

## **Ferring Pharmaceuticals A/S**

Kay Fiskers Plads 11  
DK-2300 Copenhagen  
Central Business Registration No  
16313440

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 14.03.2017

### **Chairman of the General Meeting**

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Name: Ole Kjerulf-Jensen

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## Entity details

### Entity

Ferring Pharmaceuticals A/S  
Kay Fiskers Plads 11  
DK-2300 Copenhagen

Central Business Registration No: 16313440

Founded: 01.08.1992

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Phone: +4588338834

Website: [www.ferring.com](http://www.ferring.com)

### Board of Directors

Ole Kjerulf-Jensen, Chairman  
Pascal Rene Olivier Danglas  
Frederik Dag Arfst Paulsen

### Executive Board

Marianne Kock

### Bank

Danske Bank  
Holmens Kanal 2  
DK-1090 Copenhagen

### Lawyer

Plesner  
Amerika Plads 37  
DK-2100 Copenhagen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
DK-0900 Copenhagen

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Ferring Pharmaceuticals A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

Copenhagen, 14.03.2017

### Executive Board

Marianne Kock

### Board of Directors

Ole Kjerulf-Jensen  
Chairman

Pascal Rene Olivier Danglas

Frederik Dag Arfst Paulsen

# Independent auditor's report

## To the shareholders of Ferring Pharmaceuticals A/S

### Opinion

We have audited the financial statements of Ferring Pharmaceuticals A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

Copenhagen, 14.03.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Flemming Larsen  
State Authorised Public Accountant

## Management commentary

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	1.225.924	1.269.951	1.206.882	1.102.920	918.716
Gross profit/loss	1.225.924	1.269.951	1.206.882	1.102.920	918.716
Operating profit/loss	65.333	68.731	63.554	57.238	48.182
Net financials	(501)	(1.721)	(185)	1.199	1.586
Profit/loss for the year	50.325	51.621	47.850	43.830	37.139
Total assets	353.042	285.672	317.926	299.301	291.336
Investments in property, plant and equipment	11.982	21.348	7.171	3.370	7.824
Equity	97.417	86.092	109.471	117.621	113.791
<b>Ratios</b>					
Gross margin (%)	100,0	100,0	100,0	100,0	100,0
Net margin (%)	4,1	4,1	4,0	4,0	4,0
Return on equity (%)	54,8	52,8	42,1	37,9	32,2
Solvency ratio (%)	27,6	30,1	34,4	39,3	39,1

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strenght of the Entity.



## Management commentary

### Primary activities

Ferring Pharmaceuticals A/S is an international pharma science centre of the Ferring Group, and handles activities within internal services e.g. IT and research and product development on behalf of the Ferring Group. All cost associated herewith are invoiced to the respective Ferring Group companies which own the underlying activity or research and development project and receive the service, with an agreed mark-up percentage.

### Development in activities and finances

#### Revenue and profit for the year

Revenue decreased from DKK 1,269.9 million in 2015 to DKK 1,225.9 million in 2016.

The research and product development activities decreased slightly mainly due to the fact that the start of a phase III/ IIIb study with REKOVELLE was postponed to 2017. The approval for the treatment with REKOVELLE from the European Medicines Agency was obtained end 2016 as planned, and marks the main R&D result in 2016. The administrative costs remained stable. The profit before tax decreased from DKK 67.0 million in 2015 to DKK 65.3 million in 2016 due to the decreased underlying activities as explained above and the fixed mark-up.

### Investments

Investments amounted to DKK 23.3 million in 2016 against DKK 46.5 million in 2015. Investments were primarily made in equipment used in the development process and software systems. The total asset value in both categories remained stable compared to 2015. The decreased investments in software in 2016 compared to 2015 are driven by the completion of two major projects, however further digitalization of work approaches and compliance with regulations from regulatory authorities will drive investments in the future.

### Capital resources

Ferring Pharmaceuticals A/S has equity of DKK 97.4 million (2015: DKK 86.1 million). The financial resources consist of local cash drawing facilities and of the financial commitments within the Ferring Group. The increase is explained by the dividend paid out being lower than results for the year.

### Research and development expenses

The total research and development costs incurred amounted to DKK 1,069.7 million (2015: DKK 1,113.9 million). The development of new products is proceeding as planned. Development of new products is carried out on behalf of other group companies and costs are recognized in the income statement.

