PANDORA

Annual Report 2023

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

OUR PURPOSE

WE GIVE A VOICE TO PEOPLE'S LOVES

As the world's largest jewellery brand, we empower people to express their stories and passions through jewellery. We offer accessible luxury, hand-finished by craftspeople from high-quality materials and available in more than 100 countries. Our range of styles provides endless opportunities for personalisation, allowing people to show who they are and what holds a special place in their hearts. As the leader in our industry, we embrace sustainable business practices to protect people and the environment for generations to come.

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Annual Report
Our Annual Report is our detailed annual disclosure relating to company performance, strategy, corporate governance and financial results. The report constitutes Pandora A/S' statutory report (page 29) in accordance with section 99b of Danish Financial Statements Act and forms part of the management's review. 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 practices. The Sustainability Report serves as our supplementary document to the United Nations Global Compact Communication on Progress, which will be submitted later in 2024 using the new digital platform, Communication on Progress. This report constitutes Pandora A/S' statutory report in accordance with section 99a and section 107d of the Danish Financial Statements Act and forms part of the management's review. 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.

Cover image
Justina Miles, American Sign Language (ASL) performer, wears the Pandora Lab-Grown Diamonds collection.

OUR EQUITY STORY
OUR UNIQUE BUSINESS MODEL

Pandora aims to be not only the largest, but also the most desirable jewellery brand in the accessible luxury market, making high-quality jewellery available to the many.

"Loves, Unboxed" campaign engaged global visitors
As part of our holiday campaign called "Loves, Unboxed", we welcomed consumers to global immersive pop-up experiences. This is from Tower Bridge in London, where we engaged almost 10,000 visitors.

The jewellery market has historically grown faster than GDP and remains highly fragmented, with global brands set to outgrow the overall market.

Pandora's jewellery is designed to empower self-expression and be culturally relevant. It is hand-finished by skilled craftspeople and meets the highest sustainability standards in the industry. Pandora's unique business model is vertically integrated from design and crafting to direct-to-consumer channels, and the company has built unrivalled scale in manufacturing, retail distribution and brand presence.

Pandora's growth strategy, Phoenix, leverages the company's existing infrastructure to pursue numerous untapped growth opportunities and gain higher market share across geographies and jewellery categories. With its proven financial model, Pandora expects to outgrow the market with high single-digit organic growth while achieving best-in-class profitability. Thanks to its asset-light approach, the company also expects to deliver significant free cash flow, of which the vast majority will be returned to shareholders and result in mid-to-high teens EPS growth.

A PROVEN AND SIMPLE FINANCIAL MODEL DRIVING ATTRACTIVE SHAREHOLDER RETURNS

Accelerating growth	EBIT margin expansion	Solid cash returns	Mid-to-high teens EPS growth

THE BIG PICTURE

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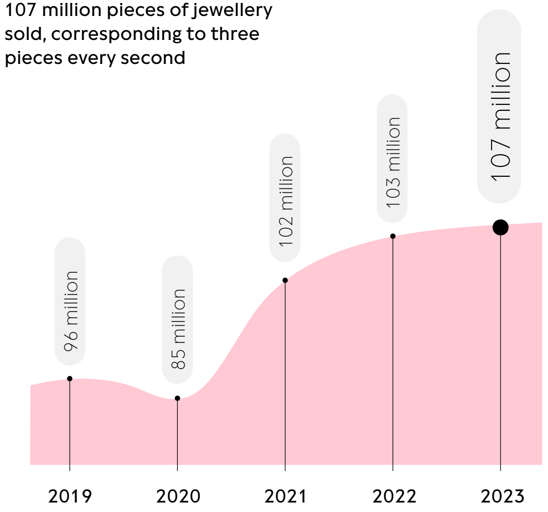
AT A GLANCE

THE WORLD'S LARGEST JEWELLERY BRAND

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



28.1	DKK billion revenue
~750	million customer visits to our stores and online
6,700	points of sale in more than 100 countries
2,651	concept stores

Named among the World's Best Companies 2023 by TIME Magazine

40%	share of branded jewellery searches on Google

100%	recycled silver and gold purchased as of December 2023 (2023 average: 97%)
31%	unaided brand awareness places us in the top of our industry in key markets
33,000	employees[1]

[1] Average headcount through the year.

LETTER TO THE SHAREHOLDERS

NEXT CHAPTER OF GROWTH

In 2023, Pandora exceeded expectations and delivered solid growth across geographies. Our brand continues to gain strength, and we are ready to accelerate growth in the next strategy phase, as we set out to make Pandora known as a full jewellery brand.

Peter A. Ruzicka
Chair of the Board of Directors

Alexander Lacik
President & Chief Executive Officer

In a year marked by war, inflation and higher interest rates, Pandora not only showed resilience but strong growth. Despite the headwinds, we upgraded our guidance three times and ended the year with 8% growth and record-breaking revenue of DKK 28.1 billion. In short, the results show that our strategy is working, and that Pandora stands stronger than ever. And based on the results for 2023, we have delivered on the targets which we set at the Capital Markets Day in 2021.

Part of our strength comes from the size of our business and integration across the entire value chain. It not only gives us economies of scale, but also helps us generate insights that we can quickly disseminate throughout our business. Over the last few years, we have rebuilt our company with investments in people, a more effective operating model, digitalisation and more. A transformation which has built a platform enabling us to compound solid growth, year after year.

Our most important asset is our brand. Pandora's unique point of difference in people's minds. Ever since Pandora first came to market, we have been on a mission to democratise jewellery. We are for the many, not the few. This has allowed millions of customers from all corners of the world to express their loves through our hand-finished and accessible jewellery. In contrast to many other jewellery companies, we invite our customers to co-create their brand experience. With Pandora, they can compose a piece of jewellery that holds a personal emotional value to them. This forms a very strong bond with our brand. Owning this space of meaningful jewellery has been the key to our success. But like many other brands that started with an iconic product idea, we have over time broadened our reach. Today, we cover not only charms and carriers but all jewellery categories, and we have set out to transform the customer perception of what Pandora stands for. While keeping sight of our core business, we will establish Pandora as a full jewellery brand in the minds of customers. This will unlock a significantly larger addressable market. At its core, this is the goal of the Phoenix strategy: to make Pandora the largest and most desirable jewellery brand.

While brand-building is top of our agenda for the coming years, we will also continue our work on the other pillars of the Phoenix strategy. We have strengthened operations in our core markets, and while we still see growth potential in these markets, we will also expand our focus to include other geographies with strong potential. We are planning a large expansion of Pandora's store network, and we are rolling out our new store concept, Evoke 2.0 – an important enabler to better present Pandora's full jewellery portfolio. We will continue to develop our core Pandora Moments business while extending our assortment with new collections like Pandora Lab-Grown Diamonds to reach more customers. We will also continue to leverage our vast access to data as an impactful competitive advantage.

We will do all this while maintaining our leadership in sustainability. We have just reached a major milestone for circular design by completing our transition to source only recycled silver and gold for all our jewellery. An accomplishment no other large jewellery brand has achieved. We are reducing carbon emissions ahead of the Paris Agreement timeline, and we are well on track towards our diversity and inclusion targets.

Strong results are not only about what we achieve, but how we get there as a workplace. Our unique community of 33,000 employees constitute the core of our business and our brand. This is why we regularly ask employees for their feedback and in 2023 we achieved an employee Net Promoter Score of 60, placing us in the top 5% of the global consumer sector. Efforts that were also recognised as we were named by TIME Magazine as one of the world's best companies measured on employee satisfaction, revenue growth and sustainability. When looking ahead, there is good reason for optimism. Our strategy is working, and we see significant opportunities for value creation. We wish to thank our employees, customers and shareholders for a great year.

EXECUTIVE SUMMARY

BRAND INVESTMENTS DELIVER SOLID GROWTH

2023 was another strong year for Pandora, showcasing our resilience to macroeconomic uncertainty and the success of the many growth initiatives under the Phoenix strategy.

We delivered a record-high revenue of DKK 28.1 billion, corresponding to organic growth of 8%. This comprised of like-for-like growth of 6% and network expansion of 4%, with a drag of 2% from lower sell-in to partners. With this, Pandora exceeded the financial target announced at the Capital Markets Day in September 2021 on organic growth with an annual growth rate (CAGR) of 7.5% (versus 5-7% CAGR target for 2021-2023) and reached the financial target on EBIT margin of 25.0% (versus 25-27% target for 2023).

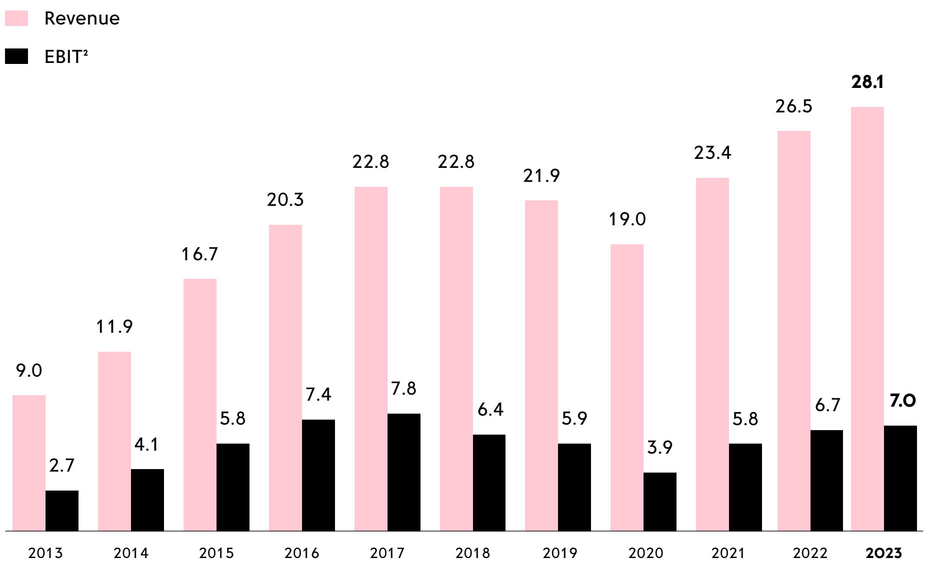
In 2023, our growth was solid and broad-based across geographies and segments. We continued to make substantial investments in our brand, our employees and other foundational aspects of our business. These investments are consistently yielding positive results.

As we look ahead, it is clear that the Phoenix strategy is working, and Pandora is poised for an even brighter future. At our Capital Markets Day in October 2023, we presented a roadmap to further accelerate growth. This will require scaling up investments to transform the perception of Pandora into a full jewellery brand while elevating the customer experience across all touch points. Pandora's ambition remains to be the largest and most desirable brand in the accessible jewellery market.

As part of this next chapter of Phoenix, we have set the following new financial targets:

7-9%	**Organic growth, %** CAGR 2023-2026
26-27%	**EBIT margin, %** By 2026

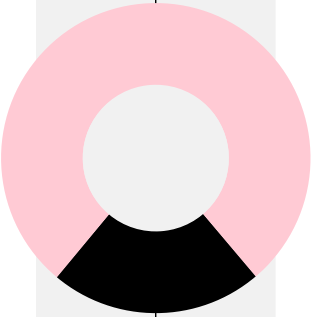
OUR GROWTH JOURNEY[1]
DKK billion



[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

78%
Core
2022: 80%



22%
Fuel with more
2022: 20%

Read more about segment and revenue in note 2.1.

Brand excellence and market penetration

In 2023, investments into the brand helped Pandora build on our already leading position in the jewellery market. We improved our brand momentum with several global brand campaigns and cultural events driving greater customer engagement across all touchpoints.

With a focus on raising awareness and consideration across markets, we improved our brand penetration. Unaided awareness remains leading within our industry, and brand consideration grew by 6%, solidifying Pandora's brand position. Our brand strategy is focused on elevating brand desirability to drive growth and is already gaining strong traction. For several years, Pandora has been the most searched for jewellery brand on Google. In 2023, our share of branded jewellery searches grew to 40%, and we turned out four times larger than each of our three largest competitors in terms of search volume.

The successful activation of our brand strategy has been a main driver in this achievement. Our media efforts, strategically designed for always-on, and our collaborations with global brand ambassadors and influencers have not only amplified our presence but also strengthened our brand desirability and reach. This concerted effort has solidified our iconic status, resonating with diverse audiences and penetrating new cultural spheres.

Growing the core while fuelling with more

In 2023, we revised our design strategy and optimised our product universe to drive growth.

The Core segment represents charms and carriers and now encompasses the collections Pandora Moments, Collabs and Pandora ME. In 2023, Core represented 78% of total revenue and delivered like-for-like growth of 2%.

The Fuel with more segment represents modern classics and includes Pandora Timeless[1], Pandora Signature and Pandora Lab-Grown Diamonds. In 2023, Fuel with more represented 22% of total revenue and delivered like-for-like growth of 14%.

While we fuel our business with growth in new collections, the core of our brand remains solid and continues to thrive. The heartbeat of Pandora, our Pandora Moments collection, continues to grow in strength and popularity. In 2023, it grew by 2% and as such it remains an ever-evolving canvas for personal expression, resonating with customers who seek to capture and celebrate life's precious moments through our iconic charms.

The Pandora ME collection has found its place in the market as a symbol of individuality and self-expression. With a like-for-like growth rate of 12%, it underscores our ability to connect with the younger, dynamic audience, showcasing our adaptability and understanding of evolving consumer preferences.

Strong performance of our collections outside Core shows that Pandora's portfolio supports the transformation into a full jewellery brand. The Pandora Timeless collection grew by 20%, reflecting the resonance it holds with customers seeking elegance and craftsmanship.

Our Pandora Lab-Grown Diamonds collection continues to gain ground. In 2023, we expanded our assortment significantly while recording a growth rate of 116%. The success of this collection not only speaks to the quality of our diamond jewellery but also to the values embedded in our brand. It is a testament to our dedication to offer more sustainable, beautiful alternatives without compromising on quality.

PANDORA PRODUCT UNIVERSE

Core

Charms and carriers

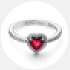

Pandora Moments


Collabs

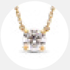

Pandora ME

Fuel with more

Modern classics and Pandora Lab-Grown Diamonds


Pandora Timeless


Pandora Signature


Pandora Lab-Grown Diamonds

[1] Pandora Timeless includes the PANDORA ESSENCE collection.

Our markets

In 2023, we delivered broad-based growth across most geographies despite overall low consumer sentiment in many markets, securing like-for-like growth of 6%.

The US remains our largest market in terms of revenue, and through focus on expanding our market share and filling white space we registered healthy growth despite the market uncertainty. We saw steadily improving like-for-like growth with a notable uplift in the second half of the year, resulting in full-year like-for-like growth of 2%. The pick-up was enabled by strong brand initiatives and improved retail execution. During 2023, Pandora acquired 35 stores in the US, while adding a net of 27 concept stores. Going forward, we see ample growth opportunities in the US from building further on our market share gains and expanding our network.

Our key markets in Europe delivered positive like-for-like growth of 3% in 2023, driven by a strong second half of the year. Germany delivered double-digit growth each quarter driven by our always-on media-model, driving traffic across channels and delivering like-for-like growth of 26% in 2023. In Italy and France, we saw a gradual improvement in like-for-like performance through the year. In the second half of the year, Italy began to recover from soft consumer sentiment with good broad-based momentum, producing a full year like-for-like of -3%. France grew like-for-like through increased brand penetration and media engagement, ending at 1% like-for-like. In the UK, performance was broadly stable throughout the year despite a weak consumer sentiment in the market.

From the onset of 2023, we saw weak consumer sentiment in Australia, making it harder to convert the otherwise healthy traffic into a purchase, ending 2023 with -6% like-for-like.

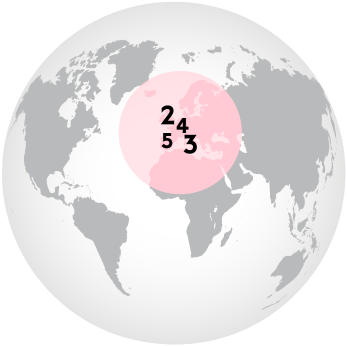
China reopened in January 2023 following a long period of COVID-19 restrictions, and in the early months of the year 2023, we saw some recovery within the market. In July, we initiated the relaunch of our brand with a focus on Shanghai. The brand relaunch is expected to take time, but we witnessed encouraging signs in Shanghai following the relaunch, and we remain committed to our long-term ambitions for China. The 2023 like-for-like growth for China was -9%.

Pandora's business outside of our key markets continues to show very strong momentum and ended 2023 with like-for-like growth of 16%. The growth was broad-based with many markets delivering double-digit results. Mexico and Spain ended 2023 with revenue of DKK 1.4 billion and DKK 1.2 billion, respectively.

Financial performance

In 2023, we generated a total revenue of DKK 28.1 billion, corresponding to a revenue growth of 9% in local currency. The EBIT margin ended at 25.0%, which was in line with our guidance and continues to underpin our highly attractive business model and cost structure.

In 2023, Pandora distributed DKK 6.4 billion to shareholders, with DKK 1.4 billion in dividends and DKK 5.0 billion in share buybacks. The total distribution was the highest in Pandora's history. For 2024, the Board of Directors proposes a dividend of DKK 18 per share, corresponding to DKK 1.5 billion, and a new share buyback programme of DKK 4.0 billion, running until February 2025 at the latest. The total distribution from February 2024 and the following 12 months will be DKK 5.5 billion.



OUR KEY MARKETS

Share of revenue

		2023	2022
1	US	30%	30%
		DKK 8,306m	DKK 7,907m
2	UK	14%	14%
		DKK 3,821m	DKK 3,802m
3	ITALY	9%	10%
		DKK 2,540m	DKK 2,580m
4	GERMANY	5%	5%
		DKK 1,527m	DKK 1,307m
5	FRANCE	4%	4%
		DKK 1,196m	DKK 1,190m
6	AUSTRALIA	4%	5%
		DKK 1,120m	DKK 1,271m
7	CHINA	2%	3%
		DKK 564m	DKK 737m
	REST OF PANDORA	32%	29%
		DKK 9,062m	DKK 7,669m
	HEREOF MEXICO	5%	4%
		DKK 1,385m	DKK 994m
	HEREOF SPAIN	4%	4%
		1,246m	1,123m

HIGHLIGHTS 2023

New Pandora Moments Studded Chain Bracelet underpins growth in Pandora Moments

Combining craftsmanship, technology and design innovation, the new Pandora Moments Studded Chain Bracelet, launched in January 2023, offers a completely different texture and canvas for styling. The chain is designed with pyramidal and spherical studs to capture and reflect light.

Our investments in product innovations, such as the Pandora Moments Studded Chain, continue to yield positive results. In 2023, the six design variations of the concept – three necklaces and three bracelets – contributed to the growth of the Pandora Moments collection, accounting for 1% in total share of business and driving 1 percentage point like-for-like growth to the company overall.

TIME Magazine names Pandora among the World's Best Companies 2023

The recognised World's Best Companies list by TIME Magazine in collaboration with Statista is a comprehensive ranking of outstanding companies across global industries, assessed on employee satisfaction, revenue growth and sustainability. Pandora ranked number 21 on sustainability and was among one of eight Danish companies featured on the list. A recognition that underscores our commitment to provide an exceptional workplace, lead the way in sustainability and to rethink how jewellery is designed and produced with the planet and its people in mind. Pandora's total rank on the list was number 263 out of 750 companies.

Pandora launches EUR 500 million sustainability-linked bond

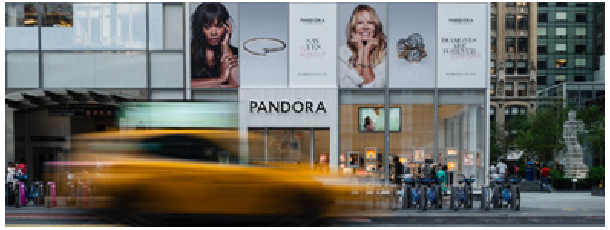
In March, we successfully placed an aggregate principal amount of EUR 500 million sustainability-linked bond, also known as a Euro Medium Term Note. The inaugural issuance was well received by the market and since then has traded In line with bonds issued by similar companies with comparable duration. Reflecting our commitment to responsible business practices, the new programme is linked to Pandora's greenhouse gas emission reductions and sourcing of recycled silver and gold. The new financing source allows us to further diversify our funding structure. Obtaining solid investment grade credit ratings of Baa2 from Moody's Investor Service and a BBB from S&P Global Ratings with a stable outlook further highlights Pandora's strong financial profile and attractive cash generation.

Pandora as Principal Partner for The Fashion Awards 2023

Pandora was headline sponsor for the 2023 Fashion Awards, one of the most anticipated events on the global fashion calendar. Among many highlights, actress and global Pandora ambassador Pamela Anderson presented British-Ghanaian actor, director and writer Michaela Coel with the Pandora Leader of Change Award, honouring her for her acting, screenwriting and filmmaking. Michaela Coel's body of work explores the topics of race, class and gender, while telling the authentic and complex stories of Black women and queer identities. The Fashion Awards is hosted annually by the British Fashion Council to celebrate creative excellence and support the next generation of talent. Photo of Michaela Coel by BFC.

Pandora speaks at the United Nations headquarters in New York City

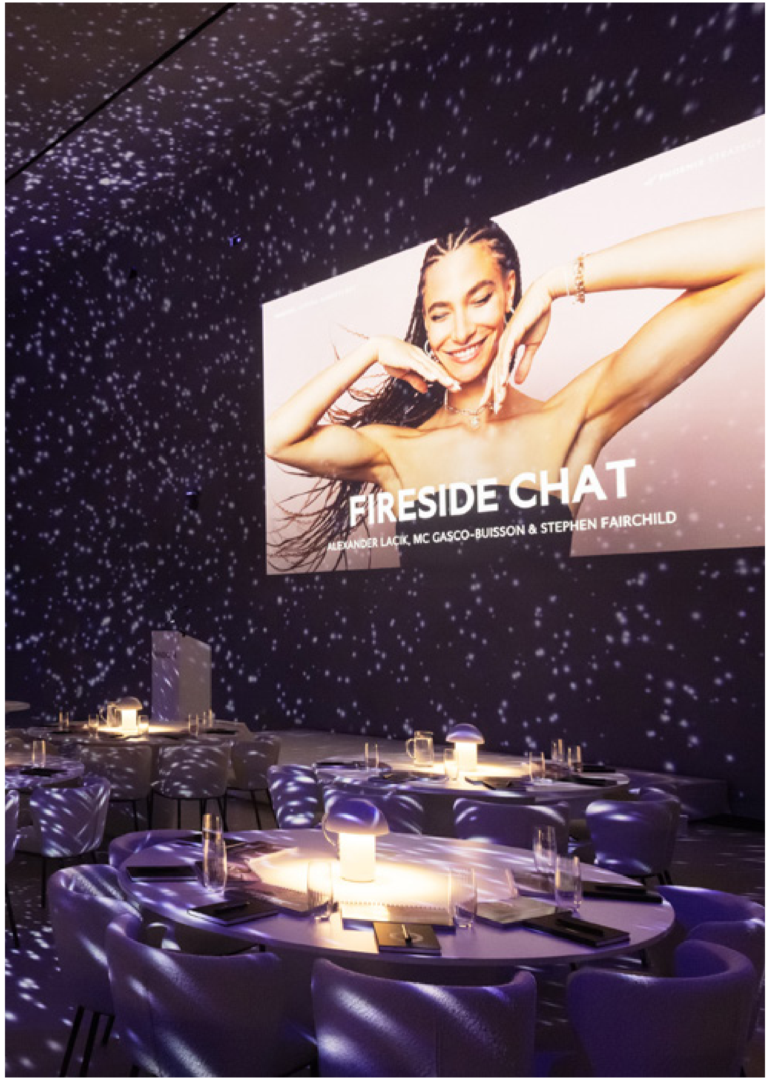
In September, heads of state and government officials from across the world gathered for the United Nations' General Assembly in New York to discuss progress on the Sustainable Development Goals and how the world addresses key challenges related to, for example, climate change, equality and poverty. Pandora CEO Alexander Lacik was invited to speak at an event at the United Nations' headquarters and shared learnings from Pandora's journey to become a low-carbon, circular, inclusive, diverse and fair business. It was the first time Pandora participated at events around the United Nations' General Assembly, and we took the opportunity to engage with many other stakeholders – including an innovative street performance collaboration with Danish designer Henrik Vibskov to showcase sustainable fashion and jewellery.



Democratising diamonds with three new Pandora Lab-Grown Diamonds collections

In August, we revealed the expansion of Pandora Lab-Grown Diamonds with three new collections in the campaign declaring "Diamonds for All". Rewriting the rules of diamond jewellery, we continue our journey of democratising diamonds and celebrating their power as a vehicle for love, joy and personal expression. We partnered with unique icons and talents such as model and actress Pamela Anderson, American Sign Language performer Justina Miles, former model and Vogue Creative Director-at-Large Grace Coddington and more. Partnerships that help us redefine long-held diamond conventions, taking diamond jewellery from special occasions to something special for every day.

In 2023, we continued the roll-out of Pandora Lab-Grown Diamonds to Australia, Mexico and Brazil in addition to the UK, the US and Canada where the collections were already available for consumers. In 2023, 1% of our total revenue came from Pandora Lab-Grown Diamonds.



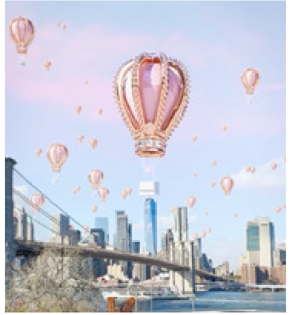
Pandora shined bright at the Capital Markets Day in London

In October, we hosted a Capital Markets Day in London to share the next chapter of our Phoenix strategy with investors, analysts and media. Our future direction and new financial targets were well received. The key message at the event was how we will drive future growth by shifting customer's perception of Pandora from a charms company to a full jewellery brand. Read more about our journey to be perceived as a full jewellery brand on page 17.

TikTok fuelled growth

1000% increase in TikTok video views in 2023, driven by viral trends, helped fuel growth. Hashtags #PandoraPromiseRing and #PandoraRing generated millions of views.

