Annual Report 2020

Building families and helping people live better lives

FERRING PHARMACEUTICALS

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Annual Report **2020**

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Ferring Group Annual Report 2020

Accelerating our transformation journey

Frederik Paulsen

"I am confident that we will continue to address the challenges of the pandemic, while ensuring we follow a clear and focused path for sustainable future growth."

In 2020, Ferring marked its 70th anniversary. While we proudly paid tribute to seven decades of helping people live better lives, we did so under circumstances none of us could have foreseen. The global pandemic created significant uncertainty, an unstable business environment and major challenges for our company, our customers, and ultimately our patients.

Despite this, we were able to come together, take difficult decisions, protect our business and deliver on our commitments. A strong dedication to pull together and maintain stable operations was demonstrated across the company. Notably, our colleagues from manufacturing and supply, and in our markets, worked hard to make sure patients had access to important medications.

While we saw the fertility market decline sharply for a number of months due to the pandemic, it made a strong comeback in the second half of the year. Ferring stayed true to its commitment to patients and our ambition to be the world-leading, most trusted healthcare company in reproductive medicine and maternal health, and we further strengthened our commitment to this major therapy area. Our long-standing history, knowledge and relationships in reproductive medicine and maternal health have created a unique opportunity for us to shape and grow this area for people in a time of dramatic change.

We made solid progress in our pipeline across therapy areas. Our global gonadotropin programmes stayed on track despite the disruption brought about by COVID-19. In the microbiome area, we continued to leverage our first-mover advantage, confirming positive results from the pivotal Phase 3 study investigating RBX2660 for the reduction of recurrent *Clostridioides difficile (C. diff)* infection. Moreover, we continued to move forward with our plans to bring to market our first-in-class gene therapy for bladder cancer patients.

At Group Board Level, John Patterson announced his retirement as Chairman of the Research and Development (R&D) Committee. His successor, Jan Lundberg, joined the Board in January 2021, as a non-executive member of the Ferring Holding Board and Chairman of the R&D Committee. Jan has a strong background in pharmaceutical R&D and executive management, having served as Head of Research for AstraZeneca and President of Lilly Research Laboratories' Research and Medicines Development Unit.

Looking forward to 2021, we will continue to address the challenges of the pandemic, while ensuring we follow a clear and focused path for sustainable future growth.

Frederik Paulsen
Chairman

Ferring Group Annual Report 2020

Overcoming challenges together

Per Falk

"Our products have aided in the birth of over three million babies. We continue to demonstrate bold scientific and commercial leadership in this core therapy area."

Across the world, COVID-19 caused unprecedented challenges for businesses in 2020, including Ferring. Our activities were significantly impacted by the closure of fertility clinics worldwide during the first wave of the pandemic, yet we managed to hold the line and finish the year with a better result than projected in the early stages of the pandemic. This was achieved through a strong performance in the manufacturing and supply network and in our markets, which ensured that patients had access to medication, and through a well-executed cost savings and cash protection initiative.

Net sales were primarily driven by a strong rebound in our reproductive medicine and maternal health portfolio, following a significant reduction in the second quarter due to COVID-19, and by the overperformance of Pentasa® (mesalazine), which continues to deliver volume growth more than three decades after it was first introduced.

In our core area of reproductive medicine and maternal health, an estimated 250,000 babies were born in 2020 thanks to Ferring's fertility treatments Menopur® (menotropin) and Rekovelle® (follitropin delta). During Ferring's 20-year history as a leading company in reproductive medicine, it is estimated that our gonadotropin products have aided in the birth of over three million babies. Close to 50% of the revenues generated in 2020 came from this core therapy area, where we continue to demonstrate bold scientific and commercial leadership.

Our clinical trials for Rekovelle® in the US and Asia-Pacific and for Menopur® liquid pre-filled pen in the US progressed well, despite temporary clinic closures. The regulatory submission for Menopur® Pen, which will make treatment more convenient for patients, was filed in the EU, paving the way for approvals and launches in Europe. In Japan and China, we submitted the regulatory files for Rekovelle® with positive data, confirming its high value proposition for patients.

In maternal health, our heat-stable treatment to prevent post-partum haemorrhage was approved by regulatory authorities in Switzerland and India, laying the foundations for launch in countries with the highest need. This therapy has the potential to help many thousands of women to survive childbirth in low- and lower middle-income countries.

In Japan, Propess® (dinoprostone) was approved and launched for the initiation of cervical ripening. This is the first time in over 20 years that a pharmacological therapy has been approved for this indication in Japan, offering pregnant women more choice and an alternative to mechanical methods of cervical ripening.

In response to the pandemic, Ferring continued to demonstrate scientific leadership by launching our COVID-19 Investigational Research Grants in reproductive medicine and maternal health. These were designed to fund research, collect data and expand clinical knowledge about the effects of COVID-19 on reproduction, pregnancy and neonatal health. In total, Ferring awarded 71 grants to research projects from 22 countries.

In the microbiome area, we announced the world's first positive Phase 3 data for our investigational microbiome-based therapy, RBX2660 for the treatment of recurrent *C. diff* infection. These findings mark an important milestone, advancing the clinical development programme for RBX2660 with the goal of securing FDA approval and making this therapy available to patients in the US.

In uro-oncology, the leading journal *The Lancet Oncology* published Phase 3 data from the landmark clinical trial evaluating our investigational gene therapy nadofaragene firadenovec (rAd-IFN/Syn3), for the treatment of patients with high-grade, unresponsive non-muscle invasive bladder cancer. The data confirmed the unique and positive efficacy and safety profile of the candidate, and our efforts to achieve FDA approval will be a key focus area in 2021.

As well as marking the start of a new decade, 2020 was also Ferring's 70th anniversary, and while it wasn't the year any of us expected, I was incredibly impressed by the resilience and commitment of our employees who came together to deliver for our customers and patients. Through this commitment, we continue to transform the lives of so many people.

Thank you to everyone at Ferring who has contributed to our purpose of building families and helping people live better lives.

Per Falk
President

Delivering an impressive performance despite COVID-19

Dominic Moorhead

"The company responded strongly and delivered an impressive set of financial results with firmly improved profit and cash generation."

In 2020 Ferring Pharmaceuticals reported total revenues of €1,947 million, which was 4.4% lower than the prior year, and 1.8% lower on a constant currency basis. This reduction was due to the significant negative impact of the COVID-19 pandemic, with fewer patient admissions to hospitals and clinics. In particular, revenues on a constant currency basis dropped by 21% in the second quarter but rebounded strongly, so that in the other three quarters of the year revenues grew by a healthy 4.7% versus the prior year.

With the World Health Organisation's declaration of the COVID-19 pandemic in March, the company acted swiftly in establishing a "Cash Protection" initiative in order to constrain spending, re-prioritise projects, prepare scenario plans, and ultimately protect cash. In addition, a number of restructuring actions were accelerated in order to focus the business on the key strategic priorities and prepare the organisation for the future (known as Project "ReFocus").

For the year as a whole, the impact of COVID-19 resulted in a gross profit lower by €90 million than the prior year. However, this was countered by the Cash Protection initiative which resulted in lower net operating expenses by €138 million (i.e. -10.9%), including costs for restructuring and other one-time items. Consequently, operating profit increased by €48 million versus the prior year and totalled €236 million, which was an impressive 26% higher than the prior year and 46% higher on a constant currency basis.

Net income for the year reached €152 million, which was 1.5% higher than the prior year, after absorbing a loss of €28 million on other financial income and expenses primarily due to unfavourable currency movements on balance sheet positions.

Revenues rebounded strongly after COVID-19 impact

The revenues of €1,947 million comprised sales of goods, royalty income and other income. Sales of goods were the main component and totalled €1,904 million, which was 4.9% lower than the prior year, and 2.4% lower on a constant currency basis. We suffered from an unfavourable currency impact of €51 million during the year due to weaker US (USD), Argentinian (ARS), and Brazilian (BRL) currencies. Moreover, all regions were negatively impacted by COVID-19 with sales of goods on a constant currency basis explained below.

The US was the largest region with sales of €667 million (35% of total sales), which was 1.3% lower than the prior year on a constant currency basis. The negative impact of COVID-19 in the second quarter was most severe in the US, but conversely the rebound in the third quarter was strong; in general, elective treatments were most impacted by these dynamics. In fact, the reproductive medicine and maternal health franchise totalled €492 million and grew by 4.8%, driven by the flagship Menopur® (menotropin), as well as Fyremadel® (ganirelix), Novarel® (chorionic gonadotropin) and Endometrin® (progesterone). However, this was offset mainly by Euflexxa® (1% sodium hyaluronate) which was significantly impacted.

Europe achieved sales of €609 million (32% of total sales), which was 1.9% lower than the prior year on a constant currency basis, driven by the negative impact of COVID-19 as well as the continuous pricing challenges in the region. This was mainly due to the reproductive medicine and maternal health franchise which totalled €200 million, but was 9.2% lower than the prior year due to pressure on Menopur® and Tractocile® (atosiban). However, this was largely offset by the gastroenterology and urology franchises with 7.5% growth in Pentasa® (mesalazine) and 31% growth in Firmagon® (degarelix).

Asia-Pacific achieved sales of €369 million (19% of total sales), which was 5.5% lower than the prior year on a constant currency basis, mainly due to negative impacts in China and India. Latin America and Canada achieved €134 million (7% of total sales), which was 0.5% higher than the prior year on a constant currency basis, while Middle East/Turkey/Africa (META) achieved €103 million (5% of total sales) which was 3.7% lower than the prior year on a constant currency basis, reflecting the volatile political and economic environment in these regions.

Globally, our core franchise of reproductive medicine and maternal health reached €934 million (49% of total sales) which was 2.6% lower than the prior year on a constant currency basis, after a strong rebound following the impact of COVID-19 in the second

quarter. Our market share by volume of gonadotropins increased to nearly 31%. Within this, our flagship product Menopur® achieved €557 million and was 2.6% lower than the prior year. The gastroenterology franchise achieved €557 million (29% of total sales) and grew by 2.5%, driven by Pentasa® at +6.8%. The urology franchise achieved €292 million (14% of total sales) which was 7.5% lower than the prior year, mainly due to Minirin® (desmopressin) at 16% lower but partly offset by 8% growth in Firmagon®.

Strong profit growth and free cash flow despite lower revenues

Although revenues were 4.9% lower than the prior year, cost of goods was only 0.1% lower. Thus the gross profit margin at 71.8% of sales was 0.9% points below the prior year, due to an adverse product/market mix and lower production volumes.

Operating costs totalled €1,130 million and were 11% lower than in the prior year, as a result of net savings of €138 million including restructuring costs. The largest savings were in sales and marketing expenses which were 29% lower than the prior year, reflecting constrained business activity due to COVID-19, as well as savings initiatives. R&D expenses were also 8% lower than in the prior year, but at €331 million equated to 17.4% of sales as we continued to progress the late-stage opportunities - nadofaragene firadenovec (rAd-IFN/Syn3), a novel gene-based therapy, and RBX2660, a pioneering microbiome treatment.

Operating profit for the year was €236 million (12.4% of sales), which was an increase of 26% versus the prior year, and an even stronger increase of 46% on a constant currency basis. The difference was due to the unfavourable currency impact of €38 million during the year due to weaker US (USD), Argentinian (ARS), Swiss (CHF) and Brazilian (BRL) currencies.

Net income was €152 million (8% of sales), which was 1.5% higher than in the prior year, as a consequence of the strong increase in operating profit by €49 million, but partly offset by a loss of €31.6 million on other financial income and expenses primarily due to unfavourable currency movements on balance sheet positions, and also higher taxes of €15 million.

Net cash generated by operating activities amounted to €327 million (versus €264 million in the prior year), driven mainly by an increase in EBITDA to €334 million (versus €304 million in the prior year), which equates to an EBITDA margin at 17.6% of sales. Net cash used in investing activities increased slightly to €158 million (versus €156 million in the prior year); although investment in tangible and intangible assets decreased by €51 million, the changes in loans to related parties increased by €54 million mainly due to payments to the Trizell Group, who are the licensors and manufacturers of nadofaragene firadenovec. Thus, free cash flow amounted to a 55% increase to €169 million (versus €109 million for the prior year).

Net cash used in financing activities amounted to an inflow of €151 million (versus an outflow of €81 million for the prior year). During the year, repayment of loans to the shareholder totalled €77 million (versus €91 million in the prior year), but there was no dividend payment. In July, as part of a planned refinancing, the company raised €253 million from its inaugural Swiss Franc Bond offering for CHF 270 million, with five-year maturity and a fixed coupon rate of 1.05% per annum. The offering, which is listed on the SIX Swiss Exchange, attracted much interest from high-quality institutional investors and banks, demonstrating a recognition of the company's successful track record and solid cash generation. The company was rated as investment-grade BBB (Credit Suisse) and Baa- (Fedafin), both with a stable outlook. The net proceeds will be used for general corporate purposes, including the repayment of debt maturing in 2021.

Consequently, the cash position at the end of 2020 totalled €620 million (versus €309 million at the end of 2019), an increase of €311 million. This gives us a solid position from which to appropriately fund the business and progress our strategic agenda.

Improved transparency of the base business

For improved transparency, the business is now shown in two segments. The nadofaragene firadenovec business is developing a treatment for non-muscle invasive bladder cancer, together with a related party, the Trizell Group, who are the licensors and manufacturers. This asset is progressing through the regulatory process in the USA, and in 2019 Ferring formed a collaboration with Blackstone Life Sciences to pursue commercialisation and life-cycle management in the USA. During 2020, significant spending of €106 million was required to support these activities, with the start-up of FerGene Inc. in the USA and payments to Trizell Group. This funding requirement for the product will continue until after launch in the USA, in order to realise the full potential of this exciting opportunity.

The rest of the Ferring business is classed as the base business and includes the established franchises in reproductive medicine and maternal health, gastroenterology (including microbiome development), and urology. The financial performance of the underlying base business is strong, with an operating profit of €284 million (equating to 15% of sales), net income of €187 million (equating to 9.8% of sales), and free cash flow of €275 million.

Accelerating our transformation initiatives

During 2020, despite the challenges of COVID-19, we continued relentlessly with the transformation of our core business processes, with the aim of simplifying, modernising, standardising, and adapting to new ways of working.

- Business process re-engineering (BPR): across the world, we have largely completed the transition to outsourcing partners of our IT infrastructure services, finance and accounting processes, and payroll. In 2021 we will focus on transforming these processes with the help of our external partners.
- Leverage of procurement spend programme (PSP): this continued with the realisation of further incremental procurement savings, supported by the implementation of new processes.
- New enterprise resource planning (ERP) system: in late 2020, we started the next phase of designing and implementing a new standard ERP system covering the whole company. This is a major change initiative which will drive significant efficiency improvements in the mid-term, particularly in the areas of manufacturing, supply chain, finance and accounting.

To counter the impact of COVID-19 and improve mid-term profitability, a number of restructuring activities were accelerated during 2020 in order to focus the business on our key strategic priorities and prepare the organisation for the future (Project "ReFocus"). This involved portfolio simplification, as well as global restructuring across the commercial and R&D functions. Although much of this was implemented in 2020, changes will continue in 2021. The net impact on operating profit was neutral in 2020 due to significant one-time restructuring costs (including severance and impairments) recognised in 2020, but a full year of savings are expected to be realised in 2021.

In conclusion, despite the negative impact of the COVID-19 pandemic on revenues and on our business activities, the company responded strongly and delivered an impressive set of financial results with firmly improved profit and cash generation. Moreover, we had a successful inaugural Swiss Franc Bond offering, resulting in a solid cash position and diversifying our funding sources. We continue to persevere with our transformation initiatives in order to improve efficiency and agility, resulting in greater profitability. Thus, the company ends the year in a stronger position and poised to deliver on the next phase of our growth agenda.

Dominic Moorhead

Chief Financial Officer

Ferring at a glance

Ferring Pharmaceuticals is a research-driven, specialty biopharmaceutical group committed to helping people around the world build families and live better lives. Headquartered in St-Prex, Switzerland, Ferring is a leader in reproductive medicine and maternal health, and in specialty areas within gastroenterology and urology. Ferring has been developing treatments for mothers and babies for over 50 years and has a portfolio covering treatments from conception to birth. Founded in 1950, privately-owned Ferring now employs around 6,000 people worldwide, has its own operating subsidiaries in nearly 60 countries, and markets its products in 110 countries.

Helping people live better lives

Ferring has developed a wide range of innovative treatments with the potential to change the lives of people and families worldwide. We research, develop, manufacture and market products that help doctors to combat a wide range of diseases and medical conditions. We have a global reputation for using cutting-edge science and technology to develop drugs and biotechnology derived medicines, and for adapting existing therapies to address specific medical needs. We are also renowned for developing effective and patient-friendly drug delivery systems.

Reproductive Medicine and Maternal Health

Ferring is a recognised world leader in the field of reproductive medicine and maternal health. For more than half a century we have been developing treatments for mothers and babies, applying innovation in fertility, obstetrics and gynaecology to ensure every potential parent has the best possible opportunity to build a family. Ferring is the only pharmaceutical company with a portfolio of products spanning the full spectrum from conception to birth, and we are committed to researching and developing new medicines in areas of high unmet need, including fertility and diseases of pregnancy such as recurrent pregnancy loss, preterm birth and post-partum haemorrhage.

In 2020, reproductive medicine and maternal health contributed

49%

of the company's revenues

Ferring's largest product is **Menopur®** (menotropin), a highly purified preparation of the human hormone gonadotropin for treating both female and male infertility. Menopur stimulates the ovaries to make eggs via two components, a follicle stimulating hormone (FSH) and a luteinizing hormone (LH), whose bioactivity is mainly derived from human chorionic gonadotropin (hCG). In women undergoing assisted conception techniques such as *in vitro* fertilisation (IVF), Menopur stimulates follicles containing eggs to grow inside the ovaries, causing them to produce multiple eggs as part of an IVF cycle. Menopur is also indicated to stimulate follicle development in women who are unable to ovulate normally. In men with a condition called hypogonadotropic hypogonadism, Menopur may be given in combination with hCG to encourage the development of sperm cells. Menopur is available in over 130 countries.

Our newest fertility treatment is **Rekovelle®** (follitropin delta), the first recombinant follicle stimulating hormone to be derived from a human cell line. This is indicated for controlled ovarian stimulation in women undergoing assisted reproductive technologies such as IVF or intracytoplasmic sperm injection (ICSI). Rekovelle is administered according to an individual dosing regimen based on a woman's body weight and her serum level of anti-Müllerian hormone (AMH), a biomarker used to assess ovarian reserve and predict response to stimulation of the ovaries by gonadotropins. Rekovelle is available in 43 countries, and in 2020 it was launched in five more countries (Bulgaria, Malaysia, Russia, South Korea, Ukraine), and submitted in six more including China, Japan and Taiwan.

LutrePulse® (gonadorelin acetate) is used to treat infertility in women and men with deficient levels of gonadotropin-releasing hormone (GnRH). The medication can induce sexual development, follicle maturation and ovulation in women whose normal hormone secretion is affected. It can also be used to induce sperm production in men. LutrePulse is administered automatically using an injection device called a Pod.

In assisted reproduction, **Decapeptyl®** *(triptorelin acetate) is used to down-regulate the pituitary before and during controlled ovarian stimulation. In men it suppresses the action of testosterone and oestrogen, making it a standard therapy for diseases that depend on hormones, e.g. for slowing the development of prostate cancer. Decapeptyl consists of a solution for injection in a pre-filled syringe.

Endometrin® (progesterone) is a vaginal tablet used for support during the luteal phase following ovulation, to increase the success rate of assisted reproductive technology (ART).

Propess® / **Cervidil®** (dinoprostone vaginal insert) is used to initiate cervical ripening – the process of softening, relaxing and dilating the cervix in readiness for giving birth. Cervical ripening is required where labour has to be induced, which occurs in around 10% of births when the health of the mother or baby is at risk. Propess is administered through a vaginal insert which releases dinoprostone, an analogue similar to a natural prostaglandin, at a constant and controlled rate. Propess is the leading product worldwide for this purpose and has been used more than six million times since it was first approved more than 20 years ago. It is available in more than 60 countries and was approved in Japan in 2020.

Tractocile® (atosiban) is used to delay imminent preterm birth, the main cause of death and disability in new-born infants. Tractocile is given by intravenous infusion, and its active ingredient is an oxytocin/vasopressin antagonist which prevents uterine contractions and relaxes the uterus. Tractocile is the leading product worldwide for this indication.

Milprosa® (progesterone vaginal ring) was approved by the US FDA in April 2020 as the first once-weekly progesterone treatment for luteal phase support in women undergoing ART.

Pabal® (carbetocin) is a long-acting oxytocin analogue used to prevent postpartum haemorrhage (PPH) following all births. Excessive bleeding can occur following an incomplete abortion or caesarean section, or after the final stage of normal labour due to insufficient capacity of the uterus to contract after the placenta has been released. PPH is the leading direct cause of maternal mortality worldwide and is responsible for around 70,000 deaths a year, 99% of which occur in low- and lower middle-income countries. In 2020, Ferring announced the first approvals of a heat-stable formulation of carbetocin which does not require refrigeration and could help thousands more women to survive childbirth in countries with unreliable cold-chain distribution. This product, called Carbetocin Ferring, will be supplied at an affordable and sustainable access price to publicly funded or not-for-profit healthcare facilities in low- and lower middle-income countries. It has been added to the World Health Organisation's Essential Medicines List, along with other therapies deemed vital to address the world's most important public health needs.

Gastroenterology

Gastroenterology is Ferring's second most important therapeutic area, and we are constantly seeking to enrich our portfolio of medicines that address common diseases and help people to live better lives.

In 2020, Gastroenterology contributed

26%

of the company's revenues

**In certain markets, the Decapeptyl trademark is owned by third parties not associated with Ferring.*

Pentasa®* (mesalazine) is our market-leading medicine for the treatment and long-term management of ulcerative colitis and Crohn's disease, two forms of inflammatory bowel disease (IBD). These are chronic disorders causing inflammation and ulceration in the digestive tract. Pentasa is prescribed to treat mild to moderate symptoms of active IBD and is also widely used as a maintenance therapy to reduce the risk of recurrent attacks. It is the leading product in its class in seven major European countries. Pentasa is available orally as tablets and granules (sachets) in Europe and the rest of the world, excluding the USA, where Takeda sells Pentasa under a trademark licence from Ferring. Oral Pentasa has a prolonged-release formulation, helping to ensure the release of mesalazine throughout the entire intestine. Topical formulations (suppositories and enemas) are also available, allowing a high concentration of the drug to be in contact with areas of inflammation at the lower end of the digestive tract for several hours.

Cortiment®* (budesonide) is a controlled-release oral steroid used to induce remission in mild-to-moderate active ulcerative colitis, a long-term condition in which the colon and rectum become inflamed. Some patients experience periods of relapse or flare-up when their symptoms are particularly troublesome, followed by periods of remission with mild or non-existent symptoms. Cortiment contains budesonide, a locally acting glucocorticosteroid in a novel, patented oral formulation using multimatrix technology to ensure controlled release and distribution of budesonide throughout the colon.

Picoprep® (sodium picosulfate, magnesium oxide and anhydrous citric acid) is a ready-to-drink oral formulation for cleansing the colon before colonoscopy. It is approved for adults and children aged nine years and older.

Glypressin® (terlipressin) is given by intravenous injection to patients suffering from bleeding oesophageal varices, or enlarged veins in the oesophagus caused by a blockage or scar tissue in the liver. In some countries Glypressin is approved for the treatment of hepato-renal syndrome type 1, a form of progressive kidney failure seen in people with severe liver damage, often due to cirrhosis.

**In the US, Takeda sells Pentasa® under a trademark licence from Ferring.*

**Cortiment® is a trademark of Ferring B.V.*

Urology & Uro-Oncology

Urology is currently our third biggest franchise, and we are strengthening our commitment to the treatment of urological cancers.

Minirin® (desmopressin) is used to treat bedwetting in children and nocturia (or the need to awaken at night to pass urine) in adults. Both conditions are caused by over-production of urine at night, and Minirin works by imitating a natural hormone called vasopressin which helps the kidneys produce less water at night. Bedwetting can be traumatic for children, affecting their well-being and self-esteem. For adults with nocturia, waking up several times a night to urinate can lead to sleep deprivation and affect their quality of life. Minirin is the global leader in its class.

In 2020, Urology contributed

15%

of the company's revenues

Nocdurna®* (desmopressin) is a low dose sublingual formulation of desmopressin for treating nocturia in adults. It has been shown to reduce night-time urination by nearly half.

Firmagon® (degarelix) is a gonadotropin-releasing hormone receptor antagonist used to treat advanced hormone-dependent prostate cancer by suppressing the body's production of testosterone. Reducing testosterone levels causes cancer cells to die, reducing the size of the tumour and delaying its growth. Reduction of prostate-specific antigen (PSA) follows testosterone suppression. Firmagon has a novel mechanism of action that is different from traditional therapy, and has been approved in 88 countries to date. For patients with advanced prostate cancer, we have launched a one-month dosing regimen around the world including the USA, EU, China, and in Japan through a partner.

Orthopaedics (US only)

Euflexxa® (1% sodium hyaluronate) is a highly purified form of hyaluronan, a natural substance in the fluid surrounding a healthy knee joint that helps to lubricate, cushion and protect the knee. Euflexxa is injected into the knees of osteoarthritis sufferers to improve movement and reduce pain. It is used for patients who do not get enough relief from simple pain medications, or from exercise and physical therapy.