### Corporate Social Responsibility

Ferring Pharmaceuticals A/S is, as a subsidiary of the Ferring Group, primarily engaged in the development of pharmaceutical products and solutions for the whole Ferring Group, to the benefit of patients worldwide. Through the Ferring Group, Ferring Pharmaceuticals A/S is actively seeking to enhance its corporate social responsibility and acts in accordance with the Ferring Philosophy. Consequently, we refer to the Ferring Group Corporate Social Responsibility policies and guidelines, which can be found at [www.ferring.com/en/responsibility](http://www.ferring.com/en/responsibility).

## Management commentary

Ferring Group has developed a CSR framework and approach under the CSR statement of: "Making a difference to people's health and quality of life today and tomorrow". Ferring Pharmaceuticals is committed to and participate in this initiative with resources appointed to developing a framework.

Ferring Pharmaceuticals A/S will ensure that this global approach is aligned and compliant with section 99a of the Danish Financial Statement Act. The CSR policy of the Ferring Group consists of four areas:

- People: Support and develop and meet people's needs and rights
- Business ethics: Conduct ourselves ethically in the market place
- Environment: Minimise our environmental footprint
- Community: Engage with and support the communities around us

The CSR topics selected are based on business relevance. This means that we selected the topics per area to report on based on importance / materiality to our business. This forms our framework which we will use to report on the way forward.

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### **People**

- People Ethics (leadership)
- Occupational Health
- Diversity
- 

### **Business Ethics**

- Anti-corruption
- Ethical Testing
- Transparency Compliance
- Privacy and Data Protection
- 

### **Environment**

- Sustainable Building
- 

### **Community**

- Partnerships with healthcare institutions and universities
- Collaboration with Merck for Mothers and WHO to reduce the number of deaths of mothers in childbirth

## Management commentary

### People

In line with the focus of our business and our governing philosophy, people are the cornerstone of Ferring's CSR structure. We focus on providing a safe and healthy place to work and ensure that our managers create a healthy work environment in which the appropriate high ethical and human rights standards are maintained.

### People Ethics Leadership

People Ethics is highly integrated in our way of working and an essential part of leadership. This is based on three approaches.

1. Ethics training is mandatory for all employees
2. We have developed leadership values and guidance to managers via our manager handbook 'Lead the Way'.
3. We execute several surveys among our staff to monitor and implement improvements in this area
  - a. Global Risk Clarity Survey
  - b. Global Engagement Survey (first survey in 2016)
  - c. Work Place Assessments

In 2016 we focused on the ethical training and ensured that all new employees were trained as part of their onboarding and we have developed and executed the Engagement Survey.

For 2017 we will organize Leadership training and follow up on results of the engagement survey which are expected Q1 2017.

### Occupational Health

Occupational Health focusses on ensuring that our employees are able to perform in their jobs in a healthy way by providing a safe and healthy place to work and balanced support to minimize the risk of sickness, stress and accidents.

Actions taken in 2016 in this area are:

1. Providing a healthy workplace by training and instruction supported by an in-house physiotherapist, work place set-up instructions and healthy food.
2. Stress management and awareness through training and support
3. Follow up on Work Place Assessments

In 2017 we will continue our efforts on the building working groups who will provide proposals for the working climate in the new Soundport building. Besides that every other there years, we will execute a new Work Place Assessment and do continued follow up and screening in the HSE board.

### Diversity

Ferring has a diverse workforce with 65% women and 43 nationalities in 2016.

In accordance with section 139a subsection 1 of the Danish Companies Act, the Company is obliged to set the targets for the share of the underrepresented gender in the Board of Directors. As the Board of Directors comprises three members, the target is that, at no point, should the Board be comprised by persons of one gender only. The Company currently does not fulfil this target, due to the fact that no new members of the board were elected. It is the expectation that the target will be met in 2018.

## Management commentary

Additionally, the Company is also required to prepare and adopt a policy on gender equality in management levels. Ferring has adopted the Ferring Philosophy— "People come first at Ferring". This philosophy ensures that we always strive towards doing the right thing, including compliance with local legislation. The philosophy is well documented and laid out to all employees when they commence their work at Ferring. The philosophy deals with ethics and responsibility. The requirements of section 99b are to a certain extent embedded in the philosophy.

