
Ascendis Pharma Bone Diseases A/S

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

Annual Report for 1 January - 31 December 2016

CVR No 32 32 35 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /5 2017

Michael Wolff Jensen
Chairman

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Management's Statement

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Ascendis Pharma Bone Diseases A/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company's operations for 2016.

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

Hellerup, 22 March 2017

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 Shareholders of Ascendis Pharma Bone Diseases A/S

Opinion

We have audited the financial statements of Ascendis Pharma Bone Diseases A/S for the financial year 1 January - 31 December 2016, which comprise the 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 2016 and of the results of its operations for the financial year 1 January - 31 December 2016 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 judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report

- 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 Company'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.

Copenhagen, 22 March 2017

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

CVR No: 32 32 35 96

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-0900 København C

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> EUR	<u>2015</u> EUR
Gross profit/loss		-6.444.960	-137.219
Administrative expenses		-86.567	-85.180
Operating profit/loss		-6.531.527	-222.399
Profit/loss before financial income and expenses		-6.531.527	-222.399
Financial income	3	393	585
Financial expenses	4	-102.551	-57.654
Profit/loss before tax		-6.633.685	-279.468
Tax on profit/loss for the year	5	12.785	593
Net profit/loss for the year		-6.620.900	-278.875

Distribution of profit

Proposed distribution of profit

Retained earnings		-6.620.900	-278.875
		-6.620.900	-278.875

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2016</u> EUR	<u>2015</u> EUR
Intellectual property rights		257.143	146.940
Intangible assets		257.143	146.940
Fixed assets		257.143	146.940
Other receivables		750.605	4.685
Prepayments		318.329	0
Receivables		1.068.934	4.685
Cash at bank and in hand		12.089	88.955
Currents assets		1.081.023	93.640
Assets		1.338.166	240.580

Balance Sheet 31 December

Liabilities and equity

	Note	2016 EUR	2015 EUR
Share capital		67.021	67.021
Reserve for unpaid share capital and share premium		-50.266	-50.266
Retained earnings		-8.577.154	-1.956.255
Equity	6	-8.560.399	-1.939.500
Payables to group enterprises		9.396.641	2.175.380
Long-term liabilities		9.396.641	2.175.380
Other payables		501.924	4.700
Short-term liabilities		501.924	4.700
Liabilities		9.898.565	2.180.080
Liabilities and equity		1.338.166	240.580
Going concern	1		
Main activity	2		
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

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 2018. 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 Main activity

Ascendis Pharma Bone Diseases A/S is a wholly owned subsidiary in the Ascendis Pharma Group, which is a biopharmaceutical company applying its TransCon technology to develop a pipeline of sustained release prodrug therapies with best-in-class profiles to address large markets with significant unmet medical needs. The Ascendis Pharma Group has created a portfolio of potential best-in-class rare disease product candidates to address unmet medical needs by applying TransCon technology to parent drugs with clinical proof-of-concept.

During the year, the company has acquired Intellectual property rights within the field of bone diseases, and ceased the existing activities within the field of osteoarthritis. The primary focus of Ascendis Pharma Bone Diseases A/S is activities directed towards development of improved products within bone diseases.

During the year, the company changed its name from Ascendis Pharma Osteoarthritis Division A/S to Ascendis Pharma Bone Diseases A/S.

	2016 EUR	2015 EUR
3 Financial income		
Exchange gains	393	585
	393	585
4 Financial expenses		
Interest paid to group enterprises	102.449	56.106
Exchange loss	102	1.548
	102.551	57.654

Notes to the Financial Statements

	2016 EUR	2015 EUR
5 Tax on profit/loss for the year		
Current tax for the year	-12.785	-593
	-12.785	-593

The company has an unrecognised deferred tax asset of EUR 1,737 thousand in 2016 (EUR 290 thousand in 2015)

6 Equity

The share capital consists of 500.000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2016 EUR	2015 EUR	2014 EUR	2013 EUR	2012 EUR
Share capital at 1 January	67.021	67.021	67.021	67.021	0
Capital increase	0	0	0	0	67.021
Share capital at 31 December	67.021	67.021	67.021	67.021	67.021

7 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.

8 Related parties and ownership

Ownership

The following shareholders are 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

Notes to the Financial Statements

8 Related parties and ownership (continued)

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 Bone Diseases A/S for 2016 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 2016 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.

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.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. 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

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.

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.

Financial liabilities

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

Cash and cash equivalents

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