Ascendis Pharma Endocrinology Division A/S

c/o Ascendis Pharma A/S, Tuborg Boulevard 12, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2020

CVR No 32 32 35 37

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2021

Michael Wolff Jensen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ascendis Pharma Endocrinology Division A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company's operations for 2020.

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

Hellerup, 10 March 2021

Executive Board

Jan Møller Mikkelsen

Board of Directors

Michael Wolff Jensen Chairman	Jan Møller Mikkelsen	Anni Lotte Kirstine Pedersen

Independent Auditor's Report

To the Shareholder of Ascendis Pharma Endocrinology Division A/S

Opinion
We have audited the Financial Statements of Ascendis Pharma Endocrinology Division A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet 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 December 2020 and of the results of its operations for the financial year 1 January - 31 December 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.

Independent Auditor's Report

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.

Independent Auditor's Report

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.

Copenhagen, 10 March 2021
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Lars Hansen
State Authorised Public Accountant
mne24828

Company Information

The Company	Ascendis Pharma Endocrinology Division A/S c/o Ascendis Pharma A/S Tuborg Boulevard 12 DK-2900 Hellerup CVR No: 32 32 35 37 Financial period: 1 January - 31 December Municipality of reg. office: Gentofte
Board of Directors	Michael Wolff Jensen, Chairman Jan Møller Mikkelsen Anni Lotte Kirstine Pedersen
Executive Board	Jan Møller Mikkelsen
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 København S

Income Statement 1 January - 31 December

	Note	2020 EUR	2019 EUR
Gross profit/loss		**-98.477.366**	**-89.300.964**
Administrative expenses		-118.041	-120.605
Operating profit/loss		**-98.595.407**	**-89.421.569**
Profit/loss before financial income and expenses	4	**-98.595.407**	**-89.421.569**
Financial income		24.024	0
Financial expenses	5	-9.152.094	-6.758.278
Profit/loss before tax		**-107.723.477**	**-96.179.847**
Tax on profit/loss for the year		205.158	1.134.853
Net profit/loss for the year		**-107.518.319**	**-95.044.994**

Distribution of profit

Proposed distribution of profit

Retained earnings	-107.518.319	-95.044.994
	-107.518.319	**-95.044.994**

Balance Sheet 31 December

Assets

	Note	2020 EUR	2019 EUR
Intellectual property rights		0	0
Intangible assets		**0**	**0**
Other fixtures and fittings, tools and equipment		1.924.283	393.644
Property, plant and equipment		**1.924.283**	**393.644**
Capital interests		17.410.923	17.410.923
Fixed asset investments		**17.410.923**	**17.410.923**
Fixed assets		**19.335.206**	**17.804.567**
Trade receivables		122.230	804.084
Other receivables		8.010.988	5.153.512
Prepayments		9.394.808	4.041.432
Receivables		**17.528.026**	**9.999.028**
Cash at bank and in hand		**7.174.393**	**886**
Currents assets		**24.702.419**	**9.999.914**
Assets		**44.037.625**	**27.804.481**

Balance Sheet 31 December

Liabilities and equity

	Note	2020 EUR	2019 EUR
Share capital		134.043	134.043
Retained earnings		-410.443.555	-302.925.236
Equity		**-410.309.512**	**-302.791.193**
Payables to group enterprises		447.427.819	323.367.479
Long-term liabilities		**447.427.819**	**323.367.479**
Other payables		6.919.318	7.228.195
Short-term liabilities		**6.919.318**	**7.228.195**
Debt		**454.347.137**	**330.595.674**
Liabilities and equity		**44.037.625**	**27.804.481**
Going concern	1		
Unusual events	2		
Main activity	3		
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Notes to the Financial Statements

1 Going concern

The Company has lost its share capital. To support the Company, the parent company Ascendis Pharma A/S has confirmed the technical and financial support that it has committed and will further commit to the Company for the period until 31 May 2022.

Ascendis Pharma A/S undertakes to make all reasonable technical efforts to support the Company to conduct all pre-clinical, manufacturing, clinical and regulatory activities with its product candidates for the period. Ascendis Pharma A/S undertakes to provide the Company with the necessary funds to ensure that the Company can conduct its activities for the period in compliance with Danish company regulation and to ensure that the Company can meet its financial obligations as they fall due during the period.

2 Unusual events

As reported in the financial statements as of and for the year ended December 31, 2019, a novel strain of coronavirus, ("COVID-19"), was reported to have surfaced in Wuhan, China, in December 2019. Since then, COVID-19 has spread around the world into a pandemic, including into countries where we are operating from, where we have planned or have ongoing clinical trials, and where we rely on third parties to manufacture preclinical and clinical supplies, as well as commercial supply.

