

Sephora Danmark ApS

Kgs. Nytorv 26, 4. sal

1050 Copenhagen K

CVR No. 33863225

Annual Report 2018

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31 May 2019

Gilles Dougoud
Chairman

Sephora Danmark ApS

Contents

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	8
Accounting Policies	9
Income Statement	13
Balance Sheet	14
Statement of changes in Equity	16
Notes	17

Management's Statement

Today, Management has considered and adopted the Annual Report of Sephora Danmark ApS for the financial year 1 January 2018 - 31 December 2018.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January 2018 - 31 December 2018.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

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

Copenhagen, 31 May 2019

Executive Board

Gilles Dougoud
CEO

Board of Directors

Jenni Österlund
Chairman

Bruno Michel Amadei
Director

Gilles Dougoud
Director

Independent Auditor's Report

To the shareholder of Sephora Danmark ApS

Opinion

We have audited the financial statements of Sephora Danmark ApS for the financial year 1 January 2018 - 31 December 2018, which comprise an income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

The auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * 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 relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information requirement under the Danish Financial Statements Act.

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

Copenhagen, 31 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-no. 33963556

Lars Andersen

State Authorised Public Accountant

mne27762

Sephora Danmark ApS

Company details

Company	Sephora Danmark ApS Kgs. Nytorv 26, 4. sal 1050 Copenhagen K
CVR No.	33863225
Financial year	1 January 2018 - 31 December 2018
Board of Directors	Jenni Österlund, Chairman Bruno Michel Amadei, Director Gilles Dougoud, Director
Executive Board	Gilles Dougoud, CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 Postboks 1600 0900 København K CVR-no.: 33963556

Management's Review

Primary activities

The business activities carried out by the Company comprise retail sale of cosmetics and beauty products.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2018 - 31 December 2018 shows a result of DKK -9.154.344 and the Balance Sheet at 31 December 2018 a balance sheet total of DKK 59.856.705 and an equity of DKK 9.105.194.

Profit/loss for the year in relation to expected developments

Management expected a decrease in the results for the financial statements 2018 compared to 2017. The negative evolution vs 2017 is due to sales slowdown in Magasin du Nord Corners and change of operational model for E-commerce.

Uncertainty relating to recognition and measurement

There is no uncertainty relating to recognition or measurement.

Unusual circumstances affecting recognition and measurement

There are no unusual circumstances affecting recognition or measurement.

Outlook

Management expects the financial statements for 2019 to be flat vs. 2018. The strategy of the Company is to break even by 2023 via developing E-commerce and gaining market share through our existing stores.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

Numbers appear in thousands

	2018	2017	2016	2015	2014
Key figures					
Gross profit	19.214	19.786	23.210	15.129	7.558
Operating profit/loss	-11.341	-4.896	-4.155	-11.662	-15.772
Net financial income and expenses	360	-358	-204	-331	-979
Profit/loss for the year	-9.154	-4.065	-3.402	-9.114	-12.854
Total assets	59.857	49.581	44.180	43.468	42.535
Investment in tangible assets	6.601	9.521	3.845	2.196	1.100
Total equity	9.105	18.260	22.324	4.726	-39.860
Ratios					
Solvency ratio (%)	15,21	36,83	50,53	10,90	-93,70

For definitions of key ratios, see Accounting Policies.

Accounting Policies

Reporting Class

The Annual Report of Sephora Danmark ApS for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C-medium.

The accounting policies used in the preparation of the financial statements have been changed compared to last year.

With reference to section 86 (4) of the Danish Financial Statement Act, Sephora Danmark ApS has not prepared a cash flow statement.

General Information

Recognition and measurement

Assets are recognised in the Balance Sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income Statement

Gross profit/loss

Gross profit or loss comprise revenue, changes in inventories of finished goods and work in progress, own work capitalized, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of consideration fixed.

Accounting Policies

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods. This item includes ordinary write-downs of such inventories.

Other operating income

Other operating income comprises income of secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment loss

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the the Danish tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies as well as tax surcharge under the the Danish tax Prepayment Scheme etc.

Income taxes

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

The Entity is jointly taxed with all Danish sister subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with refund concerning tax losses).