Endocrinology

Zomacton® (somatropin) is a recombinant human growth hormone for treating growth hormone deficiency in children and Turner's syndrome in girls. It has to be administered by daily injection for several years, and to make treatment more patient-friendly Ferring has developed a unique needle-free delivery system called ZomaJet® 2 Vision (4 mg) and ZomaJet Vision X (10 mg/ml).

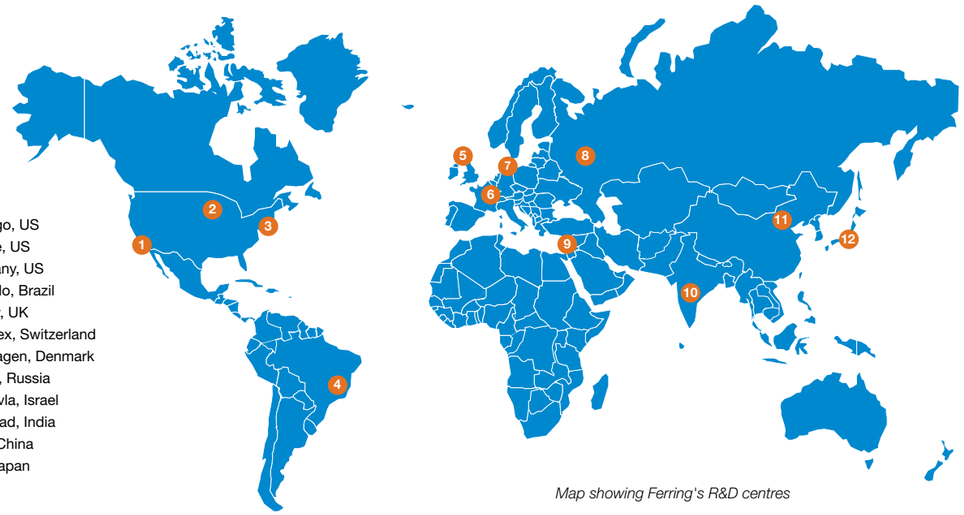
**In the US, Ferring has exclusively licensed the commercialisation of Nocdurna to Antares Pharma Inc.*

Science in the service of people

At Ferring, we are curious about science and passionate about the power of research. Our guiding principle is to go where the research takes us, directing our efforts towards the discovery and development of innovative medicines that address unmet needs within our core therapeutic areas. We invest heavily in the process of creating new medicines at our research and development centres, and through collaboration with leading scientific institutes and biotechnology and pharmaceutical companies worldwide.

Ferring's R&D activities are focused on the development of first-in-class modalities in our key therapeutic areas. In reproductive medicine and maternal health, we are exploring new biotechnological approaches that build on our large portfolio and extensive heritage in the field. In uro-oncology, we are establishing nadofaragene firadenovec (rAd-IFN/Syn3) as a breakthrough gene therapy for patients with non-muscle invasive bladder cancer (NMIBC) who are unresponsive to available treatments. Ferring is also pioneering research into the microbiome to discover innovative ways of diagnosing, treating and preventing disease. In our core area of gastroenterology we are developing a life-changing microbiome therapy for patients with recurring *C. diff* infection. Ferring also devotes considerable resources to developing patient-friendly delivery systems and dosage forms that enable medicines to be administered to patients in the most convenient and effective way possible.

This pioneering work is conducted in 10 countries, namely Brazil, China, Denmark, India, Israel, Japan, Russia, Switzerland, the UK and the USA (see map). The largest product development centre is in Copenhagen, Denmark, while the main research hub of the network is the Ferring Research Institute in San Diego, USA. These sites drive therapeutic innovation and the development of new molecular entities, as well as further developing our in-line products to better meet patient needs and address new disease areas. We also collaborate with a broad range of companies, academic institutions and organisations to share expertise and advance science in areas of unmet need.



Map showing Ferring's R&D centres

Reproductive Medicine and Maternal Health

Ferring's mission is to become the world-leading, most trusted healthcare company in reproductive medicine and maternal health. We are committed to helping people become parents, and to keeping mothers and babies healthy from conception to birth and beyond. People who face challenges in this area need safe, proven and effective solutions to help them live their best lives and achieve what may be their proudest lifetime milestones. Our research and development programmes aim to support and expand our well-established portfolio of products covering both reproductive medicine (i.e. infertility management, fertility planning and conditions causing infertility) and maternal health (i.e. pregnancy-related conditions, delivery and postpartum care).

In terms of reproductive medicine, Ferring provides therapies for all the major indications involved in a cycle of *in vitro* fertilisation (IVF) or ovulation induction. In markets such as the EU and USA, a patient can undergo a treatment cycle of IVF or intracytoplasmic sperm injection (ICSI) using only products made by Ferring. Our R&D activities in reproductive medicine are focused on a robust strategy for gonadotropins – the hormones that stimulate the ovaries or testes to carry out their reproductive or endocrine functions. In addition, Ferring explores novel treatment options for fertility-related problems such as implantation, endometriosis and bacterial vaginosis.

In terms of maternal health, we offer the most comprehensive portfolio of approved drugs in the world. Our R&D efforts are directed towards unmet medical needs in diseases of pregnancy such as pre-eclampsia, prevention of preterm birth, and management of postpartum haemorrhage. The most prevalent of these diseases are hypertensive disorders and premature births, each affecting more than 10 million women annually on a global basis, together leading to the deaths of approximately 70,000 mothers and one million babies annually worldwide. No effective treatments are available for many of these conditions.

Therapeutic Area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Reproductive Medicine and Maternal Health	FE 202767 (merotocin) Lactation	✔		
	FE 999051 (quinagolide) Endometriosis	✔		
	Menopur® Pen (gonadotropin) Infertility (China)		✔	
	Menopur® Pen (gonadotropin) Infertility (Japan)		✔	
	Menopur® Pen (gonadotropin) Infertility (US)		✔	
	Rekovelle® (follitropin delta) Infertility (Pan-Asia, India and US)		✔	
	Lutrepulse® (gonadotropin GnRH) Infertility (US)		✔	
	Menopur® Pen (gonadotropin) Infertility (EU)			✔
	Rekovelle® (follitropin delta) Infertility (China and Japan)			✔

This table only shows post Phase 2 projects and new molecular entities.

Gastroenterology and Microbiome

Ferring has a strong heritage of clinical research, educational support and sponsorship in the field of gastroenterology, and our pioneering research into the human microbiome also has important implications for this therapeutic area.

The microbiome is a complex community of microorganisms that live on every surface of the human body. This constitutes an organ in its own right, and supports the development and maintenance of the immune system, the metabolism, and other functions vital for life. An imbalance within the microbiome can trigger a range of disorders including recurrent *Clostridioides difficile (C. diff)* infection (CDI), irritable bowel syndrome and diabetes mellitus.

As part of Ferring's commitment to researching and developing life-changing medicines, we are working to understand the human microbiome, explore the potential health benefits of rehabilitating the gut microbiome, and develop innovative approaches for preventing, diagnosing and treating disease. Ferring began working in this space in 2008, and has established long-lasting relationships with world-renowned research institutions such as the Karolinska Institute, where we partner in the Center of Translational Microbiome Research.

In 2018, Ferring acquired Rebiotix Inc., a biotechnology company with a diverse pipeline of investigational compounds based on Microbiota Restoration Therapy (MRT), its pioneering microbiome-based drug platform which enables live, human-derived microbes to be delivered into the patient's intestines. Together, we are developing microbiome products that could offer a completely new approach to treating a range of debilitating diseases.

The most advanced microbiome-based treatment from Rebiotix is RBX2660, a non-antibiotic investigational compound for the prevention of recurrent CDI. The Phase 3 programme for RBX2660 was completed in 2020. CDI affects more than 500,000 people and causes around 29,000 deaths each year in the US alone, leading the Centers for Disease Control (CDC) to identify it as an urgent public health threat. RBX2660, which is delivered by enema, has shown promising results in clinical trials for the treatment of recurrent CDI, and has the potential to be the first human microbiome product approved anywhere in the world. The US Food and Drug Administration (FDA) has already granted fast-track, breakthrough therapy and orphan drug status to RBX2660, leading to expedited review following submission. An oral formulation called RBX7455 is also in Phase 3 development.

Therapeutic Area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Gastroenterology and Microbiome	RBX7455 oral formulation Recurrent *C. diff* infection		✔	
	RBX2660 enema Recurrent *C. diff* infection		✔	
	Pentasa® enema (mesalazine) Ulcerative colitis (China)			✔

This table only shows post Phase 2 projects and new molecular entities.

Urology & Uro-oncology

Ferring's commitment to urology goes back to the introduction of Minirin in 1972 and we continue to drive innovation, now with a focus on uro-oncology. One of the most important compounds in our late-stage pipeline is nadofaragene firadenovec (rAd-IFN/Syn3), a novel gene-based therapy for bladder cancer which uses the patient's own cells to produce interferon, enhancing the body's natural defences against the disease. Bladder cancer is one of the world's most common cancers with 430,000 new diagnoses annually, and is responsible for 165,000 deaths a year worldwide.

Ferring has a global licence from a related party, the Trizell Group, to develop and commercialise nadofaragene firadenovec for patients with high-grade non-muscle invasive bladder cancer (NMIBC) who are unresponsive to Bacillus Calmette-Guérin (BCG) treatment. NMIBC is the most common form of bladder cancer, accounting for 75-85% of cases. New and effective forms of treatment are required for patients who do not respond to BCG, a form of bacterial immunotherapy which is the standard treatment for early stage bladder cancer, in order to avoid cystectomy, or complete removal of the bladder.

A Phase 3 clinical trial showed that nadofaragene firadenovec achieved a complete response in more than half of patients with NMIBC who are unresponsive to BCG. The FDA has granted fast-track, breakthrough therapy and priority review to nadofaragene firadenovec, which has the potential to become the new gold standard of care. In 2019 Ferring formed a collaboration with Blackstone Life Sciences to pursue commercialisation and life-cycle management in the USA. A subsidiary of Ferring, FerGene Inc., was created to facilitate this collaboration and FerGene Inc. is fully consolidated within Ferring.

Therapeutic Area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Urology & Uro-oncology	Nadofaragene firadenovec (rAd-IFN/Syn3)* High-grade non-muscle invasive bladder cancer (US)			✔

This table only shows post Phase 2 projects and new molecular entities.

**Ferring has a global licence to develop and commercialise rAD-IFN/Syn3, a novel gene-based therapy for non-muscle invasive bladder cancer patients who are unresponsive to BCG treatment*

Global Drug Discovery and External Innovation

The mission of the Global Drug Discovery and External Innovation organisation is to discover and develop novel medicines and solutions in our key therapeutic areas, by harnessing advances in small molecules, biologics and microbiome discovery platforms to fill our R&D pipeline. We focus on discovering differentiated therapies that address unmet needs through our deep understanding of disease biology and the application of novel technologies.

Generating drug candidates involves multiple stages of research and early clinical development to ensure the safety and efficacy of new medicines. In 2020 we continued transforming the organisation, including embedding new functions and research technologies to create a state-of-the-art drug discovery engine for Ferring. This will enable us to fully leverage our capabilities in drug discovery, early clinical development and external innovation in support of the company's strategic goals. In addition to building internal excellence, we are also committed to seeking out external opportunities. Ferring collaborates with a range of world-leading academics, research organisations and biotechnology companies to translate new ideas into innovative medicines.

> "Ferring collaborates with world-leading academics, research organisations and biotechnology companies to translate new ideas into innovative medicines"

Building families – from conception to birth

As a recognised leader in the field of reproductive medicine and maternal health, our mission is to improve experiences and outcomes for patients and families at every stage of the reproductive journey. We are the only pharmaceutical company with products covering the full spectrum from conception to birth, and we invest in research and development to find innovative solutions to build families. We are proud that our fertility products contributed to the birth of an estimated 250,000 babies in 2020, adding to a total of at least 3.2 million 'Ferring babies' born over the last 50 years.

Our research covers areas of high unmet need at every stage of the reproductive cycle, including the search for new treatments to address infertility, obstetric conditions and gynaecological disorders. Special areas of focus are pre-eclampsia, preterm birth and postpartum haemorrhage (PPH), or excessive bleeding after birth. Our work is helping to redress a long-standing imbalance in priorities, with only 4% of global funding for healthcare research and development devoted to women's health in 2018.

As an example of our commitment, in 2020 Ferring announced a series of research grants to increase our understanding of COVID-19 by investigating its effects on reproduction, pregnancy and foetal/neonatal health. These grants were designed to gather data from IVF programmes during the pandemic, including outcomes for infected pregnant patients, results from ongoing fertility treatment, and effects on gametes/embryos in patients exposed to the virus.

During the year we also continued our long-term collaboration with the Chinese Academy of Sciences (CAS), which led to the creation of the Ferring Institute of Reproductive Medicine (FIRM) in Beijing. This conducts ground-breaking research into reproductive medicine and maternal health that could result in new treatments for fertility and pregnancy-related conditions. The aims of FIRM are to advance basic and translational research by exploring novel technologies in stem cell and regenerative medicine, to identify targets for drug discovery, and to develop new product candidates and therapeutic strategies.

Ferring is also exploring the role of the microbiome in reproductive medicine and maternal health, and we are collecting data to support future research and development in areas of high unmet need including infertility, recurrent pregnancy loss and preterm birth.

Treating infertility

Studies indicate that at least one in six couples – or an estimated 186 million people worldwide – may experience problems in conceiving a child. This figure appears to be rising, partly because of the trend for couples to delay parenthood for a range of complex socio-economic reasons, and partly due to a hitherto undefined general drop in fertility, as described in a study published in *The Lancet* medical journal.

Treatment of infertility is one of Ferring's key areas of expertise, and we are committed to pursuing innovation in the field of assisted reproductive technology (ART). As well as developing new therapies, Ferring also works with policy makers, healthcare professionals and patient communities to change mindsets and expand access to IVF treatment. This is necessary because many national health services and health insurance programmes provide limited funding and support for IVF, despite the WHO recognising infertility as both a disease and a global public health issue. The perception that fertility treatment is non-essential led to the enforced closure of many clinics worldwide during the initial months of the COVID-19 pandemic, leaving many people desperate as their family-building plans were put on hold.

As an example of our work, Ferring collaborates with the US patient group RESOLVE to support wider access to fertility treatment coverage. We established a Fertility House Calls service in the US to help people find local clinics and arrange virtual consultations with specialists. We also support efforts to widen the accepted definition of 'infertility' to include anyone whose circumstances make them unable to build a family without medical help, such as single women and the LGBTQ+ community. Finally, recognising that fertility issues are as common in men as women, Ferring is conducting two research projects investigating male fertility. The aim is to ensure that in future, women do not undergo IVF when their male partner would benefit from therapy.

Supporting safer birth

Obstetrics focuses on the care of women during pregnancy, until labour and birth. Most pregnancies proceed to full term without any serious complications, but each year more than 300,000 women die from complications during childbirth. Where medical help is required, our portfolio provides a range of therapeutic options to delay premature (or 'preterm') birth, prevent postpartum haemorrhage, and help with induction of labour.

Preventing preterm birth: Preterm birth is one of the biggest causes of infant mortality, but the reasons behind it remain poorly understood. Ferring has made a five-year USD 10 million commitment to support March of Dimes, a US non-profit organisation which operates a network of Prematurity Research Centers to investigate the causes and prevention of preterm birth. Our collaboration aims to develop new solutions that could help the estimated 15 million babies a year who are born earlier than expected. Ferring's grant enabled March of Dimes to set up its first research centre outside the US, at Imperial College in London, where scientists are using the latest technologies to develop methods for predicting and preventing preterm birth.

Reducing maternal mortality: Every year, 14 million women suffer from postpartum haemorrhage (PPH), or excessive bleeding after childbirth. This causes 70,000 deaths a year, 99% of which are in low- and lower middle-income countries. Most of these deaths are preventable with uterotonic medicines, which help the uterus to contract and stop the bleeding. Ferring scientists developed a uterotonic compound called carbetocin which has been approved since 1997.

The challenge is that the standard of care for PPH requires cold-chain distribution and storage to maintain its effectiveness, which is not always possible in the worst affected countries. We therefore developed Carbetocin Ferring, a heat-stable formulation which does not require refrigeration, and conducted the largest ever randomised clinical trial into the prevention of PPH. The CHAMPION study, organised in collaboration with the WHO and MSD for Mothers, involved nearly 30,000 women in 10 countries. Results published in the *New England Journal of Medicine* in 2018 show the heat-stable formulation of carbetocin is as effective as oxytocin, the current standard of care, when both treatments are administered under identical, controlled and optimal conditions. Carbetocin Ferring was approved by Swissmedic in April 2020, and in India in September 2020. We are now seeking registrations in low- and lower middle-income countries including Kenya and Nigeria. As part of our commitment to the United Nations Global Goal on Maternal Health, Ferring is committed to making heat-stable carbetocin available at an affordable and sustainable price in public sector healthcare facilities in 80 countries with the highest burden of maternal mortality.

Preventing complications in pregnancy: We also invest in research to develop and improve methods for induction of labour. This occurs when the obstetrician considers it is safer, for the mother or unborn child, to deliver the baby than to continue with the pregnancy. Most commonly, labour is induced when the pregnancy is prolonged beyond term, but there could be other causes including pre-eclampsia, poor intra-uterine growth of the baby, or unexplained bleeding in the final phase of pregnancy.

Gynaecology research: Ferring is involved in developing new products to treat disorders of the female reproductive system where there is a clear unmet need, such as endometriosis.

Project Family

At Ferring, we believe in everyone's right to a family and we are committed to building families of every shape and size. We initiated Project Family in 2017 to create a worldwide conversation about the need to improve access to quality care and treatment so that more people can build a family, and to better support people on their journey from conception to a safe, successful birth. As a world leader in reproductive medicine and maternal health, Ferring understands the joy and heartache that people can experience when building a family. We recognise that all families are different, and everyone deserves the same level of information, support and care. For this reason, we are committed to finding innovative and personalised healthcare solutions, and we collaborate with partner organisations and patient advocates to support families around the world.

In 2020, Ferring collaborated with fertility advocates across the globe to develop the Ferring Project Family Commitment. This addresses the challenges and inequalities that people experience on their family building journeys, and outlines how we will develop therapies to address unmet needs and help people access the support, care and treatment they need to build a family.

Streamlining our global supply network

For Ferring Technical Operations (TechOps), 2020 was a year of unparalleled challenges as we embarked on a programme to expand and streamline the company's manufacturing and supply network to prepare for future growth, while ensuring our key products remained available throughout the pandemic.

As soon as the COVID-19 outbreak began, Ferring took prompt action to address the potential impact on our business. The most immediate priority was maintaining patient access to our medicines, while also protecting employees and their families, with particular attention paid to safety conditions at the company's production sites. A series of measures were put in place to support employees and reduce the operational risks associated with COVID-19, ensuring that production continued uninterrupted during the pandemic. With all major production sites delivering at or beyond plan, together with an agile supply chain organisation responding to all logistical challenges, Ferring had spare capacity and risk mitigation in place to maintain supply despite the disruption caused by COVID-19.

During the year, we also began a comprehensive review of our global network to ensure it is appropriately structured and resourced to deliver on the company's future priorities. TechOps consists of a cross-functional network of 1,800 employees in global manufacturing, supply network operations, manufacturing technology and science, plus a range of support functions. The aim of the review was to ensure that TechOps is "fit for the future" by working efficiently in value streams focused on end-to-end delivery, while minimising issues relating to quality and product availability.

In parallel, we clarified the future roles of our individual manufacturing sites to support the company's growth agenda. Ferring operates production facilities in many countries representing major geographies such as China, Europe and the USA.

The plant at Kiel in Germany is being further developed as Ferring's centre for aseptic manufacturing, focusing on cartridges, vials, syringe filling and device assembly. We are increasing utilisation of our site in Zhongshan, China, to supply aseptic liquid products to primarily local and regional markets, and diluents worldwide (apart from the USA). Our US manufacturing site at Parsippany, New Jersey, will produce high value aseptic products and diluents for the US market, as well as second source production. The manufacturing plant in Scotland consolidated its role as the company's centre for polymer technologies, supplying the market with Propess® and Milprosa® in future.

To further reduce the risk of supply disruption related to active pharmaceutical ingredients (APIs), Ferring is implementing a strategy to provide dual sourcing for critical APIs. For example, investments at Syntese in Denmark and Ambernath in India are providing dual sourcing of the API for Pentasa®. In addition, we are developing the sites at Hyderabad in India and St-Prex in Switzerland to provide dual sourcing for Pentasa® granules, tablets and suppositories to consolidate the supply chain and cater for projected future demand.

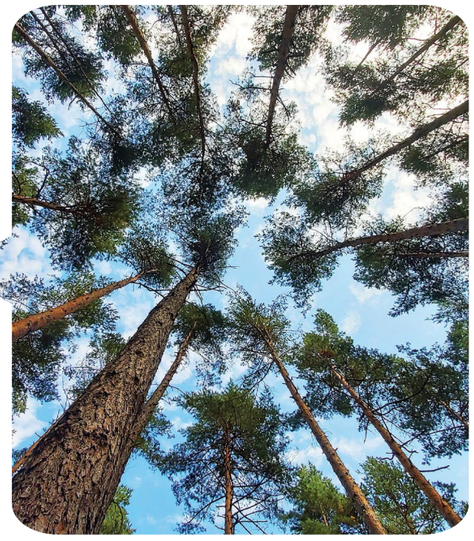
Purpose, People, Planet: Towards a sustainable future

In line with global trends, Ferring has moved beyond Corporate Social Responsibility (CSR) to embrace the more holistic vision of sustainability, which encompasses the full range of the company's impacts based on Environmental, Social and Governance (ESG) criteria. This is embodied in the three pillars of our sustainability strategy:

- **Purpose:** we deliver value as a responsible and ethical business, helping people to build families and live better lives.
- **People:** we meet the needs of patients, enable employees to find their passion and purpose, and support the communities around us.
- **Planet:** we minimise our environmental footprint and ensure health and safety for all.

These aspirations are aligned to the company's business strategy, guided by the Ferring Philosophy, and framed by the goals of the United Nations Global Compact (UNGC). As the world's leading initiative for responsible businesses, the Global Compact is a guiding force in areas such as human rights, anti-corruption, labour and the environment. Ferring is a member of the Global Compact, which enables us to engage with the UN Global Goals – a blueprint for a better world, covering a range of issues from climate change to child health. While we contribute to several of the Global Goals, we are especially focused on goal number three: Ensure healthy lives and promote well-being for all at all ages.

In 2020, the COVID-19 crisis highlighted the importance of sustainability by reminding us how interconnected we are as a global community, and how vital it is that we work together to protect the wider interests of society, in addition to the interests of the company, our employees, healthcare workers, and patients. The progress we have made ensured we were well placed to achieve these aims during the pandemic, and we will continue our journey towards sustainability in the coming decade.



Purpose

As a research-driven, specialty biopharmaceutical group, we are committed to helping people around the world build families and live better lives. Our approach is founded on the belief that to have a healthy tomorrow, and to build the next generations of families, we must think beyond the needs of today. We therefore aim to harness our research and expertise to secure a better future for all.

As a leader in reproductive medicine and maternal health, Ferring's core mission is to deliver better outcomes at every stage of the reproductive journey from conception to birth. This is demonstrated by our programme to develop and deliver a heat-stable formulation of carbetocin, which was added to the WHO's Essential Medicines List in 2019 for the prevention of postpartum haemorrhage (PPH), or excessive bleeding after childbirth – one of the leading direct causes of maternal mortality worldwide.

Ferring also partners with non-profit organisations to promote initiatives for improving the health of mothers and babies. In 2020, we committed to support GreenLamp, which is dedicated to training midwives and providing better maternity care in rural Ethiopia, where the maternal mortality rate is 70 times higher than in Switzerland. For the next five years, we are sponsoring a programme to provide solar-powered devices called Solar Suitcases which offer a reliable source of energy for health centres, in areas where power supplies are intermittent or non-existent. This ensures safer birthing and has been shown to result in a 67% increase in safe deliveries.

Sustainability demands that we deliver value as a responsible and ethical business, by acting with integrity and listening with respect to patients, employees, regulators, customers, business partners and local communities. Wherever we work in the world, it is our job to ensure we raise awareness and empower colleagues to make the right decisions, guided by the Ferring Philosophy, our Leadership Principles, our commitment to the UN Global Compact, and a comprehensive set of internal policies and practices.

Our employees are trained on Ferring's Code of Conduct, which sets out our expectations for everyone who works for the company or acts on its behalf. The code requires compliance with the letter and spirit of all local laws, regulations and relevant industry codes. Our responsibilities extend to ensuring we make the right choices when selecting suppliers, and we have implemented a Supplier Selection Matrix which takes account of potential suppliers' sustainability policies and practices.

People

People are at the heart of why we exist and how we operate as a business. Our main purpose is to meet the needs and support the rights of patients. Ferring seeks the loyalty of these patients and physicians, and we are prepared to earn this loyalty anew every day. We could not do this without the knowledge and dedication of our employees, and we are committed to helping them fulfil their own passion and purpose. Ferring supports and is supported by the communities in which we operate, including patients, doctors, nurses and midwives. In the words of our Philosophy: "People come first at Ferring".

Our mission to become the world's most trusted healthcare company in reproductive medicine and maternal health involves building closer relationships with patients and their families. This is reflected in our drive to become a truly patient-centric organisation, in which we put patients at the centre of the business, listening to their needs and understanding their experiences at every stage of their journey. The ultimate measure of progress is our ability to build trusting, long-term relationships with patients and healthcare professionals around the world.

