



## Syntese A/S

Industriholmen 13  
2650 Hvidovre  
CVR No. 13456402

## Annual report 2022

The Annual General Meeting adopted the  
annual report on 31.05.2023

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**Jens-Eric Regelin**

Chairman of the General Meeting

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# Entity details

## Entity

Syntese A/S

Industriholmen 13

2650 Hvidovre

Business Registration No.: 13456402

Date of foundation: 31.08.1989

Registered office: Hvidovre

Financial year: 01.01.2022 - 31.12.2022

Phone number: +45 36 34 00 30

URL: [www.syntese.dk](http://www.syntese.dk)

## Board of Directors

Jens-Eric Regelin

Kim Fonager Jensen

Tamara Vukmirovic

Claus Johnsen Jepsen

Susie Gybel Bergman

## Executive Board

Nikolaj Frederik Jæger Bastiansen, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Syntese A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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.

Hvidovre, 31.05.2023

## Executive Board

**Nikolaj Frederik Jæger Bastiansen**  
CEO

## Board of Directors

**Jens-Eric Regelin**

**Kim Fonager Jensen**

**Tamara Vukmirovic**

**Claus Johnsen Jepsen**

**Susie Gybel Bergman**

# Independent auditor's report

## To the shareholder of Syntese A/S

### Opinion

We have audited the financial statements of Syntese A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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:

- 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.

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.

Copenhagen, 31.05.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Flemming Larsen**

State Authorised Public Accountant  
Identification No (MNE) mne27790

# Management commentary

## Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	239,841	226,760	234,689	232,919	210,488
Gross profit/loss	126,390	129,495	128,750	115,437	115,747
Operating profit/loss	13,950	32,350	44,736	38,330	41,739
Net financials	(485)	(186)	(119)	(242)	(376)
Profit/loss for the year	9,978	25,073	34,733	29,707	32,354
Total assets	289,114	217,411	213,602	145,282	156,742
Investments in property, plant and equipment	24,646	51,495	21,135	29,179	13,472
Equity	166,183	156,205	131,132	92,654	101,943
<b>Ratios</b>					
Gross margin (%)	52.70	57.11	54.86	49.56	54.99
EBIT margin (%)	5.82	14.27	19.06	16.46	19.83
Net margin (%)	4.16	11.06	14.80	12.75	15.37
Return on equity (%)	6.19	17.45	31.04	30.53	30.58
Equity ratio (%)	57.48	71.85	61.39	63.78	65.04

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

### EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

### Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

### Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity



**Equity ratio (%):**

Equity \* 100

Total assets

### Primary activities

The Company's primary activity is to produce the Active Pharmaceutical Ingredient Mesalazine for human use. In early 2007, the US Food and Drug Administration (FDA) approved the Company, and since then, the Company has been selling its products to the US market. Most company products are sold on the European market, though.

### Development in activities and finances

Focus areas in 2022 have been investments in increasing safety, quality, and production capacity to meet increasing demand. Syntese has increased the number of employees to drive these focus areas and investments as well as invested significantly in the production facilities to increase the capacity. Investments are thus both in terms of machinery and people to execute the capacity expansion project.

For 2022, the operating profit before net financials and tax is DKK 13,951 thousand (2021: DKK 32,350 thousand). Due to macro-economic factors including the war in Ukraine higher raw material and energy prices significantly impacted the operating profit in 2022. The operating profit decreased by DKK 18,399 thousand, or 56.9%, from 2021 to 2022.

The profit after interest and tax is DKK 9,929 thousand (2021: 25,073 thousand) and the Company's balance sheet shows equity of DKK 166,184 thousand at 31.12.2022, equaling an equity ratio of 57,5%.

### Profit/loss for the year in relation to expected developments

For 2022 the operating profit was negatively impacted by the higher prices in raw materials and energy. Sales and operating expenses excluding raw material and energy have developed as expected.

### Outlook

The Company's activity level is expected to be maintained at the same high in 2023. The current focus on quality and safety will remain a focal point of 2023 while ensuring a reliable delivery to meet our patients' demand. The capacity expansion of the production facility is expected to be finalized by the end of 2023.

### Knowledge resources

The Company's development department is staffed with highly educated and competent employees. The Company is working continuously with process development to minimize environmental impact and optimize productivity.

### Environmental performance

Syntese A/S is a so-called listed undertaking, meaning an undertaking producing pharmaceuticals through a chemical or biological process. Syntese A/S holds an environmental license for both production and inventories. Also, a separate environmental license covers the pilot activities, and the Capital Region of Denmark has granted permission to the underground storage tanks.

The main environmental impact of Syntese A/S is its consumption of resources and raw materials, the accrual of waste and process wastewater, and the emission from the two combustion plants. Consumption of resources includes water, electricity and heating for the entire Company and the use of raw materials for production and development purposes. Process wastewater and waste are key emissions; the environmental impact of which takes the form of accrual of waste and process wastewater, which is transported or discharged for external treatment.

