

FB Dermatology Denmark Limited ApS

Borupvang 5C, 1
2750 Ballerup
Business Registration No
38401742

Annual report 09.02.2017 - 31.12.2017

The Annual General Meeting adopted the annual report on 12.06.2018

Chairman of the General Meeting

Name: Mikkel Tønder Schødt

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Entity details

Entity

FB Dermatology Denmark Limited ApS
Borupvang 5 C, 1
2750 Ballerup

Central Business Registration No (CVR): 38401742

Registered in: Ballerup

Financial year: 09.02.2017 - 31.12.2017

Executive Board

Mariano Rodriguez
Mikkel Tønder Schødt

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of FB Dermatology Denmark Limited ApS for the financial year 09.02.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 09.02.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 12.06.2018

Executive Board

Mariano Rodriguez

Mikkel Tønder Schødt

Independent auditor's report

To the shareholders of FB Dermatology Denmark Limited ApS

Opinion

We have audited the financial statements of FB Dermatology Denmark Limited ApS for the financial year 09.02.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 09.02.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Aarhus, 12.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne34506

Management commentary

Primary activities

The FB Dermatology group of companies were incorporated in 2017 and are focused on development and commercializing products based on its proprietary BioPhotonic technology platform to address skin and soft tissue disorders, specifically with regards to its Dermatology product group. At present, the companies continue to work on commercializing Kleresca™, a biophotonic platform offering non-invasive treatments for both therapeutic and aesthetic conditions using fluorescent light to simulate the skin's own biological processes and repair mechanisms. Its treatments reduce inflammation, increase the build-up of collagen and normalise cellular activity with high safety and efficacy. In scientific terms, the process is known as photobiomodulation.

The Danish office of FB Dermatology Denmark ApS Limited has two focus areas (1) marketing and promotional services (2) administrative services related to service and order management and facility and HR services. These services are provided to FB Dermatology Limited in Ireland as well as FB Dermatology EU Limited. From here the services are used for customer interaction and activities worldwide.

Development in activities and finances

The FB Dermatology group of companies are currently in the commercialization phase of operations as it relates to its Acne and Skin Rejuvenation products and are focused on the further development and commercialising of several additional indications within the dermatological space.

The main risks facing the companies are that the commercialization plan does not materialise. Given the current stage of the companies, there is uncertainty relating to these items due to operations being at the early stages and the fact that products have only been launched in specific jurisdictions.

For the financial year end 31 December 2017, total revenue for FB Dermatology Aps Limited was DKK 4,402,165. Total expenses for the fiscal period amounted to DKK 4,115,963 and the company reported a profit of DKK 286,202.

At 31 December 2017, non-current assets amounted to DKK 724,387. Current assets amounts to DKK 6,918,762 and were primarily composed of receivable due from group company of DKK 4,402,165 and DKK 1,796,102 of cash at bank. Creditors falling due within one-year totalled DKK 7,306,947 including DKK 6,438,503 due to group companies.

The directors expect the general level of activity to increase during the upcoming year as commercial activities continue to progress.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>
Revenue		4.402.165
Other external expenses		<u>(1.499.832)</u>
Gross profit/loss		2.902.333
Staff costs	1	(2.535.223)
Depreciation, amortisation and impairment losses		<u>(80.488)</u>
Operating profit/loss		286.622
Other financial expenses		<u>(421)</u>
Profit/loss before tax		286.201
Tax on profit/loss for the year		<u>(66.512)</u>
Profit/loss for the year		219.689
Proposed distribution of profit/loss		
Retained earnings		<u>219.689</u>
		219.689

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		724.387
Property, plant and equipment	2	<u>724.387</u>
Fixed assets		<u>724.387</u>
Receivables from group enterprises		4.402.165
Other receivables		536.850
Prepayments		183.645
Receivables		<u>5.122.660</u>
Cash		<u>1.796.101</u>
Current assets		<u>6.918.761</u>
Assets		<u>7.643.148</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>
Contributed capital		50.000
Retained earnings		<u>219.689</u>
Equity		<u>269.689</u>
Deferred tax		<u>27.000</u>
Provisions		<u>27.000</u>
Trade payables		362.596
Payables to group enterprises		6.438.503
Income tax payable		39.512
Other payables		<u>505.848</u>
Current liabilities other than provisions		<u>7.346.459</u>
Liabilities other than provisions		<u>7.346.459</u>
Equity and liabilities		<u>7.643.148</u>
Unrecognised rental and lease commitments	3	

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>
Contributed upon formation	50.000	0	50.000
Profit/loss for the year	<u>0</u>	<u>219.689</u>	<u>219.689</u>
Equity end of year	<u>50.000</u>	<u>219.689</u>	<u>269.689</u>

Notes

	2017
	DKK
	<hr/>
1. Staff costs	
Wages and salaries	2.299.732
Pension costs	235.491
	<hr/> 2.535.223 <hr/>
Average number of employees	<hr/> 4 <hr/>
	Other
	fixtures and
	fittings,
	tools and
	equipment
	DKK
	<hr/>
2. Property, plant and equipment	
Additions	804.875
Cost end of year	<hr/> 804.875 <hr/>
Depreciation for the year	(80.488)
Depreciation and impairment losses end of year	<hr/> (80.488) <hr/>
Carrying amount end of year	<hr/> 724.387 <hr/>
	2017
	DKK
	<hr/>
3. Unrecognised rental and lease commitments	
Liabilities under rental or lease agreements until maturity in total	<hr/> 2.227.708 <hr/>

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements.

Non-comparability

As it is the Company's first financial year, there are no comparative figures.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings and equipment	5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.