

---

# *Estée Lauder Cosmetics A/S*

Franciska Clausens Plads 20, DK-1799 København V

## Annual Report for 1 July 2021 - 30 June 2022

---

CVR No. 65 59 78 10

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 21/11 2022

Peter Kim Ketelsen  
Chairman of the  
general meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's statement	1
Independent Auditor's report	2
<b>Management's Review</b>	
Company information	4
Financial Highlights	5
Management's review	6
<b>Financial Statements</b>	
Income statement 1 July 2021 - 30 June 2022	9
Balance sheet 30 June 2022	10
Statement of changes in equity	12
Notes to the Financial Statements	13

# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Estée Lauder Cosmetics A/S for the financial year 1 July 2021 - 30 June 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2022 of the Company and of the results of the Company operations for 2021/22.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 21 November 2022

## Executive Board

Jesper Abildgaard  
Managing Director

Daoud David Gerges  
Director

## Board of Directors

Tracey Thomas Travis

Jesper Abildgaard

Peter Kim Ketelsen

# Independent Auditor's report

To the shareholder of Estée Lauder Cosmetics A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Estée Lauder Cosmetics A/S for the financial year 1 July 2021 - 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities 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, 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 Company or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's report

## Auditor's responsibilities 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 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 the 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 the 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent 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.

Hellerup, 21 November 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Lunden

State Authorised Public Accountant

mne32209

Gösta Gauffin

State Authorised Public Accountant

mne45821

## Company information

<b>The Company</b>	Estée Lauder Cosmetics A/S Franciska Clausens Plads 20 DK-1799 København V  CVR No: 65 59 78 10 Financial period: 1 July 2021 - 30 June 2022 Municipality of reg. office: Copenhagen
<b>Board of Directors</b>	Tracey Thomas Travis Jesper Abildgaard Peter Kim Ketelsen
<b>Executive board</b>	Jesper Abildgaard Daoud David Gerges
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

## Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	747,642	713,918	675,940	680,252	704,974
Gross profit/loss	307,419	294,576	490,901	499,977	506,312
Profit/loss before financial income and expenses	133,193	91,925	75,360	54,114	56,136
Profit/loss of financial income and expenses	-130	234	10	99	-473
Net profit/loss	110,192	70,379	68,805	42,588	45,521
<b>Balance sheet</b>					
Balance sheet total	519,101	410,849	346,630	258,712	538,259
Investment in property, plant and equipment	27,550	9,674	17,689	27,192	42,395
Equity	381,341	273,755	198,426	156,375	435,873
Number of employees	363	402	482	478	507
<b>Ratios</b>					
Gross margin	41.1%	41.3%	72.6%	73.5%	71.8%
Profit margin	17.8%	12.9%	11.1%	8.0%	8.0%
Return on assets	25.7%	22.4%	21.7%	20.9%	10.4%
Solvency ratio	73.5%	66.6%	57.2%	60.4%	81.0%
Return on equity	33.6%	29.8%	38.8%	14.4%	13.3%

The Company has changed its income statement from being classified by function to being classified by nature. The figures for prior year has been restated. In connection with the changes to accounting policies, the comparative figures for 2017/18, 2018/19 and 2019/20 have not been restated. See the description under accounting policies.

# Management's review

## Key activities

The Company's business foundation is marketing and sale of prestigious cosmetics in Denmark, Norway, Sweden and Iceland. The Company operates in Denmark with operations in Sweden and Norway through the branches Estée Lauder Cosmetics A/S Danmark (Sverigefilial) and Estée Lauder Cosmetics Danmark Norgesfilialen, as well as in Iceland through a distributor which ensures a strong/well-established base servicing the Nordic customers. The products comprise the following brands: Estée Lauder, Clinique, Origins, M.A.C., Bobbi Brown, La Mer, Smashbox, Tom Ford, Glam Glow, Aveda, Bumble & Bumble, Le Labo and Too Faced.