To achieve sustainability, it is vital that employees feel passionate about their work. A sense of shared purpose ensures the company delivers the best support possible for patients. As the business grows and we shift towards a more performance-based culture, we are encouraging colleagues to think about their role and purpose in the wider value chain.

With a global footprint and employees in nearly 60 countries, Ferring strives to be a diverse and inclusive employer. This means showing equal respect, treatment and opportunity to people of all cultures, ethnicities,

> "We believe that to have a healthy tomorrow, and to build the next generations of families, we must think beyond the needs of today"

genders, sexual orientations, religions, ages and backgrounds. As stated in our Philosophy, all our employees have the right to receive respect, support and encouragement, and to work in an environment that is safe, stimulating and rewarding.

Another crucial group of people are the communities in which Ferring operates, and we aim to support the individuals and organisations that provide for the needs of our employees and their families. A growing number of our offices worldwide have volunteering policies offering employees dedicated days to work in their community, and we are preparing guidelines to encourage further participation in these activities.

Planet

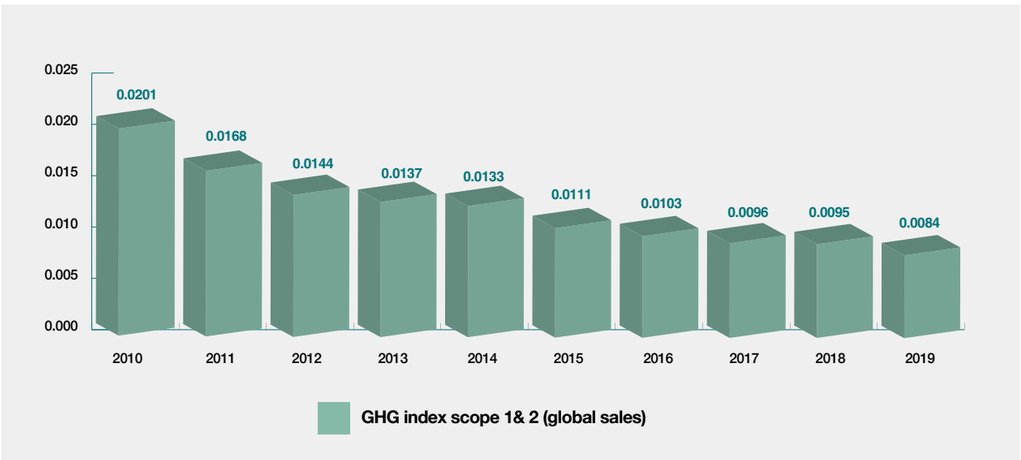
With the world facing so many environmental challenges and resource constraints, it is our duty to minimise our impact on the environment. We are entering a critical era with regard to climate change, and our commitment to healthier outcomes for patients must go hand in hand with our commitment to the health of the planet. We therefore seek to apply sustainability criteria to all our business decisions and investments, and to minimise our environmental footprint wherever possible.

This means reducing our carbon footprint, transitioning to more sustainable sources of energy, and protecting natural resources. Beyond our direct operations and supply chains, we also encourage employees to do the same in their own communities.

Ferring has a set of policies guiding our efforts to reduce environmental impact, inspired by the principles of the UN Global Compact. We set annual targets for each of our 13 manufacturing sites around the world, as well as global targets for measuring progress. As illustrated in the table below, between 2010 and 2019 we reduced our scope 1 and 2 greenhouse gas (GHG) emissions by 58% relative to sales. Our progress in GHG reduction is published each year in Ferring's Sustainability Report.

Ferring is also pursuing a range of initiatives to reduce the environmental footprint of our offices. For example, our new office building in Denmark employs climate-smart technology including solar panels and sophisticated control systems. We have introduced schemes to reduce plastic waste, such as eliminating disposable water bottles in Switzerland and the UK, providing reusable cups in France, and incentivising employees in Vietnam to reduce plastic waste both inside and outside the office. We have launched green car policies encouraging the use of hybrid or electric vehicles in Switzerland, the USA and UK, and introduced the use of biofuel into our car fleet in Brazil.

As we face the future, while constantly adapting to uncertainty and change, we remain as strongly committed as ever to our sustainability strategy. The coming year will be guided by sustainability goals defined under Purpose, People and Planet, to support sustainable growth and to help people build families and live better lives.



Our Leadership

Board of Directors

The Board of Directors and Executive Committee of Ferring collaborate to bring life-changing innovation to address key unmet needs.

Frederik Paulsen
Chairman

Mr. Paulsen has been Chairman of Ferring's Board of Directors since 1988. He joined the company in 1976 and became Managing Director of Ferring AB, Sweden, in 1983. He studied chemistry at the Christian-Albrecht University in Kiel, Germany, and business administration at the University of Lund, Sweden.

Alexandra, Countess of Frederiksborg
Chairman of Ethics and Compliance Committee

Alexandra, Countess of Frederiksborg (formerly Princess Alexandra of Denmark) has a professional background in marketing, and is involved in philanthropic pursuits as Patron for UNICEF Denmark and the Danish Society for the Blind. Her work for UNICEF has included visiting HIV/AIDS patients in Thailand.

Jeffrey D. Hobbs
Vice Chairman

Mr. Hobbs was appointed Group Director in 1994 and is presently Vice Chairman and Executive Director. He was instrumental in establishing Ferring's UK operations in 1975, after working with the healthcare businesses of Guinness plc for six years. He received his degree from the London School of Economics.

Hélène Ploix
Chairman of the Audit and Finance Committee

Mrs Ploix is a partner of Pechel Industries Partenaires where she was previously Chairman and Chief Executive Officer. She was also Deputy Chief Executive Officer of the Caisse des Dépôts et Consignations, and in this capacity, Chairman of CDC participants. She formerly held positions as Executive Director of the International Monetary Fund and World Bank, Special Adviser to the French Prime Minister Laurent Fabius, Chairman of the Banque Industrielle et Mobilière Privée (BIMP), and Director of the Compagnie Européenne de Publication.

Ferring Group Annual Report 2020

Jan Lundberg
Chairman of the Research and Development Committee

Jan Lundberg joined the Board of Ferring in January 2021 as a non-executive director and Chairman of the Research and Development Committee, following the retirement of John Patterson. Dr. Lundberg has 18 years' leadership experience with global organisations such as AstraZeneca and Eli Lilly, and supervised the development of more than 200 drug candidates and 25 approved products across multiple therapeutic areas. He has also served on the boards of several biotechnology companies and on governmental committees in the EU and USA. Dr. Lundberg holds M.D. and Ph.D. degrees, and before joining industry was Professor of Pharmacology at the Karolinska Institute in Sweden.

Luzi von Bidder
Chairman of the Remuneration and Nomination Committee

Mr. von Bidder joined the Ferring Board of Directors in 2013. He was formerly Chairman of the Swiss listed company Acino Holding AG and is on the board of several other private healthcare companies. Prior to joining Ferring, Mr. von Bidder was President and CEO of Novartis Ophthalmics – later spun off as part of the divestiture of Alcon – and was a member of the Novartis Pharma Executive Board. He received a master's degree from the University of St. Gallen, Switzerland, in 1979.

Executive Committee

Per Falk
President

Per joined Ferring Pharmaceuticals in 2015 and was appointed President on January 1st 2019. He previously held executive and senior leadership positions in research, medical and clinical development at Novo Nordisk and AstraZeneca. Before joining industry, he held the position of Associate Professor at the Karolinska Institute, Sweden, and Washington University School of Medicine, USA. Per has an M.D. degree and a Ph.D. in Biochemistry and Clinical Chemistry from Gothenburg University, Sweden.

Curt McDaniel
Secretary to the Board of Directors, Secretary to the Executive Committee and Chief Legal Officer

Curt joined Ferring in 2006 and oversees Legal, Intellectual Property, Compliance, and Privacy activities worldwide. He has over 30 years' experience in the pharmaceutical industry, spanning various aspects of the business and many different countries and cultures. Prior to joining Ferring, Curt worked at Eli Lilly for over 16 years. He holds a Juris Doctor degree and M.B.A. from Indiana University and a B.A. from Purdue University.

Aaron Graff
Executive Vice President
and Chief Commercial Officer

Aaron joined Ferring in 2002, and now has operational responsibility for commercial activities worldwide. He is also responsible for Global Marketing and Business Development. Before joining Ferring, he worked at Bristol Myers Squibb for more than 17 years in a variety of sales, marketing and management positions in both the USA and Europe. He holds an M.B.A. in Marketing from New York University and a Bachelor of Business Administration degree in Finance from the University of Michigan.

Armin Metzger
Executive Vice President, Head of Global Technical Operations and Chief Production Officer

Armin joined Ferring Pharmaceuticals in 2016 as Senior Vice President, Head of Global Pharmaceutical R&D. In July 2019 he was appointed Executive Vice President, Head of Global Technical Operations and Chief Production Officer. Armin has more than 20 years' experience in the pharmaceutical industry, and before joining Ferring he spent 17 years with Merck and Merck Serono in various global leadership positions. Armin holds a Ph.D. in Biochemistry from the University of Bayreuth, Germany.

Mirjam Mol-Arts
Executive Vice President,
Chief Science and Medical Officer

Mirjam joined Ferring Pharmaceuticals as Senior Vice President for Global Development in January 2018 and has held the position of Chief Science and Medical Officer since July 2020. She is responsible for overseeing Ferring's research and development, real world evidence, global pharmacovigilance, and global medical affairs activities. Mirjam has over 30 years' global experience across research, medical, clinical development and portfolio management, and previously held senior leadership positions at Solvay Pharmaceuticals, Schering-Plough, Organon, and MSD. Most recently, she was Chief Executive Officer of a newly established science park which focused on pharmaceutical innovation in the Netherlands. Mirjam graduated as a medical doctor from Utrecht University in the Netherlands.

Dominic Moorhead
Executive Vice President
and Chief Financial Officer

Dominic joined Ferring in April 2017 as Chief Financial Officer, and is responsible for finance, IT, procurement, and internal audit. He is also executive sponsor of the business process re-engineering programme and co-chairman of FerGene. Dominic has over 30 years' finance and business experience in the life sciences industry. Previously, he worked as Global Financial Controller at Takeda Pharmaceuticals, and as Chief Financial Officer of the international business following the acquisition of Nycomed. Prior to this he worked for Hoffmann-La Roche, where he was CFO of the Pharma Division for nine years. Earlier in his career he worked for Price Waterhouse in Manchester. Dominic is a Fellow of the Institute of Chartered Accountants in England and Wales, and has a B.Sc. in Chemistry from the University of Nottingham.

Ferring Products

Reproductive Medicine and Maternal Health

Brevactid®
Choragon® (Novarel® / Brevactid®)
Decapeptyl® Daily (Gonapeptyl® Daily)*
Endometrin®
Follitrin®
Gestone®
Lutinus® (Endometrin®)
Lutrelef® (LutrePulse®)
Menogon® (Repronex®)
Menopur® (Merapur® / Meropur®)
Norprolac®
Pabal® (Duratocin® / Lonactene® / Duratobal®)
Propess® (Cervidil®)
Rekovelle®
Tocofeno®
Tractocile®

Gastroenterology

Clenpiq®
Cortiment® MMX®**
Glypressin®
Klyx®
Pentasa®***
Picoprep® (Pico-salax® / Picolax® / Prepopik®)
Remestyp®
VSL#3****

Ferring Products

Urology and Uro-Oncology

Ddavp® (Desmotabs® / Desmospray® / Adiuretin®)
Firmagon® (Gonax®)
Gonapeptyl® depot / Decapeptyl® depot
Minirin® (Minirin® Melt / Desmomelt® / Ddavp® Melt / Minurin® / Minrin® Melt)
Nocdurna® (Nokdirna® / Noqdirna® / Noqturina®)*****
Octim® (Octostim®)
Remestyp®
Testavan®
Vitaros®

Endocrinology

Decapeptyl® Daily (Gonapeptyl® Daily)*
Zomacton® (Bio-tropin®)
ZomaJet® 2 Vision
ZomaJet® Vision X

Orthopaedics

Euflexxa® (Arthrease®)

** In certain markets, the Decapeptyl trademark is owned by third parties not associated with Ferring.*
*** Cortiment is a trademark of Ferring B.V. MMX is a trademark of Cosmo Pharmaceuticals S.A.*
**** In the USA, Takeda sells Pentasa® under a trademark licence from Ferring.*
***** VSL#3 is a trademark of VSL Pharmaceuticals, Inc. in the US and Actial Farmaceutica Lda in Europe.*
****** In the USA, Ferring has exclusively licensed the commercialisation of Nocdurna to Antares Pharma Inc.*

Ferring Group

Consolidated Financial Statements 2020

To the General Meeting of Ferring Holding SA, Saint-Prex

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferring Holding SA and its subsidiaries (the Group), which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows as at 31 December 2020 and for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (presented on pages 54 to 61 give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) 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.

Our Audit Approach

Summary
Key audit matters: We identified and addressed the following key audit matters:

- Revenue recognition in respect of gross to net adjustments
- Valuation of intangible assets (goodwill and licences arising from the purchases of licences and/or businesses with licences)

Materiality
Based on our professional judgement we determined materiality for the Group consolidated financial statements as a whole to be €13.9 million.

Scoping
We structured our approach to the audit to reflect how the Group is organised as well as ensuring our audit was both effective and risk focused. Further details are provided on page 50.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in respect of gross to net adjustments

Key audit matter

The Group sells its products to customers in the US under a variety of commercial and government mandated contracts that include various rebates, chargebacks, discounts and right of return for certain pharmaceutical products. Revenue recognition reflects the accrual for these returns and rebates, which are net-off against the gross revenue as it is recognised. These accruals are known as the gross-to-net adjustments ("GTN adjustments") and are a source of significant estimation uncertainty, which could have a material impact on reported revenue. For the year ending 31 December 2020 the total revenues included €533.7M of GTN adjustments made in the US and the reciprocal balance sheet impact amounted to €84.3M. Management performs monthly estimates of the GTN adjustments. The main causes of significant estimation uncertainty are:

- Estimating the number of units sold that are subject to the chargeback/rebate. This assumption is the most challenging of the key assumptions used to derive the accrual given that it is influenced by market demand and other factors outside the control of the Group;

- Estimating the time lag between the point of sale and the point at which exact rebate amounts are known to the Group upon receipt of a claim. Those payer channels or buying groups with the longest time lag result in a greater accrued period, and therefore, a greater level of estimation uncertainty in estimating the period end accrual; and

- Estimating the amount of rebate per product.

We consider the GTN adjustments to be a key audit matter because of the significant level of estimation uncertainty in the calculations.

GTN adjustments are disclosed as a critical accounting assumption and judgement in note 2 of the Group consolidated financial statements.

How the scope of our audit responded to the key audit matter

Our audit work during the year included the following procedures on the GTN adjustments:

- We tested the design and implementation of the key controls over the estimation of the GTN adjustments and related accruals, including the month end accrual review controls.

- We assessed the historical accuracy of management's estimates against actual outcomes to inform our assessment of the current year accrual.

- We tested the completeness and accuracy of the data used by management to estimate the GTN adjustments, such as units not eligible for rebate, units subject to rebate, average chargeback rate per unit, amount of rebates paid out.

- We obtained third party reports to test the year end inventory on-hand levels at distributors and chargeback processed reports to test inventory lag and compared with management's assumptions.

- We developed an expectation for the percentage of units sold and recalculated the average chargeback rate per unit using third party invoices to determine that the assumptions were consistent with the assumptions determined by management.

- We evaluated management's calculations as well as developed an independent expectation of the GTN adjustment for each of the key segments, based on audited historical claims received adjusted to reflect market changes in the period including an assessment of the time lag between the initial point of sale and the claim receipt. We then compared this independent expectation to those of management to evaluate the appropriateness of management's GTN adjustment calculation.

- We also assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the audit procedures performed, we consider management's estimates and disclosures of the GTN adjustments in relation to revenue recognition to be appropriate.

Valuation of intangible assets (goodwill and licences arising from the purchases of licences and/or businesses with licences)

Key audit matter

The Group's balance sheet includes €400.1M of intangible assets (licences and goodwill arising from the purchases of licences and/or businesses with licences), which represent 15% of total Group assets. These balances are allocated to cash generating units

(CGUs), and the goodwill is tested at least annually for impairment, and the licences are assessed for indicators of impairment at each reporting period. The discounted cash flow model is used by management to estimate the recoverable value of each CGU. If the recoverable value is lower than the carrying value an impairment charge is recorded. We consider the valuation of the intangible assets (goodwill and licences arising from the purchases of licences and/or businesses with licences) to be a key audit matter because the determination of the recoverable value is a source of significant estimation uncertainty because it requires certain management assumptions that involve forward looking information, which is highly judgemental and is inherently uncertain since it is affected by future market and economic conditions.

The assumptions used in the determination of the recoverable value include future sales growth rates, profit margin levels, operating cash flows and discount rates. Additionally, the assessment of impairment indicators at each reporting period requires management judgements.

The estimated impairment of goodwill and intangible assets is disclosed as a critical accounting assumption and judgement in note 2 of the Group consolidated financial statements.

How the scope of our audit responded to the key audit matter

Our audit work during the year included the following procedures on the valuation of intangible assets (goodwill and licences arising from the purchases of licences and/or businesses with licences):

- We tested the design and implementation of the key controls over the valuation of intangible assets (goodwill and licences arising from the purchases of licences and/or businesses with licences), including the identification of impairment indicators and cash flow forecast review controls.

- We examined and assessed management's process for identifying indicators of impairment, critically assessed the principal assumptions in management's impairment indicator reviews, and focused on the key subjective judgements.

- We engaged Deloitte valuation specialists experienced in the Pharmaceutical industry who assisted us in challenging the cash flow forecasts.

- We performed benchmarking of assumptions to external data including terminal growth rate assumptions and discount rates, recalculated discount rates and performed sensitivity analyses to understand the impact on impairment outcomes of changes to key assumptions, considering the impact of COVID-19 where appropriate.

- We assessed the reasonableness of the valuation methodology used to estimate the recoverable amount of the CGUs and tested the mathematical accuracy, mechanics and integrity of the cash flow models.

- We recalculated the value in use using Deloitte's assumptions and comparison of the carrying value to the calculated value in use for each CGU.

- We assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the audit procedures performed, we consider the assessment of impairment indicators and assumptions included in the impairment testing models as well as the disclosures to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows. In determining our benchmark for materiality we considered the metrics used by investors and other readers of the financial statements. In particular, we considered profit before tax, revenue, net cash flows from operating activities and net assets. Using professional judgement we have determined materiality to be €13.9M.

Metric	%
Profit before tax	7%
Revenue	0.7%
Net cash flow from operating activities	4%
Net assets	1%

Given the importance of the above metrics used by investors and other readers of the financial statements, we concluded profit before tax to be the primary benchmark with revenue as the supporting benchmark. The materiality allocated to the in-scope components ranged between €2.4M to €7.2M depending on the scale of the component's operations, component's significance to the Group and our assessment of risks specific to each location.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the consolidated financial statements as a whole. Group performance materiality was set at 80% of Group materiality for the 2020 audit. In determining performance materiality, we considered factors including:

- Our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and

- Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €695K, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on 20 locations. Thirteen of these were subject to a full audit, whilst the remaining seven were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at those locations. These 20 full scope locations represent the principal business units and account for approximately 79% of the Group's revenue, 89% of the Group's assets and 83% of the Group's liabilities. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 20 locations was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from €2.4M to €7.2M.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team was unable to visit component audit teams in person due to the COVID-19 pandemic. In response to these restrictions the Group audit team continued to follow a programme of planned oversight, direction and review of the component auditors and enhanced our remote oversight through a number of measures, as appropriate to each component, including more frequent dialogue and use of audio and video conferencing, as well as screen-sharing facilities. The Group audit team held regular communications with the component auditors in planning for, and throughout, the year-end audit process. This oversight included attending internal planning and status meetings, attending close meetings held with local management, review of relevant audit documentation in component auditor files, assessment of audit conclusions, and, where necessary, direction of component teams to

perform additional testing so as to meet the objectives of the Group audit. Component audit partners were included in planning briefings and close meetings where we discussed their risk assessment, procedures performed and audit results and conclusions.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors. We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA.

William Eversden	Robert Purdy
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 22 February 2021

Consolidated statement of income

for the year ended 31 December 2020

Continuing operations	*Notes*	**2020**	**2019**
Sales of goods		1,903,770	2,002,665
Royalty income		20,163	22,528
Other income		23,189	10,734
Total revenues	*5*	**1,947,122**	**2,035,927**
Cost of sales	*6*	(581,140)	(580,301)
Gross profit		**1,365,982**	**1,455,626**
Distribution expenses		(27,683)	(27,003)
Sales and marketing expenses	*7*	(419,190)	(588,437)
Research and development expenses	*7*	(331,220)	(361,380)
General and administrative expenses	*7*	(241,931)	(214,179)
Other operating expenses	*7,8*	(110,064)	(77,468)
Operating profit		**235,894**	**187,159**
Finance income	*9*	35,948	16,064
Finance expense	*9*	(79,888)	(28,450)
Finance income and costs	*9*	**(43,940)**	**(12,386)**
Income before taxes	*10*	**191,954**	**174,773**
Income tax expenses	*10*	40,385	(25,407)
Net income from continuing operations		**151,569**	**149,366**
Attributable to the owners of the Company	*11*	**151,569**	**149,366**
Non-controlling interests		-	-
Earnings per share			
Basic and diluted earnings per registered share of CHF 10	*11*	6.06	5.97
Basic and diluted earnings per registered share of CHF 20	*11*	12.12	11.94

* Amounts expressed in thousands of Euros, except for earnings per share)

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	**2020**	**2019**
Net income		151,569	149,366
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	*23,10*	(10,571)	(23,492)
Total		**(10,571)**	**(23,492)**
Items that may be subsequently reclassified to profit or loss			
Fair value change on cross-currency interest rate swap		(3,681)	-
Fair value change on interest rate swap	*31*	430	366
Currency translation differences		(17,015)	6,214
Total		**(20,266)**	**6,580**
Total other comprehensive income for the year, net of tax		(30,837)	(16,912)
Total comprehensive income for the year		**120,732**	**132,454**
Attributable to the owners of the Company		120,732	132,454
Non-controlling interests		-	-

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 10.

