



Ferring Pharmaceuticals A/S

Amager Strandvej 405
2770 Kastrup
CVR No. 16313440

Annual report 2021

The Annual General Meeting adopted the
annual report on 08.04.2022

Per Gunnar Falk

Chairman of the General Meeting

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Entity details

Entity

Ferring Pharmaceuticals A/S

Amager Strandvej 405

2770 Kastrup

Business Registration No.: 16313440

Date of foundation: 01.08.1992

Registered office: Tårnby

Financial year: 01.01.2021 - 31.12.2021

Phone number: +4588338834

URL: www.ferring.com

Board of Directors

Marianne Kock

Per Gunnar Falk, formand

Dag Frederik Arfst Paulsen

Executive Board

Marianne Kock, adm. dir.

Bolette Wildt, direktør

Kim Fonager Jensen, direktør

Bank

Danske Bank

Holmens Kanal 2

DK-1090 Copenhagen

Attorney

Bolette Wildt

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 Ferring Pharmaceuticals A/S for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 08.04.2022

Executive Board

Marianne Kock
adm. dir.

Bolette Wildt
direktør

Kim Fonager Jensen
direktør

Board of Directors

Marianne Kock

Per Gunnar Falk
formand

Dag Frederik Arfst Paulsen

Independent auditor's report

To the shareholder of Ferring Pharmaceuticals A/S

Opinion

We have audited the financial statements of Ferring Pharmaceuticals A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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, 08.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Flemming Larsen

State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	1,005,468	1,051,468	1,380,192	1,401,012	1,332,355
Gross profit/loss	1,005,468	1,051,468	1,380,192	1,401,012	1,332,355
Operating profit/loss	54,035	56,547	58,373	74,421	69,500
Net financials	(1,976)	(3,796)	(9,309)	(2,850)	636
Profit/loss for the year	40,174	40,928	38,281	56,131	54,688
Total assets	472,880	381,839	378,172	397,931	376,927
Investments in property, plant and equipment	84,056	33,734	16,751	37,269	16,486
Equity	69,618	79,444	106,516	118,235	112,105
Ratios					
Gross margin (%)	100.00	100.00	100.00	100.00	100.00
Net margin (%)	4.00	3.89	2.77	4.01	4.10
Return on equity (%)	53.90	44.02	34.07	48.74	52.20
Solvency ratio (%)	14.70	20.80	28.2	29.7	29.7

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

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Return on equity (%):

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

Average equity

Solvency ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

Ferring Pharmaceuticals A/S is an international pharma science centre of the Ferring Group, and is responsible for activities mainly for research and product development as well as Global pharmacovigilance on behalf of the Ferring Group. All costs 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 1,055 million in 2020 to DKK 1,005 million in 2021.

The Global COVID-19 pandemic still had an impact on our research and product development activities. The different waves of spread across the world, various lock-downs and a public health care sector forced to put main focus on battling the pandemic have challenged our ongoing development and trial activities.

The profit before tax decreased slightly from DKK 52.7 million in 2020 to DKK 52.1 million in 2021, driven by the lower revenue.

We haven't applied or received any state aid related to COVID-19. However, we have made use of the Governmental payment postponement programs for VAT and social costs.

Investments

Investments amounted to DKK 100.3 million in 2021 against DKK 35.5 million in 2020. The increase was mainly driven by investments in laboratory capacity in our new domicile, Soundport, which we will move to in 2022.

Capital resources

Ferring Pharmaceuticals A/S has equity of DKK 69.8 million (2020: DKK 79.4 million).

Research and development expenses

The total research and development costs incurred amounted to DKK 798 million (2020: DKK 887 million). The Development of new products is carried out on behalf of other group companies and costs are recognized in the income statement.

Profit/loss for the year in relation to expected developments

The profit for the year is in line with expectations.

Outlook

Management expects an increase in activities in 2022. This implies an expectation of revenue and profit before tax for 2022, to be higher than 2021.

Statutory report on corporate social responsibility

Ferring Pharmaceuticals A/S is, as a subsidiary of the Ferring Group, primarily engaged in the research and development of pharmaceutical products, medical devices and solutions for the whole Ferring Group, for the benefit of patients worldwide. Through the Ferring Group, Ferring Pharmaceuticals A/S is actively seeking to enhance its sustainability (corporate social responsibility) and acts in accordance with our Group code of ethics, the Ferring Philosophy, which states that 'People come first at Ferring'.

