

# L'Oréal Danmark A/S

Havneholmen 25  
1561 København V  
Denmark

CVR no. 70 71 02 18

## Annual report 2021

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

on 19 APRIL 20 22

NINA BOSEN DYBDAL TERNØY TERNØY  
Chairman of the annual general meeting

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## 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 2021.


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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021.

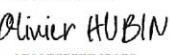
Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

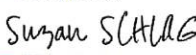
Copenhagen, 31-3-2022  
Executive Board:

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Suzan Schlag

Board of Directors:

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Olivier Hubin  
Chairman

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Laurent Schmitt

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Suzan Schlag

## Independent auditor's report

### To the shareholder of L'Oréal Danmark A/S

#### Qualified opinion

We have audited the financial statements of L'Oréal Danmark A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the possible effect of the matter described in the "Basis for qualified opinion" section, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

#### Basis for qualified opinion

As stated in note 18 'contingent liabilities', the Company implemented a new transfer pricing setup in 2020 together with its Nordic affiliated companies, after which the Company has taken over the Nordic entrepreneurial roles relating to managing L'Oréal products and brands in the Nordics region. In our view, 'Acquired similar rights', recognized at DKK 0 under assets, were measured at an amount which were DKK 55.8 – 111.6 million (EUR 7.5 – 15 million) too low in 2020 due to the lacking recognition of entrepreneurial rights acquired from the affiliated companies. For that reason, in our view, recognition of payables to group entities also lacks by this amount. There is uncertainty related to the amount.

Due to the lacking recognition of 'Acquired similar rights' in the 2020 annual report, no amortization have been recognised in the 2020 and 2021 annual report as they depend on an estimation of the useful life, which has not been determined by Management.

The net tax effect (net of current and deferred tax) amounts to zero.

Equity and profit for the year are overestimated by an amount equal to the lacking amortization since the lack of recognition of the asset as of 01.01.2020.

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 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 qualified opinion.

#### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management .
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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As is evident from the "Basis for qualified opinion" section, we have modified our opinion on the financial statements as no recognition has been performed of 'Acquired similar rights' under assets with related amortisations and payables to group enterprises due to the new transfer pricing setup. We have concluded that, for this reason, the management commentary is materially misstated as, in our opinion, the management commentary should have reflected this circumstance.

Except from the above described issue and based on the work we have performed, we conclude that the Management's review is in accordance with the financial statement and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

Copenhagen, 31-3-2022

**Deloitte**  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 96 35 56



Kim Gerner Jacobsen

State Authorised Public Accountant

Identification No (MNE) mne10122

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## 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](http://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  
Laurent Schmitt  
Suzan Schlag

### Executive Board

Suzan Schlag

### Auditor

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

### Attorney

Bech-Bruun  
Langelinie Allé 35  
2100 København K  
Denmark

### Bank

Danske Bank  
Holmens Kanal 2-12  
1092 København K  
Denmark

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## Management's review

### Financial highlights

DKKm	2021	2020	2019	2018	2017
<b>Key figures</b>					
Revenue	3,356,667	2,861,498	1,471,895	1,388,940	1,360,692
Gross profit	933,080	722,586	552,066	538,348	447,655
Operating profit	503,480	317,130	147,242	131,077	94,862
Profit/loss from financial income and expenses	-42,233	726	-1,555	-1,250	-1,495
Profit for the year	362,734	250,173	111,833	102,568	71,171
Total assets	1,002,103	888,157	722,387	638,410	636,091
Equity	408,782	269,812	155,097	145,119	113,862
Investments in property, plant and equipment	-14,062	-16,746	-13,372	-23,673	-19,022
Cash flows from operating activities	265,378	169,066	124,316	114,298	112,964
Cash flows from investing activities	-15,205	-57,238	-21,750	-37,490	-41,881
Cash flows from financing activities	-250,173	-111,833	-102,568	-71,171	-74,174
<b>Ratios</b>					
Gross margin	27.8%	25.3%	37.5%	38.8%	32.9%
Return on equity	106.9%	117.8%	74.6%	79.2%	62.0%
Solvency ratio	40.8%	30.4%	21.5%	22.7%	17.9%
Net margin	10.8%	8.7%	7.6%	7.4%	5.2%
Average number of full-time employees	525	515	525	519	507

The financial ratios have been calculated as follows:

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts.

