINESS



CIRCULAR INNOVATION

INCLUSIVE, DIVERSE AND FAIR CULTURE

Achieved progress against target
Increase in emissions compared to baseline
Yet to be achieved

OUR SUSTAINABILITY TARGETS		PROGRESS AND STATUS		OUR NEXT STEPS	UN SDGs[3]

LOW-CARBON BUSINESS

→ **BY 2030** – Reduce total greenhouse gas emissions by 50% from a 2019 baseline (Scopes 1, 2 and 3) by:

- Reducing emissions in own operations by at least 90% to become carbon neutral (Scopes 1 and 2 market-based).
- Reducing value chain emissions by 42% (Scope 3).

→ **BY 2040** – Achieve net zero emissions.

SCOPES 1, 2 AND 3

We have decreased our total greenhouse gas emissions by 6% compared to our 2019 baseline.

SCOPES 1 AND 2 (tonnes CO_2e)

In 2022, we reduced emissions from own operations by 27% compared to 2021. This was achieved primarily through the purchase of Renewable Energy Certificates to cover most of our owned and operated stores and offices in Europe and 100% of electricity consumption at our crafting facilities in Thailand.

- Scopes 1 and 2: We will continue the geographic roll-out of purchasing Renewable Energy Certificates to cover more markets in the short term, while also exploring other opportunities to source renewable energy (for example, Power Purchase Agreements).

SCOPE 3 (tonnes CO_2e)

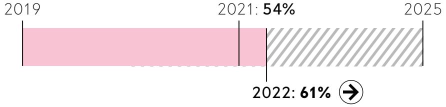
In 2022, our Scope 3 emissions increased by 4% since 2021, largely due to a higher level of purchased goods and services. We saw reductions in other areas thanks to increased supplier-specific data. The overall Scope 3 increase was expected and reductions will materialise in the coming years.

- Scope 3: In 2023 and beyond, we will continue the development and implementation of our supplier engagement programme and scale our outreach to suppliers on collection of carbon footprint data and dialogue on carbon reduction initiatives.

CIRCULAR INNOVATION

→ **BY 2025** – Use only recycled silver and gold in the crafting of our jewellery.

RECYCLED SILVER AND GOLD



The share of recycled silver and gold purchased in 2022 was 61%. Over the course of 2022, we transitioned procured silver and gold for in-house production to recycled sources, and we completed third-party audits for most of our component suppliers and contract manufacturers to strengthen end-to-end traceability.

- In 2023, we will focus on transitioning our component and contract manufacturers and suppliers to recycled sources, expanding our options for recycled sources, and begin phasing out any non-recycled stock in our inventory.

INCLUSIVE, DIVERSE AND FAIR CULTURE

→ **BY 2025** – Create an inclusive workplace and increase the share of underrepresented groups.

→ **BY 2030** – Achieve full gender parity[1], reaching 1/3 women in leadership by 2025.

→ **BY 2025** – Reflect societal diversity in our customer engagement.

INCLUSION

–[2]	86%	85%
2021	2022	2025

We achieved an inclusion score of 86% in our latest employee survey. The resulting score ranks us in the top quartile within our global benchmark, and has us on track for our 85% target by 2025.

WOMEN IN LEADERSHIP

23%	29%	33%	50%
2021	2022	2025	2030

We made good progress in 2022 by improving gender parity in leadership by 6 percentage points to 29%.

- We have achieved our inclusion score target, so our focus will be on maintaining and improving our score. For example, we are analysing survey data to have a better understanding of how we can best support underrepresented groups.
- We have developed and designed an additional learning module to address the importance of inclusive leadership. We are working to integrate the module as part of our global leadership programme, Pandora RISE.
- We will be reviewing inclusion within our recruitment process and succession planning to ensure a sustainable approach towards achieving gender parity.
- We will continue to build guidelines and reporting systems to track progress on our customer engagement targets.

[1] Gender parity in leadership refers to an equal number (50/50) of men and women in leadership positions from Vice President and up (including the Board) with a +/- 5 percentage points variation.
[2] We use '-' to indicate that data for the data point has not previously been disclosed.
[3] Read more to our commitment and targets to the United Nations' Sustainable Development Goals in our Sustainability Report 2022.

MANAGING RISKS

At Pandora, we carefully monitor and assess potential risks to the company on an ongoing basis.

Our approach to risk management

Our enterprise risk management is focused on early identification and assessment of risks followed by mitigating actions to protect the business. We see a well-functioning risk management process as key to maintaining and building Pandora's position as the world's largest jewellery brand.

Pandora's Chief Financial Officer heads up the company's Risk Management Board, which consists of senior management representatives from across our value chain. All areas of our business report their most significant risks to the Global Insurance & Risk Office, along with assessments of those risks and an overview of implemented mitigations and next milestones. To read more about our enterprise risk management efforts, please visit pandoragroup.com.

Our key risks

The Board of Directors reviews and discusses key risks that could threaten our business model or the future performance, solvency or liquidity of Pandora. Key risks and our responses are further described on the following pages.

The key risks do not represent all the risks associated with our business. Other risks not presently identified or ones currently deemed to be less material may also have an adverse effect on our business.

AREA	DESCRIPTION	RISK	MITIGATION
Brand and product relevance	As a large, global brand, the strength and integrity of our brand is a fundamental asset. It is important that our product offerings remain relevant to our customers.	A lack of brand or product relevance or a severe break of good business practices constitute a significant business risk that could result in lower traffic to our stores and online shopping sites and reduce revenue.	• Create consumer-centric innovation, fuelled by consumer insights and rigorous testing • Build brand awareness and desirability through competitive media investments • Strengthen capabilities within data analytics and technology • Deliver 360-degree brand experience across all consumer touchpoints online and offline • Continue monitoring trademarks and patents and fighting infringements • Continue Code of Conduct training in support of good business behaviour.
Brand access	We sell our products globally and rely on a strong channel network and solid insights to engage with consumers in their preferred marketplace. A personalised and unique shopping experience is important for developing customer loyalty.	Not being able to engage consumers and provide them with a relevant omnichannel shopping experience can result in a decline in revenue.	• Engage store associates by continuing to develop the selling ceremony and offer relevant training programmes • Strengthen focus on personalisation of shopping experiences across channels • Invest in improving digital and omnichannel customer experiences • Continuously optimise the store network by relocating, opening and closing stores.
Global business disruptions	As a consumer brand with a fully integrated value chain, we depend on a fully operational supply chain and unhindered access to our sales channels.	Global disruptive events such as pandemics, lockdowns, extreme climatic events, geopolitical or social unrest can result in both lower revenue and higher costs through changing consumer behaviour, temporary store and crafting facility closures, labour shortages and supply chain disruptions.	• Expansion of online distribution capacity • Geographical and channel diversification • Global Crisis Management team and increased focus on business continuity • Ongoing review of supply chain - see mitigating actions under "Supply chain disruptions" below.

AREA	DESCRIPTION	RISK	MITIGATION
Supply chain disruptions	Pandora operates a fully integrated value chain and most production is in-house. Procurement of raw materials and the ability to produce and distribute finished products are critical for meeting customer demand.	Breakdowns, political unrest, fire, natural catastrophes etc. at Pandora's or key suppliers' sites may result in disruption of our supply chain and have a significant impact on our financial performance. Having crafting facilities located exclusively in Thailand elevates the risk of supply disruption.	• Dual sourcing where feasible • Buffers of production components and finished goods • Crafting at two separate locations in Thailand • A new crafting facility in Vietnam • Engagement of external manufacturers to provide flexibility • Optimised B2B and B2C distribution capacity.
IT security breaches	Reliable IT systems and infrastructure are critical to the company's ability to operate effectively. We also have a duty to safeguard the data of our customers, partners and employees as well as our own data.	Breaches of IT security, for example caused by malware attacks, could have a severe impact on Pandora's ability to maintain operations for a period of time and, hence, its financial performance. The disclosure of confidential information could compromise the privacy of customers or other individuals.	• Comprehensive Cyber Security Programme to upgrade existing capabilities and regularly report progress to the Board of Directors and the Executive Leadership Team • Ongoing security monitoring supported by incident response teams • Third-party vulnerability and security maturity assessments • Cyber and information security awareness training and phishing tests for all business areas • Specialised training for high-risk teams, including the Executive Leadership Team • Data Ethics Policy established and Privacy Board operational.
Breakdown of IT systems	Operating a global company with a fully integrated value chain is dependent on stable and efficient IT systems.	Pandora operates a number of legacy IT systems, including ERP. If Pandora were to fail or otherwise be unable to upgrade its IT systems in a timely, precise and efficient manner, this could have a negative effect on Pandora's operations and financial results. Furthermore, a lack of interoperability and an obsolescence of core IT systems could have consequences in terms of operational efficiency and business continuity.	• Investment in technology upgrades, including an ongoing upgrade of the ERP platform • Cross-functional alignment and project groups to ensure timely implementation of technology upgrades • Ongoing standardisation and consolidation of IT systems across geographies • Increased focus on business continuity plans.
Talent attraction and succession	Pandora needs highly talented and capable people across all key functions and markets to drive growth and sustainable performance and enable us to deliver on our strategy.	Failure to attract, develop and retain the right talent as well as maintaining a strong succession pipeline for leadership and critical roles could be a risk to delivery of our strategy.	• Frequent employee advocacy surveys to measure employee engagement and leadership effectiveness to facilitate retention • Chief Talent Officer Programme to get to know our talent, develop them for future roles and build succession depth • Launch of Global Leadership Programme (Pandora RISE) • Enhanced focus on employer branding with the targeted Employee Value Proposition, Craft the Incredible • Inclusion & Diversity goals as part of our strategic priorities linked to the Long-term Incentive programme for senior leaders.
Responsible business behaviour	Pandora has a reputation for responsible business behaviour. This reputation benefits the company in several ways, from attracting new employees to meeting consumer expectations.	If Pandora violates legislation, disregards principles of good corporate citizenship or fails to adhere to social or environmental standards, it could damage our brand reputation.	• Mandatory ethics and compliance training • Upgraded external access to our whistleblowing hotline • Responsible Supplier Programme, including training and vendor audits • Environmental, social and governance reporting to ensure transparent and credible disclosure • Commitment to ambitious climate targets and other sustainability initiatives • A tax strategy aimed at paying fair taxes in all markets where Pandora operates.

AREA	DESCRIPTION	RISK	MITIGATION
Macroeconomic development	As a global jewellery brand, Pandora operates in a discretionary consumer spending category and is exposed to a weak macroeconomic environment and general changes in consumer behaviour.	Adverse macroeconomic conditions and general changes in consumer behaviour may result in lower demand for our products and impact our revenue.	• Continuous monitoring of the macroeconomic landscape • Continuous monitoring of consumer behaviour and trends • Pursuing flexibility in cost base, including frequent break options in store leases • Continued pursuit of cost savings, including preemptive measures already implemented in late 2022 • Geographical diversification of revenue streams • Stressing our affordable price positioning • Option of "buy now, pay later" payment models.
Market fluctuations	Our products are made of precious metals, mainly silver and gold. As a global business, Pandora has significant revenue in USD, USD-related currencies and GBP. Our crafting facilities are based in Thailand and consequently we have significant net cost in THB.	Pandora is exposed to a weakening of the USD, USD-related currencies and GBP and a strengthening of the THB and precious metal prices. Currency fluctuations and increases in the price of precious metals can have a significant impact on the company's financial performance and cash flows.	• Hedging at least 50% of the combined annual commodity, exchange rate and interest rate risk. However, at least 70% of the annual commodity exposure must be hedged • Ongoing review of sales prices.

Facing up to environmental risks

We understand the need to prepare for the risks that will arise from changing weather patterns, rising sea levels and other climate impacts. In 2022, we carried out a climate change scenario analysis as recommended by the Task Force on Climate-Related Financial Disclosures. In 2023, we will consider relevant mitigation actions.

Read more in our Sustainability Report 2022.

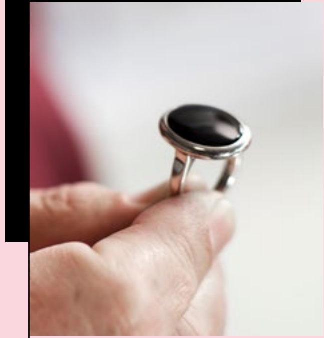
STORY

40 YEARS OF PANDORA JEWELLERY

In 2022, Pandora celebrated its 40th anniversary. An exceptional journey from a small shop in Copenhagen to the world's largest jewellery brand.

1982

Pandora is founded as a small goldsmith shop called Populair Smykker in Copenhagen, Denmark.



1989

Pandora starts crafting jewellery in Thailand, where Per Enevoldsen holds the very first ring crafted.

2000

Pandora's signature charm bracelet concept is launched and Pandora gets its name. Ten of the original charms are still part of our collection today.

2005

Pandora's first fully-owned crafting facility opens in Bangkok.

2006

The first Pandora concept store opens its doors in Hamburg, Germany.

2010

Pandora is listed on the Nasdaq Copenhagen stock exchange.

2014

Pandora enters a ten-year strategic alliance with The Walt Disney Company.

2017

Our state-of-the-art, resource-efficient, LEED Gold-certified crafting facility opens in Lamphun in Northern Thailand.

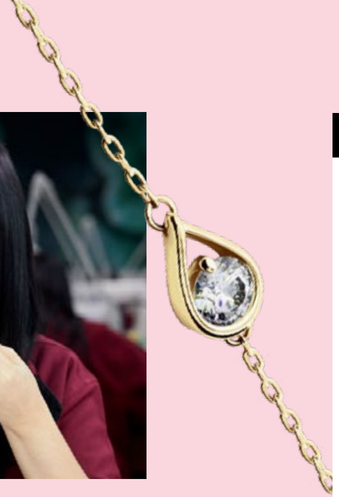
2019

Pandora enters long-term partnership with UNICEF.

PANDORA for unicef

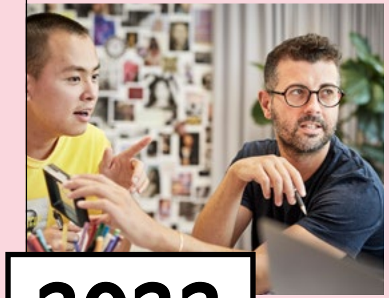
2020

Our crafting facilities run on 100% renewable energy and we set the ambition to become carbon neutral in our own operations by 2025.



2021

We introduce jewellery with lab-created diamonds to reach new customers and deliver on our sustainability commitments.



2022

Pandora reaches record-high revenue and employs more than 32,000 people worldwide.

STORY CONTINUES

It all began in 1982. Per Enevoldsen and his wife Winnie Liljeborg opened a small goldsmith's shop on the Danish shopping street Nørrebrogade to sell jewellery under the name Populair Smykker, Danish for "popular jewellery". The first product was a ring crafted from solid sterling silver.

Per and Winnie soon expanded into a wholesale business and started sourcing its jewellery from Thailand, a country well-known for its craftsmanship tradition. In 1989, they established their own crafting facility in Bangkok, which allowed them to scale up production while keeping quality high and prices affordable, paving the way for our future success.

An icon that changed jewellery

In 2000, Populair Smykker changed its name to Pandora and launched the iconic charm bracelet that sparked our international breakthrough. Pandora Moments invited customers to collect and combine charms on a bracelet to create their own unique piece of jewellery that would express their individuality and celebrate personal milestones. The business grew quickly and expanded beyond Denmark's borders into important new markets, including the US and Canada in 2003 and Australia and Germany in 2004.

In 2022 alone, around 65 million charms were crafted, that is six million more charms than in 2021.

A truly global jewellery brand

Having become the world's largest jewellery brand, Pandora today offers a wide selection of jewellery collections crafted with a commitment to having the lowest possible impact on the environment, people and communities. We sell products in more than 100 countries through 6,500 physical and online stores, as well as social media and other platforms.

CORPORATE GOVERNANCE

>900

Pandora's Global Office at Havneholmen in Copenhagen employs more than 900 people.

CORPORATE GOVERNANCE

Leadership structure

Corporate authority is divided between the Board of Directors (the Board) and Executive Management. The Board outlines the overall vision, strategy and objectives of Pandora's business activities and supervises the performance of Executive Management.

The Board has established Audit, Remuneration and Nomination Committees, and members and Chairs to these committees are appointed from within the Board. The committees' terms of reference are available at pandoragroup.com.

Members of Executive Management are appointed by the Board. Executive Management is responsible for the day-to-day management and for the execution of Pandora's strategy.

In addition, the Group has an Executive Leadership Team. The team members are responsible for the day-to-day operations of their respective business areas and also serve as a part of Pandora's overall leadership.

Board of Directors

Composition

The Board currently has seven members, all of whom were elected at the Annual General Meeting for a term of one year. With the exception of Christian Frigast, all Board members are independent in the context of the Danish Recommendations on Corporate Governance. At the time of his reelection to the Board in March 2022, Christian Frigast could still be considered as independent. However, since August 2022 Christian Frigast has been a member of the Board for more than 12 years and can no longer be regarded as an independent Board member in the context of the Danish Recommendations on Corporate Governance.

The composition of the Board is intended to ensure complementary competencies and diversity to effectively support Pandora's strategy and ensure that all decisions are well considered.

Our governance structure

The Board supervises Executive Management's work and is responsible for Pandora's general and strategic direction.

Annual General Meeting

↑

Board of Directors

↑

Executive Management

↑

Executive Leadership Team

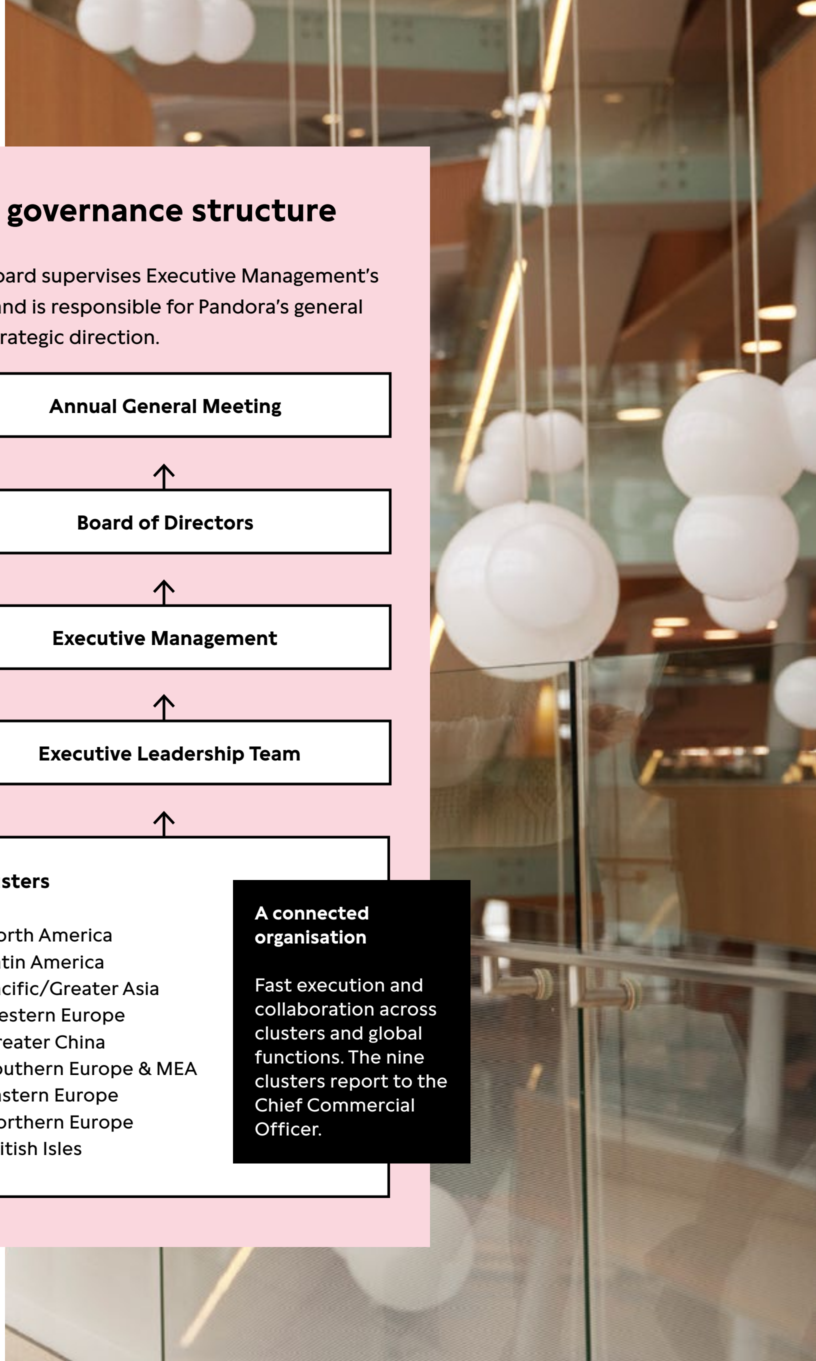
↑

Clusters

- North America
- Latin America
- Pacific/Greater Asia
- Western Europe
- Greater China
- Southern Europe & MEA
- Eastern Europe
- Northern Europe
- British Isles

A connected organisation

Fast execution and collaboration across clusters and global functions. The nine clusters report to the Chief Commercial Officer.



MEETINGS IN 2022

9 Board of Directors

6 Audit Committe

5 Remuneration Committee

3 Nomination Committee

Board evaluation

Each year, the Board conducts an internal self-evaluation focusing on the effectiveness and skills of the Board. The ideal mix of skills and experience required of Board members includes:

- Board experience
- Sectoral experience
- Sustainability
- Marketing and brand
- Executive management
- Digitalisation
- Retail
- Finance

An external assessment of the Board's skills and effectiveness is conducted every three years to ensure objectivity and benchmarking.

In 2022, an internal Board effectiveness self-evaluation was conducted across seven areas: value creation and strategy, Board agenda and meetings (including committees), talent and culture, Board composition, Board members' contributions, Chair's effectiveness, and reporting/risk management. The conclusions are shared with the Chair, the Board members and Executive Management, followed by a thorough discussion.

The assessment of the last self-evaluation held in 2022 identified that the Board continues to consist of individuals who possess relevant skills and experience, and are engaged and well-prepared. The Board structure and committee work are effective and well-functioning, including interactions with Executive Management.

Board activities in 2022

The Board held nine meetings in 2022. Its primary focus was to oversee the executional progress of Pandora's Phoenix strategy following its announcement at Pandora's Capital Markets Day on 14 September 2021. Furthermore, the Board spent time on sustainability and compliance matters as well as risk management.

Audit Committee

The Audit Committee currently has four members, appointed for a one-year term. The Audit Committee's responsibilities include assisting the Board in monitoring the effectiveness of the internal control and risk management systems and reviewing Pandora's financial reporting and audit process. The Audit Committee conducts its work according to its Terms of Reference.

In 2022, the Audit Committee met six times. Its main activities were to:

- review key accounting principles, significant accounting estimates, key financial risks and compliance with tax regulations;
- monitor the external financial reporting process;
- monitor the effectiveness of Pandora's internal control and risk management systems, including internal audit;
- monitor the external auditors and their independence;
- review Pandora's whistleblowing reporting system and whistleblowing cases;
- review Pandora's treasury policy;
- review Pandora's tax policy.

Independent auditor

Pandora's independent auditors are appointed for a term of one year at the Annual General Meeting following a proposal from the Board, which is based on a recommendation from the Audit Committee. The framework for the auditors' duties, including their remuneration, audit and non-audit services, is agreed annually between the Board and the auditors following the recommendation of the Audit Committee.

