Estée Lauder Cosmetics A/S

Franciska Clausens Plads 20, DK-1799 København V

Annual Report for
1 July 2022 - 30 June 2023

CVR No. 65 59 78 10

The Annual Report was presented and adopted at the Annual General Meeting of the company on 21/11 2023

Peter Kim Ketelsen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Estée Lauder Cosmetics A/S for the financial year 1 July 2022 - 30 June 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2023 of the Company and of the results of the Company operations for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 21 November 2023

Executive Board

Jesper Abildgaard
General Manager

Board of Directors

Tracey Thomas Travis	Jesper Abildgaard	Peter Kim Ketelsen

Independent Auditor's report

To the shareholder of Estée Lauder Cosmetics A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company´s operations for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Estée Lauder Cosmetics A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor’s responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ 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.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

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 Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 21 November 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden	Gösta Gauffin
State Authorised Public Accountant	State Authorised Public Accountant
mne32209	mne45821

Company information

The Company	Estée Lauder Cosmetics A/S Franciska Clausens Plads 20 DK-1799 København V CVR No: 65 59 78 10 Financial period: 1 July 2022 - 30 June 2023 Municipality of reg. office: Copenhagen
Board of Directors	Tracey Thomas Travis Jesper Abildgaard Peter Kim Ketelsen
Executive Board	Jesper Abildgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	696,727	747,642	713,918	675,940	680,252
Gross profit/loss	251,268	307,419	294,576	490,901	499,977
Profit/loss before financial income and expenses	92,318	133,193	91,925	75,360	54,114
Profit/loss of financial income and expenses	7,637	-130	234	10	99
Net profit/loss	78,341	110,192	70,379	68,805	42,588
Balance sheet					
Balance sheet total	562,360	519,101	410,849	346,630	258,712
Investment in property, plant and equipment	23,770	27,550	9,674	17,689	27,192
Equity	435,432	381,341	273,755	198,426	156,375
Number of employees	434	363	402	482	478
Ratios					
Gross margin	36.1%	41.1%	41.3%	72.6%	73.5%
Profit margin	13.3%	17.8%	12.9%	11.1%	8.0%
Return on assets	16.4%	25.7%	22.4%	21.7%	20.9%
Solvency ratio	77.4%	73.5%	66.6%	57.2%	60.4%
Return on equity	19.2%	33.6%	29.8%	38.8%	21.0%

The Company has changed its income statement from being classified by function to being classified by nature in fiscal year 2021/2022. In connection with the changes to accounting policies, the comparative figures for 2018/19 and 2019/20 have not been restated.

Management's review

Key activities

The Company's business foundation is marketing and sale of prestigious cosmetics in Denmark, Norway, Sweden and Iceland. The Company operates in Denmark with operations in Sweden and Norway through the branches Estée Lauder Cosmetics A/S Danmark (Sverige filial) and Estée Lauder Cosmetics Danmark Norges filialen, as well as in Iceland through a distributor which ensures a strong/well-established base servicing the Nordic customers. The products comprise the following brands: Estée Lauder, Clinique, Origins, M.A.C., Bobbi Brown, La Mer, Smashbox, Tom Ford, Glam Glow, Aveda, Bumble & Bumble, Le Labo, Killian Paris, Editions de Parfums Frederic Malle and Too Faced.

Development in the year

Development in activities and financial position

Sales in the financial year have been aligned with local expectations, with a recovery from the effects of the Covid-19 crisis that impacted the retail space in the previous years. Nordic as a market was less disrupted by the pandemic than most other EMEA markets and is now back to healthy growth (single digit). Inflation is the new challenge in order to ensure the right balance between price increase and volume effect. Sweden has been leading the growth, followed by Denmark and Norway. Sales per country are split as follows: Sweden 44% (2021/22: 43%), Denmark 35% (2021/22: 35%), and Norway 21% (2021/22: 22%).

Our brick & mortar distribution has been back on track and covid 19 major effects are behind even if it disrupted the market with a permanent consumer shift and the permanent risk of entering a new covid phase.

Focus on brick & mortar remains and even more on our online channels. Both channels have been growing in FY23.

