

Estée Lauder Cosmetics A/S

Delta Park 37
2665 Vallensbæk Strand

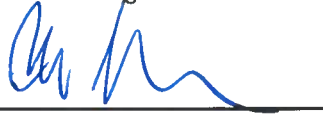
CVR no. 65 59 78 10

Annual report for the period 1 July 2019 – 30 June 2020

The annual report was presented and approved at the
Company's annual general meeting on

20 November 2020

Peter Ketelsen
chairman



Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Estée Lauder Cosmetics A/S for the financial year 1 July 2019 – 30 June 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

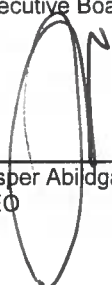
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 – 30 June 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Vallensbæk, 20 November 2020

Executive Board:

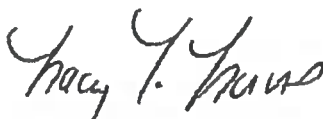


Jesper Abildgaard
CEO

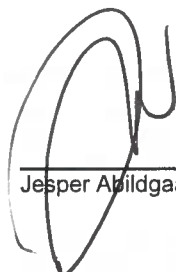


Daoud David Gerges
CFO

Board of Directors:



Tracey Thomas Travis
Chairman



Jesper Abildgaard



Peter Kim Ketelsen



Independent auditor's report

To the shareholder of Estée Lauder Cosmetics A/S

Opinion

We have audited the financial statements of Estée Lauder Cosmetics A/S for the financial year 1 July 2019 – 30 June 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. 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 assets, liabilities and financial position at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 – 30 June 2020 in accordance with the Danish Financial Statements Act.

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' 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 rules and 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 that 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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



Independent auditor's report

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 20 November 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

Estée Lauder Cosmetics A/S
Annual report 2019/20
CVR no. 65 59 78 10

Management's review

Company details

Estée Lauder Cosmetics A/S
Delta Park 37
2665 Vallensbæk Strand

Telephone: 36394400
Fax: 36394499
Website: www.elcompanies.com

CVR no.: 65 59 78 10
Established: 11 June 1974
Registered office: Vallensbæk
Financial year: 1 July – 30 June

Board of Directors

Tracey Thomas Travis, Chairman
Jesper Abildgaard
Peter Kim Ketelsen

Executive Board

Jesper Abildgaard, CEO
Daoud David Gerges, CFO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 20 November 2020

Management's review

Financial highlights

DKK'000	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	675,940	680,252	704,974	723,470	709,172
Operating profit/loss	75,360	54,114	56,136	76,617	97,909
Profit/loss from financial income and expenses	10	99	-473	-658	-4,365
Profit/loss for the year	68,805	42,588	45,521	58,642	71,848
Fixed assets	64,144	82,755	87,757	78,588	53,280
Current assets	282,486	175,957	450,502	444,144	433,131
Total assets	346,630	258,712	538,259	522,732	486,411
Contributed capital	500	500	500	500	500
Equity	216,387	156,375	435,873	399,708	346,667
Provisions	4,077	763	3,350	4,315	8,952
Current liabilities other than provisions	126,166	101,574	99,036	118,315	130,791
Investment in property, plant and equipment	17,689	27,192	42,395	46,954	24,302
Ratios					
Gross margin	72.6%	73.5%	71.8%	73.5%	75.9%
Operating margin	11.1%	8.0%	8.0%	10.6%	13.8%
Return on equity	36.9%	14.4%	13.3%	17.7%	22.9%
Return on capital employed	26.7%	20.9%	9.9%	14.7%	20.1%
Equity ratio/interest	55.0%	52.9%	76.5%	71.3%	72.6%
Average number of full-time employees					
	482	478	507	589	535

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Return on capital employed	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$
Equity ratio/interest	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities of the Company

The Company's business foundation is marketing and sale of prestigious cosmetics in Denmark, Norway, Sweden and Iceland. The products comprise the following brands: Estée Lauder, Aramis & Designer Fragrances (Tommy Hilfiger, Donna Karan, Michael Kors), Clinique, Origins, M.A.C., Bobby Brown, La Mer, Smashbox, Tom Ford, Glam Glow, Fredric Malle and Le Labo.