Impressive engagement on Instagram



+10 million followers were reached on Instagram, and 895 million impressions obtained in 2023. The computer-generated content above received 137,000 likes and more than 3,400 comments in one post alone.

Undisputed leader of Google searches

In 2023, our share of branded jewellery searches on Google grew to 40%. Not only does this make us more than four times larger than each of our three closest competitors, our search volume is also growing four times faster than our closest competitor.

Influencer impact drove desirability

Through our work with influencers, Pandora reached 280 million potential customers in 2023. This was a 35% increase compared to 2022 and highlights the effectiveness of our strategic collaborations in elevating brand desirability with an additional increase of 3% of global share of voice compared to our key competitors. Tsutsumi Hoang on the image above is an illustrator, designer and content creator based in Oslo.

FIVE-YEAR SUMMARY

DKK million	2023	2022	2021	2020	2019
Key financial highlights					
Revenue	28,136	26,463	23,394	19,009	21,868
Organic growth, %	**8%**	**7%**	**23%**	**-11%**	**-8%**
Like-for-like, %[1]	6%	4%	20%	-12%	-8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9,118	8,716	7,838	4,999	6,148
Operating profit (EBIT)	7,039	6,743	5,839	2,684	3,829
EBIT margin, %[2]	**25.0%**	**25.5%**	**25.0%**	**20.4%**	**26.8%**
Net financials	-805	-210	-461	-190	1
Net profit for the period	4,740	5,029	4,160	1,938	2,945
Financial ratios					
Revenue growth, DKK, %	6%	13%	23%	-13%	-4%
Revenue growth, local currency, %	9%	8%	24%	-11%	-6%
Gross margin, %	78.6%	76.3%	76.1%	75.6%	72.7%
EBITDA margin, %	32.4%	32.9%	33.5%	26.3%	28.1%
EBIT margin, %	25.0%	25.5%	25.0%	14.1%	17.5%
Effective tax rate, %	24.0%	23.0%	22.6%	22.3%	23.1%
Equity ratio, %	23%	33%	38%	37%	24%
NIBD to EBITDA, x[2]	1.1	0.8	0.4	0.5	1.1
Return on invested capital (ROIC), %	47%	48%	59%	25%	27%
Cash conversion incl. lease payments, %	78%	39%	88%	183%	133%
Net working capital, % of last 12 months' revenue	1.8%	4.2%	-5.0%	-7.6%	-1.3%
Capital expenditure, % of revenue	5.8%	4.9%	2.7%	2.6%	3.8%

[1] Like-for-like growth includes sell-out from all concept stores (including partner owned), owned and operated Shop in Shops and Pandora Online. Partner owned other points of sale are not included in like-for-like. The KPI includes stores which have been operating for +12 months.
[2] 2019 and 2020 figures exclude Programme NOW restructuring costs.

DKK million	2023	2022	2021	2020	2019
Stock ratios					
Total payout ratio (incl. share buyback), %[3]	136%	100%	115%	65%	147%
Dividend per share, proposed for the year, DKK	18.0	16.0	16.0	-	9.0
Dividend per share, paid, DKK	16.0	16.0	15.0	-	9.0
Earnings per share, basic, DKK	55.5	54.2	42.1	20.0	30.3
Earnings per share, diluted, DKK	55.1	53.7	41.7	19.9	30.1
Consolidated balance sheet					
Total assets	23,798	22,013	18,542	19,984	21,571
Invested capital	15,126	13,961	9,884	10,540	14,268
Net working capital	510	1,104	-1,181	-1,447	-293
Net interest-bearing debt (NIBD)	9,770	6,794	2,882	3,151	9,019
Equity	5,355	7,167	7,001	7,389	5,249
Consolidated statement of cash flows					
Cash flows from operating activities	7,384	4,434	6,228	5,975	6,775
Capital expenditure, total	1,624	1,290	641	491	822
Capital expenditure, property, plant and equipment	1,176	929	341	369	556
Free cash flows incl. lease payments	5,489	2,602	5,137	4,908	5,075
Sustainability					
Scope 1, 2 & 3 emissions, tonnes CO_2 equivalent[4]	264,543	341,748	320,620	300,746	360,569
Recycled silver and gold, total, %[5]	97%	61%	54%	57%	60%
Leadership gender ratio, female/male, %[6]	34/66	29/71	23/77	n/a	n/a

[3] Excluding sale of treasury shares amounting to DKK 1.8 billion in Q2 2020.
[4] 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. In 2023, we have reassessed Pandora's calculation methodology and data based on updated knowledge. This resulted in an increase in total emissions (tonnes CO_2e) of 63,792 in 2019 (+21%), 34,671 in 2020 (+13%), 43,170 in 2021 (+16%) and 61,378 in 2022 (+22%).
[5] Within limited assurance scope.
[6] The Leadership Team comprises Vice Presidents, Senior Vice Presidents, members of the Executive Leadership Team and the Board of Directors.

FINANCIAL GUIDANCE 2024

Targeting another year of profitable growth

The economic outlook for 2024 continues to remain uncertain. Continued inflation and still high interest rates suggest another challenging backdrop for consumers across many markets. Pandora will continue to execute on our Phoenix strategy, which has yielded consistently positive results despite the challenging backdrop over the past two years, but remains mindful of the uncertain macroeconomic environment. Therefore, the guidance for 2024 considers the external environment, Pandora's own specific Phoenix initiatives and current trading to form an initial range.

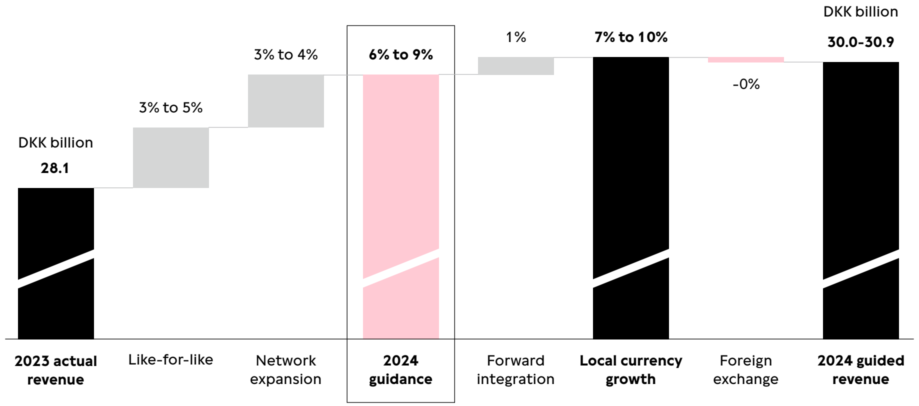
Pandora is currently targeting organic growth of 6% to 9% and an EBIT margin of around 25%. The low end of the guidance accounts for a worsening of macroeconomic conditions relative to that being witnessed today.

Revenue guidance

Pandora is currently expecting like-for-like growth of 3% to 5%. Continued network expansion is expected to add 3% to 4% to take the total organic growth to 6% to 9%. Finally, forward integration is expected to add around 1% revenue with revenue growth in local currency ending at 7% to 10%.

The organic growth guidance can be illustrated as follows:

REVENUE GUIDANCE
Percentage point approximations



6% to 9% Organic growth

Around 25% EBIT margin

Profitability guidance

The EBIT margin guidance for 2024 is "around 25%". The EBIT margin guidance can be illustrated as in the bridge to the right. The building blocks include a positive impact from the profitable expansion of Pandora's store network, expected to add 40 basis points.

As mentioned at the Capital Markets Day in 2023, Pandora will scale up investments to capture the current and future growth opportunities. The investments include, for example, the restaging of the brand, roll-out of the Evoke 2.0 store concept, personalisation (online as well as offline) as well as efforts to establish Pandora as the go-to destination for lab-grown diamonds. Therefore, operating leverage from positive like-for-like growth is expected to be reinvested into the Phoenix initiatives to see a small net drag of -30 basis points. In line with previous communication, the investments in the Phoenix strategy remain highly flexible with Pandora being able to adjust accordingly, depending on the growth outcomes. Finally, inflationary impacts (including salary increases) are expected to be offset through price increase and efficiencies, while the combined impact from silver prices and foreign exchange is expected to be roughly flat at -10 basis points.

Investments in growth initiatives in early 2024, including restaging of the brand, will lead to temporary elevated marketing expenses, impacting mostly the Q1 EBIT margin compared to the previous year.

Guidance – other parameters

Pandora expects to open net 75-125 concept stores and 25-50 owned and operated other points of sales in 2024.

CAPEX is expected to end between a share of 6-7% of revenue, as Pandora continues to scale up investments in the store network with the roll-out of Evoke 2.0 and network expansion, digital initiatives and crafting facilities.

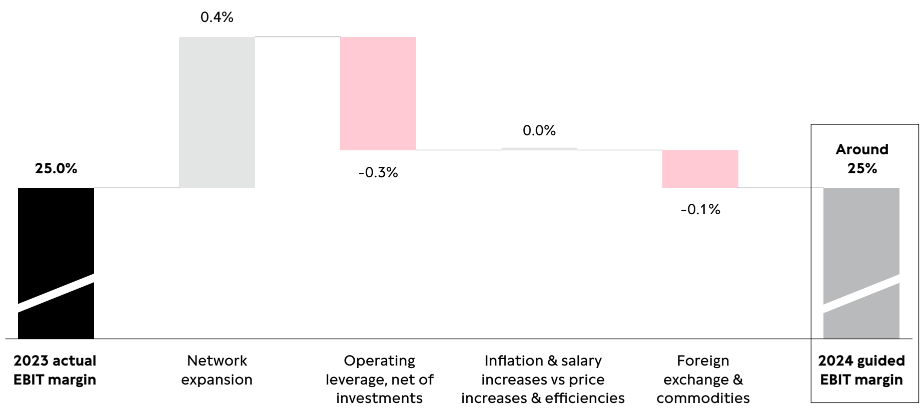
The effective tax rate is expected to be 24-25% as the Pillar Two tax rules, released by OECD, comes into effect in 2024. At current interest rate levels, foreign exchange rates and targeted leverage levels, Pandora expects total net financial expenses to be around DKK 950-1,000 million in 2024.

Capital structure policy and cash distribution

At the end of 2023, in line with expectations, Pandora's leverage was 1.1x NIBD to EBITDA, consistent with being broadly in line with the mid-point of the capital structure policy of 0.5x-1.5x. The increased leverage of 0.3x versus 2022 reflects the decision to increase leverage from the low end of the capital structure range to around the mid-point.

Pandora aims for a leverage ratio of approximately 1.2x NIBD to EBITDA by the end of 2024. In line with the usual seasonality of the business, leverage will increase through the year, peaking in Q3 2024, and then fall back by year-end. Pandora has paid out DKK 6.4 billion to shareholders in 2023, of which DKK 1.4 billion came from an ordinary dividend of DKK 16 per share and DKK 5.0 billion was distributed via share buybacks (DKK 0.4 billion related to the 2022 programme ending in early February 2023). For 2024, Pandora proposes a total cash distribution to shareholders of DKK 5.5 billion. Within this, Pandora proposes to pay a dividend of DKK 18 per share, which represents an absolute amount of DKK 1.5 billion and a new share buyback amounting to DKK 4.0 billion, which will be completed no later than 31 January 2025.

PROFITABILITY GUIDANCE
Percentage point approximations



FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – AS OF 31 JANUARY 2024	Average 2023	Average 2024	Financial impact 2024 Y-Y
USD/DKK	6.89	6.88	
THB/DKK	0.20	0.20	
GBP/DKK	8.57	8.73	
CNY/DKK	0.97	0.96	
AUD/DKK	4.58	4.53	
Silver/USD (per ounce)	22.7	23.7	
Revenue (DKK million)			**Approx. -75**
EBIT (DKK million)			**Approx. -50**
EBIT margin (foreign exchange)			**Approx. 0.3%**
EBIT margin (commodities)			**Approx. -0.4%**

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 94.

STORY
A FULL JEWELLERY BRAND

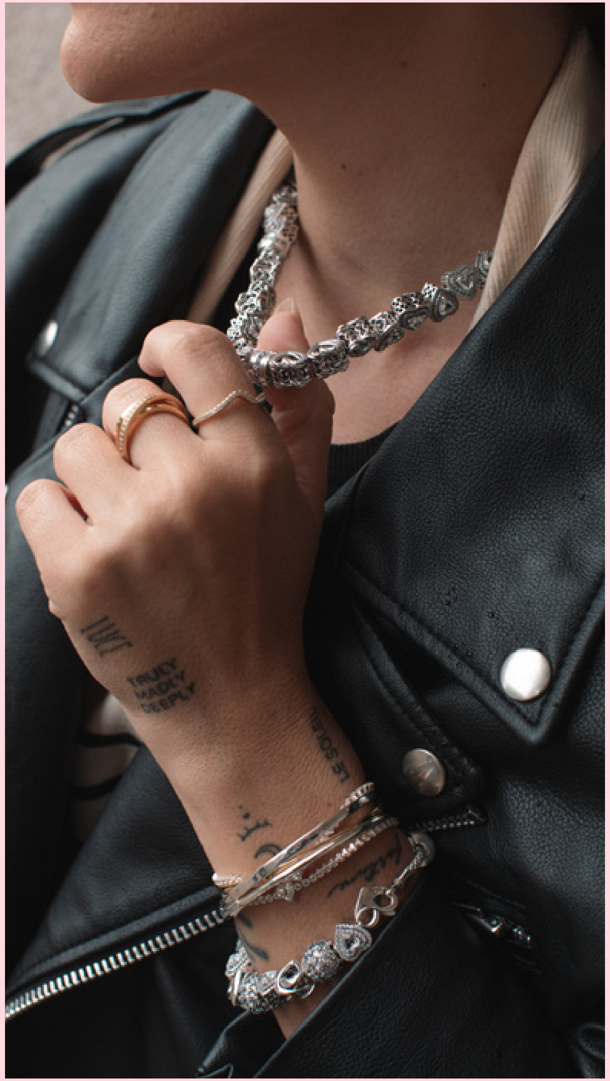
A key component of the Phoenix strategy is to expand the appeal of the Pandora brand. This is all about broadening customer perceptions to recognise Pandora as a brand that offers a full range of jewellery.

We are on a journey to redefine how consumers perceive our brand. Pandora has a longstanding history, recognised globally for charms and carriers. Our dedication to expanding our product range and reshaping our brand perception has evolved significantly over the years. Today, Pandora boasts several jewellery collections tailored to diverse consumer groups and spanning across all categories with the primary objective of being the largest and most desirable brand in the accessible jewellery market.

Within marketing, Pandora elevates the brand experience through four focus areas: drive brand desire, build jewellery icons, be unmissable by driving always-on reach and cultural relevance and bring a creative wow effect to all customer touchpoints.

Drive brand desire – Unlocking brand desirability is a key factor to accelerating growth. To further position ourselves as a full jewellery brand, we have forged partnerships with top talent, participated in key industry events and dialled up our artistry and creativity across campaigns. Ashley Parks, our newly appointed global brand ambassador, made a significant impact during Copenhagen Fashion Week, representing Pandora alongside 28 global and local content creators, generating a total of 131 million impressions over owned social and creator channels. Furthermore, we served as the Principal Partner of The Fashion Awards 2023, hosted at the Royal Albert Hall in London. Finally, our “Diamonds for All” campaign has disrupted conventional norms in the diamond sector by democratising diamonds, making them accessible to more people. The Pandora Lab-Grown Diamonds campaign showcases a diverse range of cultural icons, including actress and model Pamela Anderson, photographed by Mario Sorrenti.

Our “Diamonds for All” campaign swept through the streets of New York City with unmatched brilliance.



Build jewellery icons – Pandora is a jewellery brand loved by a broad range of customers. We will continue to broaden our product assortment to meet their wide range of jewellery needs. A prime example of how we enter new aesthetic spaces is the introduction of PANDORA ESSENCE, which showcases organic, fluid and natural expressions. This aesthetic space matches our brand DNA and represents 17% of the market. After a successful pilot launch in the Netherlands, PANDORA ESSENCE is set to roll out in more countries in 2024.

We continue celebrating our jewellery icons in our campaigns, exemplified by the resounding success of our fully loaded Pandora Moments necklace during Copenhagen Fashion Week. Collaborating with influencers, we encouraged them to curate their unique iconic styles, leading to features in more than 13 prominent media outlets such as Vogue, Elle, Grazia, Harper's Bazaar and Marie Claire.

The fully loaded Pandora Moments look was spotted at the Copenhagen Fashion Week 2023 in between shows and at Pandora-hosted events.

Be unmissable – We look to gain even more customers and increase brand awareness, a crucial element for expanding our market presence. To achieve this, we harness the power of paid and earned media, with a specific emphasis on PR, collaborations and cultural activations to drive relevance and talkability.

In 2023, Pandora witnessed a record-breaking year in PR, propelled by the successful launch of our "Diamonds for All" campaign in the US, the UK and Australia. Moreover, we had multiple viral trends, including #PandoraEngraving on TikTok, where consumers recorded the engraving process at our stores, amassing over 200 million views.

Wow at every step – At each stage of the consumer journey, we aim to enhance the customer experience. We are committed to delivering a world-class shopping experience, be it in our physical stores or through online channels, consistently delivering excellence in both brand interaction and shopping satisfaction. Our new store concept, Evoke 2.0, is built to foster more self-discovery, while also serving as a platform to better represent Pandora as a full jewellery brand.

Enhancing the customer experience. The Evoke 2.0 store concept evolves the unique Pandora store experience.

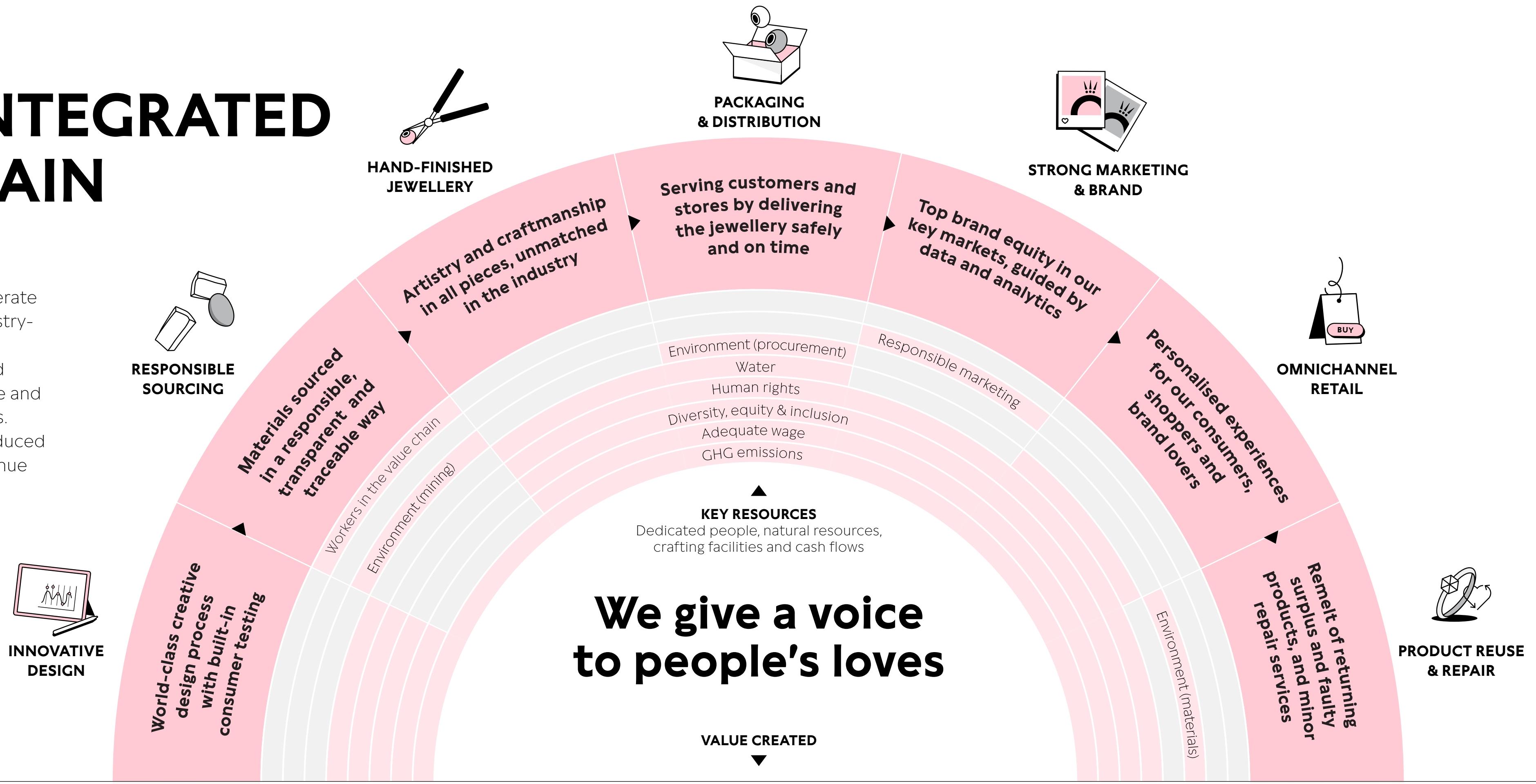
OUR BUSINESS

20 Our business model
21 Our Phoenix strategy
26 Industry trends
28 People
30 Sustainability
34 Risks

OUR BUSINESS MODEL

A FULLY INTEGRATED VALUE CHAIN

At Pandora, our commitment is to operate as a sustainable business driving industry-leading growth and profitability, while lowering our impact on the planet and creating positive outcomes for people and communities touched by our business. With almost 95% of our jewellery produced in-house and around 80% of our revenue coming through our own direct-to-consumer channels, our fully integrated value chain enables scale advantages, speed and agility as well as a coherent brand experience.



Business activities

Material sustainability matters (abbreviated)

Not applicable

Customers & markets
- ~750 million customer visits to our stores and online.
- More than 107 million pieces of high-quality jewellery sold.
- Presence in more than 100 countries.

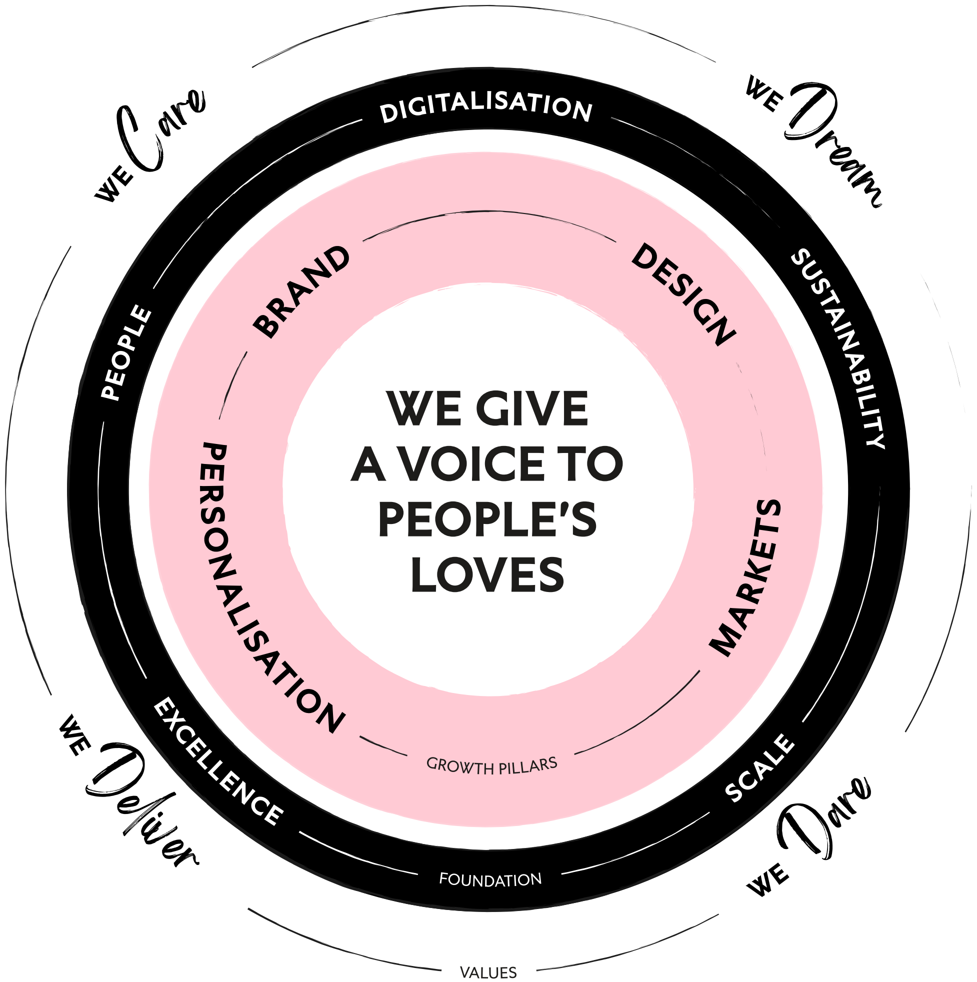
Employees & community
- An average of 33,000 employees globally.
- Social causes supported with UNICEF.

Climate & environment
- 96,026 tonnes CO_2e reduced compared to 2019 baseline.
- Sourcing 100% recycled silver and gold as of December 2023.

Shareholders & society
- DKK 6.4 billion in dividends and share buybacks paid back to our shareholders.
- DKK 1.8 billion total corporate tax contribution.

OUR PHOENIX STRATEGY

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



Accelerating growth by showing consumers that we are a full jewellery brand.

In 2021, we launched our Phoenix strategy, presenting a roadmap for substantial growth leveraging our core, existing assets. Centred around the pillars of Brand, Design, Markets and Personalisation, the strategy set the stage for a transformative journey. Over the past two years, we have successfully executed on this vision, overcoming various external headwinds and delivered on our financial targets set in 2021 with a 7.5% organic growth CAGR (target 5-7%) and 25.0% EBIT margin (target 25-27%).

