
Ascendis Pharma Bone Diseases A/S

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

Annual Report for 1 January - 31 December 2018

CVR No 32 32 35 96

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /5 2019

Michael Wolff Jensen
Chairman of the General
Meeting

Contents

| | <u>Page</u> |
|--|-------------|
| Management's Statement and Auditor's Report | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| Company Information | |
| Company Information | 4 |
| Financial Statements | |
| Income Statement 1 January - 31 December | 5 |
| Balance Sheet 31 December | 6 |
| Notes to the Financial Statements | 8 |

Management's Statement

The Executive Board and 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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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

Hellerup, 3 April 2019

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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:

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, 3 April 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Henrik Hjort Kjølgaard
State Authorised Public Accountant
mne29484

Max Damborg
State Authorised Public Accountant
mne33772

Company Information

The Company

Ascendis Pharma Bone Diseases A/S
c/o Ascendis Pharma A/S
Tuborg Boulevard 12
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>2018</u> EUR | <u>2017</u> EUR |
|---|-------------|--------------------|--------------------|
| Gross profit/loss | | -18.881.606 | -16.157.965 |
| Administrative expenses | | -94.592 | -86.979 |
| Operating profit/loss | | -18.976.198 | -16.244.944 |
| Profit/loss before financial income and expenses | | -18.976.198 | -16.244.944 |
| Financial expenses | 4 | -868.887 | -379.017 |
| Profit/loss before tax | | -19.845.085 | -16.623.961 |
| Tax on profit/loss for the year | | 0 | 0 |
| Net profit/loss for the year | | -19.845.085 | -16.623.961 |

Distribution of profit

Proposed distribution of profit

| | | | |
|-------------------|--|--------------------|--------------------|
| Retained earnings | | -19.845.085 | -16.623.961 |
| | | -19.845.085 | -16.623.961 |

Balance Sheet 31 December

Assets

| | Note | 2018 EUR | 2017 EUR |
|--|------|-------------------|------------------|
| Intellectual property rights | | 85.715 | 171.429 |
| Intangible assets | | 85.715 | 171.429 |
| Other fixtures and fittings, tools and equipment | | 127.875 | 0 |
| Property, plant and equipment | | 127.875 | 0 |
| Other investments | | 10.881.827 | 0 |
| Fixed asset investments | | 10.881.827 | 0 |
| Fixed assets | | 11.095.417 | 171.429 |
| Other receivables | | 1.642.845 | 1.522.622 |
| Prepayments | | 611.948 | 360.225 |
| Receivables | | 2.254.793 | 1.882.847 |
| Cash at bank and in hand | | 117.518 | 1.162.027 |
| Currents assets | | 2.372.311 | 3.044.874 |
| Assets | | 13.467.728 | 3.216.303 |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2018 EUR | 2017 EUR |
|--|------|--------------------|--------------------|
| Share capital | | 67.021 | 67.021 |
| Reserve for unpaid share capital and share premium | | -50.266 | -50.266 |
| Retained earnings | | -45.046.200 | -25.201.115 |
| Equity | | -45.029.445 | -25.184.360 |
| Payables to group enterprises | | 50.202.460 | 27.287.960 |
| Long-term liabilities | | 50.202.460 | 27.287.960 |
| Other payables | | 2.459.857 | 1.112.703 |
| Deferred income | | 5.834.856 | 0 |
| Short-term liabilities | | 8.294.713 | 1.112.703 |
| Liabilities | | 58.497.173 | 28.400.663 |
| Liabilities and equity | | 13.467.728 | 3.216.303 |
| Going concern | 1 | | |
| Main activity | 2 | | |
| Contingent assets, liabilities and other financial obligations | 5 | | |
| Consolidated financial statements | 6 | | |
| Accounting Policies | 7 | | |

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 2020. 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 applying its innovative TransCon technology 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 rare disease endocrinology product candidates by utilizing its TransCon technology with clinically validated parent drugs. The primary focus of Ascendis Pharma Bone Diseases A/S is activities directed towards development of improved products within bone diseases.

| | <u>2018</u> EUR | <u>2017</u> EUR |
|------------------------------------|-----------------------|-----------------------|
| 3 Staff | | |
| Average number of employees | <u>0</u> | <u>0</u> |
| 4 Financial expenses | | |
| Interest paid to group enterprises | 864.828 | 378.385 |
| Other financial expenses | 1.012 | 0 |
| Exchange loss | <u>3.047</u> | <u>632</u> |
| | <u>868.887</u> | <u>379.017</u> |

Notes to the Financial Statements

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 Consolidated financial statements

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

| <u>Name</u> | <u>Place of registered office</u> |
|---------------------|-----------------------------------|
| Ascendis Pharma A/S | Copenhagen, Denmark |

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

www.cvr.dk

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Ascendis Pharma Bone Diseases A/S for 2018 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 2018 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.

Notes to the Financial Statements

7 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 patent costs and 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 in deferred tax for the year. 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 enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

7 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 10 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 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 |
|--|-----|-------|

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

7 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments, which consist of unlisted shares are measured at cost price.

Receivables

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

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

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.