
***Ascendis Pharma,
Ophthalmology Division A/S***

c/o Ascendis Pharma A/S, Tuborg Boulevard 5,
DK-2900 Hellerup

**Annual Report for
1 January - 31 December 2015**

CVR No 32 32 35 02

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on

20/4 2016

Chairman



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Management's Statement

The Executive and Supervisory Board have today considered and adopted the Annual Report of Ascendis Pharma, Ophthalmology Division A/S for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company's operations for 2015.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 20 April 2016

Executive Board



Jan Møller Mikkelsen

Supervisory Board



Michael Wolff Jensen
Chairman



Jan Møller Mikkelsen



Anni Lotte Kirstine Pedersen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Ascendis Pharma, Ophthalmology Division A/S

We have audited the Financial Statements of Ascendis Pharma, Ophthalmology Division A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Copenhagen, 20 April 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56



Jens Sejer Pedersen
State Authorised Public Accountant



Flemming Larsen
State Authorised Public Accountant

Company Information

The Company

Ascendis Pharma, Ophthalmology Division A/S
c/o Ascendis Pharma A/S
Tuborg Boulevard 5
DK-2900 Hellerup

CVR No: 32 32 35 02

Financial period: 1 January - 31 December

Municipality of reg. office: Gentofte

Main activity

Ascendis Pharma, Ophthalmology Division A/S is a wholly owned subsidiary in the Ascendis Pharma Group, which is the leader in transient conjugation technology, enabling clinically superior long-acting prodrugs of proteins, peptides and small molecules. The Group is focused on fast and low-risk internal development of differentiated versions of high-value marketed specialty drugs. The primary therapeutic focus areas of the group are endocrinology, cardiovascular and ophthalmology. The primary focus of Ascendis Pharma, Ophthalmology Division A/S is activities directed towards development of improved products within ophthalmology.

Supervisory Board

Michael Wolff Jensen, Chairman
Jan Møller Mikkelsen
Anni Lotte Kirstine Pedersen

Executive Board

Jan Møller Mikkelsen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 København C

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> EUR	<u>2014</u> EUR
Gross profit/loss		5.370.361	5.456.890
Administrative expenses		-116.588	-122.401
Operating profit/loss		5.253.773	5.334.489
Financial income	1	796.628	512.014
Financial expenses	2	-335.244	-60.054
Profit/loss before tax		5.715.157	5.786.449
Tax on profit/loss for the year	3	-108.279	0
Net profit/loss for the year		5.606.878	5.786.449

Distribution of profit

Proposed distribution of profit

Retained earnings		5.606.878	5.786.449
		5.606.878	5.786.449

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2015</u> EUR	<u>2014</u> EUR
Acquired IP rights		22.370	33.554
Intangible assets		22.370	33.554
Fixed assets		22.370	33.554
Trade receivables		1.005.301	746.346
Receivables from group enterprises		8.628.996	10.841.209
Other receivables		133.980	158.924
Receivables		9.768.277	11.746.479
Cash at bank and in hand		4.145.164	1.381.561
Currents assets		13.913.441	13.128.040
Assets		13.935.811	13.161.594

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2015</u> EUR	<u>2014</u> EUR
Share capital		134.043	134.043
Retained earnings		10.723.687	5.116.809
Equity	4	<u>10.857.730</u>	<u>5.250.852</u>
Other payables		6.050	6.058
Deferred income		3.072.031	7.904.684
Short-term liabilities		<u>3.078.081</u>	<u>7.910.742</u>
Liabilities		<u>3.078.081</u>	<u>7.910.742</u>
Liabilities and equity		<u>13.935.811</u>	<u>13.161.594</u>
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Related parties and ownership	6		

Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	EUR	EUR	EUR
Equity at 1 January	134.043	5.116.809	5.250.852
Net profit/loss for the year	0	5.606.878	5.606.878
Equity at 31 December	<u>134.043</u>	<u>10.723.687</u>	<u>10.857.730</u>