* Amounts expressed in thousands of Euros

Consolidated balance sheet

as at 31 December 2020
(before appropriation of available earnings)

Assets		**2020**	**2019**
Non-current assets			
Property, plant and equipment	*12*	474,941	489,003
Intangible assets	*13*	490,280	512,308
Right-of-use assets	*14*	47,217	50,719
Receivables	*15*	15,692	16,108
Deferred tax assets	*10*	138,276	114,819
Investments in financial assets	*16,31*	44,033	11,210
Total non-current assets		**1,210,439**	**1,194,167**
Current assets			
Inventories	*17*	364,511	294,868
Receivables and prepayments	*18*	456,240	469,412
Current income tax assets		13,838	19,805
Investments in financial assets	*16,31*	46,174	20,266
Derivative financial instruments	*31*	1,244	138
Cash and cash equivalents	*19,31*	619,696	309,201
Total current assets without disposal group		**1,501,703**	**1,113,690**
Assets of disposal groups held for sale	*20*	6,320	19
Total current assets		**1,508,023**	**1,113,709**
Total assets	*30*	**2,718,462**	**2,307,876**

* Amounts expressed in thousands of Euros

Equity and liabilities	*Notes*	**2020**	**2019**
Equity attributable to owners of the Company		1,082,246	961,514
Non-controlling interests		-	-
Total equity	*21,30*	**1,082,246**	**961,514**
Non-current liabilities			
Borrowings	*22,31*	354,477	266,355
Deferred tax liabilities	*10*	32,649	31,466
Pension liabilities	*23*	110,548	95,046
Provisions	*24*	32,443	43,097
Deferred income	*25*	60,701	22,156
Lease liabilities	*14*	26,668	27,825
Other financial liabilities	*27*	29,495	31,286
Contingent consideration liabilities	*26*	168,531	177,515
Other liabilities		2,832	1,203
Total non-current liabilities		**818,344**	**695,949**
Current liabilities			
Borrowings	*22,31*	150,740	77,423
Trade accounts payable		99,591	106,280
Current income taxes liabilities		61,876	30,941
Other taxes and social security liabilities		44,334	27,735
Provisions	*24*	54,871	25,368
Deferred income	*25*	8,115	1,810
Lease liabilities	*14*	22,468	23,610
Contingent consideration liabilities	*26*	24,829	21,948
Derivative financial instruments	*31*	15,946	5,132
Accruals and other liabilities	*28*	333,316	330,166
Total current liabilities without disposal group		**816,085**	**650,413**
Liabilities of disposal groups held for sale	*20*	1,787	-
Total current liabilities		**817,872**	**650,413**
Total liabilities		**1,636,216**	**1,346,362**
Total shareholder's equity and liabilities		**2,718,462**	**2,307,876**

* Amounts expressed in thousands of Euros

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2020

	Share capital	Retained earnings	Legal reserves	Foreign exchange translation reserve	Cash flow hedging reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2019	**164,355**	**699,857**	**59,237**	**(33,722)**	**(911)**	**829,579**	-	**829,579**
Comprehensive income								
Net income	-	149,366	-	-	-	149,366	-	149,366
Other comprehensive income, net of tax								
Remeasurements of post-employment benefit obligations	-	(23,492)	-	-	-	(23,492)	-	(23,492)
Fair value adjustment on interest rate swap	-	-	-	-	366	366	-	366
Currency translation differences	-	-	-	6,214	-	6,214	-	6,214
Total other comprehensive income, net of tax	-	**(23,492)**	-	**6,214**	**366**	**(16,912)**	-	**(16,912)**
Total comprehensive income	-	**126,240**	-	**6,214**	-	**132,454**	-	**132,454**
Transfer to Retained earnings	-	10	(10)	-	-	-	-	-
IFRIC 23 transition impact	-	(519)	-	-	-	(519)		(519)
Balance at 31 December 2019	**164,355**	**765,985**	**59,227**	**(27,508)**	**545**	**961,514**		**961,514**
Comprehensive income								
Net income	-	151,569	-	-	-	151,569	-	151,569
Other comprehensive income, net of tax					-			
Remeasurements of post-employment benefit obligations	-	(10,571)	-	-	-	(10,571)	-	(10,571)
Fair value change on interest rate swap	-	-	-	-	430	430	-	430
Fair value change on cross-currency interest rate swap	-	-	-	-	(3,681)	(3,681)	-	(3,681)
Currency translation differences	-	-		(17,015)	-	(17,015)		(17,015)
Total other comprehensive income, net of tax	-	**(10,571)**	-	**(17,015)**	**(3,251)**	**(30,837)**	-	**(30,837)**
Total comprehensive income	-	**140,998**	-	**(17,015)**	**(3,251)**	**120,732**	-	**120,732**
Transfer to Retained earnings	-	4	(4)	-	-	-	-	-
Balance at 31 December 2020	**164,355**	**906,987**	**59,223**	**(44,523)**	**(3,796)**	**1,082,246**	-	**1,082,246**

* Amounts expressed in thousands of Euros

Ferring Group Consolidated Financial Statements 2020

* Amounts expressed in thousands of Euros

Consolidated statement of cash flows

as at 31 December 2020

	Notes	2020	2019
Net income		**151,569**	**149,366**
Adjustments to reconcile cash generated by operating activities:			
Depreciation	*12*	73,155	67,904
Amortisation	*13*	34,043	31,073
Impairment charges on fixed assets	*8,12,13*	24,335	25,705
Interest income	*9*	(6,746)	(5,368)
Other finance (income) / costs		18,682	15,710
Unrealised foreign exchange (income) / loss included in the net income		(323)	(629)
Income tax expense	*10*	40,385	25,407
(Gain) / loss on sale of non-current assets		63	(2,485)
Contingent consideration remeasurement	*26*	5,844	(4,180)
Other non-cash income		976	365
Fair value gain/loss on derivatives and other financial assets		3,342	3,799
Changes connected to right of use assets and leases liabilities		(3,473)	(1,697)
Increase / (decrease) in other employee benefits		10,874	9,430
Increase / (decrease) in pension liabilities		4,902	7,016
Increase / (decrease) in provisions	*24*	14,003	6,238
Increase / (decrease) in other liabilities		(6,387)	(223)
Changes in working capital			
(Increase) / decrease in trade and other receivables		(74,625)	(41,221)
(Increase) / decrease in inventories including write-down	*17*	(70,888)	(14,400)
Increase / (decrease) in trade and other payables		98,777	38,269
Increase / (decrease) in deferred income		47,845	(612)
Actual receipts / (payments)			
Interest received		4,270	5,166
Interest paid		(9,026)	(10,903)
Income tax paid		(34,303)	(40,163)
Net cash generated by operating activities		**327,294**	**263,567**

Cash flows from investing activities			
Purchase of property, plant and equipment		(57,853)	(76,995)
Purchase of intangible assets		(42,024)	(74,274)
Proceeds on loans to related parties		(66,250)	(7,500)
Repayment of loans to related parties		5,240	-
Proceeds from sale of non-current assets		2,952	4,241
Purchase of available-for-sale financial assets	*16*	-	(179)
Net cash inflow on acquisition of subsidiary	*35*	78	-
Net cash from (used in) investing activities		**(157,857)**	**(154,707)**
Cash flows from financing activities			
Repayment of lease liabilities	*14*	(24,564)	(23,015)
Proceeds from borrowings		-	58,401
Repayment of borrowings		(279)	(57,312)
Proceeds from business collaboration financing	*27*	-	31,798
Proceeds from bonds	*22*	252,525	-
Transaction costs related to bonds		(727)	-
Repayment of loans from related parties		(77,000)	(91,000)
Net cash used in financing activities	*29*	**149,955**	**(81,128)**
Effect of foreign exchange rate changes on cash and cash equivalents		(8,896)	2,117
Net increase in cash and cash equivalents		**310,496**	**29,849**
Balance of cash and cash equivalents less bank overdrafts at the beginning of the year	*19*	309,056	279,207
Balance of cash and cash equivalents less bank overdrafts at the end of the year	*19*	**619,552**	**309,056**

* Amounts expressed in thousands of Euros

Ferring Group Consolidated Financial Statements 2020

* Amounts expressed in thousands of Euros

1. General information

The principal activities of Ferring Holding SA, Saint-Prex (Switzerland) ('the Company') and its subsidiaries ('Ferring Group' or 'the Group') are the research, development, production, distribution and sale of prescription pharmaceuticals in the areas of reproductive health, urology, gastroenterology, endocrinology and osteoarthritis. Ferring Holding SA was incorporated on 15 December 2000 in Switzerland. It is ultimately owned by the Dr. Frederik Paulsen Foundation.

Ferring Holding SA directly owns Ferring International Center SA and Ferring B.V. The Group develops, produces and markets its pharmaceuticals worldwide through subsidiaries located in North America, Europe, Latin America, the Middle East, the Far East, Australia and also through an extensive network of agents and distributors.

These consolidated financial statements have been approved for issue by the Board of Directors on 22nd February 2021.

2. Basis of preparation and presentation

The Ferring Group consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRSs'). The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group has changed the presentation of prior year numbers where appropriate to ensure consistent presentation with this year's financial statements. The liabilities related to Blackstone Life Sciences previously presented under contingent liabilities is reclassified under other liabilities.

Critical accounting estimates, assumptions and judgements

In preparing the financial statements, management is required to make judgements about when or how items should be recognised in the financial statements and estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting judgements and key sources of estimation uncertainty.

- **Turnover Estimates**

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangement. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the outcome, and the amounts are subject to change dependent upon, amongst other things, the types of product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

- **Pension liability Estimates**

The costs of providing pensions and other post-employment benefits are assessed on the basis of assumptions selected by management. These assumptions related to the defined benefit obligation calculation include future earnings, pension increases, and discount rates (Note 23).

- **Income taxes Judgement**

Management judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates for potential additional taxes (Note 10).

- **Contingent consideration Estimates**

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate post-tax discount rates. The fair values are reviewed on a regular basis, at least annually, and any changes are reflected in the income statement (Note 32).

- **Legal provision Estimates**

Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the likely outcome of the dispute and the legal and other expenses arising from claims against the Group. If insufficient information is available, no provision is made and disclosure of the claim is given. The estimated provisions take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses and new facts emerge (Note 8).

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims.

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Group's financial statements by a material amount.

- **Lease terms Judgement**

Management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

- **Impairment of goodwill and other fixed assets Estimates**

Management made estimates on the discounted future cash flows. Actual cash flows could vary significantly from forecasted cash flows (impact of impairment is disclosed in Note 8).

Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.
- Amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument based are not altered as a result of interest rate benchmark reform. The Group does not expect the interest rate benchmark reform to have a material impact on its hedging relationships.
- Amendments to IAS 1 and IAS 8 Definition of Material provide a new definition of material that states, "information is material if omitting, misstating

or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

- Amendments to IFRS 16 Covid-19 Related Rent Concessions provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. It has no material impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

The following new standards, interpretations and amendments to published standards are issued but are not effective for the financial year beginning 1 January 2020 and have not been adopted by the Group. They may become relevant in the future.

- IFRS 4 Extension of the temporary exemption from applying IFRS 9 (effective 2021)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

- IFRS9/ IAS 39/ IFRS7/ IFRS4/ IFRS16 Interest rate benchmark reform ("IBOR")-phase 2 (effective 2021)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

- IFRS 3 Reference to the conceptual framework (effective 2022)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- IAS 37 Onerous contracts-costs of fulfilling a contract (effective 2022)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- IAS 16 PP&E-Proceeds before intended use (effective 2022)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Annual Improvements to IFRS Standards 2018–2020 (effective 2022)

Amendments are related to the following standards (IFRS 1; IFRS 9; IFRS 16; IAS 41)

- IFRS 17 Insurance contracts- including amendments to IFRS 17 (effective 2023)

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.

- IAS 1 Classification of liabilities as current or non-current including deferral of effective date (effective 2023)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The above new standards, interpretations and amendments are not expected to have a material impact on the results or financial position of the Group.

COVID-19 pandemic

COVID-19 was declared a pandemic by the World Health Organization on 11 March 2020. Through this challenging period, the Group focused on employee safety, customer service and manufacturing continuity, and has been managing the business with strong financial discipline, establishing cash protection initiatives in order to constrain spending, re-prioritise projects, prepare scenario plans, and ultimately protect cash. The Group has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries, micro and macroeconomic changes, as well as specific client requests, while doing its utmost to keep the manufacturing sites working, thus avoiding significant supply disruptions. Nevertheless, the Group has experienced a decline in sales in 2020 across most therapeutic areas, especially in its Reproductive Medicine and Maternal Health portfolio, with fewer patient admissions to hospitals and clinics. On a constant currency basis, revenues dropped by 21% in the second quarter but rebounded strongly, so that in the other three quarters of the year revenues grew by a healthy 4.7% versus prior year. Eventually, the Group ended 2020 with sales only 4.4% below last year on a constant currency basis, showing strong resilience despite the crisis. The Business Plan for the years to come will reflect this resistance and the Group's capacity to keep growing thanks to its current solid portfolio combined with promising launches in a close future.

In the context of the COVID-19 impacts, the Group has obtained additional financing by raising €253 million from its inaugural Swiss Franc Bond offering for CHF 270 million and continues to actively pursue appropriate measures to secure liquidity. The Group did not receive any government grant in 2020.

None of the impairments on the Group's intangible assets was directly attributable to COVID-19, and no significant delay on the drugs in development and on the future launches was caused by the pandemic. The Group's strategic decision to optimise its organisational structures, to streamline its processes and to reduce its geographic footprint was initiated before the COVID-19 crisis and accelerated in 2020, resulting in additional restructuring expenses and provisions (Notes 8 and 24).

Overall, these 2020 financial statements were diligently prepared considering the impact of the pandemic, as well as the future uncertainties, using appropriate management judgment and estimates where applicable, and with particular attention to the going-concern hypothesis, the impairment of non-current assets, the appropriateness of the allowance for trade receivables and the level of provision for restructuring and risks.

Presentation of financial statements

The consolidated financial statements are presented in Euros because the largest part of the Group's transactions are denominated in Euros.

3. Significant accounting policies

Scope of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent consideration liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in the statement of income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is provided in Note 37 Principal subsidiary companies and associates.

Foreign currency transactions and translation

Assets and liabilities of foreign entities are translated into Euros at the closing exchange rate on the balance sheet date. The statement of income is translated into Euros at the average exchange rates for the year. Exchange rate differences arising from the translation of the financial statements of foreign entities are recorded in the cumulative translation differences in shareholder's equity. On disposal of a foreign entity, such translation differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

The Company and Group subsidiaries record all transactions using the currency of the primary economic environment in which the subsidiaries operate (the functional currency). Foreign currency transactions in the subsidiaries are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Goodwill and fair value adjustments arising from an acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of each asset over its estimated useful life as follows:

Land: nil
Buildings: 40 years
Machinery and equipment: 7 – 10 years
Vehicles: 4 – 5 years
Furniture and fixtures: 5 – 7 years
IT equipment: 3 – 4 years
Leasehold improvements: remaining lease term or useful life if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Gains and losses on disposal of property, plant and equipment are based on their carrying amounts and are included in operating expenses in the consolidated statement of income. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, analysis is performed to assess whether the carrying amount of property, plant and equipment is fully recoverable. A write-down is made if the carrying amounts exceed the recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Leases

The Group as a lessee assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee

under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the current financial year, there was no material financial effect of making any such adjustments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient and is then accounting for each lease component and any associated non-lease components as a single lease component.

Intangible assets

Expenditure on acquired intellectual property, patents, trademarks and other licences is capitalised and amortised using the straight-line method over their useful lives (between 4 and 10 years or useful life if longer). Amortisation of these licence intangible assets is included in other operating expenses.

Where it is considered necessary, a licence intangible asset is reviewed and adjusted for impairment. The carrying value of licence intangible asset is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell.

Impairment of licence intangible asset is included in other operating expenses.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent consideration liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Impairment of goodwill is included in other operating expenses. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets

Costs associated with developing pharmaceutical products are recognised as an intangible asset as from the day that the criteria for their recognition are met. These criteria are deemed to be met when filing for regulatory approval takes place, but a risk assessment on the probability of obtaining the regulatory approval may delay the recognition as an intangible asset until reasonable assurance about obtaining the approval. These intangible assets are amortised using the straight-line method over their useful lives (from day of first regulatory approval until end of patent period). Amortisation of these intangible fixed assets is included in other operating expenses.

Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred, unless the criteria for recognition of an internally-generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will generate probable future economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised using the straight-line method over their useful lives (between 4 or the term of the lease if shorter and 5 years).

At each balance sheet date the Group assesses whether there is any indication of impairment of other intangible assets. If such indication exists, analysis is performed to assess whether the carrying amount of the intangible assets is fully recoverable. A write-down is made if the carrying amounts exceed the recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use.

Financial assets

The Group recognises a financial asset on the trade date at which it becomes a party to the contractual obligations of the instrument. Financial assets are

initially measured at fair value. Acquisition-related costs are to be included, unless the financial asset is measured at fair value in subsequent periods. The Group subsequently measures financial assets at either amortised cost or fair value.

The Group has the following categories of financial assets:

- Financial assets measured at amortised cost
    - A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:
    - the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.
- Financial assets measured at fair value through profit or loss

Financial assets other than those classified as measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

- Financial assets measured at fair value through OCI

For investments in equity instruments that are not held for trading, the Group elected at initial recognition to present gains and losses in other comprehensive income.

The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For financial assets other than trade receivables a 12-month expected credit loss (ECL) allowance is recorded on initial recognition. If there is subsequent evidence of a significant increase in the credit risk of an asset, the allowance is increased to reflect the full lifetime ECL. If there is no realistic prospect of recovery, the asset is written off. Expected credit losses are recognised in the income statement on financial assets measured at amortised cost and at fair value through other comprehensive income apart from equity investments. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In the case of financial instruments for which there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions, the current market value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified and measured at amortised cost or FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, and interest rate swaps. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. The interest rate swap contract and cross currency swap for Swiss bond qualify for hedge accounting.

The Group chooses to apply the treatment in IFRS 9:6.5.15 to the foreign currency basis spread and forward elements of the cross-currency swap; consequently, the change in the fair value movement excluded from the hedge relationship is recognised in other comprehensive income (OCI) to the extent it relates to the hedged item and is then amortised to the profit or loss on a rational basis.

There is a close economic relationship between the hedged item (bond) and hedging instrument-Cross Currency Swap (CCS). The foreign exchange risk of the proceeds and future interest payments plus the principal at maturity are fully offset by the CCS. The nature of the CCS is to reduce the FX risk on the proceeds from issuing the CHF nominated bond; the future interest payments and the principal at the maturity of the bond.

The Group entered into a cross currency interest rate swaps (CCIRS) with two banks to hedge the CHF 270 million of CHF principal and interest to EUR. The total CHF 270 million bonds are settled on an annual basis. Both Euro and CHF rates are fixed. The Group settles the difference between the Euro and CHF rates. The CCIRS designated as cash flow hedges, thereby reflecting the EUR interest rate paid in the P&L with FX movements reflected Other Comprehensive Income.

The Group is receiving CHF proceeds on the starting day of the bond and is same day exchanged into the functional currency. During the lifetime of the bond yearly interest payments to investors is being paid in CHF and those payments are offset 1 to 1 with the hedge. At maturity of the bond the full principal in CHF will be repaid and that is also offset 1 to 1 in the hedge instrument.

The hedge ratio is 100% as Ferring has fully hedged 100% of the proceeds; future interest payments and final principal at maturity of the bond as described previously.

As the CHF interest and principal payments of the bond match the CHF payments to be received from the CCS, we do not expect any hedge ineffectiveness.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether this derivative is highly effective. The fair value changes of this derivative are recognised in other comprehensive income. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statement of income over the period to maturity. The interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument based are not altered as a result of interest rate benchmark reform. The Group does not expect the interest rate benchmark reform to have a material impact on its hedging relationships.

The fair values of various financial instruments used for hedging purposes are disclosed in Note 30 and Note 31.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct cost and related production overheads. It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expense.

Trade receivables

Trade receivables are initially recorded at original invoice amount and subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group applies the IFRS 9 simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for trade receivables. When a trade receivable is determined to have no reasonable expectation of recovery it is written off, firstly against any expected credit loss allowance available and then to the income statement. Subsequent recoveries of amounts previously provided for or written off are credited to the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Held for sale assets

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method: any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Bonus and incentive plans

The Group recognises a liability and an expense for bonuses and incentives, based on the achievement of certain key performance indicators. It recognises a provision where contractually obliged or when a constructive obligation exists. In addition to short-term bonuses and incentives, the Group has established a discretionary long-term incentive plan for Senior Management and other key executives. Liabilities recognised in respect of short-term bonus and incentives are measured at the undiscounted amount of the benefits expected to be paid. Liabilities recognised in respect of long-term incentive plan are measured at the present value of the estimated future cash outflows. The current plans are based on the achievement of certain key performance objectives including revenues, Economic Value Added (EVA), operating earnings over future periods, and free cash flow generation.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefit liabilities

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The present value of future payments for surplus leased properties under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased property will be of no future benefit to the Group.

Provisions are measured at the present value representing the time value of money and the risks specific to the obligation.

Accruals, other taxes and social security liabilities and other liabilities

Accruals, other taxes and social security liabilities and other liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events. These liabilities are measured at the present value representing the time value of money based on contractual arrangements and goods or services consumed, but not yet invoiced. These liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade accounts payable

Trade accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Deferred income

Income from government grants and collaboration agreements are deferred and recognised in the statement of income over the period necessary to match them with the related costs for which they are intended to compensate. Licensing and royalty income is deferred and recognised in the statement of income over the licensing term in the relevant agreement.

Revenue recognition

The Group recognises revenue from the following major sources:

- sales of goods, drugs and medical devices

- revenue/royalty from licenses

- revenue from manufacturing services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sales of goods, drugs and medical devices are recognised at a point in time when goods are transferred physically to the customer based on Incoterms or handover, net of sales taxes and discounts, and after eliminating sales within the Group. The sales of drugs with medical devices is considered as one performance obligation with no further unbundling required.

Provisions for product returns are recognised in the same period as the related sales are recorded as a reduction of sale of goods, based on the contract terms and historical experience.

Royalty, licensing income and collaboration agreements is recognised in accordance with the economic substance set out in the relevant agreement. The appropriate timing of revenue recognition will be determined based on the right to access the entity's intellectual property as it exists throughout the licence period or the right to use the entity's intellectual property as it exists at the point in time at which the licence is granted.

To a limited extend, the Group sells manufacturing and development services to other companies. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the statement of income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position as long as the non-current asset is not yet acquired. When acquired, the government grant is recognised in reduction of the non-current asset in the consolidated statement of financial position. It is transferred to the statement of income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Dividends

Dividends are recognised in the period in which they are approved at the Company's Shareholders' Annual General Meeting.

Distribution expenses

All costs associated with the distribution of the Group's products sold during the year are expensed in the financial period during which they are incurred.

Marketing expenses

All costs associated with advertising and promoting products are expensed in the financial period during which they are incurred.

Research and development expenditures

Research costs are charged against income as incurred, with the exception of buildings and major items of equipment and material used for development activities, which are capitalised and depreciated. Development costs are also charged against income as incurred unless the criteria for their capitalisation is met. In this case the costs are capitalised and amortised using the straight-line method over their useful lives (from day of first regulatory approval until end of patent period).

Other operating expenses

Other operating expenses are charged to net income as incurred except for amortisation of intangible assets, which follows the straight line method. These expenses include charges for litigation, restructuring, reorganisation, impairment, amortisation of patents, trademarks and other intangible fixed assets, the effects of adjustments of the probabilities of contingent consideration milestone liabilities and negative goodwill recognised on acquisition.

4. Operating segments

The businesses of the Ferring Group are divided operationally on a worldwide basis into two identified reporting segments: Base business and Nadofaragene firadenovec (rAd-IFN/Syn3). Reporting segments are presented in a manner consistent with the internal reporting to the chief operating decision-maker, which is the Executive Committee of the Ferring Group. The reporting segments are managed separately because of the different governance structure for rAd-IFN/Syn3 with a third-party collaboration (Blackstone Life Sciences) as well as the involvement of related party entities. For the Base business, the Executive Committee (EC) of the Ferring Group is responsible for allocating resources and assessing the performance of this segment. The operating result and the cash flows are the main indicators used by the EC to measure the performance of the segments.

The reporting segments are as follows:

Base business

The base business consists of the Group's established brands in reproductive medicine and maternal health, uro-oncology and gastroenterology as well as novel development in the microbiome field for products in gastroenterology.

Nadofaragene firadenovec (rAd-IFN/Syn3) business

The Nadofaragene firadenovec (rAd-IFN/Syn3) business consist in developing a treatment of non-muscle invasive bladder cancer through gene mediated immunotherapy. The FDA approval and commercialisation in the United States are expected by 2022 and significant further investment and relevant commercial and development expertise are required to further support the success of the drug. In 2019 Ferring entered into a collaboration arrangement with Blackstone Life Sciences related to the U.S development and commercialisation of the product.

	Base Business		rAd-IFN/Syn3 Business		Ferring Group	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
The following is an analysis of the Group's revenue and results by reportable segment:						
Total revenues	1,947,122	2,035,927	-	-	1,947,122	2,035,927
Operating result	283,761	222,770	(47,867)	(35,611)	235,894	187,159
Finance income	26,062	15,553	9,886	512	35,948	16,064
Finance expense	(72,615)	(28,140)	(7,273)	(310)	(79,888)	(28,450)
Income tax expenses	(51,584)	(30,125)	11,199	4,718	(40,385)	(25,407)
Net income from continuing operations	**185,623**	**180,057**	**(34,054)**	**(30,691)**	**151,569**	**149,366**
Included in the result from operating activities:						
Depreciation	(73,155)	(67,904)	-	-	(73,155)	(67,904)
Amortisation	(34,043)	(31,073)	-	-	(34,043)	(31,073)
Impairment charges on fixed assets	(24,335)	(25,705)	-	-	(24,335)	(25,705)
The following is an analysis of the Group's statement of financial positions by reportable segment:						
Total assets	2,480,474	2,111,007	237,988	196,869	2,718,462	2,307,876
Total liabilities	1,300,307	1,086,069	335,909	260,293	1,636,216	1,346,362
Major investing activities in non-current assets:						
Additions to property, plant and equipment	65,737	76,724	2	-	65,739	76,724
Additions to intangible assets	45,302	32,497	-	-	45,302	32,497
Additions to loans to related parties	22,000	-	11,500	-	33,500	-
The following is an analysis of the Group's cash flows by reportable segment:						
Cash flows from operating activities	386,965	290,910	(59,671)	(27,343)	327,294	263,567
Cash flow from investing activities	(111,605)	(117,207)	(46,252)	(37,500)	(157,857)	(154,707)
Cash flow from financing activities	149,955	(112,925)	-	31,798	149,955	(81,128)

The Nadofaragene firadenovec business investing cash out-flows are made of transactions with Related Parties (loans and payments of contingent consideration liabilities connected to milestones).

* Amounts expressed in thousands of Euros

Geographical information

The net proceeds from sales of goods from external customers by management geography are broken down below:

	2020	2019
United States	667,415	689,850
Europe	608,722	624,675
Asia Pacific	369,012	395,334
Latin America and Canada	134,333	156,906
Middle East Turkey and Africa	103,039	112,303
Other	21,249	23,597
Sales of goods	**1,903,770**	**2,002,665**

The split of net sales of goods is reflecting the commercial management organisation, which is largely driven by location of customers. The Others category represents a small group of customers in different locations without commercial management responsibility. The Ferring Group has a large number of customers. There is no single customer who accounts for more than 10% of the total sales (Note 18).

The split by geography of other items included in the Group revenue and non-current assets is not used nor relevant for the management reporting therefore the information is not available and the cost to develop it would be excessive.

5. Revenues

	2020	2019
Sales of goods	1,903,770	2,002,665
Royalty income	20,163	22,528
Other income	23,189	10,734
Total	**1,947,122**	**2,035,927**

The net proceeds from the sale of goods of MENOPUR®, PENTASA®, MINIRIN/DDAVP® and PROPESS®, which are the main products, are included in the revenues.

The Group recognises the revenue from sales of goods at the point in time when the control over the goods is passed to the customer, which can vary according to Incoterms or specific arrangements, but mostly occurs upon delivery to the customer.

Royalty income are resulting from sales mostly made by licensees in North America and Japan.

Other income mainly consist of income from out-licencing arrangements, co-promotion agreements and from manufacturing services and development services.

6. Cost of sales

The cost of inventories recognised as expenses and included in cost of sales amounted to **€461,381** (2019: €459,438).