Consequently, we also refer to the latest Ferring Group sustainability report, which can be found at

<https://d2gohj824v350l.cloudfront.net/wp-content/uploads/sites/17/2021/07/16094649/2020-Sustainability-Report-Interactive.pdf>

The Ferring Philosophy sets the direction for how we conduct our business. As the Ferring Philosophy tells us, we should always do what is right, proper and ethical and this means caring about how we run the business. It is important for us that not only the end-product but also the road to get to that end-product is ethical and sustainable.

In Ferring, we work with an integrated approach to sustainability, where our efforts are not only reserved to specific projects but are thought into our core operations. Our sustainability work is guided by three pillars: Purpose, People and Planet. Our sustainability pillars, objectives and activities are aligned to our Ferring Philosophy and our mission as a company.

In the following, Ferring Pharmaceuticals A/S will account for activities within the framework of this global approach to illustrate its alignment and compliance with section 99a of the Danish Financial Statement Act. The topics reported are selected because of their importance to our business.

Moving to a more sustainable future

As a world leader in reproductive medicine and maternal health, Ferring helps to build future generations. We therefore have a duty to protect the world in which these generations will grow up, and to operate our business in a sustainable way that will benefit society in decades to come. Our sustainability vision is guided by the Ferring Philosophy, which places people at the heart of our business in a culture based on respect, integrity and doing the right thing. In our mission to become the world-leading, most trusted healthcare company in reproductive medicine and maternal health, and a leader in specialty areas within gastroenterology and urology, we are committed to conducting a responsible business and achieving sustainable growth built on our core values and strong ethical heritage.

While this commitment has always been central to Ferring's purpose as a company, we recognise that sustainability is becoming an imperative throughout the wider business community. Investment decisions are increasingly based on environmental, social and governance (ESG) criteria, and regulators are imposing ever more stringent reporting and disclosure requirements on companies. In 2021, Ferring conducted a 'double materiality' assessment of our ESG performance, working with external experts to ensure impartiality. Double materiality means examining how sustainability issues affect a business financially, as well as the impact of the business on people and the environment. The assessment defined Ferring's ESG priorities and will help us to identify targets and metrics, develop a strategic ESG framework, and track and measure progress through rigorous reporting.

This approach is consistent with our membership of the UN Global Compact, and our commitment to set ambitious and measurable sustainability targets that are aligned to the UN's Sustainable Development Goals. Our strategy is focused on three pillars, namely Purpose, People and Planet:

Purpose

Ensuring responsible and ethical business governance to advance our mission of building families and helping people live better lives.

Ferring's core purpose is to advance treatment across our key therapeutic areas, with a special focus on delivering better outcomes at every stage of the reproductive journey from conception to birth. We believe everyone has the right to quality care to help them build families, wherever they live. This was demonstrated by

our development of Carbetocin Ferring, a heat-stable treatment for the prevention of postpartum haemorrhage (PPH) which does not require refrigeration and therefore has the potential to save thousands of lives in low- and lower-middle income countries without reliable cold-chain storage and distribution.

In another initiative that supports our purpose as a company, we deepened our relationship with GreenLamp, a non-profit organisation which improves maternal and child health outcomes in rural Ethiopia by educating midwives and providing essential equipment. Ferring is funding a community programme that will provide a qualified midwife to train local staff, five college scholarships for midwifery students, installation of a solar-powered system with vaccine fridges in up to five health centres, and supply of screening equipment and outreach services in tandem with local healthcare providers. We also support GreenLamp's programme to distribute Solar Suitcases, which use solar power to supply lighting and power for mobile communication and medical equipment to help with emergency obstetric care in rural delivery wards. GreenLamp has provided more than 220 Solar Suitcases, reaching more than one million women in Ethiopia and resulting in a 67% increase in safe deliveries, as well as greatly increased attendance for health advice and check-ups. Ferring has committed to support GreenLamp for five years, leading to sustainable healthcare improvements in a remote region of Africa with extreme unmet needs.