## Market overview

Management is optimistic about the development of the prestige beauty segment in the Nordic markets, despite the post pandemic effects in the retail space and the ongoing global uncertainty. The company expects that the consumption of prestige beauty products will increase-yet moderately in the coming financial year, with markets back to be open over a normal cycle, consumers returning to stores as well as the makeup category experiencing a revival after more than two years of downturn while the fragrance segment is on a very positive trajectory. In addition, Management is optimistic in respect of improved distribution possibilities for the brands that Estée Lauder Cosmetics A/S already holds and foresees a possibility to introduce new brands and types of distribution within the coming years. Hence, we are furthermore expecting to grow our revenue in 2022/23 compared to the previous year, with the ambition to outperform the prestige beauty market development. With the continued focus on earnings at group level and on local management level, the profit for 2022/2023 is also expected to grow compared to 2021/2022 levels. The company is expecting an increase in profit for 2022/2023 within 30 to 50 basis points compared to this fiscal years' result.

## Development in the year

Sales in the financial year have been aligned with expectations, despite the effects the Covid-19 crisis that impacted the retail space as well as the general aftermath that the pandemic and the global inflation pressure that followed. The Nordics as a market was less disrupted by the pandemic than most other EMEA markets due to a combination of less restrictive lock downs. In this fiscal year, Norway is again the fastest growing market, widely outgrowing both the Danish & Swedish operations. Sales per country are split as follows: Sweden 43% (2020/21: 43%), Denmark 35% (2020/21: 37%), and Norway 22% (2020/21: 21%).

In general, our brick & mortar distribution had been negatively impacted by the Covid-19 crisis, however we started seeing a considerable recovery in the physical distribution in the last few months of the year. While our online sales had picked up tremendous speed during the first half of the year, we saw a slower growth in the channel when the consumer traffic in the physical stores gained momentum. The recovery in the makeup category which we experienced in the end of last fiscal year continued in 2022 and was complemented by strong development in the lux fragrance portfolio, which we anticipate will continue drive growth in fiscal year 2023.

## The past year and follow-up on development expectations from last year

Profit for the year amounts to DKK 110.192 thousand (2020/21: DKK 70.379 thousand) primarily driven by higher sales with a more favorable mix compared to previous year coupled with tight cost management and further optimization of business operations. The company has during the year invested additional funds in the market to support and fuel the growth and therefore Management considers the profit for the year to be satisfactory.

## Capital resources

Estée Lauder Cosmetics A/S is still financially solid. The solvency ratio amounts to 73,5% (2020/21: 66,6%). Equity at 30 June 2022 amounts to DKK 381.341 thousand (2020/21: DKK 273.755 thousand) as no dividends were paid out this year. At the end of the financial year, the Company's cash at bank and in hand amounted to DKK 3,152 thousand (2020/21: DKK 3.228 thousand).



# Management's review

## Operating risks

The Company's most significant operating risk relates to the aftermath of the Covid-19 pandemic, supply chain challenges, global price increases in most categories, consumer sentiment coupled with a changing consumer behavior. The online revolution in the industry continues to drive focus on securing the right competencies and top talents to secure growth in a very dynamic channel while supporting the omni-channel experience. Moreover, it is important for the Company to always be at the cutting edge of new products and brands. This is ensured through significant development activities in other companies in the Group

## Financial risks

Due to its financial position and financial resources, the Company has only limited exposure to changes in the interest rate level and to currency risks in respect of operations.

## Foreign exchange risks

The Company invoices its goods in DKK, NOK and SEK. A significant part of supplies is purchased in the same currencies, and consequently, there is no need for hedging when entering financial agreements.

## Credit risks

The Company's credit risks primarily relate to financial assets recognized in the balance sheet. The Company has no significant risks relating to individual customers or cooperative partners and is not dependent on a single customer or cooperative partner. The Company's policy for undertaking credit risks entail that all large customers and other cooperative partners are credit rated on an ongoing basis.

## Intellectual capital resources

People are our primarily assets and it is essential to Estée Lauder Cosmetics A/S' continued growth to attract and retain highly educated employees specializing in marketing and sale of prestigious cosmetics as well as digital capabilities.