7. Staff costs

		2020	2019
Wages and salaries		567,251	560,737
Social security costs		70,002	71,165
Termination benefits		6,685	5,595
Relocation		3,484	4,152
Restructuring	*8*	24,384	6,614
Pension costs: defined contribution plans		19,851	18,913
Pension costs: defined benefit plans	*23*	23,912	17,720
Total		**715,569**	**684,896**

The staff costs are split as below in the Consolidated statement of income:

	2020	2019
Cost of sales	145,430	127,833
Sales and marketing expenses	230,623	279,758
Research and development expenses	147,638	121,223
General and administration expenses	159,074	145,588
Other operating expenses	32,804	10,494
Total	**715,569**	**684,896**

* Amounts expressed in thousands of Euros

8. Other operating expenses

		2020	2019
Litigation expenses net of insurance cover		4,839	3,574
Impairment charges		24,335	25,705
Amortisation of intangible assets	*13*	21,687	19,211
Restructuring expenses	*7*	24,384	6,614
Reorganisation expenses and projects		17,893	13,656
Contingent consideration adjustments, net		5,181	(4,609)
Other projects		11,745	13,318
Total		**110,064**	**77,468**

The impairment charges arise from:

Assessment of the carrying value of machinery & equipment	*12*	9,808	5,183
Assessment of the carrying value of intangible assets	*13*	14,527	20,522
Total		**24,335**	**25,705**

Litigation expenses net of insurance cover

The litigation provision recognised in 2020 is the best estimate of a potential settlement with a customer for the lost margin as a result of a supply disruption of desmopressin caused by a quality problem in the manufacturing process.

The litigation expenses in 2019 were related to the agreement reached with Albireo AB to settle the dispute on the termination of the contract, the remaining defrayal linked to BRAVELLE® and the release of the provision related to a termination of a contract with a supplier of manufacturing which has been settled amicably.

Management judgment is required in estimating the liabilities and expenses with regards to litigations that are not well advanced.

Impairment charges

In 2020, the assessment of the carrying value of the goodwill and of the intangible assets has resulted in impairment charges on licences of **€14,527** (2019: €20,522).

The development Phase III results of CORTIMENT® Japan were not satisfactory resulting in an impairment of **€7,925** of the related intangible assets (Note 13).

The impairment test conducted on STIMATE®, triggered by the supply disruption and recall of the MINIRIN® nasal spray formulation in July 2020 resulted in an impairment of **€3,830** of all the assets (Note 13) as well as the derecognition of contingent consideration liabilities of **€3,116**, for a net charge of **€714** in the income statement.

The early termination of the distribution contract with Actia Farmaceutical Sarl related to the sale of VSL#3® has resulted in an impairment of the full asset **€1,766** (Note 13).

The termination of the contract with Laboratoire HRA-Pharma related to the distribution rights of ESMYA® has resulted in an impairment of the full asset **€932** (Note 13) and the derecognition of a contingent consideration liability of **€700**, resulting in a net charge of **€232** in the income statement.

Additional impairment tests on intangible assets showing a potential indicator for impairment have been carried out in 2020 and have not resulted in an impairment, other than the aforementioned ones.

The impairments of licences in 2019 were mainly related to the termination of the contract with Aggamin Pharmaceuticals LLC (€10,110), to performance below expectations for VITAROS (€5,000) and ZOMACTON (€3,700).

The annual impairment tests carried out on the book value of goodwill are detailed in Note 13. They resulted in no impairment charge in 2020 and 2019.

The impairment charges of **€9,808** on tangible assets in 2020 followed the decision to cease R&D activities in a US subsidiary.

In 2019, the impairment charges of €5,183 on tangible assets resulted from the termination some projects like the back-up site for ZOMACTON®, conceptual designs, engineering costs and facility studies.

Restructuring expenses

In 2017 the Executive Board has started a company-wide initiative with the goal of transforming the Group structures, processes and resources to create efficiency improvements to drive future growth. In 2019 a global business process re-engineering initiative has been launched outsourcing certain activities and in 2020 the program has been extended as part of the strategic decision to optimise the Group's organisational structures. The staff costs of terminating contracts connected to those initiatives are amounting to **€25,280** (2019: €2,007) (Note 7).

In 2019, the Group signed a collaboration agreement with Blackstone Life Sciences, related to the development and the commercialisation of rAd-IFN/Syn3 in the United States for treatment of non-muscle invasive bladder cancer. A dedicated legal entity, FerGene Inc., based in the United States was created for this purpose. A restructuring provision of €3,745 was recognised for people working on the project and not transferred to FerGene Inc. of which **€896** have been released in 2020. Other restructuring expenses in 2019 relate to termination of employees in the United Kingdom and in the United States.

Reorganisation expenses and projects

The reorganisation expenses are mostly related to projects containing personnel costs and consulting services rendered. The main projects include the business process re-engineering program and several manufacturing projects ongoing, manufacturing scale-up in Minnesota (Rebiotix) is the largest.

* Amounts expressed in thousands of Euros

Contingent consideration adjustments, net

In 2020 the contingent consideration adjustments mainly relate to the increase of probabilities of paying additional milestones in relation to the Rebiotix acquisition **€9,609** and the release of the remaining portion of the liability connected to STIMATE®.

In 2019 the contingent consideration adjustments mainly relate to the release of the contingent consideration liability to Aggamin for **€6,815**, to the increase of probabilities of paying additional milestones in relation to the Rebiotix acquisition **€3,722** and to the last portion of the earn-out payment for the acquisition of DDVAP intangible to Sanofi **€1,411**.

Other projects

The other projects mainly represent the Group's sponsorships to scientific programs and institutions as well as charity donations, and donations to various museums and cultural activities.

9. Finance income and costs

		2020	2019
Income			
Interest income		6,746	5,426
Forex exchange gains		23,106	10,612
Other financial income		6,096	26
Total Income		**35,948**	**16,064**
Expense			
Interest expenses		(25,026)	(16,360)
Foreign exchange losses		(52,458)	(9,947
Other financial expenses		(2,404)	(2,143)
Total Expense		**(79,888)**	**(28,450)**
Total		**(43,940)**	**(12,386)**

The net interest result consists of:

Interest result			
Interest income on bank deposits and swaps		6,746	5,367
Interest expense on borrowings		(13,648)	(10,824)
Interest expense on lease liabilities	*14*	(1,302)	(1,419)
Interest expense on defined benefit obligation	*23*	(612)	(856)
Unwinding of interest on contingent liabilities	*26*	(2,365)	(3,173)
Unwinding of interest on financial liabilities	*27*	(7,100)	(28)
Total		**(18,280)**	**(10,932)**

The net foreign exchange result consists of:

	2020	2019
Foreign exchange result		
Revaluation of positions	(32,664)	3,282
Results from hedging activity	3,311	(2,618)
Total	**(29,353)**	**664**

The net other finance result consists of:

Other finance income and expenses		
Remeasurement of financial liabilities	6,044	-
Bank charges and other finance charges	(2,351)	(2,117)
Total	**3,693**	**(2,117)**

10. Income taxes

	2020	2019
Income before taxes	**191,954**	**174,773**
Current income tax expenses	72,233	46,412
Deferred tax (benefits)	(31,848)	(21,005)
Total income tax expenses	**40,385**	**25,407**
Effective tax rate	**21.0%**	**14.5%**

The main elements contributing to the difference between the Group's overall expected tax rate (which can change each year since it is calculated as the weighted average tax rate based on pre-tax income of each subsidiary) and the effective tax rate are:

Income before taxes	**191,954**	**174,773**
Taxes calculated at weighted average tax rate	26,780	35,062
Non-deductible expenses, tax credit and other permanent differences	6,847	5,675
Movement in unrecognised deferred tax assets	2,273	927
Revisions to prior year taxes	3,031	(3,362)
Deferred taxes on stock profit elimination	(2,565)	(12,421)
Effect of tax rate change	119	(374)
Tax risk provision adjustment	3,900	(100)
Income tax expenses	**40,385**	**25,407**

* Amounts expressed in thousands of Euros

The net reduction in the taxes calculated at weighted average tax rate is primarily due to the higher combined net operating losses of FerGene and Rebiotix in 2020 (€68,554) compared to 2019 (€27,568) coupled with the fact that these losses are calculated at an average tax rate of 28.3% The impact of the tax risk provision in 2020 is mainly due to the increase of the deferred tax liability related to the unremitted earnings of the operating affiliates as of the end of 2020 as well as to an increase in the transfer pricing provision for the marketing and sales affiliates whose operating results were not within the interquartile range of comparable companies benchmark. Deferred taxes are calculated on temporary differences under the liability method using the principal tax rate of the applicable jurisdiction.

Gross movement on the deferred income tax	**2020**	**2019**
Opening net deferred tax assets	83,353	58,760
Credited to the statement of income	31,848	21,005
Credited to other comprehensive income	2,192	3,766
Exchange rate (loss) / gain	(11,221)	393
Utilisation of deferred tax asset not recognised in the statement of income	(545)	(571)
Closing net deferred tax assets	**105,627**	**83,353**

Movement in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction) during the period is as follows:

Deferred tax liabilities	Accelerated tax depreciation	Temporary differences on Inventory	Recognised in business combination	Other temporary differences	Total
Opening net book value	**28,391**	**3,615**	**25,678**	**3,016**	**60,700**
Charged to the P&L	7,332	80	-	818	8,230
Exchange differences loss	117	82	505	20	724
At 31 December 2019	**35,840**	**3,777**	**26,183**	**3,854**	**69,654**
Charged to the P&L	(4,467)	2,300	-	5,596	3,429
Exchange differences gain	(411)	(43)	(2,299)	(44)	(2,797)
At 31 December 2020	**30,962**	**6,034**	**23,884**	**9,406**	**70,286**

In 2018, deferred taxes related to intangibles that were existing in Rebiotix at the time of acquisition were recognised. No deferred tax liability has been recognised on temporary differences of €44,304 relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets	Stock profit elimination	Provisions for returns	Retirement benefit obligation	Price adjustment	Net operating losses	Other temporary differences	Total
Opening net book value	**54,071**	**4,513**	**7,455**	**5,264**	**9,463**	**38,694**	**119,460**
Credited to the P&L	22,937	609	119	(1,355)	-	6,925	**29,235**
Credited to OCI	-	-	3,766	-	-	-	**3,766**
DTA utilised & not recognised in the P&L	-	-	-	-	(571)	-	**(571)**
Exchange differences gain	417	43	72	51	161	373	**1,117**
At 31 December 2019	**77,425**	**5,165**	**11,412**	**3,960**	**9,053**	**45,992**	**153,007**
Credited to the P&L	5,285	911	551	(1,002)	15,618	13,914	**35,277**
Credited to OCI	-	-	2,192	-	-	-	**2,192**
DTA utilised & not recognised in the P&L	-	-	-	-	(545)	-	**(545)**
Exchange differences loss	(10,638)	(177)	(390)	(135)	(1,051)	(1,627)	**(14,018)**
At 31 December 2020	**72,072**	**5,899**	**13,765**	**2,823**	**23,075**	**58,279**	**175,913**

Deferred tax assets are recognised for losses available to carry forward to the extent that the realisation of the related tax benefit is probable. We have recognised a deferred tax asset of €23,075 for the net operating losses of FerGene and Rebiotix. With regards to Rebiotix, the deferred tax asset has been recognised for State tax purposes only since its losses for Federal tax purposes were set off against profits of other US legal entities that are part of the same consolidated tax return. For both FerGene and Rebiotix the utilisation of the deferred tax asset is dependent on future taxable profits being available against which the net operating losses can be offset.

The deferred taxes related to the other temporary differences, **€58,279** in 2020 and €45,992 in 2019, are mainly made of provisions, accruals, inventory valuation. In most of the jurisdictions the costs related to the provisions and accruals are only tax deductible upon payment.

Total unrecognised tax carry forward losses amounted to **€44,295** and €35,985 for the years ended 31 December 2020 and 2019, respectively. This increase is mainly due to unrecognised tax losses incurred in 2020 by a certain number of affiliates in various jurisdictions, the most important being, The Netherlands (€6,517) and Switzerland (€3,380). There is also a decrease of €3,563 of the balance which arises from the difference between the estimated tax losses related to the fiscal years 2017, 2018 and 2019 and the final number as calculated in the tax returns. The amount of unrecognised carry forward losses that will expire between five and ten years is €19,308, the remaining amount will expire within five years.

* Amounts expressed in thousands of Euros

The tax charge relating to components of other comprehensive expense is as follows:

	2019		
	Before tax	**Tax credit**	**After tax**
Remeasurements of post employment benefit obligations	(27,258)	3,766	**(23,492)**
Fair value adjustment on interest rate swap	366	-	**366**
Currency translation differences	6,214	-	**6,214**
Other comprehensive expense	**(20,678)**	**3,766**	**(16,912)**
Current tax		-	
Deferred tax		3,766	

	2020		
	Before tax	**Tax credit**	**After tax**
Remeasurements of post employment benefit obligations	(12,763)	2,192	**(10,571)**
Fair value adjustment on cross-currency interest rate swap	(3,681)	-	**(3,681)**
Fair value adjustment on interest rate swap	430	-	**430**
Currency translation differences	(17,015)	-	**(17,015)**
Other comprehensive expense	**(33,029)**	**2,192**	**(30,837)**
Current tax		-	
Deferred tax		2,192	

11. Earnings per share

		2020	**2019**
Net income attributable to the owner of the Company	*in thousands Euros*	**151,569**	**149,366**
Weighted average number of CHF 10 shares outstanding		20,625,000	20,625,000
Weighted average number of CHF 20 shares outstanding		2,187,500	2,187,500
Total weighted average number of shares outstanding		**22,812,500**	**22,812,500**
Basic and diluted earnings per registered share of CHF 10	*in Euros*	6.06	**5.97**
Basic and diluted earnings per registered share of CHF 20	*in Euros*	12.12	**11.94**

Basic and diluted earnings per share are identical because the Company had no dilutive potential ordinary shares.

* Amounts expressed in thousands of Euros

12. Property, plant and equipment

		Land and buildings	Machinery and equipment	Furniture fixtures and other	Assets under construction	Total
Year ended 31 December 2019						
Opening net book value		241,636	157,439	20,417	33,209	**452,701**
Additions	*4*	11,230	17,486	6,006	42,002	**76,724**
Disposals		(582)	(107)	(113)	(76)	**(878)**
Impairment	*8*	(938)	(4,245)	-	-	**(5,183)**
Transfers		6,076	15,925	1,464	(24,447)	**(982)**
Depreciation		(10,758)	(25,104)	(7,977)	-	**(43,839)**
Exchange rate differences		6,681	3,451	171	157	**10,460**
Closing net book value		**253,345**	**164,845**	**19,968**	**50,845**	**489,003**
At 31 December 2019						
Cost		388,710	400,917	77,625	50,845	**918,097**
Accumulated depreciation and impairment		(135,365)	(236,072)	(57,657)	-	**(429,094)**
Net book value		**253,345**	**164,845**	**19,968**	**50,845**	**489,003**
Year ended 31 December 2020						
Opening net book value		**253,345**	**164,845**	**19,968**	**50,845**	**489,003**
Additions	*4*	6,286	9,156	2,808	47,489	**65,739**
Acquisition of a subsidiary	*35*	-	1,117	79	-	**1,196**
Disposals		(1,360)	(260)	(1,308)	(895)	**(3,823)**
Impairment	*8*	(6,466)	(3,244)	(98)	-	**(9,808)**
Transfers		7,769	15,797	1,025	(26,306)	**(1,715)**
Depreciation		(11,698)	(26,795)	(6,829)	-	**(45,322)**
Exchange rate differences		(10,816)	(6,108)	(891)	(2,514)	**(20,329)**
Closing net book value		**237,060**	**154,508**	**14,754**	**68,619**	**474,941**
At 31 December 2020						
Cost		376,821	411,600	64,222	68,619	**921,262**
Accumulated depreciation and impairment		(139,761)	(257,092)	(49,468)	-	**(446,321)**
Net book value		**237,060**	**154,508**	**14,754**	**68,619**	**474,941**

* Amounts expressed in thousands of Euros

Depreciation expense of **€45,322** (2019: €43,839) has been charged in cost of sales for **€29,128** (2019: €27,370), in sales and marketing expenses **€3,128** (2019: €3,560), in research and development expenses for **€7,762** (2019: €6,876) and in general and administration expenses for **€5,304** (2019: €6,033).

During 2020 and 2019, no borrowing costs were capitalised.

As of 31 December 2020, property, plant and equipment have been pledged as security against loans with a value of **€38,283** (2019: €38,531).

In July 2020, Ferring acquired a new subsidiary, Kuopio Center for Gene and Cell Therapy Oy, including PPE value of **€1,196.**

In 2020 the Board resolved to dispose of the assets related to Testavan and Vitaros, the disposal is consistent with the Group's long-term policy to refocus its activities on the core products. The Property, Plant and Equipment balances of **€1,221** have been reclassified under Disposal groups held for sale at 31 December 2020 (note 20). As of 31 December 2019, the related assets included in above summary amounted to €1,373.

Ferring Galenisches Labor A.G. Property, Plant and Equipment balances of **€321** have been reclassified under Disposal groups held for sale at 31 December 2020 (note 20). As of 31 December 2019, the related assets included in above summary amounted to €393.

13. Intangible assets

		Licences	Goodwill	Capitalised development	Other intangibles	Total
Year ended 31 December 2019						
Opening net book value		397,398	60,952	6,156	63,805	**528,311**
Additions		10,118	-	2,911	19,468	**32,497**
Disposals		-	-	-	(27)	**(27)**
Impairment	*8*	(19,745)	-	-	(777)	**(20,522)**
Transfers		15	-	(15)	(1,407)	**(1,407)**
Amortisation	*8*	(18,455)	-	(756)	(11,862)	**(31,073)**
Exchange rate differences		2,032	1,908	-	589	**4,529**
Closing net book value		**371,363**	**62,860**	**8,296**	**69,789**	**512,308**
At 31 December 2019						
Cost		760,672	132,885	14,883	157,927	**1,066,367**
Accumulated amortisation and impairment		(389,309)	(70,025)	(6,587)	(88,138)	**(554,059)**
Net book value		**371,363**	**62,860**	**8,296**	**69,789**	**512,308**

		Licences	Goodwill	Capitalised development	Other intangibles	Total
Year ended 31 December 2020						
Opening net book value		371,363	62,860	8,296	69,789	**512,308**
Additions		18,315	-	1,807	25,180	**45,302**
Acquisition of subsidiary	*35*	-	-	-	125	**125**
Disposals		-	-	-	(8)	**(8)**
Impairment	*8*	(14,527)	-	-	-	**(14,527)**
Transfers		(3,065)	-	(1,465)	30	**(4,500)**
Amortisation	*8*	(20,734)	-	(953)	(12,356)	**(34,043)**
Exchange rate differences		(9,511)	(4,611)	-	(255)	**(14,377)**
Closing net book value		**341,841**	**58,249**	**7,685**	**82,505**	**490,280**
At 31 December 2020						
Cost		675,657	128,274	14,945	178,081	**996,957**
Accumulated amortisation and impairment		(333,816)	(70,025)	(7,260)	(95,576)	**(506,677)**
Net book value		**341,841**	**58,249**	**7,685**	**82,505**	**490,280**

Licences

Main Licences

The Licences mostly include the assets related to rAd-IFN/Syn3 (2020: **€107,948**, 2019: €107,948), Rebiotix in-development drugs (2020: **€88,457**, 2019: €97,132), CONDOLIASE® (2020: €69,248, 2019: **€69,248**) and PROPESS® (2020: **€23,228**, 2019: €29,366).

Main additions of Licences in 2020:

Following the change in distributor for MINIRIN® in Japan in January 2020, Ferring Japan has bought back the marketing authorisation and distribution rights from its Japanese partner Kyowa Kirin co.Ltd. for an amount of **€16,800**.

The Group acquired from Alrise Biosystems GmbH for **€1,500** (representing the upfront payment) an innovative technology for the manufacture of drug-loaded microparticles formulations designed for controlled release. The agreement provides in further development and sales milestones, which have not been recognised so far.

Main additions of Licences in 2019:

The Group signed an agreement with Aggamin Pharmaceuticals LLC early 2019 to develop, manufacture and commercialise products in the women's health area (pre-eclampsia) based on the Aggamin technology and patents for an amount of €10,110. This contract was terminated in June 2019 due to unexpected findings and the licence had been fully impaired (Note 8).

Main impairments in 2020:

The development Phase III results of CORTIMENT® Japan were not satisfactory resulting in an impairment of **€7,925** of the related intangible assets (Note 8).

The impairment test conducted on STIMATE®, triggered by the supply disruption and recall of the MINIRIN® nasal spray formulation in July 2020 resulted in an impairment of **€3,830** of all the assets (Note 8).

The early termination of the distribution contract with Actia Farmaceutical Sarl related to the sale of VSL#3® has resulted in an impairment of the full asset **€1,766** (Note 8).

The termination of the contract with Laboratoire HRA-Pharma related to the distribution rights of ESMYA® has resulted in an impairment of the full asset **€932** (Note 8).

* Amounts expressed in thousands of Euros

Main impairments in 2019:

The termination of the contract with Aggamin Pharmaceuticals LLC has resulted in an impairment of the full asset €10,110 (Note 8).

The impairment test conducted on VITAROS® resulted in an additional €5,000 impairment (2018: €4,300) of the related intangible assets due to lack of performance of the product on the market (Note 8).

The impairment test conducted on ZOMACTON® resulted in a €3,700 impairment of the related intangible assets due to decreased sales and net cash flows than expected (Note 8).

No past impairments, either from 2019 or before, have been reversed in 2020.

Main transfers in 2020:

The transfers mostly relate to the reclassification to assets held-for-sale of the licences and distribution rights linked to VITAROS® and TESTAVAN® amounting to **€3,065** (Note 20).

Goodwill

The goodwill as of 31 December 2020 comprises **€35,583** (2019: €39,072) related to cash generated-unit Rebiotix (enema and oral formulation products Rebiotix), **€19,666** (2019: €20,788) for cash-generating unit Cytokine (products PROPESS®) and **€3,000** (2019: €3,000) for cash-generating unit Syntese (manufacturing of semi-finished goods for PENTASA®). Annual impairment tests have been carried out and have not resulted in an impairment. The main assumptions and details are as follows:

Main assumptions and Management estimates

Management tests annually intangible assets of the Group for potential impairment, whereby the future cash generation of assets is assessed. These tests require management to apply assumptions and estimates.

The gross margins used in the impairment tests are based either on an average of the last reporting period and the next budget period for Cash Generating Units (CGUs) which are already generating sales, or on a projected rate taking into consideration future sales and raw materials costs assumptions for CGUs covering a product in development. Projections are mostly received from the respective controllers of each CGU and critically assessed and challenged by the Management to ensure their accuracy.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investor. The cost of debt is based on the projected interest-bearing borrowings the Group is obliged to service. CGU-specific risk is incorporated by applying an individual risk premium dependent on each CGU in the WACC calculation.

The projection period of the cash flows is based on financial forecasts reflecting the expected life of the asset and is approved by the Management. All significant assets capitalised as of December 2020 are expected to last for over a period of minimum 10 years, representing a reliable estimate of the time range over which the related products, whether already on the market or expected to be launched, will generate economic benefits. Depending on the asset, a finite terminal value is also applied and uses a terminal growth rate.

These assumptions and estimates are critically reviewed and diligently assessed by the Management. They are also subject to sensitivity analysis to measure the impact of changing these assumptions on the recoverable amount of the CGUs.

Goodwill paid on the acquisition of Rebiotix (2018)

With the acquisition of Rebiotix Inc. the Group has acquired in-development assets and goodwill related to microbiome technology. Therapies targeted towards the microbiome have the potential to transform healthcare. The CGU has been defined as the development, manufacturing, marketing and sales operations of the Rebiotix products in gastroenterology and mostly comprises a goodwill of **€35,583** and licences of **€88,457**. The impairment test is based on sales and cost projections for the two in-development formulations based on U.S tax rate and recoverable tax losses carried forward. The sales are expected to significantly grow in the years following the launch in 2022. The finite Terminal Value calculation uses a rate of **3.0%** representing the strong potential of the microbiome market. The discount rate used in the impairment test is **16.9%** (2019:16.0%), reflecting a conservative approach since the FDA approval has not been received yet. The recoverable amount for the cash-generating unit, based on the value in use, is estimated to be **€144,479** (2019: €160,372). The decrease in value in use is due to the higher discount rate and increased marketing expenses in preparation of the launch. The goodwill of **€35,583** (2019: €39,072) is not impaired.

The sensitivity analysis performed over the WACC showed that, other things equal, an increase / decrease of 1.0% of the WACC would result in an increase / decrease of respectively **+€21,978** and **-€19,737** of the recoverable amount, the latter resulting in a potential impairment of **€1,200** of the CGU's assets. The sensitivity analysis performed on the Terminal Value growth rate showed that a decrease up to **3.0%** would not result in an impairment. Management has also assessed that, other things equal, an increase up to **35%** of the raw material costs would not result in an impairment.

Goodwill paid on the acquisition of Cytokine (2011)

The CGU is the PROPESS® business, covering the manufacturing (in the manufacturing site in Scotland) and sales and marketing of PROPESS®, and mostly comprises a goodwill of **€19,666** and licences of **€23,228.** The impairment test is based on average sales growth of **2.5%** per year (2019: 1.1%), and a flat cost structure, over a valuation period of 10 years. The tax rate is based on a blended rate of **14.6%** (2019: 15.0%). The discount rate used on the cash flows in the impairment test is **9.9%** (2019: 12%), reflecting a low to moderate risk since PROPESS® is already on the market and performing well. The recoverable amount for the cash-generating unit, based on the value in use, is estimated to be **€491,850** (2019: €286,309). The increase in value in use is due to a better contribution margin, an extended valuation period and a lower discount rate. The goodwill of **€19,666** (2019: €20,788) is not impaired.

