L'Oréal Danmark A/S

Havneholmen 25, 1561 København V

CVR no. 70 71 02 18

Annual report 2017

Approved at the Company's annual general meeting on

Chairman:

.... 16/05/2018

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of L'Oréal Danmark A/S for the financial year 1 January - 31 December 2017.

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

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

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

Copenhagen, 16 May 2018
Executive Board:

Alexander Hay	Mark Jeremy Prestwich

Board of Directors:

Vianney Marie Hugues Derville Chairman	Laurent Francois Marcel Schmitt	Mark Jeremy Prestwich

Independent auditor's report

To the shareholders of L'Oréal Danmark A/S

Opinion

We have audited the financial statements of L'Oréal Danmark A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Copenhagen, 16 May 2018
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Kim Gerner Jacobsen	Jan Larsen
State Authorised Public Accountant	State Authorised Public Accountant
MNE no.: mne10122	MNE no.: mne16541

Management's review

Company details

Name	L'Oréal Danmark A/S
Address, Postal code, City	Havneholmen 25, 1561 København V
CVR no.	70 71 02 18
Established	15 November 1983
Registered office	København
Financial year	1 January - 31 December
Website	www.loreal.com
Board of Directors	Vianney Marie Hugues Derville, Chairman Laurent Francois Marcel Schmitt Mark Jeremy Prestwich
Executive Board	Alexander Hay Mark Jeremy Prestwich
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, DK-0900 København C
Bankers	Danske Bank Holmens Kanal 2-12, DK-1092 København K
Lawyer	Bech-Bruun Langelinie Alle 35, DK-2100 København Ø

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	1,360,692	1,382,055	1,384,219	1,350,302	1,326,511
Gross margin	447,655	408,769	394,661	379,790	355,155
Operating profit/loss	94,832	93,755	121,726	140,879	115,013
Net financials	-1,495	-3,026	-488	-1,258	-619
Profit/loss for the year	71,171	74,174	93,192	105,414	84,472
Total assets	636,091	566,233	555,431	450,738	406,463
Equity	113,861	115,747	134,471	146,803	126,844
Cash flows from operating activities	112,964	116,561	159,284	50,833	128,267
Net cash flows from investing activities	-41,881	-25,908	-53,871	-1,164	-17,553
Investment in property, plant and equipment	-19,022	-31,471	-32,137	-13,967	-14,209
Cash flows from financing activities	-74,174	-93,192	-105,414	-84,472	-79,001
Financial ratios					
Gross margin	32.9%	29.6%	28.5%	28.1%	26.8%
Solvency ratio	17.9%	20.4%	24.2%	32.6%	31.2%
Return on equity	62.0%	59.3%	66.3%	77.0%	71.5%
Net margin	5.2%	5.6%	6.6%	7.8%	6.4%
Average number of employees	507	474	413	358	356

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The main activity of the Company consists of sale of cosmetics, perfumes and hair care. Furthermore, the Company manages stock activites for affiliated companies in Norway, Sweden and Finland.

Significant events during the year has been development of E-Commerce and NORMAL as a new key player on the Danish market. Strong focus on market strategy and management.

Financial review

In 2017, the Company's revenue amounted to DKK 1,360,692 thousand against DKK 1,382,055 thousand last year. The income statement for 2017 shows a profit of DKK 71,171 thousand against a profit of DKK 74,174 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 113,861 thousand. The company has had a challenging year due to changing rules in the market which effect is shown in both the turnover drop and net result.

Knowledge resources

The Company always tries to optimise knowledge resources and recruit necessary qualifications. With help from local knowledge and knowledge within the Group, the Company constantly tries to stay updated and focus on the key areas like advertising, knowledge of products and the general development within the market.

Special risks

The Company's Management does not foresee any material financial risk the coming year. Foreign currency exposure has been covered with foreign exchange forward contracts.

The Company has made agreements regarding customer insurance in order for the Company to avoid significant risk of bad debts.

Impact on the external environment

The Company always tries to optimise recycling, sort garbage and be more aware of the usage of energy sources.

Statutory CSR report

L'Oréal S.A., the Parent of L'Oréal Danmark, has signed the UN Global Compact and prepared a CSR report for the Group. The report can be obtained at www.sharingbeautywithall.loreal.com under "Sustainable development".