Since COVID-19 started to spread around the world, we have closely monitored the development, and implemented several measures to accommodate any potential negative impact on our business, including;

- Implementing remote visits for patients enrolled in our clinical trials, including ensuring safe delivery of clinical drugs;
- Established dedicated COVID-19 working groups to monitor and keeping close dialogue with manufacturing partners;
- Establishing measures to accommodate sufficient capacity regarding logistics and manufacturing.

While COVID-19 has had an impact on how we work and conduct our activities, we managed to avoid significant disruptions to our operations in 2020. Further, while COVID-19 continues to remain in the global society, we will keep working with COVID-19 measures to accommodate any business disruptions and to achieve on strategic objectives.

While COVID-19 did not have a direct negative impact on our business in 2020, we do foresee COVID-19 risk elevate on certain areas, including:

- In conducting our clinical trials, there is a risk that suppliers experience delays in providing necessary equipment, consumables and services, which potentially could cause temporary delays in clinical trial activities. In addition, there is a risk that patients will elect not to enroll into trials to limit their exposure to medical institutions, which could potentially have a negative impact on clinical trial timelines;

- Global demand for COVID-19 vaccines could result in contract manufactures not having sufficient capacity to meet scheduled manufacturing. In addition, sourcing of certain types of raw material, consumables and equipment could result in scheduled manufacturing being delayed or postponed;

Notes to the Financial Statements

2 Unusual events (continued)

- Travel restrictions and local outbreaks of COVID-19 could restrict authorities to perform site inspections in connection with review procedures of marketing applications for TransCon hGH (longapegsomatropin), which could potentially delay the commercial launch;

- Our commercial launch strategy could be negatively impacted by patients not being able to see their physicians and similarly, our commercial team not being able to meet with physicans which could have a negative impact on the commercial launch strategy.

We monitor these risks closely, and work with relevant stakeholders to avoid disruptions, and to develop and establish working measures. However, while COVID-19 continues to impact global societies, the uncertainty related to the duration and direction of the pandemic makes the future impact from COVID-19, including the magnitude on the operational results, highly uncertain and unpredictable.

3 Main activity

Ascendis Pharma Endocrinology Division A/S is a wholly owned subsidiary in the Ascendis Pharma Group which is applying its innovative TransCon technologies to build a leading, fully integrated biopharmaceutical company and to develop a pipeline of product candidates with potential best-in-class profiles to address significant unmet medical needs.

The Ascendis Pharma Group has created a portfolio of product candidates by utilizing its TransCon technologies with clinically validated parent drugs. The primary focus of Ascendis Pharma Endocrinology Division A/S is activities directed towards development of improved products within growth hormone deficiency.

4 Staff

	2020 EUR	2019 EUR
Average number of employees	**0**	**0**

5 Financial expenses

Interest paid to group enterprises	9.142.520	6.757.123
Other financial expenses	9.574	944
Exchange loss	0	211
	9.152.094	**6.758.278**

Notes to the Financial Statements

6 Contingent liabilities and other financial obligations

The Danish group companies of Ascendis Pharma A/S are jointly and severally liable for tax on the Danish group's jointly taxed income.

7 Consolidated financial statements

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

Name	Place of registered office
Ascendis Pharma A/S	Copenhagen, Denmark

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of Ascendis Pharma Endocrinology Division A/S for 2020 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.

The Financial Statements for 2020 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 exchange 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 paymentdate 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.

Notes to the Financial Statements

8 Accounting Policies (continued)

Income Statement

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. 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 depreciation, amortisation and impairment losses. Research and development costs are recognised in the income statement as incurred.

Gross profit/loss

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

Administrative expenses

Administrative expenses comprise expenses for management and other administration services.

Financial income and expenses

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

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.

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 income.

Notes to the Financial Statements

8 Accounting Policies (continued)

Balance Sheet

Intangible assets

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 5 years.

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

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.

Due to the risk associated with drug development, future income from development projects cannot be determined with sufficient certainty until the development activities have been completed and the necessary marketing approvals have been obtained. Accordingly, no internally generated intangible assets are recognized.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation is based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

8 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of investments in capital interests measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment, and investments in participating interest measured at cost are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If the carrying amount exceed recoverable amount, the asset is written down to its recoverable amount, as an impairment loss through the income statement.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provision for impaired receivables are recognized through the income statement.

Prepayments

Prepayments comprise prepaid expenses concerning expenses incurred for subsequent years.

Cash and cash equivalents

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

Liabilities

Payables to group enterprises are measured at amortised cost. Other payables are measured at net-realisable values.