The first two years of delivering on the Phoenix strategy have fundamentally strengthened Pandora's core. The brand has made significant strides in executing on the strategic vision, demonstrating resilience and adaptability. Consequently, we are now focused on elevating performance to the next level, as announced in October 2023, during the Capital Markets Day in London.

The next chapter of Phoenix carries over the fundamental building blocks of the Phoenix strategy, with updated priorities across the four major strategic growth pillars. Furthermore, we announced new financial targets for the period 2024-2026. These targets signify a notable upgrade, reflecting Pandora's improved operating model and a suite of initiatives to be expanded for accelerated growth.

Organic growth target: We have set a new upgraded organic growth target of a 7% to 9% CAGR over 2023-2026,

Our iconic snake chain meets an eye-catching array of charms for a fully loaded Pandora Moments look.

up from the previous target of 5% to 7% CAGR over 2021-2023. The new target envisions an upgraded like-for-like CAGR of 4% to 6%, up from the previous 3% to 5%. The contribution from network expansion is targeted to be around 3% CAGR, up from 1% to 2% in the previous target, while forward integration will add an additional 1% CAGR. The enhanced growth outlook underscores Pandora's commitment to scaling current and new initiatives, resulting in an 8-10% local currency CAGR over 2023-2026.

EBIT margin target: We have set a new EBIT margin target of 26-27% by 2026, equalling 100-200 basis points of margin expansion compared to 2023. Notably, we will reach this higher margin whilst accelerating investments in current and future growth initiatives. This underscores our ability to efficiently leverage existing infrastructure to drive growth, and our best-in-class gross margin enables us to fuel the investment in our brand and people.

Growth pillar 1: Brand

Pandora is a globally recognised accessible luxury brand with a high level of consumer awareness, strong brand equity and a loyal customer base. Since the inception of the Phoenix strategy, we have laid strong foundations for our brand, which are starting to yield positive results. We will now significantly intensify our efforts to position ourselves as a full jewellery brand with accessible price points.

The next phase will focus on elevating brand desirability with a revamped marketing strategy aimed at accelerating growth by transforming the brand perception. The refreshed strategy will drive greater penetration by strategically broadening product assortments into new and underserved categories and aesthetics. To drive ongoing relevance and brand heat, we will commence a restaging initiative in early 2024, featuring new campaigns that elevate desirability while clearly showcasing Pandora's new brand identity. These new campaigns will also centre around product icons and drive greater relevance through stronger cultural activations and collaborations. We have already embarked on this journey with new global brand ambassadors and the Pandora Lab-Grown Diamonds campaign in 2023.

Pandora will also make a significant leap in elevating the in-store customer experience. By 2026, we aim to transform around 60% of Pandora's owned and operated stores into the new Evoke 2.0 concept. While our previous store concept has been successful in driving and building out the Pandora Moments platform, Evoke 2.0 more effectively displays all of Pandora's collections in an intuitive and engaging experience. The new store concept will be another major pillar in driving greater brand desirability and brand positioning.

Growth pillar 2: Design

Pandora's jewellery is designed to empower self-expression and drive cultural relevancy and is crafted and hand-finished to the highest ethical and environmental standards.

Since 2021, we have driven the core Pandora Moments platform through ongoing innovations, such as the new Pandora Moments Studded Chain, while continually expanding our offering. Strategically, our design vision remains consistent, as we will continue to drive growth within the core platform while accelerating growth in other areas.

Pandora's original charm and carrier offering, Pandora Moments, has been the cornerstone of our success over the past two decades. Today, Pandora Moments accounts for 65% of total revenue, and we continue to see ample growth opportunities by ensuring a strong pipeline of innovation behind charms and carriers. To build on this success and stimulate sequential growth, we have redefined our core product offering and added Pandora ME to Pandora Moments and Collabs under the name Core. Pandora Moments and Pandora ME share design aesthetics, and the new segments will harness collection synergies.

To further expand our offering, the Pandora Timeless and Pandora Signature collections will be accompanied by a new collection: PANDORA ESSENCE. PANDORA ESSENCE is set to launch in 2024 following a successful pilot in the Netherlands in 2023, expanding our offering into the aesthetic space of organic, fluid and natural jewellery design to attract new consumers to the brand. Pandora Timeless, Pandora Signature and PANDORA ESSENCE are grouped in the new segment Fuel with more, which also encompasses Pandora Lab-Grown Diamonds.

Within the Pandora Lab-Grown Diamonds collection, we took notable strides in 2023 through the expansion of our assortment with three new collections, which are now available in more than 700 stores across the US, Canada, the UK and Australia with select collections also available in Mexico and Brazil. These new collections introduced fresh design aesthetics through new cuts, original settings and everyday essential styles. Pandora targets more than DKK 1 billion in revenue from Pandora's Lab-Grown Diamonds collection by 2026.

Growth pillar 3: Markets

Thanks to Pandora's unique global presence, we see growth opportunities spanning our entire geographical footprint. With a strengthened operating model, we are now well-equipped to pursue growth opportunities in a broader range of geographical regions. Consequently, the former growth pillar of "Core markets" has accordingly been renamed "Markets". In markets where Pandora

Introducing PANDORA ESSENCE
This collection signifies a fresh chapter for Pandora, characterised by a design that draws inspiration from the organic shapes found in nature.

Make it personal
Pandora offers engraving services in more than 800 stores worldwide, with a variety of jewellery pieces that provide a blank canvas for personal expression.

already has a high market share, such as the UK, Italy and Australia, Pandora expects like-for-like to grow steadily, maintaining its leading position while leveraging the full jewellery brand position to further build market share. For the less penetrated markets such as the US, Germany, France, China and markets within Rest of Pandora, Pandora expects to increase market share and sees potential for consistent, higher like-for-like growth.

The white space opportunities to expand Pandora's physical store network are vast, and we are set to accelerate our network expansion. In 2021, we identified approximately 7,000 viable locations for new Pandora stores across markets where we already have a presence with owned and operated stores. From 2024 to 2026, Pandora targets a net total of 225-275 additional concept store openings and a net total of 175-225 Pandora-owned shop-in-shop openings. Through this predictable and profitable revenue stream, Pandora expects around 3% CAGR in organic revenue contribution annually over the period 2023-2026. All new stores will be built in the new Evoke 2.0 format.

Our unique operating model allows for the brand to be efficiently scaled up in new or underserved markets. We will now also take initial steps towards entering new markets or expanding into underserved regions such as South Korea, Japan and India.

Growth pillar 4: Personalisation

Personalisation is a key component of the Pandora brand. Leveraging customer data and enhancing the digital experience plays a pivotal role in this. With the Phoenix strategy, we have made significant advancements in transforming our retail execution and digital transformation. Through the new My Pandora loyalty programme, personalised marketing and customisable products, Pandora is consistently attracting new customers and fostering stronger customer relationships. Pandora will continue to roll out My Pandora, which is currently deployed in three markets and expected to be available in all major markets by 2026. Engraving services, a recent addition to Pandora's in-store experience, have seen significant expansion and will be available across 1,450 Pandora stores by the end of 2024. We have observed an increase in like-for-like growth in stores offering engraving services.

Our investments in our people, particularly our store colleagues, are paying off. Pandora's owned and operated stores have outperformed our franchise partners in terms of like-for-like, in part due to these investments. We will now enhance our focus on one of the fundamental drivers for delivering a personalised, world-class customer experience: the store teams. Our store colleagues play a unique role, serving as a true sales force that extends beyond transaction handling. In alignment with this, we will intensify our focus on store colleagues, with a particular emphasis on store managers, given the direct correlation between store manager seniority and in-store performance.

Sustainability: Leading our industry

Industry leadership in sustainability is a fundamental cornerstone of our Phoenix strategy. We will lower our negative impact on the planet and create positive outcomes for people and communities touched by our business and support our long-term growth ambitions. We have set ambitious sustainability targets and wish to lead the transformation of our industry by showing that beautiful, hand-finished jewellery goes hand in hand with sustainable business practices.

We are on track to reduce emission by 50% across our full value chain by 2030, as part of our ambitious science-based target. Since 2019, we have reduced our total emissions by 27%. Crafting materials are the largest contributor to our value chain emissions. We have worked with our suppliers and have already in December 2023 reached our goal of sourcing 100% recycled silver and gold, ahead of our 2025 target (2023 average: 97%).

This achievement is not only key to our circularity agenda but is also central to lowering our carbon emissions. In 2021, we set a target to reach gender parity in senior leadership by 2030 (VP-level and above). Back then, 23% of senior leadership positions were held by women, but today we have reached 34%. We expect this progress to continue.

STORY

BRINGING BEAUTY, JOY AND SPARKLE TO MANY

Redefining the rules of diamond jewellery

Pandora is on a mission to democratise diamonds. With Pandora Lab-Grown Diamonds, we break with industry tradition by bringing diamond jewellery to more people and to more wearing occasions. This year, we introduced three new lab-grown diamond collections: Nova, Era and Talisman. In addition to expanding the collections, we also made the jewellery available in more geographies. Expanding beyond the UK, the US and Canada, the collections were made available in Australia, Mexico and Brazil during the second half of 2023.

Pandora Lab-Grown Diamonds are optically, chemically, thermally and physically identical to mined diamonds – except ours are created above ground.

"Lab-grown diamonds are a fantastic space for us; an innovative and culture-shaping opportunity, which is rare to find in any industry. Identical to mined diamonds, lab-grown diamonds are created in a laboratory rather than excavated from a mine. Our diamonds are not only for the few, for once-in-a-life-time occasions or only for giving. They are for all occasions – everyday – and they represent personal meaning to each of us," says Mary Carmen Gasco-Buisson, Chief Marketing Officer of Pandora.

Adding to the thousands of years' old history of diamond jewellery – this next chapter of lab-created diamonds is influenced by Pandora's creativity, which is built on values such as ethics, sustainability and identity.

Pandora Lab-Grown Diamonds are meticulously grown, cut and polished to ensure exceptional quality, enhancing their brilliance and allure. Each diamond is carefully set in sterling silver or 14k white or yellow gold by skilled artisans. In addition to their visual appeal, they also come with a carbon footprint around 95% lower than its mined counterpart. If all diamonds could reach the same low footprint, this would cut six million tonnes of CO_2 annually – the same as replacing all cars in New York City with electric vehicles. Pandora is thereby setting a new industry standard for creating beautiful, hand-finished jewellery with a reduced impact on the planet.

Since August 2022, every piece in the Pandora Lab-Grown Diamonds collection is created using diamonds grown, cut and polished with 100% renewable energy, and set in jewellery crafted with 100% recycled silver or gold.

"Diamonds for All" campaign
Model and actress Pamela Anderson was one of the world-class icons that helped Pandora bring the messages of the "Diamonds for All" campaign across.

INDUSTRY TRENDS

RESPONDING TO A CHANGING WORLD

As a global company, Pandora is influenced by the ever-changing dynamics in world economics and culture. Four major trends hold particular relevance to our Phoenix growth strategy.

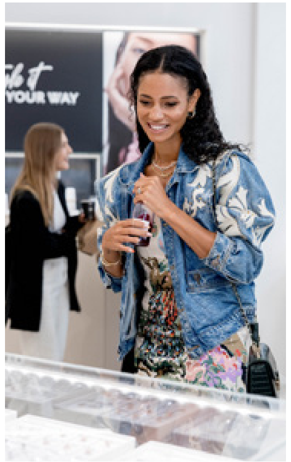
TREND 1: MACROECONOMIC UNCERTAINTY

The past few years have been characterised by a highly uncertain macroeconomic outlook. Rising interest rates and inflation have generally resulted in widespread pressure on consumers across many markets.

Pandora's response

Despite the broader macroeconomic uncertainty, Pandora continued to execute relentlessly on our Phoenix strategy whilst leveraging our strong brand and unique business model. In 2023, we continued to invest into the brand, and we saw brand consideration increase across many markets, while maintaining our industry-leading unaided brand awareness. We successfully managed to bring more consumers to the brand. Pandora continues to benefit from a position as one of the leading gifting brands globally, which has allowed for consistently strong performances over gifting periods such as Mother's Day and Christmas.

During the period of uncertainty, we have also managed to consistently generate solid profitability, backed by our strong starting point of structurally high gross margins. The asset-light nature of the business meant that Pandora continued to return cash back to shareholders, including our highest ever total shareholder distribution in 2023 of DKK 6.4 billion.



Captivating jewellery collections and storytelling
At our recently opened Evoke 2.0 store on Oxford Street in London, every detail is crafted to create a space where customers can connect with the brand on a whole new level.

TREND 2: DIGITAL ACCELERATION AND AI

The integration of physical and digital realms is continually expanding. Nearly 5 billion people – almost two thirds of the world's population – are now social media users, spending an average of 2.5 hours per day in the digital, social sphere[1]. The digital development is accelerating, and artificial intelligence only adds to this acceleration with its potential to reshape creativity and efficiency and transform the operational landscape for many businesses.

Pandora's response

Pandora is transforming customers' shopping experiences through the use of technology and data at scale. Since 2020, we have embraced AI and machine learning, particularly in customer segmentation and marketing. Pandora is exploring opportunities in several AI areas including generative AI – the ability of artificial intelligence to generate text, images or other media. Our current focus is on accelerating predictive analytics and AI, as well as establishing foundations for data ethics and AI safety.

In 2023, we also incorporated CGI (computer-generated imagery) into our digital strategy with exciting content from Copenhagen Fashion Week and our "Loves, Unboxed" campaign. This helped elevate our digital presence and captivated audiences across our social media channels.

As a vertically integrated business with strong tech and data foundations, and strategic partnerships with global tech leaders, we are strongly positioned to adopt and benefit from these technologies.

[1] Statista, 2023.

Partnership with UNICEF
Pandora for UNICEF has helped more than 1.2 million children around the world and supports children and young people, especially girls, with educational programmes.

TREND 3: GROWING THE BUSINESS, SUSTAINABLY

The heightened urgency of the climate crisis has amplified stakeholder demand for brands to champion social and environmental causes. Research shows that companies emphasising sustainability work have experienced a notable 9.1% increase in profits[1] - and a diverse and inclusive workplace not only enhances profitability but also attracts and retains great talent[2].

Pandora's response

A foundational part of our Phoenix strategy is to become a low-carbon, circular, inclusive, diverse and fair business. In 2023, we made strong progress on our targets. We are continuously evolving our Responsible Sourcing Programme to ensure that we work with suppliers that share our sustainability ambitions, and in our audit programme, we actively engage with suppliers to enhance their capabilities in responsible business practices. Our sustainability targets are also firmly reflected in our incentive programmes for senior leadership and in all of Pandora's financing agreements.

Partnering to drive change is a key component. Through our long-standing partnership with UNICEF, we help provide learning opportunities to children and young people. And we share our experience on human rights and low-carbon initiatives with members of the Watch & Jewellery Initiative 2030 for mutual learning.

[1] Moore Global, 2022.
[2] McKinsey, 2020.
[3] McKinsey, 2023.

TREND 4: NEW NOTIONS OF WORK AND EMPLOYMENT

In recent years, traditional concepts of work and employment have undergone a significant transformation. Today, many employees pursue a blend of elements that extend beyond salary with an emphasis on work-life balance, professional development and a sense of purpose. For instance, in Europe, 35% of job departures can be traced back to unsustainable performance expectations[3]. Organisations must adapt by tailoring their employee value propositions to remain a workplace of choice.

Pandora's response

We are proud to record very high employee engagement, and as part of the Phoenix strategy, we focus on improved employee retention and a next-level employee experience. Our new initiatives count enhanced leadership programmes, e-learning, digitalisation of all people systems, and a retail workforce management system which will help streamline daily tasks to support leaders and employees.

As a destination for world-class talent, we continue to invest in the long-term wellbeing of our employees and to support new ways of working with flexible work policies.

PEOPLE

POWERED BY OUR PEOPLE

Shifting customer perception of Pandora to a full jewellery brand is driven by our strongest advocates: our talented people. As we continue executing on the Phoenix strategy, we reinforce this strength by improving employee retention and creating a next-level employee experience.

Strong business results start with our people and a healthy workplace – not only what we achieve, but how we get there. We regularly ask Pandora people to rate their experience and provide feedback to measure employee engagement and get a rating of Pandora's efforts to create and maintain a diverse and inclusive work environment. In the most recent survey in October 2023, we achieved record results. The employee Net Promoter Score (eNPS) reached a record-high of 60, placing us in the top 5% of Workday Peakon's benchmark in the consumer sector globally. Pandora's overall average inclusiveness score was 8.7 on a scale from 1 to 10 – a slight improvement from 8.6 in 2022, placing us in the top 25% of the consumer sector. Based on the survey, leaders and teams review the results, including comments, and pinpoint areas for improvement and identify action plans for both the short and long term.

A workplace as diverse and inclusive as our jewellery

Pandora is a global organisation with 33,000 employees, representing more than 130 nationalities and spanning professional disciplines like crafting, distribution, retail and office. We believe that inclusion, diversity and fairness are core tenets of a responsible growing business and are key in our strategic priorities and business performance.

Effective and engaged leaders

Leaders play an essential role in developing employees and in helping them thrive. In 2023, we continued our global leadership development programme, RISE, to better guide and inspire our leaders to develop, coach and enable performance for teams. At the end of this year, 1,379 leaders had completed the course and provided exceptional feedback. When the programme

Our core values
We Dream, We Dare, We Care and We Deliver.

concludes, nearly 4,000 leaders will have completed the course. Additionally, more than 350 top leaders receive continuous talent training to ensure strong leadership growth and secure succession.

In our 2023 survey, employees scored Leadership Effectiveness at 8.4 on a scale from 1 to 10, a slight increase compared to 8.3 in 2022.

Working towards gender parity

Pandora also made significant headway with the diversity and inclusion target. Our targets[1] for balanced gender representation in leadership are to achieve 33% women in senior leadership by 2025 and reach gender parity no later than 2030.

In 2023, women in senior leadership increased to 34%, achieved ahead of schedule and marking an increase from 29% in 2022.

We are committed to eliminating discrimination in executive recruitment and actively encouraging individuals of all genders, with a specific focus on empowering women to explore managerial roles.

People systems to match our potential

Creating a next-level employee experience also means we need the digital infrastructure to best support employees and leaders in their daily work, personal development, goal setting and more.

In 2022, Pandora launched a new digital full-year process. The system allows for flexible, integrated and collaborative work on performance goals, personal development, succession planning and more related to critical people processes. With these updates, we have a wider utilisation of data through enhanced analytics capabilities.

Looking into 2024, a new workforce management system will be rolled out to retail colleagues in key markets. This system will help make daily managerial tasks simpler and faster and is a part of an ecosystem of programmes designed to better support our retail colleagues and improve employee retainment. The system will enable retail colleagues to spend most of their time where it matters most – face-to-face with customers. The workforce management system will also collect data to improve the daily work lives of all colleagues.

Attracting prime talent

Under our employer brand, Craft the Incredible, Pandora has attracted highly skilled talent from leading brands and across other industries. In 2023, we attracted around 900 office colleagues and hired more than 3,500 retail colleagues for our peak trading period in the fourth quarter.

In September, Pandora was honoured to be featured on TIME Magazine's World's Best Companies list for 2023. The list was published by TIME Magazine in collaboration with Statista and represents a compilation of outstanding companies across industries that were assessed on three criteria: employee satisfaction, revenue growth and sustainability.

The global recognition underlines Pandora's steadfast commitment to building a great workplace, a healthy business and lead the industry within sustainability. Everything we do is made possible by our 33,000 employees that each play a big part in giving a voice to people's loves.

[1] For these targets, we define senior leadership as positions at Vice President level and above, including the Board of Directors.

GENDER DISTRIBUTION IN MANAGEMENT

Board of Directors	2023	2022
Members of Board of Directors, number	7	7
Underrepresented gender in Board of Directors, %	43%	43%
Target, %	40%	
Fulfilment year	2027	
Leadership Team in Pandora A/S[1]		
Members of Leadership Team Pandora A/S, number	13	15
Underrepresented gender in Leadership Team Pandora A/S, %	23%	20%
Target, %	40%	
Fulfilment year	2027	

It is important to Pandora to offer an inclusive and diverse working environment, enabling diverse and creative thinking and ensuring equitable opportunities for all employees to realise their potential. Our Board of Directors, comprised of 7 members, has achieved an equal gender distribution of 43%. In 2023, the underrepresented gender was male, in 2022 female.

In our Leadership Team in Pandora A/S, comprised of 13 members, we have not achieved an equal gender distribution (23%), as the representation of the underrepresented gender has not changed in 2023. In both 2023 and 2022, the underrepresented gender was female.

We recognise there is more to do before we can reach our target of 40% in 2027. Whilst we have made progress, we have identified a need to increase the level of awareness across our leadership population. We have developed a programme of activities that has been deployed throughout 2023, and will continue in 2024, that includes senior leadership training on unconscious bias targeted at Executive Management and the Senior Leadership Team. We have also included unconscious bias training for all people leaders who engage in the process of hiring to ensure we can raise awareness and educate people leaders in their responsibility.

Pandora is continually investing in developing our internal senior leadership talent. We have implemented succession plans for our Executive Management members and have taken a balanced approach in developing senior female leaders as part of their ongoing development plans.

[1] The Leadership Team in Pandora A/S includes members of the Executive Management (first level) and persons with managerial responsibility who report directly to the members of the first level (second level).

SUSTAINABILITY

SUSTAINABILITY AS A CATALYST FOR GROWTH

Leading the jewellery industry on sustainability, Pandora is on track to reduce carbon emissions by 50% across our full value chain by 2030. We have shifted to sourcing 100% recycled silver and gold as of December 2023, well ahead of our 2025 target. We further ended 2023 at 34% women in leadership, up from 29% in 2022.

Our commitment to sustainability remains a cornerstone of our Phoenix business strategy. In 2023, we continued to steer our business towards long-term growth, minimise our environmental footprint and generate meaningful benefits for the individuals and communities we serve.

Sustainability is embedded across Pandora, from design, sourcing and crafting to how we bring our jewellery to customers and extending product life through light repair services in many of our owned and operated stores. This is

Precious metals
Precious metals can be recycled forever without any loss of quality. Silver and gold, originally mined centuries ago, are just as good as new.

OUR STRATEGIC PRIORITIES

Low-carbon business

Circular innovation

Inclusive, diverse and fair culture

Sustainability Report 2023
Read more about Pandora's reporting to the Task Force on Climate-Related Financial Disclosures and EU taxonomy disclosures in our Sustainability Report 2023.

not just a choice; it is our obligation as a global brand, and it is one of the keys to our company's resilience.

In 2023, we advanced on our ambitious sustainability targets to become a low-carbon, circular, diverse, inclusive and environmentally conscious business, addressing additional environmental topics, for example biodiversity. Reaching our climate target will not be a linear journey, and we expect an increase in our 2024 emissions (compared to 2023), notably as a result of the Vietnam crafting facility construction, retail network expansion, store refurbishments, increased supplier-specific data and overall growth. Discover more about our sustainability targets and progress on the following page or explore our analysis of biodiversity on page 21 in our Sustainability Report 2023.

Our work on sustainability also has us focused on adhering to the growing body of international sustainability regulation, most notably the EU Corporate Sustainability Reporting Directive (CSRD). We have developed our initial double materiality assessment a year in advance of CSRD requirements. We further solidified our sustainability data reporting and governance to meet CSRD requirements. Our actions in 2023 include engaging with key functions across the organisation, forming a CSRD Task Force to ensure progress towards the first reporting in the full-year 2024 report and we included it as a key topic in sustainability governance bodies.

At Pandora, strong financial performance and sustainability go hand in hand. Therefore, our financing is linked to our circularity and low-carbon targets. In 2023, we secured our third sustainability-linked financing instrument, and all company financing is now tied to sustainability performance. An EUR 500 million sustainability-linked bond was issued with final payment linked to performance on greenhouse gas emission reductions and the sourcing of recycled silver and gold. In 2023, we also launched a share buyback programme with a fee structure that includes a discount for Pandora. A portion of the discount is earmarked to accelerate our low-carbon strategy by investing in renewable energy and in energy efficiency projects at our crafting facilities in Thailand. Read more on page 14 in our Sustainability Report 2023.

Our efforts on sustainability were again recognised by rating agencies, and for the second year in a row, Pandora received an 'A' score for transparency and performance on climate change by CDP. In addition, Pandora earned a spot at TIME Magazine's World's Best Companies list, ranking 21st out of 750 companies for our sustainability ambitions and actions. Pandora is one of eight Danish companies featured on the prestigious list and the sole Danish company in its category (Apparel, Footwear & Sporting Goods).

Skilled craftspeople
More than 12,200 skilled craftspeople work at our crafting facilities in Thailand. Here a photo from our facility in Lamphun near Chiang Mai in Northern Thailand.

OUR SUSTAINABILITY TARGETS

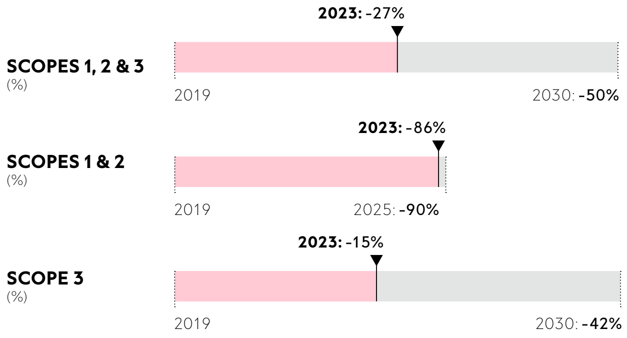
LOW-CARBON BUSINESS

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.

PROGRESS AND STATUS



We decreased our total emissions by 27% compared to our 2019 baseline. In 2023, we reduced Scopes 1 and 2 emissions by 56% versus 2022 and 86% versus baseline. This was achieved primarily by continued sourcing of 100% renewable energy for our crafting facilities in Thailand. We also continued the roll-out of Renewable Energy Certificates for other owned and operated activities.

In 2023, we reduced Scope 3 emissions by 21% versus 2022 and 15% compared to baseline. Key drivers include the shift to 100% recycled silver and gold, lower crafting material volumes and more supplier-specific data.