BOARD MEMBERS	Board meetings attended
Peter A. Ruzicka[1]	● ● ● ● ● ● ● ● ●
Christian Frigast[2]	● ● ● ● ● ● ● ● ●
Heine Dalsgaard	● ○ ● ● ● ● ● ● ○
Birgitta Stymne Göransson	○ ● ● ● ● ● ● ● ●
Marianne Kirkegaard	● ● ● ● ● ● ● ● ●
Catherine Spindler	○ ● ● ● ● ○ ● ● ●
Jan Zijderveld	● ● ● ● ● ● ● ● ●

[1] Chair [2] Deputy Chair

● Meeting attended ○ Meeting not attended

AUDIT COMMITTEE	Committee meetings attended
Heine Dalsgaard[1]	● ● ● ● ● ●
Birgitta Stymne Göransson	● ● ● ● ● ●
Catherine Spindler	● ○ ● ○ ● ○
Jan Zijderveld	● ● ● ●

[1] Chair

● Meeting attended ○ Meeting not attended

REMUNERATION COMMITTEE	Committee meetings attended
Peter A. Ruzicka[1]	●●●●●
Christian Frigast	●●●●●
Jan Zijderveld	●●●●●

[1] Chair

● Meeting attended

NOMINATION COMMITTEE	Committee meetings attended
Christian Frigast[1]	●●●
Birgitta Stymne Göransson	●●●
Marianne Kirkegaard	●●●
Peter A. Ruzicka	●●●

[1] Chair

● Meeting attended

Remuneration Committee

The Remuneration Committee currently has three members, appointed for a one-year term. The Remuneration Committee assists the Board in ensuring that Pandora's remuneration policies strike an appropriate balance between the interests of Pandora's shareholders and a rewarding and motivating remuneration of Executive Management and senior employees.

In 2022, the Remuneration Committee met five times. Its main activities are described in the Remuneration Report available at our website: pandoragroup.com/investor/corporate-governance/remuneration-reports.

Nomination Committee

The Nomination Committee currently has four members, appointed for a one-year term. The Nomination Committee works according to its Terms of Reference and its main responsibilities are assessment and evaluation of the Board and Executive Management, including performance, skills and experience, and nomination of candidates to the Board and Executive Management. Further, the committee monitors talent and succession policy and ensures compliance when making Board, Executive Management and Executive Leadership Team appointments. Finally, it deals with succession planning for Executive Management positions and reviews as well as monitors diversity policy to ensure compliance.

In 2022, the Nomination Committee met three times and had a few additional ad hoc exchanges relating to the Board's self-evaluation. Its main activities were to:

- prepare and conduct the Board assessment in accordance with the Danish Corporate Governance Recommendations;
- review cultural enablers that have driven colleague engagement, including our Employee Value Proposition and Leadership development;
- assess performance of Executive Management and the co-operation between the Board and Executive Management;
- review succession planning for Executive Management roles.

Additional information

The Corporate Governance Statement for 2022, cf. section 107(b) of the Danish Financial Statements Act, is available at our website: pandoragroup.com/investor/corporate-governance/governance-statement.

Pandora's full sustainability disclosure, cf. section 99(a), 99(b) and 107(d) of the Danish Financial Statements Act, is available in our Sustainability Report 2022 at pandoragroup.com/sustainability/resources/sustainability-reports.

Pandora's Global Data Ethics Policy, cf. section 99(d) of the Danish Financial Statements Act, available at pandoragroup.com/investor/corporate-governance/data-ethics, is built on our care and respect for consumer and employee privacy. We apply equality and fairness in our processing of data, we respect the person behind the data, and we focus on sustainable data practices.

We also recognise the importance of Artificial Intelligence Safety. For this purpose, we have created a Global AI Safety Standard, which came into force on 1 August 2022. As a company we have committed to conduct business in full compliance with the principles for the safe use of AI as set out in the AI Safety Standard, and we will begin implementation of these principles in 2023.

See Pandora's Global Data Ethics Policy

The Audit Committee assists the Board in supervising the financial reporting process.

Internal control and risk management systems in relation to the financial reporting process

The Board and Executive Management are responsible for Pandora's internal control and risk management systems in relation to the financial reporting process.

Control environment

The Group's internal control framework identifies key processes, inherent risks and control procedures to reduce and mitigate financial risks and ensure reliable financial reporting.

The Audit Committee assists the Board in supervising the financial reporting process and monitoring the effectiveness of the internal control and risk management systems. Executive Management is responsible for maintaining and strengthening the overall control environment, identifying weaknesses and ensuring necessary steps are taken to mitigate financial risks through standardisation and process optimisation.

A central Internal Audit and Compliance Controlling (IACC) function has been established to help Pandora accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of internal control, compliance and governance processes. The head of the IACC function reports directly to Pandora's Corporate Finance function with a dotted reporting line to the Audit Committee Chair.

Risk assessment

The Board and Executive Management assess risks on an ongoing basis, including risks related to the financial reporting, and assess measures to manage, reduce or eliminate identified risks. The IACC function assists Pandora's Executive Management and the Audit Committee in identifying and monitoring financial risks in the financial reporting process.

The Audit Committee reviews selected high-risk areas on a frequent basis, including significant accounting estimates and material changes to accounting policies.

Control activities

The financial information reported by Pandora A/S and its subsidiaries follows a formalised and structured process and is controlled by local controllers with local market knowledge as well as the controlling function within Pandora Global Business Services and Corporate Finance. The Group controlling function is continuously trained in new accounting and reporting requirements and monitors compliance with relevant legislation on an ongoing basis.

The financial reporting process is dependent on the Group's IT systems. Any weaknesses in system controls and related risks to the financial reporting are mitigated by manual controls.

Each entity and Global Business Services assesses its control environment through a self-assessment of the effectiveness of the implemented controls. The IACC function evaluates the effectiveness of the Group's control environment on an ongoing basis and reports its findings to the Audit Committee.

Monitoring

Pandora's internal control procedures and risk management systems, including the whistleblowing function, are continuously monitored, tested and documented.

The Audit Committee monitors internal control and the risk management process to ensure that identified risks are mitigated.

In addition to monitoring of procedures and systems, financial risks are reviewed through audits performed by the IACC function.

Information and communication

Group entities are assigned dedicated controllers within Corporate Finance to ensure a direct line of communication. The Corporate Finance function reports to the Chief Financial Officer.

In addition, the IACC function is present at all Audit Committee meetings and provides regular status updates on the control environment. Furthermore, the head of IACC has regular meetings with the Chief FInancial Officer and meetings with the Audit Committee without the presence of the Leadership Team. This set-up ensures transparency and that communication is shared with the Audit Committee on a timely basis.

The Board has adopted an Investor Relations Policy that requires all communication to stakeholders, including financial reporting, to be conducted adequately, timely and openly – both internally and externally – and to be conducted factually and truthfully and in compliance with laws and applicable regulations.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board members' full CVs are available at pandoragroup.com.

Peter A. Ruzicka
Chair

Year of birth: 1964 **Member since:** 2019

Professional position:
Non-executive Board member.

Non-executive functions:
Chair of Royal Unibrew A/S and member of the Boards of Axfood AB, Aspelin Ramm Gruppen AS and AKA AS.

Skills and experience:
Vast operational experience with strategy execution and transformation as well as retail and brand optimisation at executive level. Furthermore, Peter A. Ruzicka contributes with experience from other Board positions and insight into capital markets.

Christian Frigast
Deputy Chair

Year of birth: 1951 **Member since:** 2010

Professional position:
Executive Chair of Axcel Management A/S.

Non-executive functions:
Chair of Aktive Ejere (Active Owners Denmark), EKF Danmarks Eksportkredit (Denmark's Export Credit Agency), Eksport Kredit Finansiering A/S and Danmarks Skibskredit Holding A/S and member of the Board of its subsidiary; Vice Chair of PostNord and Axcel Advisory Board; member of the Boards of Frigast A/S, Nissens A/S, Danmarks Eksport- og Investeringsfond and CBS Executive Fonden; adjunct professor at Copenhagen Business School.

Skills and experience:
Experience within areas such as general management, capital markets, consumer sales and retail execution.

Heine Dalsgaard

Year of birth: 1971 **Member since:** 2021

Professional position:
Chief Financial Officer of IVC Evidensia Ltd.

Non-executive functions:
Member of the Board of Novozymes A/S.

Skills and experience:
Experience within areas such as international financial and executive management from large corporate multinationals.

Birgitta Stymne Göransson

Year of birth: 1957 **Member since:** 2016

Professional position:
Non-executive Board member.

Non-executive functions:
Chair of Industrifonden and Min Doktor AB and member of the Boards of Asker AB, Elekta AB and Bure Equity AB.

Skills and experience:
Experience within areas such as consumer goods, retail execution, IT, digital, financial insights and capital markets.

Marianne Kirkegaard

Year of birth: 1968 **Member since:** 2020

Professional position:
Executive chairman in Baker & Baker UK Ltd.

Non-executive functions:
Member of the Boards of Faerch Group, Salling Group A/S, BioMar and AKK AB.

Skills and experience:
In-depth international insight into the consumer market, experience advancing the social sustainability agenda and experience of the complete value chain within large corporate multinationals.

Catherine Spindler

Year of birth: 1977 **Member since:** 2020

Professional position:
Deputy Chief Executive Officer of Lacoste.

Non-executive functions:
None.

Skills and experience:
Experience within international brand strategy, digital transformation and vast experience in beauty and cosmetics, high-growth pureplay digital environments and lifestyle apparel retail.

Jan Zijderveld

Year of birth: 1964 **Member since:** 2021

Professional position:
Non-executive Board member.

Non-executive functions:
Member of the Board of Ahold Delhaize N.V. and Senior Advisor to a number of private equity firms.

Skills and experience:
International consumer market insight, extensive experience advancing environmental and social sustainability, and exposure to the full value chain.

EXECUTIVE LEADERSHIP TEAM

EXECUTIVE LEADERSHIP TEAM

The Executive Leadership Team members' full CVs are available at pandoragroup.com.

Alexander Lacik

President & Chief Executive Officer (CEO)

Year of birth: 1965 **Member since:** 2019

Registered Executive Management.

Alexander Lacik has more than 30 years' experience from large global consumer goods companies. Before joining Pandora, he was Chief Executive Officer of Britax Ltd., a British manufacturer of childcare products. He has also held Chief Executive Officer and senior management positions at Kasthall Golv & Mattor, Procter & Gamble and Reckitt Benckiser, where he held a number of positions, including head of Reckitt Benckiser North America. He has a Bachelor's degree in Business Administration from the University of Växjö, Sweden.

Anders Boyer

Executive Vice President & Chief Financial Officer (CFO)

Year of birth: 1970 **Member since:** 2018

Registered Executive Management.

Anders Boyer has more than 20 years' experience in finance, business management and turnarounds. Prior to joining Pandora, Anders held positions as Chief Financial Officer at Hempel and GN Store Nord, and Finance Director and subsequently Regional Director of ISS. Anders started his career at A.P. Moller-Maersk, where he worked for ten years. He has an MSc in Finance and Accounting from Copenhagen Business School, Denmark.

Stephen Fairchild

Chief Product Officer

Member since: 2011

Mary Carmen Gasco-Buisson

Chief Marketing Officer

Member since: 2022

Martino Pessina

Chief Commercial Officer

Member since: 2020

Jeerasage Puranasamriddhi

Chief Supply Officer

Member since: 2020

Byron Clayton

Chief Human Resources Officer

Member since: 2023

David Walmsley

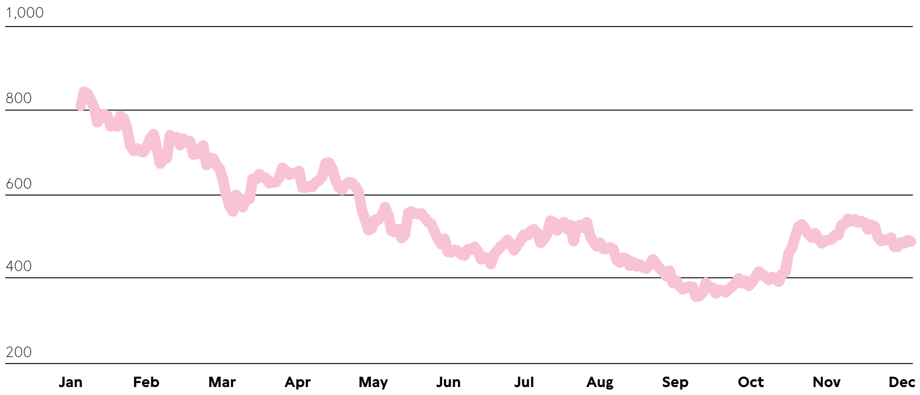
Chief Digital & Technology Officer

Member since: 2019

SHAREHOLDER INFORMATION

Pandora shares have been listed on the Nasdaq Copenhagen stock exchange since 2010. Pandora is included in the blue chip OMX C25 index and has around 36,000 registered shareholders.

SHARE PRICE DEVELOPMENT 2022
DKK



In 2022, reflecting macroeconomic concerns, the Pandora share price decreased by 40% and ended the year with a closing price of DKK 488. The active capital allocation policy meant that Pandora returned DKK 5.1 billion through cash distributions to shareholders in the calendar year, totalling 11% of the total market capitalisation as of 31 December 2022.

The liquidity in the Pandora share remains strong with a free float of 100% of total shares outstanding and around 86 million shares traded in 2022, corresponding to 89% of shares outstanding.

In addition to being listed in Copenhagen, Pandora has a sponsored level 1 American Depository Receipt (ADR) programme. The ADRs are traded in the US over-the-counter under the symbol PANDY. Further information regarding the ADR programme can be found on our website: pandoragroup.com.

Capital structure and cash allocation

Pandora's capital structure serves to ensure that the company has sufficient financial flexibility to pursue its strategic goals and preserve a stable financial structure based on a strong balance sheet.

Pandora's capital structure policy is to maintain NIBD to EBITDA between 0.5x and 1.5x. At the end of 2022, Pandora's leverage ratio was only 0.8x NIBD to EBITDA and thus at the low end of the capital structure policy range. The increased leverage of 0.4x versus 2021 primarily reflected significant cash distributions to the shareholders and increased inventories and higher CAPEX through the year.

Proposed distributions

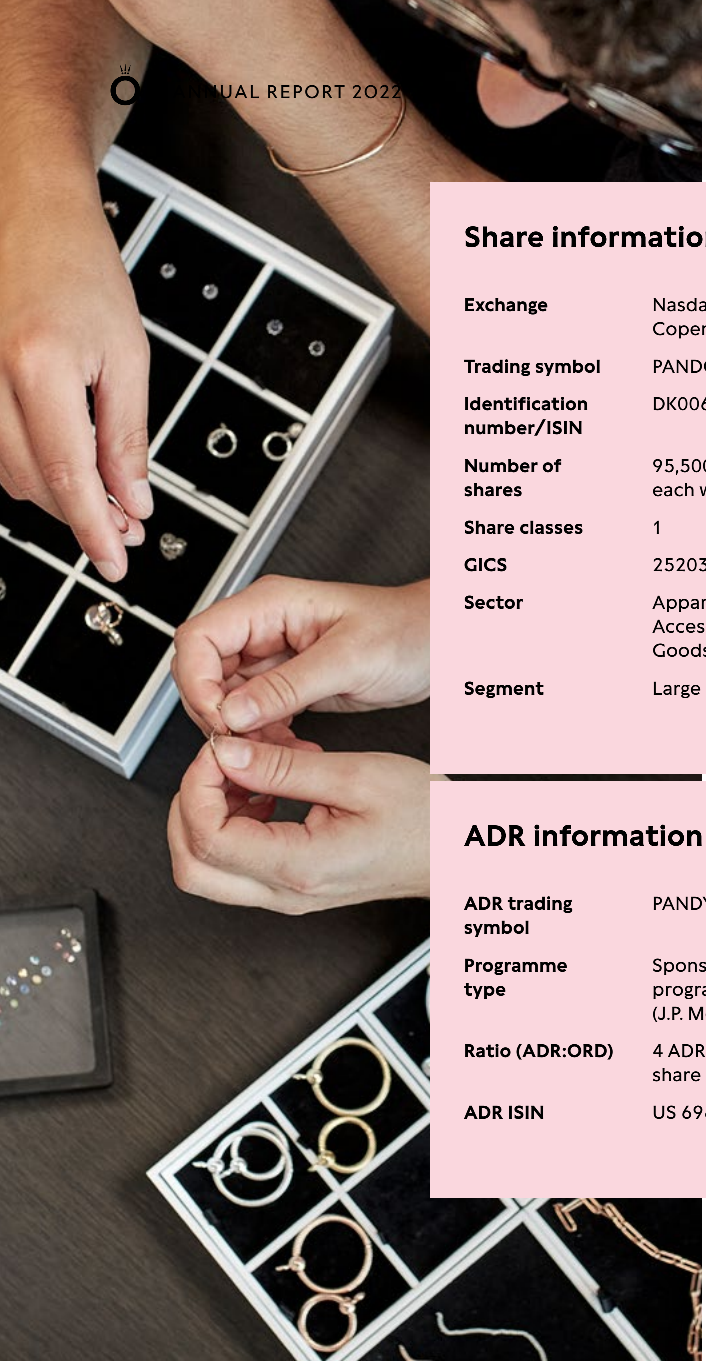
Pandora continues to be highly cash-generative and has ample liquidity to continue cash distribution to shareholders. For 2023, the Board proposes a dividend of DKK 16 per share and a new share buyback of DKK 2.4 billion until 30 June 2023 with an intention to go up to DKK 5.0 billion over the course of the next 12 months, assuming no material deterioration in the macroeconomic climate. The total cash distribution of DKK 6.4 billion will be the highest in Pandora's history. The Board already has the authority to initiate a share buyback at any point in time.

Review of 2022 share buyback and dividends

In 2022, Pandora paid out an ordinary dividend of DKK 16 per share. The total amount paid was around DKK 1.5 billion.

ANNUAL DISTRIBUTIONS DKK billion	FY 2023 Proposed	FY 2022 Actual	FY 2021 Actual	FY 2020 Actual	FY 2019 Actual
Dividend (ordinary + interim)	1.4	1.5	1.5	0.8	1.8
Nominal dividend per share, DKK	16.0	16.0	15.0	9.0	18.0
Share buyback programme	5.0[1]	3.6	3.3	-	2.2
Total cash return	6.4	5.1	4.8	0.8	4.0

[1] Includes DKK 0.4 billion from already announced share buyback running until February 2023 and DKK 4.6 billion of new share buyback (with an intention to go up to DKK 5.0 billion) expected to be paid out in 2023 calendar year, assuming no material deterioration in the macroeconomic climate.



Share information

Exchange	Nasdaq Copenhagen
Trading symbol	PANDORA
Identification number/ISIN	DK0060252690
Number of shares	95,500,000 of DKK 1, each with one vote
Share classes	1
GICS	25203010
Sector	Apparel, Accessories & Luxury Goods
Segment	Large

ADR information

ADR trading symbol	PANDY
Programme type	Sponsored level 1 programme (J.P. Morgan)
Ratio (ADR:ORD)	4 ADRs : 1 ordinary share (4:1)
ADR ISIN	US 698 341 2031

In addition, Pandora repurchased shares at a total price of DKK 3.6 billion in 2022, including DKK 0.7 billion from the previous buyback programme finalised on 4 February 2022.

Shareholders

As of 31 December 2022, Pandora had two major shareholders. Parvus Asset Management[1] has disclosed holding rights to shares corresponding to 5.4% of the total outstanding voting rights, and Blackrock[2] has disclosed holding rights to shares corresponding to 8.6%.

As of 31 December 2022, the geographical split of institutional investors was (% of share capital):

- UK 34%
- US 23%
- Denmark 13%

As of 31 December 2022, Pandora's Board of Directors and Executive Management held a total of 95,616 and 280,098 Pandora shares respectively, corresponding to 0.39% of the total share capital.

Investor Relations

The Executive Management is responsible for the existence of an Investor Relations function, which is responsible for ensuring compliance with Pandora's Investor Relations Policy. Investor Relations 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 capital markets to serve as a basis for regular trading and a fair pricing of the share. Prior to the announcement of interim and annual reports, a four-week silent period is in place. In addition, members of the Board of Directors and Executive Management are only allowed to trade shares in a four-week trading window following the announcement of interim and annual reports. Pandora will ensure that the company is perceived as visible, accessible, reliable and professional by the capital 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 OMX as well as Pandora's internal policies.

[1] Parvus Asset Management Europe Limited, London, UK.
[2] BlackRock, Inc., Wilmington, Delaware, US.

Company website

Our website (pandoragroup.com) provides comprehensive information about the company, its activities, share performance and shareholders. Additionally, all company announcements, including interim and annual reports, as well as investor presentations, webcasts and conference call transcripts are made available on the website in due time. Furthermore, the website contains a constantly updated financial and event calendar showing events and activities related to investors. A comprehensive list of the 23 analysts covering the Pandora share is maintained, including names, institutions and contact details.

Financial calendar 2023

08 Feb	Annual Report 2022
08 Feb	Sustainability Report 2022
16 Mar	Annual General Meeting
03 May	Interim Report Q1 2023
15 Aug	Interim Report Q2 2023
05 Oct	Capital Markets Day
08 Nov	Interim Report Q3 2023

FINANCIAL REVIEW

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net concept stores opened in 2022. The store openings were mainly in the US and China and are part of our ambition to increase our overall footprint in these markets, closely linked to our Phoenix strategy.

GROUP PERFORMANCE

2022 was yet another record-breaking year for Pandora as revenue reached an all-time high. Pandora slightly exceeded the financial guidance on organic growth and reached the high end of the financial guidance on EBIT margin. This was despite an increasingly challenging macroeconomic backdrop throughout the year, COVID-19 restrictions in China and the impact from a high comparative base in the US owing to government stimulus cheques in 2021.

In the second year of the Phoenix growth strategy, organic growth was 7% compared to 2021 and 17% compared to 2019. Growth was driven by continued strong brand momentum across major markets. Brand-specific investments in digital, commercial and personalised marketing over the past three years have been paying off whilst the launch of new platforms, such as Diamonds by Pandora, has been well received.

REVENUE BY KEY MARKET, YTD DKK million	2022	2021	Sell out growth (like-for-like)	Organic growth	Share of revenue FY 2022	Share of revenue FY 2021
US	7,907	7,026	-7%	-3%	30%	30%
China	737	1,126	-47%	-39%	3%	5%
UK	3,802	3,314	10%	15%	14%	14%
Italy	2,580	2,443	5%	6%	10%	10%
Australia	1,271	1,131	6%	9%	5%	5%
France	1,190	1,122	4%	6%	4%	5%
Germany	1,307	1,191	18%	10%	5%	5%
Total top-7 markets	**18,795**	**17,353**	**-2%**	**1%**	**71%**	**74%**
Rest of Pandora	7,669	6,041	21%	23%	29%	26%
Total revenue	**26,463**	**23,394**	**4%**	**7%**	**100%**	**100%**

Good momentum across most key markets

Pandora delivered strong performance in most of its key markets. The UK, our second-largest market, delivered strong sell-out growth of 10% compared to 2021, driven by strong demand for the Pandora Moments platform. Italy and Germany saw solid sell-out growth and ended the year at 5% and 18%, respectively. In the second half of the year, Italy started to see negative impact from the challenging macroeconomic backdrop. France saw positive sell-out growth of 4%, however Pandora is not satisfied with the performance. In 2022, Pandora focused on detoxing the promotional level in France, with the aim of building a stronger base business to capitalise on future ambitions.

Throughout 2022, China remained a drag on performance. The COVID-19 restrictions in the market further delayed the relaunch of the Pandora brand. China remains of high strategic importance for Pandora.

Organic growth compared to 2019 remained very strong in the US and ended at 53%. As expected, the US market declined for Pandora and sell-out growth ended at -7% compared to 2021, following the effect of government stimulus cheques in 2021.