Account of the gender composition of Management

The legislation aims to increase the share of the underrepresented gender in all of the company's management levels, which means that both gender are represented in the board with more than 33% and in other managing positions than the board with more than 40%.

The company will seek to increase the share of female board members and male leaders in other managing positions and have the following target:

> The status by the end of 2017, 3 elected members in the board of directors, all men, but over the next 5 years the company will seek to increase the board of directors with 2 female members.

The company has as per December 31, 2017 62,5% of women in other managing positions, than the board. The company aim to seek equality between genders in other managing positions. To support this development, the company has established recruitment procedures securing that candidates of both genders are considered when hiring or promoting for management positions.

Management's review

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The market continues with very low growth. The company is still in a positive development with ambitions to grow twice as fast as the market and gain market shares.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
2	Revenue	1,360,692	1,382,055
	Cost of sales	-795,171	-800,933
	Other operating income	339,023	263,255
	Other external expenses	-456,889	-435,608
	Gross margin	447,655	408,769
3	Staff costs	-323,882	-292,962
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-28,941	-22,052
	Profit before net financials	94,832	93,755
5	Financial income	3,767	11,756
6	Financial expenses	-5,262	-14,782
	Profit before tax	93,337	90,729
7	Tax for the year	-22,166	-16,555
	Profit for the year	71,171	74,174

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Acquired licences	22,753	9,169
	Acquired trademarks	0	0
	Goodwill	0	0
	Development projects in progress and prepayments for intangible assets	10,430	13,053
		33,183	22,222
9	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	47,448	52,192
		47,448	52,192
10	Investments		
	Deposits, investments	13,366	12,589
		13,366	12,589
	Total fixed assets	93,997	87,003
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	101,700	96,465
		101,700	96,465
	Receivables		
	Trade receivables	224,878	226,403
	Receivables from group enterprises	190,311	123,963
13	Deferred tax assets	7,502	8,619
	Corporation tax receivable	987	10,513
	Other receivables	3,993	8,268
11	Prepayments	7,649	4,999
		435,320	382,765
	Securities and investments		
	Other securities and investments	5,074	0
		5,074	0
	Total non-fixed assets	542,094	479,230
	TOTAL ASSETS	636,091	566,233

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	2,010	2,010
	Retained earnings	40,680	39,563
	Dividend proposed	71,171	74,174
	Total equity	113,861	115,747
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	5,630	2,539
	Trade payables	61,442	43,694
	Payables to group enterprises	302,560	250,291
	Other payables	152,598	153,962
		522,230	450,486
	Total liabilities other than provisions	522,230	450,486
	TOTAL EQUITY AND LIABILITIES	636,091	566,233

1 Accounting policies
14 Contractual obligations and contingencies, etc.
15 Related parties
16 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2017	2,010	39,563	74,174	115,747
17	Transfer, see "Appropriation of profit"	0	0	71,171	71,171
	Other value adjustments of equity	0	1,117	0	1,117
	Dividend distributed	0	0	-74,174	-74,174
	Equity at 31 December 2017	2,010	40,680	71,171	113,861

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	71,171	74,174
	Adjustments	54,591	46,258
	Cash generated from operations (operating activities)	125,762	120,432
18	Changes in working capital	220	21,392
	Cash generated from operations (operating activities)	125,982	141,824
	Interest received, etc.	3,767	11,756
	Interest paid, etc.	-5,262	-14,782
	Income taxes paid	-11,523	-22,237
	Cash flows from operating activities	112,964	116,561
	Additions of intangible assets	-17,008	-2,836
	Additions of property, plant and equipment	-19,022	-31,471
	Purchase of financial assets	-5,851	8,399
	Cash flows to investing activities	-41,881	-25,908
	Dividends paid	-74,174	-93,192
	Cash flows from financing activities	-74,174	-93,192
	Net cash flow	-3,091	-2,539
	Cash and cash equivalents at 1 January	-2,539	0
	Cash and cash equivalents at 31 December	-5,630	-2,539

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of L'Oréal Danmark A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

Basis of recognition and measurement

The financial statements are based on the historical cost principle with below exceptions.

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

Liabilities are recognised in the balance sheet when it is probable as a result of a prior event that there will be an outflow of future economic recourses from the Entity, and the value can be measured reliably.