Accounting Policies

Balance Sheet

Intellectual property rights etc.

Intellectual property rights etc comprise acquired software.

Software is measured at cost less accumulated amortisation. Software is amortised over 3-5 years.

Software is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the assets fair value and present value of future lease payment.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0%
Leasehold improvements	5 years	0%

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost of goods for reale consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting Policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against defferd tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the the term of the lease.

Other financial liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Financial highligts

The key figures are calculated according to Danish Finance Society's Recommendations & Financial Ratios.

Ratios

Solvency ratio (%)

=

Calculation formula

Equity X 100

Total assets

Ratios reflect

The financial strength of the Entity

Income Statement

	Note	2018 DKK	2017 DKK
Gross profit		19.213.978	19.786.249
Employee benefits expense	1	-26.703.300	-22.457.279
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-3.851.736	-2.225.224
Profit from ordinary operating activities		-11.341.058	-4.896.254
Finance income		4.387	840
Finance expences	2	-364.024	-359.080
Profit from ordinary activities before tax		-11.700.695	-5.254.494
Tax expense on ordinary activities	3	2.546.351	1.189.684
Profit	4	-9.154.344	-4.064.810

Balance Sheet as of 31 December

	Note	2018 DKK	2017 DKK
Assets			
Acquired intangible assets	5	930.730	820.358
Prepayments for intangible assets	6	73.238	352.449
Intangible assets		1.003.968	1.172.807
Fixtures, fittings, tools and equipment	7	3.514.706	1.059.305
Leasehold improvements	8	10.505.938	10.084.045
Property, plant and equipment in progress	9	126.057	848.748
Property, plant and equipment		14.146.701	11.992.098
Deposits, investments	10	5.508.725	5.387.357
Investments		5.508.725	5.387.357
Fixed assets		20.659.394	18.552.262
Manufactured goods and goods for resale		16.987.047	12.558.145
Inventories		16.987.047	12.558.145
Short-term trade receivables		9.409.140	9.037.822
Short-term receivables from group enterprises		2.849.899	2.436.530
Current deferred tax		94.605	0
Short-term tax receivables		2.184.357	1.226.424
Other short-term receivables		816.154	546.271
Prepayments	11	3.900.334	3.071.885
Receivables		19.254.489	16.318.932
Cash and cash equivalents		2.955.775	2.151.796
Current assets		39.197.311	31.028.873
Assets		59.856.705	49.581.135

Balance Sheet as of 31 December

	Note	2018 DKK	2017 DKK
Liabilities and equity			
Contributed capital	12	80.002	80.002
Retained earnings		9.025.192	18.179.536
Equity		9.105.194	18.259.538
Provisions for deferred tax		0	267.389
Other provisions	13	1.216.345	0
Provisions		1.216.345	267.389
Prepayments received from customers		318.998	6.866
Trade payables		5.059.587	8.067.477
Payables to group enterprises		38.959.678	16.434.518
Other payables		5.196.903	6.545.347
Short-term liabilities other than provisions		49.535.166	31.054.208
Liabilities other than provisions within the business		49.535.166	31.054.208
Liabilities and equity		59.856.705	49.581.135
Contingent liabilities	14		
Collaterals and assets pledges as security	15		
Ownership	16		
Deferred tax assets and liabilities	17		
Liabilities under off-balance sheet leases	18		
Other disclosures	19		

Sephora Danmark ApS

Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 January 2018	80.002	18.179.536	18.259.538
Profit (loss)	<u>0</u>	<u>-9.154.344</u>	<u>-9.154.344</u>
Equity 31 December 2018	<u>80.002</u>	<u>9.025.192</u>	<u>9.105.194</u>