Notes to the Annual Report

	<u>2015</u> EUR	<u>2014</u> EUR
1 Financial income		
Interest received from group enterprises	251.146	263.939
Other financial income	1	0
Exchange gains	<u>545.481</u>	<u>248.075</u>
	<u>796.628</u>	<u>512.014</u>
2 Financial expenses		
Other financial expenses	0	15.988
Exchange loss	<u>335.244</u>	<u>44.066</u>
	<u>335.244</u>	<u>60.054</u>
3 Tax on profit/loss for the year		
Current tax for the year	<u>108.279</u>	<u>0</u>
	<u>108.279</u>	<u>0</u>

The company has an unrecognised deferred tax asset of EUR 681 thousand in 2015 (EUR 1.848 thousand in 2014)

4 Equity

The share capital consists of 1.000.000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2015</u> EUR	<u>2014</u> EUR	<u>2013</u> EUR	<u>2012</u> EUR
Share capital at 1 January	134.043	134.043	134.043	0
Capital increase	<u>0</u>	<u>0</u>	<u>0</u>	<u>134.043</u>
Share capital at 31 December	<u>134.043</u>	<u>134.043</u>	<u>134.043</u>	<u>134.043</u>

Notes to the Annual Report

5 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

6 Related parties and ownership

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Ascendis Pharma A/S
Tuborg Boulevard 5, 2900 Hellerup

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company Ascendis Pharma A/S.

The Group Annual Report of Ascendis Pharma A/S may be obtained at the following address:

Tuborg Boulevard 5, 2900 Hellerup

Accounting Policies

Basis of Preparation

Financial Statements of Ascendis Pharma, Ophthalmology Division A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in EUR.

Recognition and measurement

Revenues are recognised in the income statement as earned. Expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are measured at the transaction date rates.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Exchange rate differences between the transaction date rates and the exchange rate on either the payment date or the balance sheet date are recognized in the income statement as financial income or expenses.

Tangible and intangible assets, inventory and other non-monetary assets acquired in foreign currencies are measured at historical exchange rates.

Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue is recognised when it is probable that future economic benefits will flow to the Company and the benefits can be measured reliably. Recognition moreover requires that all material risks and rewards of the ownership of the rights and services related to arrangements have been transferred to the buyer. Earnings from multiple-element arrangements where the individual elements of the arrangements cannot be separated are recognised over the term of the arrangement. Recognition moreover requires that all material risks and rewards of the ownership of the goods or services related to the arrangement have been transferred to the buyer. Where not all of these risks and rewards have been transferred, revenue is recognised as deferred income until all elements of the arrangement have been delivered.

Revenue is recognised exclusive of VAT, indirect taxes and net of discounts relating to sales and is measured at the fair value of the determined consideration.

Research and development costs

Research and development costs comprise expenses incurred to develop the Company's products and to deliver the services under the Company's collaboration agreements, including patent costs and depreciation, amortisation and impairment losses. Research and development costs are recognised in the income statement as incurred.

Administrative expenses

Administrative expenses comprise expenses for consultants for administrative services etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes to deferred tax. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Current tax liabilities or receivables are recognised in the balance sheet stated as the tax calculated on the taxable income for the year adjusted for tax paid on account.

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either by set-off against deferred tax liabilities or as a net tax asset.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Accounting Policies

Balance Sheet

Intangible assets

Other intangible assets comprise acquired intellectual property rights and development projects.

Cost of acquired intellectual property rights comprises the cost of acquisition and expenses directly related to the acquisition.

Amortisation of intellectual property rights is based on cost reduced by any expected residual value after the end of the useful life. Amortisation is calculated on a straight-line basis over the expected useful lives of the assets, which are up to 10 years.

Development projects regarding products and processes that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Cost of development projects comprises costs including salaries and amortisation directly or indirectly attributable to the development projects.

Completed development projects are amortised over the expected useful lives.

Current development projects are not considered in compliance with the provisions of the Danish Financial Statements Act on capitalisation due to the uncertainty in respect of the prospect of completing the projects, including obtaining the required regulatory approval. Consequently, all research and development costs incurred are charged to the income statement.

Other intangible assets are written down to the lower of recoverable amount and the carrying amount.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Financial liabilities

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.