The sensitivity analysis performed over the WACC and the Terminal Value growth rate showed that, other things equal, an increase of **2.0%** of the WACC, a decrease of **1.0%** of the Terminal value growth rate and a decrease up to **2.5%** of the average sales growth, would not result in an impairment of the CGU's assets wich are covered by a high recoverable amount.

Goodwill paid on the acquisition of Syntese (2004)

The CGU is the local manufacturing facility producing semi-finished goods for PENTASA® and comprises a goodwil of **€3,000**. The impairment test is based on steady raw material costs while sales increase by **2%** per year over the valuation period of 10 years. The local tax rate used is **25%** (2019: 22%). The discount rate used on the cash flows in the impairment test is **9.9%** (2019: 12%), reflecting a low to moderate risk since the PENTASA® business is performing well. The recoverable amount for the cash-generating unit, based on the value in use, is estimated to be **€25,812** (2019: €20,154). The increase in value in use is mainly a result of higher projected sales with lower material costs, as well as a lower discount rate. The goodwill of **€3,000** (2019: €3,000) is not impaired.

The sensitivity analysis performed over the WACC and the Terminal Value growth rate showed that, other things equal, an increase of **2.0%** of the WACC, a decrease of **1.0%** of the Terminal value growth rate and a decrease up to **2.0%** of the average sales growth, would not result in an impairment of the CGU's assets.

Capitalised development cost

In 2020, capitalised costs amount to **€1,807** (2019: €2,911) of which the main assets are **€932** for REKOVELLE® in Japan and **€767** for MENOPUR®.

In 2020, the transfers mostly relate to the reclassification as assets held for sale of the capitalised development costs linked to VITAROS® and TESTAVAN® amounting to **€1,357** (Note 20).

In 2019, capitalised costs amounted to €2,911 of which the main ones were €1,088 for PROPESS® in Japan and €1,141 for NOCDURNA®.

* Amounts expressed in thousands of Euros

Other intangibles

In 2020, the additions of other intangible assets of **€25,180** mainly include software licenses and capitalised external costs incurred connected to business process re-engineering aiming at the generation of efficiencies.

In 2019, the additions of other intangible assets were mainly related to software (€19,453).

In 2019, the €2,000 for the scale-up of a manufacturing site in Russia has been transferred to current investment in financial assets.

The impairment in 2019 are intangible design assets related to manufacturing project in Russia.

Amortisation

Amortisation expense of **€34,043** (2019: €31,073) has been charged in cost of sales for **€2,771** (2019: €2,723), in sales and marketing expenses **€568** (2019: €677), in research and development expenses **€1,793** (2019: €2,896), in general and administrative expenses **€7,224** (2019: €5,566) and in other operating expenses **€21,687** (2019: €19,211).

14. Right-of-use assets and Lease Liabilities

Year ended 31 December 2019	Land and buildings	Machinery and equipment	Furniture fixtures and other PPE	Total
At 1 January 2019	**37,870**	**17,507**	**729**	**56,106**
Additions	8,665	7,884	1,082	**17,631**
Transfers	(5)	227	(15)	**207**
Depreciation	(13,937)	(9,651)	(478)	**(24,066)**
Exchange rate differences	587	291	(37)	**841**
Closing net book value	**33,180**	**16,258**	**1,281**	**50,719**
At 31 December 2019				
Cost (net book value at 1January 2019 and additions)	47,117	25,909	1,759	**74,785**
Accumulated depreciation and impairment	(13,937)	(9,651)	(478)	**(24,066)**
Net book value	**33,180**	**16,258**	**1,281**	**50,719**

Year ended 31 December 2020		Land and buildings	Machinery and equipment	Furniture fixtures and other PPE	Total
At 1 January 2020		**33,180**	**16,258**	**1,281**	**50,719**
Additions		13,403	11,191	(390)	**24,204**
Acquisition of a subsidiary	*35*	-	-	2,542	**2,542**
Disposals		-	(27)	(1)	**(28)**
Depreciation		(15,953)	(11,322)	(558)	**(27,833)**
Exchange rate differences		(1,304)	(925)	(158)	**(2,387)**
Closing net book value		**29,326**	**15,175**	**2,716**	**47,217**

* Amounts expressed in thousands of Euros

At 31 December 2020	Land and buildings	Machinery and equipment	Furniture fixtures and other PPE	Total
Cost	57,300	29,999	3,896	**91,195**
Accumulated depreciation and impairment	(27,974)	(14,824)	(1,180)	**(43,978)**
Net book value	**29,326**	**15,175**	**2,716**	**47,217**

In 2020, the depreciation expense of **€27,833** (2019: €24,066) has been charged in cost of sales for **€1,924** (2019: €1,833) in sales and marketing expenses for **€15,840** (2019: €14,291), in research and development expenses for **€2,296** (2019: €1,092), in general and administration expenses for **€7,750** (2019: €6,850), in other operating expenses for **€23** (2019: €0).

Lease liabilities		2020	2019
Current lease liabilities	*30*	22,468	23,610
Non-current lease liabilities	*30*	26,668	27,825
Total		**49,136**	**51,435**

In addition, the future payment obligations is mainly related to the leasing contract of Soundport, a building under construction in Denmark that the Group is expected to rent from May 2021 as a replacement of the current building used by Ferring Pharmaceuticals A/S. The lease will be recognised under IFRS 16 and included in the balance sheet from its start date. As of December 2020, the undiscounted obligation over the contract period amounts to **€215,542**.

Amounts recognised in the statement of income	2020	2019
Depreciation expense on right-of use assets	**(27,833)**	**(24,066)**
Interest expense on lease liabilities	**(1,302)**	**(1,419)**
Expense relating to short-term leases	**(1,960)**	**(4,671)**
Expense relating to leases of low-value assets	**(134)**	**(138)**
Expense relating to variable lease payments not included in lease liabilities	**(1,530)**	**(2,408)**

The total cash outflow for lease in 2020 was **€24,564**.

* Amounts expressed in thousands of Euros

15. Non-current receivables

	2020	2019
Non-current deposits	11,480	12,000
Other non-current receivables	4,212	4,108
Total	**15,692**	**16,108**

Non-current receivables mainly consist of deposits made in connection with long-term leases and real estate agreements. The deposits are repayable to the Group at the end of the lease terms.

In 2019, Ferring decided to opt-out from the Pharmaceutical Price Regulation Scheme (PPRS) in the United Kingdom, through a one-off payment. This decision resulted in the recognition of an asset of €3,725 representing the economic benefits from future savings. This asset is amortised over 5 years. In 2020, it amounts to **€2,384**.

16. Investments in financial assets

Financial assets designated as at FVTOCI	2020	2019
Shares & convertible bonds from VectivBio Holding AG	605	614
Total Financial assets measured as at FVTOCI	**605**	**614**

Financial assets measured as at FVTPL	2020	2019
Securities - Germany in EUR	704	695
Loans to other entities	2,767	2,763
Total Financial assets measured as at FVTPL	**3,471**	**3,458**

Financial assets measured at amortised cost		2020	2019
Loans to related party entities	*34*	76,215	14,740
Loans to key management and other loans	*34*	9,916	12,665
Total Financial assets measured at amortised cost		**86,131**	**27,405**

	2020	2019
Total investments in financial assets	**90,207**	**31,476**
of which:		
Non-current financial assets	44,033	11,210
Current financial assets	46,174	20,266

VectivBio AG continued the development of its asset and is supported by additional financing rounds in August 2020. The Group has elected not to participate in this round as it is not a strategical Ferring asset. The financing round resulted in a conversion of the VectivBio AG bonds into shares and a further dilution of the Group's interests in VectivBio AG (which is now 0.5%). The fair value of the financial asset remained constant with the 2019 valuation.

The investments in financial assets mainly include loans to key management of the Group and loans to related party entities. The increase during 2020 is mainly related to loans provided to the future supplier of Nadofaragene firadenovec (rAd-IFN/Syn3) (Note 34). They are carried at amortised cost. They are continually monitored and credit risks are reviewed in the process of reporting to management. Necessary allowances are made for expected credit losses (ECLs). Expected credit losses are deemed to be immaterial and no such loss has been experienced during 2020.

None of these financial assets is either past due or impaired.

17. Inventories

	2020	2019
Raw and auxiliary materials	105,833	97,043
Semi-finished goods	105,045	87,388
Finished goods	153,633	110,437
Total	**364,511**	**294,868**

The Group has recognised an expense of **€28,841** (2019: €22,097) as a result of a write-down of inventory, which is included in the cost of sales in the statement of income.

18. Receivables and prepayments

		2020	2019
Trade receivables		311,018	333,517
Allowance for expected credit losses		(11,097)	(9,991)
Trade receivables, net		**299,921**	**323,526**
Prepayments and accrued income		66,492	85,281
Prepayments and accrued income with related parties	*34*	30,370	20,444
Other receivables		54,516	40,299
Other receivables from related parties	*34*	4,941	-
Total		**456,240**	**469,550**

* Amounts expressed in thousands of Euros

The credit quality of the net trade receivables that are not past due can be assessed by reference to historical information about counterparty default rates:

	2020	2019
Net trade receivables not past due		
New customers (less than 6 months)	2,186	4,127
Existing customers, no defaults in the past	259,501	281,375
Existing customers, some defaults in the past	23,599	18,813
Total	**285,286**	**304,315**

The credit quality of the net trade receivables that are past due can be assessed by reference to historical information about counterparty default rates:

Net trade receivables past due		
New customers (less than 6 months)	181	41
Existing customers, no defaults in the past	10,374	16,875
Existing customers, some defaults in the past	4,080	2,295
Total	**14,635**	**19,211**

The movement in the loss allowance for expected credit losses of the year is as follows:

Balance at the beginning of the year	**9,991**	**11,141**
Additions	2,810	2,280
Unused amounts reversed	(875)	(2,763)
Charged / (credited) to statement of income	**1,935**	**(483)**
Utilised during the year	(262)	(673)
Exchange rates difference	(567)	6
Balance at the end of the year	**11,097**	**9,991**

The allowance for expected credit losses amounting to **€11,097** (2019: €9,991) relates mainly to receivables in Southern Europe, South America, Middle East and North America and is based on past due receivables of existing customers with some defaults in the past.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Trade receivables - months past due				
	Not past due	up to 3	3 to 6	over 6	Total
At 31 December 2020					
Expected credit losses (ECL) rate	*0.1%*	*10.6%*	*62.2%*	*100%*	**-**
Estimated total gross carrying amount at default	285,512	14,695	3,964	6,847	**311,018**
Lifetime ECL	(226)	(1,560)	(2,464)	(6,847)	**(11,097)**
	285,286	**13,135**	**1,500**	**-**	**299,921**

	Trade receivables - months past due				
	Not past due	up to 3	3 to 6	over 6	Total
At 31 December 2019					
Expected credit losses (ECL) rate	*0.1%*	*16.4%*	*75.4%*	*100%*	**-**
Estimated total gross carrying amount at default	304,658	22,531	1,519	4,809	**333,517**
Lifetime ECL	(343)	(3,693)	(1,146)	(4,809)	**(9,991)**
	304,315	**18,838**	**373**	**-**	**323,526**

In 2020, an expense of **€1,935** (2019: income of €483) for changes in the allowance for expected credit losses has been recognised in the consolidated statement of income, including an expense of **€1,931** (2019: an income of €538) under sales and marketing expenses, an expense of **€4** (2019: an expense of €55) under general and administrative expenses.

* Amounts expressed in thousands of Euros

19. Cash and cash equivalents

	2020	2019
Cash at bank and in hand	468,175	278,626
Short-term bank deposits	151,521	30,575
Total	**619,696**	**309,201**

Bank deposits as of 31 December 2020 are all with maturity under 90 days and are denominated in following currencies:

	2020	% of total bank deposits	Interest rate
U.S. dollar	134,267	88.61%	0.48%
Israelian Shekel	11,154	7.36%	0.01%
Indian Rupee	5,854	3.86%	2.88%
Argentinean Peso	92	0.06%	34.25%
Euro	85	0.06%	0.00%
Swiss Franc	69	0.05%	0.00%
Total	**151,521**	**100.00%**	

For the purpose of the consolidated statement of cash flows, the balance of cash and cash equivalents less bank overdrafts comprise the following:

	2020	2019
Cash and cash equivalents	619,696	309,201
Bank overdrafts (Note 22)	(144)	(145)
Total	**619,552**	**309,056**

Cash concentrations are with banks with an investment grade. In many legal entities smaller amounts are held with local banks.

	2020	2019
AA	93,889	8,310
AA-	652	132,348
A+	463,705	118,392
A	27,388	32,448
A-	1,187	3,306
BBB+	19,675	4,593
BBB	-	2,443
BBB-	969	323
Other	12,231	7,038
Total	**619,696**	**309,201**

The rating of the Group's main cash management bank is A+, and considered to have a low credit risk

20. Disposal groups held for sale

	2020	2019
Assets of disposal groups held for sale	6,320	19
Total assets of disposal groups held for sale	**6,320**	**19**
Liabilities of disposal groups held for sale	1,787	-
Total liabilities of disposal groups held for sale	**1,787**	**-**

Sale of TESTAVAN® and VITAROS®

In 2020 the Board resolved to dispose of the assets related to Testavan and Vitaros and negotiations with several interested parties have subsequently taken place. The disposal is consistent with the Group's long-term policy to refocus its activities on the core products.

These assets, which are expected to be sold within 12 months, likely during the first quarter of 2021, have been classified as a disposal group held for sale and presented separately in the Balance Sheet.

The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly with IAS 36 no impairment losses have been recognised prior to the classification of these assets as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2020	2019
Intangible assets	4,422	-
Property, plant and equipment	1,221	-
Total assets classified as held for sale	**5,643**	**-**

Other liabilities	100	-
Total liabilities classified as held for sale	**100**	**-**

Sale of Ferring Galenisches Labor A.G

Ferring Galenisches Labor A.G., located in Switzerland, will be sold by the Ferring Group to a related company, Amzell BV, and will change its name to Bazell AG. The Group will no longer hold any share in the company. The sale will be completed in 2021. Therefore the below assets and liabilities are disclosed as a disposal group held for sale:

* Amounts expressed in thousands of Euros

	2020	2019
Property, plant and equipment	321	-
Intangible assets	3	-
Non-current receivables	84	-
Deferred tax assets	221	-
Receivables and prepayments	48	-
Total assets classified as held for sale	**677**	**-**
Pension liabilities	1,183	-
Trade accounts payable	4	-
Other taxes and social security liabilities	138	-
Accruals and other liabilities	362	-
Total liabilities classified as held for sale	**1,687**	**-**

Upon deconsolidation in 2021, an intercompany current receivable not included in the above table and amounting to **€1,214** will become a related party payable.

All the disposal groups are part of the Base Business segment (Note 4).

21. Shareholder's equity

Issued share capital

Ferring Holding SA was incorporated on 15 December 2000 with an issued and paid-in share capital of CHF 250 million comprising 20,625,000 registered shares of CHF 10 each and 2,187,500 registered shares of CHF 20 each. Each share entitles the holder to a single vote at shareholder meetings and to a share in any dividends which may be declared and to any liquidation proceeds in proportion to the nominal value of the share.

At 31 December 2020 the Company had no authorised or conditional share capital outstanding.

Reserves

Amounts legally available for dividend distribution are derived from the single company financial statements of the Company.

Dividends may only be distributed from retained earnings and other reserves established for this purpose. The Swiss Code of Obligations requires holding companies to allocate annually 5% of their net income to the general legal reserve until the balance amounts to 20% of the paid-in share capital. Furthermore, proceeds from the issue of shares in excess of their nominal value are required to be credited to the general legal reserve.

The legal reserve at 31 December 2020 amounts to **€43,844** (2019: €43,844).

For other Swiss-incorporated companies, as long as the general legal reserve amounts to less than one half of the nominal share capital it may not be distributed and can only be utilised to offset against an accumulated deficit. It is generally held that the shareholders may subsequently resolve to transfer a part of the reserve to retained earnings to the extent that it exceeds one half of the share capital. Certain other countries in which the Group operates apply similar laws.

The distribution from reserves is restricted by non-distributable legal reserves of subsidiary companies for **€16,158** (2019: €16,158).

A dividend in respect of 2020 of €30,000 is to be proposed at the Annual General Meeting. These financial statements do not reflect this dividend payable.

Significant shareholders

At 31 December 2020 the entire share capital of the Company was held by Isles B.V. The Group is ultimately owned by the Dr Frederik Paulsen Foundation, established by the late Dr. Frederik Paulsen, the founder of the Ferring Group.

22. Borrowings

		2020	2019
Current:			
Bank overdraft	*19*	144	145
Short-term borrowings from related party		60,000	77,000
Short-term borrowings from third party		90,596	278
Total		**150,740**	**77,423**
Non-current:			
Long-term borrowings from third party		53,422	154,355
Long-term borrowings from related party		52,000	112,000
Bonds		249,055	-
Total		**354,477**	**266,355**

The fair value of the long-term borrowings as of 31 December 2020 is **€360,547** (€271,840 as of 31 December 2019). In July 2020, the Group issued bonds on the SIX Swiss Exchange for €252,500 (CHF 270,000) at a fixed rate of 1.05% that will mature in 5 years. The fair value of the bonds as of 31 December 2020 are **€255,054.**

* Amounts expressed in thousands of Euros

Loans outstanding at the end of 2020 and 2019 were denominated in the following currencies (short and long-term):

	Share		Average nominal interest rates	
	2020	**2019**	**2020**	**2019**
Euro	26%	61%	1%	1%
Swiss franc	53%	5%	1%	3%
Danish krone	0%	0%	1%	1%
US dollar	21%	34%	3%	4%

Maturities of non-current borrowings are as follows:

	2020	**2019**
Between 2 and 5 years	354,477	266,355
After 5 years	-	-
Total	**354,477**	**266,355**

As of 31 December 2020 borrowings of **€38,283** (€38,531 at 31 December 2019) were secured by property, plant and equipment. Many of the Group's loan agreements contain financial covenants, such as covenants on shareholder's equity, equity ratio, debt/EBITDA ratio and EBITDA/interest ratio. The Group was compliant with all financial covenants at 31 December, 2020.

Credit facilities
The Group had **€326,309** of unused lines of credit at 31 December 2020 (€228,883 at 31 December 2019).

23. Pensions

The Group has established a number of pension plans, including both defined benefit and defined contribution plans, which cover substantially all employees. The Group's plans provide pension and lump sum payments on retirement which are typically based on pensionable remuneration and length of service. The Group also provides certain employees with lump sum payments on leaving service, also linked to length of service. The Group's major defined benefit pension plans are located in Switzerland. The Group's defined benefit plans are valued by independent actuaries using the projected unit credit method. The latest actuarial valuations were carried out as at 31 December 2020.

The Group's Swiss pension benefits are based on employer and employee contributions (defined as a percentage of salary) with the level of benefits varying according to category of employment. Contributions accumulate with interest credits and are converted into pensions at retirement. The benefits provided by the pension plan are higher than the legal minimum. If an employee leaves the Group before retirement, the employee's account balance is transferred to the new employer's pension arrangement or to a personal arrangement.

The Group finances its Swiss pension benefits through collective foundations (multi-employer pension plans) of non-associated companies that pool financing and other risks between participating employers. In case of underfunding, participating employers can be required to pay deficit financing contributions under certain circumstances. The Group has a designated pension committee consisting of employees and company representatives that monitor the operation and performance of the pension solutions.

The duration of the defined benefit obligation is 18 years.

The consolidated disclosures include 41 plans as at 31 December 2020. 42 plans were in scope at 31 December 2019.

Components of the pension benefit obligations

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Present value of funded obligations	294,933	12,497	**307,430**	245,937	12,316	**258,253**
Fair value of plan assets	(202,363)	(11,784)	**(214,147)**	(170,049)	(11,513)	**(181,562)**
(Surplus) / deficit of funded plans	**92,570**	**713**	**93,283**	**75,888**	**803**	**76,691**
Present value of unfunded obligations	-	17,265	**17,265**	-	18,355	**18,355**
Liability in the balance sheet	**92,570**	**17,978**	**110,548**	**75,888**	**19,158**	**95,046**
Experience gains / (losses) on plan liabilities	(11,748)	463	**(11,285)**	(1,255)	64	**(1,191)**
Experience gains / (losses) on plan assets	4,775	(410)	**4,365**	(2,233)	58	**(2,175)**

Amounts recognised as net periodic pension cost in the consolidated statement of income

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Current service cost	20,998	2,940	**23,938**	14,246	2,523	**16,769**
Net interest expense / (income)	190	422	**612**	337	519	**856**
Past service cost / (credit) recognised	-	(813)	**(813)**	(270)	218	**(52)**
Termination benefits	-	212	**212**	-	46	**46**
(Gains) / losses on settlements	-	(22)	**(22)**	-	-	**-**
Administration expenses	-	4	**4**	-	4	**4**
Actuarial (gain) / loss and other Items recognised	-	(19)	**(19)**	-	97	**97**
Net periodic pension cost (Note 7)	**21,188**	**2,724**	**23,912**	**14,313**	**3,407**	**17,720**

In 2020 the **€813** negative past service cost relates to curtailment impacts following restructuring events in France and Mexico.

In 2019 the €270 negative past service cost in respect of Switzerland includes a decrease in conversion rates in one plan as well as a change in risk benefit in another plan and the €218 past service cost relates to new plans in the United Arab Emirates.

* Amounts expressed in thousands of Euros

Movements in the present value of the defined benefit obligation

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Defined benefit obligation at the beginning of the year	**245,937**	**30,671**	**276,608**	**191,974**	**26,199**	**218,173**
Classification to held for sale	(3,948)	-	**(3,948)**	-	-	**-**
Current service cost (employer part)	20,998	2,940	**23,938**	14,246	2,523	**16,769**
Plan participant contributions	8,248	-	**8,248**	6,423	-	**6,423**
Interest on benefit obligations	703	625	**1,328**	1,701	759	**2,460**
Actuarial losses / (gains) due to changes in financial assumptions	5,344	114	**5,458**	22,750	1,600	**24,350**
Actuarial losses / (gains) due to changes in demographic assumptions	-	186	**186**	-	88	**88**
Experience losses / (gains) on liabilities	11,748	(463)	**11,285**	1,255	(64)	**1,191**
Liabilities extinguished on settlements / Termination benefits	-	190	**190**	-	46	**46**
Past service cost / (credit)	-	(813)	**(813)**	(270)	218	**(52)**
Benefits paid from the plan (less transfers in)	5,339	(335)	**5,004**	122	(558)	**(436)**
Benefits paid direct by employer	-	(2,167)	**(2,167)**	-	(1,111)	**(1,111)**
Net transfers	-	-	**-**	-	1	**1**
Exchange rate differences	564	(1,186)	**(622)**	7,736	970	**8,706**
Defined benefit obligation at the end of the year	**294,933**	**29,762**	**324,695**	**245,937**	**30,671**	**276,608**
of which:						
Present value of funded obligations	294,933	12,497	**307,430**	245,937	12,316	**258,253**
Present value of unfunded obligations	-	17,265	**17,265**	-	18,355	**18,355**

Movements in the fair value of plan assets of the year

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Fair value of plan assets at the beginning of the year	**170,049**	**11,513**	**181,562**	**146,294**	**9,571**	**155,865**
Classification to held for sale	(2,765)	-	**(2,765)**	-	-	**-**
Interest income on plan assets	513	203	**716**	1,364	240	**1,604**
Actual return on plan assets less interest income on plan assets	4,775	(410)	**4,365**	(2,233)	58	**(2,175)**
Plan participant contributions	8,248	-	**8,248**	6,423	-	**6,423**
Employer contributions	15,140	3,387	**18,527**	12,132	2,518	**14,650**
Benefits paid from the plan (less transfers in)	5,339	(335)	**5,004**	122	(558)	**(436)**
Benefits paid direct by employer	-	(2,167)	**(2,167)**	-	(1,111)	**(1,111)**
Administrative expenses	-	(4)	**(4)**	-	(4)	**(4)**
Other adjustments	-	-	**-**	-	(2)	**(2)**
Exchange rate differences	1,064	(403)	**661**	5,947	801	**6,748**
Fair value of plan assets at the end of the year	**202,363**	**11,784**	**214,147**	**170,049**	**11,513**	**181,562**

Net actuarial (gains) / loss recognised immediately in other comprehensive income

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Changes in financial assumptions	5,344	88	**5,432**	22,750	1,590	**24,340**
Changes in demographic assumptions	-	186	**186**	-	88	**88**
Experience adjustments on benefit obligations	11,748	(418)	**11,330**	1,255	(150)	**1,105**
Actual return on plan assets less interest on plan assets	(4,775)	410	**(4,365)**	2,233	(58)	**2,175**
Other adjustments	176	(4)	**(180)**	(401)	(49)	**(450)**
Total (gain) / loss recognised in OCI	**12,493**	**270**	**12,763**	**25,837**	**1,421**	**27,258**

The loss on financial assumptions is mainly due to a decrease in the discount rate in Switzerland. The deferred tax asset recognised on the OCI movement is disclosed in Note 10.

