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KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

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Hairclinic Group ApS

c/o Hårklinikken ApS, Amaliegade 42, 1256 København K

Company reg. no. 35 39 70 51

Annual report

1 January - 31 December 2017

The annual report has been submitted and approved by the general meeting on the 18 June 2018.



Mette Marie Louise Skjøth
Chairman of the meeting

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.



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Management's report

The executive board has today presented the annual report of Hairclinic Group ApS for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

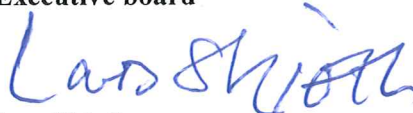
We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen, 18 June 2018

Executive board


Lars Skjøth


Mette Marie Louise Skjøth



Independent auditor's report

To the shareholder of Hairclinic Group ApS

Opinion

We have audited the annual accounts of Hairclinic Group ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:



Independent auditor's report

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.



Independent auditor's report

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 18 June 2018

Christensen Kjarulff

Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Elan Schapiro
State Authorised Public Accountant
MNE-nr. 33765



Company data

The company

Hairclinic Group ApS
c/o Hårklinikken ApS
Amaliegade 42
1256 København K

Company reg. no. 35 39 70 51
Established: 5 July 2013
Domicile: Copenhagen
Financial year: 1 January - 31 December
4th financial year

Executive board

Lars Skjøth
Mette Marie Louise Skjøth

Auditors

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Store Kongensgade 68
1264 København K

Parent company

EMKL Holding ApS

Subsidiaries

HK Koncept og Produkt ApS, Copenhagen
Harklinikken LLC, USA
Harklinikken ehf, Iceland



Management's review

The principal activities of the company

Like previous years, the principal activities are directly and indirectly as a holding company, trading and industry, financing and investment as well as other activities related thereto.

The company is the parent company of HK Koncept og Produkt ApS. HK Koncept og Produkt ApS' principal activities are to hold and develop recipes, concepts, trademarks and intangible rights, as well as production, licensing and sales of products, trademarks and rights and other activities related thereto.

Development in activities and financial matters

The gross loss for the year is tDKK -21 against tDKK -19 last year. The results from ordinary activities after tax are tDKK -8.484 against tDKK -12.312 last year. The management consider the results satisfactory.

The development of the company's activities and financial matters are shown in the following profit and loss account and in the balance sheet.

Special risks

Operating risks:

The company's equity is negative, tDKK 35.484 at 31 December 2017. Equity is expected to be restored over the years by dividend payments from group enterprises. In this connection, the company's main creditors have issued a letter of subordination for the company's debt tDKK 218.400 for the benefit of other creditors.



Profit and loss account 1 January - 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross loss	-20.975	-19
Other financial income from group enterprises	85.018	81
1 Other financial costs	<u>-8.547.695</u>	<u>-8.208</u>
Results before tax	-8.483.652	-8.146
2 Tax on ordinary results	<u>0</u>	<u>-4.166</u>
Results for the year	-8.483.652	-12.312
 Proposed distribution of the results:		
Allocated from results brought forward	<u>-8.483.652</u>	<u>-12.312</u>
Distribution in total	-8.483.652	-12.312



Balance sheet 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

Assets			
<u>Note</u>		<u>2017</u>	<u>2016</u>
Fixed assets			
3	Equity investments in group enterprises	<u>180.712.187</u>	<u>180.682</u>
	Financial fixed assets in total	<u>180.712.187</u>	<u>180.682</u>
	Fixed assets in total	<u>180.712.187</u>	<u>180.682</u>
Current assets			
4	Amounts owed by group enterprises	<u>2.218.049</u>	<u>2.100</u>
	Debtors in total	<u>2.218.049</u>	<u>2.100</u>
	Current assets in total	<u>2.218.049</u>	<u>2.100</u>
	Assets in total	<u>182.930.236</u>	<u>182.782</u>



