



## Ferring Pharmaceuticals A/S

Kay Fiskers Plads 11  
2300 København S  
CVR No. 16313440

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 29.06.2020

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**Ole Kjerulf-Jensen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019	15
Balance sheet at 31.12.2019	16
Statement of changes in equity for 2019	18
Cash flow statement for 2019	19
Notes	20
Accounting policies	26

# Entity details

## Entity

Ferring Pharmaceuticals A/S

Kay Fiskers Plads 11

2300 København S

CVR No.: 16313440

Date of foundation: 01.08.1992

Registered office: København

Financial year: 01.01.2019 - 31.12.2019

Phone number: +4588338834

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

## Board of Directors

Ole Kjerulf-Jensen, Chairman of the board

Frederik Dag Arfst Paulsen

Per Gunnar Falk

## Executive Board

Marianne Kock, CEO

## Bank

Danske Bank

Holmens Kanal 2

DK-1090 Copenhagen

## Attorney

Bolette Wildt

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

# 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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 29.06.2020

## Executive Board

**Marianne Kock**  
CEO

## Board of Directors

**Ole Kjerulf-Jensen**  
Chairman of the board

**Frederik Dag Arfst Paulsen**

**Per Gunnar Falk**

# 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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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:

- 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, 29.06.2020

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Flemming Larsen**

State Authorised Public Accountant  
Identification No (MNE) mne27790

# Management commentary

## Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
<b>Key figures</b>					
Revenue	1,380,192	1,401,012	1,332,355	1,225,925	1,269,951
Gross profit/loss	1,380,192	1,401,012	1,332,355	1,225,925	1,269,951
Operating profit/loss	58,373	74,420	69,499	65,333	68,732
Net financials	(9,309)	(2,850)	637	(504)	(1,719)
Profit/loss for the year	38,281	56,130	54,688	50,322	51,624
Total assets	378,172	397,931	376,928	353,040	285,671
Investments in property, plant and equipment	16,751	37,269	16,486	11,982	21,348
Equity	106,516	118,235	112,105	97,417	86,092
<b>Ratios</b>					
Gross margin (%)	100.00	100.00	100.00	100.00	100.00
Net margin (%)	2.77	4.01	4.10	4.10	4.07
Return on equity (%)	34.07	48.74	52.20	54.84	52
Solvency ratio (%)	99,99	29,7	29,7	27,6	30,1

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 1,401 million in 2018 to DKK 1,380 million in 2019.

The research and product development activities decreased slightly in 2019 with ongoing development and trial activity related to top priority projects within core competencies of Ferring

The administrative costs increased against last year.

The profit before tax decreased from DKK 71.6 million in 2018 to DKK 49.1 million in 2019 due to a decrease in underlying activities.

#### Investments

Investments amounted to DKK 20.6 million in 2019 against DKK 42.8 million in 2018. Investments were primarily made in equipment used in the development process and software systems.

#### Capital resources

Ferring Pharmaceuticals A/S has equity of DKK 106.5 million (2018: DKK 118.2 million). The decrease is explained by the dividend paid out being higher than results for the year.

#### Research and development expenses

The total research and development costs incurred amounted to DKK 1,193 million (2018: DKK 1,233 million). The Development of new products is carried out on behalf of other group companies and costs are recognized in the income statement.

### Outlook

Management expects a decline in activities in 2020. This implies an expectation of revenue and profit before tax for 2020, below 2019.

### Statutory report on 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, for 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 (CSR) policies and guidelines, which can be found at

<https://www.ferring.com/en/about-fering/responsibility/>

The Ferring Group has developed a CSR framework and approach under the statement: "Making a difference to people's health and quality of life today and tomorrow".

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 approach of the Ferring Group consists of four areas:

People: Support, develop and meet people's needs and rights

Business ethics: Conduct ourselves ethically in the market place

Environment: Minimize our environmental footprint

Community: Engage with and support the communities around us

## People

- People Ethics and Leadership
- Occupational Health
- Sustainable Pension Investments

## Business Ethics

- Ethical behavior
- Ethical Testing
- Transparency and anti-corruption
- Privacy, Data Protection and human rights
- Ethical supply chain

## Environment

- Sustainable Buildings
- Sustainability in our canteen
- Green mobility

## Community

- Collaboration with ReproUnion
- Partnerships with healthcare institutions and universities
- Collaboration around bladder cancer
- Collaboration with Merck for Mothers and WHO

In the following, the topics reported under each area are selected because of their importance to our business.