In 2021, we continued to collaborate with researchers in many external organisations to develop more effective clinical approaches to help people build families, and to provide new treatment options in specialist areas of gastroenterology and urology. For example, we maintained our collaboration with the Karolinska Institutet in Sweden to explore the potential of the human microbiome across a number of therapeutic areas. We also provided research grants to expand our understanding of the effects of COVID-19 on reproduction, pregnancy and neonatal health, and to reduce racial disparities in maternal mortality and improve outcomes for black and indigenous communities in the field of reproductive medicine and maternal health.

We seek to achieve our purpose and deliver value as a responsible and ethical business by acting with integrity and respecting the needs of patients, employees, regulators, customers and communities. We have a duty to raise awareness and empower colleagues to make the right decisions, guided by the Ferring Philosophy, our Leadership Principles, our commitment to the UN Global Compact, and our internal policies and practices. By the end of 2021, 90% of employees had been trained on Ferring's Code of Conduct, which requires compliance with the letter and spirit of local laws, regulations and industry codes. This training will be completed by all remaining employees in 2022. Our responsibilities extend to ensuring we make the right choices when selecting suppliers, and in 2021 we enhanced the sustainable procurement programme by integrating our Supplier Conduct Principles into core business processes. We continue to operate the Ferring AlertLine for employees to report any concerns with complete confidentiality.

People

Creating value for society by positively impacting the communities in which we operate, and protecting the health and wellbeing of our patients and employees.

We are proud that people have always come first at Ferring, and in 2021 we made further progress by demonstrating our commitment to employees and the communities in which we operate. Our diversity and inclusion (D&I) strategy seeks to integrate D&I into the fabric of the organisation, recognising our social and ethical responsibility to support D&I, and to eliminate discrimination and inequality in the workplace and in our local and patient communities. In 2021, we took a more structured approach to embedding D&I into our day-to-day operations by appointing Global and US Directors of Diversity and Inclusion to drive and implement our long-term strategy. In November 2021, Ferring held its first Diversity and Inclusion Month to raise awareness, educate employees through mandatory training, and share their experiences of inclusive practices and behaviours. We

strive to become an organisation with greater diversity of backgrounds, experiences and opinions, leading to more effective decision-making and a greater understanding of the needs of the patients we serve.

At Ferring, we believe everyone should have access to support in their family-building journey, and that no woman should die while giving life. We recognise that giving birth carries greater risks for a woman of colour than a white woman due to disparities in access, treatment and care. For example, women in sub-Saharan Africa and South Asia account for around 85% of global maternal deaths, while black women in the US are three times more likely to die in childbirth than white women. We are therefore committed to supporting black and indigenous communities on their family-building journey, and helping to reduce racial disparities in maternal mortality and access to IVF treatment. Addressing these disparities involves exposing structural inequalities across social institutions, education and healthcare provision. While these represent enormous challenges, we believe that change must start with every individual and every organisation.

At Ferring Pharmaceuticals A/S, we have extensive programs to support physical and mental well-being at work. Despite the disruption in working from the office caused by Covid-19 also in 2021, we have continued to focus on providing employees with opportunities to improve their health and to ensure physical well-being at work. The in-house clinic, which was established a few years ago has continued to be open in 2021, which enables Ferring employees to book appointments free of charge for physiotherapy, osteopathy and ergonomics. Stress management and awareness through training and support, such as material for managers and stress and crisis counselling is also available for all employees.

Planet

Protecting the environment by reducing our negative impacts to build a better future.

The COVID-19 pandemic has shown what the global community can achieve when we work together towards a common goal. We believe this example should inspire us to devote the same energy to addressing the climate crisis and other environmental challenges.

At Ferring, we are determined to play our part in this worldwide effort, and our materiality assessment helped to define the most pressing areas on which to focus our sustainability strategy. One of these is reducing greenhouse gas emissions in a number of key areas, such as the transportation of employees, products, and other goods and services. Back in 2019, we introduced a pilot green car policy at our headquarters in Switzerland, encouraging employees with a company car to use an electric or hybrid vehicle. Following evaluation, our aim is to make this policy permanent. We have also implemented green mobility programmes at other sites worldwide, such as Ferring Brazil where biofuel represents almost 90% of the fuel used in company cars. In the UK, 40% of all company cars are now electric or hybrid, while in the Czech Republic the target is to switch 50% of the car fleet to electric vehicles in the next two years, and ultimately 100%.