Development in activities and financial position

Sales in the financial year have been slightly below expectations, despite a great start in the first two quarters, mainly due to the COVID-19 crisis that impacted the retail space as well as the continued general decline in the makeup category.

Norway is the fastest growing market. Sales per country can be specified as follows: Sweden 44% (2018/19: 40%), Denmark 38% (2018/19: 41%), and Norway 18% (2018/19: 19%).

In general our Brick & Mortar distribution has had a lower performance, while our online sales have picked up tremendously to offset parts of the decline.

Profit for the year (including comparison with forecasts previously announced)

Profit for the year amounts to DKK 68,805 thousand (2018/19: DKK 42,588 thousand) primarily driven by increased cost controlling and avoidance efforts.

During the year, additional funds have been invested in the market, and therefore Management considers the profit for the year to be acceptable.

Capital resources

Estée Lauder Cosmetics A/S is still financially solid. The solvency ratio amounts to 57.0% (2018/19: 60.4%).

At 30 June 2020, equity amounts to DKK 216,387 thousand (2018/19: DKK 156,375 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 amount to DKK 2,993 thousand (2018/19: DKK 3,800 thousand).

The total revenue of Estée Lauder Cosmetics A/S is expected to increase in 2020/21 compared to the past year. And as there is an increased focus on earnings at group level and on local management level, the profit for 2020/21 is also expected to increase compared to the current year.

Outlook

Management is optimistic about the development in the Nordic markets, despite the COVID-19 effects in the retail space and expects that the consumption of prestigious cosmetics will increase in the coming financial year.

Furthermore, Management is optimistic in respect to 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. The Company is moreover expecting to increase its market share.

Management's review

Operating review

Operating risks

The Company's most significant operating risk relates to both the development of the COVID-19 situation and effects this would have on the retail environment. The online revolution in the industry drives focus on securing the right competencies to drive the business in the right direction. 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.

Currency 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

People are our primary asset 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.

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. More information can be found in the ELC Corporate Responsibility Report, available at <https://www.elcompanies.com/en/our-commitments/sustainability>. 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 like focus on BreastCancerAwareness in cooperation with 'Støt Brysterne'; 'Brystkreftforeningen' and 'Brøstcancerforbundet'.

Management's review

Operating review

Diversity in Management

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, 64% of the members are male.

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. This year one position was changed in the management team. In this position, a male candidate was hired.

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.

Events after the balance sheet date

Due to deterioration in the economic outlook as a consequence of the COVID-19 situation, it is expected that the Company's financial results for 2020/21 will be affected. In view of the significantly increased market uncertainty and the risk of revenue and credit losses due to an extended COVID-19 process, we expect events affecting the market for the Company. The Company does not yet know the full consequences but expects a minor downward adjustment to the profit for the year.

No other events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Financial statements 1 July – 30 June

Income statement

DKK'000	Note	2019/20	2018/19
Revenue	2	675,940	680,252
Production costs		<u>-185,039</u>	<u>-180,275</u>
Gross profit		490,901	499,977
Distribution costs	3	-371,747	-392,284
Administrative expenses	3	-50,668	-53,579
Other operating income	4	<u>6,874</u>	<u>0</u>
Operating profit		75,360	54,114
Financial income	5	106	144
Financial expenses	6	<u>-96</u>	<u>-45</u>
Profit before tax		75,370	54,213
Tax on profit for the year	7	<u>-6,565</u>	<u>-11,625</u>
Profit for the year	8	<u><u>68,805</u></u>	<u><u>42,588</u></u>