The past year and follow-up on development expectations from last year

Profit for the year amounts to DKK 78.341 thousand (2021/22: DKK 110.192 thousand).

We always start the year with very ambitious targets. Growing profit by 30 - 50 basis points when comparing FY23 to FY22 was ambitious.

Actuals have come below expectations because of inflation highly impacting Cost of Goods and the continuous intent to invest on the brands, and the company has during the year invested additional funds in the market to support and fuel the growth and therefore Management considers the profit for the year to be satisfactory.

Capital resources

Estée Lauder Cosmetics A/S is still financially solid. The solvency ratio amounts to 77,4% (2021/22: 73,5%). Equity at 30 June 2023 amounts to DKK 435.432 thousand (2021/22: DKK 381.341 thousand) as no dividends were paid out this year. At the end of the financial year, the Company's cash at bank and in hand amounted to DKK 2.890 thousand (2021/22: DKK 3.152 thousand).

Outlook

Management is optimistic about the development of the prestige beauty segment in the Nordic markets, despite all the turmoil around the world. The Company expects that the consumption of prestige beauty products will increase yet moderately in the coming financial year (3-5%). In addition, Management is optimistic in respect of improved distribution possibilities for the brands that Estée Lauder Cosmetics A/S already holds and foresees a possibility to introduce new brands and types of distribution within the coming years. Hence, we are furthermore expecting to grow our revenue in 2023/24 compared to the previous year, with the ambition to outperform the prestige beauty market development. With the continued focus on earnings at group level and on local management level, the profit for 2023/2024 is also expected to grow compared to 2022/2023 level. The Company is expecting a profit improvement for 2023/2024 above 100 basis points compared to this fiscal years' result.

Operating risks

The Company's most significant operating risk relates to Global challenges and global price increases in most categories, consumer sentiment coupled with a changing consumer behavior. The online revolution in the industry continues to drive focus on securing the right competencies and top talents to secure growth in a very dynamic channel while supporting the omni-channel experience. Moreover, it is important for the Company to always be at the cutting edge of new products and brands. This is ensured through significant development activities in other companies in the Group.

Financial risks

Due to its financial position and financial resources, the Company has only limited exposure to changes in the interest rate level and to currency risks in respect of operations.

Foreign exchange risks

The Company invoices its goods in DKK, NOK and SEK. A significant part of supplies is purchased in the same currencies, and consequently, there is no need for hedging when entering financial agreements.

Credit risks

The Company's credit risks primarily relate to financial assets recognized in the balance sheet. The Company has no significant risks relating to individual customers or cooperative partners and is not dependent on a single customer or cooperative partner. The Company's policy for undertaking credit risks entail that all large customers and other cooperative partners are credit rated on an ongoing basis.

Intellectual capital resources

People are our primarily assets and it is essential to Estée Lauder Cosmetics A/S' continued growth to attract and retain highly educated employees specializing in marketing and sale of prestigious cosmetics as well as digital capabilities.

Statement of corporate social responsibility

Estée Lauder Cosmetics in Denmark does not have its own individual policies for corporate social responsibility, including respect for human rights and the Company's impact on the climate and environment, as the Company is covered by the Group's policies.

Brief description of the company’s business model

We manufacture, market, and sell quality makeup, skin care, fragrance, and hair care products, with a well-diversified portfolio of distinctive brands whose products are sold in approximately 150 countries and territories. Infused throughout our organization is a passion for creativity and innovation—a desire to push the boundaries and invent the unexpected as we continue the bold work of our founder, Mrs. Estée Lauder.

Management's review

Climate and environment

As part of our strategic planning process, we continually evaluate areas of risk and opportunity for our business. In fiscal 2021, we completed a comprehensive, data-driven analysis to define, validate, and prioritize our sustainability focus areas. The evaluation of risks and opportunities for the business identified two focus areas within the environmental agenda, which are climate change and GHGS, and product and packaging design.

Our efforts to reduce our environmental impacts span our operations and extend throughout our value chain. We focus on addressing climate change through targets to help reduce greenhouse gas (GHG) emissions, and implement strategies to help minimize waste generation and disposal and water use. We seek innovative solutions to gain efficiencies and reduce impact at various stages of our products' life cycles.

