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Sephora Danmark ApS
Central Business Registration No 33863225
Rathsacksvej 1, 4
DK-1862 Frederiksberg C

Annual report 2015

The Annual General Meeting adopted the annual report on 30.04.2016

Chairman of the General Meeting

Name: Gilles Dougoud

Contents

Entity details

Entity

Sephora Danmark ApS
Rathsacksvej 1, 4
DK-1862 Frederiksberg C

Central Business Registration No: 33863225
Registered in: Frederiksberg
Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Jenni Österlund, Chairman
Aline Burelier
Gilles Dougoud

Executive Board

Gilles Dougoud, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
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0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Sephora Danmark ApS for the financial year 01.01.2015 - 31.12.2015.

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 Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Frederiksberg, 30.04.2016

Executive Board

Gilles Dougoud
CEO

Board of Directors

Jenni Österlund Chairman	Aline Burelier	Gilles Dougoud

Independent auditor's reports

To the owner of Sephora Danmark ApS

Report on the financial statements

We have audited the financial statements of Sephora Danmark ApS for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 30.04.2016

Deloitte
Statsautoriseret Revisionspartnerselskab

Lars Andersen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights				
Key figures				
Gross profit	15,129	7,558	10,778	(132)
Operating profit/loss	(11,662)	(15,772)	(15,826)	(18,871)
Net financials	(331)	(979)	(915)	(415)
Profit/loss for the year	(9,114)	(12,854)	(12,590)	(14,494)
Total assets	43,468	42,535	49,379	50,425
Investments in property, plant and equipment	2,196	1,100	1,874	17,688
Equity	4,726	(39,860)	(27,004)	(14,414)
Ratios				
Solvency ratio (%)	10.9	(93.7)	(54.7)	(28.6)

Return on equity has not been disclosed as results for the year and prior years are negative and equity for prior years is negative. This would disclose a positive return on equity, which is not correct.

Management commentary

Primary activities

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

Development in activities and finances

In the 2015 financial year, the Company has realised a loss of DKK 9,114 thousand which is in line with the Company's expectations. The Company expects better earnings for the 2016 financial year, however, a loss is expected.

The Company received a capital increase of 53.7 million DKK during the year. In addition, the Parent, Sephora S.AS has issued a guarantee to continue financing until 30 April 2017. Therefore, in Management's opinion there is no uncertainty about the going concern assumption.

Profit/loss for the year in relation to expected developments

Management expected better results for the financial statements 2015 than for 2014. The loss has decreased in 2015, which primarily is due to a major renovation of one of the Company's stores in 2014 and the opening of a new store in 2015.

Uncertainty relating to recognition and measurement

There are no uncertainties relating to recognition and measurement.

Unusual circumstances affecting recognition and measurement

There are no unusual circumstances affecting recognition and measurement.

Outlook

Management expects the financial statements for 2016 to show an increase in profitability, however, a loss is still expected. The increase in profitability will mainly be generated by a gain in market share throughout the year and by opening new stores in 2016.

The strategy of the Company is to break even in 2019 by opening additional stores in Danish key cities and to gain market share through our existing stores.

Events after the balance sheet date

After the balance sheet date, the Parent Company, Sephora S.AS decided to make a capital increase of 16.0 million DKK.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for these financial statements are consistent with those applied last year.

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. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

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 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 or loss

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

Accounting policies

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 the 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.

Other operating income

Other operating income comprises income of a 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 losses

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 Danish Tax Prepayment Scheme etc.

Accounting policies

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 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 a refund concerning tax losses).

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 asset's fair value and present value of future lease payments.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

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

Accounting policies

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 resale 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, usually equalling nominal value less write-downs for bad and doubtful 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 costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

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 of 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 deferred 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 term of the lease.

Other financial liabilities

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

Accounting policies

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.

Cash flow statement

The Company has taken exception to presentation of the cash flow statement, given the fact that the Parent produces a cash flow statement on group basis.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

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

Income statement for 2015

	Notes	2015 DKK	2014 DKK'000
Gross profit		**15,128,685**	**7,558**
Staff costs	1	(20,221,108)	(18,518)
Depreciation, amortisation and impairment losses		(6,569,347)	(4,812)
Operating profit/loss		**(11,661,770)**	**(15,772)**
Other financial income		2,026	1
Other financial expenses		(333,501)	(980)
Profit/loss from ordinary activities before tax		**(11,993,245)**	**(16,751)**
Tax on profit/loss from ordinary activities	2	2,879,523	3,897
Profit/loss for the year		**(9,113,722)**	**(12,854)**

Proposed distribution of profit/loss		
Retained earnings	(9,113,722)	(12,854)
	(9,113,722)	**(12,854)**

Balance sheet at 31.12.2015

	Notes	2015 DKK	2014 DKK'000
Acquired intangible assets		1,141,328	1,514
Prepayments for intangible assets		400,007	0
Intangible assets	3	**1,541,335**	**1,514**
Other fixtures and fittings, tools and equipment		135,517	302
Leasehold improvements		6,300,214	10,029
Property, plant and equipment in progress		209,160	357
Property, plant and equipment	4	**6,644,891**	**10,688**
Deposits		3,602,362	3,250
Fixed asset investments	5	**3,602,362**	**3,250**
Fixed assets		**11,788,588**	**15,452**
Manufactured goods and goods for resale		9,314,349	8,764
Inventories		**9,314,349**	**8,764**
Trade receivables		11,133,792	9,765
Receivables from group enterprises		2,767,392	1,781
Other short-term receivables		68,493	111
Income tax receivable		7,950,803	5,338
Prepayments	6	138,721	762
Receivables		**22,059,201**	**17,757**
Cash		**305,413**	**562**
Current assets		**31,678,963**	**27,083**
Assets		**43,467,551**	**42,535**

Balance sheet at 31.12.2015

	Notes	2015 DKK	2014 DKK'000
Contributed capital	7	80,001	80
Retained earnings		4,646,127	(39,940)
Equity		**4,726,128**	**(39,860)**
Provisions for deferred tax		528,469	795
Provisions		**528,469**	**795**
Prepayments received from customers		6,878	8
Trade payables		3,648,725	5,947
Debt to group enterprises		28,583,489	71,537
Other payables		5,973,862	4,108
Current liabilities other than provisions		**38,212,954**	**81,600**
Liabilities other than provisions		**38,212,954**	**81,600**
Equity and liabilities		**43,467,551**	**42,535**
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Ownership	10		
Consolidation	11		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	80,000	(39,940,151)	(39,860,151)
Increase of capital	1	53,700,000	53,700,001
Profit/loss for the year	0	(9,113,722)	(9,113,722)
Equity end of year	**80,001**	**4,646,127**	**4,726,128**

Notes

	2015 DKK	2014 DKK'000
1. Staff costs		
Wages and salaries	18,702,177	17,419
Pension costs	662,622	482
Other social security costs	351,149	338
Other staff costs	505,160	279
	20,221,108	**18,518**
Average number of employees	**59**	**52**

With reference to the Danish Financial Statements Act section 98 b, Management's remuneration has not been disclosed.

	2015 DKK	2014 DKK'000
2. Tax on ordinary profit/loss for the year		
Current tax	(2,622,054)	(5,338)
Change in deferred tax for the year	(266,274)	1,501
Adjustment relating to previous years	8,805	5
Effect of changed tax rates	0	(65)
	(2,879,523)	**(3,897)**

	Acquired intangible assets DKK	Prepayments for intangib-le assets DKK
3. Intangible assets		
Cost beginning of year	3,370,332	0
Additions	313,314	400,007
Cost end of year	**3,683,646**	**400,007**
Amortisation and impairment losses beginning of year	(1,855,757)	0
Amortisation for the year	(686,561)	0
Amortisation and impairment losses end of year	**(2,542,318)**	**0**
Carrying amount end of year	**1,141,328**	**400,007**

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
4. Property, plant and equipment			
Cost beginning of year	814,866	18,995,124	356,750
Additions	26,719	1,960,219	209,160
Disposals	(154,954)	(4,986,134)	(356,750)
Cost end of year	**686,631**	**15,969,209**	**209,160**
Depreciation and impairment losses beginning of the year	(512,829)	(8,965,583)	0
Depreciation for the year	(176,784)	(3,810,277)	0
Reversal regarding disposals	138,499	3,106,865	0
Depreciation and impairment losses end of the year	**(551,114)**	**(9,668,995)**	**0**
Carrying amount end of year	**135,517**	**6,300,214**	**209,160**

	Deposits DKK
5. Fixed asset investments	
Cost beginning of year	3,249,819
Additions	597,847
Disposals	(245,304)
Cost end of year	**3,602,362**
Carrying amount end of year	**3,602,362**

6. Prepayments

Prepayments primarily comprise prepaid rental costs.

	Number	Par value DKK	Nominal value DKK
7. Contributed capital			
Ordinary shares	80	1,000.00	80,000
Ordinary shares	1	1.00	1
	81		**80,001**

Notes

	2015 DKK	2014 DKK	2013 DKK	2012 DKK
Changes in contributed capital				
Contributed capital beginning of year	80,000	80,000	80,000	0
Increase of capital	1	0	0	80,000
Contributed capital end of year	**80,001**	**80,000**	**80,000**	**80,000**

	2015 DKK	2014 DKK'000
8. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	14,515,635	19,041

9. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

10. 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 S.A, 65 Ave Edouard Vaillant, 92100 Boulogne Billancourt, France

The shareholder controls the Company.

11. Consolidation

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

LVMH Moët Hennessy-Louis Vuitton, Paris, France