L'Oréal Danmark A/S

Havneholmen 25
1561 København V
Denmark

CVR no. 70 71 02 18

Annual report 2022

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

on ________________________________ 20 ____

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Chairman of the annual general meeting

Contents

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 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities 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, 13 - April - 2023
Executive Board:

Suzan Schlag

Board of Directors:

Olivier Hubin Chairman	Suzan Schlag	Laurent Schmitt

Independent auditor's report

To the shareholder of L'Oréal Danmark A/S

Opinion

We have audited the financial statements of L'Oréal Danmark A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Independent auditor's report

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.
- 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

Independent auditor's report

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, 13.04.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Kim Gerner Jacobsen

State Authorised Public Accountant

Identification No (MNE) mne10122

Management's review

Company details

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

Telephone:	+45 43 24 64 84
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

Olivier Hubin, Chairman
Suzan Schlag
Laurent Schmitt

Executive Board

Suzan Schlag

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C
Denmark
CVR no. 33 96 35 56

Management's review

Financial highlights

DKK '000	2022	2021	2020	2019	2018
Key figures					
Revenue	3,714,909	3,356,667	2,861,498	1,471,895	1,388,940
Gross profit	883,619	933,080	722,586	552,066	538,348
Operating profit	426,040	492,174	308,330	147,242	131,077
Profit/loss from financial income and expenses	9,486	-42,233	726	-1,555	-1,250
Profit for the year	337,730	353,915	241,373	111,833	102,568
Total assets	1,055,470	1,016,347	993,557	722,387	638,410
Equity	362,491	391,143	261,012	155,097	145,119
Investments in property, plant and equipment	-23,871	-14,062	-16,746	-13,372	-23,673
Ratios					
Gross margin	23.8%	27.8%	25.3%	37.5%	38.8%
Return on equity	89.6%	108.5%	116.0%	74.6%	79.2%
Solvency ratio	34.3%	38.5%	26.3%	21.5%	22.7%
Net margin	9.1%	10.5%	8.4%	7.6%	7.4%
Average number of full-time employees	526	525	515	525	519

With reference to the accounting policies, Note 1, section of the financial statements, the comparative figures for 2020 and 2021 have been restated in the financial highlights to reflect the correction of the material misstatement regarding previous years.

The financial ratios have been calculated as follows:

Gross margin $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Return on equity $\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests year end x 100}}{\text{Total equity and liabilities at year end}}$

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

Management's review

Operating review

Main activities

The main activity of the company consists of the sales of cosmetic products: skin care, haircare, make-up, hygiene and perfumes on the Danish market. L'Oréal Danmark A/S is an Entrepreneur for the Nordic region, which means that the company is assuming strategic decisions for three other L'Oréal low-risk distributor sister companies in Sweden, Norway and Finland. Together, the four companies constitute a Nordic Hub with one leadership team and more than 900 employees covering our four divisions: Consumer Products, Professional Products, L´Oréal Luxe and Dermatological Beauty.

L'Oréal Danmark A/S provides supply chain management, marketing and digital activity and finance service to the three Nordic sister companies.

Significant events

On 9 March 2022, the L'Oréal Group strongly condemned the invasion of Ukraine by Russia and announced its decision to temporarily close all its own stores and directly operated counters in department stores, its own brand e-commerce sites, and to suspend all industrial and national media investments in Russia.

The war in Ukraine, and subsequent sanctions on Russia does not have a significant impact on our business in Denmark and the Nordic region. We do not have any Russian or Ukrainian external suppliers, and as a rule we source our products from L'Oréal plants and distribution centers within Western Europe. But as with all other businesses, we are impacted by the rise in energy and commodity prices.

Another significant event in 2022, was that L'Oréal Danmark A/S adopted for accounting purposes, the acquisitions of intangible assets ("acquired similar rights") from its sister companies in Sweden, Norway and Finland in 2020 in connection to a reorganization where the three companies were converted to low-risk distributors. These assets were not recognized and measured in the financial statements for 2020 and 2021.This recognition of intangible assets is classified as a correction of an error in previous years' financial statements as it was clear there was an acquisition of acquired similar rights and therefore the price could be estimated with reasonable certainty.

