

L'Oréal Danmark A/S

Havneholmen 25
1561 København V

CVR no. 70 71 02 18

Annual report 2018

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

____ 20 ____

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized and appears to be 'L. S. Sørensen'.

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 January – 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Cash flow statement	13
Notes	14

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 L'Oréal Danmark A/S for the financial year 1 January – 31 December 2018.

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 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

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.

Copenhagen 16 May 2019
Executive Board:




Jean-Christophe Pierre
André Letellier

Board of Directors:



Vianney Marie Hugues
Derville
Chairman

Laurent Francois Marcel
Schmitt

Jean-Christophe Pierre
André Letellier

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 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 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 involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- 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 16 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56



Kim Gerner Jacobsen
State Authorised
Public Accountant
mne10122



Jan Larsen
State Authorised
Public Accountant
mne16541

L'Oréal Danmark A/S
Annual report 2018
CVR no. 70 71 02 18

Management's review

Company details

L'Oréal Danmark A/S
Havneholmen 25
1561 København V

Website:	www.loreal.com
CVR no.:	70 71 02 18
Established:	15 November 1983
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Vianney Marie Hugues Derville, Chairman
Laurent Francois Marcel Schmitt
Jean-Christophe Pierre André Letellier

Executive Board

Jean-Christophe Pierre André Letellier

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6, DK-0900 København C

Attorneys

Bech-Bruun
Langelinie Alle 35
2100 København

Bank

Danske Bank
Holmens Kanal 2-12
1092 København K

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	1,388,940	1,360,692	1,382,055	1,384,219	1,350,302
Gross profit	538,348	447,655	408,769	394,661	379,790
Operating profit	131,077	94,832	93,755	121,726	140,879
Loss from financial income and expenses	-1,250	-1,495	-3,026	-488	-1,258
Profit for the year	102,568	71,171	74,174	93,192	105,414
Total assets	638,410	636,091	566,233	555,431	450,738
Equity	145,119	113,861	115,747	134,471	146,803
Investment in property, plant and equipment	-23,673	-19,022	-31,471	-32,137	-13,967
Cash flows from operating activities	114,298	112,964	116,561	159,284	50,833
Cash flows from investing activities	-37,490	-41,881	-25,908	-53,871	-1,164
Cash flows from financing activities	-71,171	-74,174	-93,192	-105,414	-84,472
Ratios					
Gross margin	38.8%	32.9%	29.6%	28.5%	28.1%
Return on equity	79.2%	62.0%	59.3%	66.3%	77.0%
Solvency ratio	22.7%	17.9%	20.4%	24.2%	32.6%
Net margin	7.4%	5.2%	5.6%	6.6%	7.8%
Average number of full-time employees	519	507	474	413	358

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year end}}$$

Net margin
$$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$$

Management's review

Operating review

Main activities

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

L'Oréal Danmark A/S is Shared Service Center for Nordics.

Significant events during the year

Strong focus on market strategy and management.

Financial review

In 2018, the company's revenue came in at DKK 1,388,940 thousand against DKK 1,360,692 thousand last year. The income statement for 2018 shows a profit of DKK 102,568 thousand against a profit of DKK 71,171 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 145,119 thousand.

The profit for the year is as expected.

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.

L'Oréal Danmark A/S sales are expected to show a positive development during 2019. Profitability and result before appropriations and tax are expected to grow compared to 2018.

Financial 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.

Intellectual capital

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.

Management's review

Operating review

Corporate social responsibility

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 <https://www.loreal.com/loreal-sharing-beauty-with-all>

Furthermore, the following Group policies outlines specific risks and how they are managed:

The Group's code of ethics, including human rights, social and staff matters, the way we prevent corruption, the way we choose our suppliers and sub-supplier and the way we prevent child labor is publically available on Groups website, see links below.