Balance sheet 31 December

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Equity and liabilities		
Equity		
5 Contributed capital	80.000	80
6 Results brought forward	-35.564.396	-27.080
Equity in total	-35.484.396	-27.000
 Liabilities		
Debt to group enterprises	2.997.758	2.787
Long-term liabilities in total	2.997.758	2.787
Trade creditors	15.000	27
Other debts	215.401.874	206.968
Short-term liabilities in total	215.416.874	206.995
Liabilities in total	218.414.632	209.782
 Equity and liabilities in total	 182.930.236	 182.782
 7 Mortgage and securities		
8 Contingencies		



Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

	<u>2017</u>	<u>2016</u>
1. Other financial costs		
Financial costs, group enterprises	115.390	111
Other financial costs	<u>8.432.305</u>	<u>8.097</u>
	<u>8.547.695</u>	<u>8.208</u>
2. Tax on ordinary results		
Adjustment for the year of deferred tax	0	-1.792
Adjustment of tax for previous years	<u>0</u>	<u>5.958</u>
	<u>0</u>	<u>4.166</u>
3. Equity investments in group enterprises		
Acquisition sum, opening balance 1 January 2017	180.681.641	180.682
Additions during the year	<u>30.546</u>	<u>0</u>
Cost 31 December 2017	<u>180.712.187</u>	<u>180.682</u>
Revaluations, opening balance 1 January 2017	<u>0</u>	<u>0</u>
Writedown 31 December 2017	<u>0</u>	<u>0</u>
Book value 31 December 2017	<u>180.712.187</u>	<u>180.682</u>

The financial highlights for the enterprises according to the latest approved annual reports

	Share of ownership	Equity	Results for the year	Book value at Hairclinic Group ApS
HK Koncept og Produkt ApS, Copenhagen	100 %	131.284.439	-13.124.325	180.080.000
Harklinikken LLC, USA	90 %	-4.813.953	-6.681.161	601.641
Harklinikken ehf, Iceland	100 %	<u>-373.253</u>	<u>-386.103</u>	<u>30.546</u>
		<u>126.097.233</u>	<u>-20.191.589</u>	<u>180.712.187</u>

4. Amounts owed by group enterprises

The company issues a letter of subordination concerning its receivable t.DKK 2.218 to group enterprise, EMKL Holding ApS, vis-à-vis other creditors of EMKL Holding ApS.



Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

	<u>31/12 2017</u>	<u>31/12 2016</u>
5. Contributed capital		
Contributed capital 1 January 2017	80.000	80
	<u>80.000</u>	<u>80</u>
6. Results brought forward		
Results brought forward 1 January 2017	-27.080.744	-14.768
Profit or loss for the year brought forward	<u>-8.483.652</u>	<u>-12.312</u>
	<u>-35.564.396</u>	<u>-27.080</u>

7. Mortgage and securities

For bank debts, net tDKK 910, in Skjøth Holding ApS and Hårklinikken ApS the company has provided security in company assets of group enterprise, HK Koncept & Produkt ApS.

8. Contingencies

Contingent assets

The company has not recognised deferred tax asset of tDKK 7.824 corresponding to tDKK 35.564 in tax loss carryforwards. The tax asset is not recognised in the balance sheet, as uncertainty exists about the measurement of the net realizable value of the asset as a result of uncertainty about the time-scale for the carryforward of tax losses.

Joint taxation

EMKL Holding ApS, company reg. no 35395768 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.



Notes

Amounts concerning 2017: DKK.

Amounts concerning 2016: DKK in thousands.

- **Contingencies (continued)**

- **Joint taxation (continued)**

- Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.



Accounting policies used

The annual report for Hairclinic Group ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.



Accounting policies used

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross loss

The gross loss comprises costs for administration.

Other external costs comprise costs for administration.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Dividend from equity investments in group enterprises is recognised in the financial year where the dividend is declared.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.



Accounting policies used

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Hairclinic Group ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.



Accounting policies used

Liabilities

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