Syntese A/S was certified under DS/EN ISO 14001 (environmental management) first time in 2011 and re-certified in 2014 and 2017 (including energy management in 2017), 2020, and in Q1 2023. Syntese A/S has been certified under OHSAS 18001 (working environment) since 2013 and was re-certified in 2016. This certification was replaced by DS/EN ISO 45001 (management systems of occupational health and safety) in 2019 and re-certified in 2022.

**Events after the balance sheet date**

No significant events of significance to the annual report have occurred after the balance date.

# Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue		239,841	226,760
Cost of sales		(78,632)	(73,478)
Other external expenses		(34,819)	(23,787)
<b>Gross profit/loss</b>		<b>126,390</b>	<b>129,495</b>
Staff costs	1	(99,283)	(85,113)
Depreciation, amortisation and impairment losses	2	(13,157)	(12,032)
<b>Operating profit/loss</b>		<b>13,950</b>	<b>32,350</b>
Other financial income	3	164	61
Other financial expenses	4	(649)	(247)
<b>Profit/loss before tax</b>		<b>13,465</b>	<b>32,164</b>
Tax on profit/loss for the year	5	(3,487)	(7,091)
<b>Profit/loss for the year</b>	6	<b>9,978</b>	<b>25,073</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired licences		5,475	2,650
<b>Intangible assets</b>	7	<b>5,475</b>	<b>2,650</b>
Land and buildings		100,203	66,774
Plant and machinery		42,137	43,762
Other fixtures and fittings, tools and equipment		7,186	3,058
Property, plant and equipment in progress		13,479	36,703
<b>Property, plant and equipment</b>	8	<b>163,005</b>	<b>150,297</b>
<b>Fixed assets</b>		<b>168,480</b>	<b>152,947</b>
Raw materials and consumables		6,093	5,937
Work in progress		6,685	3,446
Manufactured goods and goods for resale		50,023	35,275
<b>Inventories</b>		<b>62,801</b>	<b>44,658</b>
Trade receivables		257	2,967
Receivables from group enterprises		47,774	10,052
Other receivables		7,609	5,753
Tax receivable		1,740	0
Prepayments	9	453	1,034
<b>Receivables</b>		<b>57,833</b>	<b>19,806</b>
<b>Current assets</b>		<b>120,634</b>	<b>64,464</b>
<b>Assets</b>		<b>289,114</b>	<b>217,411</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Contributed capital	10	2,350	2,350
Retained earnings		58,833	153,855
Proposed dividend		105,000	0
<b>Equity</b>		<b>166,183</b>	<b>156,205</b>
Deferred tax	11	15,131	10,144
<b>Provisions</b>		<b>15,131</b>	<b>10,144</b>
Mortgage debt		0	2,056
Lease liabilities		153	78
<b>Non-current liabilities other than provisions</b>	12	<b>153</b>	<b>2,134</b>
Current portion of non-current liabilities other than provisions	12	2,663	2,262
Trade payables		29,882	23,855
Payables to group enterprises		67,231	6,532
Tax payable	13	0	6,187
Other payables	14	7,871	10,092
<b>Current liabilities other than provisions</b>		<b>107,647</b>	<b>48,928</b>
<b>Liabilities other than provisions</b>		<b>107,800</b>	<b>51,062</b>
<b>Equity and liabilities</b>		<b>289,114</b>	<b>217,411</b>
Contingent liabilities	15		
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# Statement of changes in equity for 2022

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	2,350	153,855	0	156,205
Profit/loss for the year	0	(95,022)	105,000	9,978
<b>Equity end of year</b>	<b>2,350</b>	<b>58,833</b>	<b>105,000</b>	<b>166,183</b>

# Notes

## 1 Staff costs

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	69,674	62,646
Pension costs	7,807	7,258
Other social security costs	859	669
Other staff costs	20,943	14,540
	<b>99,283</b>	<b>85,113</b>
Number of employees at balance sheet date	103	99

Pursuant to section 98b(3) of the Danish Financial Statement Act, the Company has omitted to disclose Management's remuneration.

## 2 Depreciation, amortisation and impairment losses

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	1,219	870
Depreciation of property, plant and equipment	11,938	11,607
Profit/loss from sale of intangible assets and property, plant and equipment	0	(445)
	<b>13,157</b>	<b>12,032</b>

## 3 Other financial income

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial income from group enterprises	0	7
Exchange rate adjustments	164	54
	<b>164</b>	<b>61</b>

## 4 Other financial expenses

	<b>2022</b>	<b>2021</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	100	0
Exchange rate adjustments	204	98
Other financial expenses	345	149
	<b>649</b>	<b>247</b>



## 5 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	(1,500)	6,434
Change in deferred tax	4,987	657
	<b>3,487</b>	<b>7,091</b>

## 6 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	105,000	0
Retained earnings	(95,022)	25,073
	<b>9,978</b>	<b>25,073</b>