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	2019/20	2018/19
ASSETS			
Fixed assets			
Intangible assets	9		
Software		68	0
Earnest money		0	156
		<u>68</u>	<u>156</u>
Property, plant and equipment	10		
Sales stations		56,455	70,838
Tools and equipment		1,086	3,215
Sales stations under development		3,493	5,230
		<u>61,034</u>	<u>79,283</u>
Investments			
Deposits		3,042	3,316
Total fixed assets		<u>64,144</u>	<u>82,755</u>
Current assets			
Inventories			
Finished goods and goods for resale		2,051	2,473
Receivables			
Trade receivables		58,330	103,031
Receivables from group entities		213,776	48,049
Other receivables		1,687	1,886
Deferred tax asset	11	3,021	1,811
Corporation tax		0	13,088
Prepayments	12	628	1,819
		<u>277,442</u>	<u>169,684</u>
Cash at bank and in hand		<u>2,993</u>	<u>3,800</u>
Total current assets		<u>282,486</u>	<u>175,957</u>
TOTAL ASSETS		<u><u>346,630</u></u>	<u><u>258,712</u></u>

Financial statements 1 July – 30 June

Balance sheet

DKK'000	Note	2019/20	2018/19
EQUITY AND LIABILITIES			
Equity			
Share capital	13	500	500
Retained earnings		<u>215,887</u>	<u>155,875</u>
Total equity		<u>216,387</u>	<u>156,375</u>
Provisions			
Other provisions	14	<u>4,077</u>	<u>763</u>
Total provisions		<u>4,077</u>	<u>763</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		18,531	14,184
Payables to group entities		15,931	16,023
Corporation tax		7,298	3,622
Other payables	15	<u>84,406</u>	<u>67,745</u>
		<u>126,166</u>	<u>101,574</u>
Total liabilities other than provisions		<u>126,166</u>	<u>101,574</u>
TOTAL EQUITY AND LIABILITIES		<u><u>346,630</u></u>	<u><u>258,712</u></u>
Staff costs and incentive schemes	3		
Fees to auditor appointed at the general meeting	16		
Contractual obligations, contingencies, etc.	17		
Related party disclosures	18		

Financial statements 1 July – 30 June

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 July 2019	500	155,875	156,375
Exchange adjustment	0	-8,793	-8,793
Transferred over the profit appropriation	<u>0</u>	<u>68,805</u>	<u>68,805</u>
Equity at 30 June 2020	<u><u>500</u></u>	<u><u>215,887</u></u>	<u><u>216,387</u></u>

Financial statements 1 July – 30 June

Notes

1 Accounting policies

The annual report of Estée Lauder Cosmetics A/S for 2019/20 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Estée Lauder Companies Inc.

Consolidation of Swedish and Norwegian branches

The Company's branches are integrated foreign entities. The Company uses the net investment method, as the results of using this method do not deviate significantly from using the temporal method.

This means that the branches are consolidated line by line. Balance sheet items are translated at the internal exchange rate, which approximately corresponds to the official exchange rates at the balance sheet date, and income statement items are translated at the internal average exchange rate for the year.

Exchange rate adjustments arising from the translation of the foreign branches' net assets at the beginning of the year at the closing rate and exchange rate adjustments arising from the difference between the income statement of the Swedish branch and the income statement of the Norwegian branch translated at average exchange rates and the closing rate, are recognised directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of goods for resale are recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be measured reliably and is expected to be received. Revenue is recognised exclusive of VAT and taxes charged on behalf of third parties.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises, office expenses and depreciation.

Other operating income

Other operating income comprises income related to government relief packages.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current tax for the year, adjustment of tax regarding previous years and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

The basis of amortisation is cost less any residual value and is amortised on a straight-line basis over the expected useful life.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Sales stations and tools and equipment are measured at cost less accumulated depreciation.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful life based on the following assessment of the expected useful lives of the assets:

Sales stations	3-5 years
Tools and equipment	5-10 years

Depreciation is recognised in the income statement as distribution costs and administrative expenses.

Gains and losses from the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as distribution costs and administrative expenses.

