

FB Dermatology Denmark ApS

Borupvang 5 C, 1.
2750 Ballerup
Business Registration No
38401742

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

Name: Mikkel Tønder Schødt

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Entity details

Entity

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

Central Business Registration No (CVR): 38401742

Registered in: Ballerup

Financial year: 01.01.2018 - 31.12.2018

Executive Board

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 ApS for the financial year 01.01.2018 - 31.12.2018.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

I 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, 31.05.2019

Executive Board

Mikkel Tønder Schødt

Independent auditor's report

To the shareholders of FB Dermatology Denmark ApS

Opinion

We have audited the financial statements of FB Dermatology Denmark ApS for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 31.05.2019

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 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

For the fiscal year 2018, the FB Dermatology group of companies continued to focus on the commercialization of the Acne and Skin Rejuvenation products and in July 2018 introduced two new products for Rosacea and Pre/Post treatment.

The main risks facing the companies are the that the commercialization plans do not scale. Given the current stage of the companies, there is uncertainty relating to these items due the products being relatively new and have only been launched in specific jurisdictions.

For the financial year ended 31 December 2018, total revenue for FB Dermatology Denmark ApS was DKK 20,528,771. Total expenses for the fiscal period amounted to DKK 19,693,843 and the company reported a profit of DKK 834,928.

At 31 December 2018, non-current assets amounted to DKK 717,232. Current assets amounts to DKK 3,521,591 and were primarily composed of revenue due from group company of DKK 1,651,900 and DKK 1,083,298 of cash at bank. Creditors falling due with one-year totalled DKK 3,104,206 including DKK 2,510 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 2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|---------------------|---------------------|
| Revenue | | 20.528.771 | 4.402.165 |
| Other external expenses | | <u>(3.889.718)</u> | <u>(1.458.204)</u> |
| Gross profit/loss | | 16.639.053 | 2.943.961 |
| Staff costs | 1 | (15.388.033) | (2.576.851) |
| Depreciation, amortisation and impairment losses | | <u>(178.066)</u> | <u>(80.488)</u> |
| Operating profit/loss | | 1.072.954 | 286.622 |
| Other financial expenses | | <u>(2.735)</u> | <u>(421)</u> |
| Profit/loss before tax | | 1.070.219 | 286.201 |
| Tax on profit/loss for the year | | <u>(235.291)</u> | <u>(66.512)</u> |
| Profit/loss for the year | | 834.928 | 219.689 |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>834.928</u> | <u>219.689</u> |
| | | 834.928 | 219.689 |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|-------------------------|-------------------------|
| Other fixtures and fittings, tools and equipment | | 717.232 | 724.387 |
| Property, plant and equipment | 2 | <u>717.232</u> | <u>724.387</u> |
| Fixed assets | | <u>717.232</u> | <u>724.387</u> |
| Receivables from group enterprises | | 1.651.900 | 4.402.165 |
| Other receivables | | 360.037 | 536.850 |
| Prepayments | | 426.356 | 183.645 |
| Receivables | | <u>2.438.293</u> | <u>5.122.660</u> |
| Cash | | <u>1.083.298</u> | <u>1.796.101</u> |
| Current assets | | <u>3.521.591</u> | <u>6.918.761</u> |
| Assets | | <u>4.238.823</u> | <u>7.643.148</u> |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | | 50.000 | 50.000 |
| Retained earnings | | <u>1.054.617</u> | <u>219.689</u> |
| Equity | | <u>1.104.617</u> | <u>269.689</u> |
| Deferred tax | | <u>30.000</u> | <u>27.000</u> |
| Provisions | | <u>30.000</u> | <u>27.000</u> |
| Trade payables | | 1.154.903 | 362.596 |
| Payables to group enterprises | | 2.510 | 6.438.503 |
| Income tax payable | | 7.291 | 39.512 |
| Other payables | | <u>1.939.502</u> | <u>505.848</u> |
| Current liabilities other than provisions | | <u>3.104.206</u> | <u>7.346.459</u> |
| Liabilities other than provisions | | <u>3.104.206</u> | <u>7.346.459</u> |
| Equity and liabilities | | <u>4.238.823</u> | <u>7.643.148</u> |
| Unrecognised rental and lease commitments | 3 | | |

Statement of changes in equity for 2018

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---------------------------|--|--------------------------------------|-------------------------|
| | <u>DKK</u> | <u>DKK</u> | <u>DKK</u> |
| Equity beginning of year | 50.000 | 219.689 | 269.689 |
| Profit/loss for the year | 0 | 834.928 | 834.928 |
| Equity end of year | <u>50.000</u> | <u>1.054.617</u> | <u>1.104.617</u> |

Notes

| | 2018 | 2017 |
|-----------------------------|-------------------|------------------|
| | DKK | DKK |
| 1. Staff costs | | |
| Wages and salaries | 13.903.009 | 2.299.732 |
| Pension costs | 1.485.024 | 277.119 |
| | 15.388.033 | 2.576.851 |
| | | |
| Average number of employees | 21 | 4 |

| | Other fixtures and fittings, tools and equipment DKK |
|---|---|
| 2. Property, plant and equipment | |
| Cost beginning of year | 804.875 |
| Additions | 170.910 |
| Cost end of year | 975.785 |
| | |
| Depreciation and impairment losses beginning of year | (80.488) |
| Depreciation for the year | (178.065) |
| Depreciation and impairment losses end of year | (258.553) |
| | |
| Carrying amount end of year | 717.232 |

| | 2018 | 2017 |
|--|------------------|------------------|
| | DKK | DKK |
| 3. Unrecognised rental and lease commitments | | |
| Liabilities under rental or lease agreements until maturity in total | 2.825.848 | 2.227.708 |

The Company has signed a rental contract, which is interminable until 30.04.2022. The annual rental amounts to DKK 683k. The residual commitment is included in the above.

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 are consistent with those applied last year.

Non-comparability

As this is the Company's second financial year, the comparative figures cover the period from 09.02.2017 – 31.12.2017, and therefore the comparative figures are not directly comparable.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

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.

Accounting policies

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.

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 |
|---|---------|

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.

Accounting policies

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.