## Statement of corporate social responsibility

Estée Lauder Cosmetics in Denmark does not have its own individual policies for corporate social responsibility, including respect for human rights and the Company's impact on the climate and environment, as the Company is covered by the Group's policies. The Company refers to the Group's Social Impact and Sustainability Report for our statement on corporate social responsibility. The report has been prepared in accordance with Global Reporting Initiative (GRI) standards and is available at <https://www.elcompanies.com/en/our-commitments>

Here you will find the focus subjects for CSR like 'Sustainable Sourcing', 'Employee Well-Being', 'Product-and-packaging-innovation', 'Guiding Principles', 'Volunteerism' and focus areas like BCA (Breast Cancer Awareness) and MAC Aids Fund.

Estée Lauder Cosmetics in Denmark, Norway and Sweden have a variety of local initiatives under the group umbrella such as the Breast Cancer Awareness program in cooperation with 'Støt Brysterne'; 'Brystkreftforeningen' and 'Bröstcancerförbundet'.

# Management's review

## Statement on gender composition

It is the Company's goal that each gender should be represented by at least 33% on the Board of Directors. At present, the Company meets its goal. For a number of years, Estée Lauder Cosmetics A/S has had an even distribution of the two genders in Management; at present, 50% of the members are female.

It is our policy to appoint the persons with the best qualifications to management positions, and at the same time, we want to promote diversity in Management. In order to do so, executive management and HR work closely together to do their utmost that, to the extent possible, there is at least one candidate of each gender among the final three candidates when externally recruiting members of Management. To the extent external recruitment agencies are used they are instructed to focus on the diversity of the two genders.

Further, for our Talent Acquisition Manager it is a priority to create a more diverse workforce in the Nordics. We are constantly working on employer Branding initiatives making the Nordic organization more attractive to a more diverse pool of candidates.

## Statement on data ethics

The Estee Lauder Cosmetics in Denmark does not have its own individual policies on data ethics as this topic is addressed through the Group's policies on data privacy and cybersecurity. The Company refers to the Group's Social Impact and Sustainability Report for a description of the Groups policies on data privacy and cybersecurity. The report is available at <https://www.elcompanies.com/en/our-commitments>.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement 1 July 2021 - 30 June 2022

	Note	2021/22	2020/21
		TDKK	TDKK
Revenue	1	747,642	713,918
Other operating income	2	1,206	4,766
Cost of goods sold		-221,983	-204,921
Other external expenses		-219,446	-219,187
<b>Gross profit</b>		<b>307,419</b>	<b>294,576</b>
Staff expenses	3	-152,702	-176,217
Depreciation and impairment losses of property, plant and equipment		-21,524	-26,434
<b>Profit/loss before financial income and expenses</b>		<b>133,193</b>	<b>91,925</b>
Financial income	4	207	324
Financial expenses	5	-337	-90
<b>Profit/loss before tax</b>		<b>133,063</b>	<b>92,159</b>
Tax on profit/loss for the year	6	-22,871	-21,780
<b>Net profit/loss for the year</b>	7	<b>110,192</b>	<b>70,379</b>

## Balance sheet 30 June 2022

### Assets

	Note	2021/22 TDKK	2020/21 TDKK
Acquired licenses		84	123
<b>Intangible assets</b>	8	<b>84</b>	<b>123</b>
Other fixtures and fittings, tools and equipment		26,252	37,245
Leasehold improvements		8,523	538
Property, plant and equipment in progress		3,753	4,977
<b>Property, plant and equipment</b>	9	<b>38,528</b>	<b>42,760</b>
Deposits	10	3,049	7,027
<b>Fixed asset investments</b>		<b>3,049</b>	<b>7,027</b>
<b>Fixed assets</b>		<b>41,661</b>	<b>49,910</b>
Finished goods and goods for resale		647	1,015
<b>Inventories</b>		<b>647</b>	<b>1,015</b>
Trade receivables		99,462	88,038
Receivables from group enterprises		364,972	261,510
Other receivables		120	2,470
Deferred tax asset	11	8,777	3,959
Prepayments	12	310	719
<b>Receivables</b>		<b>473,641</b>	<b>356,696</b>
<b>Cash at bank and in hand</b>		<b>3,152</b>	<b>3,228</b>
<b>Current assets</b>		<b>477,440</b>	<b>360,939</b>
<b>Assets</b>		<b>519,101</b>	<b>410,849</b>