Revenue is recognised in the income statement as earned based on the following criteria:
- a binding sales agreement has been made,
- the sales price has been determined,
- delivery has been made before year-end,
- payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, revenue is recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, 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.

Recognition and measurement take into account predictable losses and risks occuriring before the presentation of the financial statements which confirm or invalidate affairs and conditions existing at the balance sheet date.

Foreign currency translation

Transactions in foreign currencies are converted during the year at the exchange rates at the dates of transaction. Gains and losses 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.

Receivables and payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are converted at the exchange rates at the balance sheet date. Any difference between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently premeasured at their fair values. Positive and negative fair values of derivative financial instruments are included as prepayments and deferred income, respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or the hedged liability.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions relating to purchases and sales in foreign currencies are recognised in prepayments or deferred income and retained earnings under equity, respectively. If the expected future transaction results in the recognition of assets or liabilities, amounts deferred in equity are transferred from equity and recognised in the cost of the asset or the liability, respectively. Amounts deferred in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Other operating income

Other operating income consists of secondary sources of income compared to the Entity's main activity. Other operating income originates from the re-invoicing of service costs, including a mark-up to the sister companies in Norway, Sweden, Finland, Holland, and Belgium in relation to existing service contracts.

Cost of sales

Cost of sales comprises cost of sales for raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff costs

Staff costs include all costs relating to salaries and wages, pension contributions and social security contributions, etc for entity staff.

Amortisation/depreciation

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment as well as gain and losses from current replacement of fixed assets.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	5 years
Acquired trademark	10 years
Acquired licenses	3-5 years

The financial estimated useful life of trademark is minimum of 10 years. The valuation is based on similar experience.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	15 years
Fixtures and fittings, tools and equipment	3-10 years

Financial income and expenses

Other financial income comprises interest income, realised and unrealised exchange adjustments.

Other financial expenses comprise interest expenses, financial expenses in respect of finance leases, realised and unrealised exchange adjustments.

Tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity. Any share of the tax reported in the incomestatement arising from profit/loss on extraordinary activites for the year is attributed to such activites, whereas the remaining share is attributed to profit/loss on ordinary activites for the year.

The Entity is jointly taxed with B.S. Denmark A/S. The Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income (full allocation with reimbursement for tax losses).

The joint taxation are ceased as per September 7, 2017, since B.S Denmark is no longer part of L'Oréal Group.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a a better reflection of the benefit from the relevant resources.

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

Intellectual property rights etc are measured at cost less accumulated amortisation.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 3-5 years. For development projects protected by intelllectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated deprectiation and impairment losses. Land is not depreciated.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories of raw materials etc are valued at average cost. Inventories have been written down in respect of obsolescence.

The cost of goods for resale, raw materials and consumables comprises the cost prices and related transportation costs.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad and douibtful debts. Provisions for bad and doubtful debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Entity's experience.

Prepayments

Prepayments include incurred costs in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprises cash in hand and bank deposits.

Equity

Proposed dividends

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Income taxes

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.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes or other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or taxable income. 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 or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, 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.

Liabilities

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

Lease liabilities

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

Cash flow statement

Cash flows from operating activities are calculated as profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisoins as well ass changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activites comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debts as well as payment of dividend to shareholders.

The cash flow statement cannot be immediately derived from the published financial records.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$
Net margin	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2017	2016
2	Segment information		
	Breakdown of revenue by geographical segment:		
	Denmark	916,384	810,085
	Other European countries	444,308	571,970
		1,360,692	1,382,055

The primary market segment of the L'Oréal Group is product-oriented and the secondary segment is geographical. Total revenue of L'Oréal Danmark A/S is generated within the product segment perfumes and toiletries and geographically in Scandinavia.

Product segments are not disclosed as management believes it will be damaging to the Company.

		2017	2016
3	Staff costs		
	Wages/salaries	294,043	266,623
	Pensions	22,716	20,382
	Other social security costs	4,364	2,756
	Other staff costs	2,759	3,201
		323,882	292,962
	Average number of full-time employees	507	474

Total remuneration to Executive board: t.DKK 7,200 (2016: t.DKK 7,281)

Part of the staff costs are related to the shared IT, service, and logistical functions are re-invoiced to the affiliated companies in Sweden, Finland, Holland, Belgium, and Norway and recognised as income under other operating income.