Moments incl. Collabs compounds solid growth

The Moments incl. Collabs segment continued its solid performance in 2022. Despite a challenging macro environment, Pandora Moments incl. Collabs delivered positive sell-out growth of 5% in 2022, underpinning its position as a leading product category in the jewellery market, even in uncertain times. Growing Pandora Moments is the number one priority in the Phoenix strategy.

Diamonds by Pandora shows potential

Pandora's second product segment, Style, delivered sell-out growth of -1% in 2022, mainly dragged down by Signature. The largest product platform within Style is Timeless, which offers classical jewellery to our consumers. Timeless is also Pandora's second-largest product platform and represents significant opportunity for growth. Style also includes Pandora ME, which is designed to target Generation Z and grew 40% compared to 2021. Another product platform within Style is Diamonds by Pandora, a collection of lab-created diamond jewellery made out of 100% recycled silver and gold. Pandora took the platform to North America in August 2022, across 269 Pandora stores in the US and Canada as well as online. The US is the world's largest market for lab-created diamond jewellery, estimated at around USD 1.2 billion. The market is expected to continue to grow, and lab-created diamonds are outpacing the diamond industry's overall growth. In 2022, total revenue was DKK 213 million. The collection is available in the UK, the US and Canada.

Store network development

In 2022, Pandora opened net 88 concept stores. The store openings were mainly located in the US and China and are part of Pandora's ambition to increase its overall footprint in these markets. The expansion comes with a significant opportunity for further value creation, and we expect to open an additional net 50 to 100 concept stores in 2023.

Furthermore, through 2022, Pandora converted 25 concept stores and nine shop-in-shops in Portugal from third-party distribution stores to Pandora-owned stores. Pandora also took over 13 concept stores in Las Vegas from Panbor, and 37 concept stores from Ben Bridge Jeweler, primarily on the US West Coast.

REVENUE BY SEGMENTS DKK million	2022	2021	Sell-out growth (like-for-like)	Growth in local currency	Share of revenue FY 2022	Share of revenue FY 2021
Moments incl. Collabs	**19,192**	**16,610**	**5%**	**11%**	**73%**	**71%**
- Moments	16,578	14,699	3%	9%	63%	63%
- Collabs	2,614	1,911	20%	30%	10%	8%
Style	**7,272**	**6,784**	**-1%**	**3%**	**27%**	**29%**
- Timeless	4,362	4,091	-2%	2%	16%	17%
- Signature	1,883	1,990	-12%	-9%	7%	9%
- ME	815	656	40%	21%	3%	3%
- Diamonds by Pandora	213	48	130%	298%	1%	0%
Total revenue	**26,463**	**23,394**	**4%**	**8%**	**100%**	**100%**

REVENUE BY CHANNEL DKK million	2022	2021	Organic growth	Growth in local currency	Share of revenue FY 2022	Share of revenue FY 2021
Pandora owned[1] retail	**19,115**	**15,922**	**11%**	**16%**	**72%**	**68%**
- of which concept stores	12,150	9,133	21%	29%	46%	39%
- of which online stores	5,612	5,977	-10%	-10%	21%	26%
- of which other points of sale	1,353	812	55%	57%	5%	3%
Wholesale	**6,628**	**6,705**	**-2%**	**-7%**	**25%**	**29%**
- of which concept stores	3,508	3,737	-3%	-13%	13%	16%
- of which other points of sale	3,120	2,968	-1%	0%	12%	13%
Third-party distribution	**721**	**767**	**0%**	**-7%**	**3%**	**3%**
Total revenue	**26,463**	**23,394**	**7%**	**8%**	**100%**	**100%**

[1] Pandora does not own any of the premises (Land and buildings) where stores are operated. Pandora exclusively operates stores from leased premises.

STORE NETWORK Number of points of sale[1]	2022	2021	Growth
Concept stores	**2,542**	**2,454**	**88**
- of which Pandora owned[2]	1,653	1,423	230
- of which franchise owned	588	700	-112
- of which third-party distribution	301	331	-30
Other points of sale	**3,985**	**4,080**	**-95**

[1] As of Q1 2022, Pandora excludes concept stores and other points of sales from third-party distribution related to Russia and Belarus. Comparative figures for 2021 were restated accordingly.
[2] Pandora does not own any of the premises (Land and buildings) where stores are operated. Pandora exclusively operates stores from leased premises.

GROUP PROFITABILITY

Highly profitable business

25.5%
EBIT margin

76.3%
Gross margin

Pandora delivered strong profitability again in 2022 with EBIT increasing by 15%, a testimony to the operating leverage in Pandora's business model.

Moments incl. Collabs generated a gross margin of 75.6% while Style generated a gross margin of 78.2% compared to 75.3% and 78.1% in 2021, respectively. Overall, gross margin was slightly up compared to 2021. The increase was mainly due to favourable channel mix and overall efficiencies in production. The increase was delivered despite the negative impacts from higher commodity prices, which impacted gross margin negatively by 0.9 percentage points. Furthermore, temporary headwind of 0.5 percentage points from inventory buybacks in connection with franchise acquisitions and non-recurring COVID-19 cost in Thailand also depressed gross margin in 2022. Lastly, the impact on Pandora's gross margin from foreign exchange rates was neutral compared to 2021.

The OPEX ratio decreased by 0.3 percentage points compared to 2021, despite higher sales and distribution expenses from the expansion of owned and operated stores. Marketing expenses ended at 14.1% of revenue in 2022, compared to 15.3% in 2021, and administrative expenses ended at 8.0% of revenue compared to 8.7% in 2021. The EBIT margin ended at 25.5%, up 0.5 percentage points compared to 2021, despite headwinds from rising inflation, higher interest rates and geopolitical uncertainty. Pandora also wrote down DKK 50 million of trade receivables related to Pandora's exit from the Russian market.

Net financial items ended at a cost of DKK 210 million compared to DKK 461 million in 2021. The development was due to favourable exchange rate movements. Total tax expenses amounted to DKK 1.5 billion (2021: DKK 1.2 billion), corresponding to an effective tax rate of 23.0% in 2022 compared to 22.6% in 2021. The increase was a reflection of an overall stronger performance combined with non-capitalised tax assets. Lastly, net profit improved to DKK 5.0 billion compared to DKK 4.2 billion in 2021.

Pandora lifted earnings per share (EPS) by 29% compared to 2021, with EPS ending at DKK 54.2 in 2022.

COST OF SALES AND GROSS PROFIT DKK million	2022	2021	Growth in constant FX	Share of revenue 2022	Share of revenue 2021
Revenue	26,463	23,394	8%	100.0%	100.0%
Cost of sales	-6,273	-5,590	7%	-23.7%	-23.9%
Gross profit	**20,190**	**17,803**	**9%**	**76.3%**	**76.1%**

OPERATING EXPENSES DKK million	2022	2021	Growth in constant FX	Share of revenue 2022	Share of revenue 2021
Sales and distribution expenses	-7,602	-6,352	16%	28.7%	27.2%
Marketing expenses	-3,720	-3,587	0%	14.1%	15.3%
Administrative expenses	-2,125	-2,026	3%	8.0%	8.7%
Total operating expenses	**-13,448**	**-11,965**	**9%**	**50.8%**	**51.1%**

EBIT DKK million	2022	2021	EBIT margin	EBIT margin
Operating profit (EBIT)	**6,743**	**5,839**	**25.5%**	**25.0%**

BALANCE SHEET AND CASH FLOWS

29%
EPS growth

48%
ROIC

Solid capital position

Net working capital ended at 4.2% of revenue in 2022. The increase in net working capital of DKK 2.3 billion was mainly driven by deliberate inventory build-up to protect availability, in order to mitigate risk of stock-outs and disruptions in the supply chain. In addition, the increase on inventory was also driven by more openings of owned and operated stores and revenue growth.

NET WORKING CAPITAL Share of preceding 12 months' revenue	2022	2021	2020	2019	2018
Inventories	15.9%	12.8%	10.3%	9.8%	13.8%
Trade receivables	4.8%	4.3%	4.6%	7.5%	7.2%
Trade payables	-11.8%	-14.0%	-16.9%	-14.2%	-9.9%
Other net working capital elements	-4.7%	-8.2%	-5.6%	-4.5%	-4.5%
Total	**4.2%**	**-5.0%**	**-7.6%**	**-1.3%**	**6.7%**

Free cash flows ended the year at DKK 2.6 billion, down from DKK 5.1 billion, and is a reflection of the before mentioned increases in inventory as well as higher CAPEX. Pandora increased CAPEX from a 3% share of revenue in 2021 to a 5% share of revenue in 2022, equal to a DKK 649 million increase in absolute CAPEX. The increase in CAPEX was mainly due to network expansion as Pandora opened net 88 concept stores and 130 owned and operated shop-in-shops in 2022. Additionally, taxes paid ended at DKK 1.8 billion in 2022 compared to DKK 0.8 billion in 2021, also impacting both free cash flows and cash flows from operating activities negatively. The increase in taxes paid related to tax from prior year and higher tax paid for 2022. Cash flows from investing activities increased to DKK 1.8 billion compared to DKK 0.6 billion in 2021, due to increasing acquisition activity and higher CAPEX from network expansions and investments in digital capabilities.

ROIC remained strong, landing at 48% in 2022 compared to 59% in 2021. The decrease was mainly a function of higher invested capital due to the before mentioned inventory build-up and increased right-of-use assets as a consequence of net opened Pandora owned and operated concept stores at the end of 2022. On a run-rate basis, new Pandora concept stores are ROIC-accretive. The investments made support Pandora's execution on the Phoenix growth strategy and Pandora sees potential for expanding the ROIC going forward.

Balance sheet

Total non-current assets increased to DKK 14.3 billion at the end of 2022 (2021: DKK 12.6 billion), mainly due to an increase in goodwill from acquisitions, an overall higher CAPEX spend across all asset types, higher right-of-use assets coming from network expansion, and higher deferred tax assets. The increase in current assets was mainly related to inventory build-up, which had reached a sustainable level at the end of 2022.

Net interest-bearing debt amounted to DKK 6.8 billion at the end of 2022 (2021: DKK 2.9 billion), corresponding to a financial leverage of 0.8x (2021: 0.4x). The increase in net interest-bearing debt was mainly driven by significant cash returns to shareholders in 2022 through a combination of dividends and share buybacks, equivalent to 11% of market cap at the end of 2022, and increasing inventory levels.

At the end of 2022, equity in Pandora amounted to DKK 7.2 billion, roughly in line with DKK 7.0 billion in 2021. The increase was driven by profit for the year offset by payout of DKK 5.1 billion to the company's shareholders. In 2022, we paid out DKK 1.5 billion in ordinary dividend and bought back own shares for a total of DKK 3.6 billion.

> "I love working with Pandora's exciting digital transformation. Considering the ambitious journey we are on, there are immense opportunities for everyone to grow and I really enjoy being part of the company's success.
>
> **PRASHANT**
> Delivery Manager, Denmark

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	2022	2021
Revenue	2.1	26,463	23,394
Cost of sales	2.3, 3.1, 3.2	-6,273	-5,590
Gross profit		**20,190**	**17,803**
Sales, distribution and marketing expenses	2.3, 3.1, 3.2	-11,322	-9,939
Administrative expenses	2.3, 3.1, 3.2	-2,125	-2,026
Operating profit	2.1	**6,743**	**5,839**
Finance income	4.6	412	152
Finance costs	4.6	-622	-613
Profit before tax		**6,533**	**5,378**
Income tax expense	2.5	-1,504	-1,218
Net profit for the year		**5,029**	**4,160**
Earnings per share, basic (DKK)	4.2	54.2	42.1
Earnings per share, diluted (DKK)	4.2	53.7	41.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Notes	2022	2021
Net profit for the year		**5,029**	**4,160**
Other comprehensive income:			
Items that may be reclassified to profit/loss for the year			
Exchange rate adjustments of investments in subsidiaries		-196	370
Commodity hedging instruments:			
- Realised in net cost of sales		-1	-4
- Realised in net financials		46	-16
- Realised in inventories		241	-141
- Fair value adjustments		-39	-219
Foreign exchange hedging instruments:			
- Realised in net financials		110	249
- Fair value adjustments		-61	-287
Tax on other comprehensive income, income/expense	2.5	23	83
Items that may be reclassified to profit/loss for the year, net of tax		**123**	**36**
Items not to be reclassified to profit/loss for the year			
Actuarial gain/loss on defined benefit plans, net of tax	2.3	12	10
Items not to be reclassified to profit/loss for the year, net of tax		12	10
Other comprehensive income, net of tax		**135**	**46**
Total comprehensive income for the year		**5,164**	**4,206**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

ASSETS

DKK million	Notes	2022	2021
Goodwill		4,822	4,418
Brand		1,057	1,057
Distribution		1,047	1,080
Other intangible assets		642	538
Total intangible assets	3.1	**7,568**	**7,094**
Property, plant and equipment	3.2	2,226	1,816
Right-of-use assets	3.3	2,978	2,532
Deferred tax assets	2.5	1,261	891
Other financial assets		249	222
Total non-current assets		**14,282**	**12,555**
Inventories	3.5	4,211	2,991
Trade receivables	3.6	1,262	1,009
Right-of-return assets	3.8	54	70
Derivative financial instruments	4.4, 4.5	231	69
Income tax receivable	2.5	155	68
Other receivables		1,024	738
Cash		794	1,043
Total current assets		**7,731**	**5,988**
Total assets		**22,013**	**18,542**

EQUITY AND LIABILITIES

DKK million	Notes	2022	2021
Share capital	4.1	96	100
Treasury shares	4.1	-3,320	-3,416
Reserves		918	795
Proposed dividend		1,430	1,516
Retained earnings		8,044	8,007
Total equity		**7,167**	**7,001**
Provisions	3.7	363	416
Loans and borrowings	4.3, 4.4	3,130	2,765
Deferred tax liabilities	2.5	172	113
Total non-current liabilities		**3,665**	**3,295**
Provisions	3.7	21	26
Refund liabilities	3.8	628	724
Contract liabilities	3.8	136	163
Loans and borrowings	4.3, 4.4	4,458	1,161
Derivative financial instruments	4.4, 4.5	74	209
Trade payables	3.9, 4.4	3,131	3,267
Income tax payable	2.5	1,068	1,003
Other payables	4.4	1,666	1,694
Total current liabilities		**11,181**	**8,246**
Total liabilities		**14,846**	**11,541**
Total equity and liabilities		**22,013**	**18,542**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2022								
Equity at 1 January		100	-3,416	905	-110	1,516	8,007	7,001
Net profit for the year		-	-	-	-	-	5,029	5,029
Other comprehensive income, net of tax		-	-	-108	231	-	12	135
Total comprehensive income for the year		**-**	**-**	**-108**	**231**	**-**	**5,041**	**5,164**
Share-based payments	2.3, 2.4	-	199	-	-	-	-95	104
Purchase of treasury shares	4.1	-	-3,588	-	-	-	-	-3,588
Cancellation of treasury shares	4.1	-5	3,486	-	-	-	-3,481	-
Dividend paid	4.2	-	-	-	-	-1,516	2	-1,514
Dividend proposed	4.2	-	-	-	-	1,430	-1,430	-
Equity at 31 December		**96**	**-3,320**	**797**	**121**	**1,430**	**8,044**	**7,167**
2021								
Equity at 1 January		100	-93	535	215	-	6,632	7,389
Net profit for the year		-	-	-	-	-	4,160	4,160
Other comprehensive income, net of tax		-	-	370	-325	-	1	46
Total comprehensive income for the year		**-**	**-**	**370**	**-325**	**-**	**4,161**	**4,206**
Share-based payments	2.3, 2.4	-	1	-	-	-	209	210
Purchase of treasury shares	4.1	-	-3,325	-	-	-	-	-3,325
Dividend paid	4.2	-	-	-	-	-1,481	2	-1,479
Dividend proposed	4.2	-	-	-	-	2,997	-2,997	-
Equity at 31 December		**100**	**-3,416**	**905**	**-110**	**1,516**	**8,007**	**7,001**

The Board of Directors will propose at the Annual General Meeting that an ordinary dividend of DKK 16 per share, corresponding to DKK 1.4 billion (2021: DKK 16 per share, corresponding to DKK 1.5 billion), be distributed for 2022.

In 2021, an extraordinary dividend of DKK 15 per share was paid, corresponding to DKK 1.5 billion.

In 2022, Pandora continued the share buyback programmes, which resulted in repurchases of 6,595,620 treasury shares, corresponding to DKK 3.6 billion (2021: 3,943,797 treasury shares, corresponding to DKK 3.3 billion).

For further shareholder information on dividend payments, see page 43.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2022	2021
Operating profit		6,743	5,839
Depreciation and amortisation		1,973	1,999
Share-based payments	2.4	87	166
Change in inventories		-1,012	-799
Change in receivables		-531	-77
Change in payables and other liabilities		-559	327
Other non-cash adjustments	4.7	-18	70
Finance income received		7	3
Finance costs paid		-466	-468
Income tax paid	2.5	-1,790	-832
Cash flows from operating activities, net		**4,434**	**6,228**
Acquisition of subsidiaries and activities, net of cash acquired	3.4	-562	-66
Purchase of intangible assets		-353	-289
Purchase of property, plant and equipment		-838	-296
Change in other assets		-36	17
Proceeds from sale of property, plant and equipment		5	2
Cash flows from investing activities, net		**-1,785**	**-631**
Dividend paid	4.2	-1,514	-1,479
Purchase of treasury shares	4.1	-3,527	-3,325
Proceeds from loans and borrowings	4.3	4,994	1,315
Repayment of loans and borrowings	4.3	-1,985	-3,004
Repayment of lease commitments	4.3	-1,068	-991
Cash flows from financing activities, net		**-3,100**	**-7,484**
Net increase/decrease in cash		**-452**	**-1,887**

DKK million	Notes	2022	2021
Cash and cash equivalents at 1 January		1,043	2,912
Exchange gains/losses on cash		4	18
Net increase/decrease in cash		-452	-1,887
Cash and cash equivalents at 31 December		**595**	**1,043**
Cash balances		794	1,043
Overdraft		-199	-
Cash and cash equivalents at 31 December		**595**	**1,043**
Cash flows from operating activities, net		4,434	6,228
- Finance income received		-7	-3
- Finance cost. paid		466	468
Cash flows from investing activities, net		-1,785	-631
- Acquisition of subsidiaries and activities, net of cash acquired		562	66
Free cash flows excl. lease payments		**3,670**	**6,128**
Free cash flows incl. lease payments		**2,602**	**5,137**
Unutilised committed credit facilities	4.4	**6,693**	**6,023**

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

§ ACCOUNTING POLICIES

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

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

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Notes

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

SECTION 1

BASIS OF PREPARATION

This section introduces Pandora's accounting policies and significant accounting estimates.

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

Best-selling charm in 2022

In 2022, our absolute best-seller charm was the Murano Glass Sea Turtle Dangle Charm which sold almost 300,000 pieces.

NOTE 1.1

PRINCIPAL ACCOUNTING POLICIES

Notes

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

The Annual Report for the period 1 January to 31 December 2022 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

The Annual Report is presented in Danish kroner (DKK) and all amounts are in millions unless otherwise stated. Due to rounding, numbers presented throughout this report may not add up precisely to the totals, and percentages may not precisely reflect the absolute figures.

Apart from changes due to the implementation of new or amended standards and interpretations as described in note 1.2 New accounting policies and disclosures, accounting policies are unchanged from last year.

iXBRL reporting

Pandora A/S has filed the Annual Report 2022 in the European Single Electronic Format (ESEF), XHTML, which can be displayed in a standard browser. The consolidated financial statements are tagged using eXtensible Business Reporting Language (iXBRL), which complies with the ESEF taxonomy included in the ESEF Regulation. The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a file named PAND-2022-12-31-en.zip.

Alternative performance measures

Pandora presents financial measures in the Annual Report that are not defined according to IFRS. Pandora believes these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies may calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS. For definitions of the performance measures used by Pandora, see note 5.6 Financial definitions.

§ ACCOUNTING POLICIES

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

The description of accounting policies in the notes forms part of the overall description of Pandora's accounting policies.

Consolidated financial statements

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

Functional and presentation currency

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

Transactions and balances

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

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

Foreign exchange rate adjustments arising on monetary items which are considered part of the net investment in foreign entities are recognised in other comprehensive income.

Group companies with another functional currency than DKK

The assets and liabilities of foreign subsidiaries are translated into DKK at the rate of exchange prevailing at the reporting date, and their income statements are translated at the exchange rates prevailing at the dates of the transactions.

NOTE 1.1

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Consolidated income statement

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

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

The allocation of amortisation and impairment losses from intangible assets is presented in note 3.1 and the allocation of depreciation and impairment losses from property, plant and equipment in note 3.2.

NOTE 1.2

NEW ACCOUNTING POLICIES AND DISCLOSURES

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 to 31 December 2022. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the year. The new standards that are not yet effective are not expected to have any material impact on Pandora.

NOTE 1.3

MANAGEMENT'S JUDGEMENTS AND ESTIMATES UNDER IFRS

Notes

2.1 Segment and revenue information

2.5 Taxation

3.3 Leases

3.5 Inventories

3.8 Contract assets and liabilities

5.1 Contingent assets and liabilities

! SIGNIFICANT ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, management makes various judgements, accounting estimates and assumptions that 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 judgement, estimates and assumptions concerning future events. Judgements, 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 that may lead to actual results differing from these estimates, both positively and negatively.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, particularly in the context of the Group's sustainability targets to the extent possible. Pandora's targets to reduce its greenhouse gas emissions by 50% by 2030 and achieve net zero emissions by 2040 as well as to only use recycled silver and gold in its jewellery by 2025 are included in the Group's financial forecasts. These considerations did not have a material impact on management's judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's future cash flows or going concern assessment.

In addition, consideration has been given to the potential financial impacts of climate-related risks on the carrying value of goodwill through a qualitative review of the Group's climate change risk assessment. This review did not identify any material financial impacts.

Pandemic and macroeconomic uncertainty

The pandemic and macroeconomic uncertainty caused by the Russian invasion of Ukraine continue to affect the global economy. Pandora continues to assess the value of intangible assets and property, plant and equipment, and internal forecasts have considered the ongoing impacts on income and expenses from the pandemic, inflationary pressure and higher interest rates. Changes in selling prices and direct costs are based on past experience and management's expectation of future changes in the markets where the Group operates.

Specific risks for Pandora are discussed in the relevant sections of the Management's review and in the notes.

The areas that involve a high degree of judgement and estimation and are material to the financial statements are described in more detail in the related notes.

SECTION 2

RESULTS FOR THE YEAR

This section comprises notes related to the results for the year, including reporting segment disclosures, and provides additional information related to two of Pandora's performance measures: revenue and EBIT.

A detailed description of the results for the year is given in the Financial review on page 45.

26,463
Revenue
DKK million
2021: 23,394

25.5%
EBIT margin
2021: 25.0%

5,029
Net profit
DKK million
2021: 4,160

23.0%
Effective tax rate
2021: 22.6%

NOTE 2.1

SEGMENT AND REVENUE INFORMATION

Pandora's activities are segmented into two reportable segments, each responsible for the end-to-end performance of collections. One includes Moments incl. Collabs, while the other, Style, covers newer collections and innovations.

The two operating segments include all channels relating to the distribution and sale of Pandora products.

Management monitors the profitability of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured at gross profit as presented in the table below.

