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**Ascendis Pharma  
Osteoarthritis Division A/S**

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

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

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CVR No 32 32 35 96

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

204 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 Osteoarthritis 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.

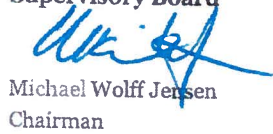
Hellerup, 20 April 2016

### 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 Shareholders of Ascendis Pharma Osteoarthritis Division A/S

We have audited the Financial Statements of Ascendis Pharma Osteoarthritis 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 Osteoarthritis Division 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

### **Main activity**

Ascendis Pharma Osteoarthritis 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 Osteoarthritis Division A/S is activities directed towards development of improved products within osteoarthritis.

### **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
<b>Gross profit/loss</b>		<b>-137.219</b>	<b>-1.220.383</b>
Administrative expenses		-85.180	-88.534
<b>Operating profit/loss</b>		<b>-222.399</b>	<b>-1.308.917</b>
Financial income	2	585	558
Financial expenses	3	-57.654	-28.449
<b>Profit/loss before tax</b>		<b>-279.468</b>	<b>-1.336.808</b>
Tax on profit/loss for the year	4	593	0
<b>Net profit/loss for the year</b>		<b>-278.875</b>	<b>-1.336.808</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-278.875	-1.336.808
		<b>-278.875</b>	<b>-1.336.808</b>

## Balance Sheet 31 December

### Assets

	<u>Note</u>	<u>2015</u> EUR	<u>2014</u> EUR
Acquired IP rights		146.940	220.409
<b>Intangible assets</b>		<b>146.940</b>	<b>220.409</b>
<b>Fixed assets</b>		<b>146.940</b>	<b>220.409</b>
Other receivables		4.685	62.752
<b>Receivables</b>		<b>4.685</b>	<b>62.752</b>
<b>Cash at bank and in hand</b>		<b>88.955</b>	<b>332.306</b>
<b>Currents assets</b>		<b>93.640</b>	<b>395.058</b>
<b>Assets</b>		<b>240.580</b>	<b>615.467</b>



# Balance Sheet 31 December

## Liabilities and equity

	<u>Note</u>	<u>2015</u> EUR	<u>2014</u> EUR
Share capital		67.021	67.021
Reserve for unpaid share capital		-50.266	-50.266
Retained earnings		-1.956.255	-1.677.380
<b>Equity</b>	<b>5</b>	<b>-1.939.500</b>	<b>-1.660.625</b>
Payables to group enterprises		2.175.380	0
<b>Long-term debt</b>		<b>2.175.380</b>	<b>0</b>
Payables to group enterprises		0	2.271.382
Other payables		4.700	4.710
<b>Short-term liabilities</b>		<b>4.700</b>	<b>2.276.092</b>
<b>Liabilities</b>		<b>2.180.080</b>	<b>2.276.092</b>
<b>Liabilities and equity</b>		<b>240.580</b>	<b>615.467</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	6		
Related parties and ownership	7		

## Statement of Changes in Equity

	Share capital	Reserve for unpaid share capital	Retained earnings	Total
	EUR	EUR	EUR	EUR
Equity at 1 January	67.021	-50.266	-1.677.380	-1.660.625
Net profit/loss for the year	0	0	-278.875	-278.875
<b>Equity at 31 December</b>	<b>67.021</b>	<b>-50.266</b>	<b>-1.956.255</b>	<b>-1.939.500</b>

# Notes to the Annual Report

## 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 April 30, 2017. 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.

	<u>2015</u> EUR	<u>2014</u> EUR
<b>2 Financial income</b>		
Exchange gains	<u>585</u>	<u>558</u>
	<b><u>585</u></b>	<b><u>558</u></b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	56.106	28.108
Exchange loss	<u>1.548</u>	<u>341</u>
	<b><u>57.654</u></b>	<b><u>28.449</u></b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	<u>-593</u>	<u>0</u>
	<b><u>-593</u></b>	<b><u>0</u></b>

The company has an unrecognised deferred tax asset of EUR 290 thousand in 2015 (EUR 229 thousand in 2014)

# Notes to the Annual Report

## 5 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:

	2015	2014	2013	2012
	EUR	EUR	EUR	EUR
Share capital at 1 January	67.021	67.021	67.021	0
Capital increase	0	0	0	67.021
<b>Share capital at 31 December</b>	<b>67.021</b>	<b>67.021</b>	<b>67.021</b>	<b>67.021</b>

## 6 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.

## 7 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

### 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 Osteoarthritis 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.

### 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

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.

### 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.