Notes

	2018	2017
1. Employee benefits expense		
Wages and salaries	24.877.926	20.941.632
Post-employment benefit expense	1.169.710	822.406
Social security contributions	471.815	357.913
Other employee expense	183.849	335.328
	26.703.300	22.457.279
Average number of employees	80	67
Referring to the Danish Financial Statement Act §98B, section 3.2 Management's salaries are left out.		
2. Finance expenses		
Finance expenses arising from group enterprises	38.007	8.105
Other finance expenses	326.017	350.975
	364.024	359.080
3. Tax expense		
Change in deferred tax for the year	-361.994	36.726
Current tax	-2.184.357	-1.226.410
	-2.546.351	-1.189.684
4. Distribution of profit		
Retained earnings	-9.154.344	-4.064.810
	-9.154.344	-4.064.810
5. Acquired intangible assets		
Cost at the beginning of the year	4.429.891	3.996.313
Addition during the year, incl. improvements	364.451	433.578
Cost at the end of the year	4.794.342	4.429.891
Depreciation and amortisation at the beginning of the year	-3.609.533	-3.236.817
Amortisation for the year	-254.079	-372.716
Impairment losses and amortisation at the end of the year	-3.863.612	-3.609.533
Carrying amount at the end of the year	930.730	820.358
6. Prepayments for intangible assets		
Cost at the beginning of the year	352.449	1.574.832
Addition during the year, incl. improvements	73.238	352.449
Transfers during the year to other items	-352.449	-1.574.832
Cost at the end of the year	73.238	352.449
Carrying amount at the end of the year	73.238	352.449

Notes

	2018	2017
7. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	1.851.559	1.050.727
Addition during the year, incl. improvements	2.877.404	800.832
Cost at the end of the year	4.728.963	1.851.559
Depreciation and amortisation at the beginning of the year	-792.254	-539.068
Amortisation for the year	-422.003	-253.186
Impairment losses and amortisation at the end of the year	-1.214.257	-792.254
Carrying amount at the end of the year	3.514.706	1.059.305
8. Leasehold improvements		
Cost at the beginning of the year	12.167.052	4.295.534
Addition during the year, incl. improvements	3.597.546	7.871.518
Cost at the end of the year	15.764.598	12.167.052
Depreciation and amortisation at the beginning of the year	-2.083.007	-483.685
Amortisation for the year	-3.175.653	-1.599.322
Impairment losses and amortisation at the end of the year	-5.258.660	-2.083.007
Carrying amount at the end of the year	10.505.938	10.084.045
9. Property, plant and equipment in progress		
Cost at the beginning of the year	848.748	513.402
Addition during the year, incl. improvements	126.057	848.748
Disposal during the year	-848.748	-513.402
Cost at the end of the year	126.057	848.748
Carrying amount at the end of the year	126.057	848.748
10. Deposits		
Cost at the beginning of the year	5.387.357	6.959.930
Addition during the year, incl. improvements	167.808	746.440
Disposal during the year	-46.440	-2.319.013
Cost at the end of the year	5.508.725	5.387.357
Carrying amount at the end of the year	5.508.725	5.387.357
11. Prepayments		
Prepayments primarily comprise prepaid rental costs.		

Notes

12. Contributed capital

	2018	2017
Balance at the beginning of the year	80.002	80.002
Additions during the year	0	0
Balance at the end of the year	80.002	80.002

	2018	2017	2016	2015	2014
Balance, beginning of the year	80.002	80.002	80.001	80.000	80.000
Additions during the year	0	0	1	1	0
Balance, end of the year	80.002	80.002	80.002	80.001	80.000

13. Other provisions

	2018	2017
Accrued charges to pay	1.216.345	0
Balance at the end of the year	1.216.345	0

14. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Parfums Christian Dior A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

15. Mortgages and collaterals

None.

16. Ownership

The Company has registered the following shareholder to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Sephora SAS, 41, rue Ybry, 92576 Neuilly, CEDEX, France.

The shareholder controls the company.

17. Deferred tax assets and liabilities

	2018	2017
Balance at the beginning of the year	-267.389	-230.663
Adjustments during the year	361.994	-36.726
Balance at the end of the year	94.605	-267.389

Adjustment of deferred tax assets is recognised in the income statement.

Notes

18. Unrecognised rental and lease commitments

Commitments under rental agreements or leases until expiry 40.084.441 (2017: 59.810.158 DKK)

19. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

LVMH Group S.A., Paris, France

Name and registered office of the Parent preparing consolidated financial statements for the biggest group:

Group Arnault S.A, Paris, France