Significant uncertainties

In 2020 the operational model for L'Oréal in the Nordic region was changed, whereby L'Oréal Danmark A/S became an entrepreneur in Denmark, Sweden, Norway and Finland, and L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY were converted to low-risk distributors in their respective local markets. Following this change in operational model, the cost and inventory structure changed.

To obtain certainty that the Nordic tax authorities agree on the applied level of the arm's length remuneration and one-off conversion payments and to avoid double taxation, L'Oréal Danmark A/S – together with L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY– applied for three advanced pricing agreements in august 2020.

In 2022 L'Oréal Danmark A/S agreed and paid a one-off compensation to L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY for the conversion of the companies to low-risk distributors amounting to a total for the three countries of nearly DKK 113m. The transfer price methodology was described in the requests or Advance Pricing Agreements submitted to the tax authorities in the four countries in august 2020.

Until the Nordic tax authorities conclude the advanced pricing agreements including the terms for a yearly remuneration and a one-off compensation for the conversion of L'Oréal Sverige AB and L'Oréal Norge AS to low-risk distributors, it is uncertain whether L'Oréal Danmark A/S will be liable for paying additional amounts to L'Oréal Sverige AB and L'Oréal Norge AS that differ from the amounts booked in the financial year 2022.

This uncertainty is confirmed with the final Advanced Pricing Agreement entered into between the Danish and Finnish competent authorities in February 2023 and accepted by L'Oréal Danmark A/S. Following this Advanced Pricing Agreement L'Oreal Danmark A/S' one-off compensation fee for the conversion to L'Oréal Finland OY was increased from 27.6M DKK (3.7M Eur) by an additional 67.8M DKK (9.1M Eur) for the acquisition of intangible assets ("acquired similar rights"). Finally, it was agreed that there is a 5% operating margin for the low-risk distributor.

Although the negotiations between competent authorities use the same base, namely the proposed Advanced Pricing Agreements put forward in august 2020, it is assessed that the Advanced Pricing Agreement between the Danish and Finnish competent authorities cannot be used to project results of the Advanced Pricing Agreements between the Danish and the Swedish tax authorities and between the Danish and Norwegian tax authorities. At this moment it is not possible to estimate the outcome of these negotiations as these are ongoing and thus not concluded. Based on this, there has not been made any adjustments to the conversion fees paid in accordance with the request for Advanced Pricing Agreements from August 2020. Our financial results for 2022 include a compensation fee L'Oréal Sverige AB (70.2M DKK) and L'Oréal Norge AB (15.2M DKK), combined 85.5M DKK, as outlined in the requests for Advanced Pricing Agreement.

Financial review

In last year's report, our expectations for 2022 were a revenue growth in the range of 3% - 7%. In 2022, L'Oreal Danmark A/S accomplished a growth in revenue of 10,6% and decline in profit before tax of -3%.

In detail, the Company's revenue was DKK 3,714,909 thousand against DKK 3,356,667 thousand last year including sale of services to sister companies in Norway, Sweden, and Finland at a total of DKK 1,442,967 thousand. The income statement for 2022 shows a profit of DKK 337,730 thousand compared to a profit of DKK 353,915 thousand last year. The balance sheet on 31 December 2022 shows an equity of DKK 362,491 thousand.

In 2022, L'Oréal Danmark A/S adopted for accounting purposes, the acquisitions of intangible assets ("acquired similar rights") from its sister companies in Sweden, Norway and Finland in 2020 in connection to a reorganization where the three companies were converted to low-risk distributors. These assets were not recognized and measured in the financial statements for 2020 and 2021. Therefore, in accordance with the Danish Financial Statements, where the financial statements for the previous financial years contain material misstatements, the amount of the correction must be recognized directly in equity at the beginning of the financial year, and the comparative figures for previous years must be restated. Consequently, there has been a restatement on the equity in the previous years leading to a corrected equity of DKK 391,143 at 1 January 2022.