<https://www.loreal.com/group/governance/acting-ethically/code-of-ethics-and-speak-up-policy>

https://loreal-dam-front-corp-en-cdn.damdy.com/ressources/afile/164169-0e7ca-resource_pdf-politiqueprevention-de-la-corruption-en-2018.pdf

In regard to climate and environment, the company always tries to optimise recycling, sort garbage and be more aware of the usage of energy sources.

One of the key risks is the retention of employees and providing health safety environment. Therefore, we implement our Group's procedures on employment and social inclusion with strong focus on empowering people and ensuring the best working environment possible.

Goals and policies for the underrepresented gender

The legislation aims to increase the share of 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 that 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 2018 is no female members in the board. In the company there are 3 elected member in the board of directors, all men, but over the next 4 years the company will seek to increase the board of directors with two female members. Due to the 4 year timeframe of our target, we haven't made any changes to gender representation in our board in 2018, even though there has been changes to board members, therefore we were not able to complete our target ahead of the 4 years plan.

The company has as per December 31, 2018 55,7% of women in other managing positions, than the board. The company aims 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.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		1,388,940	1,360,692
Costs of raw materials and consumables		-769,374	-795,171
Other operating income		351,355	339,023
Other external costs		<u>-432,573</u>	<u>-456,889</u>
Gross profit		538,348	447,655
Staff costs	3	-372,814	-323,882
Depreciation, amortisation and impairment	4	<u>-34,457</u>	<u>-28,941</u>
Operating profit		131,077	94,832
Financial income	5	12,269	3,767
Financial expenses	6	<u>-13,519</u>	<u>-5,262</u>
Profit before tax		129,827	93,337
Tax on profit/loss for the year	8	<u>-27,259</u>	<u>-22,166</u>
Profit for the year		<u>102,568</u>	<u>71,171</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	9		
Completed development projects		22,485	22,753
Acquired patents		0	0
Goodwill		0	0
Development projects in progress		19,586	10,430
		<u>42,071</u>	<u>33,183</u>
Property, plant and equipment	10		
Fixtures and fittings, tools and equipment		42,296	47,448
Property, plant and equipment in progress and prep		3,760	0
		<u>46,056</u>	<u>47,448</u>
Investments	11		
Deposits		13,184	13,366
Total fixed assets		<u>101,311</u>	<u>93,997</u>
Current assets			
Inventories			
Finished goods and goods for resale		114,387	101,700
Receivables			
Trade receivables		226,324	224,878
Receivables from group entities		176,124	190,311
Other receivables		2,590	3,993
Deferred tax asset	12	9,461	7,502
Corporation tax		0	987
Prepayments	13	7,760	7,649
		<u>422,259</u>	<u>435,320</u>
Securities		446	5,074
Cash at bank and in hand		7	0
Total current assets		<u>537,099</u>	<u>542,094</u>
TOTAL ASSETS		<u>638,410</u>	<u>636,091</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	2,010	2,010
Retained earnings		40,541	40,680
Proposed dividends for the financial year		102,568	71,171
Total equity		145,119	113,861
Liabilities			
Current liabilities			
Debt to credit institutions		0	5,630
Trade payables		65,828	61,442
Payables to group entities		242,348	302,560
Corporation tax		602	0
Other payables		184,513	152,598
		493,291	522,230
Total liabilities		493,291	522,230
TOTAL EQUITY AND LIABILITIES		638,410	636,091
Fees to auditor appointed at the general meeting			
	15		
Contractual obligations, contingencies, etc.			
	16		
Currency and interest rate risks and the use of derivative financial instruments			
	17		
Related party disclosures			
	18		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	2,010	40,680	71,171	113,861
Ordinary dividends paid	0	0	-71,171	-71,171
Exchange adjustment	0	-178	0	-178
Transferred over the profit appropriation	0	0	102,568	102,568
Tax on other equity movements	0	39	0	39
Equity at 31 December 2018	2,010	40,541	102,568	145,119