INCOME STATEMENT BY SEGMENTS DKK million	Moments incl. Collabs	Style	Group
2022			
Revenue	19,192	7,272	26,463
Cost of sales	-4,688	-1,586	-6,273
Gross profit	**14,504**	**5,686**	**20,190**
Operating expenses			-13,448
Consolidated operating profit (EBIT)			**6,743**
Profit margin (EBIT margin)			**25.5%**
2021			
Revenue	16,610	6,784	23,394
Cost of sales	-4,106	-1,485	-5,590
Gross profit	**12,504**	**5,300**	**17,803**
Operating expenses			-11,965
Consolidated operating profit (EBIT)			**5,839**
Profit margin (EBIT margin)			**25.0%**

Non-unit driven revenue, comprising mainly franchise fees, is allocated proportionately to the different revenue categories.

REVENUE BY SEGMENTS DKK million	2022	2021
Moments incl. Collabs	**19,192**	**16,610**
- Moments	16,578	14,699
- Collabs	2,614	1,911
Style	**7,272**	**6,784**
- Timeless	4,362	4,091
- Signature	1,883	1,990
- ME	815	656
- Diamonds by Pandora	213	48
Total revenue	**26,463**	**23,394**
Goods transferred at a point in time	26,386	23,321
Services transferred over time	77	73
Total revenue	**26,463**	**23,394**

The use of sales channels for the distribution of Pandora jewellery depends on the underlying market maturity and varies within markets but is consistent when viewed between segments.

REVENUE BY SALES CHANNEL DKK million	2022	2021
Pandora physical stores	13,503	9,945
Pandora online stores	5,612	5,977
Wholesale and third-party distribution	7,349	7,472
Total revenue	**26,463**	**23,394**

GEOGRAPHIC INFORMATION, REVENUE DKK million	2022	2021
US	7,907	7,026
China	737	1,126
UK	3,802	3,314
Italy	2,580	2,443
Australia	1,271	1.131
France	1,190	1,122
Germany	1,307	1,191
Denmark	28	32
Rest of world	7,641	6,009
Total revenue	**26,463**	**23,394**

GEOGRAPHIC INFORMATION, ASSETS DKK million	2022	2021
US	2,073	1,754
Australia	450	453
Germany	602	602
Denmark	2,117	1,983
Thailand	495	516
Rest of world	1,832	1,785
Total intangible assets[1]	**7,568**	**7,094**
Property, plant and equipment[2]	2,226	1,816
Right-of-use assets[3]	2,978	2,532
Deferred tax assets	1,261	891
Other non-current financial assets	249	222
Current assets	7,731	5,988
Total consolidated assets	**22,013**	**18,542**

[1] The allocation of intangible assets in the table above reflects the country in which the assets were acquired, including goodwill, in the functional currency in which it is denominated. This is different from the presentation in note 3.1 Intangible assets, where goodwill is allocated in accordance with management reporting and monitoring.
[2] The crafting facilities in Thailand accounted for DKK 1,045 million (2021: DKK 1,025 million), corresponding to 46.9% of property, plant and equipment (2021: 56.4%).
[3] Right-of-use assets mainly relate to stores and offices.

NOTE 2.1

SEGMENT AND REVENUE INFORMATION (CONTINUED)

! SIGNIFICANT ACCOUNTING ESTIMATES

Recognition and measurement of revenue is based on estimates and judgements relating to expected sales returns allowed to customers in most countries. These judgements can have a material impact on the timing and measurement of recognised revenue as well as the level of the refund liability. Reductions in revenue from expected sales returns are calculated based on historical return patterns and on a case-by-case basis for commercial and other reasons.

§ ACCOUNTING POLICIES

Retail sales – products
Revenue from the sale of products through Pandora owned and operated stores is recognised when a store sells a product to the customer. Payment is usually due when the customer picks up the product in the store or the product is delivered from an online store. However, in some instances collection is delayed and a receivable recognised, see note 3.6 Trade receivables.

A refund liability and a right-of-return asset are recognised for products expected to be returned, see note 3.8 Contract assets and liabilities. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns, it is considered highly probable that a significant reversal of cumulative revenue recognised will not occur. Rebates and discounts granted to customers are recognised as a reduction in revenue.

The Group's obligation to repair or replace faulty products is part of the standard terms and is therefore recognised as a contract liability, see note 3.8 Contract assets and liabilities. Revenue is further measured excluding sales taxes and duties when these are passed on to customers. Sales taxes and duties incurred on sales that are not recoverable from the local taxation authorities are reported gross as part of revenue and cost of sales.

Wholesale and third-party distributors – products
Pandora manufactures and sells jewellery to wholesalers and third-party distributors. Revenue is recognised when control of the products has been transferred to the wholesaler or third-party distributor. Change of control of the products occurs when they have been delivered to the wholesaler or distributor and no further obligation exists that can affect the transfer of control. Delivery has taken place when the products have been shipped to the location of the wholesaler or distributor and control of the goods has been transferred to the buyer. Revenue from the sale is recognised based on the price specified in the contract. Revenue is only recognised to the extent it is highly probable that a significant reversal will not occur. A refund liability and a right-of-return asset are recognised for products expected to be returned, see note 3.8 Contract assets and liabilities. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns in the wholesale and distributor channels, it is considered highly probable that a significant reversal of cumulative revenue recognised will not occur. Provisions for rebates and discounts granted to wholesalers and franchisees are recognised as a reduction in revenue.

The Group's obligation to repair or replace faulty products is recognised on a gross basis in the income statement as both a reduction in revenue and a decrease in cost of goods sold. This is due to the handling of warranty claims, which leads to replacements instead of repairs. Revenue is further measured excluding sales taxes and duties when these are passed on to customers. Sales taxes and duties incurred on sales that are not recoverable from the local taxation authorities are reported gross as part of revenue and cost of sales.

When control has been transferred, a receivable is recognised as the consideration to be paid is conditional only on the passage of time. The price specified in the contract is not adjusted for any financing element as payment terms never exceed 12 months.

Loyalty programme
Revenue related to the loyalty programme points value is deferred up to the time the points are used. The stand-alone selling price of loyalty points issued is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points. In estimating the redemption rate, Pandora considers breakage, which represents the portion of points issued that will never be redeemed.

NOTE 2.2
GOVERNMENT GRANTS

Pandora did not receive any significant government subsidies in 2022 as a result of the pandemic (2021: DKK 152 million). The majority of the subsidies received in 2021 were related to employee retention and facility cost and included the government programmes "Coronavirus Job Retention Scheme" and "Business Rates Relief" in the UK, "Unemployment Benefits" and "Tax Credit Rental" in Italy, and "Short-Time Work Subsidy" in Germany. There are no unfulfilled conditions or other contingencies attached to the subsidies recognised. During the pandemic, Pandora retained all staff, including store staff while stores were closed. The government subsidies partially funded the associated cost, and related mainly to sales and distribution.

§ ACCOUNTING POLICIES

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions complied with.

Income from government subsidies as a result of the pandemic has been recognised as a deduction in the expense item the subsidies were intended to compensate.

NOTE 2.3
STAFF COSTS

The Group's pension plans are primarily defined contribution plans. Pandora has defined benefit plans relating to employees in Thailand. The defined benefit plans are recognised at the present value of the actuarially measured obligations. In 2022, these obligations amounted to DKK 80 million (2021: DKK 81 million).

In 2022, the actuarial gain was DKK 12 million (2021: gain of DKK 10 million) recognised in other comprehensive income.

§ ACCOUNTING POLICIES

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

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

DKK million	2022	2021
Wages and salaries	4,883	4,041
Pensions	208	177
Share-based payments	87	166
Social security costs	341	256
Other staff costs	545	395
Total staff costs	**6,064**	**5,034**
Staff costs have been recognised in the consolidated income statement:		
Cost of sales	1,177	1,063
Sales, distribution and marketing expenses	3,777	3,010
Administrative expenses	1,109	961
Total staff costs	**6,064**	**5,034**
Average number of full-time employees during the year	26,986	22,441

DKK million	Base pay	Bonus	Shares	Benefits	Other	Total
2022						
Total remuneration to Executive Management	**17.1**	**16.2**	**23.2**	**2.6**	**-**	**59.0**
2021						
Total remuneration to Executive Management	**16.2**	**16.6**	**26.6**	**2.4**	**-**	**61.9**

The 2021 remuneration includes the DKK 1.2 million cost of shares related to the former Executive Management.

DKK million	2022	2021
Total remuneration to Board of Directors	**8.1**	**7.9**

Board members receive a fixed travel fee when attending Board meetings abroad. Total travel fee for 2022 amounted to DKK 0.9 million (2021: DKK 0.4 million). For further details, see our Remuneration Report.

NOTE 2.4

SHARE-BASED PAYMENTS

Decisions to grant share-based incentive programmes are made by the Board of Directors in accordance with general guidelines on incentive pay for Pandora.

The total cost related to share-based payments was DKK 87 million (2021: net cost of DKK 166 million). The programmes for 2021 and 2020 were recorded at the maximum level as the maximum performance is expected to be met, while the programme for 2022 was recorded at target. The cost of share-based payments is included in staff costs. In the remaining vesting periods, an amount of DKK 87 million (2021: DKK 174 million) is expected to be recognised in respect of the current programmes. The weighted average remaining contractual life of the shares at the end of the period was 1.3 years (2021: 1.5 years).

For shares exercised in 2022, the average share price at the time of exercise was DKK 692.

Long-term incentive programmes

Pandora is launching annual incentive programmes targeting Executive Management and other employees. The calculated value of each programme is recognised over the vesting period (three years) based on the likelihood that programme targets will be met. For Executive Management, a further two-year holding period applies.

Vesting of the performance shares granted in 2022 is subject to achievement of Pandora's earnings per share (EPS) for the financial year 2024 and on the achievement of sustainability targets which will be assessed against objectives based on Pandora's internal projections. As financial KPIs are commercially sensitive, Pandora's practice is to communicate these after the end of the performance period. For further details, see our Remuneration Report.

Assumptions on fair value of shares

The volatility of the shares is based on the historical volatility of the price of Pandora A/S shares. The risk-free interest rate is based on a Danish government bond with similar maturity. The dividend yield applied is equal to 2.5% for the 2022 programme and is based on the assumed future dividend over the vesting period and the share price on the date of the grant. Actual paid dividends may differ from the assumptions applied in the valuation of the market value. Given that the exercise price for one performance share equals up to 1% of the market price of one share at grant date, the fair value almost equals the market value of one share at grant date. The assumptions therefore have very limited impact on the estimated fair value of the performance shares granted.

SHARES OUTSTANDING	Executive Management	Other employees	Total	Average exercise price per performance share, DKK
2022				
Shares outstanding at 1 January	279,306	869,598	1,148,904	0.9
Shares granted during the year	42,106	214,252	256,358	-
Shares exercised during the year	-	-252,971	-252,971	2.6
Shares lapsed during the year	-	-80,830	-80,830	-
Shares outstanding at 31 December	**321,412**	**750,049**	**1,071,461**	**0.3**
2021				
Shares outstanding at 1 January	229,018	707,613	936,631	1.1
Shares granted during the year	50,288	205,415	255,703	-
Shares exercised during the year	-	-4,754	-4,754	-
Shares lapsed during the year	-	-38,676	-38,676	0.8
Shares outstanding at 31 December	**279,306**	**869,598**	**1,148,904**	**0.9**

NUMBER OF SHARES IN PANDORA A/S	Vesting date	Shares 31 December 2022	Maximum market value at launch (DKK million)	Accumulated cost recognised (DKK million)	Remaining value to be expensed (DKK million)
Programme start date					
November 2018 [1,2]	2021	7,865	2	2	-
March 2019 [1,2]	2022	105,662	27	16	-
July 2020 [3]	2023	373,711	152	133	-
July 2020 [2]	2023	115,491	36	36	-
April 2021 [3]	2024	172,760	154	70	31
April 2021 [2]	2024	50,288	26	17	9
April 2022 [3]	2025	203,578	130	18	39
April 2022 [2]	2025	42,106	26	4	9
Total number of shares outstanding		**1,071,461**	**552**	**296**	**87**

[1] Although technically structured as options for legacy Danish tax treatment reasons, the awards have the characteristics of Performance Share Units because the option exercise price is 1% of the share price.
[2] Programme related to Executive Management, where a two-year holding period applies.
[3] Programme related to other employees.

NOTE 2.4

SHARE-BASED PAYMENTS (CONTINUED)

§ **ACCOUNTING POLICIES**

Selected Pandora employees receive remuneration in the form of share-based payment transactions, whereby programme participants 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 grant date. The calculated fair values are based on either the Black-Scholes model or the Monte Carlo model according to the performance conditions of each programme. The cost of equity-settled transactions is recognised as staff costs together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or income for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

NOTE 2.5

TAXATION

Income taxes

Income tax expense

Income tax expense was DKK 1.5 billion in 2022, corresponding to an effective tax rate of 23.0% (2021: DKK 1.2 billion, 22.6% for the Group). As in 2021, the effective tax rate of 23.0% was negatively impacted by paid withholding taxes on dividend and other payments, non-deductible expenses and non-capitalised tax assets from limitation in deduction for marketing expenses in China and other expenses with no tax deduction.

The effective tax rate was reduced as part of the investment agreement entered into with the Thai Authorities, Board of Investment (BOI), where a specific part of the profit is treated as non-taxable profit for an agreed period.

INCOME TAX EXPENSE

DKK million	2022	2021
Current income tax charge for the year[1]	1,799	1,500
Change in deferred tax for the year	-355	-201
Adjustment to current tax for prior years	58	-42
Adjustment to deferred tax for prior years	2	-39
Total income tax expense	**1,504**	**1,218**
Deferred tax on other comprehensive income	65	-92
Current income tax on other comprehensive income	-88	9
Total tax on other comprehensive income	**-23**	**-83**

[1] Withholding taxes are included in current income tax charge for the year.

	2022		2021	
RECONCILIATION OF EFFECTIVE TAX RATE AND TAX	%	(DKK million)	%	(DKK million)
Profit before tax		6,533		5,378
Corporate tax rate in Denmark, 22%	22.0%	1,437	22.0%	1,183
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	-0.6%	-41	0.3%	17
Non-deductible expenses	1.3%	87	3.1%	166
Tax incentives	-2.4%	-158	-2.9%	-157
Adjustment to tax for prior years	0.9%	60	-1.6%	-82
Non-capitalised tax assets, net	1.1%	76	0.6%	30
Withholding taxes/other taxes	0.7%	43	1.1%	60
Effective income tax rate/income tax expense	**23.0%**	**1,504**	**22.6%**	**1,218**

NOTE 2.5

TAXATION (CONTINUED)

§ **ACCOUNTING POLICIES**

Income tax expense for the year comprises current tax and changes in deferred tax, including changes in tax rate, adjustment to prior years and changes in provision for uncertain tax positions. Tax is recognised in the income statement, except to the extent that it is related to items recognised in equity or other comprehensive income. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted, by the reporting date, in the countries in which Pandora operates and generates taxable income.

! **SIGNIFICANT ACCOUNTING ESTIMATES**

Pandora is subject to income tax in the countries in which the Group operates, comprising various tax rates worldwide. Significant judgements are required in determining the accrual for income taxes, deferred tax assets and liabilities, and provision for uncertain tax positions. Provision for uncertain tax positions is measured according to IFRIC 23.

As part of Pandora conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Any unresolved disputes with local tax authorities are recognised as income tax payable/receivable based on the expected value method or the most likely amount. Management believes that the provision made for uncertain tax positions is adequate. However, the actual obligation may deviate from this and is dependent on the result of litigations and settlements with the relevant tax authorities.

Deferred tax

At the end of 2022, deferred tax assets amounted to DKK 1,261 million (2021: DKK 891 million) and deferred tax liabilities amounted to DKK 172 million (2021: DKK 113 million). Net deferred tax assets amounted to DKK 1,089 million (2021: DKK 778 million).

Of the total deferred tax assets recognised, DKK 35 million (2021: DKK 23 million) related to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding realised deferred tax liabilities. It is management's opinion that these tax loss carryforwards can be utilised.

Tax assets not recognised were DKK 142 million (2021: DKK 62 million), of which DKK 66 million (2021: DKK 36 million) relate to tax loss carryforwards that are not expected to be utilised in the foreseeable future. Tax losses that can expire amounted to DKK 24 million (2021: DKK 18 million).

No deferred tax has been recognised in respect of entities' earnings that are intended for distribution in the short term, as no material tax expense will be payable on distribution.

Only insignificant latent tax liabilities remained at 31 December 2022. These liabilities are not recognised as the Group is able to control this liability and it is considered probable that the liability will not crystallise in the foreseeable future.

DEFERRED TAX

DKK million	2022	2021
Deferred tax at 1 January	778	396
Exchange rate adjustments	6	6
Recognised in the income statement	353	240
Recognised in other comprehensive income	-65	92
Recognised in equity, share-based payments	17	44
Deferred tax at 31 December	**1,089**	**778**
Deferred tax assets	1,261	891
Deferred tax liabilities	-172	-113
Deferred tax, net	**1,089**	**778**

BREAKDOWN OF DEFERRED TAX

DKK million	2022	2021
Intangible assets	-686	-633
Property, plant and equipment	42	7
Right-of-use assets	20	16
Current assets	1,434	999
Non-current assets and liabilities	244	366
Tax loss carryforwards	35	23
Deferred tax, net	**1,089**	**778**

NOTE 2.5

TAXATION (CONTINUED)

§ **ACCOUNTING POLICIES**

Deferred tax on all temporary differences between the carrying amounts for financial reporting purposes and the tax base of assets and liabilities is measured using the balance sheet liability method. No deferred tax is recognised on temporary differences that arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

The recognition of deferred tax assets includes the expected tax value of tax loss carryforwards to the extent that these tax assets can be offset against positive taxable income in the foreseeable future. The same applies to deferred tax assets related to investments in subsidiaries. Management has considered future taxable income and applied judgements to determine whether deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured according to current tax rules and at the tax rates expected to be effective on elimination of the temporary differences. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same tax authority.

Our approach to taxes and taxes paid

With our significantly expanded work on sustainability, we are building this important part of the foundation for Pandora's growth journey. Our sustainability strategy is reflected in our tax approach and we aim at paying a fair tax in all markets where we operate. Pandora considers tax to play a key role for societies and an important contribution in order to reach the goals of the global sustainability agenda. Pandora is committed to ensure compliance with the letter and spirit of tax law in the markets where we operate, while striving to maximise shareholder value in a responsible way. The Group tax policy, which has been approved by the Board of Directors of Pandora, is available at pandoragroup.com/investor/corporate-governance/tax-information and includes more information on our approach to taxes.

Pandora operates globally under a vertically integrated business model, and we own a significant part of our value chain from production to retail. Pandora's transfer pricing policy follows a so-called principal tax model, where profit follows risk and value creation throughout the value chain. While all steps of the value chain are important to Pandora, Pandora A/S is the principal value driver and also assumes the majority of business risks. Pandora allocates a profit margin, based on benchmark studies, to entities in the Group, and the residual profit (or loss) in the value chain remains with Pandora A/S. With a principal tax model, Pandora by nature has a significant number of intercompany transactions.

Intercompany transactions are based on arm's length standard and therefore priced on a basis consistent with the way unrelated parties would have priced such transactions. This impacts the taxes we pay in the countries in which we do business. Pandora understands the need for more transparency by both taxpayers and tax administrations, and the need to provide more clarity about Pandora's position on tax. In doing so we provide insight in accordance with the EU Directive to be adopted, which introduces public country-by-country reporting for our key markets. The full country-by-country report for all markets, including definitions, is available at pandoragroup.com/investor/corporate-governance/tax-information.

COUNTRY-BY-COUNTRY OVERVIEW FOR KEY MARKETS[1] DKK million	Business activities	Total revenue incl. related party[2]	Third-party revenue in P&L	Profit before tax	Tax paid	Current income tax charge for the year	Employees (FTE)	Accumulated earnings
UK	Distribution	3,988	3,802	375	44	25	1,764	415
Italy	Distribution	2,744	2,580	110	39	41	851	78
France	Distribution	1,297	1,190	49	29	18	562	103
Germany	Warehouse, Distribution	1,679	1,307	88	21	26	907	64
Denmark	Headquarters, Distribution	17,890	28	14,002	1,217	1,294	913	15,148
US	Warehouse, Distribution	17,126	7,907	212	140	56	2,022	60
Australia	Distribution	1,803	1,271	352	76	107	302	160
China	Distribution	739	737	-123	39	0	1,124	-77
Thailand	Warehouse, Crafting facilities	6,788	-	976	64	38	14,186	425
Rest of world	Distribution	8,495	7,641	137	122	111	4,356	233
IFRS eliminations		387	-	-9,646	-	83	-	-7,547
Total Group		**-**	**26,463**	**6,533**	**1,790**	**1,799**	**26,987**	**9,063**

Headquarters Warehouse Crafting facilities Distribution

[1] The country-by country overview for key markets is based on the accounting information collected for the Pandora Group Annual Report for 2022.

[2] Total revenue includes third-party revenue, related party revenue, other income and financial income.

NOTE 2.5

TAXATION (CONTINUED)

In 2022, we paid corporate taxes in the amount of DKK 1,790 million (2021: DKK 832 million). The increased tax payments mainly relate to Denmark and Pandora's key markets as the profit in these markets has increased significantly. The major part of the taxes paid is attributable to Denmark and Pandora's key markets and the main part of the tax payments relate to the current year.

Paid income tax

Income tax paid reflects the cash tax payments made in the year and relates to taxes on account for the current year as well as payments regarding prior years. For the majority of the countries, the final taxes are paid in the year following the financial year, creating a timing difference in cash tax payments.

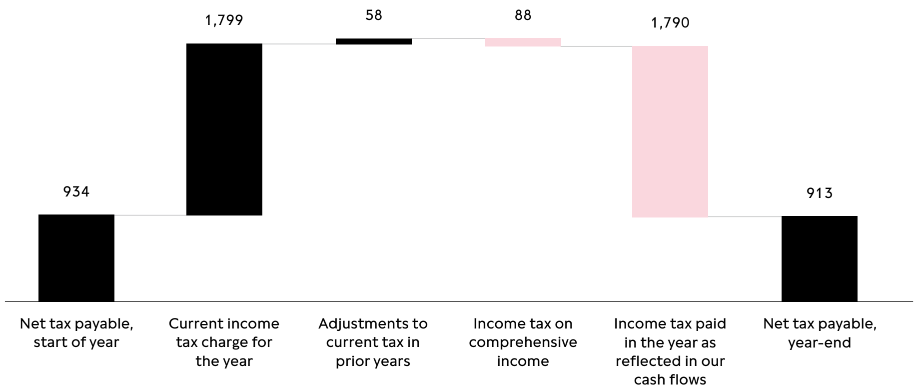
At the beginning of the year, net income tax payable by Pandora amounted to DKK 934 million. The net income tax payable decreased to DKK 913 million during the year, as shown in the bridge "Movement in net tax payable". The decrease is reflected in the higher tax paid for 2022. The higher profit before tax in 2022 compared to 2021 increase the tax to be paid, which is due for payment in 2023.

The difference between income tax expense in the income statement and income tax paid is explained in the bridge "From income tax expense to tax paid". The income tax expense in the income statement for 2022 has been calculated at DKK 1,504 million. The income tax expense includes taxes on other income posted on equity and adjustments to taxes for timing differences. Adding the tax payable from 2021 of DKK 934 million, we have a total tax payable of DKK 2,703 million. Of this amount DKK 913 million is due to be paid in 2023 or later, and the remaining DKK 1,790 million were settled as cash tax payments in 2022.