Inventories show that 8% of global carbon emissions are caused by trade-related freight transport, equivalent to 492 million passenger vehicles being driven in one year. At Ferring, a significant part of our carbon footprint comes from shipping our products around the world. When the pandemic imposed severe restrictions on aviation, we took the opportunity to explore alternative and more sustainable ways of transporting our products, such as by rail. At the end of 2020, Ferring took another step towards more sustainable transportation by working with one of our largest logistics providers to offset 100% of the CO₂ emitted while transporting our products during the year. This corresponds to 1,851 tonnes of CO₂, or 8% of the volumetric weight of finished products that we distribute through the global supply network. The projects supported by our carbon offsetting are based in Indonesia and Brazil, and are focused on forest protection and building health centres. In another initiative, we partnered with a freight company to switch from a diesel lorry to one powered by liquefied natural gas (LNG) for

the daily transport of goods from the manufacturing site in Switzerland to our hub in Germany. LNG is non-toxic, emits almost no sulphur or fine particles, and reduces CO₂ by up to 20%.

Business travel was significantly reduced as a result of COVID-19, but even as a global organisation with teams all over the world, we were able to continue normal business activities by means of virtual meetings and online collaboration tools. These will form an integral part of how we work together in the future, reducing business travel and our impact on the environment.

The new Soundport building in Copenhagen is built with solar panels and climate control systems to achieve the environmental building standard 'LEED Gold'. At this stage, it is expected that the target will be reached when the building is put into operation by early 2022.

In Ferring Pharmaceuticals A/S' current building, we continuously strive to change electrical appliances, such as computers and lamps, to more energy efficient solutions. Through these efforts, during the past years, we have thus experienced a steady decrease in our electricity consumption, visible in the table below. However, please note that the periods working from home in 2020 and 2021 are reflected in the significant decrease of our consumption these years.

Year	Total electricity consumption
2016	3.280.436 kW
2017	3.168.708 kW
2018	3.153.653 kW
2019	3.137.651 kW
2020	2.930.921 kW
2021	2.956.109 kW

Statutory report on the underrepresented gender

Please find below the report according to section 99b of the Danish Financial Statement Act.

Diversity

Ferring Pharmaceuticals A/S has a diverse workforce with 39 different nationalities. In 2021, the total number of full-time employees was 521. The total number of student workers in 2021 was 50, of which 15 were men and 35 were women.

As for the gender composition of employees (including students), in 2021, there were 185 men and 386 women employed. On managerial levels, the gender balance is 39 men and 42 women. The Managing Director is a woman.

In accordance with section 139a subsection 1 of the Danish Companies Act, the Company is obliged to set targets for the share of the underrepresented gender in the Board of Directors. The target is to have at least one third (1/3) of the underrepresented gender on the Board of Directors. As of 2022, the Board of Directors comprises two male members and one female. Thus, based on the current composition, Ferring Pharmaceuticals A/S fulfils the target of having at least 1/3 of the underrepresented gender on the board.

Statutory report on data ethics policy

Ferring's approach to Data Ethics

Currently, Ferring has among others, the following policies, procedures, and programs in place that touch upon and will inform the formation of the company's future data ethics principles:

- The Ferring Philosophy
- Ferring's Code of Conduct
- Global Privacy Policy
- Information Security Policy
- Diversity & Inclusion Program
- "Good x Practice" (i.e., Good Laboratory Practice, Good Distribution Practice, Good Manufacturing Practice, Good Clinical Practice, and Good Pharmacovigilance Practice) of the business

The Global Privacy Office will take the lead and form a project to develop Ferring's data ethics principles as well as the necessary guidance and governance around these.

Regarding clinical trials conducted on Ferring's behalf, the company ensures that the necessary approvals are obtained from ethics committees as required within the different jurisdictions around the world.

The Global Privacy Policy sets out the company's privacy principles with the aim to protect personal data processed on behalf of Ferring. Furthermore, references to the SOP and process with guidance about how data subjects can exercise their rights are included.

In order to live up to the standards set out in the policy with regards to awareness and training, Ferring has implemented a training program detailing the expectations of the company with respect to how personal data is to be handled by employees.