* Amounts expressed in thousands of Euros

Recognition of the changes in the net liabilities

	2020			2019		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Net liability / (asset) at the beginning of the year	**75,888**	**19,158**	**95,046**	**45,680**	**16,628**	**62,308**
Classification to held for sale	(1,183)	-	**(1,183)**	-	-	**-**
Amounts recognised in the statement of income	21,188	2,724	**23,912**	14,313	3,407	**17,720**
Contributions paid	(15,140)	(3,387)	**(18,527)**	(12,132)	(2,518)	**(14,650)**
Amounts recognised in other comprehensive income	12,493	270	**12,763**	25,837	1,421	**27,258**
Exchange differences	(500)	(783)	**(1,283)**	1,789	169	**1,958**
Other adjustments	(176)	(4)	**(180)**	401	51	**452**
Net liability / (asset) at the end of the year	**92,570**	**17,978**	**110,548**	**75,888**	**19,158**	**95,046**

Principal actuarial assumptions used at the end of the reporting period

	2020			2019		
	Switzerland	Other	**Total (weighted average)**	Switzerland	Other	**Total (weighted average)**
Discount rate	0.2%	1.9%	**0.4%**	0.3%	2.1%	**0.5%**
Inflation rate	n/a	1.7%	**1.7%**	n/a	1.9%	**1.9%**
Interest credit rate assumption	0.8%	n/a	**0.8%**	0.8%	n/a	**0.8%**
Compensation growth rate	1.5%	3.1%	**1.6%**	1.5%	3.3%	**1.7%**
Pension growth rate	0.0%	1.4%	**0.1%**	0.0%	1.5%	**0.2%**

Assumptions at the end of the reporting period are used to determine expense over the subsequent period.

These assumptions translate into an average life expectancy in years for a pensioner retiring at the age of 65:

	2020		2019	
	Switzerland	Other	Switzerland	Other
Retiring at the end of reporting period:				
- Male	21.8	21.0	21.7	20.8
- Female	23.7	22.5	23.6	22.4
Retiring 20 years after the end of the reporting period:				
- Male	23.4	21.9	23.3	21.8
- Female	25.2	23.3	25.2	23.4

* Amounts expressed in thousands of Euros

Standard base mortality tables have been used in Switzerland with longevity improvements being projected using the CMI 2016 with a long-term rate of 1.25%. Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation and interest credit rates, compensation and pension growth rates as well as life expectancy. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding other assumptions constant.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is as follows:

Impact on defined benefit obligation

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.2%	Increase by 4.5%
Inflation assumption	0.25%	Increase by 0.1%	Decrease by 0.1%
Interest credit rate	0.25%	Increase by 1.4%	Decrease by 1.4%
Compensation growth rate	0.25%	Increase by 1.3%	Decrease by 1.2%
Pension growth rate	0.25%	Increase by 0%	Decrease by 0%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.0%	Decrease by 2.0%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Composition of plan asset

	2020				2019			
	Switzerland	Other	**Total**	% of Total	Switzerland	Other	**Total**	% of Total
Equities	60,018	73	**60,091**	28%	47,424	102	**47,526**	26%
Bonds	65,914	618	**66,532**	31%	57,477	790	**58,267**	32%
Real estate	50,191	112	**50,303**	23%	50,662	141	**50,803**	28%
Cash	5,781	29	**5,810**	3%	2,308	-	**2,308**	1%
Alternative investments	20,459	-	**20,459**	10%	12,178	-	**12,178**	7%
Insurance policies	-	8,475	**8,475**	4%	-	8,372	**8,372**	5%
Others	**-**	2,477	**2,477**	1%	-	2,108	**2,108**	1%
Total	**202,363**	**11,784**	**214,147**	**100%**	**170,049**	**11,513**	**181,562**	**100%**

Most of the assets (with some exceptions around real estate investments) have a quoted price in an active market. Cash outflows expected for contributions in 2021: **€17,886.**

Actuarial risks

- Defined benefit plans expose the Group to a range of risks including longevity, currency, interest rate and market/investment risk.-
- The Group finances its Swiss pension benefits through collective foundations (multi-employer pension plans) of non-associated companies that pool financing and

* Amounts expressed in thousands of Euros

other risks between participating employers. In case of underfunding, participating employers can be required to pay deficit financing contributions under certain circumstances.

- Mortality: the Group makes allowance for future anticipated improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, pensions would be paid for longer and consequently the plan's IFRS liabilities would increase.

- Investment: Under IFRS, liabilities are measured as cash flows discounted at a rate based on corporate bond yields. If bond yields fall, liabilities increase.

24. Provisions

	Litigation	Returns	Restructuring	Incentive plan	Other	Total
At 1 January 2020	**7,932**	**21,706**	**6,505**	**31,419**	**903**	**68,465**
Additional provisions	7,929	6,970	26,968	12,205	113	**54,185**
Unused amounts reversed	(254)	(961)	(2,086)	(1,260)	-	**(4,561)**
Charged to statement of income	**7,675**	**6,009**	**24,882**	**10,945**	**113**	**49,624**
Utilised during year	(1,222)	(2,762)	(21,225)	(2,667)	(230)	**(28,106)**
Exchange rate difference	(178)	(2,101)	(618)	(341)	(10)	**(3,248)**
Transfer	549	30	-	-	-	**579**
At 31 December 2020	**14,756**	**22,882**	**9,544**	**39,356**	**776**	**87,314**
of which:						
- Non-current	7	15,006	-	16,832	598	**32,443**
- Current	14,749	7,876	9,544	22,524	178	**54,871**

The litigation provisions mainly relate to a case with the Italian health authorities regarding MENOPUR®, as well as potential litigation related to the global recall on the nasal spray formulation of MINIRIN® in July 2020 (Note 8).

The returns provision mostly relates to future product returns. The calculation is based on historical product return patterns. The expected timing of any resulting outflows of economic benefits of the non-current portion is between 1 and 3 years. The Group booked returns provision mainly related to MENOPUR®, REKOVELLE®, EUFLEXXA®, PROPESS® and ZOMACTON®.

In 2018, the Group has started a company-wide initiative with the goal of transforming the Group structures, processes and resources to create efficiency improvements to drive future growth. As a result the Group has started building restructuring provisions. In 2019, the first groups of impacted employees have been offered restructuring proposals resulting in additional provision. In 2020, this process has continued and has further been extended and accelerated as part of the strategic decision to optimise the Group's organisational structures, mainly through outsourcing, clusterisation and digitalisation (Note 8). In the light of this restructuring program additional provision in 2021 can be foreseen.

In 2019, Ferring signed a collaboration agreement with Blackstone for the development and commercialisation of rAd-IFN/Syn3 through FerGene Inc., a new US Ferring entity. Restructuring provisions related to the people working on the project who were not transferred to FerGene Inc. were recorded in 2019 and used in 2020.

The long-term incentive plan relates to the Group's Senior Management additional bonus scheme based on the Group's performance throughout a defined period.

* Amounts expressed in thousands of Euros

25. Deferred income

	2020	2019
Opening book value	23,966	24,542
New deferred income	61,516	7,657
Credited to statement of income	(13,702)	(8,265)
Exchange rate differences	(2,964)	32
Closing book value	**68,816**	**23,966**

The income credited to the statement of income is presented in revenues under sales of goods (2020: **€5,497**; 2019: €7,626), other income (2020: **€7,920**; 2019: €513) and cost of sales (2020: **€285**; 2019: €126).

The split of deferred income over non-current and current is as follows:

Non-current	60,701	22,156
Current	8,115	1,810
Total	**68,816**	**23,966**

The non-current deferred income relates to:

Co-promotion, distribution and out-licensing	44,028	-
Income related to future supply	16,579	20,570
Deferred discount on purchased material	94	220
Sales of goods	-	1,366
Total	**60,701**	**22,156**

The current deferred income relates to:

Co-promotion and distribution	6,003	-
Income related to future supply	1,853	880
Deferred discount on purchased material	126	126
Sales of goods	133	804
Total	**8,115**	**1,810**

In January 2020, the Group signed an extension of the existing distributor contract with Kissei Pharmaceuticals related to the co-promotion and distribution of MINIRIN MELT® in Japan and received an upfront payment of **€50,064** booked as deferred income and recognised in the income statement over the contract duration following the Group's obligations under the agreement. The agreement resulted in recognising other income in 2020 of **€3,958**.

In October 2020, the Group signed an out-licensing agreement with Antares related to the distribution of NOCDURNA® in the United States. The recognised deferred income of **€6,358** comprised an upfront payment of **€4,258** and a one-year anniversary milestone of **€2,100**. The agreement resulted in recognising other income in 2020 of **€159**.

In 2017, a lump-sum payment of €22,000 has been received from Astellas Pharma Inc. and is related to the Group's supply of GONAX® 3 months formulation. Through this agreement the Group committed to develop the Kiel manufacturing site for supply and commits to supply the product during the remaining contract period. This agreement resulted in recognising other income in 2020 of **€3,677** (2019: €361). The increase of recognised income in 2020 was a result of signing an amendment to the agreement whereby the initially defined supply volumes were excluded from the agreement.

The deferred discount on purchased material relates to the acquisition of assets for ZOMAJET®. The Group recognises the discount in cost of sales based on certain milestones included in the asset purchase agreement. This agreement resulted in recognised income in 2020 of **€126** (2019: €126).

The sales of goods deferred income relates to a transfer of goods to customer whereby not all conditions to recognise the sale are met.

* Amounts expressed in thousands of Euros

26. Contingent consideration liabilities

The consideration for certain acquisitions of intangible assets includes amounts contingent on future events such as development milestones and sales performance. Those amounts are expected to be paid over several years hence they are discounted to their present values.

At 31 December 2019	*Notes*	**199,463**
Remeasurement through income statement		5,844
Unwinding of discount	*9*	2,365
Acquisition of intangible assets during the year		750
Cash payments: investing activities		(668)
Transfer to liabilities of disposal groups held for sale	*20*	(100)
Exchange rate differences		(14,294)
At 31 December 2020		**193,360**
Non-current		168,531
Current		24,829

The main contingent consideration liabilities relate to the acquisitions of Rebiotix Inc. and INVOcell™ in 2018, to the acquisition of CONDOLIASE® in 2016 and to the purchase of license of rAd-IFN/Syn3 in 2015.

27. Other financial liabilities

Other financial liabilities consist of a funding received from Blackstone Life Sciences in 2019, which is contingent to future sales of FerGene Inc. in the United States of America.

At 31 December 2019	**31,286**
Remeasurement through income statement	(6,044)
Unwinding of discount	7,100
Exchange rate differences	(2,847)
At 31 December 2020	**29,495**

In 2019 the Group signed a collaboration agreement with Blackstone Life Sciences and received the first tranche €31,798 of a total expected contribution of €292,802. This agreement supports the global development and commercialisation of rAd- IFN/Syn3 in the United States of America; these activities are executed in a subsidiary of the Group, FerGene Inc.

28. Accruals and other liabilities

	2020	**2019**
Accrued personnel costs	121,438	113,674
Accrued royalties, discounts and commissions	100,609	107,145
Accrued marketing & sales costs	11,167	16,300
Accrued inventory purchases	22,503	15,168
Accrued clinical trials, research & development costs	27,092	30,771
Accrued legal and professional fees	11,893	8,556
Accrued distribution costs	2,733	3,271
Accrued other	33,907	33,022
Non-trade accounts payable	1,973	2,258
Total	**333,316**	**359,887**

29. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	1 January 2020	**Cash flows**	**Foreign exchange movements**	**Transfer**	**Other changes**	**31 December 2020**
Long-term borrowings	154,355	-	(4,175)	(96,758)	-	53,422
Short-term borrowings	278	(279)	(6,162)	96,758	-	90,595
Bonds	-	252,525	(3,470)	-	-	249,055
Non-Current loan related parties	112,000	-	-	(60,000)	-	52,000
Current loan related parties	77,000	(77,000)	-	60,000	-	60,000
Non-current lease liabilities	27,825	(203)	(1,464)	(21,606)	22,116	26,668
Current lease liabilities	23,610	(24,361)	(841)	21,606	2,454	22,468
Non-current liabilities	31,286	-	(2,846)	-	1,055	29,495
Total	**426,354**	**150,682**	**(18,958)**	**-**	**25,625**	**583,703**

* Amounts expressed in thousands of Euros

30. Financial risk management

Financial risk management objectives

In line with requirements of Swiss law, the Group's internal risk assessment process consists of reporting to the Board of Directors and the Audit Committee on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by specific corporate functions as well as by the operational units of the Group.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management program seeks to minimise potential adverse effects on the Group's financial performance from financial market volatility. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors.

Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and use of derivative financial instruments and investment of excess liquidity.

(a) Market risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge exchange rate risk and interest rate swaps to mitigate interest rate risk.

(i) Foreign currency risk management

As a consequence of the global nature of the business, cash flows and operational results of the Group are exposed to risks associated with fluctuations in the exchange rates of the currencies in which we operate. The primary purpose of the Group's currency risk management is to reduce the effect of currency fluctuations on cash flows.

Foreign currency sensitivity analysis

The Group is exposed to currency risk on revenues and expenses that are generated in currencies other than the Euro. The Group has a substantial portion of its production, research and development, general and administrative expenses denominated in Danish Krone, Israeli Shekel and Swiss Franc. U.S. Dollars represent the largest foreign currency revenue exposure.

The gross carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities for its largest cash flow exposures at the end of the reporting period are as follows. The figures reported include the notional value of currency hedges.

	Assets		Liabilities	
€ '000	**2020**	**2019**	**2020**	**2019**
USD	415,581	336,914	380,031	392,587
CHF	312,685	20,678	369,341	106,067
DKK	36,091	38,339	28,799	116,206

Hereunder a sensitivity analysis is presented for the major currencies: U.S. Dollar, Danish Krone and Swiss Franc. The table details the Group's sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The calculations are based on the net exposures for transaction risks in these currencies that are on the balance sheets of entities that are not denominated in these currencies.

	Currency U.S. Dollar Impact		Currency Danish Krone Impact		Currency Swiss Franc Impact	
€ '000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
P&L impact EUR weaken 10%	3,077	(969)	631	(6,741)	(4,905)	(997)
P&L impact EUR strengthen 10%	(3,077)	969	(631)	6,741	4,905	997

Group Treasury typically enters into foreign exchange contracts for periods up to one year to hedge a portion of our anticipated cash flows for our significant foreign currency exposures. Such contracts are not qualified as cash flow hedges and are, therefore, not accounted for using hedge accounting principles. Gains and losses on these transactions are recognised directly in the income statement.

The equity impact for foreign exchange sensitivity related to derivative financial instruments is immaterial.

As at 31 December 2020 the Group had entered into forward exchange contracts with a nominal face value of **€271,074** (2019: €502,201) and the fair value of all open currency contracts amounted to a loss of **€6,857** (2019: €3,492).

(ii) Interest rate risk management

The Group's principal interest rate risk arises from borrowings. The Group has an outstanding total debt balance of **€505,073** (2019: €343,633). 63% of the total debt has a fixed interest rate (for 4% of the debt, the interest rate is fixed until March 2021; for 10% until June 2021; for 49% until June 2025) while 37% has a variable interest rate.

Ferring manages its interest rate risk by using a mix of fixed and floating rate borrowing instruments and derivatives to change the ratio of fixed to floating rate debt. The Group has entered into the following derivatives to manage interest rate and currency risk on its borrowings:

- Cross currency interest rate swap to convert USD 65,000 of borrowings with a fixed interest rate of 5.32% to EUR 62,300 of principal with a fixed interest rate of 3.12% maturing June 30, 2021.
- Cross currency interest rate swaps to convert CHF 270,000 of borrowings with a fixed interest rate of 1.05% to EUR 254,000 of principal with a fixed interest rate of € 1.32% maturing July 9, 2025.
- Interest rate swap to convert EUR 19,000 of floating rate debt to a fixed interest rate of 1.8775% maturing March 31, 2021.

At 31 December 2020, if interest rates on borrowings had been 0.25% lower/higher with all other variables held constant, post–tax profit would have been **€516** (2019: €734) higher/lower.

The total fair value of the above swaps is **€-15,900** (2019: €-5055).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

* Amounts expressed in thousands of Euros

(iii) Interest rate swap contracts and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The interest rate swap contracts as mentioned in Note 31 qualifies for hedge accounting-cash flow hedge. For this derivative the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether this derivative is highly effective. The fair value changes of these derivatives are recognised in other comprehensive income. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statement of income over the period to maturity. The fair values of various financial instruments used for hedging purposes are disclosed in Note 31.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Interest Rate Hedge

Outstanding receive floating pay	Average contracted fixed interest rate		Notional principal value		Fair value liabilities	
Fixed contract						
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Less than 1 year	-	-	-	-	-	-
1-2 years	2.83%	2.83%	81,302	81,302	(9,097)	(5,055)
2-5 years	1.32%	-	253,770	-	(6,803)	-
5 years+	-	-	-	-	-	-
Total			**335,072**	**81,302**	**(15,900)**	**(5,055)**

The interest rate swaps related to the CHF19,000 loan settled on a quarterly basis. The floating rate on the interest rate swaps is based on USD LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings and are designated as cash flow hedges. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The Group entered into a cross currency interest rate swaps (CCIRS) with two banks to hedge CHF 270,000 the CHF principal and interest to EUR. The total CHF 270,000 bonds are settled on an annual basis. Both Euro and CHF rates are fixed. The Group settles the difference between the Euro and CHF rates. The CCIRS designated as cash flow hedges, thereby reflecting the EUR interest rate paid in the P&L with FX movements reflected Other Comprehensive Income.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk on commercial customers is managed on an entity basis (Note 18).

Credit risks arising from cash, derivative financial instruments and deposits with banks are managed by Group Treasury. As per 31 December 2020 the Group's most significant concentration risk equated to around 56% of cash and cash equivalents with a single A+ rated counterparty. Approximately **98%** of cash is held with banks with an external credit rating of BBB- or higher (i.e., investment grade).

(c) Liquidity risk management

Group liquidity management is centralised in Group Treasury. In order to maintain sufficient liquidity to meet financial obligations, funds are typically held in overnight or short-term deposits. Maturities are aligned with expected liquidity needs of the Group. The Group also maintains an adequate amount of committed and uncommitted credit facilities.

The Group had **€326,309** of unused credit lines at 31 December 2020 (€228,883 at 31 December 2019).

Liquidity and interest risk tables

The following tables detail the Group's main non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

* Amounts expressed in thousands of Euros

Non-derivative financial liabilities

	Average weighted rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
At 31 December 2020								
Lease liability	2.6%	3,112	3,079	16,277	21,870	4,798	**49,136**	49,136
Variable interest rate borrowings	0.7%	25,000	19,368	35,845	106,936	-	**187,149**	184,702
Fixed interest rate borrowings	1.9%	-	19,978	55,560	258,208	-	**333,746**	320,370
Trade and other payables and liabilities		-	106,210	-	-	-	**106,210**	106,210
Other financial liabilities		-	-	-	29,495	-	**29,495**	29,495
Contingent consideration in a business combination		-	-	23,749	68,538	-	**92,287**	92,287
Total		**28,112**	**148,635**	**131,431**	**485,047**	**4,798**	**798,023**	**782,200**
At 31 December 2019								
Lease liability	2.8%	1,502	3,141	18,967	24,565	3,260	**51,435**	51,435
Variable interest rate borrowings	1.0%	24,500	721	54,528	196,330	-	**276,079**	267,161
Fixed interest rate borrowings	5.0%	-	947	2,842	78,367	-	**82,156**	76,473
Trade and other payables and liabilities		-	110,389	-	-	-	**110,389**	110,389
Other financial liabilities		-	-	-	31,286	-	**31,286**	31,286
Contingent consideration in a business combination		-	-		72,191	16,734	**88,925**	88,925
Total		**26,002**	**115,198**	**76,337**	**402,739**	**19,994**	**640,270**	**625,669**

The following tables detail the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Non-derivative financial assets

	Average weighted rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
At 31 December 2020							
Variable interest rate deposits	1.75%	-	-	-	-	22,000	**22,000**
Fixed interest rate deposits	1.38%	93,553	40,698	45,482	11,500	3,395	**194,628**
Total		**93,553**	**40,698**	**45,482**	**11,500**	**25,395**	**216,628**
At 31 December 2019							
Variable interest rate deposits	-	-	-	-	-	-	**-**
Fixed interest rate deposits	2.00%	14,464	-	15,503	-	3,395	**33,362**
Total		**14,464**	**-**	**15,503**	**-**	**3,395**	**33,362**

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders equity divided by total assets.

During 2020 the Group's strategy, which was unchanged from 2019, was to maintain the equity ratio within a 35% to 60% range. This range comfortably exceeds the minimum equity covenant applicable to some of Ferring's credit facilities.

The equity ratios at 31 December 2020 and 2019 were:

	2020	2019
Total shareholder's equity	1,082,246	961,514
Total assets	2,718,462	2,307,876
Equity ratio	**40%**	**42%**

* Amounts expressed in thousands of Euros

31. Financial instruments by category

Year ended 31 December 2020

Assets per balance sheet		Assets at AC*	Assets at FVTPL*	Assets at FVTOCI*	Total
Long-term receivables		11,480	515	-	**11,995**
Investments in financial assets	*16*	86,131	3,471	605	**90,207**
Trade and other receivables		306,151	-	-	**306,151**
Cash and cash equivalents	*19*	619,696	-	-	**619,696**
Derivative financial instruments		-	1,244	-	**1,244**
Total		**1,023,458**	**5,230**	**605**	**1,029,293**

Liabilities per balance sheet		Liabilities at AC*	Liabilities at FVTPL*	Liabilities at FVTOCI*	Total
Borrowings	*22*	505,217	-	-	**505,217**
Trade and other payables and liabilities		106,210	-	-	**106,210**
Contingent consideration in a business combination		-	92,287	-	**92,287**
Other financial liabilities		29,495	-	-	**29,495**
Derivative financial instruments		-	9,028	6,918	**15,946**
Total		**640,922**	**101,315**	**6,918**	**749,155**

Year ended 31 December 2019

Assets per balance sheet		Assets at AC*	Assets at FVTPL*	Assets at FVTOCI*	Total
Long-term receivables		12,000	514	-	**12,514**
Investments in financial assets	*16*	27,405	3,458	614	**31,477**
Trade and other receivables		330,140	-	-	**330,140**
Cash and cash equivalents	*19*	309,201	-	-	**309,201**
Derivative financial instruments		-	138	-	**138**
Total		**678,746**	**4,110**	**614**	**683,470**

* AC: Amortised cost
* FVTPL: Fair Value Through Profit and Loss Statement
* FVTOCI: Fair Value Through Other Comprehensive Income

Liabilities per balance sheet		Liabilities at AC*	Liabilities at FVTPL*	Liabilities at FVTOCI*	Total
Borrowings	*22*	343,778	-	-	**343,778**
Trade and other payables and liabilities		110,389	-	-	**110,389**
Contingent consideration in a business combination		-	88,925	-	**88,925**
Other financial liabilities		31,286	-	-	**31,286**
Derivative financial instruments		-	4,587	545	**5,132**
Total		**485,453**	**93,512**	**545**	**579,510**

* AC: Amortised cost
* FVTPL: Fair Value Through Profit and Loss Statement
* FVTOCI: Fair Value Through Other Comprehensive Income

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December:

	2020			2019		
Assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivatives used for economic hedging outstanding forwards						
Investments in financial assets						
- Equity securities designated as at FVTOCI	-	-	605	-	-	614
- Financial assets measured as a FVTPL	704	2,767	-	695	2,763	-
Financial assets at fair value through statement of income						
- outstanding forwards	-	1,244	-	-	138	-
Life insurance	-	515	-	-	514	-
Total	**704**	**4,526**	**605**	**695**	**3,415**	**614**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities at fair value through statement of income						
- borrowings	-	-	-	-	-	-
- other liabilities	-	-	92,287	-	-	88,925
- trading derivatives	-	9,028	-	-	4,587	-
- outstanding forwards	-	-	-	-	-	-
Derivatives used for economic hedging outstanding forwards						
- forward-starting interest rate swap	-	6,918	-	-	545	-
Total	**-**	**15,946**	**92,287**	**-**	**5,132**	**88,925**

* Amounts expressed in thousands of Euros

* Amounts expressed in thousands of Euros

Fair value estimation

The fair value of financial instruments that are not quoted in an active market is determined by using various valuation techniques. In most cases quoted market prices or dealer quotes for similar instruments are used for long-term debt and forward foreign exchange instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their face values.

Level 1

Quoted prices/unadjusted in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following tables present the changes in Level 3 instruments:

		2020	2019
Assets per balance sheet			
Opening balance		614	1,304
New level 3 instruments		-	179
Disposal		-	(869)
Gains / (losses) recognised in the equity		-	-
Gains / (losses) recognised in the statement of income		(8)	-
Closing balance		**605**	**614**
Total gains / (losses) for the period included in the statement of income for assets held at the end of the reporting period		(8)	-

		2020	2019
Liabilities per balance sheet			
Opening balance		88,925	81,305
Payments made during the year		-	-
New level 3 instruments through business combination	*35*	-	-
(Gains) / losses recognised in the statement of income		11,588	5,786
(Gains) / losses recognised in other comprehensive income		(8,226)	1,834
Closing balance		**92,287**	**88,925**
Total (gains) / losses for the period included in the statement of income; which consists of:		11,588	5,786
Other financial income and expenses		1,980	2,063
Other operating expenses		9,608	3,723

Sensitivity analysis of Level 3 contingent consideration

The table below shows on an indicative basis the financial sensitivity to reasonably possible changes in key inputs to the valuations of the Level 3 instruments.