Gross margin

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

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

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

Net margin

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



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## Management's review

### Operating review

#### Main activities

The main activity of the company consists of sales of cosmetics perfumes and hair care. Furthermore, L'Oreal Danmark A/S is acting as the Entrepreneur for the Nordic region, and as such is overseeing the activities of its affiliated companies in Norway, Sweden and Finland, and providing services for them, such as supply chain management, marketing and digital activity, finance services.

#### 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 should 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 general rule we source our products from L'Oreal plants and distribution centers within Western Europe. But as with all other businesses, we will get impacted by the rise in energy and commodity prices. However, these do not represent a significant part on our cost basis, so we do not expect any significant change to our business model, or profitability level.

#### Significant uncertainties

Changes of operational model in 2020 and L'Oréal Danmark A/S' applications for advanced pricing agreements between Denmark and Sweden, Norway and Finland which are still under review from the competent tax authorities, it is uncertain whether L'Oréal Danmark A/S will be liable for indemnifying the affiliated entities L'Oréal Sverige AB, L'Oréal Finland OY and L'Oréal Norge for the transfer of functions and risks as described in note 18. The total indemnification is expected to an amount between DKK 0 and DKK 111.6 million. Due to the uncertainty of an indemnification, as the Danish competent tax authorities and the corresponding competent tax authorities in Sweden, Finland and Norway haven't yet agreed upon an indemnification, we haven't recognized acquired similar rights under assets, the corresponding amortization and the payable to the Group Companies.

#### Financial review

As mentioned in last year's report, our expectations for 2021 were a revenue growth in range of 5-10% and a higher growth in profit before tax. In 2021, L'Oreal Danmark A/S performed better than original expectations by achieving a revenue growth of 17% and growth in profit before tax of 44%. This strong performance was due to a more dynamic beauty market on which we have gained market share in all 4 Nordic countries driving higher sales and profit.

As a consequence the Company's revenue came in at DKK 3,356,667 thousand as against DKK 2,861,498 thousand last year including sale of services to sister companies in Norway, Sweden and Finland at a total of DKK 1,358,624 thousand. The income statement for 2021 shows a profit of 362,734 thousand as against a profit of DKK 250,173 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 408,873 thousand.

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## Management's review

### Operating review

#### Events after the balance sheet date

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

#### Outlook

We anticipate beauty market to continue growing in average of 2% in coming years. Our Company's growth has been higher than the market in the past years and we plan to continue growing in 2022, but probably at a bit slower pace than in 2021. Concretely for 2022, we plan to have revenue growth in range of 3-7%. This increase in revenue is explained by the continued strong performance across our divisions in the 4 Nordic countries.

### 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 key areas like advertising, product know-how and general market development

### 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 for the Group.

L'Oreals Corporate Social Responsibility commitments can be obtained at <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/l4f/loreal-for-the-future--booklet.pdf>

L'Oreals Corporate Social Responsibility results can be obtained at <https://www.loreal-finance.com/en/annual-report-2021/>

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/loreal-corruption-prevention-policy.pdf>

In regard to 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 the provision of health, safety and 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/2022-03/LOREAL\\_2021\\_Universal\\_Registration\\_Document\\_en\\_0.pdf](https://www.loreal-finance.com/system/files/2022-03/LOREAL_2021_Universal_Registration_Document_en_0.pdf)

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### Operating review

The L'Oréal Goup Annual Report can be obtained here: <https://www.loreal-finance.com/en/annual-report-2021>

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

### Data ethics

L'Oréal is committed to manage data ethically, in line with L'Oréal's core ethical principles of Integrity, Respect, Courage and Transparency as defined in the L'Oréal group Code of Ethics applicable to all subsidiaries of the L'Oréal Group worldwide.

Data relating to its employees, consumers and business partners are processed only to the extent necessary for the effective operation of L'Oréal and in compliance with applicable regulations.

Security and confidentiality of the data is ensured through strict rules and technical measures implemented throughout the organization of the company.

L'Oréal continuously assesses and adapts its policies, training and data management tools as well as the associated organizational and technical measures to be taken, following closely the increasing digitalization of its business and development of new technologies.

Awareness campaigns in relation to L'Oréal's ethics principles and policies are regularly conducted with the employees throughout the year. Breaches of L'Oréal Ethics principles and policies can be reported through a dedicated secure website or to specifically appointed ethics correspondents.

### 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.

The Company aims to increase the Board of Directors with at least one female member no later than 2023. By the end of 2021, none of the three members of the Board of Directors elected by the AGM were women. The main reason we have not yet achieved this target is the fact that we do not replace board members who provide value to the Company due to their gender once elected. 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.