Reaching our climate target will not be a linear journey, and we expect an increase in our 2024 emissions compared to 2023, notably as a result of the Vietnam crafting facility construction, retail network expansion, store refurbishments, increased supplier-specific data and overall growth.

OUR NEXT STEPS

SCOPES 1 & 2

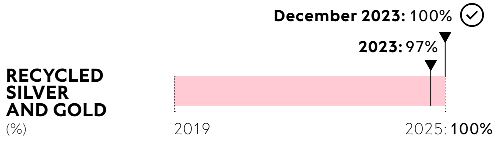
In 2024, we plan to finalise the geographical roll-out of our renewable energy scale-up via the purchase of Renewable Energy Certificates. We will continue to explore new opportunities to source renewable energy to cover our retail volumes and support new energy projects in Thailand.

SCOPE 3

We will continue to focus on key impact areas, such as low-impact materials and services and transport-related reductions, along with scaled supplier engagement activities.

CIRCULAR INNOVATION

BY 2025 Purchase 100% recycled silver and gold in the crafting of our jewellery.



In 2023, we transitioned all our recycled silver and gold suppliers to certified sources.

As of December 2023, we are only purchasing recycled silver and gold – both in our own crafting, and in components, and the average for the year ended at 97%.

In 2024, we will continue our purchase of 100% recycled silver and gold and phase out leftover stock of non-recycled sources.

INCLUSIVE, DIVERSE AND FAIR CULTURE

BY 2030 Achieve full gender parity[1].

BY 2025

- Reach 1/3 women in leadership.
- Create an inclusive workplace and increase the share of underrepresented groups.
- 30% of our brand ambassadors in our global communication to come from underrepresented groups.
- 30% of our branding content budget to be spent with suppliers owned by women or other underrepresented groups.

INCLUSION	2022: 86%	**2023: 87%**	2025: 85% ✓
WOMEN IN LEADERSHIP	2022: 29%	**2023: 34%**	2025: 33% ✓
			2030: 50%

We achieved an inclusion score of 87% in our latest engagement survey, and will work to maintain this score in the coming years and in line with our 2025 target.

We ended 2023 with 34% women in leadership positions, up from 29% in 2022. This means we have achieved our interim 2025 target of 33% women in leadership ahead of schedule. We will continue our work with succession plans and promotion processes to reach full gender parity by 2030.

We have achieved our inclusion score target, so our focus will be on maintaining and improving our score.

We plan to integrate a learning module into the recruitment process to highlight the responsibility of all hiring managers in taking a fair and balanced approach during hiring decisions.

We will deliver inclusive training to the Executive Leadership Team and VP-level and above, with a focus on raising awareness of our responsibility as leaders to create an inclusive environment for colleagues.

We will be reviewing inclusion within our recruitment process and succession planning to ensure a sustainable approach towards achieving gender parity.

It has proven challenging to obtain the data we need while complying with data collection restrictions. We will continue to refine our approach in 2024 and aim to have it available for the next year.

Achieved progress against target
Yet to be achieved

[1] Gender parity in leadership refers to an equal number (50/50) of men and women in leadership positions from VP-level and above (including the Board of Directors) with a +/- 5 percentage points variation.

STORY

100% RECYCLED SILVER AND GOLD

Ahead of our plan, we now source only recycled silver and gold.

Silver and gold are the most used precious metals in our jewellery and therefore the most impactful place to initiate our circularity journey. Over the past years, we have worked with our suppliers to gradually substitute all newly mined silver and gold with recycled sources. In December 2023, we completed our shift to source 100% recycled silver and gold for all of our jewellery, which was well ahead of our 2025 target. The average sourced in 2023 was 97%.

Silver and gold are used in a wide range of industrial applications, including electronics, medical equipment and chemical production. The metals can be recycled forever without losing their quality, and the sustainability benefits are significant. The carbon emissions for recycled silver are one third compared to mined silver, while recycling of gold emits approximately 600 times less carbon than mining new gold, according to life cycle assessments[1]. Mining can also result in erosion, loss of biodiversity and the contamination of soil, groundwater and surface water by the chemicals emitted

[1] The following sources were used to calculate the difference in carbon footprint between recycled and mined sources: mined and recycled silver (GaBi database 2019), mined gold (World Gold Council, 2018), and recycled gold (C. Hafner, 2019).

from mining processes. By sourcing recycled instead of newly-mined silver and gold, Pandora avoids around 58,000 tonnes of CO_2 per year. This is similar to the emissions from the annual electricity use of 11,000 homes or driving 6,000 cars around the world.

"The need for sustainable business practices is only becoming more important, and companies must do their part in response to the climate crisis and the depletion of natural resources. Through this very important shift, Pandora is showing the way forward towards a more sustainable jewellery industry," says Alexander Lacik, President & CEO.

Today, less than 20% of the world's silver supply comes from recycled sources. The refiners we use source their silver and gold from industrial waste, manufacturing scraps, old jewellery or silverware and other materials.

All the silver and gold used in crafting our jewellery comes from certified and responsible refiners according to the Responsible Jewellery Council Chain of Custody (RJC-COC) standard. Allowing time for the depletion of existing inventory, we expect that all production will run entirely on recycled silver and gold from the second half of 2024.

RISKS

MANAGING RISKS

Board of Directors

↕

Executive Leadership Team

↕

Risk Management Board

↕

Global Risk & Insurance

↕

Organisation

↕

Review and challenge of risks

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

Our approach to risk management

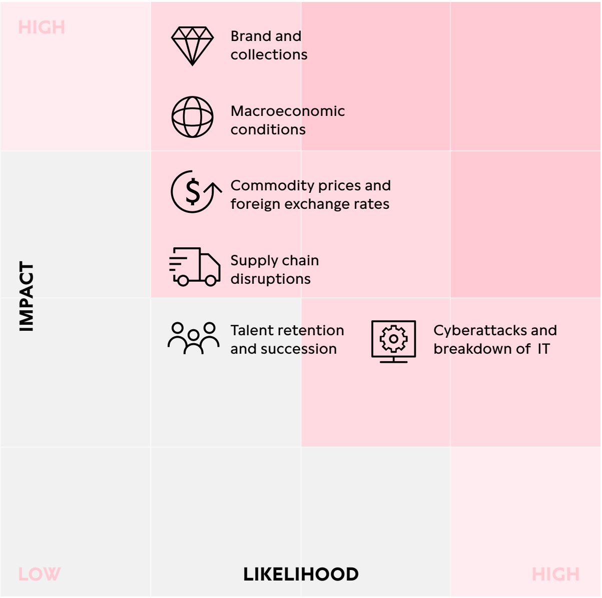
Pandora proactively manages risk to support continued growth of our business and to protect our people, assets and reputation. As a global brand with a fully integrated value chain, some of the key risks facing Pandora are brand and product relevance and supply chain disruptions. Through our enterprise risk management programme, we actively work to identify, monitor and reduce risk to an acceptable risk level. We continuously monitor inherent risks that could impact our daily operations, as well as strategic risks that may impact Pandora's competitive positioning, value creation and strategy. We see well-functioning risk management processes 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 Global Risk & Insurance, along with assessments of those risks and an overview of implemented mitigations and action plans. To read more about our enterprise risk management efforts, see pandoragroup.com/investor/corporate-governance/risk-management.

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. In the following section, the key risk groups and our mitigating activities are described. It should be noted that 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.

PANDORA RISK MATRIX



AREA	RISK DESCRIPTION	IMPACT	MITIGATION
Brand and collections	There is a risk that we are unable to maintain and elevate our brand's desirability and relevance and further that we fail to deliver consumer-centric jewellery concepts and innovate new collections.	Failing to stay relevant and desirable as a brand and failing to provide relevant product offerings may lead to a decline in traffic into the stores and online and adversely impact our revenue and profitability.	• Create consumer-centric innovation, fuelled by consumer insights and rigorous testing • Build brand awareness and desirability through competitive media investments, fashion events, PR, social etc. • Strengthen capabilities within data analytics and technology • Deliver 360-degree brand experience across all consumer touchpoints online and offline • Roll out new store concept • Continue monitoring trademarks and patents and fighting infringements.
Macroeconomic conditions	There is a risk that adverse macroeconomic conditions, for example inflation and increased interest rates, impact consumers' ability and willingness to buy jewellery.	As an accessible jewellery brand, a decline in consumer confidence and lower disposable income for consumers may adversely impact our revenue and profitability.	• Adjusted commercial tactics and cost control • Geographical diversification of revenue streams • Continuous monitoring of consumer behaviour and trends.
Commodity prices and foreign exchange rates	There is a risk of increased prices for silver and gold. Further, Pandora generates significant revenue and incurs costs in multiple foreign currencies, leading to currency exposure.	In particular a stronger THB (higher production costs) or a weaker USD and GBP (lower revenue) versus DKK may adversely impact our revenue and profitability.	• Hedging 70% of forecasted 12-month cash flow via FX forwards • Hedging at least 70% of silver and gold consumption the next 12 months • Ongoing review of sales prices.
Supply chain disruptions	There is a risk of disruptive events such as fire, extreme weather, pandemics, political conflicts, armed interstate conflicts, cyberattacks, terror or other hazards materially disrupting our crafting and distribution facilities or key suppliers' sites.	Pandora operates a fully integrated value chain with all crafting facilities based in Thailand and primary distribution centres located in Germany, Thailand, the UK and the US. Disruption, physical damage and interruption may adversely impact our revenue and profitability temporarily.	• Continued loss prevention reviews and improvements • Business continuity planning • Insurance for insurable events • Geographical diversification and expansion of crafting capacity • Dual sourcing when feasible • Optimised B2B and B2C distribution capacity.
Talent retention and succession	There is a risk that we are unable to attract and retain highly talented and capable people.	Critical capability gaps to drive growth and sustainable performance may adversely impact our revenue and profitability.	• Employer branding • Enhance employer value proposition to manage long-term talent development and employee attrition • Continuous monitoring of employee Net Promotor and Leadership Effectiveness Scores.
Cyberattacks and breakdown of IT	There is a risk of disruption to critical IT systems, caused by for example large-scale ransomware attacks, cloud outages and cyberwar.	Breach of data confidentiality or business interruption may adversely impact our revenue and profitability temporarily.	• Company-wide information security programme • Crisis management and IT disaster recovery • Business continuity planning • Enterprise resource planning system (ERP) upgrade.

Addressing sustainability risks

Management of material sustainability risks is an integrated part of Pandora's Enterprise Risk Management process. Managing sustainability risks is important for building a resilient business. Pandora prepares for the risks of changing weather patterns, rising sea levels and other climate impacts, in addition to social risks, stemming from our operations. Read more about our Task Force on Climate-Related Financial Disclosures and sustainability risk management in our Sustainability Report 2023.

CORPORATE GOVERNANCE

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41 **Board of Directors**

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CORPORATE GOVERNANCE

Pandora has established a corporate governance framework that emphasises accountability and transparency, thereby promoting responsible business practices and laying a solid foundation for sustained long-term value creation.

Leadership structure

The 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. In addition, the Board is responsible for embedding sustainability in Pandora's purpose, strategy and objectives. This includes reviewing sustainability performance and reporting, as well as monitoring and overseeing progress related to our sustainability strategy.

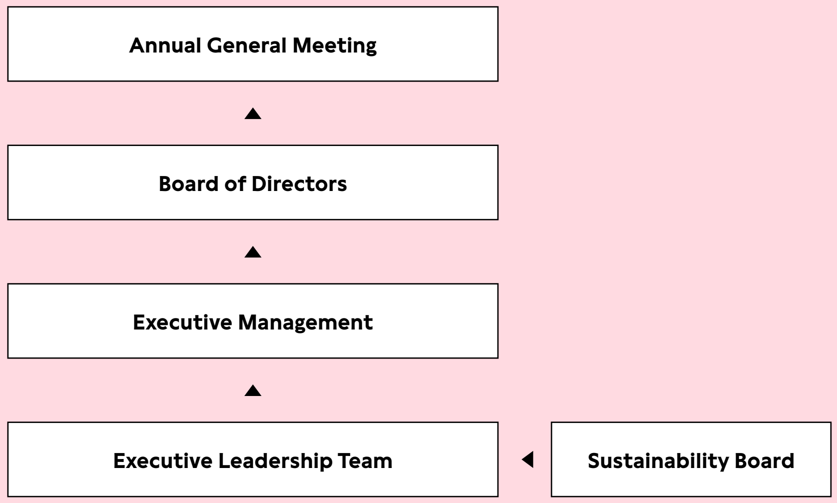
The Board has established Audit, Remuneration and Nomination Committees, and members and chairs of these committees are appointed from within the Board. The committees' terms of reference are available at pandoragroup.com/investor/corporate-governance/governance-documents. Members of Executive Management 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, Pandora has an Executive Leadership Team. The team members are responsible for the day-to-day operations of their respective business areas, including sustainability and serve as a part of Pandora's overall leadership.

Board of Directors

Composition
The Board is currently comprised of seven members, all of whom are elected at the Annual General Meeting for a one-year term. In accordance with the Danish Recommendations on Corporate Governance, all Board members are regarded as independent, except for Christian Frigast, who, due to his more than 12-year tenure on the Board, no longer maintains the independence status. The composition of the Board is intended to ensure relevant and complementary competencies and diversity. This approach is instrumental in supporting Pandora's strategic goals and vision, while ensuring well-considered and judicious decision-making.

OUR GOVERNANCE STRUCTURE

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



Meetings in 2023

9 Board of Directors

6 Audit Committee

6 Remuneration Committee

4 Nomination Committee

Board evaluation

Each year, the Board conducts a board review focusing on the effectiveness and skills of the Board. The ideal mix of skills and experience required of Board members includes:

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

An external assessment of the Board's skills and effectiveness is conducted every three years to ensure objectivity and benchmarking. In 2023, an external Board effectiveness review was conducted across seven areas: purpose and strategy, Board agenda and meetings (including committees), talent and culture, Board composition, Board members' contributions, Chair's effectiveness, and reporting/risk management. An external organisation was chosen to carry out this assessment using digital surveys, director interviews and presentations of results. The results of the external board effectiveness review held in 2023 identified that the Board continues to be well-established and well-functioning, utilising strengths in diversity, transparency and a distinct performance culture. The Board continues to increase its strong dynamics, openness and effectiveness in collaboration with the committees and Executive Management.

Board activities in 2023

The Board held nine meetings in 2023. Its primary focus was to navigate Pandora carefully through uncertain macro-economic and socio-political environments and to review and approve the next chapter of the Phoenix strategy, which was announced at Pandora's Capital Markets Day in October 2023. Furthermore, the Board has overseen the integration of sustainability into relevant processes in Pandora, ensuring alignment with our strategic priorities.

Audit Committee

The Audit Committee currently has four members, all of whom have been 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, as well as reviewing Pandora's financial and sustainability reporting and audit/assurance processes. The Audit Committee conducts its work in accordance with its Terms of Reference. In 2023, 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 and sustainability reporting process;
- Monitor the effectiveness of Pandora's internal control and risk management systems, including internal audit;
- Monitor the external auditors and their independence;
- Monitor the effectiveness of the sustainability data process;
- 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 one-year term at the Annual General Meeting following a proposal from the Board, based on a recommendation from the Audit Committee. The framework for the auditors' responsibilities, 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	●	●	–	–	–	–	–	–	–
Lilian Fossum Biner	–	–	●	●	●	●	●	●	●
Birgitta Stymne Göransson	●	●	●	●	●	●	●	●	●
Marianne Kirkegaard	●	●	●	●	○	●	●	●	●
Catherine Spindler	○	●	●	●	○	●	○	●	●
Jan Zijderveld	●	○	●	●	●	●	●	○	●

[1] Chair [2] Deputy Chair

● Meeting attended ○ Meeting not attended – Not a member at the time

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

[1] Chair

● Meeting attended ○ Meeting not attended – Not a member at the time

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

[1] Chair

● Meeting attended ○ Meeting not attended

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

[1] Chair

● Meeting attended ○ Meeting not attended

Remuneration Committee

The Remuneration Committee currently has three members, each appointed for a one-year term. The Remuneration Committee assists the Board in ensuring Pandora's remuneration policies strike a balance that aligns with the interests of Pandora's shareholders while providing rewarding and motivating remuneration for Executive Management and senior employees. In 2023, the Remuneration Committee met six times. Detailed information on the Committee's key activities can be found in the Remuneration Report, accessible at our website: pandoragroup.com/investor/corporate-governance/remuneration-reports.

Nomination Committee

The Nomination Committee currently has four members, each 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 and monitors diversity policies to ensure compliance.

In 2023, the Nomination Committee met four times and had a few additional ad hoc exchanges relating to the Board assessment. 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 Pandora's Employee Value Proposition and leadership development;
- Assess performance of Executive Management and the cooperation between the Board and Executive Management;
- Review succession planning for Executive Management roles.

Sustainability integration and governance

Sustainability is deeply engrained in Pandora's strategic direction and how we conduct our business and is governed at the highest level by the Board. The responsibility for the execution of the sustainability strategy is delegated to Pandora's Sustainability Board. The Sustainability Board holds the responsibility for formulating the strategy and integrating sustainability into business decisions within their respective functions. It reports to the Executive Leadership Team and is chaired by Pandora's Chief HR Officer and consists of 11 senior leaders, including five from the Executive Leadership Team.

Additional information

The Corporate Governance Statement for 2023, cf. section 107b of the Danish Financial Statements Act, is available at our website: pandoragroup.com/investor/corporate-governance/governance-statement.

Pandora A/S' statutory report in accordance with section 99a and section 107d of the Danish Financial Statements Act, is available in our Sustainability Report 2023 at our website pandoragroup.com/sustainability/resources/sustainability-reports.

Pandora's Global Data Ethics Policy, cf. section 99d of the Danish Financial Statements Act is available at our website pandoragroup.com/investor/corporate-governance/data-ethics, and is built on our care and respect for

See Pandora's Remuneration Report 2023

See Pandora's Corporate Governance Statement

See Pandora's Sustainability Report 2023

See Pandora's Global Data Ethics Policy

The Audit Committee assists the Board in supervising the financial reporting as well as the sustainability data validation process.

consumer and employee privacy. We apply equality and equity 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. In 2023, we introduced our Global AI Standard through a series of initiatives and presented an overview of generative AI risks to our Executive Leadership Team. As a company, Pandora is committed to conducting business in full compliance with the principles for the safe use of AI as set out in the AI Safety Standard and will continue to promote and create awareness of these principles in 2024.

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 to Pandora's Senior Vice President Corporate Finance 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 sustainability and assess measures to manage, reduce or eliminate identified risks. The IACC function assists 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. Pandora's Risk & Insurance function facilitates identification and monitoring of material risks and validates measurements taken to reduce the risks to an acceptable level.

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 assess their 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

Peter A. Ruzicka

Christian Frigast

Lilian Fossum Biner

Birgitta Stymne Göransson

Marianne Kirkegaard

Catherine Spindler

Jan Zijderveld

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

Non-executive functions:
Chair of Axcel Management A/S, Axcelfuture, Aktive Ejere (Active Owners Denmark), Bestyrelsesforeningen (Board Leadership Society of Denmark), Frigast A/S, Danmarks Skibskredit Holding A/S and a member of the board of its subsidiary.

Deputy Chair of PostNord and Axcel Advisory Board and a member of the boards in Danmarks Eksport- og Investeringsfond (EIFO), Nissens A/S, Nordsøfonden and CBS Executive Fonden.

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

Lilian Fossum Biner

Year of birth: 1962 **Member since:** 2023

Professional position:
Non-executive Board member.

Non-executive functions:
Board member in Carlsberg A/S, Alfa Laval AB, Scania AB and Röko AB.

Skills and experience:
In-depth experience from retail and consumer goods companies, operational experience from strategy, finance and human resources. Furthermore, Lilian Fossum Biner contributes with 20 years of track record from mid and large-cap non-executive board positions in several large corporations in listed and private environment.

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, Bure Equity AB and RVRC Holding 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 A/S 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 boards of Ahold Delhaize N.V. and Symrise AG 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

Alexander Lacik

Anders Boyer

Massimo Basei

Byron Clayton

Stephen Fairchild

Mary Carmen Gasco-Buisson

Jeerasage Puranasamriddhi

David Walmsley

THE 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 A/S and GN Store Nord A/S, and Finance Director and subsequently Regional Director of ISS. Anders started his career at A.P. Møller – Mærsk A/S, where he worked for ten years. He has an MSc in Finance and Accounting from Copenhagen Business School, Denmark.

Massimo Basei

Chief of Retail Operations
Member since: 2023

Byron Clayton

Chief Human Resources Officer
Member since: 2023

Stephen Fairchild

Chief Product Officer
Member since: 2011

Mary Carmen Gasco-Buisson

Chief Marketing Officer
Member since: 2022

Jeerasage Puranasamriddhi

Chief Supply Officer
Member since: 2020

David Walmsley

Chief Digital & Technology Officer
Member since: 2019

SHAREHOLDER INFORMATION

In 2023, reflecting good momentum on many strategic initiatives, the Pandora share price increased by 91% and ended the year with a closing price of DKK 933. Throughout the year, DKK 6.4 billion has been returned to the shareholders through cash distribution, totalling 7.7% of the market capitalisation as of 31 December 2023.

The liquidity in the Pandora share remains strong with a free float of 100% of total shares outstanding and around 62 million shares traded in 2023, corresponding to 70% of shares outstanding.

In addition to being listed on the Nasdaq Copenhagen stock exchange, 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/investor/share-information/adr-share-information.

Capital structure and cash allocation

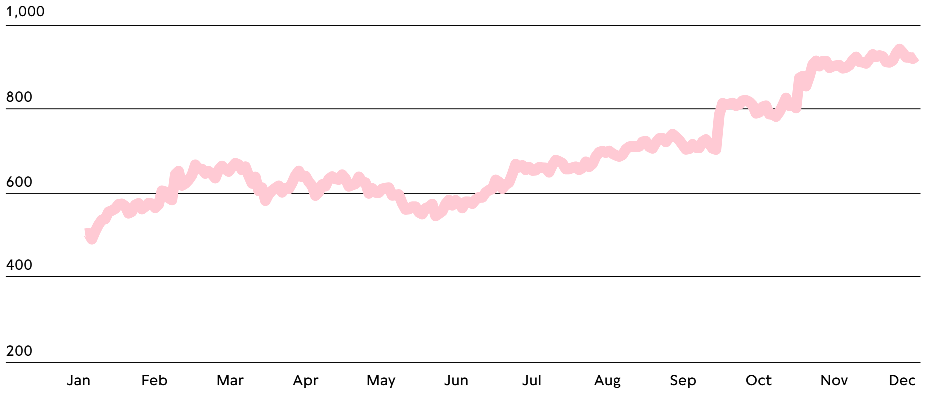
Pandora's capital structure serves to ensure that we have sufficient financial flexibility to pursue strategic goals and preserve a stable financial structure based on a strong balance sheet.

Pandora's capital structure policy is to maintain NIBD to EBITDA between 0.5x and 1.5x. At the end of 2023, our leverage ratio was 1.1x NIBD to EBITDA and in the middle of the capital structure policy range. The increased leverage of 0.3x versus 2022 reflects our decision to increase cash distributions to the shareholders to move leverage to the middle of the capital structure policy range.

Proposed cash distributions

Pandora continues to be highly cash-generative and will therefore continue to distribute significant cash to shareholders. For 2024, the Board of Directors proposes a dividend of DKK 18 per share, corresponding to an absolute amount of DKK 1.5 billion, and a new share buyback programme of DKK 4.0 billion. The total cash distribution proposal over 12 months from February 2024 will amount to DKK 5.5 billion. Due to the phasing of share buyback programmes, the total cash return is expected to reach DKK 5.6 billion in the calendar year 2024. Subject to the authority vested in them by the shareholders at the most recent Annual General Meeting, the Board of Directors has the authority to initiate one or more share buyback programmes.

SHARE PRICE DEVELOPMENT 2023
DKK



ANNUAL DISTRIBUTIONS DKK billion	FY 2024 Proposed	FY 2023 Actual	FY 2022 Actual	FY 2021 Actual	FY 2020 Actual
Dividend (ordinary + interim)	1.5	1.4	1.5	1.5	0.8
Nominal dividend per share, DKK	18.0	16.0	16.0	15.0	9.0
Share buyback programme	4.1[1]	5.0	3.6	3.3	-
Total cash return	5.6	6.4	5.1	4.8	0.8

[1] Includes DKK 0.4 billion from already announced share buyback running until February 2024 and DKK 3.7 billion of new share buyback in the calendar year 2024.

Share information

Exchange	Nasdaq Copenhagen
Trading symbol	PNDORA
Identification number/ISIN	DK0060252690
Number of shares	89,000,000 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

Review of 2023 share buyback and dividends

In 2023, Pandora paid out an ordinary dividend of DKK 16 per share. The total amount paid was around DKK 1.4 billion. In addition, a DKK 5.0 billion share buyback programme was launched in February 2023 and completed in full by 2 February 2024.

Shareholders

As of 31 December 2023, BlackRock, Inc.[1] is the only shareholder with more than 10% of the total share capital of the company.

As of 31 December 2023, the geographical split of Institutional Investors was (% of share capital held by institutions):

- UK 29%
- US 28%
- Denmark 14%

As of 31 December 2023, Pandora's Board of Directors and Executive Management held a total of 89,539 and 359,242[2] Pandora shares respectively, corresponding to 0.50% of the total share capital. This is an increase from 2022, where the Board of Directors and Executive Management held a total of 95,616 and 280,098 shares respectively, corresponding to 0.39% of the total share capital.

Investor Relations

Executive Management is responsible for the Investor Relations function, which is responsible for ensuring compliance with Pandora's Investor Relations Policy. Investor Relations reports 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 planned release of any quarterly financial reports, Pandora does not comment on matters related to financial results or expectations. 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.

Company website

The Pandora Group website, pandoragroup.com, provides comprehensive information about our company, our 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 financial and event calendar showing events and actions related to investors. A comprehensive list of the 23 analysts covering the Pandora share is maintained, including names, institutions and contact details.

