

Sephora Danmark ApS

Kgs. Nytorv 26, 4. sal

1050 Copenhagen K

CVR No. 33863225

Annual Report 2017

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 31 May 2018



Gilles Dougoud
Chairman

Sephora Danmark ApS

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Sephora Danmark ApS

Management's Statement

Today, Management has considered and adopted the Annual Report of Sephora Danmark ApS for the financial year 1 January 2017 - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January 2017 - 31 December 2017.

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 2018

Executive Board

Gilles Dougoud
CEO

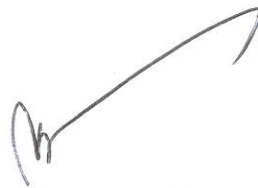


Board of Directors

Jenni Österlund
Chairman



Alexis Simon Jacques Rollier
Director



Gilles Dougoud
Director



Independent Auditor's Report

To the shareholders of Sephora Danmark ApS

Opinion

We have audited the financial statements of Sephora Danmark ApS for the financial year 1 January 2017 - 31 December 2017, 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 2017 and of the results of its operations for the financial year 1 January 2017 - 31 December 2017 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 2018

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 2017 - 31 December 2017
Board of Directors	Jenni Österlund, Chairman Alexis Simon Jacques Rollier, 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 2017 - 31 December 2017 shows a result of DKK -4.064.810 and the Balance Sheet at 31 December 2017 a balance sheet total of DKK 49.581.135 and an equity of DKK 18.259.538.

Profit/loss for the year in relation to expected developments

Management expected a decrease in the results for the financial statements 2017 compared to 2016. The loss has increased in 2017, which primarily is linked to the December 2016 closing of our Danish flagship store, which was not replaced before June 2017.

Outlook

Management expects the financial statements for 2018 to show a decrease in profitability. The decrease in profitability will mainly be linked to lower sales in the concessions in Magasin du Nord.

The strategy of the Company is to break even in 2022 by opening additional stores in Danish key cities and to gain 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.

Sephora Danmark ApS

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

	2017	2016	2015	2014	2013
Key figures					
Gross profit	19.786	23.210	15.129	7.558	10.778
Operating profit/loss	-4.896	-4.155	-11.662	-15.772	-15.826
Net financial income and expenses	-358	-204	-331	-979	-915
Profit/loss for the year	-4.065	-3.402	-9.114	-12.854	-12.590
Total assets	49.581	44.180	43.468	42.535	49.379
Investment in tangible assets	13.938	4.310	2.196	1.100	1.874
Total equity	18.260	22.324	4.726	-39.860	-27.004
Ratios					
Solvency ratio (%)	36,83	50,53	10,90	-93,70	-54,70

For definitions of key ratios, see Accounting Policies.

Accounting Policies

Reporting Class

The Annual Report of Sephora Danmark ApS for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

In addition, the Company has decided to follow the class C in some areas.

The accounting policies applied remain unchanged from last year.

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.

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.

Accounting Policies

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).

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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		Calculation formula	Ratios reflect
Solvency ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity

Income Statement

	Note	2017 DKK	2016 DKK
Gross profit		19.786.249	23.209.585
Employee benefits expense	1	-22.457.279	-21.226.118
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-2.225.224	-6.138.128
Profit from ordinary operating activities		-4.896.254	-4.154.661
Finance income		840	5.015
Finance expences		-359.080	-209.130
Profit from ordinary activities before tax		-5.254.494	-4.358.776
Tax expense on ordinary activities	2	1.189.684	956.994
Profit		-4.064.810	-3.401.782
Proposed distribution of results			
Retained earnings		-4.064.810	-3.401.782
Distribution of profit		-4.064.810	-3.401.782

Balance Sheet as of 31 December

	Note	2017 DKK	2016 DKK
Assets			
Acquired intangible assets	3	820.358	759.496
Prepayments for intangible assets	4	352.449	1.574.832
Intangible assets		1.172.807	2.334.328
Fixtures, fittings, tools and equipment	5	1.059.305	511.659
Leasehold improvements	6	10.084.045	3.811.849
Property, plant and equipment in progress	7	848.748	513.402
Property, plant and equipment		11.992.098	4.836.910
Deposits, investments	8	5.387.357	6.959.930
Investments		5.387.357	6.959.930
Fixed assets		18.552.262	14.131.168
Manufactured goods and goods for resale		12.558.145	7.780.516
Inventories		12.558.145	7.780.516
Short-term trade receivables		9.037.822	17.304.379
Short-term receivables from group enterprises		2.436.530	3.410.268
Short-term tax receivables		1.226.424	627.850
Other short-term receivables		546.271	127.713
Prepayments	9	3.071.885	357.911
Receivables		16.318.932	21.828.121
Cash and cash equivalents		2.151.796	440.516
Current assets		31.028.873	30.049.153
Assets		49.581.135	44.180.321