Operating review

Events after the balance sheet date

As outlined in the section of significant uncertainties, agreements between the Nordics Tax authorities linked to the advanced pricing agreements between the countries is considered an uncertainty. After the balance sheet date we have received the Advanced Pricing Agreement between the Danish and Finnish competent authorities signed in February 2023, which we accepted. Following this Advanced Pricing Agreement L'Oreal Danmark A/S' one-off compensation fee for the conversion to L'Oréal Finland OY was increased from 27.6M DKK (3.7M Eur) by an additional 67.8M DKK (9.1M Eur) for the acquisition of intangible assets ("acquired similar rights"). Finally, it was agreed that there is a 5% operating margin for the low-risk distributor.

Outlook

In 2022 the market grew by 7.5%, driven by a favorable comparable with the Covid-19 impact in 2021. Nevertheless for 2023 we expect a similar market growth as the inflation will be a key growth driver.

Concerning our revenue, we have been outperforming the market in 2022 and we expect to do similar in 2023 with a planned growth at 11%.

Intellectual capital

L'Oréal has always placed the individual at the centre of its model, convinced that the qualities of each one contribute to the performance of all. L'Oréal finds, recruits, and supports its employees with a long-term engagement vision. Training and development play a central role all along their professional careers.

In addition to the focus we put on key areas like advertising, product know-how and general market development and in order to fully perform our function as strategic partner, Human Resources integrates the technological and digital dimensions and takes into account strong challenges such as social responsibility. The transformation of the Group towards Beauty Tech requires the recruitment of experts, the integration of new businesses and the dissemination of a digital culture at all levels of the company. HR also plays a central role in the transformation of work methods and management culture to foster a management style based on trust, leaving room to initiative, cooperation and development in line with our values in Denmark and across all Nordic countries.

For L'Oréal, economic growth cannot be separated from social progress. To support this conviction, the L'Oréal Share & Care programme, created in 2013 and deployed in all our subsidiaries, offers employees a set of benefits organised around four pillars, which were updated in 2021: welfare schemes, healthcare, work/life balance and the working environment. In 2021, Share & Care evolved to ensure that it remains relevant and to meet employees' needs and expectations at every key moment of their lives in this fast changing world. Emphasis is placed on health with a global approach, both physical and mental, as well as on new working methods. As part of a responsible and innovative social policy, L'Oréal has also developed "L'Oréal for Youth", a global programme to promote the employment of young people, which not only provides them with professional opportunities for work, but also provides them with concrete ways to boost their employability. L'Oréal also offers its employees a policy of sharing its growth. Profit-sharing programmes have been in place for many years everywhere in the world including Denmark and all Nordic countries. L'Oréal also set up an employee share ownership plan in 2018 and 2020.

Quality social dialogue is also one of the essential components of the L'Oréal model. It illustrates the Group's desire to involve employees and their representatives to its development. Finally, L'Oréal acts with the conviction that a policy in favour of Diversity, Equity and Inclusion allows everyone, regardless of their background, gender identity, religion, sexual orientation, age or disability, to give their best in the company. This is an essential driver of performance and innovation and is crucial for maintaining sustainable growth.

Corporate social responsibility

L'Oréal S.A., the Parent Company of L'Oréal Danmark A/S, has signed the UN Global Compact and prepares a CSR report the for the Group.

L'Oréal's Corporate Social Responsibility commitments and activities can be reached via our website: https://www.loreal.com/en/commitments-and-responsibilities/

L'Oreals Corporate Social Responsibility results can be obtained between 2013 – 2020 can be found via the link https://www.loreal-finance.com/system/files/2021-03/SBWA_PR_GROUPE_2020_ENG_0.pdf

Furthermore, the following group policies outline the 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 labour is publicly available on the Groups website, see links below.

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

https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/group/loreals-corruption-prevention-policy.pdf https://www.loreal.com/en/articles/commitments/human-rights-policy/#:~:text=Our%20Human%20Rights%20Policy%20is,of%20our%20Code%20of%20Ethics.

Regarding climate and environment, the Company always tries to optimise recycling, sort garbage and be aware of the usage of energy sources.

Key factors are the retention of employees and a healthy and safe working 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.