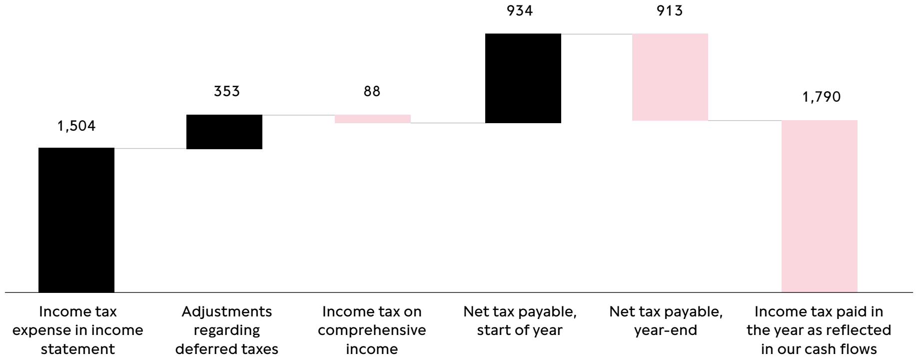
CASH INCOME TAX PAID

DKK million	2022	2021
Income tax expense in income statement	-1,504	-1,218
Tax on other comprehensive income	88	-9
Adjustments regarding deferred taxes	-353	-240
Movement in income tax receivable/payable	-21	635
Income tax paid in the year	**-1,790**	**-832**
- of which relates to prior years	-658	9
- of which relates to current year	-1,132	-841
Income tax paid in the year	**-1,790**	**-832**

MOVEMENT IN NET TAX PAYABLE
DKK million



FROM INCOME TAX EXPENSE TO TAX PAID
DKK million



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. Financial risks are described in note 4.4.

In 2022, the increase in net working capital was mainly driven by a deliberate inventory build-up to protect availability, in order to mitigate risk of stock-outs and disruptions in the supply chain.

1,290
CAPEX
DKK million
2021: 641

4.2%
Net working capital/revenue
2021: -5.0%

13,961
Invested capital
DKK million
2021: 9,884

WORKING CAPITAL

DKK million	Notes	2022	2021
Inventories	3.5	4,211	2,991
Trade receivables	3.6	1,262	1,009
Trade payables	3.9	-3,131	-3,267
Operating working capital		**2,342**	**732**
Other receivables		1,078	808
Current provisions	3.7, 3.8	-649	-750
Commodity derivatives, net		133	-113
Contract liabilities		-136	-163
Other payables		-1,666	-1,694
Net working capital		**1,104**	**-1,181**

INVESTED CAPITAL

DKK million	Notes	2022	2021
Intangible assets	3.1	7,568	7,094
Property, plant and equipment	3.2	2,226	1,816
Right-of-use assets	3.3	2,978	2,532
Other non-current financial assets		249	222
Non-current provisions	3.7	-363	-416
Net working capital		1,104	-1,181
Deferred tax, net	2.5	1,089	778
Currency derivatives, net		23	-27
Income tax receivables/payable, net		-913	-935
Invested capital		**13,961**	**9,884**

NOTE 3.1

INTANGIBLE ASSETS

DKK million	Goodwill	Brand	Distribution	Other intangible assets	Total
2022					
Cost at 1 January	4,418	1,057	1,609	2,059	9,143
Acquisition of subsidiaries and activities	364	-	-	-	364
Additions	-	-	-	361	361
Disposals	-	-	-	-5	-5
Exchange rate adjustments	39	-	4	19	62
Cost at 31 December	**4,822**	**1,057**	**1,613**	**2,434**	**9,925**
Amortisation and impairment losses at 1 January	-	-	528	1,521	2,049
Amortisation for the year	-	-	33	263	297
Impairment loss for the year	-	-	-	-	-
Disposals	-	-	-	-4	-4
Exchange rate adjustments	-	-	4	11	15
Amortisation and impairment losses at 31 December	**-**	**-**	**566**	**1,791**	**2,357**
Carrying amount at 31 December	**4,822**	**1,057**	**1,047**	**642**	**7,568**

The majority of the intangible assets have been acquired through business combinations.

DKK million	2022	2021
Amortisation and impairment losses have been recognised in the income statement as follows:		
Cost of sales	46	46
Sales, distribution and marketing expenses	107	146
Administrative expenses	143	144
Total	**297**	**337**

DKK million	Goodwill	Brand	Distribution	Other intangible assets	Total
2021					
Cost at 1 January	4,247	1,057	1,601	1,747	8,652
Acquisition of subsidiaries and activities	12	-	13	-	25
Additions	-	-	-	300	300
Disposals	-	-	-	-6	-6
Exchange rate adjustments	161	-	-5	18	173
Cost at 31 December	**4,418**	**1,057**	**1,609**	**2,059**	**9,143**
Amortisation and impairment losses at 1 January	-	-	491	1,218	1,708
Amortisation for the year	-	-	33	219	251
Impairment loss for the year[1]	-	-	-	85	85
Disposals	-	-	-	-5	-5
Exchange rate adjustments	-	-	5	4	8
Amortisation and impairment losses at 31 December	**-**	**-**	**528**	**1,521**	**2,049**
Carrying amount at 31 December	**4,418**	**1,057**	**1,080**	**538**	**7,094**

[1] The impairment loss of DKK 85 million relates to write-down of software applications. The loss is mainly recognised as sales, distribution and marketing expenses in the income statement.

NOTE 3.1

INTANGIBLE ASSETS (CONTINUED)

Goodwill

Additions in 2022 relate to acquisitions of activities. Note 3.4 Business combinations includes an overview of acquired goodwill for the year.

Brand

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

Distribution

Distribution includes distribution network and distribution rights.

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 mainly relate to the distribution rights for Pandora products in North America. These were acquired with the American distributor in 2008 and the carrying amount at 31 December 2022 was DKK 1.0 billion (2021: DKK 1.0 billion).

Other intangible assets

Other intangible assets mainly comprise software.

§ ACCOUNTING POLICIES

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 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 impairment losses. Goodwill is not amortised, but is tested for impairment annually or if an impairment indication arises. Impairment losses charged in previous years cannot be reversed.

Brand

Brand is initially recognised at cost based on the "Relief from Royalty" method, which is considered to have an indefinite useful life and is impairment tested annually.

Distribution

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 therefore the entity does not need to rebuild the network (the cost approach).

The distribution network is amortised over an expected useful life of 15 years.

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

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

Other intangible assets

Software is initially recognised at cost and amortised over 2-5 years. Software obtained through a Software-as-a-Service (SaaS) arrangement is capitalised to the extent that IAS 38 criteria are met and amortised over the contract period.

Amortisation is allocated to segments on a pro rata basis based on the standard cost per segment.

Impairment

At each reporting date, Pandora assesses whether there is any indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing of an asset is required, Pandora estimates the recoverable amount of the asset.

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

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

The most significant factors when assessing the potential need for impairment are:

- decreasing revenue;
- increasing production cost;
- decreasing brand value;
- changes to the product mix.

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

The brand is applied and supported globally in all of the Group's entities. The brand is maintained and preserved through common strategy and product development at Group level and marketing in the individual sales entities. The brand is consequently tested for impairment at Group level.

Like the brand described above, goodwill is reported and managed internally at Group level. Due to the constraint in IAS 36, goodwill is allocated to the grouped CGUs in the two operating segments for impairment testing purposes. It is management's opinion that this best reflects Pandora's value creation.

NOTE 3.1

INTANGIBLE ASSETS (CONTINUED)

Method for impairment testing

In the impairment test, the recoverable amount is compared with the carrying amount. The recoverable amount is based on a calculation of the value in use using cash flow estimates based on the budget for 2023 and a forecast for the two subsequent years. The long-term growth rate in the terminal period has been set so that it equals the expected long-term rate of inflation.

All intangible assets are tested for impairment if there is any indication of impairment. Intangible assets with indefinite useful life are tested at least annually.

ALLOCATION OF INTANGIBLE ASSETS TO CGUS

DKK million	Goodwill	Brand	Distribution
2022			
Moments incl. Collabs	3,505	766	758
Style	1,316	291	289
Total	**4,822**	**1,057**	**1,047**
2021			
Moments incl. Collabs	3,204	766	783
Style	1,214	291	298
Total	**4,418**	**1,057**	**1,080**

DISCOUNT RATES AND GROWTH RATES IN TERMINAL PERIOD	Discount rate before tax	Growth rate in terminal period
2022		
Moments incl. Collabs	12.6%	2%
Style	12.7%	2%
Group	**12.6%**	**2%**
2021		
Moments incl. Collabs	11.7%	2%
Style	11.7%	2%
Group	**11.7%**	**2%**

Assumptions

The calculations of the recoverable amounts of CGUs or groups of CGUs are based on the following key assumptions.

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

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

Higher inflation rates were observed in 2022, affecting the estimates for the upcoming years. Pandora expects the long-term inflation rate to stabilise and the 2% growth rate applied is thus an estimate of the expected average inflation in the terminal period. As such, no real growth has been applied to the terminal period when calculating the recoverable amounts.

The EBIT margin in the budget of each group of CGUs is based on historical experience and expectations concerning:

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

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

The impairment test of the brand at Group level is based on the "Relief from Royalty" method.

The impairment tests did not identify any need for impairment losses to be recognised. Based on sensitivity analysis, it is management's opinion that no probable change in any key assumptions would cause the carrying amounts of the two operating segments or at Group level to exceed the recoverable amounts.

Even with a significant reduction in growth rate and an increase in discount rate, management has not identified any likely impairment.

NOTE 3.2

PROPERTY, PLANT AND EQUIPMENT

DKK million	Land and buildings	Plant and equipment	Assets under construction	Total
2022				
Cost at 1 January	1,193	3,582	91	4,866
Acquisition of subsidiaries and activities	-	32	-	32
Additions	55	211	663	929
Disposals	-15	-350	-	-365
Transfers	43	425	-468	-
Exchange rate adjustments	26	39	3	68
Cost at 31 December	**1,302**	**3,937**	**289**	**5,529**
Depreciation and impairment losses at 1 January	366	2,684	-	3,050
Depreciation for the year	89	474	-	563
Disposals	-14	-341	-	-355
Exchange rate adjustments	8	37	-	45
Depreciation and impairment losses at 31 December	**449**	**2,854**	**-**	**3,303**
Carrying amount at 31 December	**853**	**1,083**	**289**	**2,226**
2021				
Cost at 1 January	1,238	3,461	44	4,742
Acquisition of subsidiaries and activities	-	-	11	11
Additions	11	129	199	339
Disposals	-40	-249	-	-289
Transfers	14	150	-164	-
Exchange rate adjustments	-30	91	2	64
Cost at 31 December	**1,193**	**3,582**	**91**	**4,866**
Depreciation and impairment losses at 1 January	323	2,366	-	2,689
Depreciation for the year	90	492	-	582
Disposals	-38	-242	-	-280
Exchange rate adjustments	-8	68	-	59
Depreciation and impairment losses at 31 December	**366**	**2,684**	**-**	**3,050**
Carrying amount at 31 December	**827**	**898**	**91**	**1,816**

DKK million	2022	2021
Depreciation has been recognised in the income statement as follows:		
Cost of sales	167	176
Sales, distribution and marketing expenses	359	364
Administrative expenses	37	42
Total	**563**	**582**

§ ACCOUNTING POLICIES

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

Asset	Useful life
Land	Indefinite
Buildings	20-50 years
Leasehold improvements	Lease term
Plant and equipment	3-5 years
Other fixtures and fittings	3-5 years

NOTE 3.3

LEASES

Pandora leases stores, various offices, office equipment and cars.

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2022	2021
Property	2,960	2,507
IT	2	3
Cars	11	14
Other	5	8
Total right-of-use assets	**2,978**	**2,532**

Additions of right-of-use assets were DKK 1,717 million in 2022 (2021: DKK 690 million).

LEASE LIABILITIES

DKK million	2022	2021
Non-current	2,113	1,724
Current	950	886
Total lease liabilities	**3,063**	**2,610**

Lease liabilities are recognised in loans and borrowings.

Amounts recognised in the income statement:

RECOGNISED DEPRECIATION AND IMPAIRMENT LOSSES ON RIGHT-OF-USE ASSETS CHARGED TO THE INCOME STATEMENT

DKK million	2022	2021
Property	1,098	1,066
IT	1	1
Cars	11	9
Other	4	4
Total depreciation and impairment losses on right-of-use assets for the period	**1,114**	**1,081**

The vast majority of depreciation relates to leased stores and is presented in the sales, distribution and marketing expenses.

Costs recognised in the period for short-term and low-value leases were DKK 60 million (2021: DKK 39 million). Expenses are recognised on a straight-line basis.

OTHER ITEMS RELATING TO LEASES

DKK million	2022	2021
Interest expense	162	99
Total interest for the period	**162**	**99**

Due to the pandemic, Pandora received rent concessions from landlords in 2021 amounting to DKK 56 million, which was recognised under sales and distribution expenses in the income statement in 2021. The impacts in 2022 were insignificant due to limited COVID-19 closures.

Total cash outflows for the year relating to leases was DKK 1,702 million (2021: DKK 1,377 million), comprising fixed lease payments in scope of IFRS 16 of DKK 1,068 million (2021: DKK 991 million), variable lease payments of DKK 412 million (2021: DKK 248 million), interest paid of DKK 162 million (2021: DKK 99 million), and short-term and low-value leases of DKK 60 million (2021: DKK 39 million).

Many of the Group's property leases contain variable payment terms that are linked to the volume of sales made from leased stores according to normal market practice. In 2022, around 24% (2021: 18%) of the lease payments recognised in the income statement were variable rent. Pandora has estimated that a 1% increase in annual physical store revenue would consequently result in a 0.5% (2021: 0.5%) increase in lease payments. The average standard store leases are three to five years with a three to five-year option to extend in approximately 21% (2021: 18%) of current leases, typically with one or more termination options. Approximately 25% of current leases were up for renegotiation in 2022. The estimated value of lease options that Pandora is not reasonably certain of executing, is around DKK 0.3 billion (2021: DKK 0.4 billion).

! SIGNIFICANT ACCOUNTING ESTIMATES

When assessing the lifetime of leases, Pandora considers the non-cancellable lease term and options to extend or terminate the lease where Pandora is reasonably certain to extend or not to terminate. Leases in Pandora mainly comprise stores, office buildings, cars, IT and other office equipment. Most lease contracts for stores average three to five years with a three to five-year option to extend in approximately 21% of current leases, typically with one or more termination options. The lease term for stores has been assessed to be up to ten years, depending on location, revenue and earnings. For office buildings, the lease term is usually five to 15 years. For other assets, the life is equal to the non-cancellable lease term, and extensions are not considered for these.

NOTE 3.3

LEASES (CONTINUED)

§ **ACCOUNTING POLICIES**

Pandora applies a single recognition and measurement approach to all leases, except for short-term leases and low-value leases.

Pandora recognises right-of-use assets at the commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, key money, less any lease incentives received. Key money is measured at cost and amortised over the term of the contract. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. At each reporting date, Pandora assesses whether there is any indication that a right-of-use asset may be impaired. If any such indication exists, Pandora carries out impairment testing for the relevant CGU.

Pandora recognises lease liabilities at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable. Some leases are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. Payments relating to services are not included in lease liabilities. Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs and are not included in the lease liability.

In calculating the present value of lease payments, Pandora uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, for example a change in the lease term or a change in the lease payments. Lease payments are classified in financial activities in the statement of cash flows.

Pandora applies the short-term lease recognition exemption to its short-term leases. Payments related to short-term leases and leases of low-value assets continue to be recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some IT equipment and other office equipment.

In March 2021, the IASB issued COVID-19-Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16 Leases. The IASB extended the period of the relief for lessees arising as a direct consequence of the pandemic from 30 June 2021 to 30 June 2022. As a practical expedient, a lessee may elect not to assess whether a COVID-19 pandemic-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 pandemic-related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. Pandora applied the extension of the practical expedient to all contracts with rent concessions occurring as a direct consequence of the pandemic and where they meet all conditions of the practical expedient.

NOTE 3.4

BUSINESS COMBINATIONS

The contribution from the acquisitions as highlighted below includes retail revenue and net profit after the acquisition date. Lost revenue and net profit from the franchise channel have not been adjusted, thus the highlighted contributions cannot be directly linked to the income statement from a performance perspective.

Acquisitions in 2022

Ben Bridge

In Q1 2022, Pandora took over 37 concept stores in the US and Canada (32 concept stores in the US acquired on 3 March and five concept stores in Canada acquired on 25 February) from Ben Bridge in two business combinations. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 291 million. Based on the purchase price allocations, goodwill was DKK 194 million. Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's revenue and net earnings from the acquisition were DKK 445 million and DKK 186 million respectively.

Panbor

On 13 July 2022, Pandora took over 13 concept stores in Las Vegas from Panbor. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 166 million. Based on the purchase price allocations, goodwill was DKK 95 million. Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's revenue and net earnings from the acquisition were DKK 121 million and DKK 55 million respectively.

Portugal

On 20 July 2022, Pandora acquired the distribution in Portugal from the previous distributor, Visão do Tempo. The acquisition comprised mainly inventories, non-current assets and liabilities relating to 25 concept stores and nine shop-in-shops. The total purchase price for the acquisitions was DKK 99 million. Based on the purchase price allocations, goodwill was DKK 64 million. Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's reve-

NOTE 3.4

BUSINESS COMBINATIONS (CONTINUED)

nue and net earnings from the acquisition were DKK 99 million and DKK 51 million respectively.

Other business combinations in 2022
Pandora acquired five more concept stores in the US and Italy in 2022. The purchase price was DKK 20 million. Assets acquired mainly consisted of inventories and other assets and liabilities relating to the stores. Of the purchase price, DKK 11 million was allocated to goodwill.

Total business combinations in 2022
The total purchase price for the acquisitions in 2022 was DKK 577 million. Based on the purchase price allocations, goodwill was DKK 364 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale and distribution to Pandora owned retail. All the goodwill recognised was deductible for income tax purposes.

Cost relating to the acquisitions was immaterial and has been recognised as operating expenses in the income statement.

Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's revenue and net earnings from the acquisitions for the period 1 January to 31 December 2022 were DKK 693 million and DKK 305 million respectively. On a pro forma basis, if the acquisitions had been effective from 1 January 2022, the impact on Group revenue and net earnings for the period 1 January to 31 December 2022 would have been approximately DKK 825 million and DKK 346 million respectively.

Acquisitions in 2021

In 2021, Pandora took over 29 concept stores in the US in two business combinations. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 66 million. Based on the purchase price allocations, goodwill was DKK 12 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale to Pandora owned retail. Of the goodwill acquired, DKK 12 million is deductible for income tax purposes.

Cost relating to the acquisitions was immaterial and is recognised as operating expenses in the income statement. The contributions to the Group's revenue and net profit from acquisitions for the period 1 January to 31 December 2021 were DKK 307 million and DKK 93 million respectively.

ACQUISITIONS

DKK million	2022	2021
Distribution rights	-	13
Property, plant and equipment and right-of-use assets	159	84
Inventories	195	34
Assets acquired	**354**	**131**
Non-current liabilities	78	50
Payables	3	-
Other current liabilities	61	27
Liabilities assumed	**141**	**77**
Total identifiable net assets acquired	**213**	**54**
Goodwill arising on acquisitions	364	12
Purchase consideration	**577**	**66**
Cash movements on acquisitions:		
Deferred payment	-14	-
Net cash flows on acquisitions	**562**	**66**

On a pro forma basis, if the acquisitions had been effective from 1 January 2021, the impact on Group revenue and net profit for the period 1 January to 31 December 2021 would have been approximately DKK 358 million and DKK 112 million respectively.

Acquisitions after the reporting period

No acquisitions to an extent of significance to Pandora took place after the reporting period.

§ ACCOUNTING POLICIES

Business combinations are accounted for in accordance with the IFRS 3 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.

As goodwill is reported and managed internally at Group level, goodwill acquired should also be allocated to the Group. However, goodwill acquired is allocated to the grouped CGUs in the two operating segments for impairment testing purposes due to the constraint in IAS 36.

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

NOTE 3.5

INVENTORIES

DKK million	2022	2021
Raw materials and consumables	743	779
Work in progress	151	148
Finished goods	3,088	1,911
Point-of-sale materials	229	153
Total inventories at 31 December	**4,211**	**2,991**
Inventory write-downs at 1 January	765	740
Write-downs during the year	118	154
Utilised in the year	-148	-129
Inventory write-downs at 31 December	**735**	**765**

Write-downs

Inventory write-downs primarily relate to finished goods and are recognised in cost of sales, DKK 97 million (2021: DKK 141 million), and operating expenses, DKK 21 million (2021: DKK 13 million). Write-downs include mainly the cost of remelting obsolete jewellery.

Remelting of goods (realised and unrealised) negatively impacted gross profit by DKK 63 million (2021: DKK 103 million).

Production overheads

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.

Net realisable value

Net realisable value is based on the estimated selling price less estimated costs of completion and distribution. Alternatively, for inventories that are not expected to be sold, net realisable value is based on the remelt value of the reusable raw materials (primarily silver and gold).

§ ACCOUNTING POLICIES

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

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

! SIGNIFICANT ACCOUNTING ESTIMATES

Estimates relating to write-downs are impacted by forecasting accuracy in the number of obsolete products that will need to be remelted. The impact from remelt is also influenced by fluctuations in the market prices of silver and gold. Further, significant management judgements are required with regards to the calculations of internal gain on inventory when goods are sold from production entities to sales entities.

NOTE 3.6

TRADE RECEIVABLES

DKK million	2022	2021
Receivables related to third-party distribution and wholesale	747	672
Receivables related to retail revenue sales	515	337
Total trade receivables at 31 December	**1,262**	**1,009**
Ageing of trade receivables at 31 December		
Not past due	**1,035**	**850**
Up to 30 days	176	159
Between 30 and 60 days	31	-
Between 60 and 90 days	12	-
Over 90 days	8	-
Total past due, not impaired	**227**	**159**
Total trade receivables at 31 December	**1,262**	**1,009**
Development in impairment losses on trade receivables		
Impairment at 1 January	86	121
Additions	61	12
Utilised	-11	-20
Unused amounts reversed	-55	-30
Exchange rate adjustments	2	3
Impairment at 31 December	**83**	**86**

Trade receivables are amounts due from the sale of goods sold to wholesalers and distributors, or due from landlords, malls or e-commerce providers responsible for the collection of cash on behalf of Pandora related to retail sales.

The impairment on receivables decreased by DKK 3 million for the year. Realised losses were not material and remained low.

NOTE 3.6
TRADE RECEIVABLES (CONTINUED)

Management continues to assess credit risk in order to ensure credit risk never exceeds the recognised write-down on trade receivables. For a further description of credit risk, see note 4.4 Financial risks.

In view of the low historical loss rates on receivables, adjusting these rates to reflect current and forward-looking information on macroeconomic factors such as GDP and unemployment rates affecting the ability of customers to settle receivables will not increase the risk of losses significantly.

§ **ACCOUNTING POLICIES**

Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, and consequently recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Pandora applies the simplified approach to measure expected credit losses, using a lifetime expected loss allowance.

NOTE 3.7
PROVISIONS

DKK million	2022	2021
Provisions at 1 January	442	399
Additions in the year	77	127
Utilised in the year	-15	-11
Unused provisions reversed	-120	-77
Exchange rate adjustments	-	5
Provisions at 31 December	**384**	**442**
Provisions are recognised in the consolidated balance sheet as follows:		
Current	21	26
Non-current	363	416
Provisions at 31 December	**384**	**442**

Provisions are liabilities of uncertain timing or amount and consist of defined benefit pension plans of DKK 80 million (2021: DKK 81 million), obligations to restore leased property of DKK 163 million (2021: DKK 132 million), and other legal and constructive obligations of DKK 141 million (2021: DKK 203 million). See note 5.1 Contingent liabilities for estimates relating to litigation.

§ **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.