The carrying amount of property, plant and equipment is assessed annually for indication of impairment other than the decrease in value reflected by depreciation.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, corresponding to nominal value. Write-down is made for bad debt losses.

Prepayments

Prepayments comprise costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash.

Corporation tax and deferred tax

Current tax payable and receivable are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the value of their expected realisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. Any deferred net assets are measured at net realisable value.

Deferred tax is measured based on the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Provisions

Provisions comprise restructuring costs and costs for charities, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled in the distant future, the obligation is measured at fair value.

Liabilities

Liabilities are measured at net realisable value.

2 Segment information

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

Revenue distributed in the geographical segments are the following:

DKK'000	<u>2019/20</u>	<u>2018/19</u>
Geographical		
Denmark	260,703	278,018
Norway	121,087	127,864
Sweden	<u>294,150</u>	<u>274,370</u>
	<u>675,940</u>	<u>680,252</u>

Financial statements 1 July – 30 June

Notes

3 Staff costs and incentive schemes

	<u>2019/20</u>	<u>2018/19</u>
Staff costs		
Wages and salaries	143,357	151,942
Pensions	10,350	11,566
Other social security costs	<u>16,214</u>	<u>18,932</u>
	<u>169,921</u>	<u>182,440</u>
Average number of full-time employees	<u>482</u>	<u>478</u>
Staff costs are recognised in the financial statements as:		
Distribution	147,778	158,788
Administration	<u>22,143</u>	<u>23,652</u>
	<u>169,921</u>	<u>182,440</u>
Portion related to remuneration of the Executive Board	<u>6,994</u>	<u>5,411</u>

Share based payment

A share based incentive programme has been set up for the Company's Executive Board. The Executive Board is granted an even number of RSUs and Stock Options. RSUs are capitalised after three years, and Stock Options expire after ten years. The estimated value of granted RSUs and Stock Options in the year amounts to DKK 2,186 thousand (2018/19: DKK 2,254 thousand).

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 results are assessed based on operational and personal performance.

4 Other operating income

DKK'000	<u>2019/20</u>	<u>2018/19</u>
Salary compensation	<u>6,874</u>	<u>0</u>
	<u>6,874</u>	<u>0</u>

5 Financial income

Interest income from group entities	<u>106</u>	<u>144</u>
	<u>106</u>	<u>144</u>

Financial statements 1 July – 30 June

Notes

6 Financial expenses

DKK'000	2019/20	2018/19
Other financial costs	96	45
	<u>96</u>	<u>45</u>

7 Tax on profit for the year

Current tax for the year	18,241	12,055
Deferred tax adjustment for the year	-1,210	0
Adjustment of tax concerning previous years	-10,466	0
Adjustment of deferred tax concerning previous year	0	-430
	<u>6,565</u>	<u>11,625</u>

8 Proposed profit appropriation

Retained earnings	68,805	42,588
	<u>68,805</u>	<u>42,588</u>

9 Intangible assets

DKK'000	Software	Earnest money	Total
Cost at 1 July 2019	0	389	389
Additions for the year	71	0	71
Cost at 30 June 2020	<u>71</u>	<u>389</u>	<u>460</u>
Amortisation and impairment losses at 1 July 2019	0	-233	-233
Amortisation for the year	-3	-156	-159
Amortisation and impairment losses at 30 June 2020	<u>-3</u>	<u>-389</u>	<u>-392</u>
Carrying amount at 30 June 2020	<u>68</u>	<u>0</u>	<u>68</u>

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10 Property, plant and equipment

DKK'000	Sales stations	Tools and equipment	Sales stations under development	Total
Cost at 1 July 2019	137,118	9,918	5,230	152,266
Exchange rate adjustment	-2,356	-732	-87	-3,175
Additions for the year	16,377	596	716	17,689
Disposals for the year	-9,657	-4,119	-2,366	-16,142
Cost at 30 June 2020	141,482	5,663	3,493	150,638
Depreciation and impairment losses at 1 July 2019	-66,280	-6,703	0	-72,983
Exchange rate adjustment	-476	-573	0	-1,049
Depreciation for the year	-27,228	-677	0	-27,905
Depreciation and impairment losses for the year on assets sold	8,957	3,376	0	12,333
Depreciation and impairment losses at 30 June 2020	-85,027	-4,577	0	-89,604
Carrying amount at 30 June 2020	56,455	1,086	3,493	61,034

