Pierre Fabre Dermo-Cosmétique Nordic A/S

Mileparken 20 E, 2740 Skovlunde

CVR no. 36 89 89 25

Annual report 2017

Approved at the Company's annual general meeting on 25 May 2018

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Pierre Fabre Dermo-Cosmétique Nordic A/S for the financial year 1 January - 31 December 2017.

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 of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Ballerup, 25 May 2018
Executive Board:

Elisabeth Anne Halvorsen
Director

Board of Directors:

Giuseppe Mele Chairman	Michael Fréderic Danon	Elisabeth Anne Halvorsen

Frans Blach Rossen

Statement by the Board of Directors and the Executive Board

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Ballerup, 25 May 2018
Executive Board:

Elisabeth Anne Halvorsen
Director

Board of Directors:

Giuseppe Mele Chairman	Michael Frédéric Danon	Elisabeth Anne Halvorsen

Frans Blach Rossen

Independent auditor's report

To the shareholder of Pierre Fabre Dermo-Cosmétique Nordic A/S

Opinion

We have audited the financial statements of Pierre Fabre Dermo-Cosmétique Nordic A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 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 (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 the 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.

Independent auditor's report

- 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 25 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Hansen
State Authorised Public Accountant
MNE no.: mne24828

Management's review

Company details

Name	Pierre Fabre Dermo-Cosmétique Nordic A/S
Address, Postal code, City	Mileparken 20 E, 2740 Skovlunde
CVR no.	36 89 89 25
Established	18 May 2015
Registered office	Ballerup
Financial year	1 January - 31 December
Board of Directors	Giuseppe Mele, Chairman Michael Frédéric Danon Elisabeth Anne Halvorsen Frans Blach Rossen
Executive Board	Elisabeth Anne Halvorsen, Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The Company's primary activity has, in line with previous years, consisted of sale of Pierre Fabre Dermo-cosmetics products and medical devices to pharmacies, primarily in Denmark and Norway.

Effective 1 January 2016, the Company reacquired the rights to sell Pierre-Fabre products in Denmark. The consideration for the reacquired rights consists of an upfront payment and contingent payments based on future sales.

In 2016, the Company has entered into an agreement to reacquire the right to sell Pierre-Fabre Dermo products in Norway, effective from 1 January 2017.

Financial review

In 2017, the Company's revenue amounted to DKK 118,403,265 against DKK 72,146,312 last year. The income statement for 2017 shows a loss of DKK 7,790,983 against a profit of DKK 1,199,206 last year, and the balance sheet at 31 December 2017 shows equity of DKK 2,956,183.

Management considers the Company's financial performance in the year satisfactory.

The Company's result for the year is affected by the depreciation of goodwill in Denmark and in Norway, the creation of a Branch in Norway 1/1/17 with integration of 7 people and the construction of the Nordic Headquarter with 13 new people joining in 2017.

Finally, during the last Quarter, the Company has been preparing the launch of a Finnish branch, for a start-up by 1st of January 2018.

The Company has lost more than 50 % of its share capital due to the loss of the year. In accordance with section 119 of the Danish Company's Act, the Executive Board is to consider how the Company's share capital can be re-established. Management expects the share capital to be re-established through future earnings.

Management will continue investing in expanding the business in the Nordic countries, thus Management expects a small profit for 2018.

Events after the balance sheet date

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

Effective from 1 January 2018, the Company has established a Branch in Finland.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Revenue	118,403,265	72,146,312
	Cost of sales	-41,501,527	-24,109,192
	Other external expenses	-48,840,473	-26,056,164
	Gross margin	28,061,265	21,980,956
2	Staff costs	-24,589,046	-11,798,553
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-11,603,289	-7,703,880
	Other operating expenses	-19,650	-126,200
	Profit/loss before net financials	-8,150,720	2,352,323
	Financial income	0	44,235
3	Financial expenses	-1,924,178	-690,501
	Profit/loss before tax	-10,074,898	1,706,057
	Tax for the year	2,283,915	-506,851
	Profit/loss for the year	-7,790,983	1,199,206

Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-7,790,983	1,199,206
	-7,790,983	1,199,206

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
	Intangible assets		
	Acquired intangible assets	91,688	102,293
	Goodwill	38,722,389	49,871,436
		38,814,077	49,973,729
	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	1,582,185	1,043,892
		1,582,185	1,043,892
	Investments		
	Deposits, investments	406,726	75,975
		406,726	75,975
	Total fixed assets	40,802,988	51,093,596
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	20,091,915	19,718,053
		20,091,915	19,718,053
	Receivables		
	Trade receivables	21,322,247	14,313,690
	Receivables from group enterprises	97,292	433,613
	Deferred tax assets	2,153,398	0
	Corporation tax receivable	551,619	0
	Prepayments	652,476	374,960
		24,777,032	15,122,263
	Cash	10,757,764	6,245,879
	Total non-fixed assets	55,626,711	41,086,195
	TOTAL ASSETS	96,429,699	92,179,791

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	11,150,000	11,150,000
	Retained earnings	-8,193,817	-402,834
	Total equity	2,956,183	10,747,166
	Provisions		
	Deferred tax	0	76,664
	Total provisions	0	76,664
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Payables to group enterprises	27,689,126	22,201,757
	Other payables	20,679,456	28,013,536
		48,368,582	50,215,293
	Current liabilities other than provisions		
	Trade payables	15,216,328	9,097,666
	Payables to group enterprises	17,501,986	84,175
	Corporation tax payable	0	863,800
	Other payables	12,386,620	21,095,027
		45,104,934	31,140,668
	Total liabilities other than provisions	93,473,516	81,355,961
	TOTAL EQUITY AND LIABILITIES	96,429,699	92,179,791

1 Accounting policies
4 Contractual obligations and contingencies, etc.
5 Collateral
6 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2017	11,150,000	-402,834	10,747,166
Transfer through appropriation of loss	0	-7,790,983	-7,790,983
Equity at 31 December 2017	11,150,000	-8,193,817	2,956,183

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Pierre Fabre Dermo-Cosmétique Nordic A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act for class B entities.

Reclassifications have been made in the comparison figures. Trade receivables are DKK 433.613 lower than the reported annual report for 2016, and receivables from group enterprices are equivalent higher. Furthermore, trade payables are DKK 5.457.505 higher than the reported annual report for 2016, and other payables are equivalent lower.

The accounting policies applied by the Company are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from sale of goods is recognised when delivery and transfer of rewards and risks to the buyer have taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation

The item comprises amortisation of intangible assets.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 3-6 years. The amortisation period is based on the lenght of the Business Transaction Agreement earn-out period.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	3-6 years

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The Company and the Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption). The Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 6 years. The amortisation period is based on the lenght of the BTA earn-out period.

Other intangible assets include other acquired intangible rights, including software licences and distribution rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the Company is liable for payment of the jointly taxed entities' income taxes vis à vis the tax authorities as the jointly taxed entities pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2017	2016
2	Staff costs		
	Wages/salaries	22,019,060	10,790,493
	Other social security costs	1,752,729	726,876
	Other staff costs	817,257	281,184
		24,589,046	11,798,553
	Average number of full-time employees	30	15
3	Financial expenses		
	Interest expenses, group entities	499,723	437,952
	Other financial expenses	1,424,455	252,549
		1,924,178	690,501

4 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due.

Other financial obligations

Other rent and lease liabilities:

DKK	2017	2016
Rent and lease liabilities	8,998,598	5,092,437

5 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.

6 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Pierre Fabre Dermo-Cosmétique S.A.S.	Boulogne, France	45 Place Abel Gance, 92100 Boulogne, France

Ownership

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

Name	Domicile
Pierre Fabre Dermo-Cosmétique S.A.S.	Boulogne, France