The representation of gender at management levels is based on primarily skills and experience. By end 2016 there were in 2016 38 women and 40 men in the management levels.

### **Business Ethics**

This area gives emphasis to 'how' we do our business. It refers specifically to the standards that Ferring and its employees adhere to as part of their legal obligations and ethical conduct. It also covers the expectations we have of our relationships with our business partners on human rights. It touches on issues as wide-ranging as responsible procurement in our supply chains, through to responsible marketing of our products and services. We aim to underpin this part of our CSR activity with our Business Ethics and Compliance policies.

We have the following approaches to maintain our ethical standards:

#### Ethical Behaviour

Ethical behaviour is at the heart of our philosophy. This means that we do everything in our ability to ensure that our employees act within ethical standards. We have an established Ethics Office, which provides mandatory training to Ferring employees on ethical behavior. There is a Business ethics and conflict of interest policy and we run an alert line to flag up if violations occur to the Ferring Philosophy. The latter also results in ensuring human rights in our relations with suppliers.

#### Ethical Testing

Clinical and non-clinical activities and production of clinical materials are highly regulated. The regulations are set-out in the Good Clinical Practice (GCP &GLP). GCP guidelines include protection of human rights for the subjects and volunteers in a clinical trial. The GMP, GLP and GCP guidelines are implemented strictly and we are audited against these guidelines by external regulatory bodies on a regular basis.

#### Transparency Compliance

As stipulated before development of pharmaceutical products are highly regulated. This counts also for clinical trial execution, and for our relations and behavior with health care professionals and organizations (HCP/O).

In both the United States and Europe stricter regulations have been implemented to address the pharmaceutical industry's broader requirements to disclose its transactions with HCPs/HCOs.

## Management commentary

During 2016, in order to meet those requirements, Ferring appointed a Global Compliance Officer at its headquarters in Switzerland as well as the role of Transparency Reporting Co-ordinator at IPC, Denmark. Subsequently, a centralised transparency reporting process was created at IPC to capture, track and report spend data to the US and local EFPIA affiliates in applicable member states.

In 2017, we will start the implementation of transparency software and we will develop a compliance toolkit and training program for our employees.

### Privacy and data protection

Product development requires many data on all the angles of a drug. Amongst others these data consists of data of clinical subjects and volunteers. GCP guidelines include protection of human rights for the subjects and volunteers in a clinical trial. This is also relates to their privacy when it comes to data. The subject of privacy and data protection is increasing in importance and has recently been further formalized in General Data Protection Legislation. Ferring recognizes this and ensures to be compliant.

### Environment

We want to minimize the environmental impact which include optimizing of water and energy consumption to minimizing waste.

### Sustainable building

We have committed ourselves to implement "Leadership in Energy and Environmental Design" in short LEED in our new building Soundport. This will be achieved by using solar panels and sophisticated climate control systems. At this stage, it is expected that the target will be reached when the building is put into operation in 2019

### Community

We want to be known as a company that engages actively with the (local) communities in which we operate. We focus on communities that are relevant to Ferring's areas of expertise.

### Partnerships

We actively work with universities to enable them to execute fundamental research in areas that are close to the therapeutic areas Ferring is currently involved in. This sponsoring is typically for the benefit of science in general and patients in particular. In 2016 we sponsored universities in Denmark, Sweden, Switzerland, Germany, United Kingdom and Belgium.

A specific local collaboration is ReproUnion. It is a key initiative designed research to foster research and clinical collaboration across disciplines, and geographical borders in fertility. Key to the ReproUnion philosophy is the desire to optimise the infertility treatment for patients. By combining expertise patients can immediately be referred to a specialist either in Sweden or in Denmark.

## Management commentary

ReproUnion is a network of 13 clinical and research units within the Capital Region of Denmark, Region Zealand of Denmark and Region Skane in Southern Sweden. The partnership also includes Medicin Valley Alliance. Together, they will be developing a multi-disciplinary Reproductive Medicine Centre in the Oresund Region. Our commitment runs for three years until 2018 and amounts to approximately EUR 1.5 million.

### Collaboration with Merck for Mothers and WHO to reduce the number of deaths of mothers in childbirth

IPC contributes significantly to the collaboration between Ferring, Merck for Mothers and the World Health Organisation (WHO) aiming for a considerable reduction in the number of deaths of women giving birth.