11 Deferred tax asset

DKK'000	2019/20	2018/19
Deferred tax asset at 1 July	1,811	1,381
Adjustment, deferred tax asset	1,210	430
	3,021	1,811

Deferred tax that is expected to fall due more than five years after the balance sheet date relates to restructuring, charitable contributions, key money and fixed assets.

12 Prepayments

Facility rents	374	849
Auto lease	2	349
Insurance	139	140
Other prepayments	113	481
	628	1,819

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13 Equity

The share capital consists of 500 shares of nom. DKK 1 thousand each.

All shares rank equally.

14 Other provisions

DKK'000

	<u>2019/20</u>	<u>2018/19</u>
Other provisions at 1 July	763	3,350
Used during the year	-763	-3,350
Provisions for the year	<u>4,077</u>	<u>763</u>
Other provisions at 30 June	<u>4,077</u>	<u>763</u>

The provisions can be specified as following:

Viva Glam (charity)	418	763
Restructuring	<u>3,659</u>	<u>0</u>
Other provisions at 30 June	<u>4,077</u>	<u>763</u>

15 Other payables

VAT and taxes payables	34,084	13,290
Payroll costs payable	28,966	31,396
ATP contribution payable	519	672
Other payables	<u>20,837</u>	<u>22,387</u>
	<u>84,406</u>	<u>67,745</u>

16 Fees to auditor appointed at the general meeting

Statutory audit	459	459
Other assurance engagements	123	123
Other services	<u>13</u>	<u>13</u>
	<u>595</u>	<u>595</u>

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17 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company has not provided any assets as collateral for loan arrangements.

The Company has provided total bank guarantees of DKK 2,716 thousand (2018/19: DKK 3,839 thousand).

Usual dismantling obligations are incumbent on the Company regarding sales stations fitted in stores and department stores.

Operating lease obligations

The Company has entered into 9 leases (2018/19: 8 leases) covering the period up to and including June 2022. The annual rent for these leases amounts to DKK 12,639 thousand (2018/19: DKK 10,202 thousand). The total lease commitment amounts to DKK 16,407 thousand (2018/19: DKK 16,818 thousand).

The Company has entered into several leases regarding cars and tools and equipment. The leases cover different periods up to June 2023, and the total residual lease obligation amounts to DKK 3,768 thousand (2018/19: DKK 4,875 thousand).

18 Related party disclosures

Estée Lauder Cosmetics A/S' related parties comprise entities in the Estée Lauder Group.

The Company's supplies are, in all material respects, purchased from group entities.

Distribution costs comprise royalty costs and share of overhead costs from group entities.

There have been no transactions with members of the Company's Board of Directors. Transactions with members of the Company's Executive Board is specified in note 3.

Control

Estée Lauder Luxembourg S.A.R.L., 79 Grand Rue, L-1661, Luxembourg, owns 100% of the share capital.

Estée Lauder Cosmetics A/S is part of the consolidated financial statements of The Estée Lauder Companies Inc, 767 Fifth Avenue, New York, NY 10153, USA, and the consolidated financial statements of Estée Lauder Luxembourg S.à.r.l., 4-6, Rue de la Boucherie, L-1247 Luxembourg, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of The Estée Lauder Companies Inc and the consolidated financial statements of Estée Lauder Luxembourg S.à.r.l can be obtained by contacting the companies at the addresses above.

Related party transactions

DKK'000	2019/20	2018/19
Purchase of services from group entities	-85,841	-88,895
Purchase of goods from group entities	-193,833	-168,647
	<u>-279,674</u>	<u>-257,542</u>