[1] BlackRock, Inc., Wilmington, Delaware, US.
[2] Company announcement no. 824 from 9 November 2023 stated an incorrect shareholding for Anders Boyer, Chief Financial Officer, of 131,771 shares. The correct shareholding of 133,486 shares has been used in the calculation.

Financial calendar 2024

07 Feb	Annual Report 2023
07 Feb	Sustainability Report 2023
07 Feb	Remuneration Report 2023
14 Mar	Annual General Meeting
02 May	Interim Report Q1 2024
13 Aug	Interim Report Q2 2024
06 Nov	Interim Report Q3 2024

FINANCIAL REVIEW

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GROUP PERFORMANCE

In 2023, Pandora demonstrated strong performance, highlighting resilience amid macroeconomic challenges and the success of growth initiatives under the Phoenix strategy. We achieved a record-high revenue of DKK 28.1 billion, corresponding to organic growth of 8%. This comprised of like-for-like growth of 6% and network expansion of 4%, with a drag of 2% from, for example, lower sell-in to partners. With that, we exceeded the latest updated financial guidance in the Q3 2023 interim financial report on organic growth and delivered on the EBIT margin guidance. The reason for exceeding the guidance on organic growth was continued brand momentum driving strong performance across the key trading events of Black Friday and Christmas. Compared to the outlook from the Capital Markets Day in 2021, we delivered on our financial targets with a 7.5% organic growth CAGR (target 5-7%) and 25.0% EBIT margin (target 25-27%).

The solid growth in 2023 spanned broadly across geographies and segments, emphasising the effectiveness of strategic investments in brand development, workforce and foundational elements.

Core demonstrating resiliency

Demonstrating resilience, the Core segment achieved a like-for-like growth of 2%. Notably, the enduring popularity of Pandora Moments, growing like-for-like by 2%, reinforces its status as a dynamic canvas for personal expression, capturing and celebrating life's precious moments.

Fuel with more

Fuel with more, the segment featuring modern classics such as Pandora Timeless, Pandora Signature and Pandora Lab-Grown Diamonds, constituted 22% of total revenue. This segment excelled with substantial like-for-like growth of 14%. Pandora Timeless, celebrated for its elegance and craftsmanship, experienced noteworthy like-for-like growth at 20%, once again demonstrating that Pandora's portfolio supports the transformation into a full jewellery brand.

Within the Fuel with more segment, our dedicated focus on Pandora Lab-Grown Diamonds further fuelled our brand's momentum. During the year, we significantly expanded the Pandora Lab-Grown Diamond assortment with a new range including fresh design aesthetics with new cuts, original settings and everyday essential styles.

REVENUE BY SEGMENTS[1] DKK million	2023	2022	Like-for-like	Growth in local currency	Share of revenue FY 2023	Share of revenue FY 2022
Core	**21,951**	**21,156**	**2%**	**6%**	**78%**	**80%**
- Moments	18,369	17,727	2%	6%	65%	67%
- Collabs	2,681	2,614	1%	4%	10%	10%
- ME	900	815	12%	13%	3%	3%
Fuel with more	**6,186**	**5,308**	**14%**	**19%**	**22%**	**20%**
- Timeless[2]	4,792	3,847	20%	27%	17%	15%
- Signature	1,129	1,248	-11%	-7%	4%	5%
- Pandora Lab-Grown Diamonds	265	213	116%	30%	1%	1%
Total revenue	**28,136**	**26,463**	**6%**	**9%**	**100%**	**100%**

[1] Pandora has updated its collection structure by moving the Pandora ME collection and other products from the Fuel with more segment to the Core segment. The comparative figures for 2022 were restated accordingly by moving revenue of DKK 1,964 million from Fuel with more into Core.
[2] Pandora Timeless includes revenue from the PANDORA ESSENCE collection in the amount of DKK 5 million.

REVENUE BY CHANNEL DKK million	2023	2022	Organic growth	Growth in local currency	Share of revenue FY 2023	Share of revenue FY 2022
Pandora-owned[1] retail	**22,034**	**19,115**	**15%**	**18%**	**78%**	**72%**
- of which concept stores	14,415	12,150	17%	22%	51%	46%
- of which online stores	5,892	5,612	7%	7%	21%	21%
- of which other points of sale	1,727	1,353	25%	26%	6%	5%
Wholesale	**5,369**	**6,628**	**-13%**	**-17%**	**19%**	**25%**
- of which concept stores	2,672	3,508	-14%	-21%	9%	13%
- of which other points of sale	2,697	3,120	-12%	-12%	10%	12%
Third-party distribution	**734**	**721**	**10%**	**4%**	**3%**	**3%**
Total revenue	**28,136**	**26,463**	**8%**	**9%**	**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.

This was supported by an exciting new “Diamonds for All” campaign which generated notable interest, not only for the collection but also the wider Pandora brand. Pandora Lab-Grown Diamonds generated total revenue of DKK 265 million, constituting the first step on our journey towards generating more than DKK 1 billion revenue from the collection by 2026.

Broad-based geographical growth

Pandora achieved widespread growth across geographies, demonstrating good momentum despite generally low consumer sentiment in many markets. The US, our largest market, showed an acceleration in growth throughout the year, driven by strategic brand initiatives and improved retail execution, resulting in a full-year like-for-like growth of 2%. Network expansion in the US, including forward integration, came on top of this to drive a solid 8% total revenue growth.

The key European markets also delivered positive like-for-like growth collectively, with Germany leading with double-digit growth through deeper brand penetration, ending the year at 26% like-for-like. Italy and France experienced gradual improvements, while the UK maintained stable performance throughout the year. In Australia, weak consumer sentiment impacted like-for-like growth, ending the year at -6%.

In July 2023, we initiated a focused brand relaunch in Shanghai, which has shown encouraging signs. Establishing a strong brand in China will be a journey, but Pandora remains committed to the largest jewellery market in the world and will continue to take learnings forward to rebuild the brand step by step. The like-for-like for the year was -9%.

Pandora's business outside the seven key markets exhibited strong momentum, concluding 2023 with strong like-for-like growth of 16%. The growth was broad-based with numerous markets achieving double-digit like-for-like growth. Mexico and Spain, the largest markets within Rest of Pandora, generated revenues of DKK 1.4 billion and DKK 1.2 billion, respectively, with solid growth through the year. The performance in Rest of Pandora underscores the vast growth potential for Pandora given that the global market share is only 1.3% in a very fragmented jewellery market.

REVENUE BY KEY MARKET

DKK million	2023	2022	Like-for-like	Organic growth	Share of revenue FY 2023	Share of revenue FY 2022
US	8,306	7,907	2%	5%	30%	30%
China	564	737	-9%	-18%	2%	3%
UK	3,821	3,802	-1%	2%	14%	14%
Italy	2,540	2,580	-3%	-2%	9%	10%
Australia	1,120	1,271	-6%	-6%	4%	5%
France	1,196	1,190	1%	0%	4%	4%
Germany	1,527	1,307	26%	17%	5%	5%
Total key markets	**19,075**	**18,795**	**1%**	**2%**	**68%**	**71%**
Rest of Pandora	**9,062**	**7,669**	**16%**	**21%**	**32%**	**29%**
Total revenue	**28,136**	**26,463**	**6%**	**8%**	**100%**	**100%**

STORE NETWORK

Number of points of sale	2023	2022	Growth
Concept stores	**2,651**	**2,542**	**109**
- of which Pandora-owned[2]	1,869	1,653	216
- of which franchise-owned	463	588	-125
- of which third-party distribution	319	301	18
Other points of sale	**4,035**	**3,985**	**50**

[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 development

In 2023, we expanded our global presence by opening a net 109 concept stores and 114 Pandora-owned shop-in-shops, concentrating efforts in the underpenetrated regions of the US and Latin America. This move aligns with our ambition to significantly enhance our footprint in these vital regions. Looking ahead, Pandora is poised to continue our network expansion initiatives by capitalising on the vast white space opportunities globally.

Moreover, in 2023, Pandora acquired 54 concept stores, of which 35 are in the US. Converting partner stores to Pandora-owned retail not only fosters brand consistency but also strengthens customer relationships. The performance trend further emphasises the value of forward integration, as Pandora-owned stores outperformed partner stores with a notable 9 percentage points delta in like-for-like growth in 2023. This strategic move positions Pandora for continued success as it navigates the evolving landscape of global retail.

GROUP PROFITABILITY

EBIT margin

25.0%

2022: 25.5%

Gross margin

78.6%

2022: 76.3%

Pandora delivered solid profitability in 2023, benefitting from our unique, vertically integrated model - and despite significant investments into the Phoenix strategy and the inflationary environment.

The gross margin reached 78.6%, up 2.3% compared to 2022 and was the highest in Pandora's history, driven by continued support from channel mix, efficiencies and a successful pricing strategy. The Core segment generated a gross margin of 77.8%, while Fuel with more generated a gross margin of 81.6% compared to 75.5% and 79.6% in 2022, respectively.

The OPEX ratio increased by 2.8 percentage points compared to 2022, as we continue to invest in strategic initiatives to accelerate growth. The increase was mainly driven by the expansion of our profitable owned and operated store network, significantly contributing to a 19% increase in sales and distribution expenses in constant foreign exchange rates. Marketing expenses increased by 5% in constant foreign exchange rates and constituted 13.7% of revenue compared to 14.1% in 2022, within the targeted range of 13-15%. Administrative expenses have increased by 13% in constant foreign exchange rates, primarily driven by Phoenix investments into digital and technology.

The EBIT margin came in at 25.0%, roughly in line with the 25.5% last year. The change versus 2022 is mainly driven by the development in foreign exchange rates and commodities and the underlying margin is unchanged.

COST OF SALES AND GROSS PROFIT DKK million	2023	2022	Growth in constant FX	Share of revenue 2023	Share of revenue 2022
Revenue	28,136	26,463	9%	100.0%	100.0%
Cost of sales	-6,012	-6,273	-4%	-21.4%	-23.7%
Gross profit	**22,125**	**20,190**	**13%**	**78.6%**	**76.3%**

OPERATING EXPENSES DKK million	2023	2022	Growth in constant FX	Share of revenue 2023	Share of revenue 2022
Sales and distribution expenses	-8,858	-7,602	19%	31.5%	28.7%
Marketing expenses	-3,849	-3,720	5%	13.7%	14.1%
Administrative expenses	-2,379	-2,125	13%	8.5%	8.0%
Total operating expenses	**-15,086**	**-13,448**	**14%**	**53.6%**	**50.8%**

Net financial items ended at a cost of DKK 805 million compared to DKK 210 million in 2022. The development was driven by higher interest rates on borrowings and leases, as well as foreign exchange rate adjustments, which had a material positive impact in 2022, but represented a small drag this year.

Total tax expenses amounted to DKK 1.5 billion, corres-ponding to an effective tax rate of 24.0%. This is an increase in the effective tax rate of 100 basis points compared to 2022, mainly driven by non-deductible costs and a higher share of profits subject to taxation in jurisdictions with tax rates exceeding the statutory corporate tax rate in Denmark of 22%. Net profit came in at DKK 4.7 billion compared to DKK 5.0 billion in 2022, with a significant negative impact from foreign exchange rates, as net profit exceeded 2022 in constant rates.

EBIT DKK million	2023	2022	EBIT margin	EBIT margin
Operating profit (EBIT)	**7,039**	**6,743**	**25.0%**	**25.5%**

Pandora increased the earnings per share by 2% compared to 2022, ending 2023 with a record-high earnings per share of DKK 55.

BALANCE SHEET AND CASH FLOWS

Cash conversion

78%

2022: 39%

ROIC

47%

2022: 48%

Continued strong free cash flow generation

Net working capital ended at only 1.8% of revenue in 2023 compared to 4.2% in 2022. The decrease was partly due to slightly lower inventory in absolute value against a revenue that was DKK 1.7 billion higher than 2022, combined with an optimisation of other receivables.

The cash conversion was strong in 2023, ending the year at 78% (2022: 39%), on a free cash flow base of DKK 5.5 billion (2022: 2.6 billion). The increase compared to the full-year 2022 is helped by the slight reduction of inventories as well as payables and receivables management. Pandora increased CAPEX from 5% to 6% of revenue in 2022 and 2023, respectively, equivalent to a year-over-year increase of DKK 334 million, bringing CAPEX to a total of DKK 1.6 billion. This is mainly driven by the expansion of Pandora's physical store network, refurbishment of existing stores as well as investments into digital and technology and the ongoing construction of the production facility in Vietnam.

ROIC remains high at 47%, slightly down from 48% in 2022. This development was partly due to the development in foreign exchange rates, combined with higher invested capital. The increase in invested capital was driven by higher right-of-use assets from new store openings and lease renegotiations. On a run-rate basis, the investments made in new concept stores are ROIC accretive and support Pandora's execution of the second chapter of the Phoenix growth strategy.

NET WORKING CAPITAL

Share of preceding 12 months' revenue	2023	2022	2021	2020	2019
Inventories	14.8%	15.9%	12.8%	10.3%	9.8%
Trade receivables	4.8%	4.8%	4.3%	4.6%	7.5%
Trade payables	-11.4%	-11.8%	-14.0%	-16.9%	-14.2%
Other net working capital elements	-6.4%	-4.7%	-8.2%	-5.6%	-4.5%
Total	**1.8%**	**4.2%**	**-5.0%**	**-7.6%**	**-1.3%**

Balance sheet

Non-current assets increased by DKK 1.5 billion to DKK 15.8 billion at the end of 2023, driven by the network expansion increasing the right-of-use-assets as well as tangible assets and a higher CAPEX spend related to store refurbishments.

At the end of 2023, net interest-bearing debt amounted to DKK 9.8 billion, up from DKK 6.8 billion in 2022. This corresponds to a leverage of 1.1x by the end of 2023, up from 0.8x by the end of 2022, which is roughly at the midpoint of the capital structure policy range of 0.5x to 1.5x. The increase in net interest-bearing debt was driven by our decision to increase leverage to around the mid-point of the capital structure policy. This resulted in significant cash returns to shareholders in 2023 through a combination of the largest share buyback in the history of Pandora and dividends.

At the end of 2023, equity in Pandora amounted to DKK 5.4 billion, down by DKK 1.8 billion compared to 2022. The decrease was driven by profit for the year offset by payout of DKK 6.4 billion to the company's shareholders in 2023. We paid out DKK 1.4 billion in ordinary dividend and bought back own shares for a total of DKK 5.0 billion.

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CONSOLIDATED FINANCIAL STATEMENTS

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, judgements and estimates applied for the topics of the individual notes.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	2023	2022
Revenue	2.1	28,136	26,463
Cost of sales	2.2, 3.1, 3.2	-6,012	-6,273
Gross profit		**22,125**	**20,190**
Sales, distribution and marketing expenses	2.2, 3.1, 3.2	-12,707	-11,322
Administrative expenses	2.2, 3.1, 3.2	-2,379	-2,125
Operating profit	2.1	**7,039**	**6,743**
Finance income	4.6	251	412
Finance costs	4.6	-1,056	-622
Profit before tax		**6,234**	**6,533**
Income tax expense	2.4	-1,494	-1,504
Net profit for the year		**4,740**	**5,029**
Earnings per share, basic (DKK)	4.2	55.5	54.2
Earnings per share, diluted (DKK)	4.2	55.1	53.7

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	2023	2022
Net profit for the year		**4,740**	**5,029**
Other comprehensive income:			
Items that have been or may be reclassified to profit/loss for the year			
Exchange rate adjustments of investments in subsidiaries		-149	-196
Commodity hedging instruments:			
- Realised in cost of sales		3	-1
- Realised in net financials		-9	46
- Realised in inventories		-97	241
- Fair value adjustments		-47	-39
Foreign exchange hedging instruments:			
- Realised in net financials		103	110
- Fair value adjustments		-151	-61
Tax on other comprehensive income	2.4	39	23
Items that have been or may be reclassified to profit/loss for the year, net of tax		**-308**	**123**
Items not to be reclassified to profit/loss for the year			
Actuarial gain/loss on defined benefit plans, net of tax	2.2	-9	12
Items not to be reclassified to profit/loss for the year, net of tax		**-9**	**12**
Other comprehensive income, net of tax		**-317**	**135**
Total comprehensive income for the year		**4,423**	**5,164**

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

ASSETS

DKK million	Notes	2023	2022
Goodwill		4,914	4,822
Brand		1,057	1,057
Distribution		1,039	1,047
Other intangible assets		790	642
Total intangible assets	3.1	**7,801**	**7,568**
Property, plant and equipment	3.2	2,746	2,226
Right-of-use assets	3.3	3,779	2,978
Deferred tax assets	2.4	1,260	1,261
Other financial assets		215	249
Total non-current assets		**15,800**	**14,282**
Inventories	3.5	4,166	4,211
Trade receivables	3.6	1,342	1,262
Right-of-return assets	3.8	55	54
Derivative financial instruments	4.4, 4.5	87	231
Income tax receivable	2.4	103	155
Other receivables		849	1,024
Cash		1,397	794
Total current assets		**7,998**	**7,731**
Total assets		**23,798**	**22,013**

EQUITY AND LIABILITIES

DKK million	Notes	2023	2022
Share capital	4.1	89	96
Treasury shares	4.1	-4,353	-3,320
Reserves		610	918
Dividend proposed		1,480	1,430
Retained earnings		7,530	8,044
Total equity		**5,355**	**7,167**
Provisions	3.7	408	363
Loans and borrowings	4.3, 4.4	9,737	3,130
Deferred tax liabilities	2.4	164	172
Other payables		80	-
Total non-current liabilities		**10,389**	**3,665**
Provisions	3.7	23	21
Refund liabilities	3.8	721	628
Contract liabilities	3.8	185	136
Loans and borrowings	4.3, 4.4	1,430	4,458
Derivative financial instruments	4.4, 4.5	128	74
Trade payables	3.9, 4.4	3,211	3,131
Income tax payable	2.4	583	1,068
Other payables	4.4	1,773	1,666
Total current liabilities		**8,053**	**11,181**
Total liabilities		**18,443**	**14,846**
Total equity and liabilities		**23,798**	**22,013**

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
2023								
Equity at 1 January		96	-3,320	797	121	1,430	8,044	7,167
Net profit for the year		-	-	-	-	-	4,740	4,740
Other comprehensive income, net of tax		-	-	-154	-154	-	-9	-317
Total comprehensive income for the year		**-**	**-**	**-154**	**-154**	**-**	**4,731**	**4,423**
Share-based payments	2.2, 2.3	-	278	-	-	-	-103	175
Purchase of treasury shares	4.1	-	-4,998	-	-	-	-	-4,998
Cancellation of treasury shares	4.1	-7	3,687	-	-	-	-3,680	-
Dividend paid	4.2	-	-	-	-	-1,412	-	-1,412
Dividend proposed	4.2	-	-	-	-	1,462	-1,462	-
Equity at 31 December		**89**	**-4,353**	**642**	**-33**	**1,480**	**7,530**	**5,355**
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	2.2, 2.3	-	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**

The Board of Directors will propose at the Annual General Meeting that an ordinary dividend of DKK 18 per share, corresponding to DKK 1.5 billion (2022: DKK 16 per share, corresponding to DKK 1.4 billion), be distributed for 2023.

In 2023, Pandora continued the share-buyback programmes, which resulted in repurchases of 7,693,692 treasury shares, corresponding to DKK 5.0 billion (2022: 6,595,620 treasury shares, corresponding to DKK 3.6 billion).

For further shareholder information on dividend payments, see page 45.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2023	2022
Operating profit		7,039	6,743
Depreciation and amortisation		2,079	1,973
Share-based payments	2.3	105	87
Change in inventories		210	-1,012
Change in receivables		56	-531
Change in payables and other liabilities		446	-559
Other non-cash adjustments	4.7	-55	-18
Finance income received		19	7
Finance costs paid		-683	-466
Income tax paid	2.4	-1,832	-1,790
Cash flows from operating activities, net		**7,384**	**4,434**
Acquisition of subsidiaries and activities, net of cash acquired	3.4	-349	-562
Purchase of intangible assets		-359	-353
Purchase of property, plant and equipment		-1,129	-838
Change in other assets		37	-36
Proceeds from sale of property, plant and equipment		-	5
Cash flows from investing activities, net		**-1,800**	**-1,785**
Dividend paid	4.2	-1,412	-1,514
Purchase of treasury shares		-5,022	-3,527
Proceeds from loans and borrowings	4.3	5,927	4,994
Repayment of loans and borrowings	4.3	-3,321	-1,985
Repayment of lease liabilities	4.3	-1,107	-1,068
Cash flows from financing activities, net		**-4,935**	**-3,100**
Net increase/decrease in cash		**649**	**-452**

DKK million	Notes	2023	2022
Cash and cash equivalents at 1 January		595	1,043
Exchange gains/losses on cash and cash equivalents		-61	4
Net increase/decrease in cash		649	-452
Cash and cash equivalents at 31 December		**1,183**	**595**
Cash balances		1,397	794
Overdrafts		-214	-199
Cash and cash equivalents at 31 December		**1,183**	**595**
Cash flows from operating activities, net		7,384	4,434
- Finance income received		-19	-7
- Finance costs paid		683	466
Cash flows from investing activities, net		-1,800	-1,785
- Acquisition of subsidiaries and activities, net of cash acquired		349	562
Repayment of lease liabilities		-1,107	-1,068
Free cash flows incl. lease payments		**5,489**	**2,602**
Unutilised committed credit facilities	4.4	**4,472**	**6,693**

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.

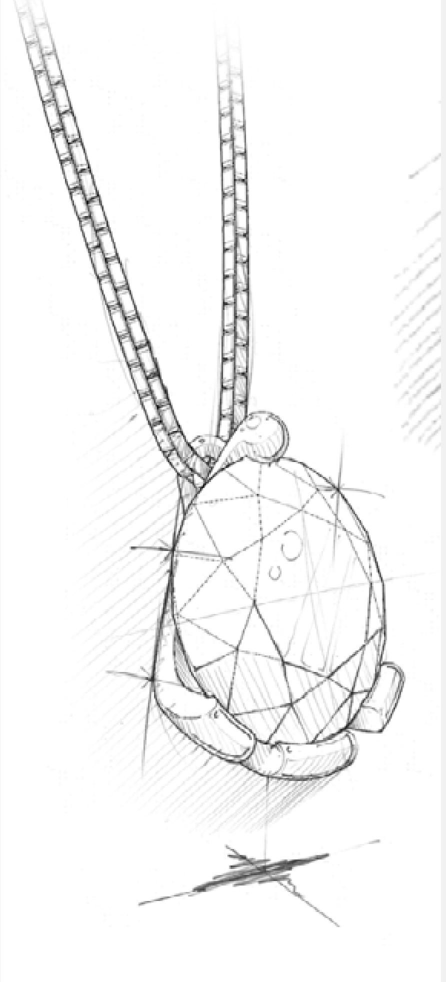
Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction dates.

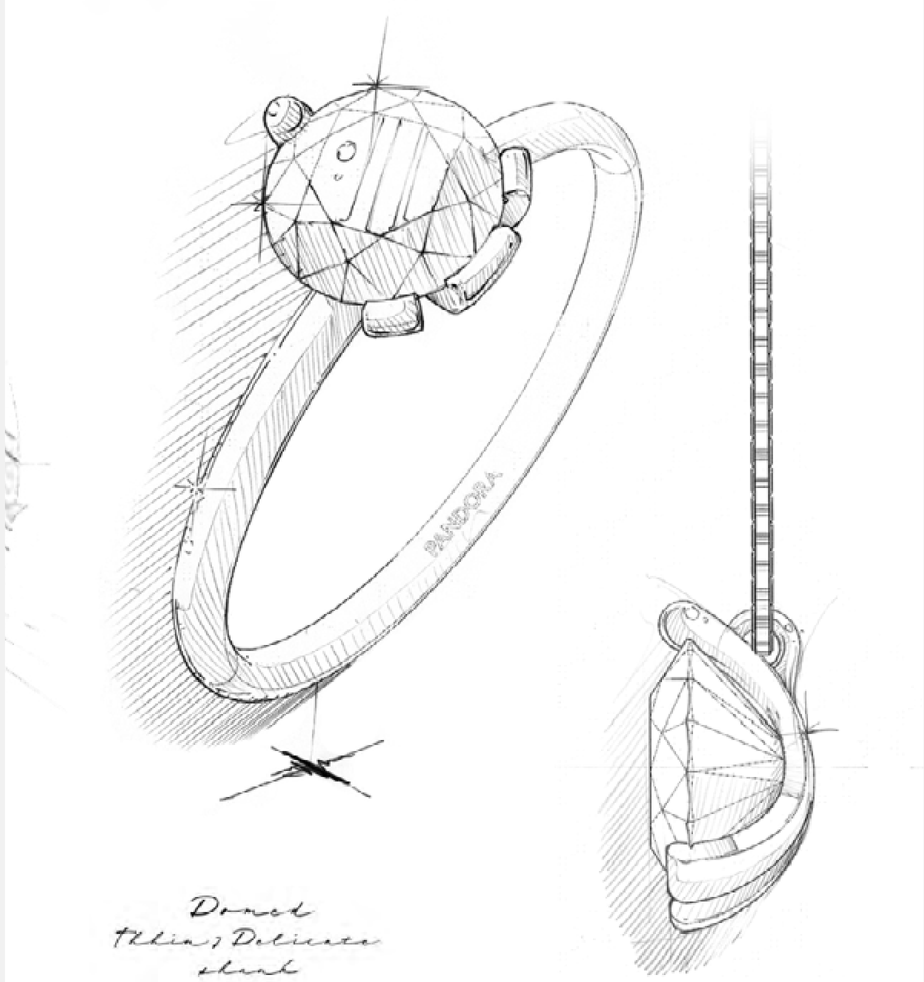
SECTION 1

BASIS OF PREPARATION

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

A more detailed description of accounting policies and significant estimates and judgements 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.





NOTE 1.1 GENERAL ACCOUNTING POLICIES

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 2023 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 IFRS® Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act for class D companies.

The consolidated 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 2023 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 zip file named PAND-2023-12-31-en.zip.

Alternative performance measures

Pandora presents financial measures in the Annual Report that are not defined according to IFRS. Pandora believes that 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 general accounting policies applied in 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 general description of Pandora's accounting policies.