The largest number of these deaths is caused by a condition called post-partum haemorrhage (PPH). Ferring's carbetocin (PABAL) is an effective and well-researched treatment for the prevention of PPH.

Ferring, Merck for Mothers, and WHO are now conducting the biggest clinical trial ever undertaken in this therapy area with the aim of bringing Ferring's PABAL to many 3<sup>rd</sup> world countries which are worst affected by PPH. Through the introduction of PABAL, we hope to save thousands of lives.

The presentation of research outcomes will take place during the G7 meeting in Italy in 2017.

### **Outlook**

Management expects the activities to remain stable in 2017. This implies an expectation of revenue and profit before tax in 2017, to be in line with 2016.

### **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 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue	1	<u>1.225.924</u>	<u>1.269.951</u>
<b>Gross profit/loss</b>		<b>1.225.924</b>	<b>1.269.951</b>
Research and development costs	3	(1.069.131)	(1.114.288)
Administrative costs	2, 3	<u>(91.460)</u>	<u>(86.932)</u>
<b>Operating profit/loss</b>		<b>65.333</b>	<b>68.731</b>
Other financial income		2.045	2.662
Other financial expenses	4	<u>(2.546)</u>	<u>(4.383)</u>
<b>Profit/loss before tax</b>		<b>64.832</b>	<b>67.010</b>
Tax on profit/loss for the year	5	<u>(14.507)</u>	<u>(15.389)</u>
<b>Profit/loss for the year</b>	6	<u><b>50.325</b></u>	<u><b>51.621</b></u>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Acquired licences		42.123	41.949
<b>Intangible assets</b>	7	<b>42.123</b>	<b>41.949</b>
Other fixtures and fittings, tools and equipment		31.744	15.219
Leasehold improvements		474	2.698
Property, plant and equipment in progress		5.790	17.563
<b>Property, plant and equipment</b>	8	<b>38.008</b>	<b>35.480</b>
Deposits		51.847	50.078
<b>Fixed asset investments</b>	9	<b>51.847</b>	<b>50.078</b>
<b>Fixed assets</b>		<b>131.978</b>	<b>127.507</b>
Receivables from group enterprises		143.704	14.204
Other receivables		8.576	21.419
Prepayments	10	60.690	121.574
<b>Receivables</b>		<b>212.970</b>	<b>157.197</b>
<b>Cash</b>		<b>8.094</b>	<b>968</b>
<b>Current assets</b>		<b>221.064</b>	<b>158.165</b>
<b>Assets</b>		<b>353.042</b>	<b>285.672</b>



## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital		500	500
Retained earnings		96.917	61.592
Proposed dividend		<u>0</u>	<u>24.000</u>
<b>Equity</b>		<b><u>97.417</u></b>	<b><u>86.092</u></b>
Deferred tax	11	<u>10.346</u>	<u>9.360</u>
<b>Provisions</b>		<b><u>10.346</u></b>	<b><u>9.360</u></b>
Trade payables		148.805	92.056
Payables to group enterprises		12.059	9.416
Income tax payable		323	3.129
Other payables		<u>84.092</u>	<u>85.619</u>
<b>Current liabilities other than provisions</b>		<b><u>245.279</u></b>	<b><u>190.220</u></b>
<b>Liabilities other than provisions</b>		<b><u>245.279</u></b>	<b><u>190.220</u></b>
<b>Equity and liabilities</b>		<b><u>353.042</u></b>	<b><u>285.672</u></b>
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Related parties with controlling interest	15		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed extraordinary dividend DKK'000</b>	<b>Proposed dividend DKK'000</b>
Equity beginning of year	500	61.592	0	24.000
Ordinary dividend paid	0	0	0	(24.000)
Extraordinary dividend paid	0	0	(15.000)	0
Profit/loss for the year	0	35.325	15.000	0
<b>Equity end of year</b>	<b>500</b>	<b>96.917</b>	<b>0</b>	<b>0</b>
				<b>Total DKK'000</b>
Equity beginning of year				86.092
Ordinary dividend paid				(24.000)
Extraordinary dividend paid				(15.000)
Profit/loss for the year				50.325
<b>Equity end of year</b>				<b>97.417</b>