In Europe, we buy renewable electricity for our facilities directly from the energy utility. We also purchase Energy Attribute Certificates to offset emissions from electricity use. In fiscal 2022, ELC partnered with the New York State Energy Research and Development Authority (NYSERDA) to conduct energy studies at select retail locations in the New York metropolitan area.

Thoughtful materials selection is a key priority to design and outfit stores, counters, and visual merchandising. We focus on replacing virgin materials with recycled, bio-based sources and on using Forest Stewardship Council (FSC)-certified cardboard, paper, and woods where possible. We also consider end-of-life when designing fixtures and visual merchandising, with an emphasis on modular design, easy disassembly, and prioritization of recyclable materials. Moving forward we will continue this effort.

Social and personnel matters

The evaluation of risks and opportunities for the business identified inclusion, diversity and equity, and health and safety to be the most important topics in regard to employees and social matters.

We strive to foster a culture that celebrates the importance of inclusion, diversity, and equity. We focus on learning opportunities that address bias, promote a sense of belonging, and remove barriers so our employees can reach their full potential. We understand the value of rising talent and offer robust resources to support our high performers so they can drive growth and inspire us toward greater success. We continue to be responsive to the needs of our diverse workforce and are committed to providing equitable access to professional development and advancement opportunities.

We offer an enriching array of educational offerings to inspire our talent. These programs help create a stimulating, inclusive environment where employees from all backgrounds and levels of the Company can gain the skills they need to do their best work. In fiscal 2022, we launched ELC Grow—an exciting new addition to our professional development offerings. This internal talent marketplace is intended to drive connectivity across our Company and help employees navigate their career growth.

In February 2022, we deployed a global Baseline Engagement Survey to full-time and part-time eligible employees across our corporate, manufacturing and distribution, and retail locations to help us better understand overall employee engagement and well-being. Based on the responses we will continue to prioritize action around work-life balance, recognition of high performance, and employee growth and development based on the needs expressed by our employees in the survey.

Human rights

As we approach human rights in our operations and across our value chain, we aspire to foster respect for people and the environment and to be a positive influence in every community in which we operate and from which we source. We have policies, processes, training, and systems in place to identify, assess, monitor, and mitigate or eliminate actual or potential human rights impacts. Our approach to respect human rights across our global operations and supply chain recognizes the following international protocols:

•UN Guiding Principles on Business and Human Rights
•Universal Declaration of Human Rights

We have conducted a corporate-level Human Rights Assessment (HRA) based on the methodology outlined by the UN Guiding Principles on Business & Human Rights, the global standard for HRAs. Through the HRA process, we assessed human rights risks and impacts across our operations, including our corporate policies and procedures, as well as our supply chain, manufacturing, and retail operations. The HRA has provided us with a framework to help identify and prioritize our salient human rights risks and impacts, and to identify key actions for improvement.

Our Code of Conduct outlines our expectations for promoting a respectful workplace, engaging in ethical business practices, and operating in a socially responsible and fair manner. We require our employees, business partners, service providers, and suppliers to operate in compliance with applicable laws, including, but not limited to, employment laws pertaining to child labor, minimum wage, overtime compensation, hiring, and occupational safety.

Our Supplier Code of Conduct sets forth the basic requirements we expect of suppliers, including vendors, service providers, independent contractors, and consultants, as a condition of doing business with our Company. It is based on internationally recognized standards, including the Universal Declaration of Human Rights and International Labor Organization’s Conventions.

Our Human Rights Policy applies to all ELC employees, locations, operating companies and employees of subsidiaries and joint ventures in which we hold a majority interest. We also expect our suppliers to respect human rights in their own operations and supply chains. We promote a culture of uncompromising ethics and integrity and put forth standards to uphold the principles and ideals that make us a global leader in prestige beauty. We have tailored approaches for various stakeholder groups that focus on key risks and opportunities.

In 2022 we received a score of 100 on the Human Rights Campaign Foundation’s 2022 Corporate Equality Index for the eighth consecutive year about best place to work for LGBTQ+ equality.
Moving forward we expect to continue our work on human rights.