L'Oréal Group Registration Document describes the Company's mitigation of risks related to Human Rights, Anti-Corruption, Climate & Environment, Social matters, Staff-related matters, politics, and actions. The document can be obtained at

https://www.loreal-finance.com/system/files/2023-03/LOREAL_2022_Universal_Registration_Document_en.pdf

The reporting requirements pursuant to Section 99(a) of the Danish Financial Statements Act are covered by the reporting in the 2022 Universal Registration Document, which pertains to the same reporting period as the 2022 AR, and also covers L'Oreal Danmark as part of the Group.

The L'Oréal Group Annual Report can be obtained here:

https://www.loreal-finance.com/system/files/2023-02/LOreal_2022_Annual_Results_0.pdf

L'Oréal Danmark A/S has not identified any other risks which are not described in the Annual Report of the Group.

Goals and policies for the underrepresented gender

L'Oréal Danmark A/S has a policy which aims to increase the share of the underrepresented gender on all management levels.

Since February 2022 the Company has nominated one female member at Board of Directors, hence achieving the target of having at least one female member in the Board of Directors.

By the end of 2022, we have a equal gender representation according to the Danish Authorities guidance as one of the three members of the Board of Directors elected by the AGM is a woman.

The Company's Executive Management Committee consists of 13 members, nine of which are women. We have significantly improved the gender balance during the last three years. As per December 31, 2022, there were 60% women in other managing positions. As we consider this balanced, we do not have further policies beyond our continuous aim to keep both genders represented by at least 40%.

The Company aims to promote equality between genders on all management levels. 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.

Reporting on data ethics

At L'Oréal Danmark A/S ("**L'Oréal**") we have committed ourselves to managing data ethically, in line with L'Oréal's core ethical principles of **Integrity**, **Respect**, **Courage** and **Transparency** as defined in the L'Oréal Code of Ethics and L'Oréal's Privacy Policy, both applicable to all subsidiaries of the L'Oréal Group worldwide.

The Data Ethics Policy describes L'Oréal's commitment to a high standard of data ethics and summarizes in a transparent manner our ethical principles in relation to data and privacy.

This Data Ethics Policy is reviewed and approved at least annually by the L'Oréal executive management. This Data Ethics Policy applies to all data processing activities carried out by L'Oréal in Denmark. Furthermore, L'Oréal will to the extent possible enforce that any third parties carrying out data processing activities on behalf of L'Oréal adhere to the standards set out in this Data Ethics Policy.

The following principles form the basis of L'Oréal's ethical data processing and supplements the personal data protection and security measures already in place at L'Oréal:

- The executive management at L'Oréal ensures that use of new data processing technologies and commercial interests are weighed against the ethical principles outlined in the Data Ethics Policy.

- L'Oréal ensures that personal data is processed only when necessary and only for specific purposes, in compliance with applicable laws, regulations, and conventions, to minimize any potential risks or unintended consequences arising from such processing.

- L'Oréal will only share our customer's personal information with third parties when essential to a specific business need. In that case, L'Oréal ensures that any such third parties adhere to appropriate levels of data protection and ethical data processing.

- L'Oréal is committed to utilizing data to promote a safe and favorable work environment for employees and has consequently implemented appropriate security measures, data minimization, and storage limitation principles to safeguard data and the rights of data subjects.

- L'Oréal aims that the use of any new technology based on algorithms (e.g. machine learning and artificial intelligence) is performed fairly and transparently.

- L'Oréal continuously assesses and adapts its policies, training programs and data management tools as well as the associated organizational and technical measures to be taken.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2022	2021
Revenue	2	3,714,909	3,356,667
Costs of raw materials and consumables		-1,410,641	-1,261,223
Other operating income		12,838	11,638
Other external costs		-1,433,487	-1,174,002
Gross profit		883,619	933,080
Staff costs	3	-416,393	-388,750
Depreciation, amortisation and impairment losses	4	-41,186	-52,156
Profit before financial income and expenses		426,040	492,174
Other financial income	5	63,397	35,949
Other financial expenses	6	-53,910	-78,182
Profit before tax		435,527	449,941
Tax on profit for the year	7	-97,797	-96,026
Profit for the year	8	337,730	353,915

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
ASSETS			
Fixed assets			
Intangible assets	9		
Licenses		46,582	51,177
Development projects in progress and prepayments for intangible assets		187	5,361
Acquired intangible assets		146,877	90,448
		193,646	146,986
Property, plant and equipment	10		
Fixtures and fittings, tools and equipment		12,376	13,142
Property, plant and equipment under construction		21,850	11,938
		34,226	25,080
Financial assets	11		
Deposits		12,295	11,711
		12,295	11,711
Total fixed assets		240,167	183,777
Current assets			
Inventories			
Finished goods and goods for resale		197,692	121,404
Receivables			
Trade receivables		242,343	211,177
Receivables from group entities		328,496	467,708
Other receivables		30,569	17,441
Deferred tax asset	12	0	9,598
Corporation tax		2,091	0
Prepayments	13	14,112	5,242
		617,611	711,166
Cash at bank and in hand		0	0
Total current assets		815,303	832,570
TOTAL ASSETS		1,055,470	1,016,347

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		2,010	2,010
Reserve for fair value of investment assets		12,715	2,783
Retained earnings		10,036	23,616
Proposed dividends for the financial year		337,730	362,734
Total equity		362,491	391,143
Liabilities			
Non-current liabilities			
Payable to group entities		0	113,065
Current liabilities			
Trade payables		261,905	211,149
Payables to group entities		336,351	187,710
Deferred tax liabilities	12	980	0
Income tax payable		0	2,540
Other payables		93,743	110,740
		692,979	512,139
Total liabilities		692,979	625,204
TOTAL EQUITY AND LIABILITIES		1,055,470	1,016,347

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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Reserve for fair value adjustments	Retained earnings	Proposed dividends for the financial year	Total equity
Equity at 1 January 2022	2,010	2,783	41,254	362,734	408,781
Net effect from correction of material misstatement [Note 1]	0	0	-17,638	0	-17,638
Equity at 1 January 2022	2,010	2,783	23,616	362,734	391,143
Correction due to changes in accounting policies [Note 1]	0	0	-17,410	0	-17,410
Tax on correction due to changes in accounting policies [Note 1]	0	0	3,830	0	3,830
Ordinary dividends paid	0	0	0	-362,734	-362,734
Exchange adjustment	0	12,733	0	0	12,733
Profit for the year	0	0	0	337,730	337,730
Tax on other equity movements	0	-2,801	0	0	-2,801
Equity at 31 December 2022	2,010	12,715	10,036	337,730	362,491

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of L'Oréal Danmark A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

Changes in accounting policies

The IFRIC (IFRS Interpretations Committee) has provided guidance on how to account for costs related to SaaS (Software as a Service) projects, specifically those related to configuration and customization. This guidance must be implemented for the financial year 2022 for both SaaS projects software assets (Licenses) and assets under construction (AUC), and must be applied in the financial statements.

This change in methodology means that all accumulated costs related to SaaS projects from previous periods and going forward will be recorded in Opex (operating expenses) starting from January 1st, 2022, as they do not meet the criteria for capitalization.

This represents a change from the previous practice, where SaaS costs were recorded as Capex (capital expenses). However, this change only applies to SaaS projects; IaaS (Infrastructure as a Service) and PaaS (Platform as a Service) projects will continue to be recorded as Capex.

The accumulated effect of the change in practice has been directly recorded in equity for 2022 as of January 1st, 2022, as it is not immediately possible to reliably determine the effect for comparative figures.Total financial impact of changes in accounting policies on this years equity are as follows:

- Disposals of software assets from balance sheet in total of DKK 17,410,325, including AUC of total net book value DKK 2,589,062.

- Costs adjustments related to disposals of software assets and AUC from income statement to equity (retained earnings) of total DKK 17,410,325.

- The resulting effect in income statement is null.

- Release of deferred tax assets from balance sheet of total DKK 3,830,251 and its movement to tax on equity.

Correction of material misstatement

In 2022 L'Oréal Danmark A/S adopted for accounting purposes, the acquisitions of intangible assets (“acquired similar rights”) from its sister companies in Sweden, Norway and Finland in 2020 in connection to a reorganization where the three companies were converted to low-risk distributors. These assets were not recognized and measured in the financial statements for 2020 and 2021.

This recognition of intangible assets is classified as a correction of an error in previous years’ financial statements as it was deemed that following more extensive knowledge in similar cases, with reasonable certainty L’Oréal Danmark A/S would have to pay compensation for the conversion.

The impact of the correction for 2021 of this misstatement can be found below.

2021 DKK'Million (+ debit, - credit)	Profit for the year	Acquired intangible Assets	Deferred Tax Assets	Corporation Tax Receivables	**Total Assets**	Payables to group entities	Corporation tax payables	**Equity**
Values Before Corrections APA	-362.7	0.0	11.7	0.0	**928.0**	-187.7	-9.6	**-408.8**
Correction	8.8	90.4	-2.1	0.0	**88.3**	-113.1	7.1	**17.6**
Corrected with APA Values as of 31 December	-353.9	90.4	9.6	0.0	**1016.3**	-300.8	-2.5	**-391.1**

- Depreciation, increase of DKK 11,306 thousand

- Profit before tax, decrease of DKK 11,306 thousand

- Tax for the year, decrease of DKK 2,487 thousand

On top of the correction of material misstatement for the Advanced Pricing Agreements mentioned above there has been a further reclassification on the assets with a decrease DKK 74,075 thousand. This decrease of DKK 74,075 thousands in Assets is the reclassification of Trade Receivables netted out against Trade Payables at a client level. Including this reclassification the Total Assets reach an amount of DKK 1,016,347 thousand instead of the DKK 1,002,104 thousand published last year.

Significant uncertainty regarding Advanced Pricing Agreements

In 2020 the operational model for L'Oréal in the Nordic region was changed, whereby L'Oréal Danmark A/S became an entrepreneur in Denmark, Sweden, Norway and Finland, and L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY were converted to low-risk distributors in their respective local markets. Following this change in operational model, the cost and inventory structure changed.

To obtain certainty that the Nordic tax authorities agree on the applied level of the arm's length remuneration and one-off conversion payments and to avoid double taxation, L'Oréal Danmark A/S – together with L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY– applied for three advanced pricing agreements in august 2020.

In 2022 L'Oréal Danmark A/S agreed and paid a one-off compensation to L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY for the conversion of the companies to low-risk distributors amounting to a total for the three countries of nearly DKK 113m. The transfer price methodology was described in the requests or Advance Pricing Agreements submitted to the tax authorities in the four countries in august 2020.

Until the Nordic tax authorities conclude the advanced pricing agreements including the terms for a yearly remuneration and a one-off compensation for the conversion of L'Oréal Sverige AB and L'Oréal Norge AS to low-risk distributors, it is uncertain whether L'Oréal Danmark A/S will be liable for paying additional amounts to L'Oréal Sverige AB and L'Oréal Norge AS that differ from the amounts booked in the financial year 2022.

This uncertainty is confirmed with the final Advanced Pricing Agreement entered into between the Danish and Finnish competent authorities in February 2023 and accepted by L'Oréal Danmark A/S. Following this Advanced Pricing Agreement L'Oreal Danmark A/S' one-off compensation fee for the conversion to L'Oréal Finland OY was increased from 27.6M DKK (3.7M Eur) by an additional 67.8M DKK (9.1M Eur) for the acquisition of intangible assets ("acquired similar rights"). Finally, it was agreed that there is a 5% operating margin for the low-risk distributor.

Although the negotiations between competent authorities use the same base, namely the proposed Advanced Pricing Agreements put forward in august 2020, it is assessed that the Advanced Pricing Agreement between the Danish and Finnish competent authorities cannot be used to project results of the Advanced Pricing Agreements between the Danish and the Swedish tax authorities and between the Danish and Norwegian tax authorities. At this moment it is not possible to estimate the outcome of these negotiations as these are ongoing and thus not concluded. Based on this, there has not been made any adjustments to the conversion fees paid in accordance with the request for Advanced Pricing Agreements from August 2020. Our financial results for 2022 include a compensation fee L'Oréal Sverige AB (70.2M DKK) and L'Oréal Norge AB (15.2M DKK), combined 85.5M DKK, as outlined in the requests for Advanced Pricing Agreement.

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 L'Oréal S.A.

Basis of recognition and measurement

The financial statements are based on the historical cost principle with the 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 Company, 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 Company, and the value can be measured reliably.

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1 Accounting policies (continued)

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, and
- payment has been received at the time of sale or is with reasonable certainty 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 earnings for the year are recognised in the income statement, including depreciation estimates of amounts 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

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.

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. Sale of services to sister companies in Norway, Sweden and Finland is recognised in the income statement as services are delivered. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the Company. Other operating income originates from the re-invoicing of service costs, including a mark-up to the sister companies in The Netherlands and Belgium in relation to existing service contracts.

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1 Accounting policies (continued)

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 of L'Oréal S.A.

Other external costs

Other external costs comprise costs 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 and depreciation and impairment losses

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

The basis of depreciation/amortisation 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:

Licenses	3-5 years
Acquired intangible assets	10 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, as well as realised and unrealised exchange adjustments.

Tax on profit/loss for the year

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

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 entities with a strong market position and a long-term earnings profile if

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1 Accounting policies (continued)

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 entity 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 development projects, as well as prepayments regarding intangible assets.

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

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

Acquired intangible assets (acquired similar right) are measured at cost less accumulated amortisation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition. Acquired intangible assets (acquired similar right) are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 10 years.

Property, plant and equipment

Fixtures and fittings, 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.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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 write-down for bad and doubtful debts. Write-down for bad and doubtful debts is determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general write-down is also made based on the entity's experience.

Prepayments

Prepayments include incurred costs in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Cash at bank and in hand

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. Proposed dividends for the financial year are disclosed as a separate item in equity.

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

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.

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1 Accounting policies (continued)

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.

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 other receivables or other payables.

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 other payables or other receivables 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.

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2 Segment information

DKK'000	2022	2021
Break-down of revenue by geographical segment		
Denmark	1,250,087	1,080,840
Other European countries	2,464,822	2,275,827
	3,714,909	3,356,667

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 cosmetics product segment - and geographically in Scandinavia.

Revenue to other European countries includes intercompany sales of services related to the profit repatriation as a result of the low risk distributor model to Sweden, Norway and Finland at a total of DKK 1,442,967 thousand.

Product segments are not disclosed in line with section 96 of Danish Financial Statements Act as Management assesses it will be detrimental to the Company.

3 Staff costs

DKK'000	2022	2021
Wages and salaries	366,452	343,300
Pensions	28,561	27,884
Other social security costs	9,318	4,146
Other staff costs	12,062	13,420
	416,393	388,750
Average number of employees	526	525

Part of staff costs are related to the shared IT functions and re-invoiced to the affiliated companies in -The Netherlands and Belgium and recognised as income under other operating income.

According to section 98b of the Danish Financial Statements Act, total remuneration to the Executive Board and Board of Directors is not disclosed.

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DKK'000		2022	2021
4	**Depreciation, amortisation and impairment losses**		
	Amortisation of intangible assets	27,641	31,418
	Depreciation of property, plant and equipment	13,545	20,738
		41,186	52,156
5	**Other financial income**		
	Other interest income	81	0
	Exchange adjustments	63,316	35,949
		63,397	35,949
6	**Other financial expenses**		
	Interest expense, group entities	228	978
	Other interest expenses	0	350
	Exchange adjustments	53,682	76,854
		53,910	78,182
7	**Tax on profit for the year**		
	Current tax for the year	86,190	97,375
	Deferred tax for the year	11,607	-1,349
		97,797	96,026
8	**Proposed profit appropriation**		
	Proposed dividends for the year	337,730	362,734
	Retained earnings	0	-8,819
		337,730	353,915