		2017	2016
4	Amortisation/depreciation of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	5,515	2,322
	Depreciation of property, plant and equipment	23,426	19,730
		28,941	22,052
5	Financial income		
	Interest receivable, group entities	0	619
	Exchange adjustments	3,767	11,137
		3,767	11,756
6	Financial expenses		
	Interest expenses, group entities	97	149
	Other interest expenses	134	630
	Exchange adjustments	5,031	14,003
		5,262	14,782

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
7 Tax for the year		
Estimated tax charge for the year	18,652	14,811
Deferred tax adjustments in the year	1,117	1,744
Tax adjustments, prior years	2,397	0
	22,166	16,555

8 Intangible assets

DKK'000	Acquired licences	Acquired trademarks	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2017	20,642	55,255	2,000	13,053	90,950
Additions	15,424	0	0	6,236	21,660
Disposals	-371	0	0	-246	-617
Transferred	3,961	0	0	-8,613	-4,652
Cost at 31 December 2017	39,656	55,255	2,000	10,430	107,341
Impairment losses and amortisation at 1 January 2017	11,473	55,255	2,000	0	68,728
Amortisation for the year	5,515	0	0	0	5,515
Amortisation and impairment losses of disposals for the year	-85	0	0	0	-85
Impairment losses and amortisation at 31 December 2017	16,903	55,255	2,000	0	74,158
Carrying amount at 31 December 2017	22,753	0	0	10,430	33,183

9 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	132,433
Additions	19,022
Disposals	-534
Cost at 31 December 2017	150,921
Impairment losses and depreciation at 1 January 2017	80,241
Depreciation	23,426
Depreciation and impairment of disposals	-194
Impairment losses and depreciation at 31 December 2017	103,473
Carrying amount at 31 December 2017	47,448

Financial statements 1 January - 31 December

Notes to the financial statements

10 Investments

DKK'000	Deposits, investments
Cost at 1 January 2017	12,589
Additions	1,076
Disposals	-299
Cost at 31 December 2017	13,366
Carrying amount at 31 December 2017	13,366

11 Prepayments

The item consists primarily of prepaid rent, advertising and promotion expenses.

DKK'000	2017	2016
12 Share capital		
Analysis of the share capital:		
402,000 shares of DKK 5.00 nominal value each	2,010	2,010
	2,010	2,010

The Company's share capital has remained DKK 2,010 thousand over the past 5 years.

13 Deferred tax

	2017	2016
Deferred tax at 1 January	-8,618	-10,363
Intangible assets	58	-2,318
Property, plant and equipment	1,901	1,780
Receivables	0	1,537
Inventories	674	-3,555
Provisions	-1,774	-339
Other taxable temporary differences	257	4,640
Deferred tax at 31 December	-7,502	-8,618

Deferred tax relates to:

	2017	2016
Intangible assets	-233	-291
Property, plant and equipment	1,135	-766
Inventories	-5,844	-6,518
Provisions	-2,114	-339
Other taxable temporary differences	-446	-704
	-7,502	-8,618

Financial statements 1 January - 31 December

Notes to the financial statements

14 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is the administration company of joint taxation (DK) and, consequently, is liable as of the financial year 2013 for income tax etc and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. However, the maximum liability equals the part of the shareholding in the Company which is directly or indirectly owned by the Ultimate Parent.

The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	146,315	160,659

Rent and lease liabilities include rental and lease commitments due within 1 year totalling t.DKK 40,076 (2016: 39,672) and commitments due between 1 and 5 years totalling t.DKK 106,239 (2016: 120,987). The Company has no rental and lease commitments due after 5 years.

15 Related parties

L'Oréal Danmark A/S' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
L'Oréal S.A.	Rue Royal 14, FR-75008 Paris, France	Ownership

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
L'Oréal S.A.	Rue Royal 14, FR-75008 Paris, France	www.loreal-finance.com

Financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

There are no related party transactions that have not been carried through on normal market terms.

Ownership

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

Name	Domicile
L'Oréal S.A.	Rue Royal 14, FR-75008 Paris, France

16 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for L'Oréal S.A.

	DKK'000	2017	2016
17	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	71,171	74,174
		71,171	74,174
18	Changes in working capital		
	Change in inventories	-5,235	22,948
	Change in receivables	-63,198	-28,543
	Change in trade payables etc	68,653	26,987
		220	21,392