NOTE 3.8
CONTRACT ASSETS AND LIABILITIES

DKK million	2022	2021
Contract assets		
Receivables from sale of products, see note 3.6	1,262	1,009
Right-of-return assets	54	70
Total contract assets	**1,316**	**1,078**
Contract liabilities		
Prepayments from customers	16	11
Coupons, gift cards etc.	102	92
Loyalty programme	18	60
Refund liabilities	628	724
Total contract liabilities	**763**	**887**

DKK million	Refund	Warranty	Total
2022			
Liability at 1 January	478	246	724
Performance obligations for which consideration has been received	982	327	1,309
Revenue recognised, included in the contract liability	-897	-214	-1,111
Contract liabilities reversed	-243	-66	-308
Exchange rate adjustments	19	-5	14
Refund and warranty liability at 31 December	**339**	**288**	**628**
2021			
Liability at 1 January	382	273	654
Performance obligations for which consideration has been received	1,238	218	1,456
Revenue recognised, included in the contract liability	-974	-171	-1,145
Contract liabilities reversed	-189	-80	-269
Exchange rate adjustments	21	6	27
Refund and warranty liability at 31 December	**478**	**246**	**724**

NOTE 3.8

CONTRACT ASSETS AND LIABILITIES (CONTINUED)

§ ACCOUNTING POLICIES

Pandora recognises a refund and warranty liability related to return rights provided to customers in most countries. A corresponding right-of-return asset is also recognised as part of contract assets. The value of the right-of-return asset is determined by how many of the returned products are expected to be sold. Remaining products are written down to remelt value together with returns covered by warranties.

The refund liability 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 income effect recognised is the gross margin of the expected returns and the potential effect of writing down parts of the returned goods to remelt value. Changes to the right-of-return asset and refund liability are recognised gross in the income statement, as both revenue and cost of sales.

Refund liability to cover warranty claims is based on expected replacements provided for products still covered by warranty at the end of the period. The liability is recognised gross in the income statement, as both a reduction in revenue and in cost of goods sold. This is due to the handling of warranty claims, which lead to replacements instead of repairs.

As a common practice in Pandora, no costs to obtain contracts with customers were capitalised in 2022 or previous years.

! SIGNIFICANT ACCOUNTING ESTIMATES

In most countries, Pandora has provided return and warranty rights to customers. The handling of warranty claims leads to replacements instead of repairs. The recognised refund liability relating to return and warranty rights is assessed to a large extent on the basis of historical return patterns.

NOTE 3.9

TRADE PAYABLES

The Group generally accepts that vendors sell off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the statement of cash flows (working capital within cash flows from operations) and amounted to DKK 79 million at 31 December 2022 (2021: DKK 24 million).

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 by Pandora's Group Treasury. Pandora uses a number of derivative financial instruments to hedge its exposures to fluctuations in commodity prices and currencies. Derivative financial instruments are described in note 4.5.

Pandora's capital structure policy is to maintain a leverage ratio (NIBD to EBITDA ratio) between 0.5x and 1.5x (including leases in accordance with IFRS 16). At 31 December 2022, the ratio was 0.8x (2021: 0.4x), reflecting Pandora's continued strong cash generation. In 2022, cash conversion ended at 39% as a result of a deliberate decision to build up inventory.

DKK 6.7bn

Undrawn committed facilities of DKK 6.7 billion underpin Pandora's strong liquidity position.

NET INTEREST-BEARING DEBT

DKK million	2022	2021
Loans and borrowings, non-current	1,017	1,041
Lease liabilities, non-current	2,113	1,724
Loans and borrowings, current	3,508	274
Lease liabilities, current	950	886
Cash	-794	-1,043
Net interest-bearing debt	**6,794**	**2,882**

NOTE 4.1

SHARE CAPITAL

At the Annual General Meeting of Pandora A/S on 10 March 2022, the shareholders resolved to cancel 4,500,000 treasury shares. At 31 December 2022, the share capital comprised 95,500,000 shares with a par value of DKK 1. No shares have special rights.

In 2022, Pandora launched a new share buyback programme under which Pandora expects to buy back own shares up to a maximum value of DKK 3.3 billion. In 2022, Pandora purchased 6,595,620 treasury shares, corresponding to a total purchase price of DKK 3.6 billion (DKK 0.7 billion related to the share buyback programme launched in 2021 and DKK 2.9 billion related to the share buyback programme launched in 2022). At 31 December 2022, Pandora had yet to repurchase own shares at a total purchase price of DKK 0.4 billion as part of the share buyback programme.

Own shares of DKK 0.4 billion have been repurchased after 31 December 2022.

SHARE CAPITAL	Number of shares	Nominal value (DKK)
2022		
Balance at 1 January	100,000,000	100,000,000
Cancellation of shares	-4,500,000	-4,500,000
Balance at 31 December	**95,500,000**	**95,500,000**
2021		
Balance at 1 January	100,000,000	100,000,000
Balance at 31 December	**100,000,000**	**100,000,000**

TREASURY SHARES	Number of shares	Nominal value (DKK)	Purchase price	% of shares
2022				
Balance at 1 January	4,261,882	4,261,882	3,416,201,836	4.3%
Used to settle share-based incentive plans	-252,971	-252,971	-198,579,700	-0.3%
Purchase of treasury shares	6,595,620	6,595,620	3,588,038,037	6.7%
Cancellation of treasury shares	-4,500,000	-4,500,000	-3,485,684,600	-4.5%
Balance at 31 December	**6,104,531**	**6,104,531**	**3,319,975,573**	**6.4%**
2021				
Balance at 1 January	322,839	322,839	92,742,356	0.3%
Used to settle share-based incentive plans	-4,754	-4,754	-1,264,761	0.0%
Purchase of treasury shares	3,943,797	3,943,797	3,324,724,241	3.9%
Balance at 31 December	**4,261,882**	**4,261,882**	**3,416,201,836**	**4.3%**

Treasury shares

All treasury shares are owned by Pandora A/S. Treasury shares include hedges for share-based incentive plans granted to the Executive Management and other employees.

NOTE 4.2

EARNINGS PER SHARE AND DIVIDEND

DKK million	2022	2021
Profit attributable to equity holders	**5,029**	**4,160**
Weighted average number of ordinary shares	92,746,543	98,775,946
Effect of performance shares	949,850	898,708
Weighted average number of ordinary shares adjusted for the effect of dilution	**93,696,393**	**99,674,654**
Basic earnings per share, DKK	54.2	42.1
Diluted earnings per share, DKK	53.7	41.7

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

Dividend

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 16 per share (2021: DKK 16), corresponding to DKK 1.4 billion, be distributed for 2022. No dividend is paid on treasury shares.

NOTE 4.2

EARNINGS PER SHARE AND DIVIDEND (CONTINUED)

In 2022, a dividend of DKK 1.5 billion in total was paid. Dividend paid had no effect on the Group's tax expense for the year.

For further shareholder information on dividend payments, see page 43.

Distributable reserves

Cash distribution to the shareholders is, by law, limited to the amount of the free reserves of the Parent Company.

As at 31 December 2022, free reserves in the Parent Company amounted to DKK 15.2 billion, of which DKK 5.9 billion was derived from an intra-group restructuring to bring together its crafting activities into a separate crafting sub-group, which will oversee all crafting activities across the Group. For further information on the intra-group restructuring see note 3.3 Investments in subsidiaries and business combinations in the Parent Company financial statements.

When calculating the amount available for distribution of dividend and share buyback, treasury shares are deducted from distributable reserves.

§ **ACCOUNTING POLICIES**

Dividend proposed is recognised as a liability at the date of the adoption at the Annual General Meeting (declaration date). Extraordinary dividend is recognised as a liability at the declaration date.

NOTE 4.3

NET INTEREST-BEARING DEBT

TOTAL LIABILITIES FROM FINANCING ACTIVITIES DKK million	Financial liabilities 1 January	Cash flows, net	New leases, etc.	Other[1]	Foreign exchange adjustments	Financial liabilities 31 December
2022						
Non-current borrowings	1,041	74	-	-99	-	1,017
Non-current lease liabilities	1,724	-	1,253	-857	-6	2,113
Current borrowings	274	2,935	-	299	-	3,508
Current lease liabilities	886	-1,068	465	665	2	950
Total liabilities from financing activities	**3,926**	**1,941**	**1,717**	**7**	**-3**	**7,588**
2021						
Non-current borrowings	-	1,315	-	-273	-	1,041
Non-current lease liabilities	2,066	-	495	-899	61	1,724
Current borrowings	3,003	-3,004	-	274	1	274
Current lease liabilities	993	-991	215	637	32	886
Total liabilities from financing activities	**6,063**	**-2,680**	**710**	**-262**	**94**	**3,926**

[1] Includes the effect of the reclassification of the non-current portion of interest-bearing loans and borrowings to the current portion due to the passage of time. Also includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, upfront prepayment of lease liabilities and the effect of the lease modification and reassessment. The Group classifies interest paid as cash flows from operating activities.

§ **ACCOUNTING POLICIES**

On initial recognition, interest-bearing debt and borrowings are measured at fair value less transaction costs. 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 and through the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at inception, and fees and other costs.

NOTE 4.4

FINANCIAL RISKS

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

To manage financial risks, Pandora may use 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.

It is Pandora's policy to hedge at least 50% of the combined commodity, exchange rate and interest rate risk. However, at least 70% of estimated commodity purchases for the next 12 months must be hedged.

The table to the right illustrates the sensitivity on 2022 revenue, EBIT and EBIT margin from exchange rates and commodity price movements. In addition, the sensitivity of assets and liabilities as at 31 December from currency movements is illustrated on the next page.

Commodity price risk

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

It is the policy of Pandora to ensure stable, predictable raw material prices. Based on a rolling 12-month production plan, the general policy is for Group Treasury to hedge at least 70% of the Group's expected purchases.

Purchases are hedged from 1 to 12 months forward with a hedge ratio target that decreases with time to maturity as illustrated to the right. Any deviation from the policy must be approved by the Audit Committee.

Commodity hedging is updated at the end of each month or in connection with revised 12-month rolling production plans. Actual production may deviate from the 12-month rolling production plan. In case of deviations, the realised commodity hedge ratio may deviate from the estimated hedge ratio. The effective portion of the realised gain or loss from commodity hedging is recognised in Group inventories and subsequently in cost of sales. For the fair value of hedging instruments, see note 4.5 Derivative financial instruments.

Foreign currency risk

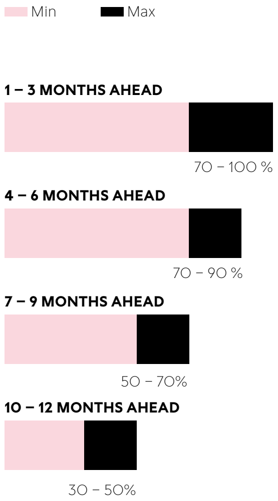
Pandora's presentation currency is DKK, but the majority of Pandora's activities and investments are denominated in other currencies. Consequently, exchange rate fluctuations may have a substantial impact on Pandora's cash flows, profit (loss) and/or financial position in DKK.

The majority of Pandora's revenue is denominated in USD, EUR, GBP, AUD, MXN, CAD and CNY. The functional currency of subsidiaries is generally the local currency, and a substantial portion of Pandora's costs relates to raw materials purchased in USD. In addition, Pandora incurs costs

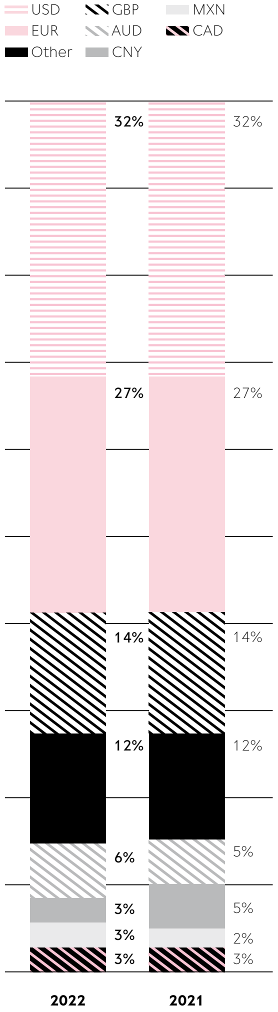
SENSITIVITY ANALYSIS ON EXCHANGE RATES AND COMMODITY PRICES[1] DKK million	Change in exchange rate and commodity prices	2022 Revenue	2022 EBIT	2022 EBIT margin impact	2021 Revenue	2021 EBIT	2021 EBIT margin impact
USD	+10%	858	367	0.5%	748	350	0.7%
CAD	+10%	80	47	0.1%	65	38	0.1%
AUD	+10%	167	117	0.3%	127	81	0.2%
GBP	+10%	382	252	0.6%	333	235	0.6%
EUR	+1%	71	44	0.1%	62	39	0.1%
CNY	+10%	73	-9	-0.1%	111	7	-0.1%
MXN	+10%	86	47	0.1%	48	22	0.0%
THB	+10%	-	-220	-0.8%	-	-238	-1.0%
GOLD and SILVER	+10%	-	-218	-0.8%	-	-182	-0.8%

[1] Revenue and EBIT would have been impacted by the above amounts if exchange rates and commodity prices in 2022 had been higher than the realised exchange rates and commodity prices. The impact would have been the opposite if exchange rates and commodity prices had been decreasing by similar percentages. The analysis is based on the transaction currency. The analysis excludes the effects of hedging and time-lag of inventory.

COMMODITY HEDGE RATIO TARGET (%)



REVENUE BREAKDOWN BY CURRENCY (%)



NOTE 4.4

FINANCIAL RISKS (CONTINUED)

denominated in THB. Changes in the exchange rate of these currencies versus DKK will result in changes to the translated value of future EBIT and cash flows.

Pandora finances the majority of its subsidiaries' cash requirements via intercompany loans denominated in the local currency of the individual subsidiary. A devaluation of these currencies against DKK will in general result in a foreign exchange loss in the Parent Company.

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 profits or losses 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 does not hedge balance sheet items or ownership interests in foreign subsidiaries. For 2022, 70% of the cash flows from the main currencies were hedged based on a rolling 12-month liquidity forecast. Cash flows are hedged from 1 to 12 months forward with a hedge ratio that decreases with time to maturity. Foreign currency hedging is updated at the end of each month or in connection with revised 12-month rolling cash forecasts. The realised profit (loss) from exchange rate hedging is taken to financial items.

The table below illustrates the currency revaluation impact in DKK million on net profit and changes in equity resulting from a change in the Group's primary foreign currencies after the effect of hedge accounting.

Credit risk

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

It is Pandora's policy for subsidiaries to be responsible for credit evaluation and credit risk on their trade receivables. Any deviations from standard agreements must be approved by Group Treasury and/or the Chief Financial Officer.

Note 3.6 Trade receivables includes an overview of the credit risk related to trade receivables. Rating of trade receivables does not differ materially either by type of customer or geographic location. The risk of further impairment is considered to be limited.

Credit risk related to Pandora's other financial assets mainly includes cash and unrealised gains on financial contracts. The credit risk is related to default of the counterparty with a maximum exposure corresponding to the carrying amount of the assets. Group Treasury is responsible for managing these credit risks.

Liquidity risk

Pandora's cash conversion is high and Pandora maintains an adequate level of cash and unutilised credit facilities to meet financial obligations when due. Pandora's liquidity risk is considered to be low.

Pandora has two new term loans of DKK 3.7 billion committed until December 2023 and May 2030, respectively. Pandora has uncommitted credit facilities to ensure efficient and flexible local liquidity management. The credit facilities are managed by Group Treasury.

CURRENCY EXPOSURE FROM ASSETS AND LIABILITIES[1] DKK million	Change in exchange rate	31 December 2022 Profit (loss) before tax	31 December 2022 Equity	31 December 2021 Profit (loss) before tax	31 December 2021 Equity
USD	+10%	-22	240	38	-188
CAD	+10%	33	-	28	-8
AUD	+10%	11	-64	8	-43
GBP	+10%	-	-64	-47	-159
EUR	+1%	-9	-34	3	3
CNY	+10%	-17	-9	-21	-35
MXN	+10%	52	52	11	11
THB	+10%	-46	247	-71	170

[1] The movements in the income statement arise from monetary items (cash, borrowings, receivables and payables) where the functional currency of the entity differs from the currency that the monetary items are denominated in. The movements in equity arise from monetary items and hedging instruments where the functional currency of the entity differs from the currency that the hedging instruments or monetary items are denominated in. The impact would have been the opposite if exchange rates had been decreasing by similar percentages. The analysis is based on the transaction currency.

OUTSTANDING COMMITTED LOAN FACILITIES (END OF DECEMBER 2022)	Available facilities DKK million	Maturity date	Drawn amount DKK million	Available liquidity
Revolving credit facilities[1]	7,065	April 2027	372	6,693
Term loan maturing in 2030[1]	744	May 2030	744	-
Term loan maturing in 2023	3,000	December 2023	3,000	-
Total	**10,808**		**4,116**	**6,693**

[1] The revolving credit facility and the term loan maturing in 2030 are both sustainability-linked facilities.

NOTE 4.4

FINANCIAL RISKS (CONTINUED)

Interest rate risk

Interest rate risk is the risk of interest rate fluctuations resulting in changed interest rate payments and market value of net borrowings. At the reporting date, all interest-bearing loans and borrowings were based on floating interest rates.

All else being equal, it is estimated that a general increase in interest rates by 1.0 percentage point would lead to a DKK 49 million decrease in profit before tax and equity, excluding tax effect (2021: DKK 6 million decrease).

Contractual maturities of financial liabilities

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

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

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is insignificant.

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

LIABILITIES FALL DUE AS FOLLOWS DKK million	Within 1 year	Within 1 and 5 years	After more than 5 years	Total
2022				
Non-derivatives				
Loans and borrowings	3,615	813	253	4,681
Lease liabilities	1,134	2,046	539	3,718
Trade payables	3,131	-	-	3,131
Other payables	239	-	-	239
Derivatives				
Derivative financial instruments	74	-	-	74
Total at 31 December	**8,193**	**2,859**	**792**	**11,844**
2021				
Non-derivatives				
Loans and borrowings	274	1,050	-	1,324
Lease liabilities	977	1,600	275	2,851
Trade payables	3,267	-	-	3,267
Other payables	289	-	-	289
Derivatives				
Derivative financial instruments	209	-	-	209
Total at 31 December	**5,016**	**2,650**	**275**	**7,941**

NOTE 4.5

DERIVATIVE FINANCIAL INSTRUMENTS

Pandora uses a number of derivative financial instruments to hedge its exposure to fluctuations in commodity prices and exchange rates.

Derivative financial instruments include silver and gold swaps and foreign exchange forward contracts.

DKK million	Assets	Liabilities	Carrying amount	Hedge reserve, net of tax
2022				
Commodities	166	-33	133	103
Foreign exchange	65	-42	23	18
Total derivative financial instruments	**231**	**-74**	**157**	**121**
2021				
Commodities	8	-121	-113	-90
Foreign exchange	61	-88	-27	-20
Total derivative financial instruments	**69**	**-209**	**-140**	**-110**

NOTE 4.5

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

It is Pandora's policy to hedge at least 70% of the Group's expected gold and silver consumption based on a rolling 12-month production plan. The table below illustrates the timing of the hedges related to the purchase of gold and silver for production, excluding the time-lag effect from inventory to cost of sales (when the product is sold). The time-lag from use in production to impact on cost of sales is usually 2 to 7 months.

Classification according to the fair value hierarchy

The fair value at 31 December 2022 of Pandora's derivative financial instruments was measured in accordance with level 2 in the fair value hierarchy (IFRS 13). Level 2 is based on non-quoted prices, observable either directly (as prices) or indirectly (derived from prices). Pandora uses input from third-party valuation specialists to quote prices for unrealised derivative financial instruments. The value of unrealised silver and gold instruments is tested against the prices observable at London Bullion Market Association (LBMA). The value of unrealised foreign exchange instruments is tested against observable foreign exchange forward rates.

The value of financial instruments recognised in other comprehensive income is recycled from equity at the time the instrument is settled, within 12 months.

Derivative financial instruments that qualify for cash flow hedge accounting

The hedges are expected to be highly effective due to the nature of the economic relation between the exposure and the hedge.

The effective portion of the unrealised gain or loss on all hedging instruments is recognised directly as other comprehensive income in the equity hedging reserve. The ineffective portion is recognised in net financials.

The effective portion of the realised gain or loss on a commodity hedging transaction is recognised in Group inventories and subsequently in cost of sales whereas the ineffective portion is realised in net financials. The realised gain or loss on all foreign exchange contracts is recognised in net financials. The ineffectiveness impact in net financials was a loss of DKK 46 million (2021: gain of DKK 16 million).

For information about risk management strategy, see note 4.4 Financial risks.

HEDGED AND REALISED PURCHASE PRICES At use of the gold and silver for production (USD/OZ)	Realised in 2022	Hedged Q1 2023	Hedged Q2 2023	Hedged Q3 2023	Hedged Q4 2023
Gold price	1,806	1,835	1,839	1,793	1,847
Silver price	24.29	23.48	21.75	20.42	22.27
Commodity hedge ratio, %	**Realised**	**70-100%**	**70-90%**	**50-70%**	**30-50%**

§ ACCOUNTING POLICIES

Derivative 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 derivative 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 derivative financial instruments as cash flow hedges as defined under IFRS 9. Hedge accounting is classified as a cash flow hedge when the hedges of a particular risk is associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions.

Pandora designates and documents all hedging relationships between commodity contracts and purchase transactions. The effective portion of the unrealised gain or loss on all hedging instruments is recognised directly as other comprehensive income in the equity hedging reserve. The ineffective portion is recognised in net financials. The effective portion of the realised gain or loss from commodity hedging is recognised in Group inventories and subsequently in cost of sales. The realised profit (loss) from exchange rate hedging is taken to financial items.

NOTE 4.6

NET FINANCIALS

FINANCE INCOME

DKK million	2022	2021
Reclassified from equity hedge reserves	12	53
Total finance income from derivative financial instruments	**12**	**53**
Finance income from loans and receivables measured at amortised cost:		
Foreign exchange gains	393	78
Interest income, bank	5	19
Interest income, loans and receivables	2	2
Total finance income from loans and receivables	**400**	**99**
Total finance income	**412**	**152**

FINANCE COSTS

DKK million	2022	2021
Reclassified from equity hedge reserves	167	286
Total finance costs from derivative financial instruments	**167**	**286**
Finance costs from financial liabilities measured at amortised cost:		
Foreign exchange losses	134	116
Interest on loans and borrowings	100	34
Interest on lease liabilities	162	99
Other finance costs	59	78
Total finance costs from loans and borrowings	**455**	**327**
Total finance costs	**622**	**613**

§ ACCOUNTING POLICIES

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

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

NOTE 4.7

OTHER NON-CASH ADJUSTMENTS

OTHER NON-CASH ADJUSTMENTS

DKK million	2022	2021
Effects from exchange rate adjustments	16	129
Effects from IFRS16 rent concessions	-30	-56
Other, incl. gains/losses from the sale of property, plant and equipment	-4	-4
Total other non-cash adjustments	**-18**	**70**

SECTION 5

OTHER DISCLOSURES

Third best-selling ring in 2022

The Marvel Infinity ring from the Marvel X Pandora collection was among our top three best-selling rings overall in 2022. Since the ring was introduced in early 2022, Marvel fans and excited consumers have bought a total of almost 135,000 pieces.

NOTE 5.1

CONTINGENT ASSETS AND LIABILITIES

Litigation

Pandora is a party to various legal proceedings with current business partners, authorities and other third parties, related to copyright, marketing conduct and pricing. None of these proceedings is expected to have a material effect on Pandora's financial position or future earnings.

! SIGNIFICANT ACCOUNTING ESTIMATES

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.

Contractual obligations

Pandora has entered into a number of long-term purchase, sales and supply contracts in the course of the Group's ordinary business. Contractual obligations amounted to DKK 827 million at 31 December 2022 (2021: DKK 500 million) and relate mainly to commercial collaborations and IT contracts.

Apart from the liabilities already recognised in the balance sheet, no significant financial losses are expected to be incurred as a result of these contracts.

Contingent assets

In October 2022, Pandora's European Distribution Center, located in Hamburg, Germany, was affected by a fire. The extent of any potential insurance compensation is being assessed, and discussions are ongoing with the insurers. Due to the premature state of discussions and the associated uncertainties, Pandora has not recognised an indemnity claim under the business interruption insurance policy as of 31 December 2022. No other material insurance compensation has been recognised in 2022.

NOTE 5.2

RELATED PARTIES

Related parties with significant interests

At 31 December 2022, treasury shares accounted for 6.4% of the share capital (2021: 4.3%), for further information see note 4.1 Share capital.

Other related parties of Pandora include the Board, Executive Management 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 2022, Pandora purchased own shares from shareholders. The shares were purchased at the volume-weighted average purchase price for the shares purchased under the share buyback programme in the market on the relevant day of trading.

Pandora did not enter into any significant transactions with members of the Board or the Executive Management, except for compensation and benefits received as a result of their membership of the Board, employment with Pandora or shareholdings in Pandora. For further information see note 2.3 Staff costs and note 2 .4 Share-based payments.

NOTE 5.3

FEES TO INDEPENDENT AUDITOR

DKK million	2022	2021
Fee for statutory audit	11	10
Other assurance engagements	2	1
Total audit related services	**13**	**11**
Tax consultancy	-	-
Other services	1	-
Total non-audit services	**1**	**-**
Total fees to independent auditor	**14**	**11**

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

Pandora has implemented a policy regarding non-audit services provided by the auditor appointed at the Annual General Meeting. The policy states which services are allowed or prohibited.

Other non-audit services include fees for advisory services. All non-audit services have been approved according to the policy for non-audit services and within the 70% fee cap restrictions.

NOTE 5.4

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the consolidated financial statements.

NOTE 5.5

COMPANIES IN THE PANDORA GROUP

The table below shows information about the Group entities at 31 December 2022.

Company	Ownership	Registered office	Date of consolidation
OWNED BY PANDORA A/S			
Pandora Jewelry Argentina SRL	100%	Argentina	27 September 2017
Pandora Österreich GmbH	100%	Austria	23 May 2012
Pandora Jewellery Belgium NV	100%	Belgium	13 April 2017
Pandora do Brasil Participações Ltda.	100%	Brazil	24 October 2013
Pandora Jewelry Ltd.	100%	Canada	7 March 2008
Pandora Jewelry Chile SpA	100%	Chile	7 May 2017
Pandora Jewelry Colombia S.A.S	100%	Colombia	17 January 2019
Pandora Int. ApS	100%	Denmark	1 October 2009
Pan Me A/S	100%	Denmark	16 January 2015
Pandora Jewelry Taiwan A/S	100%	Denmark	18 May 2018
Pandora Production Holding A/S	100%	Denmark	3 May 2022
Pandora Jewellery UK Limited	100%	England	1 December 2008
Pandora Jewelry Finland Oy	100%	Finland	1 January 2012
Pandora France SAS	100%	France	25 February 2011
Pandora Jewelry GmbH	100%	Germany	5 January 2010
Pandora EMEA Distribution Center GmbH	100%	Germany	5 December 2011
Pandora Jewelry Asia-Pacific Limited	100%	Hong Kong	1 November 2009
Pandora Jewelry Limited	100%	Ireland	10 January 2018
Pandora Italia SRL	100%	Italy	23 May 2012
Pandora Jewelry Japan Ltd.	100%	Japan	29 October 2014
Pandora Jewelry Macau Company Ltd.	100%	Macau	1 January 2016
Pandora Jewelry Mexico, S.A. de C.V.	100%	Mexico	8 March 2017
Pandora Jewelry Mexico Servicios, S.A. de C.V.	100%	Mexico	8 March 2017
Pandora Jewelry Mexico Import, S.A. de C.V.	100%	Mexico	4 April 2018
Pandora Jewelry Panama S.A.	100%	Panama	5 July 2016
Pandora Jewelry Panama Retail, S.A.	100%	Panama	14 April 2021
Pandora Jewelry Peru S.A.C	100%	Peru	10 July 2018
Pandora Jewelry CEE Sp. z.o.o.	100%	Poland	1 March 2009
Pandora Jewelry Shared Services Sp. z.o.o.	100%	Poland	7 February 2012

Company	Ownership	Registered office	Date of consolidation
OWNED BY PANDORA A/S			
Pandora Portugal, Unipessoal LDA	100%	Portugal	4 April 2022
Pandora Jewelry Singapore Pte. Ltd.	100%	Singapore	1 January 2016
Pandora Jewelry Slovakia s.r.o.	100%	Slovakia	6 September 2016
Pandora Jewellery South Africa Pty Ltd.	100%	South Africa	31 January 2017
Pandora Jewellery Spain S.L	100%	Spain	28 September 2017
Pandora Sweden AB	100%	Sweden	4 November 2013
Pandora Schweiz AG	100%	Switzerland	6 December 2011
Pandora Services Co. Ltd.	100%	Thailand	15 October 2010
Pandora Jewelry Mücevherat Anonim Şirketi	100%	Turkey	4 November 2013
Pandora Jewelry Inc.	100%	United States	1 July 2008
Pandora Jewelry Latam LLC	100%	United States	20 October 2021

Company	Ownership	Registered office	Date of consolidation
OWNED BY OTHER COMPANIES IN THE PANDORA GROUP			
AD Astra Holdings Pty Ltd.	100%	Australia	1 July 2009
Pandora Jewelry Pty Ltd.	100%	Australia	1 July 2009
Pandora Retail Pty Ltd.	100%	Australia	1 July 2009
Pandora do Brasil Comércio e Importação Ltda.	100%	Brazil	24 October 2013
Pandora Franchise Canada Ltd.	100%	Canada	19 January 2011
Pandora Retail Canada Ltd.	100%	Canada	4 February 2014
Pandora Jewelry (Shanghai) Company Ltd.	100%	China	4 February 2015
Pandora Jewelry Design (Beijing) Company Ltd.	100%	China	1 March 2016
Pandora Jewelry CR s.r.o.	100%	Czech Republic	2 December 2009
Panmeas Jewellery LLC	100%	Dubai	16 January 2015
Pandora Jewelry Hong Kong Company Ltd.	100%	Hong Kong	4 February 2015
Pandora Jewelry Hungary Ltd.	100%	Hungary	2 June 2010
Pandora Jewelry B.V.	100%	Netherlands	20 September 2010
Pandora Norge AS	100%	Norway	17 August 2010
Pandora Jewelry Romania SRL	100%	Romania	18 August 2011
Pandora Production Co. Ltd.	100%	Thailand	7 March 2008
Pandora Jewelry LLC	100%	United States	7 March 2008
Pandora Franchising LLC	100%	United States	1 November 2009
Pandora Ventures LLC	100%	United States	10 May 2012
Pandora ECOMM LLC	100%	United States	21 August 2014

Pandora Group has seven dormant companies, which have been omitted from the table.
Pandora A/S has no dormant companies.

NOTE 5.6

FINANCIAL DEFINITIONS

Key figures and financial ratios stated in the consolidated financial statements have been calculated in accordance with the CFA Society Denmark guidelines.

Revenue growth, %	(The current year's revenue - last year's revenue) / Last year's revenue
Revenue growth, local currency, %	(The current year's revenue at last year's exchange rates - last year's revenue) / Last year's revenue
Gross margin, %	Gross profit / revenue
Effective tax rate, %	Income tax expense / profit before tax
Equity ratio, %	Equity / total assets
Payout ratio, %	Dividends paid for the year / net profit
Total payout ratio, %	Dividends paid for the year plus value of share buyback / net profit
EPS basic	Net profit / average number of shares outstanding
EPS diluted	Net profit / average number of shares outstanding, including the dilutive effect of share options 'in the money'

Forward-looking statements

This Annual Report contains forward-looking statements, including, but not limited to, guidance, expectations, strategies, objectives and statements regarding future events or prospects with respect to the Company's future financial and operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "expect", "estimate", "intend", "will be", "will continue", "will result", "could", "may", "might" or any variations of such words or other words with similar meanings. Forward-looking statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Company assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements. Some important risk factors that could cause the Company's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and geopolitical uncertainty (including interest rates and exchange rates), financial and regulatory developments, general changes in market trends and end-consumer preferences, demand for the Company's products, competition, the availability and pricing of materials used by the Company, production and distribution-related issues, IT failures, litigation, pandemics, and other unforeseen factors. The nature of the Company's business means that risk factors and uncertainties may arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Company's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

Pandora presents the following alternative performance measures not defined according to IFRS (non-GAAP measures) in the Annual Report:

Sell-out growth, (like-for-like) %	Like-for-like including stores which have been operating for +12 months and stores which are temporarily closed due to COVID-19
Organic growth, %	Revenue growth in local currency relative to the same period in the comparative year adjusted for the acquisition/ divestment of distributors and franchisee stores (the effect of converting wholesale to retail revenue and vice versa)
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA margin, %	EBITDA / revenue
EBIT	Earnings before interest and tax
EBIT margin,%	EBIT / revenue
Free Cash Flows	Cash flows from operating activities, excluding financial items and cash flows from investing activities excluding acquisitions of subsidiaries and activities
Capital expenditure (CAPEX)	Purchase of intangible assets and property, plant and equipment for the year, excl. acquisitions of subsidiaries
Days sales outstanding (DSO)	Last three months of wholesale and third-party distribution revenue relative to trade receivables from these channels and not adjusted for VAT
Return on invested capital (ROIC), %	EBIT / invested capital incl. goodwill
NIBD	Loans, borrowings, capitalised leases and other liabilities relating to obligations to acquire non-controlling interests (current and non-current) less cash
NIBD to EBITDA	NIBD / EBITDA (rolling 12 months)
Cash conversion incl. lease payments, %	Free cash flows before acquisitions / EBIT

Furthermore, a breakdown of 'Operating working capital', 'Net working capital' and 'Invested capital' is given on the section 3 divider.

STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Pandora A/S for 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the Group and the Parent Company face.

In our opinion, the Annual Report of Pandora A/S for the financial year 1 January to 31 December 2022 with the file name PAND-2022-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen,
8 February 2023

Executive Management

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

Board of Directors

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Heine Dalsgaard

Birgitta Stymne Göransson

Marianne Kirkegaard

Catherine Spindler

Jan Zijderveld

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pandora A/S

Our opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Pandora A/S for the financial year 1 January to 31 December 2022, which comprise statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including accounting policies, for the Group and 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 additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

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

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

Subsequent to Pandora A/S being listed on Nasdaq OMX Copenhagen, EY was appointed auditors of Pandora A/S on 8 April 2011. We have been reappointed annually at the General Meeting for a total consecutive period of 12 years up to and including the financial year 2022. Subsequent to a tender process, we were re-appointed at the Annual General Meeting on 11 March 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

	Revenue recognition and measurement of expected sales returns	Income tax recognition and provisions for uncertain tax positions	Inventory valuation
DESCRIPTION OF MATTER	Revenue is recognised when control of the goods has been transferred to the buyer and it is measured at fair value of the expected consideration to be received, less rebates, discounts, sales taxes, duties and expected sales returns. Revenue recognition and measurement of the related expected sales returns was a matter of most significance in our audit due to the inherent risk in the estimates and judgements which Management makes in the normal course of business as to timing of revenue and measurement of expected sales returns. Details on revenue recognition and expected sales returns are provided in notes 2.1 and 3.8 of the consolidated financial statements and in notes 2.1 and 3.5 of the Parent Company financial statements, to which we refer.	The Group has extensive international operations and consequently, Management makes judgements and estimates in determining the recognition of income taxes, deferred taxes and provisions for uncertain tax positions. In Thailand, the Group is subject to Board of Investment (BOI) agreements, where many, but not all, types of net income are tax-exempt, and therefore, changes in profit allocation could significantly impact the Group's consolidated tax expense. On this basis, income tax recognition and provisions for uncertain tax positions were a matter of most significance in our audit. Additional details on income taxes are provided in note 2.5 of the consolidated financial statements, to which we refer.	The Group carries inventory in the balance sheet at the lower of cost and net realisable value. Significant management judgements are required with regards to valuation of inventories due to the uncertainty associated with the estimate of slow-moving items and expected value of the reusable raw materials, as well as calculations of elimination of internal gain. Given the level of management judgements and estimates, inventory valuation was a matter of most significance in our audit. Additional details on the valuation of inventories are provided in note 3.5 of the consolidated financial statements and in note 3.4 of the Parent Company financial statements, to which we refer.
CONSIDERATION OF THE MATTER IN THE AUDIT	Our procedures in relation to revenue recognition and measurement of expected sales returns included considering the Group's accounting policies for revenue recognition, including those related to measurement of expected sales returns, and assessing compliance of policies with applicable accounting standards. We identified and assessed internal controls related to the timing of revenue recognition and measurement of expected sales returns. We tested the effectiveness of the Group's internal controls in relation to calculation of expected sales returns and timing of revenue recognition. On a sample basis, we tested sales transactions taking place at either side of the balance sheet date as well as credit notes issued after the balance sheet date to assess whether those transactions were recognised in the correct period. We assessed the key assumptions applied by Management regarding expected sales returns based on our knowledge of the business and by reviewing the supporting documentation prepared by Management. As part of our audit we have utilised data analytics, analysing the relationship between revenue, trade receivables and cash receipts. Furthermore, we evaluated the disclosures provided by Management in the consolidated financial statements and the Parent Company financial statements to applicable accounting standards.	Our procedures in relation to recognition of income taxes, deferred taxes and provisions for uncertain tax positions included assessing the Group's processes for recording and assessment of provisions for uncertain tax positions. Our procedures also covered evaluating the assumptions applied by Management in determining the recognition and measurement of income taxes and deferred taxes while taking into account relevant correspondence with relevant tax authorities. Our own tax specialists performed an assessment of the Group's recognition of income taxes and deferred taxes, including correspondence with relevant tax authorities to consider the completeness of the tax provisions. In addition, we assessed the assumptions applied, taking into consideration our own tax specialists' knowledge and experience. Further, we evaluated the disclosures provided by Management in the consolidated financial statements and the Parent Company financial statements to applicable accounting standards.	Our procedures in relation to inventory valuation included assessing the Group's processes related to inventory valuation including on a sample basis testing of direct costs related to raw materials, labour costs and attributable overhead costs incurred in the crafting process, recording of write-downs and understanding of the process for internal gain elimination. We assessed the basis for write-downs and performed analytical procedures to assess slow-moving items. We assessed the key assumptions applied by Management regarding items' life-cycle status and expected value of the reusable raw materials based on our knowledge of the business, and on a sample basis tested the supporting documentation. Further, on a sample basis we tested the calculation of elimination of internal gain at Group level. Furthermore, we evaluated the disclosures provided by Management in the consolidated financial statements and the Parent Company financial statements to applicable accounting standards.

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.

Management's responsibilities for the 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 additional requirements of 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 Group's and the Parent 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 Group or the Parent 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:

- 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the Parent Company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and Parent Company financial statements of Pandora A/S we performed procedures to express an opinion on whether the Annual Report of Pandora A/S for the financial year 1 January to 31 December 2022 with the file name PAND-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the consolidated financial statements, including notes.

Management is responsible for preparing an Annual Report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the Annual Report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an Annual Report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Annual Report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements, including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the Annual Report of Pandora A/S for the financial year 1 January to 31 December 2022 with the file name PAND-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen,
8 February 2023
EY Godkendt
Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne21332

Jens Thordahl Nøhr
State Authorised
Public Accountant
mne32212

PARENT COMPANY

PANDORA A/S FINANCIAL REVIEW

16.7

DKK billion
revenue 2022

12.7

DKK billion
net profit 2022

The Parent Company operates as the principal of Pandora, and all inventories are consequently traded from the crafting facilities in Thailand to wholesalers and sales subsidiaries through the Parent Company. Similarly, all inventories are returned from subsidiaries through the Parent Company for the purpose of remelting any excess inventory. Gross profit is therefore impacted by realised losses from remelting activities and unrealised losses from inventory write-downs. Fluctuations in market prices of silver and gold also have a material impact on gross profit.

Apart from the sale of jewellery, the Parent Company maintains and develops Group functions, including administration, distribution, business development, retail set-up, product development and risk management, which all determine the activity level in the Parent Company. The risk management activities carried out by the Parent Company include hedging the Group's risk relating to commodity prices and exchange rates.

Revenue was DKK 16.7 billion (2021: DKK 13.6 billion), while net profit was DKK 12.7 billion (2021: DKK 5.4 billion). The increase in net profit was mainly related to the increasing activity and gain from intra-group share transfer. In 2022, Pandora A/S received dividends from subsidiaries of DKK 2.4 billion (2021: DKK 2.8 billion). At the end of 2022, equity amounted to DKK 15.6 billion (2021: DKK 7.9 billion). The increase was primarily driven by profit for the year partly offset by paid dividend of DKK 16 per share, corresponding to DKK 1.5 billion (2021: DKK 1.5 billion). Free cash flows including lease payments ended at DKK 8.2 billion (2021: DKK 3.0 billion) driven mainly by a strong result for the year.

Other events and impacts in 2022:

- In 2022, Pandora A/S continued its existing share buyback programmes and launched a new share buyback programme under which Pandora expects to buy back own shares up to a maximum value of DKK 3.3 billion. A total of 6,595,620 treasury shares were acquired during the year, corresponding to a total purchase price of DKK 3.6 billion.
- In 2022, Pandora initiated the expansion of the Group's crafting capacity in Vietnam to support the company's long-term growth. By diversifying its geographical footprint, Pandora will become more resilient to potential supply disruptions as well as strengthen its business continuity plans.

As a result, Pandora decided to reorganise its crafting activities into a separate crafting sub-group by establishing a new intermediate holding company, Pandora Production Holding A/S, which will oversee the crafting activities across the Group's crafting facilities. Consequently, Pandora A/S transferred its controlling equity investment in Pandora Production Co. Ltd. to Pandora Production Holding A/S as a contribution in-kind against shares in Pandora Production Holding A/S. The intra-group transaction was carried out at fair value, which resulted in a gain of DKK 5.9 billion and is described in more detail in note 1.1 Principal accounting policies and note 3.3 Investments in subsidiaries and business combinations, including the significant assumptions in measuring fair value.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

INCOME STATEMENT

DKK million	Notes	2022	2021
Revenue	2.1	16,686	13,583
Cost of sales		-7,226	-6,440
Gross profit		**9,460**	**7,143**
Sales, distribution and marketing expenses	2.2, 3.1	-2,295	-2,082
Administrative expenses	2.2, 3.1	-1,261	-1,259
Operating profit		**5,904**	**3,802**
Gain from intra-group share transfer	3.3	5,917	-
Dividends from subsidiaries	3.3	2,437	2,848
Impairment of investments in subsidiaries	3.3	-60	-135
Finance income	4.5	652	222
Finance costs	4.5	-799	-509
Profit before tax		**14,051**	**6,228**
Income tax expense	2.4	-1,380	-808
Net profit for the year		**12,671**	**5,420**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Notes	2022	2021
Net profit for the year		**12,671**	**5,420**
Other comprehensive income:			
Items that may be reclassified to profit/loss for the year			
Commodity hedging instruments:			
- Realised in net cost of sales		-1	-4
- Realised in net financials		-2	-4
- Fair value adjustments		-4	8
Foreign exchange hedging instruments:			
- Realised in net financials		110	249
- Fair value adjustments		-61	-287
Tax on other comprehensive income, hedging instruments, income/expense	2.4	-9	8
Other comprehensive income, net of tax		**33**	**-29**
Total comprehensive income for the year		**12,705**	**5,391**

BALANCE SHEET

AT 31 DECEMBER

ASSETS

DKK million	Notes	2022	2021
Intangible assets	3.1	3,705	3,573
Property, plant and equipment		23	31
Right-of-use assets	3.2	99	104
Investments in subsidiaries	3.3	11,140	5,257
Loans to subsidiaries	5.2	5,035	878
Other financial assets		26	12
Total non-current assets		**20,028**	**9,855**
Inventories	3.4	1,023	687
Trade receivables		14	13
Receivables from subsidiaries	5.2	3,690	6,829
Right-of-return assets	3.5	258	216
Derivative financial instruments	4.3, 4.4	231	69
Income tax receivable		37	27
Other receivables		403	116
Cash		37	142
Total current assets		**5,692**	**8,099**
Total assets		**25,721**	**17,953**

EQUITY AND LIABILITIES

DKK million	Notes	2022	2021
Share capital	4.1	96	100
Treasury shares		-3,320	-3,416
Reserves		329	216
Dividend proposed		1,430	1,516
Retained earnings		17,051	9,462
Total equity		**15,586**	**7,877**
Provisions		52	51
Loans and borrowings	4.2, 4.4	1,090	1,124
Deferred tax liabilities	2.4	163	93
Total non-current liabilities		**1,306**	**1,269**
Refund liabilities	3.5	1,941	1,674
Loans and borrowings	4.2, 4.4	3,506	298
Derivative financial instruments	4.3, 4.4	74	209
Payables to subsidiaries	4.4, 5.2	1,455	4,937
Trade payables	3.6, 4.4	786	831
Income tax payable		580	488
Other payables	4.4	486	371
Total current liabilities		**8,829**	**8,807**
Total liabilities		**10,135**	**10,076**
Total equity and liabilities		**25,721**	**17,953**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	Share capital	Treasury shares	Hedging reserve	Other reserves[1]	Dividend proposed	Retained earnings	Total equity
2022								
Equity at 1 January		100	-3,416	-20	236	1,516	9,462	7,877
Net profit for the year		-	-	-	-	-	12,671	12,671
Other comprehensive income, net of tax		-	-	33	-	-	-	33
Total comprehensive income for the year		**-**	**-**	**33**	**-**	**-**	**12,671**	**12,705**
Transfers		-	-	-	80	-	-80	-
Share-based payments	2.3	-	199	-	-	-	-93	106
Purchase of treasury shares	4.1	-	-3,588	-	-	-	-	-3,588
Cancellation of treasury shares	4.1	-5	3,486	-	-	-	-3,481	-
Dividend paid		-	-	-	-	-1,516	2	-1,514
Dividend proposed		-	-	-	-	1,430	-1,430	-
Equity at 31 December		**96**	**-3,320**	**13**	**316**	**1,430**	**17,051**	**15,586**
2021								
Equity at 1 January		100	-93	9	198	-	6,830	7,044
Net profit for the year		-	-	-	-	-	5,420	5,420
Other comprehensive income, net of tax		-	-	-29	-	-	-	-29
Total comprehensive income for the year		**-**	**-**	**-29**	**-**	**-**	**5,420**	**5,391**
Transfers		-	-	-	38	-	-38	-
Share-based payments	2.3	-	1	-	-	-	202	203
Effect of merger with subsidiary	3.3	-	-	-	-	-	45	45
Purchase of treasury shares	4.1	-	-3,325	-	-	-	-	-3,325
Dividend paid		-	-	-	-	-1,481	2	-1,479
Dividend proposed		-	-	-	-	2,997	-2,997	-
Equity at 31 December		**100**	**-3,416**	**-20**	**236**	**1,516**	**9,462**	**7,877**

[1] Other reserves include non-distributable reserves under Danish legislation relating to the capitalisation of internal development projects.

The Board of Directors will propose at the Annual General Meeting that a dividend of DKK 16 per share, corresponding to DKK 1.4 billion (2021: DKK 16 per share, corresponding to DKK 1.5 billion), be distributed for 2022.

In 2021, an extraordinary dividend of DKK 15 per share was paid, corresponding to DKK 1.5 billion.

In 2022, Pandora continued the share buyback programmes, which resulted in repurchases of 6,595,620 treasury shares, corresponding to DKK 3.6 billion (2021: 3,943,797 treasury shares, corresponding to DKK 3.3 billion).

For further shareholder information on dividend payments, see note 4.1 Share capital to the consolidated financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2022	2021
Operating profit		5,904	3,802
Depreciation and amortisation		238	286
Share-based payments	2.3	58	106
Change in inventories		-335	-268
Change in intercompany receivables/payables		3,815	-1,629
Change in receivables		-344	171
Change in payables and other liabilities		269	97
Other non-cash adjustments	4.6	-408	384
Finance income received		239	31
Finance costs paid		-295	-369
Income tax paid		-1,219	-513
Cash flows from operating activities, net		**7,922**	**2,098**
Acquisitions of subsidiaries and activities, net of cash acquired	3.3	3	138
Purchase of intangible assets		-325	-253
Purchase of property, plant and equipment		-3	-
Change in other financial assets		-1	-
Dividends received[1]		575	858
Cash flows from investing activities, net		**249**	**743**
Dividend paid		-1,514	-1,479
Purchase of treasury shares	4.1	-3,527	-3,325
Proceeds from loans and borrowings	4.2	4,939	1,315
Repayment of loans and borrowings	4.2	-8,319	-1,412
Repayment of lease commitments	4.2	-28	-26
Cash flows from financing activities, net		**-8,449**	**-4,927**
Net increase/decrease in cash		**-277**	**-2,086**

DKK million	Notes	2022	2021
Cash and cash equivalents at 1 January		142	2,228
Net increase/decrease in cash		-277	-2,086
Cash and cash equivalents at 31 December		**-135**	**142**
Cash balances		37	142
Overdrafts		-172	-
Cash and cash equivalents at 31 December		**-135**	**142**
Cash flows from operating activities, net		7,922	2,098
- Finance income received		-239	-31
- Finance costs paid		295	369
Cash flows from investing activities, net		249	743
- Acquisition of subsidiaries and activities, net of cash acquired		-3	-138
Free cash flows		**8,225**	**3,041**
Unutilised committed credit facilities[2]		**6,693**	**6,023**

[1] Non-cash dividends received amounted to DKK 1.9 billion (2021: DKK 2.0 billion).
[2] See note 4.4 Financial risks to the consolidated financial statements.

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

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OTHER DISCLOSURES

Notes for the Parent Company

The notes are grouped into five sections related to key figures. The notes contain the relevant financial information as well as a description of accounting policies applied for the topics of the individual notes. For some notes, reference is made to notes in the consolidated financial statements.

NOTE 1.1

PRINCIPAL ACCOUNTING POLICIES

The Parent Company financial statements show the financial position, results and cash flows of Pandora A/S on a non-consolidated basis for the financial year 1 January to 31 December 2022.

Parent Company financial statements

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

Foreign currency translation

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

Derivative financial instruments

The effective portion of realised and unrealised gains and losses on all commodity hedging instruments is reconised as cost of goods sold, while the ineffective portion is recognised in net financials. Derivative financial instruments are treated as economic hedging if the hedge accounting requirements in IFRS 9 are not met.

Dividends from subsidiaries

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost. 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. If the Parent Company has a legal or constructive obligation to cover a deficit in subsidiaries, a provision for this is recognised.

Intra-group restructuring

Transfer of shares for shares

Pandora A/S accounts for transactions in which an investment in a subsidiary is acquired in exchange for shares in subsidiaries, at the fair value of the shares transferred. As of the date of the transfer of the shares, the investment in the subsidiary is disposed of at fair value and the gain/loss is recognised in the income statement.

Mergers

Mergers are accounted for at booked value based on the consolidated accounts. As of the date of the transfer of the business, the investment in the subsidiary is replaced by the consolidated carrying amounts of underlying assets and liabilities. The difference between the consolidated carrying amounts and investment in subsidiary is recognised in equity. Transfer of businesses without consideration are reflected in the financial statements of the Parent Company from the date of transfer, hence comparative information for the transferred business has not been adjusted.

NOTE 1.2

NEW ACCOUNTING POLICIES AND DISCLOSURES

The description in note 1.2 New accounting policies and disclosures to the consolidated financial statements regarding new standards issued effective for the Annual Report for 2022 fully covers the Parent Company as well.

NOTE 1.3

MANAGEMENT'S JUDGEMENTS AND ESTIMATES UNDER IFRS

! 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, see note 1.3 Management's judgements and estimates under IFRS to the consolidated financial statements.

For the significant accounting estimates related to the impairment of subsidiaries see note 3.3 Investments in subsidiaries and business combinations and for the return and warranty provision see note 2.1 Revenue from contracts with customers and note 3.5 Contract assets and liabilities.

Profit for the year was significantly impacted by gain from intra-group transfer of shares. Significant accounting estimates are described in note 3.3 Investments in subsidiaries and business combinations.

NOTE 2.1

REVENUE FROM CONTRACTS WITH CUSTOMERS

REVENUE BY SALES CHANNEL

DKK million	2022	2021
Third-party distribution	16,686	13,583
Total revenue	**16,686**	**13,583**

Revenue mainly comprises sales of jewellery to subsidiaries carrying out the distribution. All sales are thus intra-group sales. Contracts are generally five-year distribution contracts.

REVENUE BY SEGMENTS

DKK million	2022	2021
Moments incl. Collabs	**12,117**	**9,496**
- Moments	10,404	8,504
- Collabs	1,714	992
Style	**4,569**	**4,087**
- Timeless	2,540	2,266
- Signature	1,136	1,183
- ME	575	567
- Diamonds by Pandora	318	70
Total revenue	**16,686**	**13,583**
Goods transferred at a point in time	16,684	13,580
Services transferred over time	2	4
Total revenue	**16,686**	**13,583**

§ **ACCOUNTING POLICIES**

Revenue is recognised when control of the products has been transferred to the subsidiaries. Change of control of the products occurs when they have been delivered to the subsidiary and no further obligation exists that can affect the transfer of control. The Parent Company provides return rights to subsidiaries, which cover products received in subsidiaries for both returns and warranty, based on historical return rates and current return liabilities in subsidiaries.

NOTE 2.2

STAFF COSTS

DKK million	2022	2021
Wages and salaries	850	760
Pensions	64	54
Share-based payments	58	106
Social security costs	16	7
Other staff costs	103	65
Total staff costs	**1,090**	**993**
Staff costs have been recognised in the income statement:		
Sales, distribution and marketing expenses	530	497
Administrative expenses	561	496
Total staff costs	**1,090**	**993**
Average number of full-time employees during the year	898	797

Key management personnel at Pandora A/S represent the same individuals as key management personnel of the Pandora Group. For information regarding remuneration of key management personnel of Pandora A/S, see note 2.3 Staff costs to the consolidated financial statements.

NOTE 2.3

SHARE-BASED PAYMENTS

The performance share programmes described in note 2.4 Share-based payments to the consolidated financial statements are issued by Pandora A/S. The value of shares granted to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries. As described in note 2.4 Share-based payments to the consolidated financial statements, the costs related to share-based payments were DKK 87 million (2021: DKK 166 million), of which DKK 58 million relates to Pandora A/S (2021: DKK 106 million).

NOTE 2.4

TAXATION

§ **ACCOUNTING POLICIES**

Income tax

Pandora A/S is taxed jointly with its Danish subsidiaries. These subsidiaries are included in the joint taxation from the date they are recognised in the consolidated financial statements and up to the date on which they are no longer consolidated. The jointly taxed Danish companies are taxed under the on-account tax scheme.

Further information is provided in note 2.5 Taxation to the consolidated financial statements.

NOTE 2.4

TAXATION (CONTINUED)

INCOME TAX EXPENSE

DKK million	2022	2021
Current income tax charge for the year[1]	1,291	1,009
Change in deferred tax for the year	83	-180
Adjustment to current tax for prior years	9	-21
Adjustment to deferred tax for prior years	-3	-
Total income tax expense	**1,380**	**808**
Deferred tax on other comprehensive income	9	-8
Tax on other comprehensive income	**9**	**-8**

[1] Withholding taxes are included in current income tax charge for the year.

DEFERRED TAX

DKK million	2022	2021
Deferred tax at 1 January	-93	-318
Recognised in the income statement	-80	180
Recognised in other comprehensive income	-9	8
Recognised in equity, share-based payments	19	37
Deferred tax at 31 December	**-163**	**-93**
Deferred tax liabilities	-163	-93
Deferred tax, net	**-163**	**-93**

BREAKDOWN OF DEFERRED TAX

DKK million	2022	2021
Intangible assets	-605	-552
Property, plant and equipment	9	10
Inventories	25	6
Provisions	380	329
Other assets and liabilities	28	114
Deferred tax, net	**-163**	**-93**

RECONCILIATION OF EFFECTIVE TAX RATE AND TAX

	2022		2021	
	%	DKK million	%	DKK million
Profit before tax		14,051		6,228
Corporate tax rate in Denmark, 22%	22.0%	3,091	22.0%	1,370
Non-taxable dividend income	-3.9%	-536	-10.1%	-627
Non-deductlble impairment expenses	0.1%	13	0.5%	30
Gain from intra-group share transfer	-9.3%	-1,302	-	-
Non-deductible expenses and non-taxable income	0.5%	67	0.1%	3
Other adjustments incl. adjustment to tax for prior years	0.1%	9	-0.2%	-14
Withholding taxes	0.3%	38	0.7%	46
Effective income tax rate/income tax expense	**9.8%**	**1,380**	**13.0%**	**808**

NOTE 3.1

INTANGIBLE ASSETS

DKK million	Goodwill[1]	Brand[1]	Distri-bution	Other intangible assets	Total
2022					
Cost at 1 January	1,139	1,044	1,541	1,273	4,997
Additions	-	-	-	337	337
Disposals	-	-	-	-2	-2
Cost at 31 December	**1,139**	**1,044**	**1,541**	**1,608**	**5,332**
Amortisation and impairment losses at 1 January	-	-	457	967	1,424
Amortisation for the year	-	-	30	173	203
Amortisation and impairment losses at 31 December	**-**	**-**	**487**	**1,140**	**1,627**
Carrying amount at 31 December	**1,139**	**1,044**	**1,054**	**467**	**3,705**
2021					
Cost at 1 January	549	1,044	1,541	1,011	4,144
Additions from merger	590	-	-	-	590
Additions	-	-	-	270	270
Disposals	-	-	-	-8	-8
Cost at 31 December	**1,139**	**1,044**	**1,541**	**1,273**	**4,997**
Amortisation and impairment losses at 1 January	-	-	427	755	1,182
Amortisation for the year	-	-	30	130	160
Impairment loss for the year[2]	-	-	-	82	82
Amortisation and impairment losses at 31 December	**-**	**-**	**457**	**967**	**1,424**
Carrying amount at 31 December	**1,139**	**1,044**	**1,084**	**306**	**3,573**

[1] The impairment test did not identify any need for impairment losses to be recognised, and no probable change in any key assumptions that would cause the carrying amount to exceed the recoverable amounts.
[2] The impairment loss of DKK 82 million in 2021 relates to write-down of software applications. The loss has mainly been recognised as sales, distribution and marketing expenses in the income statement.

NOTE 3.1

INTANGIBLE ASSETS (CONTINUED)

Amortisation and impairment losses have been recognised in the income statement as follows:

DKK million	2022	2021
Sales, distribution and marketing expenses	93	125
Administrative expenses	110	117
Total	**203**	**242**

NOTE 3.2

LEASES

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2022	2021
Property	94	98
Cars	5	6
Total right-of-use assets	**99**	**104**

Additions of right-of-use assets were DKK 20 million in 2022 (2021: DKK 3 million).

LEASE LIABILITIES

DKK million	2022	2021
Non-current	74	83
Current	26	24
Total lease liabilities	**100**	**107**

Lease liabilities are recognised in loans and borrowings.

Depreciation on right-of-use assets charged to the income statement for the period was DKK 26 million (2021: DKK 26 million).

Interest expense for the period was DKK 1 million (2021: DKK 1 million). Total cash outflows relating to leases was DKK 29 million in 2022 (2021: DKK 26 million).

NOTE 3.3

INVESTMENTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

INVESTMENTS IN SUBSIDIARIES

DKK million	2022	2021
Cost at 1 January	5,499	6,457
Additions[1]	7,120	4
Disposals[2]	-1,202	-1,022
Additions relating to share-based payments	25	60
Cost at 31 December	**11,442**	**5,499**
Impairment at 1 January	242	107
Impairment for the year	60	135
Impairment at 31 December	**302**	**242**
Carrying amount at 31 December	**11,140**	**5,257**

[1] In 2022, mainly relating to the investment into Pandora Production Holding A/S of DKK 7,114 million.
[2] In 2022, mainly relating to the intra-group share transfer of Pandora Production Co. Ltd., Thailand, of DKK 1,197 million. In 2021, DKK 899 million related to the merger of Pandora Jewelry Central Western Europe A/S into Pandora A/S, and DKK 114 million related to the capital reduction in Pandora Jewelry Mexico.

Dividend received

In 2022, Pandora A/S received a total of DKK 2.4 billion in dividends, mainly from subsidiaries in Thailand (DKK 1.1 billion), the UK (DKK 0.5 billion), and the US (DKK 0.3 billion).

In 2021, Pandora A/S received a total of DKK 2.8 billion in dividends, mainly from subsidiaries in Thailand (DKK 0.9 billion), the US (DKK 0.7 billion), the UK (DKK 0.4 billion) and Spain (DKK 0.3 billion).

Annual impairment test

As at 31 December 2022, the cost price of investments in subsidiaries was assessed for impairment and Pandora identified an indication of impairment. The impairment test identified impairment charges for 2022 amounting to DKK 60 million (2021: DKK 135 million). The impairment was related to investment in the subsidiary in South Africa.

The impairment test was based on a three-year forecast and an applied market-specific discount rate in the range of 18% to 22%. The growth rate applied was an estimate of the expected growth for the market in the terminal period, including the expected average inflation.

Transfer of Pandora Production Co. Ltd to Pandora Production Holding A/S

In 2022, Pandora A/S made an intra-group restructuring whereby its controlling equity investment in Pandora Production Co. Ltd., Thailand, was transferred as a contribution-in-kind to a newly established intermediate holding company, Pandora Production Holding A/S.

NOTE 3.3

INVESTMENTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS (CONTINUED)

The commercial and strategic rationale is explained in the Management's review. For those reasons, and the fact that the new holding structure impacts future cash flows for the Parent Company, it is management's judgement that the transaction should be accounted for at fair value.

The intra-group transfer was carried out at the fair value of Pandora Production Co. Ltd, which amounted to DKK 7.1 billion using a generally accepted valuation method in the form of a return-based discounted cash flow valuation model. A gain of DKK 5.9 billion is recognised within Gain from intra-group share transfer in the income statement. The transaction is non-cash and there is no impact on the statement of cash flows.

Input and assumptions applied in the discounted cash flow valuation model comprise level 3 inputs only, as there are no quoted prices in active markets for an identical asset or other observable market inputs.

The valuation is based on internal financial forecasts for the period 2023 to 2027, reflecting the macroeconomic uncertainties as well as the cannibalisation effect from the new crafting facility in Vietnam. In addition, the valuation is affected by the Group's transfer pricing setup, a terminal growth rate of 1.6% and an applied market specific discount rate post tax of 10%.

As an illustration of the sensitivity of the assumptions, a 0.5 percentage points increase/decrease in the discount rate would affect the valuation by approximately +/- DKK 0.4 billion, and a 1.0 percentage point increase/decrease in the forecasted EBIT margin would affect the valuation by approximately +/- DKK 0.6 billion.

Merger with Pandora Jewelry Central Western Europe A/S in 2021

In 2021, Pandora A/S merged with the 100%-owned subsidiary Pandora Jewelry Central Western Europe A/S, with Pandora A/S as the surviving company. Assets obtained through the merger consisted of goodwill (DKK 590 million), cash (DKK 17 million), other current assets (DKK 1,176 million) and total liabilities (DKK 839 million).

NOTE 3.4

INVENTORIES

DKK million	2022	2021
Finished goods	868	588
Point-of-sale materials	155	99
Total inventories at 31 December	**1,023**	**687**
Inventory write-downs at 1 January	253	259
Write-downs during the year	163	113
Utilised in the year	-142	-119
Inventory write-downs at 31 December	**274**	**253**

Inventory write-downs are recognised in cost of sales, DKK 152 million (2021: DKK 99 million), and operating expenses, DKK 11 million (2021: DKK 14 million).

NOTE 3.5

CONTRACT ASSETS AND LIABILITIES

DKK million	2022	2021
Contract assets		
Receivables from sale of products	1,046	5,430
Right-of-return assets	258	216
Total contract assets	**1,304**	**5,646**
Contract liabilities		
Refund liabilities	1,941	1,674
Total contract liabilities	**1,941**	**1,674**

Refund liabilities

The Parent Company recognises a refund liability related to return rights provided to subsidiaries. A corresponding right-of-return asset is also recognised as part of contract assets. The value of the right-of-return asset is determined by how many of the returned products are expected to be sold. Remaining products are written down to remelt value.

NOTE 3.6

TRADE PAYABLES

Pandora generally accepts that vendors sell off their receivables arising from the sale of goods and services to Pandora to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the statement of cash flows (working capital within cash flows from operations) and amounted to DKK 54 million at 31 December 2022 (2021: DKK 24 million).

NOTE 4.1

SHARE CAPITAL

See note 4.1 Share capital to the consolidated financial statements.

NOTE 4.2

LIABILITIES FROM FINANCING ACTIVITIES

TOTAL LIABILITIES FROM FINANCING ACTIVITIES DKK million	Financial liabilities 1 January	Cash flows, net[1]	New leases	Other[2]	Financial liabilities 31 December
2022					
Non-current borrowings	1,041	74	-	-99	1,017
Non-current lease liabilities	83	-	13	-23	74
Current borrowings	274	2,935	-	272	3,481
Current lease liabilities	24	-28	7	23	26
Total liabilities from financing activities	**1,423**	**2,981**	**20**	**173**	**4,597**
2021					
Non-current borrowings	-	1,315	-	-273	1,041
Non-current lease liabilities	105	-	2	-23	83
Current borrowings	2,976	-2,975	-	273	274
Current lease liabilities	27	-26	1	22	24
Total liabilities from financing activities	**3,107**	**-1,687**	**3**	**-1**	**1,423**

[1] Cash flows from loans and borrowings in the statement of cash flows include internal loan movements. The effect was an outflow of DKK 6.4 billion in 2022 (2021: inflow of DKK 1.6 billion).

[2] Includes the effect of the reclassification of the non-current portion of interest-bearing loans and borrowings to current due to the passage of time. Further, it includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and upfront prepayment of lease liabilities. The Parent Company classifies interest paid as cash flows from operating activities.

NOTE 4.3

DERIVATIVE FINANCIAL INSTRUMENTS

All hedging is carried out by the Parent Company's Treasury department. As all instruments are also recorded in the Parent Company, all effects from financial instruments are shown in note 4.5 Derivative financial instruments to the consolidated financial statements.

NOTE 4.4

FINANCIAL RISKS

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

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

Credit risk

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

Contractual maturities of financial liabilities

The table below provides a breakdown of Pandora A/S' financial liabilities similar to note 4.4 Financial risks to the consolidated financial statements.

LIABILITIES FALL DUE AS FOLLOWS DKK million	Within 1 year	Within 1 and 5 years	After more than 5 years	Total
2022				
Non-derivatives				
Loans and borrowings	3,588	813	253	4,654
Lease liabilities	27	75	-	102
Payables to subsidiaries	1,455	-	-	1,455
Trade payables	786	-	-	786
Other payables	77	-	-	77
Derivatives				
Derivative financial instruments	74	-	-	74
Total at 31 December	**6,007**	**888**	**253**	**7,148**
2021				
Non-derivatives				
Loans and borrowings	274	1,050	-	1,324
Lease liabilities	25	75	9	109
Payables to subsidiaries	4,937	-	-	4,937
Trade payables	831	-	-	831
Other payables	112	-	-	112
Derivatives				
Derivative financial instruments	209	-	-	209
Total at 31 December	**6,388**	**1,125**	**9**	**7,522**

NOTE 4.5

NET FINANCIALS

FINANCE INCOME

DKK million	2022	2021
Reclassified from equity hedge reserves	19	53
Total finance income from derivative financial instruments	**19**	**53**
Finance income from loans and receivables measured at amortised cost:		
Interest income from subsidiaries	300	31
Foreign exchange gains	330	138
Interest income, bank	2	-
Total finance income from loans and receivables	**633**	**169**
Total finance income	**652**	**222**

FINANCE COSTS

DKK million	2022	2021
Reclassified from equity hedge reserves	127	298
Total finance costs from derivative financial instruments	**127**	**298**
Finance costs from financial liabilities measured at amortised cost:		
Interest costs to subsidiaries	2	11
Foreign exchange losses	524	120
Interest on loans and borrowings	100	34
Interest on lease liabilities	1	1
Other finance costs	46	45
Total finance costs from loans and borrowings	**673**	**211**
Total finance costs	**799**	**509**

NOTE 4.6

OTHER NON-CASH ADJUSTMENTS

OTHER NON-CASH ADJUSTMENTS

DKK million	2022	2021
Effects from exchange rate adjustments	-146	5
Effects from derivative financial instruments	-255	380
Other, incl. gains/losses from sale of property, plant and equipment	-7	-
Total other non-cash adjustments	**-408**	**384**

NOTE 5.1

CONTINGENT ASSETS AND LIABILITIES

Litigation

Pandora is a party to various legal proceedings with current business partners, authorities and other third parties, related to copyright, marketing conduct and pricing. None of these proceedings is expected to have a material effect on Pandora A/S' financial position or future earnings.

Contractual obligations

Pandora A/S has entered into a number of long-term purchase, sales and supply contracts in the course of the company's ordinary business. Contractual obligations amounted to DKK 794 million at 31 December 2022 (2021: DKK 491 million) and relate mainly to commercial collaborations and IT contracts. 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 contingent liabilities

The Parent Company has issued guarantees totalling DKK 270 million at 31 December 2022 in favour of certain subsidiaries related to securing local credit lines and rental agreements (2021: DKK 508 million).

The Parent 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.

Contingent assets

See note 5.1 Contingent assets and liabilities to the consolidated financial statements.

NOTE 5.2

RELATED PARTIES

TRANSACTIONS ENTERED INTO WITH RELATED PARTIES

DKK million	2022	2021
Income statement:		
Sales to subsidiaries	16,679	13,577
Purchases from subsidiaries	-6,739	-5,977
Recharges from subsidiaries	-737	-589
Gain from intra-group share transfer	5,917	-
Dividends from subsidiaries	2,437	2,848
Finance income	300	31
Finance costs	-2	-11
Total	**17,855**	**9,880**
Balance sheet:		
Loans to subsidiaries, non-current	5,035	878
Trade receivables from subsidiaries	1,032	5,418
Loans to subsidiaries, current	2,658	1,411
Right-of-return assets	258	216
Payables to subsidiaries	-1,455	-4,937
Refund liabilities	-1,941	-1,674
Total	**5,587**	**1,312**
Development in impairment losses on trade receivables		
Impairment at 1 January	39	24
Additions	5	15
Impairment at 31 December	**44**	**39**

In addition to the related parties disclosed in note 5.2 Related parties to the consolidated financial statements, related parties of Pandora A/S include the subsidiaries listed in note 5.5 Companies in the Pandora Group to the consolidated financial statements.

NOTE 5.3

FEES TO INDEPENDENT AUDITOR

DKK million	2022	2021
Fee for statutory audit	3	3
Other assurance engagements	1	1
Total audit related services	**4**	**4**
Other services	1	-
Total non-audit services	**1**	**-**
Total fees to independent auditor	**5**	**4**

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

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