Anti-corruption and bribery

As outlined in ELC’s Code of Conduct and our Supplier Code of Conduct, we do not tolerate bribery and corruption of any kind, and we consider corruption and bribery to harm the communities we operate in and violate the laws of the countries we conduct business. Newly hired employees are required to sign an acknowledgement that they have received, read, and will comply with the Code.

ELC is committed to maintaining a robust Anti-Bribery and Corruption Program, which includes policies, procedures, and internal controls reasonably designed to prevent, detect, and mitigate anti-bribery and corruption-related risks, as implemented across the group including at Estee Lauder Cosmetics A/S. This includes targeted training of employees, who are expected to raise questions or concerns including in confidence via the 24/7 Integrity Helpline.

Internal Audit regularly assesses the effectiveness of the Anti-Bribery and Corruption Program through routine and targeted audits. We conduct global anti-bribery and corruption risk assessments periodically to assess and monitor the risks across our operations, including third-party management. The results of this informs continuous enhancements to our program.

In fiscal 2023 there were no reported incidents of corruption or bribery. We will continue our efforts against corruption and bribery in fiscal 2024.

Other

For further information the Company refers to the Group's Social Impact and Sustainability.
The report has been prepared in accordance with Global Reporting Initiative (GRI) standards and is available at https://www.elcompanies.com/en/news-and-media/media-resources/resources-and-reports.
Here you will find the focus subjects for CSR like ‘Sustainable Sourcing’, ‘Employee Well-Being’, ‘Product-and-packaging-innovation’, ‘Guiding Principles’, ‘Volunteerism’ and focus areas like BCA (Breast Cancer Awareness) and MAC Aids Fund.

Estée Lauder Cosmetics in Denmark, Norway and Sweden have a variety of local initiatives under the group umbrella such as the Breast Cancer Awareness program in cooperation with ‘Støt Brysterne’; ‘Brystkreftforeningen’ and ‘Bröstcancerforbundet’.

Statement on gender composition

It is the Company's goal that each gender should be represented by at least 33,33% on the Board of Directors. At present, the Company meets its goal. For a number of years, Estée Lauder Cosmetics A/S has had an even distribution of the two genders in Management; at present, we have achieved an equal gender representation as defined by the Danish Business Authority.

It is our policy to appoint the persons with the best qualifications to management positions, and at the same time, we want to promote diversity in Management. In order to do so, executive management and HR work closely together to do their utmost that, to the extent possible, there is at least one candidate of each gender among the final three candidates when externally recruiting members of Management.
To the extent external recruitment agencies are used they are instructed to focus on the diversity of the two genders.

Further, for our Talent Acquisition Manager it is a priority to create a more diverse workforce in the Nordics. We are constantly working on employer Branding initiatives making the Nordic organization more attractive to a more diverse pool of candidates.

Statement on data ethics

The Estee Lauder Cosmetics in Denmark does not have its own individual policies on data ethics as this topic is addressed through the Group’s policies on data privacy and cybersecurity. The Company refers to the Group’s Social Impact and Sustainability Report for a description of the Groups policies on data privacy and cybersecurity. The report is available at https://www.elcompanies.com/en/our-commitments.

Management's review

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 July 2022 - 30 June 2023

	Note	2022/23	2021/22
		TDKK	TDKK
Revenue	1	696,727	747,642
Other operating income	2	0	1,206
Cost of goods sold		-233,198	-221,983
Other external expenses		-212,261	-219,446
Gross profit		**251,268**	**307,419**
Staff expenses	3	-144,684	-152,702
Depreciation and impairment losses of property, plant and equipment		-14,266	-21,524
Profit/loss before financial income and expenses		**92,318**	**133,193**
Financial income	4	7,957	207
Financial expenses	5	-320	-337
Profit/loss before tax		**99,955**	**133,063**
Tax on profit/loss for the year	6	-21,614	-22,871
Net profit/loss for the year	7	**78,341**	**110,192**