## Cash flow statement 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Operating profit/loss		65.333	68.730
Amortisation, depreciation and impairment losses		20.602	19.293
Working capital changes	12	<u>128.949</u>	<u>(59.814)</u>
<b>Cash flow from ordinary operating activities</b>		<b>214.884</b>	<b>28.209</b>
Financial income received		34	68
Financial income paid		(1.021)	(692)
Income taxes refunded/(paid)		<u>(15.987)</u>	<u>(13.650)</u>
<b>Cash flows from operating activities</b>		<b><u>197.910</u></b>	<b><u>13.935</u></b>
Acquisition etc of intangible assets		(11.340)	(25.150)
Acquisition etc of property, plant and equipment		(11.982)	(21.348)
Acquisition of fixed asset investments		(1.769)	(26.352)
Sale of fixed asset investments		<u>164</u>	<u>8</u>
<b>Cash flows from investing activities</b>		<b><u>(24.927)</u></b>	<b><u>(72.842)</u></b>
Incurrence of debt to group enterprises		(126.857)	133.007
Dividend paid		<u>(39.000)</u>	<u>(75.000)</u>
<b>Cash flows from financing activities</b>		<b><u>(165.857)</u></b>	<b><u>58.007</u></b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>7.126</b>	<b>(900)</b>
Cash and cash equivalents beginning of year		<u>968</u>	<u>1.868</u>
<b>Cash and cash equivalents end of year</b>		<b><u>8.094</u></b>	<b><u>968</u></b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Revenue</b>		
<b>Revenue by geographical market</b>		
Switzerland	1.224.910	1.269.384
Other countries	1.014	567
	<b>1.225.924</b>	<b>1.269.951</b>
<b>Revenue by activity</b>		
R&D Services	1.139.318	1.174.733
Other services	86.606	95.218
	<b>1.225.924</b>	<b>1.269.951</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	323	299
Tax services	346	238
Other services	22	22
	<b>691</b>	<b>559</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	363.316	346.555
Pension costs	36.102	34.230
Other social security costs	3.823	3.596
	<b>403.241</b>	<b>384.381</b>
Average number of employees	<b>491</b>	<b>467</b>

## Notes

	<b>Remunera- tion of manage- ment 2016 DKK'000</b>	<b>Remunera- tion of manage- ment 2015 DKK'000</b>
Total amount for management categories	<u>4.821</u>	<u>4.469</u>
	<b><u>4.821</u></b>	<b><u>4.469</u></b>
	<b><u>2016 DKK'000</u></b>	<b><u>2015 DKK'000</u></b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	598	328
Exchange rate adjustments	1.526	3.691
Other financial expenses	<u>422</u>	<u>364</u>
	<b><u>2.546</u></b>	<b><u>4.383</u></b>
	<b><u>2016 DKK'000</u></b>	<b><u>2015 DKK'000</u></b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	13.521	12.901
Change in deferred tax for the year	<u>986</u>	<u>2.488</u>
	<b><u>14.507</u></b>	<b><u>15.389</u></b>
	<b><u>2016 DKK'000</u></b>	<b><u>2015 DKK'000</u></b>
<b>6. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	0	24.000
Extraordinary dividend distributed in the financial year	15.000	0
Retained earnings	<u>35.325</u>	<u>27.621</u>
	<b><u>50.325</u></b>	<b><u>51.621</u></b>

## Notes

	<b>Acquired licences DKK'000</b>
<b>7. Intangible assets</b>	
Cost beginning of year	79.541
Additions	11.340
Disposals	(1.703)
<b>Cost end of year</b>	<b>89.178</b>
Amortisation and impairment losses beginning of year	(37.592)
Amortisation for the year	(11.166)
Reversal regarding disposals	1.703
<b>Amortisation and impairment losses end of year</b>	<b>(47.055)</b>
<b>Carrying amount end of year</b>	<b>42.123</b>