Balance Sheet as of 31 December

	Note	2017 DKK	2016 DKK
Liabilities and equity			
Contributed capital	10	80.002	80.002
Retained earnings		18.179.536	22.244.345
Equity		18.259.538	22.324.347
Provisions for deferred tax		267.389	230.663
Provisions		267.389	230.663
Prepayments received from customers		6.866	6.866
Trade payables		8.067.477	8.291.589
Payables to group enterprises		16.434.518	6.780.614
Other payables		6.545.347	6.546.242
Short-term liabilities other than provisions		31.054.208	21.625.311
Liabilities other than provisions within the business		31.054.208	21.625.311
Liabilities and equity		49.581.135	44.180.321
Contingent liabilities	11		
Ownership	12		
Liabilities under off-balance sheet leases	13		
Other disclosures	14		

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Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 January 2017	80.002	22.244.346	22.324.348
Profit (loss)	0	-4.064.810	-4.064.810
Equity 31 December 2017	<u>80.002</u>	<u>18.179.536</u>	<u>18.259.538</u>

Notes

	2017	2016
1. Employee benefits expense		
Wages and salaries	20.941.632	20.323.236
Post-employment benefit expense	822.406	681.932
Social security contributions	357.913	360.709
Other employee expense	335.328	-139.759
	<u>22.457.279</u>	<u>21.226.118</u>
Average number of employees	<u>67</u>	<u>63</u>
Referring to the Danish Financial Statement Act §98B, section 3.2 Management's salaries are left out.		
2. Tax expense		
Change in deferred tax for the year	36.726	-297.807
Current tax	-1.226.410	-627.850
Adjustment relating to previous years	0	-31.337
	<u>-1.189.684</u>	<u>-956.994</u>
3. Acquired intangible assets		
Cost at the beginning of the year	3.996.313	3.683.646
Addition during the year, incl. improvements	433.578	312.667
Cost at the end of the year	<u>4.429.891</u>	<u>3.996.313</u>
Depreciation and amortisation at the beginning of the year	-3.236.817	-2.542.318
Amortisation for the year	-372.716	-694.499
Impairment losses and amortisation at the end of the year	<u>-3.609.533</u>	<u>-3.236.817</u>
Carrying amount at the end of the year	<u>820.358</u>	<u>759.496</u>
4. Prepayments for intangible assets		
Cost at the beginning of the year	1.574.832	400.007
Addition during the year, incl. improvements	352.449	1.574.832
Transfers during the year to other items	-1.574.832	-400.007
Cost at the end of the year	<u>352.449</u>	<u>1.574.832</u>
Carrying amount at the end of the year	<u>352.449</u>	<u>1.574.832</u>

Notes

	2017 DKK	2016 DKK
5. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	1.050.727	686.631
Addition during the year, incl. improvements	800.832	487.901
Disposal during the year	0	-123.805
Cost at the end of the year	1.851.559	1.050.727
Depreciation and amortisation at the beginning of the year	-539.068	-551.114
Amortisation for the year	-253.186	-100.711
Reversal of prior years' impairment losses and amortisation	0	112.757
Impairment losses and amortisation at the end of the year	-792.254	-539.068
Carrying amount at the end of the year	1.059.305	511.659
6. Leasehold improvements		
Cost at the beginning of the year	4.295.534	15.969.209
Addition during the year, incl. improvements	7.871.518	2.843.505
Disposal during the year	0	-14.517.180
Cost at the end of the year	12.167.052	4.295.534
Depreciation and amortisation at the beginning of the year	-483.685	-9.668.995
Amortisation for the year	-1.599.322	-3.320.226
Reversal of impairment losses and amortisation of disposed assets	0	12.505.536
Impairment losses and amortisation at the end of the year	-2.083.007	-483.685
Carrying amount at the end of the year	10.084.045	3.811.849
7. Property, plant and equipment in progress		
Cost at the beginning of the year	513.402	209.160
Addition during the year, incl. improvements	848.748	513.402
Disposal during the year	-513.402	-209.160
Cost at the end of the year	848.748	513.402
Carrying amount at the end of the year	848.748	513.402
8. Deposits		
Cost at the beginning of the year	6.959.930	3.602.362
Addition during the year, incl. improvements	746.440	4.276.290
Disposal during the year	-2.319.013	-918.722
Cost at the end of the year	5.387.357	6.959.930
Carrying amount at the end of the year	5.387.357	6.959.930

Notes

9. Prepayments

Prepayments primarily comprise prepaid rental costs.

10. Contributed capital

Balance at the beginning of the year	80.002	80.001
Additions during the year	0	1
Balance at the end of the year	80.002	80.002

	Number	Par value DKK	Nominal value DKK
Ordinary shares	80	1.000	80.000
Ordinary shares	2	1.00	2
	82		80.002

	2017	2016	2015	2014	2013
Balance, beginning of the year	80.002	80.001	80.000	80.000	80.000
Additions during the year	0	1	1	0	0
Balance, end of the year	80.002	80.002	80.001	80.000	80.000

11. 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.

12. 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.

13. Unrecognised rental and lease commitments

Commitments under rental agreements or leases until expiry 59.810.158 (2016: 44.813.174 DKK)

Sephora Danmark ApS

Notes

14. Consolidation

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

LVMH Moët Hennessy-Louis Vuitton, Paris, France