Balance sheet 30 June 2023

Assets

	Note	2022/23	2021/22
		TDKK	TDKK
Acquired licenses		41	84
Intangible assets	8	**41**	**84**
Other fixtures and fittings, tools and equipment		17,767	26,252
Leasehold improvements		7,980	8,523
Property, plant and equipment in progress		20,332	3,753
Property, plant and equipment	9	**46,079**	**38,528**
Deposits	10	3,444	3,049
Fixed asset investments		**3,444**	**3,049**
Fixed assets		**49,564**	**41,661**
Finished goods and goods for resale		773	647
Inventories		**773**	**647**
Trade receivables		103,182	99,462
Receivables from group enterprises		395,307	364,972
Other receivables		2,653	120
Deferred tax asset	11	6,345	8,777
Prepayments	12	1,646	310
Receivables		**509,133**	**473,641**
Cash at bank and in hand		**2,890**	**3,152**
Current assets		**512,796**	**477,440**
Assets		**562,360**	**519,101**

Balance sheet 30 June 2023

Liabilities and equity

	Note	2022/23	2021/22
		TDKK	TDKK
Share capital	13	500	500
Reserve for exchange rate conversion		-21,906	0
Other reserves		0	2,344
Retained earnings		456,838	378,497
Equity		**435,432**	**381,341**
Other provisions	14	4,505	9,718
Provisions		**4,505**	**9,718**
Other payables		2,237	2,483
Long-term debt		**2,237**	**2,483**
Trade payables		36,672	20,043
Payables to group enterprises		14,697	17,218
Corporation tax		12,428	16,364
Other payables		56,389	71,934
Short-term debt		**120,186**	**125,559**
Debt		**122,423**	**128,042**
Liabilities and equity		**562,360**	**519,101**

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Statement of changes in equity

	Share capital	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	500	2,344	378,497	381,341
Exchange adjustments	0	-24,250	0	-24,250
Net profit/loss for the year	0	0	78,341	78,341
Equity at 30 June	**500**	**-21,906**	**456,838**	**435,432**

Notes to the Financial Statements

	2022/23	2021/22
	TDKK	TDKK

1. Revenue

	2022/23	2021/22
Geographical segments		
Denmark	246,959	258,995
Norway	146,369	163,096
Sweden	303,402	325,551
	696,727	**747,642**

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

	2022/23	2021/22
	TDKK	TDKK

2. Other operating income

	2022/23	2021/22
Salary compensation	0	1,206
	0	**1,206**

	2022/23	2021/22
	TDKK	TDKK

3. Staff Expenses

	2022/23	2021/22
Wages and salaries	122,451	132,897
Pensions	9,634	9,372
Other social security expenses	12,599	10,433
	144,684	**152,702**
Including remuneration to the Executive Board and Board of Directors	**3,428**	**7,458**
Average number of employees	**434**	**363**

The Company's Executive board participates in a share based incentive program of the ultimate parent company. The Executive Board is granted an even number of RSUs and Stock Options. RSU's have a vesting period of one to three years, and Stock Options expire after ten years. The total estimated value of granted RSUs and Stock Options granted to all employees in the year amounts to DKK 8.800k (2021/22: DKK 9.154k).

The number of granted RSUs and Stock Options are dependent on the Group's results and the individual entity's results, which are determined and assessed annually via a comprehensive and well-structured Performance Review. The result is assessed based on operational and personal performance.

Notes to the Financial Statements

	2022/23	2021/22
	TDKK	TDKK

4. Financial income

	2022/23 TDKK	2021/22 TDKK
Interest received from group enterprises	7,905	207
Other financial income	52	0
	7,957	**207**

	2022/23	2021/22
	TDKK	TDKK

5. Financial expenses

	2022/23 TDKK	2021/22 TDKK
Other financial expenses	320	337
	320	**337**

	2022/23	2021/22
	TDKK	TDKK

6. Income tax expense

	2022/23 TDKK	2021/22 TDKK
Current tax for the year	19,313	27,713
Deferred tax for the year	2,301	-4,931
Adjustment of deferred tax concerning previous years	0	89
	21,614	**22,871**