NOTES

2.1 Segment and revenue information
2.2 Staff costs
2.3 Share-based payments
2.4 Taxation
3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Leases
3.4 Business combinations
3.5 Inventories
3.6 Trade receivables
3.7 Provisions
3.8 Contract assets and liabilities
4.2 Earnings per share and dividend
4.3 Liabilities from financing activities
4.5 Derivative financial instruments
4.6 Net financials

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 prevailing 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.

NOTE 1.1
GENERAL ACCOUNTING POLICIES (CONTINUED)

Group companies with a functional currency other 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.

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 and stores.

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 2023. The implementation of these new or amended standards and interpretations had no material impact on the consolidated financial statements for the year. The new standards that are not yet effective are not expected to have any material impact on Pandora.

International tax reform – Pillar Two model rules
The Group has adopted the amendments applied to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in International Accounting Standard (IAS) 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The effect of the amendment and its impact on financial statements are presented in note 2.4 Taxation.

NOTE 1.3

MANAGEMENT'S JUDGEMENTS AND ESTIMATES UNDER IFRS

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
As a global business, Pandora is exposed to risks associated with climate change comprising both transitional risks and physical risks. The transition from a linear economy to a circular economy entails a range of transitional risks to Pandora, such as the demand for more sustainable products and packaging and further legal requirements with focus on Environmental, Social and Governance (ESG) for the supply chain.

Beginning 1 January 2024, Pandora will be subject to the reporting requirements under the CSRD, which will require additional disclosures to be integrated into the Annual Report and subject to limited assurance.

In preparing the consolidated financial statements for 2023, 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.

Sustainability-related investments as well as costs of sourcing only recycled silver and gold and using sustainable lab-grown diamonds in our jewellery, as well as other potential impact of climate change (such as costs to source renewable energy), have been considered in the budget and forecast applied as basis for impairment testing of goodwill (see note 3.1 Intangible assets).

The potential consequences on the value and useful life of production facilities becoming outdated in the sustainability transformation was also assessed as having no financial impact. Our investments related to expansion of production facilities are aligned with our sustainability agenda in this respect.

While sustainability is an embedded part of Pandora's business model, by including sustainability targets in our incentive programmes for senior leadership (see note 2.3 Share-based payments) and in all of Pandora's financing agreements (see note 4.4 Financial risks), management does not consider sustainability targets or climate change to have a material impact on the accounting estimates and judgements prepared by management in relation to the 2023 consolidated and Parent Company financial statements. This is 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.

Macroeconomic uncertainty
The macroeconomic uncertainty caused by the Russian invasion of Ukraine, the Israel-Hamas war (including the continuation and escalation thereof) and the high inflation rates 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 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 that are material to the financial statements are described in more detail in the related notes.

NOTES

2.1 Segment and revenue information
2.4 Taxation
3.5 Inventories
3.8 Contract assets and liabilities
5.1 Contingent assets and liabilities

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 47.

Revenue
DKK million

28,136
2022: 26,463

EBIT margin

25.0%
2022: 25.5%

Net profit
DKK million

4,740
2022: 5,029

Effective tax rate

24.0%
2022: 23.0%

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 our Core collections (formerly referred to as Moments incl. Collabs), while the other, Fuel with more (formerly referred to as Style), covers newer collections and innovations.

In 2023, Pandora updated its collection structure by moving the Pandora ME collection and other products from the Fuel with more segment into the Core segment. The comparative figures for 2022 were restated accordingly by moving revenue of DKK 1,964 million and gross profit of DKK 1,464 million from Fuel with more into Core. The strategic reasoning centres around design aesthetics and categorisation of jewellery to better align consumer synergies among collections, leading to a centralised platform for charms and carriers. All the comparative figures have been restated to reflect the updated structure.

Core includes charms and carriers which focus on collectability. Fuel with more includes the Modern Classics (Pandora Timeless and Pandora Signature accompanied by Pandora's newest collection, PANDORA ESSENCE) and Pandora Lab-Grown Diamonds and targets both existing and new customers who may have a different aesthetic preference than the Core jewellery design.

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	Core	Fuel with more	Group
2023			
Revenue	21,951	6,186	28,136
Cost of sales	-4,875	-1,137	-6,012
Gross profit	**17,076**	**5,049**	**22,125**
Operating expenses			-15,086
Consolidated operating profit (EBIT)			**7,039**
Profit margin (EBIT margin)			**25.0%**
2022			
Revenue	21,156	5,308	26,463
Cost of sales	-5,188	-1,085	-6,273
Gross profit	**15,968**	**4,223**	**20,190**
Operating expenses			-13,448
Consolidated operating profit (EBIT)			**6,743**
Profit margin (EBIT margin)			**25.5%**

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

REVENUE BY SEGMENTS[1]

DKK million	2023	2022
Core	**21,951**	**21,156**
- Moments	18,369	17,727
- Collabs	2,681	2,614
- ME	900	815
Fuel with more	**6,186**	**5,308**
- Timeless[2]	4,792	3,847
- Signature	1,129	1,248
- Pandora Lab-Grown Diamonds	265	213
Total revenue	**28,136**	**26,463**
Goods transferred at a point in time	28,070	26,386
Services transferred over time	66	77
Total revenue	**28,136**	**26,463**

[1] Pandora has updated its collection structure by moving the Pandora ME collection and other products from the Fuel with more segment to the Core segment. The comparative figures for 2022 were restated accordingly by moving revenue of DKK 1,964 million from Fuel with more into Core.
[2] Pandora Timeless includes revenue from the PANDORA ESSENCE collection in the amount of DKK 5 million.

NOTE 2.1
SEGMENT AND REVENUE INFORMATION (CONTINUED)

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	2023	2022
Pandora physical stores	16,142	13,503
Pandora online stores	5,892	5,612
Wholesale and third-party distribution	6,103	7,349
Total revenue	**28,136**	**26,463**

GEOGRAPHIC INFORMATION, REVENUE

DKK million	2023	2022
US	8,306	7,907
China	564	737
UK	3,821	3,802
Italy	2,540	2,580
Australia	1,120	1,271
France	1,196	1,190
Germany	1,527	1,307
Rest of world	9,062	7,669
– of which Spain	1,246	1,123
– of which Mexico	1,385	994
– of which Denmark	39	28
Total revenue	**28,136**	**26,463**

GEOGRAPHIC INFORMATION, ASSETS

DKK million	2023	2022
US	2,105	2,073
Australia	436	450
Germany	602	602
Denmark	2,332	2,117
Thailand	455	495
Rest of world	1,871	1,832
Total intangible assets[1]	**7,801**	**7,568**
Property, plant and equipment[2]	2,746	2,226
Right-of-use assets[3]	3,779	2,978
Deferred tax assets	1,260	1,261
Other non-current financial assets	215	249
Current assets	7,998	7,731
Total consolidated assets	**23,798**	**22,013**

[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 951 million (2022: DKK 1,045 million), corresponding to 34.6% of property, plant and equipment (2022: 46.9%).
[3] Right-of-use assets mainly relate to stores and offices.

SIGNIFICANT ACCOUNTING ESTIMATES

Recognition and measurement of revenue is based on estimates and judgements relating to expected sales returns allowed to customers in most markets. 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, see note 3.8 Contract assets and liabilities.

NOTE 2.1
SEGMENT AND REVENUE INFORMATION (CONTINUED)

ACCOUNTING POLICIES

Retail sales – products
Revenue from the sale of products through stores owned and operated by Pandora 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 loyalty points issued that will never be redeemed.

NOTE 2.2
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 2023, these obligations amounted to DKK 104 million (2022: DKK 80 million).

In 2023, the actuarial loss was DKK 9 million (2022: gain of DKK 12 million) recognised in other comprehensive income.

STAFF COSTS

DKK million	2023	2022
Wages and salaries	5,487	4,883
Pensions	244	208
Share-based payments	105	87
Social security costs	414	341
Other staff costs	605	545
Total staff costs	**6,855**	**6,064**
Staff costs have been recognised in the income statement as follows:		
Cost of sales	990	1,177
Sales, distribution and marketing expenses	4,500	3,777
Administrative expenses	1,365	1,109
Total staff costs	**6,855**	**6,064**
Average number of full-time employees during the year	27,480	26,986

NOTE 2.2
STAFF COSTS (CONTINUED)

TOTAL REMUNERATION

DKK million	Base pay	Bonus	Shares	Benefits	Other[1]	Total
2023						
Executive Management	17.8	16.4	22.2	2.6	-	59.0
Executive Leadership Team[2]	53.7	56.9	52.7	10.2	2.2	175.6
2022						
Executive Management	17.1	16.2	23.2	2.6	-	59.0
Executive Leadership Team[2]	40.3	47.1	47.3	8.2	1.2	144.1

[1] Other relates to sign-on bonuses.
[2] Executive Leadership Team is reported including Executive Management. Executive Management, together with other members of the Executive Leadership Team, is considered as key management personnel in Pandora.

TOTAL REMUNERATION

DKK million	2023	2022
To Board of Directors	10.0	8.2

Board members receive a fixed travel fee when attending Board meetings abroad. Total travel fee for 2023 amounted to DKK 1.7 million (2022: DKK 0.9 million). For further details, see our Remuneration Report.

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 Pandora employees. 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.

NOTE 2.3
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 105 million (2022: net cost of DKK 87 million). The 2021 programme was recorded at the maximum level, the 2022 programme was recorded at maximum target for financial performance and at target for sustainability performance, while the programme for 2023 was recorded at target for both the financial and sustainability metric. The cost of share-based payments is included in staff costs. In the remaining vesting periods, an amount of DKK 97 million (2022: DKK 87 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 1.0 years (2022: 1.3 years).

For shares exercised in 2023, the average share price at the time of exercise was DKK 648.

Long-term incentive plans

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 2023 is subject to achievement of Pandora's earnings per share (EPS) for the financial year 2025 and 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 2.44% for the 2023 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.

NOTE 2.3
SHARE-BASED PAYMENTS (CONTINUED)

SHARES OUTSTANDING	Executive Management	Other employees	Total	Average exercise price per performance share, DKK
2023				
Shares outstanding at 1 January	321,412	750,049	1,071,461	0.3
Shares granted during the year	56,228	224,166	280,394	-
Shares exercised during the year	-123,356	-384,839	-508,195	0.1
Shares lapsed during the year	-	-38,878	-38,878	-
Shares outstanding at 31 December	**254,284**	**550,498**	**804,782**	**0.3**
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**

NUMBER OF OUTSTANDING SHARES IN PANDORA A/S	Vesting date	Shares at 31 December 2023	Maximum market value at launch (DKK million)	Accumulated cost recognised (DKK million)	Remaining value to be expensed (DKK million)
Programme start date					
March 2019[1,2]	2022	105,662	27	16	-
April 2021[3]	2024	160,642	154	96	-
April 2021[2]	2024	50,288	26	26	-
April 2022[3]	2025	180,329	130	55	34
April 2022[2]	2025	42,106	26	12	10
April 2023[3]	2026	209,527	137	21	42
April 2023[2]	2026	56,228	34	6	11
Total number of shares outstanding		**804,782**	**534**	**231**	**97**

[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.

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 2.4 TAXATION

Income taxes

Income tax expense
The tax expense was DKK 1.5 billion in 2023, corresponding to an effective tax rate of 24.0% (2022: DKK 1.5 billion, 23.0% for the Group). As in 2022, the effective tax rate of 24.0% was negatively impacted by paid withholding taxes on dividends and other payments, non-deductible expenses and non-capitalised tax assets from losses and limitation in deduction for marketing expenses in China.

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

INCOME TAX EXPENSE

DKK million	2023	2022
Current income tax charge for the year[1]	1,448	1,799
Change in deferred tax for the year	110	-355
Adjustment to current tax for prior years	-50	58
Adjustment to deferred tax for prior years	-14	2
Total income tax expense	**1,494**	**1,504**
Deferred tax on other comprehensive income	-43	65
Current income tax on other comprehensive income	4	-88
Total tax on other comprehensive income	**-39**	**-23**

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

RECONCILIATION OF EFFECTIVE TAX RATE AND TAX	2023 %	2023 (DKK million)	2022 %	2022 (DKK million)
Profit before tax		6,234		6,533
Income tax rate in Denmark, 22%	22.0%	1,371	22.0%	1,437
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	1.0%	64	-0.6%	-41
Non-deductible expenses	3.0%	190	1.3%	87
Tax incentives	-2.1%	-134	-2.4%	-158
Adjustment to tax for prior years	-1.0%	-64	0.9%	60
Non-capitalised tax assets, net	0.8%	51	1.1%	76
Withholding taxes/other taxes	0.3%	16	0.7%	43
Effective income tax rate/income tax expense	**24.0%**	**1,494**	**23.0%**	**1,504**

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 provisions for uncertain tax positions. Provisions for uncertain tax positions are 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 provisions made for uncertain tax positions are adequate. However, the actual obligation may deviate from this and is dependent on the result of litigation and settlements with the relevant tax authorities.

NOTE 2.4
TAXATION (CONTINUED)

OECD Pillar Two minimum tax
Pillar Two of the OECD's two-pillar solution for the challenges arising from the digitalisation of the economy will apply to Pandora from 2024.

Pandora expects to be subject to minimum tax primarily in respect of jurisdictions with corporate income tax rates lower than 15% or in which we receive tax incentives. This is mainly related to Thailand and to a lesser extent a few other countries, including the United Arab Emirates, Ireland and Panama. Where qualifying domestic minimum taxes are implemented in applicable jurisdictions, Pandora will pay the minimum tax in those jurisdictions. Where no qualifying domestic minimum tax has been implemented, tax will be paid in Denmark.

Based on 2023, 11% of Pandora's profits, with an average effective tax rate of 4%, will be subject to minimum tax in 2024. Of the minimum tax due, 97% is expected to relate to Thailand, where Pandora receives tax incentives as part of the investment agreement with BOI.

ACCOUNTING POLICIES

The Group has adopted the amendments to the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to minimum taxes. The mandatory exception from accounting for deferred tax in respect of minimum tax has been applied.

Deferred tax
At the end of 2023, deferred tax assets amounted to DKK 1,260 million (2022: DKK 1,261 million), and deferred tax liabilities amounted to DKK 164 million (2022: DKK 172 million). Net deferred tax assets amounted to DKK 1,096 million (2022: DKK 1,089 million).

Of the total deferred tax assets recognised, DKK 36 million (2022: DKK 35 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 191 million (2022: DKK 142 million), of which DKK 100 million (2022: DKK 66 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 23 million (2022: DKK 24 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 2023. 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	2023	2022
Deferred tax at 1 January	1,089	778
Exchange rate adjustments	-2	6
Recognised in the income statement	-96	353
Recognised in other comprehensive income	43	-65
Recognised in equity, share-based payments	62	17
Deferred tax at 31 December	**1,096**	**1,089**
Deferred tax assets	1,260	1,261
Deferred tax liabilities	-164	-172
Deferred tax, net	**1,096**	**1,089**

BREAKDOWN OF DEFERRED TAX

DKK million	2023	2022
Intangible assets	-719	-686
Property, plant and equipment	-15	42
Right-of-use assets	27	20
Current assets	1,388	1,434
Non-current assets and liabilities	379	244
Tax loss carryforwards	36	35
Deferred tax, net	**1,096**	**1,089**

ACCOUNTING POLICIES

Deferred tax on all temporary differences between the carrying amounts for financial reporting purposes and the tax base of assets and liabilities are 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.

NOTE 2.4
TAXATION (CONTINUED)

COUNTRY-BY-COUNTRY OVERVIEW[1]
DKK million

	Business activities	Total revenue[2]	Third-party revenue	Profit before tax[3]	Tax paid	Current income tax charge for the year	Employees (FTE)	Accumulated earnings
UK	Distribution	4,203	3,821	309	50	32	1,996	595
Italy	Distribution	2,600	2,540	114	30	61	927	60
France	Distribution	1,280	1,196	38	18	19	576	84
Germany	Warehouse, Distribution	1,970	1,527	82	33	27	927	65
Denmark	Headquarters, Distribution	15,953	39	4,223	1,381	958	1,031	13,528
US	Warehouse, Distribution	17,133	8,306	290	24	67	2,474	103
Australia	Distribution	1,683	1,120	322	102	102	337	162
China	Distribution	738	564	-4	-	-	1,026	-77
Thailand	Warehouse, Crafting facilities	5,750	-	628	34	27	13,089	323
Spain	Distribution	1,258	1,246	57	32	17	679	150
Mexico	Distribution	1,771	1,385	44	34	39	774	26
Rest of world	Distribution	7,131	6,392	283	94	107	3,644	245
IFRS eliminations		4	-	-153	-	-8	-	-7,485
Total Group		**61,474**	**28,136**	**6,234**	**1,832**	**1,448**	**27,480**	**7,779**

[1] The country-by-country overview is based on the accounting information collected for the Pandora Group Annual Report for 2023.
[2] Total revenue includes third-party revenue, related-party revenue, other income and financial income.
[3] Profit before tax excludes intercompany dividend income.

Headquarters Warehouse Crafting facilities Distribution

Our approach to taxes and taxes paid

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 to be an important contribution towards reaching the UN Sustainability Development Goals. 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 operating 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. Other entities in the Group achieve a profit margin, based on benchmark studies, and the residual profit (or loss) in the value chain remains with Pandora A/S. With a principal operating model, Pandora by nature has a significant number of intercompany transactions.

Intercompany transactions are made on arm's length basis 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 on key markets and make our full country-by-country report for all markets, including definitions, available at pandoragroup.com/investor/corporate-governance/tax-information.

NOTE 2.4
TAXATION (CONTINUED)

Paid income tax

In 2023, we paid corporate taxes in the amount of DKK 1,832 million (2022: DKK 1,790 million). The increased tax payments mainly relate to Denmark and Pandora's key markets as the profit in these markets has increased. The major part of the taxes paid is attributable to Denmark and Pandora's key markets, and mainly relates to the current year.

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.

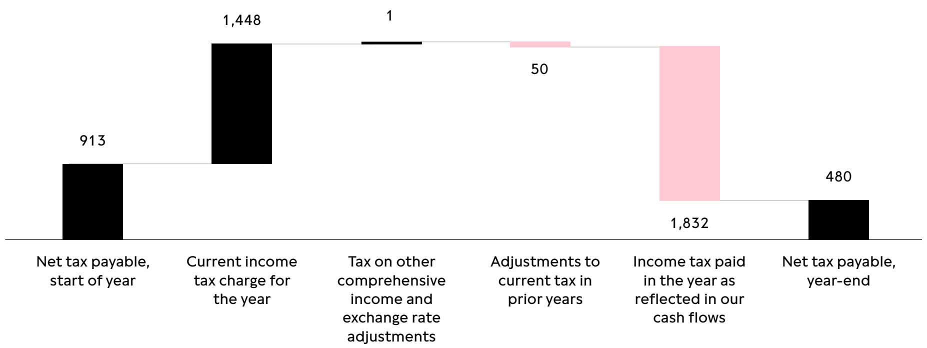
At the beginning of the year, net income tax payable by Pandora amounted to DKK 913 million (2022: DKK 934 million). The net income tax payable decreased to DKK 480 million during the year, as shown in the bridge "Movement in net tax payable". The decrease is reflected in the higher tax paid for 2023 and the reduced current tax charge for the year.

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 2023 has been calculated at DKK 1,494 million. This is adjusted for taxes on other income posted on equity and adjustments to taxes for timing differences. Adding the tax payable from 2022 of DKK 913 million, we have a total tax payable of DKK 2,312 million. Of this amount, DKK 480 million will be paid in 2024 or later, and the remaining DKK 1,832 million were settled as cash tax payments in 2023.

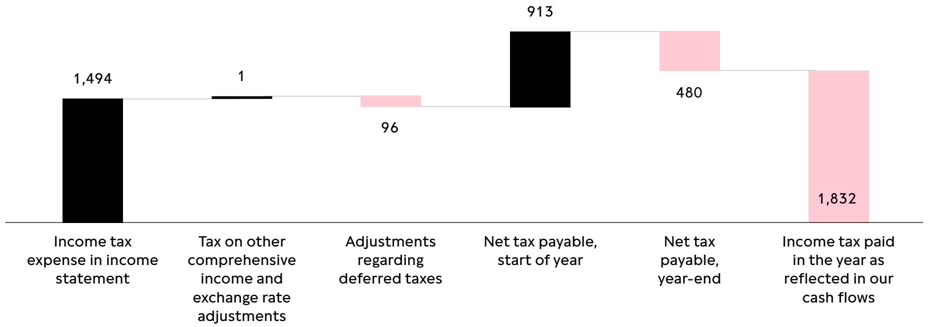
CASH INCOME TAX PAID

DKK million	2023	2022
Income tax expense in income statement	-1,494	-1,504
Tax on other comprehensive income and exchange rate adjustments	-1	88
Adjustments regarding deferred taxes	96	-353
Movement in income tax receivable/payable	-433	-21
Income tax paid in the year	**-1,832**	**-1,790**
- of which relates to prior years	-751	-658
- of which relates to current year	-1,081	-1,132
Income tax paid in the year	**-1,832**	**-1,790**

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 2023, net working capital ended at 1.8% of revenue (2022: 4.2%), mainly driven by lower inventory levels as a percentage of the last 12 months' revenue, while the inventory balance in absolute terms remains in line with 2022.

WORKING CAPITAL

DKK million	Notes	2023	2022
Inventories	3.5	4,166	4,211
Trade receivables	3.6	1,342	1,262
Trade payables	3.9	-3,211	-3,131
Operating working capital		**2,297**	**2,342**
Other receivables[1]		904	1,078
Current provisions	3.7, 3.8	-744	-649
Commodity derivatives, net		-16	133
Contract liabilities		-185	-136
Other payables		-1,745	-1,666
Net working capital		**510**	**1,104**

[1] Including right-of-return assets.

Net working capital/ revenue

1.8%

2022: 4.2%

INVESTED CAPITAL

DKK million	Notes	2023	2022
Intangible assets	3.1	7,801	7,568
Property, plant and equipment	3.2	2,746	2,226
Right-of-use assets	3.3	3,779	2,978
Other non-current financial assets		215	249
Non-current provisions	3.7	-408	-363
Net working capital		510	1,104
Deferred tax, net	2.4	1,096	1,089
Currency derivatives, net		-25	23
Income tax receivables/ payables, net		-480	-913
Other liabilities		-108	-
Invested capital		**15,126**	**13,961**

Capital expenditure/ revenue

5.8%

2022: 4.9%

NOTE 3.1
INTANGIBLE ASSETS

INTANGIBLE ASSETS DKK million	Goodwill	Brand	Distribution	Other intangible assets	Total
2023					
Cost at 1 January	4,822	1,057	1,613	2,434	9,925
Acquisition of subsidiaries and activities	143	-	-	-	143
Additions	-	-	-	448	448
Disposals	-	-	-	-183	-183
Exchange rate adjustments	-50	-	-2	-21	-73
Cost at 31 December	**4,914**	**1,057**	**1,610**	**2,678**	**10,259**
Amortisation and impairment losses at 1 January	-	-	566	1,791	2,357
Amortisation for the year	-	-	8	294	302
Disposals	-	-	-	-181	-181
Exchange rate adjustments	-	-	-2	-17	-19
Amortisation and impairment losses at 31 December	**-**	**-**	**572**	**1,887**	**2,459**
Carrying amount at 31 December	**4,914**	**1,057**	**1,039**	**790**	**7,801**

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
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	2023	2022
Amortisation and impairment losses have been recognised in the income statement as follows:		
Cost of sales	21	46
Sales, distribution and marketing expenses	128	107
Administrative expenses	153	143
Total	**302**	**297**

NOTE 3.1
INTANGIBLE ASSETS (CONTINUED)

Goodwill

Additions in 2023 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 of 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 acquired.

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 2023 was DKK 1.0 billion (2022: 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. After 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 tested for impairment 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 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 2-10 years. Software obtained through a Software-as-a-Service (SaaS) arrangement is capitalised to the extent that the IAS 38 criteria are met, and amortised over the contract period. Costs directly attributable to prepare the software for its intended use, such as costs related to implementation and configuration, is capitalised together with the software. Any cost not directly attributable to the assets recorded is expensed as incurred.

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 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 2024 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 lives are tested at least annually.

ALLOCATION OF INTANGIBLE ASSETS TO CGUS

DKK million	Goodwill	Brand	Distribution
2023			
Core	3,580	766	751
Fuel with more	1,334	291	288
Total	**4,914**	**1,057**	**1,039**
2022			
Core	3,505	766	758
Fuel with more	1,316	291	289
Total	**4,822**	**1,057**	**1,047**

DISCOUNT RATES AND GROWTH RATES IN TERMINAL PERIOD	Discount rate before tax	Growth rate in terminal period
2023		
Core	13.1%	2%
Fuel with more	13.1%	2%
Group	**13.1%**	**2%**
2022		
Core	12.6%	2%
Fuel with more	12.7%	2%
Group	**12.6%**	**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.

High inflation rates were still observed in 2023, 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, silver and gold), salaries and average lagged hedge commodity prices at the time the budget is prepared;
- development in operating expenses;
- currency rates that are based on actual rates at the time the budget is prepared;
- increasing inflation and interest rates;
- increasing climate risk and geographical exposure;
- the transition to a circular economy and to net zero impact, including investments required, change in consumer behaviour and impact on the useful economic life of the assets.

For more information, see note 1.3 Management's judgements and estimates under IFRS.

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

PROPERTY, PLANT AND EQUIPMENT DKK million	Land and buildings	Plant and equipment	Assets under construction	Total
2023				
Cost at 1 January	1,302	3,937	289	5,529
Acquisition of subsidiaries and activities	-	31	-	31
Additions	15	179	968	1,161
Disposals	-10	-398	-	-408
Transfers	15	976	-992	-
Exchange rate adjustments	-37	-64	-2	-103
Cost at 31 December	**1,286**	**4,661**	**263**	**6,210**
Depreciation and impairment losses at 1 January	449	2,854	-	3,303
Depreciation for the year	84	529	-	614
Disposals	-9	-388	-	-397
Exchange rate adjustments	-13	-43	-	-56
Depreciation and impairment losses at 31 December	**511**	**2,953**	**-**	**3,464**
Carrying amount at 31 December	**774**	**1,708**	**263**	**2,746**
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**

DKK million	2023	2022
Depreciation has been recognised in the income statement as follows:		
Cost of sales	144	167
Sales, distribution and marketing expenses	427	359
Administrative expenses	43	37
Total	**614**	**563**

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 list 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	2023	2022
Property	3,765	2,960
IT	2	2
Cars	10	11
Other	2	5
Total right-of-use assets	**3,779**	**2,978**

Additions of right-of-use assets amounted to DKK 2,129 million in 2023 (2022: DKK 1,717 million).

LEASE LIABILITIES

DKK million	2023	2022
Non-current	2,765	2,113
Current	1,116	950
Total lease liabilities	**3,880**	**3,063**

Lease liabilities are recognised in loans and borrowings.

Amounts recognised in the income statement:

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

DKK million	2023	2022
Property	1,149	1,098
IT	1	1
Cars	9	11
Other	4	4
Total depreciation on right-of-use assets for the period	**1,163**	**1,114**

Depreciation mainly 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 67 million (2022: DKK 60 million). Expenses are recognised on a straight-line basis.

OTHER ITEMS RELATING TO LEASES

DKK million	2023	2022
Interest expense	270	162
Total interest for the period	**270**	**162**

TOTAL CASH FLOWS RELATING TO LEASES

DKK million	2023	2022
Fixed lease payments	1,107	1,068
Interest payments	270	162
Variable leases linked to revenue	521	412
Short-term and low-value leases	67	60
Total cash flows relating to leases	**1,965**	**1,702**

Many of the Group's property leases contain terms on variable lease payments that are linked to the volume of sales made from leased stores according to normal market practice. In 2023, around 27% (2022: 24%) 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 result in a 0.5% (2022: 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 18% (2022: 21%) of current leases, typically with one or more termination options. Approximately 22% of current leases are up for renegotiation in 2024. The estimated value of lease options that Pandora is not reasonably certain of executing, is around DKK 0.4 billion (2022: DKK 0.3 billion).

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 and office buildings. Most lease contracts for stores average three to five years with a three to five-year option to extend in approximately 18% of current leases, typically with one or more termination options. The lease term for stores has been assessed to be up to 10 years, depending on location, revenue and earnings. For office buildings, the lease term is usually 5 to 15 years.

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.

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 2023

In 2023, Pandora took over 54 concept stores (35 concept stores in the US, 14 concept stores in Colombia and 5 concept stores in Canada). Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 356 million. Based on the purchase price allocations, goodwill was DKK 143 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale and distribution to Pandora-owned retail. Among the goodwill acquired, DKK 93 million 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 and the impact from converting the stores from wholesale to Pandora-owned retail, the contribution to Group revenue and net profit from acquisitions for the period 1 January – 31 December 2023 was DKK 339 million and DKK 136 million, respectively. On a pro forma basis, if the acquisitions had been effective from 1 January 2023, the impact on Group revenue and net profit for the period 1 January – 31 December 2023 would have been approximately DKK 463 million and DKK 169 million, respectively.

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 revenue 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.

The 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.

Business combinations after the reporting period

No business combinations of significance to Pandora took place after the reporting period.

ACQUISITIONS

DKK million	2023	2022
Property, plant and equipment and right-of-use assets	144	159
Inventories	194	195
Other current assets	3	-
Assets acquired	**341**	**354**
Non-current liabilities	75	78
Payables	4	3
Other current liabilities	49	61
Liabilities assumed	**128**	**141**
Total identifiable net assets acquired	**213**	**213**
Goodwill arising on acquisitions	143	364
Purchase consideration	**356**	**577**
Cash movements on acquisitions:		
Consideration transferred regarding previous years[1]	14	-
Deferred payment[2]	-21	-14
Net cash flows on acquisitions	**349**	**562**

[1] The deferred payment of DKK 14 million related to the acquisition in Portugal and Italy in 2022 was paid in 2023.
[2] The deferred payment of DKK 21 million relates mainly to the acquisition in Colombia in 2023.

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 CGUs in the two operating segments for impairment testing purposes due to the constraint in IAS 36.

NOTE 3.5
INVENTORIES

INVENTORIES

DKK million	2023	2022
Raw materials and consumables	615	743
Work in progress	141	151
Finished goods	3,216	3,088
Point-of-sale materials	194	229
Total inventories at 31 December	**4,166**	**4,211**
Inventory write-downs at 1 January	735	765
Write-downs during the year	200	118
Utilised in the year	-185	-148
Inventory write-downs at 31 December	**750**	**735**

Write-downs
Inventory write-downs primarily relate to finished goods and are recognised in cost of sales, DKK 170 million (2022: DKK 97 million), and operating expenses, DKK 30 million (2022: DKK 21 million). Write-downs include mainly the cost of remelting obsolete jewellery.

Remelting of goods (realised and unrealised) negatively impacted gross profit by DKK 138 million (2022: DKK 63 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 recycle value of the reusable raw materials (primarily silver, gold and lab-grown diamonds).

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

TRADE RECEIVABLES

DKK million	2023	2022
Receivables related to third-party distribution and wholesale	705	747
Receivables related to retail revenue sales	637	515
Total trade receivables at 31 December	**1,342**	**1,262**
Ageing of trade receivables at 31 December		
Not past due	**1,056**	**1,035**
Up to 30 days	233	176
Between 30 and 60 days	27	31
Between 60 and 90 days	14	12
Over 90 days	12	8
Total past due, not impaired	**286**	**227**
Total trade receivables at 31 December	**1,342**	**1,262**
Development in impairment losses on trade receivables		
Impairment at 1 January	83	86
Additions	20	61
Utilised	-2	-11
Unused amounts reversed	-10	-55
Exchange rate adjustments	4	2
Impairment at 31 December	**94**	**83**

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

The impairment on receivables increased by DKK 11 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 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

PROVISIONS

DKK million	2023	2022
Provisions at 1 January	384	442
Additions in the year	140	77
Utilised in the year	-53	-15
Unused provisions reversed	-36	-120
Exchange rate adjustments	-4	-
Provisions at 31 December	**431**	**384**
Provisions are recognised in the balance sheet as follows:		
Current	23	21
Non-current	408	363
Provisions at 31 December	**431**	**384**

Provisions are liabilities of uncertain timing or amount and consist of defined benefit pension plans of DKK 104 million (2022: DKK 80 million), obligations to restore leased property of DKK 159 million (2022: DKK 163 million), and other legal and constructive obligations of DKK 168 million (2022: DKK 141 million). See note 5.1 Contingent assets and 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, 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

CONTRACT ASSETS AND LIABILITIES

DKK million	2023	2022
Contract assets		
Receivables from sale of products, see note 3.6	1,342	1,262
Right-of-return assets	55	54
Total contract assets	**1,397**	**1,316**
Contract liabilities		
Prepayments from customers	14	16
Coupons, gift cards etc.	142	102
Loyalty programme	29	18
Refund and warranty liability	721	628
Total contract liabilities	**906**	**763**

REFUND AND WARRANTY LIABILITY

DKK million	Refund	Warranty	Total
2023			
Liability at 1 January	339	288	628
Performance obligations for which consideration has been received	1,093	431	1,525
Revenue recognised, included in the contract liability	-946	-336	-1,281
Contract liabilities reversed	-106	-35	-141
Exchange rate adjustments	-5	-4	-9
Refund and warranty liability at 31 December	**376**	**345**	**721**
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**

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 markets. 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.

Revenue related to the gift cards and coupons is deferred up to the time the gift cards and coupons are used. The stand-alone selling price of the gift cards and coupons is the monetary value of the cards and coupons. In estimating the redemption rate, Pandora considers breakage, which represents the portion of the gift cards and coupons value issued that will never be redeemed.

As a common practice in Pandora, no costs to obtain contracts with customers were capitalised in 2023 or previous years.

SIGNIFICANT ACCOUNTING ESTIMATES

In most markets, 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

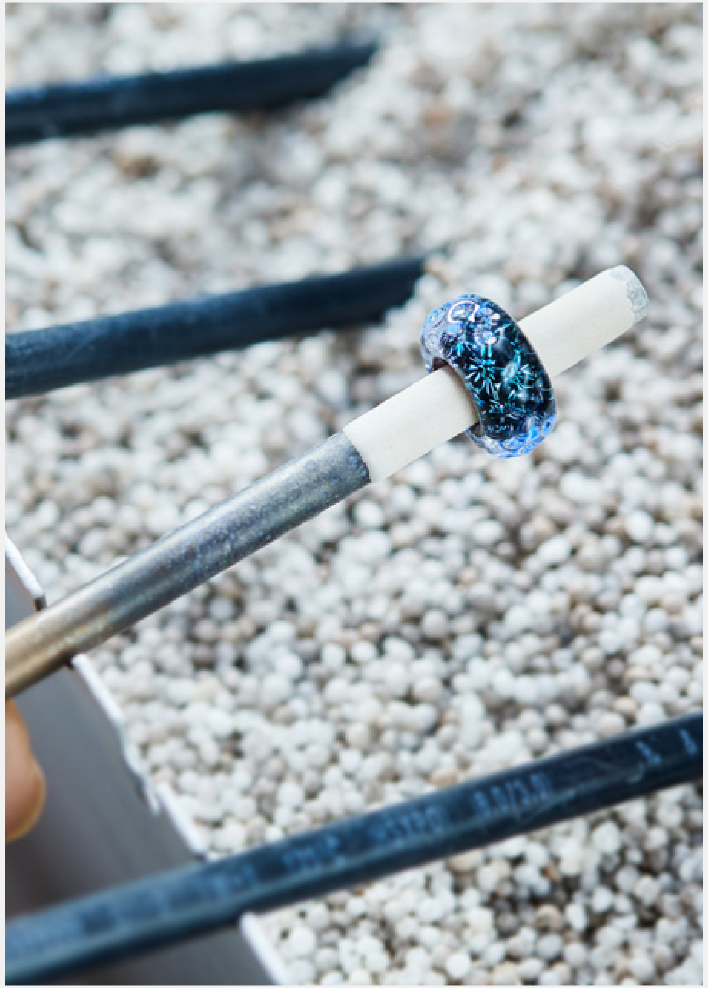
The Group generally accepts that vendors sell off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved 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 82 million at 31 December 2023 (2022: DKK 79 million).

SECTION 4

CAPITAL STRUCTURE AND NET FINANCIALS

This section includes notes related to Pandora's capital structure and net financials, including financial risks in 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 department. 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 2023, the ratio was 1.1x (2022: 0.8x), reflecting the decision to increase leverage from the low end of the capital structure range to around the mid-point. The cash conversion was 78% in 2023 compared with 39% in 2022.



4.5 DKK billion

Unutilised committed facilities of DKK 4.5 billion underpin Pandora's strong liquidity position.

NET INTEREST-BEARING DEBT

DKK million	2023	2022
Loans and borrowings, non-current[1]	6,973	1,017
Lease liabilities, non-current	2,765	2,113
Loans and borrowings, current	313	3,508
Lease liabilities, current	1,116	950
Cash	-1,397	-794
Net interest-bearing debt	**9,770**	**6,794**

[1] Includes the bond of EUR 500 million issued in March 2023.

NOTE 4.1
SHARE CAPITAL

At the Annual General Meeting of Pandora A/S on 16 March 2023, the shareholders resolved to cancel 6,500,000 treasury shares. At 31 December 2023, the share capital comprised 89,000,000 shares with a par value of DKK 1. No shares have special rights. Pandora maintains an equity ratio of 23% and high returns to the shareholders.

In 2023, Pandora executed a new share buyback programme under which Pandora bought back own shares of DKK 5.0 billion. In 2023, Pandora purchased 7,693,692 treasury shares, corresponding to a total purchase price of DKK 5.0 billion (DKK 0.4 billion related to the share buyback programme from 2022, and DKK 4.6 billion related to the share buyback programme in 2023). At 31 December 2023, 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 2023.

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.

SHARE CAPITAL	Number of shares	Nominal value (DKK)
2023		
Balance at 1 January	95,500,000	95,500,000
Cancellation of shares	-6,500,000	-6,500,000
Balance at 31 December	**89,000,000**	**89,000,000**
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**

TREASURY SHARES	Number of shares	Nominal value (DKK)	Purchase price	% of shares
2023				
Balance at 1 January	6,104,531	6,104,531	3,319,975,573	6.4%
Used to settle share-based incentive plans	-508,195	-508,195	-277,749,702	-0.5%
Purchase of treasury shares	7,693,692	7,693,692	4,997,666,138	8.3%
Cancellation of treasury shares	-6,500,000	-6,500,000	-3,686,966,729	-6.8%
Balance at 31 December	**6,790,028**	**6,790,028**	**4,352,925,278**	**7.6%**
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%**

NOTE 4.2
EARNINGS PER SHARE AND DIVIDEND

EARNINGS PER SHARE DKK million	2023	2022
Profit attributable to equity holders	**4,740**	**5,029**
Weighted average number of ordinary shares	85,408,547	92,746,543
Effect of performance shares	671,905	949,850
Weighted average number of ordinary shares adjusted for the effect of dilution	**86,080,451**	**93,696,393**
Basic earnings per share, DKK	55.5	54.2
Diluted earnings per share, DKK	55.1	53.7

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 18 per share (2022: DKK 16), corresponding to DKK 1.5 billion, be distributed for 2023. No dividend is paid on treasury shares.

In 2023, a dividend of DKK 1.4 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 45.

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 2023, free reserves in the Parent Company amounted to DKK 13.5 billion. 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
LIABILITIES FROM FINANCING ACTIVITIES

TOTAL LIABILITIES FROM FINANCING ACTIVITIES DKK million	Financial liabilities at 1 January	Cash flows, net	New leases etc.	Other[1]	Foreign exchange adjustments	Financial liabilities at 31 December
2023						
Non-current borrowings[2]	1,017	5,927	-	29	-	6,973
Non-current lease liabilities	2,113	-	1,560	-886	-23	2,765
Current borrowings	3,508	-3,321	-	128	-2	313
Current lease liabilities	950	-1,107	520	769	-16	1,116
Total liabilities from financing activities	**7,588**	**1,499**	**2,080**	**40**	**-41**	**11,165**
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**

[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.
[2] Includes the bond of EUR 500 million issued in March 2023.

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, as well as 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 department.

To manage financial risks, Pandora may use a number of financial instruments, such as forward contracts in silver and gold, 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 on the right illustrates the sensitivity on 2023 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 and commodity price 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 Pandora's policy 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 consumption.

Consumption is hedged from 1 to 12 months forward with a hedge ratio target that decreases with time to maturity as illustrated to the right.

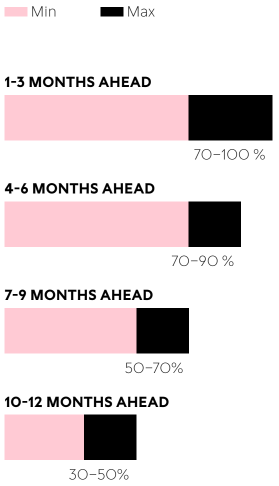
Commodity hedging is updated at the end of each month or in connection with revised 12-month rolling production plans. Actual production may deviate from the 12-month rolling production plan. In case of deviations, the realised commodity hedge ratio may deviate from the estimated hedge ratio. The effective 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

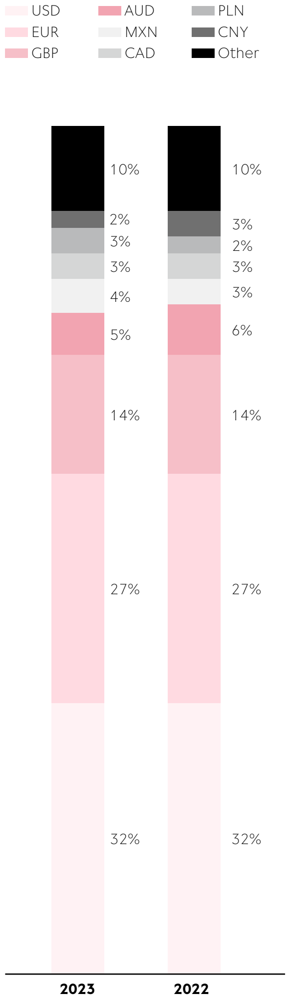
Pandora's presentation currency is DKK, but the majority of Pandora's activities and investments are denominated in other currencies. Consequently, exchange rate fluctuations may have a substantial impact on Pandora's cash flows, profit (loss) and/or financial position in DKK.

The majority of Pandora's revenue is denominated in USD, EUR, GBP, AUD, MXN, CAD, PLN 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.

COMMODITY HEDGE RATIO TARGET (%)



REVENUE BREAKDOWN BY CURRENCY (%)



SENSITIVITY ANALYSIS ON EXCHANGE RATES AND COMMODITY PRICES[1] DKK million	Change in exchange rate and commodity prices	2023 Revenue	2023 EBIT	2023 EBIT margin impact	2022 Revenue	2022 EBIT	2022 EBIT margin impact
USD	+10%	894	339	0.4%	858	367	0.5%
CAD	+10%	81	41	0.1%	80	47	0.1%
AUD	+10%	154	104	0.2%	167	117	0.3%
GBP	+10%	383	238	0.5%	382	252	0.6%
EUR	+1%	77	45	0.1%	71	44	0.1%
CNY	+10%	55	-3	-0.1%	73	-9	-0.1%
MXN	+10%	124	69	0.1%	86	47	0.1%
PLN	+10%	76	59	0.1%	64	47	0.1%
THB	+10%	-	-231	-0.8%	-	-220	-0.8%
SILVER and GOLD	+10%	-	-210	-0.7%	-	-218	-0.8%

[1] Revenue and EBIT would have been impacted by the above amounts if exchange rates and commodity prices in 2023 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.

NOTE 4.4
FINANCIAL RISKS (CONTINUED)

In addition, Pandora incurs costs 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.

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 2023, 70% of the cash flows from currencies with risk above policy threshold were hedged based on a rolling 12 month forecast. In 2023, this included USD, THB, GBP, AUD and MXN. 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.

CURRENCY AND COMMODITY EXPOSURE FROM ASSETS AND LIABILITIES[1] DKK million	Change in exchange rate	31 December 2023 Profit (loss) before tax	31 December 2023 Equity	31 December 2022 Profit (loss) before tax	31 December 2022 Equity
USD	+10%	32	-61	-22	240
CAD	+10%	15	6	33	-
AUD	+10%	20	-15	11	-64
GBP	+10%	-63	-97	-	-64
EUR	+1%	-68	-68	-9	-34
CNY	+10%	-10	-10	-17	-9
MXN	+10%	60	34	52	52
PLN	+10%	12	12	1	1
THB	+10%	-36	168	-46	247
SILVER and GOLD	+10%	-	190	-	189

[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 currency 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 commodity movements in equity arise from the change in the hedging reserve. The impact would have been the opposite if exchange rates had been decreasing by similar percentages. The analysis is based on the transaction currency.

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. Credit limits above certain policy thresholds 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 and refinancing risk are considered to be low.

OUTSTANDING COMMITTED LOAN FACILITIES DKK million	Available facilities	Maturity date	Drawn amount	Avg. effective interest rate	Available liquidity
Revolving credit facilities[1]	7,080	April 2028	2,609	6.07%	4,472
Term loan maturing in 2030[1]	646	May 2030	646	2.80%	-
Bond maturing in 2028[1]	3,726	April 2028	3,726	5.04%	-
Total outstanding committed loan facilities at 31 December	**11,453**		**6,981**		**4,472**

[1] Sustainability-linked facilities.

NOTE 4.4
FINANCIAL RISKS (CONTINUED)

Pandora has one revolving credit facility of EUR 950 million and one term loan of EUR 87 million committed until April 2028 and May 2030, respectively. On 3 March 2023, Pandora announced the successful issuance of EUR 500 million in senior notes under its newly established Euro Medium Term Note programme. The issuance is a result of Pandora's desire to diversify its funding sources and was well received by investors across Europe. The net proceeds from the bond have been used for refinancing of a bridge loan facility established in December 2022. In connection with the bond issuance, Pandora obtained a credit rating of BBB by S&P Global Ratings and a Baa2 rating from Moody's Investor Service. Pandora has uncommitted credit facilities to ensure efficient and flexible local liquidity management. The credit facilities are managed by Group Treasury.

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, only the revolving credit facilities 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 37 million decrease in profit before tax and equity, excluding tax effect (2022: DKK 49 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.

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 1-5 years	After more than 5 years	Total
2023				
Non-derivatives				
Loans and borrowings	343	3,049	153	3,545
Bond	168	4,397	-	4,565
Lease liabilities	1,248	2,818	1,142	5,209
Trade payables	3,211	-	-	3,211
Other payables	137	92	-	229
Derivatives				
Derivative financial instruments	128	-	-	128
Total at 31 December	**5,234**	**10,357**	**1,295**	**16,886**
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**

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 forward contracts and foreign exchange forward contracts.

It is Pandora's policy to hedge at least 70% of the Group's expected silver and gold consumption based on a rolling 12-month production plan. The table to the right illustrates the timing of the hedges related to the purchase of silver and gold 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 2023 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.

DERIVATIVE FINANCIAL INSTRUMENTS DKK million	Assets	Liabilities	Carrying amount	Hedge reserve, net of tax
2023				
Commodities	55	-71	-16	-13
Foreign exchange	32	-57	-25	-20
Total derivative financial instruments	**87**	**-128**	**-41**	**-33**
2022				
Commodities	166	-33	133	103
Foreign exchange	65	-42	23	18
Total derivative financial instruments	**231**	**-74**	**157**	**121**

HEDGED AND REALISED PURCHASE PRICES At use of the silver and gold for production (USD/OZ)	Realised in 2023[1]	Hedged Q1 2024	Hedged Q2 2024	Hedged Q3 2024	Hedged Q4 2024
Silver price	22.60	23.97	24.95	25.23	25.34
Gold price	1,877	1,998	2,023	2,078	2,144
Commodity hedge ratio, %	**Realised**	**70-100%**	**70-90%**	**50-70%**	**30-50%**

[1] Realised hedges are initially recognised in Group inventories and subsequently in cost of sales when the products are sold.

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 impact in net financials was a gain of DKK 9 million (2022: loss of DKK 46 million). The realised gain or loss on all foreign exchange contracts is recognised in net financials.

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

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 relating to silver and gold. 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	2023	2022
Reclassified from equity hedge reserves	36	12
Total finance income from derivative financial instruments	**36**	**12**
Finance income from loans and receivables measured at amortised cost:		
Foreign exchange gains	175	393
Interest income, bank	20	5
Interest income, loans and receivables	20	2
Total finance income from loans and receivables	**215**	**400**
Total finance income	**251**	**412**

FINANCE COSTS

DKK million	2023	2022
Reclassified from equity hedge reserves	131	167
Total finance costs from derivative financial instruments	**131**	**167**
Finance costs from financial liabilities measured at amortised cost:		
Foreign exchange losses	209	134
Interest on loans and borrowings	374	100
Interest on lease liabilities	270	162
Other finance costs	72	59
Total finance costs from loans and borrowings	**925**	**455**
Total finance costs	**1,056**	**622**

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	2023	2022
Effects from exchange rate adjustments	8	16
Effects from IFRS 16 rent concessions	-	-30
Other, incl. gains/losses from the sale of property, plant and equipment	-63	-4
Total other non-cash adjustments	**-55**	**-18**

SECTION 5

OTHER DISCLOSURES

NOTE 5.1
CONTINGENT ASSETS AND LIABILITIES

Litigation
Pandora is from time to time 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 810 million at 31 December 2023 (2022: DKK 827 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
The insurance compensation for Pandora's European Distribution Center, located in Hamburg, Germany, that was affected by a fire in October 2022, has been recognised in Sales, distribution and marketing expenses in 2023.

NOTE 5.2
RELATED PARTIES

Related parties with significant interests
At 31 December 2023, treasury shares accounted for 7.6% of the share capital (2022: 6.4%), for further information see note 4.1 Share capital.

Other related parties of Pandora include the Board of Directors, Executive Leadership Team 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 2023, 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 of Directors or the Executive Leadership Team, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with Pandora or shareholdings in Pandora. For further information, see note 2.2 Staff costs and note 2.3 Share-based payments.

NOTE 5.3
FEES TO INDEPENDENT AUDITOR

FEES TO INDEPENDENT AUDITOR

DKK million	2023	2022
Fee for statutory audit	12	11
Other assurance engagements	2	2
Total audit-related services	**14**	**13**
Tax consultancy	0	-
Other services	0	1
Total non-audit services	**0**	**1**
Total fees to independent auditor	**14**	**14**

The costs in the table above are recognised in the 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.

In addition to statutory audit, EY Godkendt Revisionspartnerselskab, the Group auditors appointed at the Annual General Meeting, provided other assurance engagements, primarily consisting of a limited assurance report on the Sustainability Report, a reasonable assurance report on the Remuneration Report, comfort letter work as well as audit of turnover certificates. 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 2023.

Company	Ownership	Registered office	Date of consolidation
OWNED BY PANDORA A/S			
Pandora Jewelry Argentina SRL	100%	Argentina	27 September 2017
AD Astra Holdings Pty Ltd.	100%	Australia	1 July 2009
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 Greece Single Member S.A.	100%	Greece	1 October 2023
Pandora Jewelry Asia-Pacific Limited	100%	Hong Kong	1 November 2009
Pan 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 B.V.	100%	Netherlands	20 September 2010
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
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			
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
Pyrrha Importação e Comércio Atacadista Ltda.	100%	Brazil	3 October 2023
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
Pandora Jewelry Hong Kong Company Ltd.	100%	Hong Kong	4 February 2015
Pandora Jewelry Hungary Ltd.	100%	Hungary	2 June 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
Panmeas Jewellery LLC	100%	United Arab Emirates	16 January 2015
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 Production Vietnam Company Limited	100%	Vietnam	31 March 2023

Pandora Group has seven dormant companies, which have been omitted from the table.