## 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 ensuring that our managers create a healthy work environment in which the appropriate high ethical and human rights standards are maintained.

### People Ethics and Leadership

People Ethics is highly integrated in our way of working and an essential part of our approach to leadership.

We have three primary areas through which we ensure this commitment:

1. Ethics training is mandatory for all employees.
2. We have developed and implemented a set of leadership principles at Group level, addressing the leadership that each employee must exercise in relation to themselves and their own tasks as well as the leadership responsibilities required by managers with personnel responsibilities.  
All new staff and managers have been trained in Ferring's leadership principles in 2019.
3. We execute two main surveys among our staff to monitor and implement improvements in this area:
  - a. A Global Engagement Survey
  - b. Work Place Assessments

In 2018, we conducted the biannual Global Engagement Survey, and in 2019, we have focused on analyzing the

results as well as on creating and implementing action plans.

Every three years, we execute a new Work Place Assessment and do continued follow up and screening in the HSE board. The next work place assessment will take place after the move to the new building in 2021.

### Occupational Health

Occupational Health means 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.

During 2019, Ferring Pharmaceuticals A/S has continued to focus on providing employees with opportunities to improve their health and to ensure physical well-being at work. Actions taken in 2019 in this area are:

1. An inhouse clinic has been established where Ferring employees can book appointments free of charge for physio therapy, osteopathy and ergonomics. The purpose is to prevent work-related injuries and discomfort as well as to provide fast access to treatment for employees who are on their way to developing injuries.
2. Stress management and awareness through training and support, such as material for managers and stress and crisis counseling is available for all employees.
3. Follow up on Employee Engagement Survey. Our last Employee Engagement Survey took place at the end of 2018, and throughout 2019, we have worked with the results. Towards the end of 2019, we conducted a smaller follow up survey for a mid-way evaluation of the progress on selected parameters in part of the organization. This follow up survey will be conducted in remaining departments in early 2020
4. In 2019 we have continued our efforts in the building working groups who have provided proposals for the working environment in the new Soundport building. A hearing process has been conducted and all departments have been able to wish for the placement and layout of their new office space, and a plan has been made to accommodate these requests for optimal working environments.

### Sustainable employee pension investments

Towards the end of 2019, Ferring Pharmaceuticals A/S changed the provider of our employee pension scheme. We changed to AP Pension, which is a pension fund where employees have the opportunity to invest their pension contributions in sustainable companies and activities. One of AP Pension's products is called 'AP Sustainable', where all investments are in line with the United Nations Sustainable Development Goals. The second sustainability product is an index fund with investments exclusively in sustainable companies. All employees have been offered a meeting with the new pension provider and have been presented with this sustainable investment opportunity.

### 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 for 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 underpin this part of our CSR activities with our Business Ethics and Compliance policies.

We have the following approaches to maintain our ethical standards:

### Ethical Behavior

Ethical behavior 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 that provides mandatory training to Ferring employees on ethical behavior and which runs an alert line where staff and managers can report any observed or suspected violations to the Ferring Philosophy. The Ferring Philosophy has also been the

starting point for the development of the Leadership Principles.

### Ethical Testing.

Clinical and non-clinical activities and production of clinical materials are highly regulated. The regulations are set out in the guidelines for good practice such as Good Clinical Practice (GCP), Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP) etc. GCP guidelines include protection of human rights for the subjects and volunteers in a clinical trial. The GxP guidelines are implemented strictly and we are regularly audited against these guidelines by internal auditing functions as well as by external regulatory bodies.

### Transparency and anti-corruption

- Development of pharmaceutical products is highly regulated. This counts also for clinical trial execution and for our relations and behavior with health care professionals and organizations (HCP/O). In 2018, Ferring launched a code of conduct in 15 languages worldwide. The Code of Conduct has a strong focus on anti-corruption and sets out the overarching policies that Ferring requires its employees to comply with. Training on the Code of Conduct is mandatory for all employees, and in 2019, we reached our goal of having 95 % of all staff members in Ferring trained on the Code of Conduct.
- Further, in 2019, we developed and launched an additional interactive e-learning on the Code of Conduct. After launch of the e-learning in Q4 of 2019, we reached 75 % completion rate worldwide.
- Ferring takes its responsibility to behave ethically very seriously. Since 2007, we have had the Ferring Alert Line, which is our internal whistleblowing tool where employees can report any observed or suspected misconduct. We have always taken the investigation of reports very seriously, and with the growth of Ferring, in 2019, we took another step to ensure consistency in how reports are handled by launching an internal Investigations Policy.