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9 Intangible assets

DKK'000	Licenses	Acquired patents	Goodwill	Develop-ment projects in progress and pre-payments for intangible assets	Acquired intangible assets	Total
Cost at 1 January 2022	111,565	55,255	2,000	5,361	113,065	287,246
Additions for the year	25,080	0	0	1,569	67,731	94,380
Disposals for the year	-4,411	0	0	-3,558	0	-7,969
Disposals of SaaS software	-14,821			-2,589		-17,410
Transfers for the year	596	0	0	-596	0	0
Cost at 31 December 2022	118,009	55,255	2,000	187	180,796	356,247
Amortisation and impairment losses at 1 January 2022	-60,387	-55,255	-2,000	0	-22,613	-140,255
Amortisation for the year	-16,334	0	0	0	-11,306	-27,640
Reversal of amortisation and impairment losses for the year on assets sold	5,296	0	0	0	0	5,296
Amortisation and impairment losses at 31 December 2022	-71,425	-55,255	-2,000	0	-33,919	-162,599
Carrying amount at 31 December 2022	46,584	0	0	187	146,877	193,648

The Company has one ongoing e-commerce project in total of DKK 187k.
Disposals of DKK 14,821 thousands of asset class “Licences” and DKK 2,589 thousands on “Development projects in progress” relates to write-down of SaaS software application according with a new accounting policies, mentioned in Note 1 “Changes in accounting policies”.

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10 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2022	94,943	11,938	106,881
Additions for the year	13,060	10,810	23,870
Disposals for the year	-2,516	0	-2,516
Transfers for the year	898,0	-898,0	0
Cost at 31 December 2022	106,385	21,850	128,235
Depreciation and impairment losses at 1 January 2022	-81,801	0	-81,801
Depreciation for the year	-13,544	0	-13,544
Reversal of depreciation and impairment losses for the year on assets sold	1,336	0	1,336
Depreciation and impairment losses at 31 December 2022	-94,009	0	-94,009
Carrying amount at 31 December 2022	12,376	21,850	34,226

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11 Financial assets

DKK'000	Deposits
Cost at 1 January 2022	11,712
Additions for the year	583
	12,295

12 Deferred tax

DKK'000	31/12 2022	31/12 2021
Deferred tax at 1 January	-9,598	-15,698
Deferred tax adjustment for the year in the income statement	11,607	-1,349
Tax on equity transactions	-1,029	7,449
Deferred tax at 31 December	980	-9,598

Provisions for deferred tax relate to:		
Intangible assets	9,584	2,130
Property, plant and equipment	1,445	2,856
Inventories	-11,436	-12,075
Provisions	-1,842	-2,937
Other taxable temporary differences	3,229	428
	980	-9,598

13 Prepayments

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

14 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 of L'Oréal S.A.

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15 Contractual obligations, contingencies, etc.

Other financial obligations

DKK'000	2022	2021
Rent and lease liabilities	140,536	133,083

Rent and lease liabilities include rental and lease commitments due within 1 year totalling DKK 40,234 thousand (2021: DKK 25,933 thousand) and commitments due between 1 and 5 years totalling DKK 100,302 thousand (2021: DKK 107,150 thousand). The Company has no rental and lease commitments due after 6 years.

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

Other payables and securities include negative and positive fair value of derivative financial instruments of a net negative DKK14,331 thousand. Derivative financial instruments have been entered into to hedge exchange rate exposure of future purchases of a negative of DKK 94,433 thousand divided primarily between the currencies EUR, SEK and NOK. Forward exchange contracts expire between January 2023 and December 2023.

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17 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

Control

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

L'Oréal S.A. holds the majority of the contributed capital in the Company.

L'Oreal Danmark A/S is part of the consolidated financial statements of L'Oréal S.A., registered office, which are the smallest and largest groups, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of L'Oréal S.A. can be obtained by contacting the companies at the above addresses.

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.

18 Events after the balance sheet date

As outlined in the section of significant uncertainties, agreements between the Nordics Tax authorities linked to the advanced pricing agreements between the countries is considered an uncertainty. After the balance sheet date we have received the Advanced Pricing Agreement between the Danish and Finnish competent authorities signed in February 2023, which we accepted. Following this Advanced Pricing Agreement L'Oreal Danmark A/S' one-off compensation fee for the conversion to L'Oréal Finland OY was increased from 27.6M DKK (3.7M Eur) by an additional 67.8M DKK (9.1M Eur) for the acquisition of intangible assets ("acquired similar rights"). Finally, it was agreed that there is a 5% operating margin for the low-risk distributor.