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, 2021, 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.



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## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2021	2020
<b>Revenue</b>	2,3	3,356,667	2,861,498
Costs of raw materials and consumables	2	-1,261,223	-1,099,881
Other operating income	2	11,638	11,958
Other external costs	2	-1,174,002	-1,050,989
<b>Gross profit</b>		933,080	722,586
Staff costs	4	-388,750	-373,367
Depreciation, amortisation and impairment losses	5	-40,850	-32,089
<b>Profit before financial income and expenses</b>		503,480	317,130
Other financial income	6	35,949	47,396
Other financial expenses	7	-78,182	-46,669
<b>Profit before tax</b>		461,247	317,857
Tax on profit for the year	8	-98,513	-67,684
<b>Profit for the year</b>	9	362,734	250,173

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## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	10		
Licenses		51,177	56,019
Development projects in progress and prepayments for intangible assets		5,361	16,776
		<u>56,538</u>	<u>72,795</u>
<b>Property, plant and equipment</b>	11		
Fixtures and fittings, tools and equipment		13,142	27,457
Property, plant and equipment under construction		11,938	4,774
		<u>25,080</u>	<u>32,231</u>
<b>Investments</b>			
Other long-term receivables	12	0	363
Deposits		11,711	13,586
		<u>11,711</u>	<u>13,949</u>
<b>Total fixed assets</b>		<u>93,329</u>	<u>118,975</u>



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## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
<b>ASSETS (continued)</b>			
<b>Current assets</b>			
<b>Inventories</b>			
Finished goods and goods for resale		121,404	124,049
<b>Receivables</b>			
Trade receivables		285,252	257,699
Receivables from group entities		467,708	337,712
Other receivables		17,441	17,082
Deferred tax asset	13	11,728	16,762
Corporation tax		0	3,101
Prepayments	14	5,242	12,777
		<u>787,371</u>	<u>645,133</u>
<b>Cash at bank and in hand</b>		<u>0</u>	<u>0</u>
<b>Total current assets</b>		<u>908,775</u>	<u>769,182</u>
<b>TOTAL ASSETS</b>		<u>1,002,104</u>	<u>888,157</u>

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### Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	15	2,010	2,010
Reserve for fair value of investment assets		2,785	-23,625
Retained earnings		41,254	41,254
Proposed dividends for the financial year	9	362,734	250,173
<b>Total equity</b>		<b>408,783</b>	<b>269,812</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other payables	16	0	34,294
<b>Current liabilities</b>			
Trade payables		211,149	195,892
Payables to group entities		187,710	154,524
Income tax payable		9,645	0
Other payables		184,817	233,635
		593,321	584,051
<b>Total liabilities</b>		<b>593,321</b>	<b>618,345</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,002,104</b>	<b>888,157</b>
<b>Accounting policies</b>			
	1		
<b>Fees to auditor appointed at the general meeting</b>	17		
<b>Contractual obligations, contingencies, etc.</b>	18		
<b>Currency and interest rate risks and the use of derivative financial instruments</b>	19		
<b>Related party disclosures</b>	20		

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## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK'000	Contributed capital	Reserve for fair value adjust- ments	Retained earnings	Proposed dividends for the financial year	Total equity
<b>Equity at 01.01.2021</b>	2,010	-23,625	41,254	250,173	269,812
Ordinary dividends paid				-250,173	-250,173
Exchange adjustment		33,857			33,857
Profit for the year				362,734	362,734
Tax on other equity movements		-7,449			-7,449
<b>Equity at 31.12.2021</b>	<u>2,010</u>	<u>2,783</u>	<u>41,254</u>	<u>362,734</u>	<u>408,781</u>

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## Financial statements 1 January – 31 December

### Cash flow statement

DKK'000	Note	2021	2020
Profit for the year		362,734	250,173
Other adjustments of non-cash operating items	21	215,454	68,685
Cash generated from operations before changes in working capital		578,188	318,858
Changes in working capital	22	-182,395	-85,649
Cash generated from operations		395,793	233,209
Interest income		35,949	47,395
Interest expense		-78,182	-46,669
Corporation tax paid		-88,182	-64,869
<b>Cash flows from operating activities</b>		<b>265,378</b>	<b>169,066</b>
Acquisition of intangible assets		-4,584	-46,516
Disposal of intangible assets		2,966	1,413
Acquisition of property, plant and equipment		-14,062	-16,746
Disposal of property, plant and equipment		476	529
Acquisition of securities		0	4,082
<b>Cash flows from investing activities</b>		<b>-15,204</b>	<b>-57,238</b>
Shareholders:			
Distributed dividends		-250,173	-111,833
<b>Cash flows from financing activities</b>		<b>-250,173</b>	<b>-111,833</b>
<b>Cash flows for the year</b>		<b>0</b>	<b>-5</b>
Cash and cash equivalents at the beginning of the year		0	5
<b>Cash and cash equivalents at year end</b>		<b>0</b>	<b>0</b>

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## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of L'Oréal Danmark A/S for 2021 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.