	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Leasehold improve- ments DKK'000</b>	<b>Property, plant and equipment in progress DKK'000</b>
<b>8. Property, plant and equipment</b>			
Cost beginning of year	124.628	35.473	17.563
Transfers	14.801	0	(14.801)
Additions	8.808	146	3.028
Disposals	(2.778)	0	0
<b>Cost end of year</b>	<b>145.459</b>	<b>35.619</b>	<b>5.790</b>
Depreciation and impairment losses beginning of the year	(109.409)	(32.775)	0
Depreciation for the year	(7.066)	(2.370)	0
Reversal regarding disposals	2.760	0	0
<b>Depreciation and impairment losses end of the year</b>	<b>(113.715)</b>	<b>(35.145)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>31.744</b>	<b>474</b>	<b>5.790</b>

## Notes

	<b>Deposits DKK'000</b>
<b>9. Fixed asset investments</b>	
Cost beginning of year	50.078
Additions	1.769
<b>Cost end of year</b>	<b>51.847</b>
<b>Carrying amount end of year</b>	<b>51.847</b>

### 10. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, etc as well as the balance of material of IMPs (Investigational Medical Products) and APIs (Active Pharmaceutical Ingredients).

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>11. Deferred tax</b>		
Intangible assets	9.267	9.229
Property, plant and equipment	991	115
Fixed asset investments	88	16
	<b>10.346</b>	<b>9.360</b>
<b>Changes during the year</b>		
Beginning of year	9.360	
Recognised in the income statement	986	
<b>End of year</b>	<b>10.346</b>	

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>12. Change in working capital</b>		
Increase/decrease in receivables	73.727	(50.967)
Increase/decrease in trade payables etc	55.222	(8.847)
Other changes	0	0
	<b>128.949</b>	<b>(59.814)</b>

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>13. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>108.514</b>	<b>128.832</b>

## Notes

### **13. Unrecognised rental and lease commitments (continued)**

On 23 January 2015, the Group has signed a business lease agreement. The agreement covers the construction and lease of premises for the R&D organisation in Copenhagen. The commencement date of the lease is estimated to be 1 January 2019. The Company has committed to a 15 year lease term at an annual rent as a percentage of the construction costs. The annual rent is currently estimated between to be DKK 60.2 million and DKK 64.7 million and it is subject to an agreement regarding construction costs. In 2015, the Company has paid a deposit of DKK 25.3 million which will be adjusted to 6 months' rent at a later stage and will stay as a fixed deposit until the termination of the lease agreement. The lease of the current premises terminates at the end of 2017. The Company is currently discussing the terms of prolonging this lease until the end of 2019.

### **14. Contingent liabilities**

Contractual obligations related to research and development activities amount to DKK 950,818 thousand.

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.



## Notes

### **15. Related parties with controlling interest**

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

#### **Parent Foundation:**

Dr. Frederik Paulsen Foundation  
Chemin De La Vergognausaz 50  
1162 Saint-Prex, Vaud, Switzerland

#### **Intermediate Parent:**

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

Only transactions with related parties that are not carried out on market terms are stated in the annual report. There are not conducted such operations for the year.

## Accounting policies

### Reporting class

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

The accounting policies applied for these financial statements are consistent with those applied last year.

### Consolidated financial statements

The Entity is included in the consolidated financial statements of the Ultimate Parent Foundation Dr. Frederik Paulsen Foundation. As a result of the legislation in Switzerland, the consolidated financial statements are not published.

### Recognition and measurement

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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.

Danish kroner (DKK) is used as the measurement currency. All other currencies are regarded as foreign currencies.

### Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in the financial income and expenses in the income statement.

## Accounting policies

### Income statement

#### Revenue

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve earning for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

#### Research and development costs

Research and development costs include expenses for studies and clinical tests as well as related materials and salaries paid.

#### Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

#### Other financial income

Other financial income comprises interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital 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.

The Entity is jointly taxed with all Danish sister companies in the Ferring Group. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Accounting policies

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licences are amortised over the term of the agreement, but over no more than 5 years.

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

#### Property, plant and equipment

Other fixtures and fittings, tools 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, tools and equipment	3-10 years
Leasehold improvements	Term of lease

The fixed assets are written down to the lower of recoverable amount and carrying amount.

Estimated useful lives and residual are reassessed annually.

#### 1.1.1 Fixed asset investment

Deposits and prepaid rent are recognised in fixed asset investments and measured at amortised cost.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs 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.

## Accounting policies

### 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. Extraordinary dividend adopted in the financial year is recognised directly as equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets 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.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### Other financial liabilities

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

### Income tax receivable or payable

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

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.