Pierre Fabre Dermo-Cosmétique Nordic A/S

Mileparken 20E, 2740 Skovlunde

CVR no. 36 89 89 25

Annual report 2016

Approved at the annual general meeting of shareholders on 2 May 2017

Chairman:

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Contents

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 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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.

Skovlunde, 2 May 2017
Executive Board:

Elisabeth Anne Halvorsen

Board of Directors:

Giuseppe Mele Chairman	Michael Frédéric Danon	Elisabeth Anne Halvorsen

Frans Blach Rossen

Independent auditor's report

To the shareholders 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 2016, which comprise an 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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 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 skepticism 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.

Independent auditor's report

- 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 conclusion is 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 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 our procedures, 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, 2 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars H

Lars Hansen State Authorised Public Accountant	Birgitte Nielsen State Authorised Public Accountant

Management's review

Company details

Name	Pierre Fabre Dermo-Cosmétique Nordic A/S
Address, Postal code, City	Mileparken 20E, 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
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

Financial review

In 2016, the Company's revenue came in at DKK 72,146,312 against DKK 0 last year. The income statement for 2016 shows a profit of DKK 1,199,206 against a loss of DKK 1,602,040 last year, and the balance sheet at 31 December 2016 shows equity of DKK 10,747,166.

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 products in Norway, effective from 1 January 2017.

Events after the balance sheet date

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

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Revenue	72,146,312	0
	Cost of sales	-24,109,192	0
	Other external expenses	-26,056,164	-1,332,972
	Gross margin	21,980,956	-1,332,972
2	Staff costs	-11,798,553	-210,263
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-7,703,880	-27,574
	Other operating expenses	-126,200	0
	Profit/loss before net financials	2,352,323	-1,570,809
4	Financial income	44,235	0
5	Financial expenses	-690,501	-31,231
	Profit/loss before tax	1,706,057	-1,602,040
6	Tax for the year	-506,851	0
	Profit/loss for the year	1,199,206	-1,602,040
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	1,199,206	-1,602,040
		1,199,206	-1,602,040

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
	Intangible assets		
	Acquired intangible assets	102,293	0
	Goodwill	49,871,436	0
		49,973,729	0
	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	1,043,892	500,687
		1,043,892	500,687
	Investments		
	Deposits, investments	75,975	197,925
		75,975	197,925
	Total fixed assets	51,093,596	698,612
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	19,718,053	0
		19,718,053	0
	Receivables		
	Trade receivables	14,747,303	27,704
	Other receivables	0	279,174
	Prepayments	374,960	24,719
		15,122,263	331,597
	Cash	6,245,879	43,167,775
	Total non-fixed assets	41,086,195	43,499,372
	TOTAL ASSETS	92,179,791	44,197,984

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	11,150,000	11,150,000
	Retained earnings	-402,834	-1,602,040
	Total equity	10,747,166	9,547,960
	Provisions		
	Deferred tax	76,664	0
	Total provisions	76,664	0
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Payables to group enterprises	22,201,757	33,615,913
	Other payables	28,013,536	0
		50,215,293	33,615,913
	Current liabilities other than provisions		
	Trade payables	3,640,161	25,001
	Payables to group enterprises	84,175	0
	Corporation tax payable	863,800	0
	Other payables	26,552,532	1,009,110
		31,140,668	1,034,111
	Total liabilities other than provisions	81,355,961	34,650,024
	TOTAL EQUITY AND LIABILITIES	92,179,791	44,197,984

1 Accounting policies

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	0	0	0
Loss for the year	0	-1,602,040	-1,602,040
Cash payments concerning formation of enterprise	11,150,000	0	11,150,000
Equity at 1 January 2016	11,150,000	-1,602,040	9,547,960
Profit for the year	0	1,199,206	1,199,206
Equity at 31 December 2016	11,150,000	-402,834	10,747,166

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Pierre Fabre Dermo-Cosmétique Nordic A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act for class B entities.

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).

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 non-current assets.

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.

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 6 years. The amortisation period is based on the lenght of the BTA 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	6 years
Fixtures and fittings, other plant and equipment	3-5 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

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 development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

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.

Liabilities

Liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016	2015
2	Staff costs		
	Wages/salaries	11,798,553	210,263
		11,798,553	210,263
	Average number of full-time employees	15	0
3	Amortisation of intangible assets		
	Amortisation of intangible assets	7,703,880	27,574
		7,703,880	27,574
4	Financial income		
	Other financial income	44,235	0
		44,235	0
5	Financial expenses		
	Other financial expenses	690,501	31,231
		690,501	31,231
6	Tax for the year		
	Estimated tax charge for the year	430,187	0
	Deferred tax adjustments in the year	76,664	0
		506,851	0