## Balance sheet 30 June 2022

### Liabilities and equity

	Note	2021/22 TDKK	2020/21 TDKK
Share capital	13	500	500
Other reserves		2,344	4,950
Retained earnings		378,497	268,305
<b>Equity</b>		<b>381,341</b>	<b>273,755</b>
Other provisions	14	9,718	2,845
<b>Provisions</b>		<b>9,718</b>	<b>2,845</b>
Other payables		2,483	1,848
<b>Long-term debt</b>		<b>2,483</b>	<b>1,848</b>
Trade payables		20,043	20,205
Payables to group enterprises		17,218	18,839
Corporation tax		16,364	14,255
Other payables		71,934	79,102
<b>Short-term debt</b>		<b>125,559</b>	<b>132,401</b>
<b>Debt</b>		<b>128,042</b>	<b>134,249</b>
<b>Liabilities and equity</b>		<b>519,101</b>	<b>410,849</b>
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Subsequent events	18		
Accounting Policies	19		

## Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	500	4,950	268,305	273,755
Exchange adjustments	0	-2,606	0	-2,606
Net profit/loss for the year	0	0	110,192	110,192
<b>Equity at 30 June</b>	<b>500</b>	<b>2,344</b>	<b>378,497</b>	<b>381,341</b>

# Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>1. Revenue</b>		
<b>Geographical segments</b>		
Denmark	258,995	261,712
Norway	163,096	147,114
Sweden	325,551	305,092
	<u>747,642</u>	<u>713,918</u>

Pursuant to section 96 of the Danish Financial Statements Act, the Company has chosen not to disclose the distribution of revenue by product category due to competitive reasons.

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>2. Other operating income</b>		
Salary compensation	1,206	4,766
	<u>1,206</u>	<u>4,766</u>

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>3. Staff Expenses</b>		
Wages and salaries	132,897	153,498
Pensions	9,372	10,108
Other social security expenses	10,433	12,611
	<u>152,702</u>	<u>176,217</u>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<u>7,458</u>	<u>7,063</u>
<b>Average number of employees</b>	<u>363</u>	<u>402</u>

The Company's Executive board participates in a share based incentive program of the ultimate parent company. The Executive Board is granted an even number of RSUs and Stock Options. RSU's have a vesting period of one to three years, and Stock Options expire after ten years. The total estimated value of granted RSUs and Stock Options granted to all employees in the year amounts to DKK 9.154k (2020/21: DKK 5,866k).

The number of granted RSUs and Stock Options are dependent on the Group's results and the individual entity's results, which are determined and assessed annually via a comprehensive and well-structured Performance Review. The result is assessed based on operational and personal performance.

## Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>4. Financial income</b>		
Interest received from group enterprises	207	31
Other financial income	<u>0</u>	<u>293</u>
	<u><b>207</b></u>	<u><b>324</b></u>

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>5. Financial expenses</b>		
Other financial expenses	<u>337</u>	<u>90</u>
	<u><b>337</b></u>	<u><b>90</b></u>

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>6. Income tax expense</b>		
Current tax for the year	27,713	22,623
Deferred tax for the year	-4,931	-843
Adjustment of deferred tax concerning previous years	<u>89</u>	<u>0</u>
	<u><b>22,871</b></u>	<u><b>21,780</b></u>

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>7. Profit allocation</b>		
Retained earnings	<u>110,192</u>	<u>70,379</u>
	<u><b>110,192</b></u>	<u><b>70,379</b></u>



# Notes to the Financial Statements

## 8. Intangible fixed assets

	Acquired licenses
	TDKK
Cost at 1 July	153
Exchange adjustment	-1
Cost at 30 June	<u>152</u>
Impairment losses and amortisation at 1 July	30
Impairment losses for the year	38
Impairment losses and amortisation at 30 June	<u>68</u>
<b>Carrying amount at 30 June</b>	<b><u>84</u></b>
Amortised over	<u>5 years</u>

## 9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 July	129,105	2,144	4,977
Exchange adjustment	-3,493	-49	-28
Additions for the year	9,093	8,921	9,536
Disposals for the year	-6,799	0	0
Transfers for the year	10,732	0	-10,732
Cost at 30 June	<u>138,638</u>	<u>11,016</u>	<u>3,753</u>
Impairment losses and depreciation at 1 July	100,730	1,606	0
Exchange adjustment	-2,908	-27	0
Depreciation for the year	20,610	914	0
Reversal of impairment and depreciation of sold assets	-6,046	0	0
Impairment losses and depreciation at 30 June	<u>112,386</u>	<u>2,493</u>	<u>0</u>
<b>Carrying amount at 30 June</b>	<b><u>26,252</u></b>	<b><u>8,523</u></b>	<b><u>3,753</u></b>