#### Change in comparative figures

No changes has been done on the comparative figures.

#### 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 resources from the Company, 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, 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 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.



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#### 1 Accounting policies (continued)

##### 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.

###### 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 Holland and Belgium in relation to existing service contracts.

###### Cost of sales

Cost of sales comprise costs for premises, sales and distribution as well as office expenses, etc.

###### 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 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 estimated useful life of trademarks is a minimum of 10 years. The valuation is based on similar experience.

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#### 1 Accounting policies (continued)

##### 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 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.

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#### 1 Accounting policies (continued)

##### Property, plant and equipment

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.

##### 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.

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#### 1 Accounting policies (continued)

##### 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

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.



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#### 1 Accounting policies (continued)

##### Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents comprise cash.

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.

##### 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 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 Change in operational model

No change in the operational model vs. year 2020.

#### 3 Segment information

DKK'000	2021	2020
<b>Break-down of revenue by geographical segment</b>		
Denmark	1,080,840	937,708
Other European countries	2,275,827	1,923,790
	<u>3,356,667</u>	<u>2,861,498</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.

Revenue to other European countries includes intercompany sales of services to Sweden, Norway and Finland at a total of DKK 1,358,624 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.

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DKK'000	2021	2020
<b>4 Staff costs</b>		
Wages and salaries	343,300	329,469
Pensions	27,884	27,172
Other social security costs	4,146	4,330
Other staff costs	13,420	12,396
	<u>388,750</u>	<u>373,367</u>
 Average number of full-time employees	 <u>525</u>	 <u>515</u>

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

According to the Danish Financial Statements Act § 98b, the total remuneration to the Executive Board and Board of Directors are not disclosed

DKK'000	2021	2020
<b>5 Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	20,112	11,467
Depreciation of property, plant and equipment	20,738	20,622
	<u>40,850</u>	<u>32,089</u>
 <b>6 Other financial income</b>		
Exchange adjustments	35,949	47,396
	<u>35,949</u>	<u>47,396</u>
 <b>7 Other financial expenses</b>		
Interest expense, group entities	978	636
Other interest expenses	350	366
Exchange adjustments	76,854	45,667
	<u>78,182</u>	<u>46,669</u>

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DKK'000

	2021	2020
<b>8 Tax on profit for the year</b>		
Current tax for the year	100,928	67,892
Deferred tax for the year	-2,415	-208
	<u>98,513</u>	<u>67,684</u>
<b>9 Proposed profit appropriation</b>		
Proposed dividends for the year	362,734	250,173
Retained earnings	0	0
	<u>362,734</u>	<u>250,173</u>

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#### 10 Intangible assets

DKK'000	Licenses	Acquired patents	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2021	98,160	55,255	2,000	16,776	172,191
Additions for the year	3,477			1,107	4,584
Disposals for the year	-2,594				-2,594
Transfers for the year	12,522			-12,522	0
Cost at 31 December 2021	111,565	55,255	2,000	5,361	174,181
Amortisation and impairment losses at 1 January 2021	-42,141	-55,255	-2,000	0	-99,396
Amortisation for the year	-20,112				-20,112
Amortisation and impairment losses for the year on assets sold	0				0
	1,865				1,866
Amortisation and impairment losses at 31 December 2021	-60,387	-55,255	-2,000	0	-117,643
Carrying amount at 31 December 2021	51,177	0	0	5,361	56,538

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#### 11 Property, plant and equipment

	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
DKK'000			
Cost at 1 January 2021	113,374	4,774	118,148
Additions for the year	6,163	7,898	14,062
Disposals for the year	-25,328	0	-25,328
Transfers for the year	734	-734	0
Cost at 31 December 2021	94,943	11,938	106,882
Depreciation and impairment losses at 1 January 2021	-85,916	0	-85,916
Depreciation for the year	-20,738		-20,738
Depreciation and impairment losses for the year on assets sold	24,853		24,853
Depreciation and impairment losses at 31 December 2021	-81,801	0	-81,801
Carrying amount at 31 December 2021	13,142	11,938	25,081