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, %	(Current year's revenue - last year's revenue) / last year's revenue
Revenue growth, local currency, %	(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
Total payout ratio, %	(Dividends paid for the year + 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:

Like-for-like, %	Like-for-like growth includes sell-out from all concept stores (including partner-owned), owned and operated Shop in Shops and Pandora Online. Partner-owned other points of sale are not included in like-for-like. The KPI includes stores which have been operating for +12 months
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	Profit before interest, tax, depreciation and amortisation
EBITDA margin, %	EBITDA / revenue
EBIT	Profit before interest and tax
EBIT margin, %	EBIT / revenue
Free cash flows incl. lease payments	Cash flows from operating activities, excluding financial items and cash flows from investing activities excluding acquisitions of subsidiaries and activities and including the repayment of lease commitments
Capital expenditure (CAPEX)	Purchase of intangible assets and property, plant and equipment for the year, excluding 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 including goodwill
Net Interest-bearing debt (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 incl. lease payments / EBIT

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

PARENT COMPANY

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, judgements and estimates applied for the topics of the individual notes. For some notes, reference is made to notes in the consolidated financial statements.

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PANDORA A/S FINANCIAL REVIEW

Revenue
DKK billion

14.5

2022: 16.7

Net profit
DKK billion

4.7

2022: 12.7

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, unrealised losses from inventory write-downs and fluctuations in silver and gold market prices.

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 14.5 billion (2022: DKK 16.7 billion), while net profit was DKK 4.7 billion (2022: DKK 12.7 billion). The decrease in net profit was mainly related to the gain from intra-group share transfer in 2022, where Pandora A/S transferred its controlling equity investment in Pandora Production Co. Ltd. to Pandora Production Holding A/S, which resulted in a gain of DKK 5.9 billion. In addition, Pandora A/S received dividends from subsidiaries of DKK 1.5 billion in 2023 compared to DKK 2.4 billion in 2022. At the end of 2023, equity amounted to DKK 14.0 billion (2022: DKK 15.6 billion). The decrease was primarily driven by share buyback of a total purchase price of DKK 5.0 billion and paid dividend of DKK 16 per share, corresponding to DKK 1.4 billion (2022: DKK 1.5 billion), partially offset by profit for the year. Free cash flows including lease payments ended at DKK 4.8 billion (2022: DKK 1.8 billion), mainly driven by changes in intercompany balances.

Other events and impacts in 2023

- In 2023, Pandora executed a new share buyback programme under which Pandora bought back own shares of DKK 5.0 billion. In 2023, Pandora purchased 7,693,692 treasury shares, corresponding to a total purchase price of DKK 5.0 billion (DKK 0.4 billion related to the share buyback programme from 2022, and DKK 4.6 billion related to the share buyback programme in 2023).

- On 3 March 2023, Pandora A/S successfully placed an aggregate principal amount of EUR 500 million in senior unsecured sustainability-linked notes due in 2028 under its newly established Euro Medium Term Note programme. The net proceeds from the transaction were used by Pandora A/S for planned refinancing and general corporate purposes. For more details, see note 4.4 Financial risks.

- In 2023, Pandora A/S increased its investment in Pandora Jewelry Inc. United States, by converting debt of DKK 3.7 billion. For more details, see note 3.3 Investments in subsidiaries and business combinations.

- In 2023, as part of the strategy to simplify the Group's structure, Pandora made an intra-group restructuring whereby shares of Pandora's Australian holding company AD Astra Holdings PL were transferred from Pandora Jewellery UK Ltd to Pandora A/S. The intra-group transfer was carried out at the fair value of AD Astra Holdings PL, which amounted to DKK 0.7 billion using a generally accepted valuation method in the form of a return-based discounted cash flow valuation model. The transaction was settled in cash. For more details, see note 1.1 General accounting policies and note 3.3 Investments in subsidiaries and business combinations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

INCOME STATEMENT

DKK million	Notes	2023	2022
Revenue	2.1	14,454	16,686
Cost of sales		-6,097	-7,226
Gross profit		**8,357**	**9,460**
Sales, distribution and marketing expenses	2.2, 3.1	-2,441	-2,295
Administrative expenses	2.2, 3.1	-1,478	-1,261
Operating profit		**4,439**	**5,904**
Gain from intra-group share transfer	3.3	-	5,917
Dividends from subsidiaries	3.3	1,485	2,437
Impairment of investments in subsidiaries	3.3	-	-60
Finance income	4.5	774	652
Finance costs	4.5	-1,000	-799
Profit before tax		**5,698**	**14,051**
Income tax expense	2.4	-983	-1,380
Net profit for the year		**4,715**	**12,671**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Notes	2023	2022
Net profit for the year		**4,715**	**12,671**
Other comprehensive income:			
Items that have been or may be reclassified to profit/loss for the year			
Commodity hedging instruments:			
- Realised in cost of sales		3	-1
- Realised in net financials		1	-2
- Fair value adjustments		-15	-4
Foreign exchange hedging instruments:			
- Realised in net financials		103	110
- Fair value adjustments		-151	-61
Tax on other comprehensive income	2.4	13	-9
Other comprehensive income, net of tax		**-46**	**33**
Total comprehensive income for the year		**4,668**	**12,705**

BALANCE SHEET
AT 31 DECEMBER

ASSETS

DKK million	Notes	2023	2022
Intangible assets	3.1	3,918	3,705
Property, plant and equipment		28	23
Right-of-use assets	3.2	78	99
Investments in subsidiaries	3.3	15,530	11,140
Loans to subsidiaries	5.2	1,331	5,035
Other financial assets		21	26
Total non-current assets		**20,905**	**20,028**
Inventories	3.4	824	1,023
Trade receivables		1	14
Receivables from subsidiaries	5.2	5,290	3,690
Right-of-return assets	3.5	546	258
Derivative financial instruments	4.3, 4.4	87	231
Income tax receivable		27	37
Other receivables		305	403
Cash		274	37
Total current assets		**7,355**	**5,692**
Total assets		**28,259**	**25,721**

EQUITY AND LIABILITIES

DKK million	Notes	2023	2022
Share capital	4.1	89	96
Treasury shares		-4,353	-3,320
Reserves		382	329
Dividend proposed		1,480	1,430
Retained earnings		16,407	17,051
Total equity		**14,005**	**15,586**
Provisions		54	52
Loans and borrowings	4.2, 4.4	7,023	1,090
Deferred tax liabilities	2.4	139	163
Other payables		80	-
Total non-current liabilities		**7,297**	**1,306**
Refund liabilities	3.5	2,144	1,941
Loans and borrowings	4.2, 4.4	294	3,506
Derivative financial instruments	4.3, 4.4	128	74
Payables to subsidiaries	4.4, 5.2	2,979	1,455
Trade payables	3.6, 4.4	759	786
Income tax payable		135	580
Other payables	4.4	519	486
Total current liabilities		**6,958**	**8,829**
Total liabilities		**14,255**	**10,135**
Total equity and liabilities		**28,259**	**25,721**

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
2023								
Equity at 1 January		96	-3,320	13	316	1,430	17,051	15,586
Net profit for the year		-	-	-	-	-	4,715	4,715
Other comprehensive income, net of tax		-	-	-46	-	-		-46
Total comprehensive income for the year		**-**	**-**	**-46**	**-**	**-**	**4,715**	**4,668**
Transfers		-	-	-	100	-	-100	-
Share-based payments	2.3	-	278	-	-	-	-117	161
Purchase of treasury shares	4.1	-	-4,998	-	-	-	-	-4,998
Cancellation of treasury shares	4.1	-7	3,687	-	-	-	-3,680	-
Dividend paid		-	-	-	-	-1,412	-	-1,412
Dividend proposed		-	-	-	-	1,462	-1,462	-
Equity at 31 December		**89**	**-4,353**	**-34**	**415**	**1,480**	**16,407**	**14,005**
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**

[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 18 per share, corresponding to DKK 1.5 billion (2022: DKK 16 per share, corresponding to DKK 1.4 billion), be distributed for 2023.

In 2023, Pandora continued the share buyback programmes, which resulted in repurchases of 7,693,692 treasury shares, corresponding to DKK 5.0 billion (2022: 6,595,620 treasury shares, corresponding to DKK 3.6 billion).

For further shareholder information on dividend payments, see page 45.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

DKK million	Notes	2023	2022
Operating profit		4,439	5,904
Depreciation and amortisation		267	238
Share-based payments	2.3	78	58
Change in inventories		198	-335
Change in intercompany receivables/payables		-1,918	3,815
Change in receivables		-166	-344
Change in payables and other liabilities		231	269
Other non-cash adjustments	4.6	58	-408
Finance income received		390	239
Finance costs paid		-413	-295
Income tax paid		-1,382	-1,219
Cash flows from operating activities, net		**1,781**	**7,922**
Acquisitions of subsidiaries and activities, net of cash acquired	3.3	-720	3
Purchase of intangible assets		-354	-325
Purchase of property, plant and equipment		-11	-3
Change in financial assets		-5	-1
Dividends received[1]		321	575
Change in interest-bearing loans to/from subsidiaries[2]		3,073	-6,390
Cash flows from investing activities, net		**2,304**	**-6,141**
Dividend paid		-1,412	-1,514
Purchase of treasury shares		-5,022	-3,527
Proceeds from loans and borrowings[2]	4.2	5,925	4,994
Repayment of loans and borrowings[2]	4.2	-3,307	-1,984
Repayment of lease liabilities	4.2	-27	-28
Cash flows from financing activities, net		**-3,844**	**-2,059**
Net increase/decrease in cash		**242**	**-277**

DKK million	Notes	2023	2022
Cash and cash equivalents at 1 January		-135	142
Net increase/decrease in cash		242	-277
Cash and cash equivalents at 31 December		**107**	**-135**
Cash balances		274	37
Overdrafts		-167	-172
Cash and cash equivalents at 31 December		**107**	**-135**
Cash flows from operating activities, net		1,781	7,922
- Finance income received		-390	-239
- Finance costs paid		413	295
Cash flows from investing activities, net		2,304	-6,141
- Acquisition of subsidiaries and activities, net of cash acquired		720	-3
Repayment of lease liabilities		-27	-28
Free cash flows incl. lease payments[2]		**4,801**	**1,807**
Unutilised committed credit facilities[3]		**4,472**	**6,693**

[1] Non-cash dividends received amounted to DKK 1.2 billion (2022: DKK 1.9 billion).
[2] Change in interest-bearing loans to/from subsidiaries has been changed from cash flows from financing activities to cash flows from investing activities. The comparative figures were restated accordingly.
[3] 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.

NOTE 1.1
GENERAL 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 2023.

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 recognised 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.

Internal acquisition and disposal of subsidiary
Pandora A/S accounts for transactions in which an investment in a subsidiary is acquired/disposed of at the fair value of the shares transferred. As of the date of the transfer of the shares, the investment in the subsidiary is acquired/disposed of at fair value. Gain/loss on the disposals is recognised in the income statement.

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 2023 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.

Estimates that are material to the Parent Company's financial statements are made on determination of impairment of subsidiaries, see note 3.3 Investments in subsidiaries and business combinations, on return and warranty provision, see note 2.1 Revenue from contracts with customers and on inventory, see note 3.4 Inventories.

NOTE 2.1
REVENUE FROM CONTRACTS WITH CUSTOMERS

REVENUE BY SALES CHANNEL

DKK million	2023	2022
Distributors	14,454	16,686
Total revenue	**14,454**	**16,686**

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[1]

DKK million	2023	2022
Core	**11,261**	**13,358**
- Moments	9,444	11,068
- Collabs	1,345	1,714
- ME	472	575
Fuel with more	**3,193**	**3,329**
- Timeless[2]	2,325	2,237
- Signature	534	773
- Pandora Lab-Grown Diamonds	335	318
Total revenue	**14,454**	**16,686**
Goods transferred at a point in time	14,455	16,684
Services transferred over time	-	2
Total revenue	**14,454**	**16,686**

[1] Pandora has updated its collection structure by moving the Pandora ME collection and other products from the Fuel with more segment to the Core segment. The comparative figures for 2022 were restated accordingly by moving revenue of DKK 1,241 million from Fuel with more into Core.
[2] Pandora Timeless includes revenue from the PANDORA ESSENCE collection in the amount of DKK 5 million.

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

STAFF COSTS

DKK million	2023	2022
Wages and salaries	1,059	850
Pensions	77	64
Share-based payments	78	58
Social security costs	26	16
Other staff costs	153	103
Total staff costs	**1,393**	**1,090**
Staff costs have been recognised in the income statement as follows:		
Sales, distribution and marketing expenses	663	530
Administrative expenses	730	561
Total staff costs	**1,393**	**1,090**
Average number of full-time employees during the year	1,011	898

Key management personnel at Pandora A/S represents 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 2.2 Staff costs to the consolidated financial statements.

NOTE 2.3
SHARE-BASED PAYMENTS

The performance share programmes described in note 2.3 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 2.3 Share-based payments to the consolidated financial statements, the costs related to share-based payments were DKK 105 million (2022: DKK 87 million), of which DKK 78 million relates to Pandora A/S (2022: DKK 58 million).

NOTE 2.4
TAXATION

INCOME TAX EXPENSE

DKK million	2023	2022
Current income tax charge for the year[1]	959	1,291
Change in deferred tax for the year	43	83
Adjustment to current tax for prior years	-12	9
Adjustment to deferred tax for prior years	-7	-3
Total income tax expense	**983**	**1,380**
Deferred tax on other comprehensive income	-13	9
Tax on other comprehensive income	**-13**	**9**

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

RECONCILIATION OF EFFECTIVE TAX RATE AND TAX

	2023		2022	
	%	DKK million	%	DKK million
Profit before tax		5,698		14,051
Corporate tax rate in Denmark, 22%	22.0%	1,254	22.0%	3,091
Non-taxable dividend income	-5.7%	-327	-3.9%	-536
Non-deductible impairment expenses	-	-	0.1%	13
Gain from intra-group share transfer	-	-	-9.3%	-1,302
Non-deductible expenses and non-taxable income	1.1%	63	0.5%	67
Other adjustments incl. adjustment to tax for prior years	-0.3%	-19	0.1%	9
Withholding taxes	0.2%	12	0.3%	38
Effective income tax rate/income tax expense	**17.3%**	**983**	**9.8%**	**1,380**

DEFERRED TAX

DKK million	2023	2022
Deferred tax at 1 January	-163	-93
Recognised in the income statement	-36	-80
Recognised in other comprehensive income	13	-9
Recognised in equity, share-based payments	47	19
Deferred tax at 31 December	**-139**	**-163**
Deferred tax liabilities	-139	-163
Deferred tax, net	**-139**	**-163**

BREAKDOWN OF DEFERRED TAX

DKK million	2023	2022
Intangible assets	-631	-605
Property, plant and equipment	43	9
Inventories	-4	25
Provisions	359	380
Other assets and liabilities	94	28
Deferred tax, net	**-139**	**-163**

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. Pandora A/S is the principal for the Transfer Pricing with all the subsidiaries. Further information is provided in note 2.4 Taxation to the consolidated financial statements.

NOTE 3.1
INTANGIBLE ASSETS

INTANGIBLE ASSETS DKK million	Goodwill[1]	Brand[1]	Distri-bution	Other intangible assets	Total
2023					
Cost at 1 January	1,139	1,044	1,541	1,608	5,332
Additions	-	-	-	446	446
Disposals	-	-	-	-128	-128
Cost at 31 December	**1,139**	**1,044**	**1,541**	**1,927**	**5,650**
Amortisation and impairment losses at 1 January	-	-	487	1,140	1,627
Amortisation for the year	-	-	5	228	233
Disposals	-	-	-	-128	-128
Amortisation and impairment losses at 31 December	**-**	**-**	**492**	**1,241**	**1,732**
Carrying amount at 31 December	**1,139**	**1,044**	**1,049**	**686**	**3,918**
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**

[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. Pandora A/S has a risk similar to the Pandora Group as per the Transfer Pricing setup. All the assumptions used for the impairment test are similar to the Group assumptions, see note 3.1 Intangible assets to the consolidated financial statements.

DKK million	2023	2022
Amortisation has been recognised in the income statement as follows:		
Sales, distribution and marketing expenses	113	93
Administrative expenses	120	110
Total	**233**	**203**

NOTE 3.2
LEASES

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS DKK million	2023	2022
Property	75	94
Cars	3	5
Total right-of-use assets	**78**	**99**

Additions of right-of-use assets were DKK 8 million in 2023 (2022: DKK 20 million).

LEASE LIABILITIES DKK million	2023	2022
Non-current	51	74
Current	29	26
Total lease liabilities	**80**	**100**

Lease liabilities are recognised in loans and borrowings.

Depreciation on right-of-use assets charged to the income statement for the period was DKK 28 million (2022: DKK 26 million).

Interest expense for the period was DKK 1 million (2022: DKK 1 million). Total cash outflows relating to leases was DKK 30 million in 2023 (2022: DKK 29 million).

NOTE 3.3
INVESTMENTS IN SUBSIDIARIES AND BUSINESS COMBINATIONS

INVESTMENTS IN SUBSIDIARIES

DKK million	2023	2022
Cost at 1 January	11,442	5,499
Additions[1]	4,363	7,120
Disposals[2]	-	-1,202
Additions relating to share-based payments	27	25
Cost at 31 December	**15,832**	**11,442**
Impairment at 1 January	302	242
Impairment for the year	-	60
Impairment at 31 December	**302**	**302**
Carrying amount at 31 December	**15,530**	**11,140**

[1] In 2023, mainly relating to additonal investment into Pandora Jewelry Inc. United States, of DKK 3.7 billion and to the internal purchase of AD Astra Holdings PL, Australia, from Pandora Jewellery UK Ltd of DKK 0.7 billion. In 2022, mainly relating to the investment into Pandora Production Holding A/S of DKK 7.1 billion.
[2] In 2022, mainly relating to the intra-group share transfer of Pandora Production Co. Ltd., Thailand, of DKK 1.2 billion.

Dividend received

In 2023, Pandora A/S received a total of DKK 1.5 billion in dividends, mainly from subsidiaries in Denmark (DKK 0.7 billion), the UK (DKK 0.3 billion) and the US (DKK 0.1 billion).

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).

Annual impairment test

As at 31 December 2023, the cost price of investments in subsidiaries was tested for impairment, and Pandora has not identified any indication of impairment. The impairment test did not identify any impairment charges for 2023 (2022: DKK 60 million).

The impairment test was based on a three-year forecast and an applied market-specific discount rate in the range of 8% to 16%. 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 AD Astra Holding PL to Pandora A/S in 2023

In 2023, as part of the strategy to simplify the Group's structure, Pandora made an intra-group restructuring whereby shares of Pandora's Australian holding company AD Astra Holdings PL were transferred from Pandora Jewellery UK Ltd to Pandora A/S.

The intra-group transfer was carried out at the fair value of AD Astra Holdings PL, which amounted to DKK 0.7 billion using a generally accepted valuation method in the form of a return-based discounted cash flow valuation model. The transaction was settled in cash.

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 2024 to 2026 and is affected by the Group's transfer pricing setup, a terminal growth rate of 2% and an applied market-specific discount rate post tax of 9.8%.

Transfer of Pandora Production Co. Ltd to Pandora Production Holding A/S in 2022

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.

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 in 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 after 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.

NOTE 3.4
INVENTORIES

INVENTORIES

DKK million	2023	2022
Finished goods	725	868
Point-of-sale materials	99	155
Total inventories at 31 December	**824**	**1,023**
Inventory write-downs at 1 January	274	253
Write-downs during the year	177	163
Utilised in the year	-195	-142
Inventory write-downs at 31 December	**256**	**274**

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.

Inventory write-downs are recognised in the income statement as cost of sales, DKK 157 million (2022: DKK 152 million), and operating expenses, DKK 20 million (2022: DKK 11 million).

NOTE 3.5
CONTRACT ASSETS AND LIABILITIES

CONTRACT ASSETS AND LIABILITIES

DKK million	2023	2022
Contract assets		
Receivables from sale of products	2,570	1,046
Right-of-return assets	546	258
Total contract assets	**3,116**	**1,304**
Contract liabilities		
Refund liabilities	2,144	1,941
Total contract liabilities	**2,144**	**1,941**

Refund liabilities

The Parent Company recognises a refund liability related to return rights provided to subsidiaries. The returns relate to external customers, and the Parent Company is carrying the inventory risk as the retail subsidiaries are limited risk distribution entities. The refund liability in Pandora A/S relates to subsidiaries and reflects the lower margin in the Parent Company. 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 A/S has established a supply chain financing programme where vendors can sell off their receivables from Pandora A/S on attractive terms, based on invoices approved by Pandora A/S, but at the bank's sole discretion. Pandora A/S 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 28 million at 31 December 2023 (2022: DKK 54 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	New leases	Other[1]	Financial liabilities 31 December
2023					
Non-current borrowings[2]	1,017	5,927	-	29	6,973
Non-current lease liabilities	74	-	5	-28	51
Current borrowings	3,481	-3,309	-	95	266
Current lease liabilities	26	-27	2	28	29
Total liabilities from financing activities	**4,597**	**2,590**	**8**	**123**	**7,318**
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**

[1] Includes the effect of the reclassification of the non-current portion of interest-bearing loans and borrowings to current portion 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.
[2] Includes the bond of EUR 500 million issued in March 2023.

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 department.

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 1-5 years	After more than 5 years	Total
2023				
Non-derivatives				
Loans and borrowings	294	3,049	153	3,497
Bond	168	4,397	-	4,565
Lease liabilities	29	52	-	81
Payables to subsidiaries	2,979	-	-	2,979
Trade payables	759	-	-	759
Other payables	12	92	-	104
Derivatives				
Derivative financial instruments	128	-	-	128
Total at 31 December	**4,369**	**7,590**	**153**	**12,112**
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**

NOTE 4.5
NET FINANCIALS

FINANCE INCOME

DKK million	2023	2022
Reclassified from equity hedge reserves	36	19
Total finance income from derivative financial instruments	**36**	**19**
Finance income from loans and receivables measured at amortised cost:		
Interest income from subsidiaries	386	300
Foreign exchange gains	344	330
Interest income, bank	8	2
Total finance income from loans and receivables	**738**	**633**
Total finance income	**774**	**652**

FINANCE COSTS

DKK million	2023	2022
Reclassified from equity hedge reserves	140	127
Total finance costs from derivative financial instruments	**140**	**127**
Finance costs from financial liabilities measured at amortised cost:		
Interest costs to subsidiaries	23	2
Foreign exchange losses	412	524
Interest on loans and borrowings	374	100
Interest on lease liabilities	1	1
Other finance costs	50	46
Total finance costs from loans and borrowings	**860**	**673**
Total finance costs	**1,000**	**799**

NOTE 4.6
OTHER NON-CASH ADJUSTMENTS

OTHER NON-CASH ADJUSTMENTS

DKK million	2023	2022
Effects from exchange rate adjustments	-86	-146
Effects from derivative financial instruments	138	-255
Other, incl. gains/losses from sale of property, plant and equipment	6	-7
Total other non-cash adjustments	**58**	**-408**

NOTE 5.1
CONTINGENT ASSETS AND LIABILITIES

Litigation
Pandora is from time to time 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 808 million at 31 December 2023 (2022: DKK 794 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 313 million at 31 December 2023 in favour of certain subsidiaries related to securing local credit lines and rental agreements (2022: DKK 270 million).

The Parent Company is jointly taxed with its 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	2023	2022
Income statement:		
Sales to subsidiaries	14,450	16,679
Purchases from subsidiaries	-5,710	-6,739
Recharges from subsidiaries	-853	-737
Gain from intra-group share transfer	-	5,917
Dividends from subsidiaries	1,485	2,437
Finance income	386	300
Finance costs	-23	-2
Total	**9,736**	**17,855**
Balance sheet:		
Loans to subsidiaries, non-current	1,331	1,375
Intercompany loan converted into capital in subsidiaries	-	3,660
Trade receivables from subsidiaries	2,568	1,032
Loans to subsidiaries, current	2,722	2,658
Right-of-return assets	546	258
Payables to subsidiaries	-2,979	-1,455
Refund liabilities	-2,144	-1,941
Total	**2,043**	**5,587**
Development in impairment losses on trade receivables		
Impairment at 1 January	44	39
Additions	-	5
Unused amounts reversed	-10	-
Impairment at 31 December	**34**	**44**

In 2023, Pandora A/S converted an intercompany loan of DKK 3.7 billion into capital and acquired an investment in a subsidiary of DKK 0.7 billion, see note 3.3 Investments in subsidiaries and business combinations.

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

FEES TO INDEPENDENT AUDITOR

DKK million	2023	2022
Fee for statutory audit	4	3
Other assurance engagements	1	1
Total audit-related services	**5**	**4**
Other services	0	1
Total non-audit services	**0**	**1**
Total fees to independent auditor	**5**	**5**

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

In addition to statutory audit, EY Godkendt Revisionspartnerselskab, the Parent Company auditors, provided other assurance engagements to the Parent Company, primarily consisting of a limited assurance report on the Sustainability Report, a reasonable assurance report on the Remuneration Report and comfort letter work.

STATEMENTS

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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 2023.

The Annual Report has been prepared in accordance with IFRS Accounting 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 2023 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 2023.

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 2023 with the file name PAND-2023-12-31-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, 7 February 2024

Executive Management

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

Board of Directors

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Lilian Fossum Biner

Birgitta Stymne Göransson

Marianne Kirkegaard

Catherine Spindler

Jan Zijderveld

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pandora A/S

Report on the audit of the consolidated financial statements and Parent Company financial statements

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 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, for the Group and the Parent Company. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with IFRS Accounting 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 2023 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 2023 in accordance with IFRS Accounting 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 consolidated financial statements and the Parent Company financial statements" (hereafter collectively referred to as "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 13 years up to and including the financial year 2023. 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 2023. 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. Accordingly, 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	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 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 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. 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 by relevant law and regulations.

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 relevant law and regulations. 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 IFRS Accounting 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 2023 with the file name PAND-2023-12-31-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 2023 with the file name PAND-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen,
7 February 2024
EY Godkendt
Revisionspartnerselskab
CVR no. 30 70 02 28

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