# Notes to the Financial Statements

## 10. Other fixed asset investments

	<u>Deposits</u> TDKK
Cost at 1 July	7,027
Exchange adjustment	-6
Disposals for the year	-3,972
Cost at 30 June	<u>3,049</u>
<b>Carrying amount at 30 June</b>	<b><u>3,049</u></b>

## 11. Deferred tax asset

	<u>2021/22</u> TDKK	<u>2020/21</u> TDKK
Deferred tax asset at 1 July	3,959	3,021
Exchange adjustments	-24	95
Amounts recognised in the income statement for the year	4,842	843
Deferred tax asset at 30 June	<u>8,777</u>	<u>3,959</u>

## 12. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## 13. Share capital

The share capital consists of 500 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 14. Other provisions

	<u>2021/22</u> TDKK	<u>2020/21</u> TDKK
Balance at 1. July 2021	2,845	4,077
Exchange adjustment	27	46
Provision in year	9,718	578
Employed in year	-2,872	-1,856
	<u>9,718</u>	<u>2,845</u>

## Notes to the Financial Statements

The provisions are expected to mature as follows:

Provisions falling due after 5 years	2,125	0
--------------------------------------	-------	---

The provision recognized consists of restoration liability regarding leased premises and restructuring.

2021/22	2020/21
TDKK	TDKK

### 15. Contingent assets, liabilities and other financial obligations

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6,674	7,039
Between 1 and 5 years	18,376	21,877
After 5 years	15,271	21,889
	<u>40,321</u>	<u>50,805</u>

#### Other contingent liabilities

The company has provided total bank guarantees	0	1,000
--	---	-------

### 16. Related parties and disclosure of consolidated financial statements

#### Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration. In accordance with section 98(c)(7) of the Danish Financial Statements Act, only transactions which are not made on an arm's length basis needs to be disclosed. No such transactions exists.

#### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Estée Lauder Luxemborg S.A.R.L.

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Estée Lauder Companies Inc	767 Fifth Avenue, New York, NY 10153, USA

## Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	TDKK	TDKK
<b>17. Fee to auditors appointed at the general meeting</b>		
<b>PricewaterhouseCoopers</b>		
Audit fee	459	459
Other assurance engagements	0	15
Tax advisory services	89	85
Non-audit services	60	42
	<u>608</u>	<u>601</u>

### 18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 19. Accounting policies

The Annual Report of Estée Lauder Cosmetics A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2021/22 are presented in KDKK.

### Changes in accounting policies

The Company has changed its income statement from being classified by function to being classified by nature in the current year. In Management's opinion this presentation gives a truer and fairer view of the Company's income statement, which corresponds to the Management's own assessment of the income statement.

As a result of the change in accounting policy for the presentation of the income statement, previous year's figures in the income statement as well as in previous year's figures in the five-year financial highlights summary in Management's Review have been restated to the new policy. The change has no effect on profit/loss, equity or cash flows.

Apart from the above, accounting policies remain unchanged from previous years.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Estée Lauder Companies Inc, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

# Notes to the Financial Statements

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Incentive schemes

Liabilities to reimburse the parent company related to Share-based compensation are recognized based on an ending intrinsic value of all granted RSUs and Stock Options. The expense related to this compensation consists of the value of this year's granted RSUs and Stock Options, as well as the change in intrinsic value of previously granted RSUs and Stock Options.

## Income statement

### Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales and as well as office expenses, etc.

### Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including government relief packages.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes to the Financial Statements

## Balance sheet

### Intangible fixed assets

Software is measured at the lower of cost less accumulated amortisation and recoverable amount. The software is amortised over expected useful life, which is 5 years.

### Other investment assets and other property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Other fixed asset investments

Other fixed asset investments consist of deposits

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# Notes to the Financial Statements

## Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

## Deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

## Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit before financials} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$