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#### 12 Investments

DKK'000	Other long-term receivables	Deposits, investments
Cost at 1 January 2021	363	13,586
Additions for the year		
Disposals for the year	-363	-1,874
	<u>0</u>	<u>11,712</u>

#### 13 Deferred tax assets

DKK'000	31/12 2021	31/12 2020
Deferred tax at 1 January	-16,762	-9,817
Deferred tax adjustment for the year in the income statement	-2,415	-208
Tax on equity transactions	7,449	-6,737
Deferred tax at 31 December	<u>-11,728</u>	<u>-16,762</u>
Provisions for deferred tax relate to:		
Intangible assets	0	-58
Property, plant and equipment	2,856	5,134
Inventories	-12,075	-10,702
Provisions	-2,937	-4,115
Other taxable temporary differences	428	-7,021
	<u>-11,728</u>	<u>-16,762</u>

#### 14 Prepayments

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

#### 15 Equity

Contributed capital consists of

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

The Company's contributed capital has remained at DKK 2,010 thousand over the past five years.

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#### 16 Non-current liabilities

	31/12 2021	31/12 2020
DKK'000		
Holiday pay obligation	0	34,294

#### 17 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.

#### 18 Contractual obligations, contingencies, etc.

##### Contingent liabilities

In 2020, the operational model for L'Oréal in the Nordic region was changed, whereas L'Oréal Danmark A/S now also acts as entrepreneur in Sweden, Norway and Finland, and L'Oréal Sverige AB, L'Oréal Norge AS and L'Oréal Finland OY acts as low-risk distributors for L'Oréal Danmark A/S in their respective local markets. The low-risk distributors receive arm's length remuneration, which for 2020, is set at EBIT of 5%. Following this change in operational model, the cost and inventory structure have also changed. As a result thereof and in order to obtain certainty of the arm's length remuneration between the entities, L'Oréal Danmark A/S has together with each of three other entities individually, applied for an advanced pricing agreement between Denmark and individually with Sweden, Norway and Finland. As of the balance date, the advanced pricing agreement is still being reviewed by the competent tax authorities.

Following the change of operational model and L'Oréal Danmark A/S' applications for advanced pricing agreements between Denmark and Sweden, Norway and Finland which are still under review from the competent tax authorities, it is uncertain whether L'Oréal Danmark A/S will be liable for indemnifying the affiliated entities L'Oréal Sverige AB, L'Oréal Finland OY and L'Oréal Norge for the transfer of functions and risks. Total indemnification is expected to an amount between DKK 0 and DKK 111.6 million. Due to the uncertainty of an indemnification, as the Danish competent tax authorities and the corresponding competent tax authorities in Sweden, Finland and Norway have not yet agreed upon indemnification, we have not recognised acquired similar rights under assets, the corresponding amortisation and the payable to the Group Companies.

##### Other financial obligations

	2021	2020
DKK'000		
Rent and lease liabilities	133,083	86,113

Rent and lease liabilities include rental and lease commitments due within 1 year totalling DKK 25,933 thousand (2020: DKK 28,506 thousand) and commitments due between 1 and 5 years totalling DKK 107,150 thousand (2020: DKK 57,607 thousand). The Company has no rental and lease commitments due after 6 years.

#### 19 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 net DKK -1,901 thousand. Derivative financial instruments have been entered into to hedge exchange rate exposure of future purchases of DKK 452,703 thousand divided primarily between the currencies EUR, SEK and PLN. Forward exchange contracts expire between January 2022 and December 2022.

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#### 20 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 <a href="http://www.loreal-finance.com">www.loreal-finance.com</a>
L'Oréal S.A.	Rue Royal 14, FR-75008 Paris, France	

#### 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

DKK'000	2021	2020
<b>21 Other adjustments</b>		
Tax on profit for the year	98,513	67,684
Depreciation	40,850	32,089
Financial income/expense	42,233	-726
Exchange rate adjustments	33,858	-30,362
	<u>215,454</u>	<u>68,685</u>

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#### 22 Changes in working capital

DKK'000	2021	2020
Change in inventories	2,645	-18,024
Change in receivables	-150,372	-118,680
Change in trade and other payables.	-34,668	51,055
	<u>-182,395</u>	<u>-85,649</u>