## 7 Intangible assets

	Acquired licences DKK'000
Cost beginning of year	14,083
Additions	4,044
<b>Cost end of year</b>	<b>18,127</b>
Amortisation and impairment losses beginning of year	(11,433)
Amortisation for the year	(1,219)
<b>Amortisation and impairment losses end of year</b>	<b>(12,652)</b>
<b>Carrying amount end of year</b>	<b>5,475</b>

## 8 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	141,297	185,412	7,346	36,703
Transfers	34,965	1,946	(208)	(36,703)
Additions	2,871	2,523	5,773	13,479
<b>Cost end of year</b>	<b>179,133</b>	<b>189,881</b>	<b>12,911</b>	<b>13,479</b>
Depreciation and impairment losses beginning of year	(74,523)	(141,650)	(4,288)	0
Depreciation for the year	(4,407)	(6,094)	(1,437)	0
<b>Depreciation and impairment losses end of year</b>	<b>(78,930)</b>	<b>(147,744)</b>	<b>(5,725)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>100,203</b>	<b>42,137</b>	<b>7,186</b>	<b>13,479</b>

Other fixtures and fittings, tools and equipment include lease contracts at a book value of DKK 0 thousand.

### 9 Prepayments

Prepayments include prepaid expenses such as insurance.

### 10 Share capital

	Number	Nominal value DKK'000
Ordinary shares	2,350	2,350
	<b>2,350</b>	<b>2,350</b>

There has been no changes to the contributed capital for the past five years.

### 11 Deferred tax

	2022 DKK'000	2021 DKK'000
<b>Changes during the year</b>		
Beginning of year	10,144	9,486
Recognised in the income statement	4,987	658
<b>End of year</b>	<b>15,131</b>	<b>10,144</b>

### 12 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000
Mortgage debt	2,583	2,082	0
Lease liabilities	80	180	153
	<b>2,663</b>	<b>2,262</b>	<b>153</b>

Debt after 5 years: DKK 0.

### 13 Tax payable

Income tax payable consists of joint taxation contribution.

### 14 Other payables

	2022 DKK'000	2021 DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	6,087	7,463
Holiday pay obligation	934	1,047
Other costs payable	850	1,582
	<b>7,871</b>	<b>10,092</b>

### 15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Ferring Pharmaceuticals A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The total known net liability of the jointly taxed companies under the joint taxation arrangement is evident from the administration company's financial statements.

### 16 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

The carrying amount of properties is DKK 101 million

### 17 Related parties with controlling interest

Below-listed companies, performing a management function and/or, have a controlling interest.

#### Parent Foundation:

Dr. Frederik Paulsen Foundation  
Seefeldstrasse 279a  
8008 Zurich  
Switzerland

#### Intermediate Parents:

Insula Corporation S.á.r.l.  
7 Rue Robert Stümper, L-2557  
Luxembourg

Insula (Holding) S.á.r.l.  
7 Rue Robert Stümper, L-2557  
Luxembourg

Ferring International BV  
Siriusdreef 31  
2132 WT Hoofddorp  
The Netherlands

Ferring Foundation BV  
Siriusdreef 31  
2132 WT Hoofddorp  
The Netherlands

Ferring Holding S.A.  
Chemin De La Vergognausaz 50  
1162 Saint-Prex, Vaud  
Switzerland

#### Immediate Parent:

Ferring B.V.  
Polarisavenue 144  
2132JX Hoofddorp  
The Netherlands

### **18 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Insula Corporation S.á.r.l.  
7 Rue Robert Stümper, L-2557  
Luxembourg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Ferring Holding S.A.  
Chemin De La Vergognausaz 50  
1162 Saint-Prex, Vaud  
Switzerland

\*The consolidated Financial Statement is available on [Ferring.com](http://Ferring.com).

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Management has evaluated the presentation of the income-statement with the purpose of determine whether the income statement presentation used in prior years (functional split) remains the best presentation of the activity in the company. Since the activity is predominantly production, management has determined that it will provide a better view of the activity of the company to present the income statement using the nature of expense method. The change in presentation is made retroactive, so that the comparative figures in the income statement for 2021 is also based on the nature of expense method. The change has not impacted the net result for the year, total assets or equity.

Except for this the accounting policies applied to these financial statements are consistent with those applied last year.

## 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.

## 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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### 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.

**Staff costs**

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

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Other financial income**

Other financial income comprises interest, realised and unrealised exchange gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme.

**Other financial expenses**

Other financial expenses comprises interest expenses, realised and unrealised exchange losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme.

**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****Intellectual property rights etc**

Intellectual property rights etc consist of software and licenses.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Software is amortised on a straight line basis over its useful life not exceeding four years, and licenses are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

**Property, plant and equipment**

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

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:

	<b>Useful life</b>
Buildings	20-40 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-5 years

For assets subject to lease agreements, the depreciation period cannot exceed the contract period.

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.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale

### **Receivables**

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

### **Tax payable or receivable**

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

### **Prepayments**

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

### **Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

### **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.

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.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Lease liabilities**

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Other financial liabilities**

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

**Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Ferring Holding SA.