### Privacy, data protection and human rights

Product development requires the collection and storage of large amounts of data regarding all angles of a drug; including data from subjects and volunteers in the clinical trials. The protection of subjects' and volunteers' human rights is part of the GCP guidelines that we are committed to following. Moreover, the United Nations Declaration of Human Rights states that privacy is a human right. In Ferring, we are committed to protecting the human right to privacy as well as to complying with the regulation formalized in the General Data Protection Regulation (GDPR). This legislation also applies to the data we maintain on our employees and other stakeholders. We recognize our duty to protect the personal data of our trial participants, external stakeholders and employees. In order to live up to this responsibility and to be compliant with GDPR, we have taken a number of steps. In 2019, we have:

- Expanded the audience for our first GDPR training module by launching it to Asia Pacific and Latin America and started introducing a second module.
- Rolled out a new platform for reporting data incidents or suspected personal data breaches and to submit requests to exercise data subject access rights or contact the global Data Protection Officer. The platform is available in 11 languages.
- Introduced an intercompany Data Transfer Agreement, which showcases Ferring's commitment to comply with the privacy requirements as a Group of affiliates, in addition to each affiliate's responsibility in demonstrating their local efforts in privacy compliance.
- Registered the Global Data Protection Officer with the Danish lead supervisory authority (Datatilsynet).
- Put the internal process for conducting a Data Protection Impact Assessment mirroring the 'privacy by design' principles into practice for all current and future technology, systems and business processes.

In 2020, we will continue and expand these efforts.

Ethical supply chain

In 2019, the Global Procurement Function in Ferring has established a new supplier selection matrix where contractors' activities in the realm of CSR, such as their efforts to ensure their own supply chains, any past corruption cases, their carbon emissions etc. are considered as part of the selection process. The new supplier selection matrix was implemented in a few markets in 2019 and will be rolled out worldwide in 2020.

**Environment**Sustainable buildings

We have committed ourselves to implementing 'Leadership in Energy and Environmental Design' Gold standard (in short LEED Gold) 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 by 2021.

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:

<b>Year</b>	<b>Total electricity consumption</b>
2016	3.280.436 kW
2017	3.168.708 kW
2018	3.153.653 kW
2019	3.137.651 kW

Sustainability in our canteen

According to the UN Food and Agriculture Organization, meat production is among the top sources of world pollution. In order to reduce our carbon footprint, we have made our weekly vegetarian day in the canteen of Ferring Pharmaceuticals A/S permanent. We also strive to reduce food waste by giving employees the opportunity to take home the left overs from the buffet, as well as we have a weekly food waste day every Friday, where the leftovers from the week are served. In addition, we focus on sourcing ecological and locally grown products.

Green mobility

At our corporate headquarters, since July 2019, we have piloted a policy for incentivizing employees entitled to a company car to choose an electrical or hybrid vehicle. The pilot will be evaluated after 18-24 months and learnings from the pilot may be integrated into Ferring Denmark's road ahead on green mobility.

**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. A few examples of our partnerships and contributions are:

Collaboration with ReproUnion

Since 2016, Ferring has collaborated with ReproUnion, which is a multidisciplinary initiative that is focused on delivering solutions for current and future infertility problems. ReproUnion is a large collaborative consortium of thirteen clinical and research units within the Capital Region of Denmark, Region Zealand of Denmark and Region Skåne in Southern Sweden.

As a virtual institute ReproUnion hosts a significant critical mass in terms of research, education and clinical management of both male and female fertility questions through approximately 30 senior researchers and more than 50 PhD students. Ferring is part of ReproUnion as the sole industry partner and sponsor for 2019-2021. This has created the opportunity for Ferring R&D to discuss and review multiple on-going ReproUnion research projects. Ferring's commitment to ReproUnion for this period amounts to EUR 1.5 million.

#### Partnerships with healthcare institutions and universities

In Ferring, we actively work with universities to enable them to execute fundamental research in areas that are close to the therapeutic areas in which Ferring is currently involved. This sponsoring is typically for the benefit of science in general and patients in particular, and we seek to collaborate with universities around supervision of young scientists.

For example, during 2019, our employees within Pharmaceutical Development and Drug Delivery have supervised or been involved in:

- 4 MSc thesis projects
- 3 PhD projects
- 1 post doc
- 1 internship.

We are also contributing with:

- In-kind (e.g. providing Ferring peptides and proteins) to MSc students at the university.
- Lectures at the university (for MSc and/or PhD students) at Universities in Copenhagen and Lund.
- Mentors for a mentor program (MentLife) for PhD students within life science. In 2019, we had 3 mentors and one person on the board of MentLife.

We also participate in two research consortia, both linked to Swedish universities and research institutes; SDDF (The Swedish Drug Delivery Forum), and NextBioForm (Next generation of Biological Formulations). In these collaborations we contribute with both cash and in-kind.

#### Collaboration with Karolinska Institutet around next generation microbiome treatments

In 2019, we announced a five-year extension of our collaboration with Karolinska Institutet to explore the potential of the human microbiome in reproductive medicine and women's health and gastroenterology. The extension includes six reproductive health clinical studies of approximately 6,000 women and babies and four gastroenterology studies of approximately 3,000 adults and children, to further investigate the role of the microbiome in areas of high unmet need including recurrent pregnancy loss, preterm birth and inflammatory bowel disease.

#### Collaboration with the Chinese Academy of Sciences to advance research in reproductive medicine

In Ferring, we have a long-term collaboration with the Chinese Academy of Sciences (CAS). The purpose of the collaboration is to advance basic and translational research in reproductive medicine through the development of novel product candidates and therapeutic strategies. As part of the agreement, a new jointly funded laboratory has been created within the CAS research facility in Beijing, China. Known as the 'Ferring Institute of Reproductive Medicine', the facility will bring together researchers from both Ferring and CAS to find solutions to address global challenges in fertility and high rates of obstetric complications.

### Collaboration around bladder cancer

Ferring is supporting the establishment of a cross-Nordic database for bladder cancer with 200.000 EUR annually for a period of five years, starting in 2019.

We collaborate with the urological department at Skejby University Hospital and the Department of Molecular Medicine at Aarhus University Hospital, where we support scientific projects focused on the reasons for developing resistance to the treatment of non-muscle invasive bladder cancer (NMIBC).

Together, Aarhus University Hospital and Skejby University Hospital have one of the world's largest bladder cancer biobanks, and we collaborate to identify patients that do not respond to the standard treatment and to be able to offer these patients an alternative treatment at an earlier stage. Until now, Ferring has donated 138.000 EUR and will donate around 290.000 EUR annually in 2020 and 2021.

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

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

The leading cause of maternal mortality is a condition called post-partum hemorrhage (PPH), which is excessive bleeding after childbirth. Ferring's carbetocin (PABAL) is an effective and well-researched treatment for the prevention of PPH, currently approved for use after Caesarean section.

Ferring, Merck for Mothers, and WHO conducted the biggest clinical trial ever undertaken within PPH, with the aim of investigating carbetocin for prevention of PPH after vaginal delivery.

The results from the trial showed favourable, and heat-stable carbetocin for use after vaginal delivery will be registered and manufactured by Ferring worldwide and will be made available to the public sector of low- and lower middle- income countries at an affordable and sustainable price. A medicine, like heat-stable carbetocin, that can be stored at elevated temperatures has the potential to significantly improve management of bleeding following childbirth.

### **Statutory report on the underrepresented gender**

Reporting according to section 99b of the Danish Financial Statement Act.

#### Diversity

Ferring Pharmaceuticals A/S has a diverse workforce with 39 different nationalities. By end of 2019, the total number of employees was 608 persons. The gender composition of employees were 161 men and 368 women employed. On managerial levels, the gender balance is 39 men and 40 women.

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. Currently the Board of Directors comprises three male members. Thus, based on the current composition one of the board members must be a female. The Board of Directors has agreed to continue seeing how best to meet this target and it is the expectation that the target will be met before the end of 2022.

### **Events after the balance sheet date**

In early 2020, the outbreak of the Coronavirus disease (COVID-19) escalated, and on 11 March 2020, the WHO declared it a worldwide pandemic. The outbreak has led to several precautions that affect the planning and execution of day-to-day operations, and the Company's suppliers and business partners may be affected as well. Their financial impact cannot be determined as this stage.

Other than that, no material events have occurred after the balance sheet date to the date, which would influence the annual report.

# Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	1	1,380,192	1,401,012
<b>Gross profit/loss</b>		<b>1,380,192</b>	<b>1,401,012</b>
Research and development costs		(1,193,140)	(1,233,372)
Administrative expenses	2	(128,679)	(93,220)
<b>Operating profit/loss</b>		<b>58,373</b>	<b>74,420</b>
Other financial income		86	2,631
Other financial expenses	4	(9,395)	(5,481)
<b>Profit/loss before tax</b>		<b>49,064</b>	<b>71,570</b>
Tax on profit/loss for the year	5	(10,783)	(15,440)
<b>Profit/loss for the year</b>	6	<b>38,281</b>	<b>56,130</b>



# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK'000	2018 DKK'000
Acquired licences		20,947	30,187
<b>Intangible assets</b>	7	<b>20,947</b>	<b>30,187</b>
Other fixtures and fittings, tools and equipment		54,969	40,348
Leasehold improvements		1,639	2,283
Property, plant and equipment in progress		14,491	22,290
<b>Property, plant and equipment</b>	8	<b>71,099</b>	<b>64,921</b>
Deposits		61,707	54,442
<b>Other financial assets</b>	9	<b>61,707</b>	<b>54,442</b>
<b>Fixed assets</b>		<b>153,753</b>	<b>149,550</b>
Receivables from group enterprises		193,021	198,619
Other receivables		11,081	7,932
Income tax receivable		953	0
Prepayments	10	19,364	32,962
<b>Receivables</b>		<b>224,419</b>	<b>239,513</b>
<b>Cash</b>		<b>0</b>	<b>8,868</b>
<b>Current assets</b>		<b>224,419</b>	<b>248,381</b>
<b>Assets</b>		<b>378,172</b>	<b>397,931</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Contributed capital		500	500
Retained earnings		38,016	67,735
Proposed dividend		68,000	50,000
<b>Equity</b>		<b>106,516</b>	<b>118,235</b>
Deferred tax	11	7,662	8,756
<b>Provisions</b>		<b>7,662</b>	<b>8,756</b>
Bank loans		15	0
Trade payables		159,254	166,898
Payables to group enterprises		3,199	12,946
Income tax payable		0	2,953
Other payables		101,526	88,143
<b>Current liabilities other than provisions</b>		<b>263,994</b>	<b>270,940</b>
<b>Liabilities other than provisions</b>		<b>263,994</b>	<b>270,940</b>
<b>Equity and liabilities</b>		<b>378,172</b>	<b>397,931</b>
Staff costs	3		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Related parties with controlling interest	15		
Transactions with related parties	16		
Group relations	17		

# Statement of changes in equity for 2019

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	500	67,735	50,000	118,235
Ordinary dividend paid	0	0	(50,000)	(50,000)
Profit/loss for the year	0	(29,719)	68,000	38,281
<b>Equity end of year</b>	<b>500</b>	<b>38,016</b>	<b>68,000</b>	<b>106,516</b>

# Cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		58,373	74,420
Amortisation, depreciation and impairment losses		23,653	19,448
Working capital changes	12	12,039	3,128
<b>Cash flow from ordinary operating activities</b>		<b>94,065</b>	<b>96,996</b>
Financial income received		86	21
Financial expenses paid		(9,395)	(1,646)
Income taxes refunded/(paid)		(15,783)	(18,675)
<b>Cash flows from operating activities</b>		<b>68,973</b>	<b>76,696</b>
Acquisition etc of intangible assets		(3,840)	(5,484)
Acquisition etc of property, plant and equipment		(16,751)	(37,269)
Sale of fixed asset investments		(7,265)	1,314
<b>Cash flows from investing activities</b>		<b>(27,856)</b>	<b>(41,439)</b>
Dividend paid		(50,000)	(50,000)
<b>Cash flows from financing activities</b>		<b>(50,000)</b>	<b>(50,000)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(8,883)</b>	<b>(14,743)</b>
Cash and cash equivalents beginning of year		8,868	23,611
<b>Cash and cash equivalents end of year</b>		<b>(15)</b>	<b>8,868</b>
Cash and cash equivalents at year-end are composed of:			
Cash		0	8,868
<b>Cash and cash equivalents end of year</b>		<b>0</b>	<b>8,868</b>