All employees are asked to sign off on the Ferring Code of Conduct which obligates employees to raise concerns about misconduct or unethical behavior through Ferring's whistleblower line.

The Information Security Policy sets out specific standards to achieve the objectives confidentiality, integrity and availability which includes requirements for access control, data classification and information security awareness training.

Events after the balance sheet date

No material events have occurred after the balance sheet date, which would influence the annual report.

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue	1	1,005,468	1,051,468
Gross profit/loss		1,005,468	1,051,468
Research and development costs		(805,609)	(886,687)
Administrative expenses	2	(145,824)	(108,234)
Operating profit/loss		54,035	56,547
Other financial income		0	2
Other financial expenses	4	(1,976)	(3,798)
Profit/loss before tax		52,059	52,751
Tax on profit/loss for the year	5	(11,885)	(11,823)
Profit/loss for the year	6	40,174	40,928

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired licences		35,838	15,530
Intangible assets	7	35,838	15,530
Other fixtures and fittings, tools and equipment		53,002	52,203
Leasehold improvements		1,282	1,639
Property, plant and equipment in progress		94,953	39,526
Property, plant and equipment	8	149,237	93,368
Deposits		61,103	61,714
Financial assets	9	61,103	61,714
Fixed assets		246,178	170,612
Receivables from group enterprises		175,195	156,715
Other receivables		20,330	13,126
Tax receivable		1,995	1,042
Prepayments	10	29,151	40,047
Receivables		226,671	210,930
Cash		31	297
Current assets		226,702	211,227
Assets		472,880	381,839

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		500	500
Retained earnings		69,118	28,944
Proposed dividend		0	50,000
Equity		69,618	79,444
Deferred tax	11	9,178	7,985
Provisions		9,178	7,985
Payables to group enterprises		125,000	0
Non-current liabilities other than provisions	12	125,000	0
Trade payables		128,083	148,809
Payables to group enterprises		39,745	3,989
Other payables		101,256	141,612
Current liabilities other than provisions		269,084	294,410
Liabilities other than provisions		394,084	294,410
Equity and liabilities		472,880	381,839
Staff costs	3		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2021

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	500	28,944	50,000	79,444
Ordinary dividend paid	0	0	(50,000)	(50,000)
Profit/loss for the year	0	40,174	0	40,174
Equity end of year	500	69,118	0	69,618

Cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		54,035	56,547
Amortisation, depreciation and impairment losses		16,524	18,679
Working capital changes	13	(40,113)	44,008
Cash flow from ordinary operating activities		30,446	119,234
Financial income received		0	2
Financial expenses paid		(1,976)	(3,798)
Taxes refunded/(paid)		(11,646)	(11,578)
Cash flows from operating activities		16,824	103,860
Acquisition etc of intangible assets		(23,132)	(1,807)
Acquisition etc of property, plant and equipment		(77,161)	(33,734)
Acquisition of fixed asset investments		611	0
Sale of fixed asset investments		7,591	(7)
Cash flows from investing activities		(92,091)	(35,548)
Free cash flows generated from operations and investments before financing		(75,267)	68,312
Loans raised		125,000	0
Dividend paid		(50,000)	(68,000)
Cash flows from financing activities		75,000	(68,000)
Increase/decrease in cash and cash equivalents		(267)	312
Cash and cash equivalents beginning of year		297	(15)
Cash and cash equivalents end of year		30	297
Cash and cash equivalents at year-end are composed of:			
Cash		31	297
Cash and cash equivalents end of year		31	297

Notes

1 Revenue

	2021 DKK'000	2020 DKK'000
Switzerland	1,005,072	1,051,468
Other countries	396	0
Total revenue by geographical market	1,005,468	1,051,468
R&D services	887,593	965,920
Other services	117,875	85,548
Total revenue by activity	1,005,468	1,051,468

2 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	580	436
Tax services	1,078	695
Other services	58	25
	1,716	1,156

3 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	436,471	397,722
Pension costs	42,004	40,814
Other social security costs	2,641	4,748
	481,116	443,284

Average number of full-time employees	487	497
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	Remuneration of Management 2021 DKK'000
Total amount for management categories	10,327
	10,327

Special incentive programmes

Certain members of the management is included in special incentive programs in other group companies, for work performed for the group.