	2022/23	2021/22
	TDKK	TDKK

7. Profit allocation

	2022/23 TDKK	2021/22 TDKK
Retained earnings	78,341	110,192
	78,341	**110,192**

8. Intangible fixed assets

	Acquired licenses
	TDKK
Cost at 1 July	152
Exchange adjustment	-19
Cost at 30 June	133
Impairment losses and amortisation at 1 July	68
Amortisation for the year	24
Impairment losses and amortisation at 30 June	92
Carrying amount at 30 June	**41**
Amortised over	5 years

9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 July	138,636	11,016	3,753
Exchange adjustment	-8,490	-79	-238
Additions for the year	0	0	23,770
Disposals for the year	-7,581	0	0
Transfers for the year	6,534	420	-6,953
Cost at 30 June	129,099	11,357	20,332
Impairment losses and depreciation at 1 July	112,386	2,493	0
Exchange adjustment	-6,893	-72	0
Depreciation for the year	13,285	956	0
Reversal of impairment and depreciation of sold assets	-7,446	0	0
Impairment losses and depreciation at 30 June	111,332	3,377	0
Carrying amount at 30 June	**17,767**	**7,980**	**20,332**

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 July	3,049
Exchange adjustment	332
Additions for the year	63
Cost at 30 June	3,444
Carrying amount at 30 June	**3,444**

11. Deferred tax asset

	2022/23	2021/22
	TDKK	TDKK
Deferred tax asset at 1 July	8,777	3,959
Exchange adjustments	-131	-24
Amounts recognised in the income statement for the year	-2,825	4,842
Deferred tax asset at 30 June	**6,345**	**8,777**

12. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

13. Share capital

The share capital consists of 500 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

14. Other provisions

	2022/23	2021/22
	TDKK	TDKK
Balance at 1. July 2022	9,718	2,845
Exchange adjustment	55	27
Provision in year	0	9,718
Employed in year	-5,268	-2,872
	4,505	**9,718**

The provisions are expected to mature as follows:

Provisions falling due after 5 years	2,125	2,125

The provision recognized consists of restoration liability regarding leased premises and restructuring.

	2022/23	2021/22
	TDKK	TDKK

15. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2022/23	2021/22
Within 1 year	7,156	6,674
Between 1 and 5 years	23,080	18,376
After 5 years	10,834	15,271
	41,070	**40,321**

Notes to the Financial Statements

16. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Estée Lauder Luxemborg S.A.R.L., Luxembourg, Luxembourg	Parent company
Estée Lauder International, Inc., New York, United States	Parent company
Estée Lauder Inc., New York, United States	Parent company
The Estée Lauder Companies Inc., New York, United States	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions exists.

Ownership

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

Estée Lauder Luxemborg S.A.R.L., 4-6, Rue de la Boucherie, LUXEMBOURG, LUXEMBOURG-NA 1247, Luxembourg

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
The Estée Lauder Companies Inc.	9 W 22nd St, New York, New York 10010, United States

	2022/23	2021/22
	TDKK	TDKK

17. Fee to auditors appointed at the general meeting

PricewaterhouseCoopers		
Audit fee	524	459
Tax advisory services	98	89
Non-audit services	42	60
	664	**608**

18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

19. Accounting policies

The Annual Report of Estée Lauder Cosmetics A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in KDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of The Estée Lauder Companies Inc, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable 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 that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

The assets and liabilities of foreign branches are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. The results of foreign operations are translated at the average rates of exchange during the year. Exchange differences arising on translation of the opening net assets and results of foreign operations are recognised directly in equity and presented in equity under a separate reserve for exchange rate conversion.

Incentive schemes

Liabilities to reimburse the parent company related to Share-based compensation are recognized based on an ending intrinsic value of all granted RSUs and Stock Options. The expense related to this compensation consists of the value of this year's granted RSUs and Stock Options, as well as the change in intrinsic value of previously granted RSUs and Stock Options.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including government relief packages.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

Balance sheet

Intangible fixed assets

Software is measured at the lower of cost less accumulated amortisation and recoverable amount. The software is amortised over expected useful life, which is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit before financials x 100 / Revenue
Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity