

Ferring Pharmaceuticals A/S

Kay Fiskers Plads 11
2300 København S
CVR No. 16313440

Annual report 2020

The Annual General Meeting adopted the
annual report on 16.03.2021


Ole Kjerulf-Jensen
Chairman of the General Meeting

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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: 01.01.2020 - 31.12.2020

Phone number: +4588338834

URL: www.ferring.com

Board of Directors

Ole Kjerulf-Jensen, Chairman of the board
Frederik Dag Arfst Paulsen
Per Gunnar Falk

Executive Board

Marianne Kock, Managing Director

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 16.03.2021

Executive Board



Marianne Kock
Managing Director

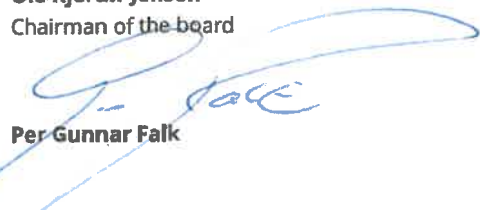
Board of Directors



Ole Kjerulf-Jensen
Chairman of the board



Frederik Dag Arfst Paulsen



Per Gunnar Falk

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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, 16.03.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Flemming Larsen
State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,051,468	1,380,192	1,401,012	1,332,355	1,225,925
Gross profit/loss	1,051,468	1,380,192	1,401,012	1,332,355	1,225,925
Operating profit/loss	56,547	58,373	74,421	69,500	65,333
Net financials	(3,796)	(9,309)	(2,850)	636	(501)
Profit/loss for the year	40,928	38,281	56,131	54,688	50,325
Total assets	381,839	378,172	397,931	376,927	353,041
Investments in property, plant and equipment	33,734	16,751	37,269	16,486	11,982
Equity	79,444	106,516	118,235	112,105	97,417
Ratios					
Gross margin (%)	100.00	100.00	100.00	100.00	100.00
Net margin (%)	3.89	2.77	4.01	4.10	4.11
Return on equity (%)	44.02	34.07	48.74	52.20	54.84
Solvency ratio (%)	20.8	28.2	29.7	29.7	27.6

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

Gross margin (%):

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

Net margin (%):

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

Return on equity (%):

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

Solvency ratio (%):

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

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 1.380 million in 2019 to DKK 1.051 million in 2020.

The Global COVID-19 pandemic had a major 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 increased from DKK 49.1 million in 2019 to DKK 52.7 million in 2020, driven by cost control mitigation programs.

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 35.5 million in 2020 against DKK 20.6 million in 2019. The increase was mainly driven by investments in laboratory capacity in our new domicile, Soundport, which we will move to in 2021.

Capital resources

Ferring Pharmaceuticals A/S has equity of DKK 79.4 million (2019: DKK 106.5 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 887 million (2019: DKK 1,193 million). The Development of new products is carried out on behalf of other group companies and costs are recognized in the income statement.

Outlook

Around December 2020 a new wave of the COVID-19 pandemic arised with various mutations. As a consequence many countries have enforced another lock-down, and the public health care sector are on an ongoing pressure.

Vaccines have been approved by health care authorities and are being rolled-out. The impact on our ongoing development and trial activities cannot be determined at this stage.

Due to these uncertainties on our activities caused by the COVID-19 pandemic, we have suspended our guidance on next year financial performance.

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 (please refer to <https://www.ferring.com/about-fering/approach/fering-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 www.ferringsustainability.com.

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.

Purpose

Our purpose is to help people build families and live better lives and we want to create this value for our patients in a responsible and ethical way. This pillar of our sustainability work thus focuses on the core purpose of our operations as well as on how we operate. The latter includes our efforts within human rights and anti-corruption, which will also be accounted for in this section.

Reproductive Medicine and Maternal health

As a leader in reproductive medicine and maternal health, Ferring's core mission is to deliver 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 healthy families, whoever they are and wherever they are. Ferring carries out a number of sustainability activities in line with this mission:

- Every year, 14 million women are affected by post-partum haemorrhage (PPH), or excessive bleeding after childbirth. Although most deaths are preventable, PPH is the leading direct cause of maternal death worldwide, causing approximately 70,000 deaths per year. More than 90% of these deaths occur in low- and lower-middle income countries, where women may not have access to prenatal care, skilled birth attendants and quality treatments. Moreover, in these countries, cold-chain transport and storage of drugs can be difficult to maintain due to the lack of proper refrigerators in health clinics, unreliable transport and frequent power cuts.

At Ferring, we are committed to reducing PPH as part of our mission to reduce maternal mortality and protect women and families around the world. We believe that every woman should have access to quality care and treatment during pregnancy and childbirth, no matter where she lives.

Therefore, Ferring has collaborated with MSD for Mothers and the WHO to test a heat-stable version of our product to prevent PPH. This new product, Carbetocin Ferring, remains effective for 4 years stored below 30°C and 75% relative humidity. Data shows that effectiveness was also maintained for 6 months at 40°C or 3 months at 50°C. As part of our commitment to the UN Global Goal on Maternal Health (with the aim to reduce maternal mortality ratio to 70 per 100,000 live births), Ferring is committed to producing heat-stable carbetocin, our treatment to prevent PPH, available at an affordable and sustainable price in public sector healthcare facilities in low and lower-middle income countries.

- As a leader in reproductive medicine and maternal health, Ferring has remained committed to building

families worldwide during the challenging year of Covid-19. In 2020, Ferring funded 72 research grants in 22 different countries for exploratory, basic and clinical research to collect data and expand knowledge on the effects of COVID-19 on reproduction, pregnancy and neonatal health.

- Furthermore, Ferring engages in a number of research collaborations with research institutions worldwide. For example, we continue our collaboration with Karolinska Institute to explore the potential of the human microbiome in reproductive medicine and women's health and gastroenterology. The collaboration 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.

Business ethics and anti-corruption

Wherever we work around the world, it is our job to ensure that we continually raise awareness, engage and empower colleagues to make the right decisions in the workplace. Ethical behaviour is the responsibility and expectation of everyone at Ferring, built upon the Ferring Philosophy and our core values.

In Ferring, we strive to ensure ethical conduct in several ways:

- Oversight and management of ethical issues and behaviours across the organisation is carried out by the Ethics and Compliance Board Committee and the Global Ethics Office. In addition, we have a team of committed ethics co-ordinators around the world to support, build and cultivate ethical mindsets.
- We regularly train employees in the Ferring Philosophy and business ethics, and in 2020, we have been developing an e-learning which will ensure that all new employees are trained on these matters shortly after joining the company.
- In addition to our code of ethics, the Ferring Philosophy, we also have a Code of Conduct, which sets out Ferring's expectations of all persons acting on Ferring's behalf, whether under an employment contract or any other form of engagement. The code of conduct focuses explicitly on anti-corruption, and training on the code is mandatory for all employees. The Code is available in 15 different languages.
- If employees encounter any potential breaches of the Ferring Philosophy, the Code of Conduct or any of Ferring's other policies and guidelines, colleagues are encouraged to address any concerns in person first, but we also have the AlertLine, which is an independent and confidential means for employees to raise concerns. The AlertLine is available in over 180 different languages. In 2020, we have rolled out a global investigations corporate SOP, with the purpose to ensure consistent storage and handling of all cases.

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 patients and volunteers in the clinical trials. The United Nations Declaration of Human Rights states that privacy is a human right, and 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, and 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. For example, in 2020, we have carried out the following activities:

- We have established a network of Privacy Ambassadors to ensure that data privacy is at the top of mind in all Ferring's entities. In 2020, we have appointed ambassadors in Europe, Middle East, Turkey and Africa (META),

Latin America, USA and Canada, and in 2021, we will focus on appointing ambassadors in the Asia Pacific region.

- For the second year in a row, Ferring underwent a data privacy maturity assessment through Gartner's privacy scorecard, where progress since 2019 was evaluated and benchmarked against peers. Ferring has made considerable progress since 2019 and has moved from -5 on the maturity scale to 3 (the scale spanning from 1-5, with 5 being the most mature). According to the rating agency, Gartner, Ferring is the first company in the Europe, Middle East and Africa region to achieve this rating.
- Focusing specifically on the clinical trial data and pharmacovigilance data, which is related to patients and trial subjects' human right to privacy, we have launched three corporate Standard Operating Procedures (SOPs).
- Similarly, focused on clinical trial data and pharmacovigilance data, the Global Privacy team carried out reviews and impact assessments of the privacy programme in six key countries to ensure that these programmes comply with Ferring's requirements to protect the human right to privacy for trial subjects and patients. We will continue these efforts in 2021.
- In order to ensure that employees are informed about their own privacy rights as well as how to respect these rights of others, all employees have been asked to read, sign and agree with the Global Privacy Policy.

Sustainable procurement

At Ferring, sustainability is an approach to how we do business and we constantly work to minimise our negative impact and increase our positive impact on the communities and environments in which we operate; and not only Ferring's direct impact but also the impact that we have as a company through our supply chain. Part of being a responsible company is also to take responsibility for the collaborators and suppliers that we engage with and demanding of them the same standards for e.g. ethical behaviour, human rights, labour rights and environment that we demand from ourselves. We work to ensure supply chain sustainability in a number of ways:

- We have incorporated sustainability as an evaluation criterion in our global supplier selection matrix which is to be adhered to when assessing and selecting suppliers with a spend of more than 100.000 EUR.
- For new and existing suppliers, we have made the sustainability standards, to which we want our suppliers to adhere, explicit in our Supplier Conduct Principles, which are shared systematically with suppliers through our purchase orders and our supplier onboarding system. The Supplier Conduct Principles are based on the Principles for Responsible Supply Chain Management by the Pharmaceutical Supply Chain Initiative (PSCI). The Principles focus on 1) ethics, including anti-bribery and corruption, 2) human rights and labour rights, 3) health and safety, 4) environment and 5) management systems.
- Based on the Supplier Conduct Principles, we have developed a Self-Assessment Questionnaire to assess the level of suppliers' sustainability maturity, and we are in the process of ensuring that all Key Suppliers and Strategic Suppliers are asked to respond to this questionnaire. Based on responses from the self-assessment questionnaire, development plans will be made with the suppliers, addressing any shortcomings identified through the questionnaire.
- Ferring has also taken an important step to ensure that our suppliers comply with Ferring's standards within anti-corruption, human rights, labour rights and environment. Throughout 2020, a global team has been exploring and establishing the criteria for a new system for due diligence assessments of Ferring's new and existing suppliers and towards the end of 2020, the project moved into the procurement phase. The

implementation will happen as of 2021.

- In 2020, we also relaunched our Trade Sanctions and Export Controls policy, which outlines Ferring's requirements aimed at ensuring compliance with trade sanctions and export controls.

People

The People pillar has to do with the communities that we impact directly and indirectly through our operations and our products. We actively work to contribute positively to these communities; for example, through a large number of community projects carried out by local Ferring colleagues worldwide. This pillar also has to do with our employees and their well-being. We actively seek to maintain a working environment that lives up to the words in the Ferring Philosophy; a working environment which is healthy, respectful and supporting and free of any discrimination or harassment. We seek to increase the diversity among employees in different positions and several Ferring offices have extensive programs to support physical and mental well-being at work. For example, in 2020, we carried out the following activities:

- Although the office in Denmark has been partly closed for a larger period of the year in 2020 due to Covid-19, 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 only been closed shortly. This clinic 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 available for all employees.
- In 2020, Ferring Pharmaceuticals A/S held an election for the EHS board and created a new full-time position dedicated to EHS-related matters in Denmark. This is an important step towards an increased focus on environment, health and safety.
- Towards the end of 2020, Ferring Pharmaceuticals A/S conducted a workplace assessment (Danish: APV), which will be followed up with team discussions and action plans in 2021.
- Ferring has also introduced a new, global training on workplace harassment.

Planet

The Planet pillar refers to our work to minimize Ferring's environmental footprint. We actively seek to reduce the environmental impact of our current operations, and when establishing new offices and production sites, we also strive to build in an environmentally friendly way. A few examples of how we work with this sustainability pillar are highlighted below:

- Ferring has 12 manufacturing sites around the world, and we closely monitor our progress within key areas such as greenhouse gas emissions, water consumption and waste. The progress within each of these areas is published as part of our annual Group Sustainability report, which is available in the second quarter of each year. The latest sustainability metrics can be found in Ferring's global sustainability report (please refer to <http://ferringsustainability.com/sustainability-metrics/>).
- 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 are reflected in the significant decrease of our consumption this year.

- 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 2021.

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

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 37 different nationalities. In 2020, the total number of full-time employees was 506. The total number of student workers in 2020 was 57, of which 18 were men and 39 were women.

As for the gender composition of employees, in 2020, there were 162 men and 344 women employed. On managerial levels, the gender balance is 38 men and 41 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. 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

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

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	1	1,051,468	1,380,192
Gross profit/loss		1,051,468	1,380,192
Research and development costs		(886,687)	(1,193,140)
Administrative expenses	2	(108,234)	(128,679)
Operating profit/loss		56,547	58,373
Other financial income		2	86
Other financial expenses	4	(3,798)	(9,395)
Profit/loss before tax		52,751	49,064
Tax on profit/loss for the year	5	(11,823)	(10,783)
Profit/loss for the year	6	40,928	38,281

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Acquired licences		15,530	20,947
Intangible assets	7	15,530	20,947
Other fixtures and fittings, tools and equipment		52,793	54,969
Leasehold improvements		1,049	1,639
Property, plant and equipment in progress		39,526	14,491
Property, plant and equipment	8	93,368	71,099
Deposits		61,714	61,707
Financial assets	9	61,714	61,707
Fixed assets		170,612	153,753
Receivables from group enterprises		156,715	193,021
Other receivables		13,126	11,081
Tax receivable		1,042	953
Prepayments	10	40,047	19,364
Receivables		210,930	224,419
Cash		297	0
Current assets		211,227	224,419
Assets		381,839	378,172

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		500	500
Retained earnings		28,944	38,016
Proposed dividend		50,000	68,000
Equity		79,444	106,516
Deferred tax	11	7,985	7,662
Provisions		7,985	7,662
Bank loans		0	15
Trade payables		148,809	159,254
Payables to group enterprises		3,989	3,199
Other payables		141,612	101,526
Current liabilities other than provisions		294,410	263,994
Liabilities other than provisions		294,410	263,994
Equity and liabilities		381,839	378,172
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 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	500	38,016	68,000	106,516
Ordinary dividend paid	0	0	(68,000)	(68,000)
Profit/loss for the year	0	(9,072)	50,000	40,928
Equity end of year	500	28,944	50,000	79,444

Cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		56,547	58,373
Amortisation, depreciation and impairment losses		18,679	23,653
Working capital changes	12	44,008	12,039
Cash flow from ordinary operating activities		119,234	94,065
Financial income received		2	86
Financial expenses paid		(3,798)	(9,395)
Taxes refunded/(paid)		(11,578)	(15,783)
Cash flows from operating activities		103,860	68,973
Acquisition etc of intangible assets		(1,807)	(3,840)
Acquisition etc of property, plant and equipment		(33,734)	(16,751)
Sale of fixed asset investments		(7)	(7,265)
Cash flows from investing activities		(35,548)	(27,856)
Free cash flows generated from operations and investments before financing		68,312	41,117
Dividend paid		(68,000)	(50,000)
Cash flows from financing activities		(68,000)	(50,000)
Increase/decrease in cash and cash equivalents		312	(8,883)
Cash and cash equivalents beginning of year		(15)	8,868
Cash and cash equivalents end of year		297	(15)
Cash and cash equivalents at year-end are composed of:			
Cash		297	0
Short-term debt to banks		0	(15)
Cash and cash equivalents end of year		297	(15)

Notes

1 Revenue

	2020 DKK'000	2019 DKK'000
Switzerland	1,051,468	1,380,184
Other countries	0	8
Total revenue by geographical market	1,051,468	1,380,192
R&D services	965,920	1,275,614
Other services	85,548	104,578
Total revenue by activity	1,051,468	1,380,192

2 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	436	300
Tax services	695	336
Other services	25	31
	1,156	667

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	397,722	417,963
Pension costs	40,814	41,298
Other social security costs	4,748	2,875
	443,284	462,136
Average number of full-time employees	497	533

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Total amount for management categories	5,073	4,903
	5,073	4,903

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

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	303	5,586
Exchange rate adjustments	2,840	3,039
Other financial expenses	655	770
	3,798	9,395

5 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	11,500	11,660
Change in deferred tax	323	(1,096)
Adjustment concerning previous years	0	219
	11,823	10,783

6 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Ordinary dividend for the financial year	50,000	68,000
Retained earnings	(9,072)	(29,719)
	40,928	38,281

7 Intangible assets

	Acquired licences DKK'000
Cost beginning of year	94,556
Additions	1,807
Disposals	(30,527)
Cost end of year	65,836
Amortisation and impairment losses beginning of year	(73,609)
Amortisation for the year	(7,223)
Reversal regarding disposals	30,526
Amortisation and impairment losses end of year	(50,306)
Carrying amount end of year	15,530

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	137,649	37,798	14,491
Transfers	5,184	0	(5,184)
Additions	3,515	0	30,219
Disposals	(11,127)	(25,559)	0
Cost end of year	135,221	12,239	39,526
Depreciation and impairment losses beginning of year	(82,680)	(36,159)	0
Depreciation for the year	(10,866)	(590)	0
Reversal regarding disposals	11,118	25,559	0
Depreciation and impairment losses end of year	(82,428)	(11,190)	0
Carrying amount end of year	52,793	1,049	39,526

9 Financial assets

	Deposits DKK'000
Cost beginning of year	61,707
Additions	7
Cost end of year	61,714
Carrying amount end of year	61,714

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

	2020 DKK'000	2019 DKK'000
Intangible assets	3,416	7,106
Property, plant and equipment	4,569	556
Deferred tax	7,985	7,662

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	7,662	8,756
Recognised in the income statement	323	(1,094)
End of year	7,985	7,662

12 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in receivables	13,577	16,047
Increase/decrease in trade payables etc	30,431	(4,008)
	44,008	12,039

13 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	1,635,552	110,384

The significant increase in unrecognised rental and lease commitments is almost exclusively caused by the lease of premises for the R&D organisation in Copenhagen. The business lease agreement was entered on 23 January 2015 and signed by the Group. The sum of the contractual obligation is included this year since 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 31.12.2020 related to research and development activities amount to DKK 386,510 thousand. In connection with the lease of new business premises The Company also has contractual obligations as of 31.12.2020 for capital investments amounting to DKK 57,486 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

	2019	2018
	DK'000	DK'000
Income from related parties	1,070,280	1,380,192
Purchase of goods from related parties	22,308	23,826
Purchase of services from related parties	6,748	7,009
	1,099,336	1,411,028

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 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 earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

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

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

Foreign currency translation

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

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 earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.