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Profit for the year		102,568	71,171
Other adjustments of non-cash operating items		62,532	54,591
Cash flows from operations before changes in working capital		165,100	125,762
Changes in working capital	19	-21,963	220
Cash flows from ordinary activities		143,137	125,982
Interest income		12,269	3,767
Interest expense		-13,519	-5,262
Corporation tax paid		-27,589	-11,523
Cash flows from operating activities		114,298	112,964
Acquisition of intangible assets		-20,763	-17,008
Sale of intangible assets		1,072	0
Acquisition of property, plant and equipment		-23,673	-19,022
Disposal of property, plant and equipment		5,692	0
Acquisition of securities		-1,882	-5,851
Disposal of securities		2,064	0
Cash flows from investing activities		-37,490	-41,881
Shareholders:			
Distributed dividend		-71,171	-74,174
Cash flows from financing activities		-71,171	-74,174
Cash flows for the year		5,637	-3,091
Cash and cash equivalents at the beginning of the year		-5,630	-2,539
Cash and cash equivalents at year end		7	-5,630

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of L'Oréal Danmark A/S for 2018 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.

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 resources 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 estimates of amount that have previously been recognised in the income statement.

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

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 comprises items secondary to the activities of the entity. 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cost of sales

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

Other external costs

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, 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 depreciation is cost less any projected residual value, is amortised on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	3-10 years
Goodwill	5 years
Acquired trademarks	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 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 on profit 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 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 income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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. Amortisation period is 3-5 years. For development projects protected by intellectual 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.

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

Property, plant and equipment

Other fixtures and fitting, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

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

Impairment tests are conducted on individual 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 doubtful 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.

Cash and cash equivalents

Cash comprises cash in hand and bank deposits.

Equity

Dividends

Dividends are 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is 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 using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Liabilities other than provisions

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

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, provisions as well as 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 activities 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 shareholder.

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

1 Accounting policies (continued)

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 the 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 differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in the 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.

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

Changes in 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 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 liability, respectively. Amounts deferred in equity are transferred to the income statement in the period in which the hedged item affect the income statement.

Financial statements 1 January – 31 December

Notes

2 Segment information

DKK'000	2018	2017
Breakdown of revenue by geographical segment		
Denmark	972,374	916,384
Other European countries	416,566	444,308
	<u>1,388,940</u>	<u>1,360,692</u>

The primary market segment of 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 in line with section 96 of Danish Financial Statements Act as management assesses it will be damaging to the Company.

3 Staff costs

DKK'000	2018	2017
Wages and salaries	323,856	294,043
Pensions	24,434	22,716
Other social security costs	4,109	4,364
Other staff costs	20,415	2,759
	<u>372,814</u>	<u>323,882</u>
Average number of full-time employees	<u>519</u>	<u>507</u>

Total remuneration to Executive board: t.DKK 7,638 (2017: t.DKK 7,200)

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 operation income.

4 Depreciation, amortisation and impairment

DKK'000	2018	2017
Amortisation of intangible assets	7,559	5,515
Depreciation of property, plant and equipment	26,898	23,426
	<u>34,457</u>	<u>28,941</u>

5 Financial income

DKK'000	2018	2017
Exchange adjustments	12,269	3,767
	<u>12,269</u>	<u>3,767</u>

Financial statements 1 January – 31 December

Notes

6 Financial expenses

DKK'000	2018	2017
Interest expense, group entities	94	97
Other interest expenses	225	134
Exchange adjustments	13,200	5,031
	<u>13,519</u>	<u>5,262</u>

7 Proposed profit appropriation

DKK'000	2018	2017
Proposed dividends for the year	102,568	71,171
Retained earnings	0	0
	<u>102,568</u>	<u>71,171</u>

8 Tax on profit for the year

DKK'000	2018	2017
Current tax for the year	29,179	21,238
Deferred tax for the year	-1,920	928
	<u>27,259</u>	<u>22,166</u>