# Notes

## 1 Revenue

	2019 DKK'000	2018 DKK'000
Switzerland	1,380,184	1,400,856
Other countries	8	156
<b>Total revenue by geographical market</b>	<b>1,380,192</b>	<b>1,401,012</b>
R&D services	1,275,614	1,307,433
Other services	104,578	93,579
<b>Total revenue by activity</b>	<b>1,380,192</b>	<b>1,401,012</b>

## 2 Fees to the auditor appointed by the Annual General Meeting

	2019 DKK'000	2018 DKK'000
Statutory audit services	300	297
Tax services	336	492
Other services	31	31
	<b>667</b>	<b>820</b>

## 3 Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	417,963	394,634
Pension costs	41,298	39,542
Other social security costs	2,875	4,731
	<b>462,136</b>	<b>438,907</b>

Average number of full-time employees	<b>533</b>	<b>525</b>
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	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Total amount for management categories	4,903	4,911
	<b>4,903</b>	<b>4,911</b>

## 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**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	5,586	1,254
Exchange rate adjustments	3,039	3,835
Other financial expenses	770	392
	<b>9,395</b>	<b>5,481</b>

**5 Tax on profit/loss for the year**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	11,660	16,136
Change in deferred tax	(1,096)	(423)
Adjustment concerning previous years	219	(273)
	<b>10,783</b>	<b>15,440</b>

**6 Proposed distribution of profit and loss**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Ordinary dividend for the financial year	68,000	50,000
Retained earnings	(29,719)	6,130
	<b>38,281</b>	<b>56,130</b>

**7 Intangible assets**

	<b>Acquired licences DKK'000</b>
Cost beginning of year	93,812
Additions	3,840
Disposals	(3,096)
<b>Cost end of year</b>	<b>94,556</b>
Amortisation and impairment losses beginning of year	(63,625)
Amortisation for the year	(13,080)
Reversal regarding disposals	3,096
<b>Amortisation and impairment losses end of year</b>	<b>(73,609)</b>
<b>Carrying amount end of year</b>	<b>20,947</b>

## 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	121,625	37,775	22,290
Transfers	16,638	0	(16,638)
Additions	7,889	23	8,839
Disposals	(8,503)	0	0
<b>Cost end of year</b>	<b>137,649</b>	<b>37,798</b>	<b>14,491</b>
Depreciation and impairment losses beginning of year	(81,277)	(35,492)	0
Depreciation for the year	(9,906)	(667)	0
Reversal regarding disposals	8,503	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(82,680)</b>	<b>(36,159)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>54,969</b>	<b>1,639</b>	<b>14,491</b>

## 9 Financial assets

	Deposits DKK'000
Cost beginning of year	54,442
Additions	8,326
Disposals	(1,061)
<b>Cost end of year</b>	<b>61,707</b>
<b>Carrying amount end of year</b>	<b>61,707</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).

**11 Deferred tax**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Intangible assets	7,106	8,079
Property, plant and equipment	556	677
<b>Deferred tax</b>	<b>7,662</b>	<b>8,756</b>

<b>Changes during the year</b>	<b>2019</b>
	<b>DKK'000</b>
Beginning of year	8,756
Recognised in the income statement	(1,094)
<b>End of year</b>	<b>7,662</b>

**12 Changes in working capital**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Increase/decrease in receivables	16,047	64,173
Increase/decrease in trade payables etc	(4,008)	(61,045)
	<b>12,039</b>	<b>3,128</b>

**13 Unrecognised rental and lease commitments**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Liabilities under rental or lease agreements until maturity in total	<b>110,384</b>	<b>73,220</b>

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 April 2021. 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 during 2021.

**14 Contingent liabilities**

Contractual obligations 31.12.2019 related to research and development activities amount to DKK 805,091 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.



**15 Related parties with controlling interest**

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

**Parent Foundation:**

Dr. Frederik Paulsen Foundation  
Thistle House, 4 Burnaby Street  
Hamilton HM11  
Bermuda

**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

Isles (Holding) B.V.  
Siriusdreef 41  
2132 WT Hoofddorp  
The Netherlands

Isles B.V.  
Siriusdreef 41  
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

**16 Transactions with related parties**

	<b>2019</b>	<b>2018</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Income from related parties	1.380.192	1.401.012
Purchase of goods from related parties	23.826	28.464
Purchase of services from related parties	7.009	7.827
	<b>1.411.027</b>	<b>1.437.303</b>

**17 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 according to Swiss legislation not published.

# 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. 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 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.

### Income 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.