4 Other financial expenses

	2021	2020
	DKK'000	DKK'000
Financial expenses from group enterprises	512	303
Exchange rate adjustments	1,211	2,840
Other financial expenses	253	655
	1,976	3,798

5 Tax on profit/loss for the year

	2021	2020
	DKK'000	DKK'000
Current tax	10,050	11,500
Change in deferred tax	1,193	323
Adjustment concerning previous years	642	0
	11,885	11,823

6 Proposed distribution of profit and loss

	2021	2020
	DKK'000	DKK'000
Ordinary dividend for the financial year	0	50,000
Retained earnings	40,174	(9,072)
	40,174	40,928

7 Intangible assets

	Acquired licences DKK'000
Cost beginning of year	65,836
Transfers	6,894
Additions	16,238
Disposals	(6,498)
Cost end of year	82,470
Amortisation and impairment losses beginning of year	(50,306)
Amortisation for the year	(2,824)
Reversal regarding disposals	6,498
Amortisation and impairment losses end of year	(46,632)
Carrying amount end of year	35,838

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	135,221	12,239	39,526
Transfers	10,662	7,171	(24,728)
Additions	3,151	750	80,155
Disposals	(17,720)	(7,353)	0
Cost end of year	131,314	12,807	94,953
Depreciation and impairment losses beginning of year	(82,428)	(11,190)	0
Depreciation for the year	(11,562)	(516)	0
Reversal regarding disposals	15,678	181	0
Depreciation and impairment losses end of year	(78,312)	(11,525)	0
Carrying amount end of year	53,002	1,282	94,953

9 Financial assets

	Deposits DKK'000
Cost beginning of year	61,714
Additions	35
Disposals	(646)
Cost end of year	61,103
Carrying amount end of year	61,103

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).

11 Deferred tax

	2021	2020
	DKK'000	DKK'000
Intangible assets	1,294	3,416
Property, plant and equipment	7,884	4,569
Deferred tax	9,178	7,985

	2021	2020
	DKK'000	DKK'000
Changes during the year		
Beginning of year	7,985	7,662
Recognised in the income statement	1,193	323
End of year	9,178	7,985

12 Non-current liabilities other than provisions

	Due after more than 12 months	Outstanding after 5 years
	2021	2021
	DKK'000	DKK'000
Payables to group enterprises	125,000	25,000
	125,000	25,000

13 Changes in working capital

	2021	2020
	DKK'000	DKK'000
Increase/decrease in receivables	(14,787)	13,577
Increase/decrease in trade payables etc	(25,326)	30,431
	(40,113)	44,008

14 Unrecognised rental and lease commitments

	2021	2020
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	1,613,478	1,635,552

Unrecognised rental and lease commitments consists almost exclusively of the lease of premises for the R&D organisation in Copenhagen. The original business lease agreement of The Company's new premises was entered on 23 January 2015 and signed by the Group. Since then a number of addendums to the original leasing contract has been entered by The Company. Thus the disclosed amount represents the contractual commitment equal to the latest signed addendum. The Company has committed to a 15 year lease term at an annual rent as a percentage of the construction costs. According to the Agreement the Company have paid a fixed deposit, equal to 6 months rent, which will stay until the termination of the lease agreement. The lease of the current premises terminates in early 2022 and The Company is expected to move into the new premises during the first half of 2022.

15 Contingent liabilities

Contractual obligations 31.12.2021 related to research and development activities amount to DKK 360,583 thousand. In connection with the lease of new business premises The Company also has contractual obligations as of 31.12.2021 for capital investments amounting to DKK 55,128 thousand.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

16 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 277a / 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

17 Transactions with related parties

	2021	2020
	DK'000	DK'000
Income from related parties	1,024,939	1,051,468
Purchase of goods from related parties	11,072	6,748
Purchase of services from related parties	12,010	22,308
	1,048,021	1,080,524

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

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 to 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. The consolidated financial statements are available on Ferring.com.

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 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.

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.

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 comprise research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and 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 group enterprises. 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).

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. Licenses 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 values are reassessed annually.

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 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.

Cash

Cash comprises cash in hand and bank deposits.

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.

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.