9 Intangible assets

DKK'000	Acquired licenses	Acquired trademarks	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2018	39,656	55,255	2,000	10,430	107,341
Additions for the year	6,028	0	0	10,975	17,003
Disposals for the year	-1,072	0	0	0	-1,072
Transfers for the year	1,819	0	0	-1,819	0
Cost at 31 December 2018	<u>46,431</u>	<u>55,255</u>	<u>2,000</u>	<u>19,586</u>	<u>123,272</u>
Amortisation and impairment losses at 1 January 2018	-16,903	-55,255	-2,000	0	-74,158
Amortisation for the year	-7,559	0	0	0	-7,559
Amortisation and impairment losses for the year on assets sold	516	0	0	0	516
Amortisation and impairment losses at 31 December 2018	<u>-23,946</u>	<u>-55,255</u>	<u>-2,000</u>	<u>0</u>	<u>-81,201</u>
Carrying amount at 31 December 2018	<u>22,485</u>	<u>0</u>	<u>0</u>	<u>19,586</u>	<u>42,071</u>

Financial statements 1 January – 31 December

Notes

10 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2018	150,921	0	150,921
Additions for the year	23,673	3,760	27,433
Disposals for the year	-5,691	0	-5,691
Cost at 31 December 2018	168,903	3,760	172,663
Depreciation and impairment losses at 1 January 2018	-103,473	0	-103,473
Depreciation for the year	-26,898	0	-26,898
Depreciation and impairment losses for the year on assets sold	3,764	0	3,764
Depreciation and impairment losses at 31 December 2018	-126,607	0	-126,607
Carrying amount at 31 December 2018	42,296	3,760	46,056

11 Investments

DKK'000	Deposits, investments
Cost at 1 January 2018	13,366
Additions for the year	1,882
Disposals for the year	-2,064
Cost at 31 December 2018	13,184
Carrying amount at 31 December 2018	13,184

12 Deferred tax

DKK'000	2018	2017
Deferred tax at 1 January	-7,502	-8,618
Deferred tax adjustment for the year in the income statement	-1,920	1,116
Tax on equity transactions	-39	0
Deferred tax at 31 December	-9,461	-7,502
Provisions for deferred tax relate to:		
Intangible assets	-175	-233
Property, plant and equipment	338	1,135
Inventories	-6,650	-5,844
Provisions	-2,488	-2,114
Other taxable temporary differences	-486	-446
	-9,461	-7,502

13 Prepayments

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

Financial statements 1 January – 31 December

Notes

14 Equity

The contributed capital consists of:

402,000 shares of DKK 5.00 nominal value each for a total of 2,010 thousand.

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

15 Fees to auditor appointed at the 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.

16 Contractual obligations, contingencies, etc.

DKK'000

2018 2017

Other financial obligations

Rent and lease liabilities	65,044	146,315
----------------------------	--------	---------

Rent and lease liabilities include rental and lease commitments due within 1 year totalling t.DKK 26,591 (2017: 40,076) and commitments due between 1 and 5 years totalling t.DKK 38,453 (2017:106,239). The Company has no rental and lease commitments due after 5 years.

17 Currency and interest rate risks and the use of derivative financial instruments

Other payables and other receivables include negative and positive fair value of derivative financial instruments of net DKK 2.241 thousand. Derivative financial instruments have been entered into to hedge exchange rate exposure of future purchases of DKK 1.811 thousand divided primarily between the currencies EUR, SEK and PLN. Forward exchange contracts expire between January 2019 and December 2019.

18 Related party disclosures

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

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

Ownership

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

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

19 Changes in working capital

DKK'000	2018	2017
Changes in working capital		
Change in inventories	-12,687	-5,235
Change in receivables	14,033	-63,198
Change in trade payables etc	-23,309	68,653
	<u>-21,963</u>	<u>220</u>