Year ended 31 December 2019			
Financial Assets / financial liabilities	**Valuation technique(s) and key input (s)**	**Significant unobservable input(s)**	**Relationship and sensitivity of unobservable inputs to fair value**
1) Contingent consideration in a business combination €88,925 (level 3)	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration.	Discount rate of 2.3%	The higher the discount rate, the lower the fair value. If the discount rate was 1 point higher while all other variables were held constant, the carrying amount would decrease by €3,026; if the discount rate was 1 point lower while all other variables were held constant, the carrying amount would increase by €3,203.
2) Contingent consideration in a business combination €88,925 (level 3)	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration.	Foreign currency rate of USD with Euro at 0.8931	If 10% appreciation of US Dollar while all other variables were held constant, the carrying amount would increase by €8,892; if 10% depreciation of US Dollar while all other variables were held constant, the carrying amount would decrease by € 8,892.
3) Investments in unlisted shares and convertible bonds €614 (level 3)	*16* Shares have been valued as per the total price included in the Share purchase agreement. The decrease of the shares is due to Therachon Holding AG shares of €869 that were sold to Pfizer Inc. In addition, convertible bonds of €179 were acquired in December 2019. VectivBio AG is a spinout of Therachon Holding AG. The ex-Glypharma asset was transferred to a new entity VectivBio AG in Basel in which the Group holds a less than 1% minority share.	N/A	N/A

* Amounts expressed in thousands of Euros

Year ended 31 December 2020				
Financial Assets / financial liabilities	**Valuation technique(s) and key input (s)**	**Significant unobservable input(s)**	**Relationship and sensitivity of unobservable inputs to fair value**	
1) Contingent consideration in a business combination €92,287 (level 3)	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration.	Discount rate of 2.3%	The higher the discount rate, the lower the fair value. If the discount rate was 1 point higher while all other variables were held constant, the carrying amount would decrease by €3,082; if the discount rate was 1 point lower while all other variables were held constant, the carrying amount would increase by €3,265.	
2) Contingent consideration in a business combination €92,287 (level 3)	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration.	Foreign currency rate of USD with Euro at 0.81334	If 10% appreciation of US Dollar while all other variables were held constant, the carrying amount would increase by € 9,229; if 10% depreciation of US Dollar while all other variables were held constant, the carrying amount would decrease by € 9,229.	
3) Investments in unlisted shares and convertible bonds €605 (level 3)	*16*	VectivBio AG continued development of its asset with success proven by additional financing rounds in August 2020. The Group has elected not to participate in this round and the fact that this is not a strategical Ferring asset. The financing round has however resulted in a conversion of the bonds into shares and a further dilution of the Group's share (which is now 0.5%). The fair value of the financial asset remained at the level of 2019.	N/A	N/A

* Amounts expressed in thousands of Euros

32. Contingent liabilities

Through the normal course of the business the Group is involved in legal disputes. Settlement may involve costs to the Group. Provisions for these costs are made where an adverse outcome is probable and associated costs can be reliably estimated. Other significant contingent liabilities are described below.

Litigations

The Group is in dispute with the Danish tax authorities on the valuation of assets transferred from Denmark to Switzerland by end of 2003. The Group has assessed the risk and has recorded a provision. The assessment of the Danish tax authorities is significantly higher. In April 2012, the Group has appealed to the national tax tribunal against the valuation done by the tax authorities. Two independent valuators have been appointed and confirmed by the civil court and they have issued their report in 2017. Based on this valuation the Group has recorded an incremental liability and has paid the remaining amount in December 2017, so there is no remaining liability on the balance sheet. Late 2019 the Danish tax authorities have contested the valuation experts' appraisals and they have submitted a pleading to the National Tax Tribunal in which they argue that the Tribunal should set aside the experts' opinion. The Group is preparing a draft rebuttal pleading in response to the pleading of the Danish tax authorities and believes that no additional payments are due.

During 2020 the Group has faced a quality problem in the manufacturing process leading to a disruption of supply. The Group is in dispute with a customer claiming a compensation for lost margin as a result of the supply disruption. The dispute has not been resolved and is expected to lead to a settlement in 2021. The Group has recorded a provision for the best estimate of the settlement.

Contingent liabilities

The Group has acquired in the past years several assets with contingent milestone considerations. The milestone payments with a probability below 50% as per 31 December 2020 have not been recognised as a liability on the balance sheet and amount to **€41,466** (€42,246 at 31 December 2019). In addition there are unrecognised contingent milestones upon reaching certain sales levels for products still in development.

In 2018 the Group has acquired 100% of the shares of Rebiotix Inc. In line with IFRS 3 the Group has recognised the discounted value of a portion of the contingent milestones following an assessment of the probability of occurrence as the date of acquisition. The probabilities have been reassessed as per 31 December 2020. The development milestone payments as per 31 December 2020 that have not been recognised as a liability on the balance sheet amount to **€52,643** (€69,461 at 31 December 2019). In addition there are unrecognised royalties and sales milestones upon reaching certain sales levels for the Rebiotix products.

There are no other significant contingent liabilities.

33. Commitments

Leases not recorded under IFRS 16

	2020	2019
Not later than 1 year	4,633	6,834
Later than 1 year and not later than 5 years	851	1,100
After 5 years	36	-
Total	**5,520**	**7,934**

The leases not recorded under IFRS16 include short-term and low-value leases.

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounted to **€49,342** at 31 December 2020 and €11,413 at 31 December 2019.

The increase is partly related to a new building project in Germany, and a mix of other R&D and manufacturing projects.

Other commitments

At 31 December 2020 and 2019 the Group had the following other commitments arising in the ordinary course of business not recognised as liabilities:

	2020	2019
Not later than 1 year	151,110	165,758
Later than 1 year and not later than 5 years	112,969	134,803
After 5 years	155,196	166,331
Total	**419,275**	**466,892**

The other commitments mostly include the future payment obligations related to the leasing contract of Soundport, a building under construction in Denmark that the Group is expected to rent from May 2021 as a replacement of the current building used by Ferring Pharmaceuticals A/S. The lease will be recognised under IFRS 16 and included in the balance sheet from its start date. As of December 2020, the undiscounted obligation over the contract period amounts to **€215,542**.

The 2019 commitments have been restated with an additional amount of €48,932 in the "Later than 1 year and not later than 5 years" and €165,793 in the "After 5 years" category for the Soundport leasing contract.

* Amounts expressed in thousands of Euros

34. Related party transactions

The Group is ultimately owned by the Dr Frederik Paulsen Foundation, established by the late Dr. Frederik Paulsen, the founder of the Ferring Group. Related party transactions refer to transactions with key management and with companies controlled directly or indirectly by common directors with Ferring Holding SA.

(I) Sales of shares, goods and services

Sales of goods	2020	2019
Amring Pharmaceuticals Inc.	5,163	13,504
Other	11	-
Total	**5,174**	**13,504**

Sales of services	2020	2019
Trizell Group	6,741	-
Isles B.V.	650	650
Ney Group	543	445
Insula Group	951	1,210
Other	181	123
Total	**9,066**	**2,428**

The amount reported under Trizell Group mainly represents the services rendered by Kuopio Center for Gene and Cell Therapy Oy that recharged to Trizell Holding SA and the recharge of the BLA costs connected to the approval of rAd- IFN/Syn3 in the U.S market.

(II) Purchases of related party, goods, services and other

Purchases of goods	2020	2019
PolyPeptide Group	40,078	39,305
Trizell Group	9,024	7,444
Nordic Group	6,436	7,106
Other	-	64
Total	**55,538**	**53,919**

The Group mainly purchases Active Pharmaceutical Ingredient (API) to produce drugs from the PolyPeptide Group. The purchases from the Trizell Group represents a pre-payment of royalties and goods connected to rAd-IFN/Syn3.

Purchase of services	2020	2019
Izvarino Group	2,581	80
Ney Group	1,148	1,001
Nordic Group	104	271
Other	309	49
Total	**4,142**	**1,401**

* Amounts expressed in thousands of Euros

Purchase of shares of related parties	2020	2019
Trizell Group	1,325	-
Total	**1,325**	-

In July 2020, the Group acquired 100% of the shares of Kuopio Center for Gene and Cell Therapy Oy, an entity specialised in scientific research, formerly owned by Trizell Holding SA (Note 34).

As from January 2021, Ferring Galenisches Labor A.G. will transfer from the Ferring Group to Amzell B.V. (Insula Group) and will continue to provide support to Ferring's Global Life Cycle Management products under a research agreement (Note 20).

(III) Outstanding balances arising from sale/ purchase of goods/services

Receivables from related parties	2020	2019
Trizell Group	35,425	20,444
Ney Group	7,696	6,036
PolyPeptide Group	600	4,797
Izvarino Group	1,903	1,493
Amring Group	1,684	2,850
Other	4	814
Total	**47,312**	**36,434**

The Ney Group receivable represents a lease deposit related to a lease agreement for future premises in Copenhagen.

Payables to related parties	2020	2019
Trizell Group	39,837	39,620
Nordic Group	358	395
PolyPeptide Group	2,419	2,518
Other	113	341
Total	**42,727**	**42,874**

The payables to the Trizell Group relate to the purchase of licenses of rAd-IFN/Syn3. These payables are contingent to the occurrence of commercial sales after the BLA approval.

(IV) Loans to / from related parties

Loans to related parties	*Interest rate*	2020	2019
Loans to key management	*0.25%*	692	3,454
Trizell Group (1)	*3.5%*	54,215	7,500
Esperante Group (2)	*0.0%*	3,150	3,150
Neohorm Group (3)	*1.75%*	22,000	-
Izvarino Group (4)	*3.0%*	-	7,240
Total		**80,057**	**21,344**

(1) The loans mainly covers the costs to support the investments of the Trizell Group to manufacture rAd-IFN/Syn3.
(2) The loan to the Esperante Group no longer carries interest. Accrued interests have been fully impaired and the principal is fully provided.
(3) The purpose is to fund the costs to complete the construction of the Soundport building located in Copenhagen where Ferring Pharmaceuticals A/S agreed to rent space for offices and research laboratories under a lease agreement dated in 2015.
(4) The loans to Izvarino Group have been repaid to the Ferring Group in 2020.

Loans from related parties	*Interest rate*	2020	2019
Isles BV	*0.50%*	112,000	189,000

Out of the above balance **€60,000** will be repaid to Isles BV in 2021 and this is therefore included in current liabilities.

(V) Property transactions

The Group leases a number of properties from related parties. The lease conditions are established by reference to market terms. Rent paid to related parties is included in purchases of services.

(VI) Key management compensation

The recurring compensation for key management (FHSA Board of Directors, Group Executive Management) in 2020 was **€12,222** (2019: €9,137), which includes salary costs, other short term and long term benefits **€11,080** (2019: €8,003) and post-employment benefits **€1,142** (2019: €1,134).

35. Business combinations

As per July 1st, 2020 the Group acquired 100% of the share capital of Kuopio Center for Gene and Cell Therapy Oy (KCT) from a related party Trizell Holding SA for a purchase price of €1,325. The company is specialised in scientific research. It is located in Kuopio, Finland and employ approximately 40 people at acquisition. The research services are provided to a related party and generate revenues in KCT.

The purchase price was settled in cash and is equivalent to the fair values of the assets and liabilities at the acquisition date. As a consequence, there is no goodwill on this acquisition. The acquired identifiable assets and liabilities of KCT are recorded at fair value at the date of acquisition.

* Amounts expressed in thousands of Euros

Assets acquired and liabilities recognised at the date of acquisition		2020
Property, plant & equipment	*12*	1,196
Intangible assets	*13*	125
Right-of-use assets	*14*	2,542
Total non-current assets		**3,863**
Prepayments and accrued income		854
Cash and cash equivalents		1,403
Total current assets		**2,257**
Total Assets		**6,120**
Non-current lease liabilities		2,442
Total non-current liabilities		**2,442**
Trade accounts payable		1,937
Current lease liabilities		150
Accruals and other liabilities		266
Total current liabilities		**2,353**
Total liabilities		**4,795**
Net assets acquired		**1,325**

Net cash outflows	
Consideration paid in cash	1,325
Cash and cash equivalents balances acquired	(1,403)
Net cash (inflow) outflow on acquisition	**(78)**

The acquisition of KCT has generated a gain of **€15** in the period since acquisition date (€2,759 in other income, €2,684 in Research and Development, €38 general and administrative expenses, €13 financial result and €9 taxation).

The net income of the first half of the year 2020 is included in the retained earnings at the time of acquisition.

There were no business combinations in 2019.

36. Audit fees and non-audit services

	2020	2019
Audit fees	2,740	2,614
Non-audit service fees	1,813	3,855
Total	**4,553**	**6,469**

* Amounts expressed in thousands of Euros

Audit fees charged by Deloitte relate to work performed to issue opinions on Group consolidated financial statements and parent company financial statements of Ferring Holding SA, to issue opinions relating to the existence of the Group's internal control over financial reporting, and to issue reports on local statutory financial statements.

Non-audit service fees charged by Deloitte are other professional services unrelated to the statutory and Group audit activity.

37. Principal subsidiary companies and associates

Unless stated otherwise, all companies listed below are 100% owned, as of 31 December 2020 and 31 December 2019.

Name of entity	Place of business	Principal activity
Laboratórios Ferring S.A.	Argentina, Buenos Aires	Marketing and Sales, Manufacturing
Ferring Pharmaceuticals Pty Ltd.	Australia, Pymble	Marketing and Sales
Ferring Arzneimittel GesmbH	Austria, Vienna	Marketing and Sales
Ferring N.V.	Belgium, Aalst	Marketing and Sales
CPSI Holdings Ltd.	Bermuda	Holding
Laboratórios Ferring Ltda.	Brazil, São Paulo	Marketing and Sales
Ferring Inc.	Canada, Toronto	Marketing and Sales
Ferring Productos Farmaceuticos SpA	Chile, Santiago	Marketing and Sales
Ferring International Pharma-Science Centre (China) Co. Ltd.	China, Beijing	No activity
Ferring Pharmaceuticals Ltd.	China, Hong Kong	Marketing and Sales
Ferring Pharmaceutical (China) Co.Ltd.	China, Zhongshan City	Manufacturing
Ferring Pharmaceuticals (Asia) Company Ltd.	China, Shanghai	Marketing, R&D
Ferring Pharmaceuticals S.A.S	Colombia, Bogotá	Marketing and Sales
Ferring-Léciva a.s.	Czech Republic, Jesenice u, Praha	Manufacturing
Ferring Pharmaceuticals CZ S.R.O.	Czech Republic, Jesenice u, Praha	Marketing and Sales
Farmaceutisk Laboratorium Ferring A/S	Denmark, Copenhagen	No activity
Ferring Lægemidler A/S	Denmark, Copenhagen	Marketing and Sales
Ferring Pharmaceuticals A/S	Denmark, Copenhagen	R&D
Stamholmen ApS	Denmark, Copenhagen	Real Estate
Syntese A/S	Denmark, Hvidovre	Manufacturing
Ferring Lääkkeet Oy	Finland, Espoo	Marketing and Sales
Kuopio Center for Gene and Cell Therapy Oy (1)	Finland, Kuopio	R&D
Ferring S.A.S.	France, Gentilly	Marketing and Sales
Laboratoire Pharmaceutique Noroit s.a.r.l.	France, Gentilly	No activity
Ferring Gentilly SCI	France, Gentilly	No activity
Ferring Arzneimittel GmbH	Germany, Kiel	Marketing and Sales
Ferring GmbH	Germany, Kiel	Manufacturing
Wittland Vermögensverwaltung GmbH	Germany, Kiel	Real Estate

* Amounts expressed in thousands of Euros

Name of entity	Place of business	Principal activity
Ferring Hellas Pharmaceuticals M.E.P.E.	Greece, Athens	Marketing and Sales
Ferring Magyarország Gyógyszerkereskedelmi Korlátolt Felelossegu Társasaság	Hungary, Budapest	Marketing and Sales
Ferring Pharmaceuticals Private Ltd.	India, Mumbai	Marketing and Sales, R&D
Ferring Therapeutics Private Ltd.	India, Mumbai	Manufacturing
Ferring Laboratories Private Ltd.	India, Mumbai	Real Estate
PT Ferring Pharmaceuticals Industry (2)	Indonesia, Jakarta	Marketing and Sales, Manufacturing
Ferring (Ireland) Ltd.	Ireland, Dublin	Marketing and Sales
Ferring Pharmaceuticals Ltd.	Israel, Caesarea	Marketing and Sales
Bio-Technology General (Israel) Ltd.	Israel, Kiryat Malachi	Manufacturing, R&D
Ferring Holding Ltd.	Israel, Kiryat Malachi	Holding
Ferring S.p.A.	Italy, Milan	Marketing and Sales
Ferring Pharma Kabushiki Kaisha	Japan, Tokyo	Marketing and Sales, R&D
Ferring Sdn. Bhd	Malaysia, Petaling Jaya	Marketing and Sales
Ferring S.A. de C.V.	Mexico, Lerma, Estado de Mexico	Marketing and Sales, Manufacturing
Ferring B.V.	The Netherlands, Hoofddorp	Holding, Marketing and Sales
Ferring Pharmaceuticals B.V.	The Netherlands, Hoofddorp	Holding, Marketing and Sales
Ferring Legemidler AS	Norway, Oslo	Marketing and Sales
Ferring Pharmaceuticals Poland Sp.z o.o	Poland, Warsaw	Marketing and Sales
Ferring Portuguesa - Produtos Farmacêuticos, Sociedade Unipessoal, Lda.	Portugal, Linda-a-Velha	Marketing and Sales
Ferring Service Center LDA (3)	Portugal, Lisbon	IT services
Ferring Pharmaceuticals Romania Srl	Romania, Timisoara	Marketing
Ferring Pharmaceuticals LLC	Russian Federation, Moscow	Marketing and Sales
Ferring Production LLC (4)	Russian Federation, Moscow	Manufacturing
Ferring Pharmaceuticals D.O.O.	Serbia, Belgrade	Marketing
Ferring Pharmaceuticals Private Ltd.	Singapore	Manufacturing, R&D, Marketing and Sales
Ferring Private Ltd.	Singapore	Regional Head Office, Manufacturing, R&D, Marketing and Sales
Ferring Slovakia s.r.o.	Slovakia, Bratislava	Marketing and Sales
Ferring (Proprietary) Ltd.	South Africa, Pretoria	Marketing and Sales
Ferring Jeyak Chusik Hoesa	South Korea, Seoul	Marketing and Sales
Ferring S.A.U.	Spain, Madrid	Marketing and Sales
Ferring AB	Sweden, Malmö	No activity
Ferring Läkemedel AB	Sweden, Malmö	Marketing and Sales
Ferring A.G.	Switzerland, Baar	Marketing and Sales
Ferring Controlled Therapeutics (Switzerland) S.A. (5)	Switzerland, St-Prex	No activity
Ferring International Center S.A.	Switzerland, St-Prex	Head Office, Manufacturing, R&D, Marketing and Sales
Ferring Pharmaceuticals S.A.	Switzerland, St-Prex	Marketing and Sales
Ferring Procurement S.A. (6)	Switzerland, St-Prex	Procurement Service Provider
Ferring Properties S.A.	Switzerland, St-Prex	Real Estate
Ferring Galenisches Labor A.G.	Switzerland, Allschwil	R&D
Ferring Pharmaceuticals Ltd.	Taiwan, Taipei	Marketing and Sales
Ferring Pharmaceuticals Company Ltd.	Thailand, Bangkok	Marketing and Sales
Ferring Ilac Sanayi Ve Ticaret Limited Sirketi	Turkey, Istanbul	Marketing and Sales
Ferring Ukraine LLC	Ukraine, Kyiv	Marketing
CPSI Scotland Ltd.	United Kingdom, Glasgow	No activity
Ferring Controlled Therapeutics Ltd.	United Kingdom, Glasgow	Manufacturing, R&D
Ferring Asset Management Ltd.	United Kingdom,West Drayton	Holding
Ferring Laboratories Ltd.	United Kingdom, West Drayton	Holding
Ferring Pharmaceuticals Ltd.	United Kingdom, West Drayton	Marketing and Sales
Cytokine Pharmasciences Inc.	U.S.A., Delaware	Holding
CPSI Holdings (Delaware) Inc. (7)	U.S.A., Delaware	Holding
FerGene Inc. (8)	U.S.A., Delaware	Holding
Ferring Pharmaceuticals Inc.	U.S.A., Parsippany, NJ	Marketing and Sales
Ferring International Pharmascience Center U.S. Inc.	U.S.A., Parsippany, NJ	R&D
Ferring Holding Inc.	U.S.A., Parsippany, NJ	Holding
Ferring Production Inc.	U.S.A., Parsippany, NJ	Manufacturing
Ferring Properties Inc.	U.S.A., Parsippany, NJ	Real Estate
Rebiotix Inc	U.S.A, Roseville, MN	R&D
Ferring Research Institute Inc.	U.S.A., San Diego, CA	R&D
4245 Sorrento Valley, Inc.	U.S.A., San Diego, CA	Real Estate
Ferring Pharmaceuticals Company Limited (9)	Vietnam, Ho Chi Minh City	Marketing and Sales

(1) Since July 2020
(2) Since February 2019
(3) Since September 2020
(4) Since June 2019
(5) In Liquidation
(6) Since April 2019
(7) Merged into Cytokine Pharmasciences Inc in December 2019
(8) Since November 2019 holds at 99.99%
(9) Since July 2020

38. Subsequent events

As stated in Note 20, all the shares of Ferring Galenisches Labor A.G., located in Switzerland, have been sold in January by the Group to a related company, Amzell BV. The Group no longer holds any share in the company. No other 2021 subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements as of 22nd February 2021.

Ferring Holding SA

Stand alone Financial Statements 2020

To the General Meeting of **Ferring Holding SA, Saint-Prex**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ferring Holding SA, which comprise the balance sheet as at as at 31 December 2020 and the statement of income and notes for the year then ended, including a summary of significant accounting policies. In our opinion the financial statement (pages 135 to 143) comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors 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 Swiss law and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial state-ments submitted to you be approved.

Deloitte SA

William Eversden
Licensed Audit Expert
Auditor in Charge

Robert Purdy
Licensed Audit Expert

Geneva, 22 February 2021

		31 December 2020		31 December 2019	
Balance sheet	**Notes**	**EUR**	**CHF**	**EUR**	**CHF**
Assets					
Current assets					
Other receivables - third parties		**4 949 487**	**5 365 739**	4 987 688	5 415 183
Other receivables - cashpool		**66 682 471**	**72 290 467**	79 438 587	86 247 268
Other receivables - related party		**1,876,557**	**2,034,375**	1,001,166	1,086,976
Total current assets		**73 508 515**	**79 690 581**	**85 427 442**	**92 749 427**
Non-current assets					
Other receivables - third parties Non-Current		**501 706**	**543 900**	-	-
Other receivables - related parties Non-Current	3	**249 054 515**	**270 000 000**	-	-
Investments	5	**317 339 953**	**344 028 243**	314 698 545	341 671 358
Total non-current assets		**566 896 175**	**614 572 143**	314 698 545	341 671 358
Total assets		**640 404 689**	**694 262 724**	**400 125 987**	**434 420 785**
Liabilities and shareholder's equity					
Current liabilities					
Other payables - third parties		**47 546**	**51 545**	953 418	1 035 135
Other payables - cashpool		**179 988**	**195 125**	6 759 001	7 338 315
Deferred unrealised foreign exchange gain		**3 479 549**	**3 772 179**	-	-
Provision and accrued expenses		**1 869 293**	**2 026 500**	306 558	332 834
Liabilities to related party		**1,586,343**	**1,719,755**	1 205 326	1 308 634
Total current liabilities		**7 162 719**	**7 765 104**	**9 224 303**	**10 014 918**
Non-current liabilities					
Long term liabilities to third parties	4	**249 054 515**	**270 000 000**	-	-
Total non-current liabilities		**249 054 515**	**270 000 000**	-	-
Shareholder's equity					
Share capital	6	**207 865 636**	**250 000 000**	207 865 636	250 000 000
General legal reserve from accumulated profit		**43 843 876**	**50 293 377**	43 843 876	50 293 377
Retained earnings	7	**132 477 943**	**139 750 924**	139 192 172	146 944 481
Cumulative translation adjustment		**-**	**(23 546 681)**	-	(22 831 991)
Total shareholder's equity		**384 187 455**	**416 497 620**	**390 901 684**	**424 405 867**
Total liabilities and shareholder's equity		**640 404 689**	**694 262 724**	**400 125 987**	**434 420 785**

Statement of income for the year ended 31 December		2020		2019	
	Notes	EUR	CHF	EUR	CHF
Income					
Financial income		**1 894 299**	**2 029 533**	20 362	22 693
Foreign exchange gains		**3 342**	**3 581**	205 332	228 830
Total income		**1 897 641**	**2 033 114**	**225 695**	**251 523**
Expenses					
Gross salaries and remuneration		**(665 643)**	**(713 163)**	(603 935)	(673 049)
General and administrative expenses		**(2 347 331)**	**(2 514 906)**	(1 728 357)	(1 926 151)
Capital taxes		**(613 884)**	**(657 709)**	(623 777)	(695 162)
Financial expenses		**(1 275 623)**	**(1 366 690)**	(10 875)	(12 119)
Foreign exchange losses		**(3 709 388)**	**(3 974 201)**	(269 131)	(299 930)
Total expenses		**(8 611 870)**	**(9 226 669)**	**(3 236 075)**	**(3 606 411)**
Net loss for the year before income taxes		**(6 714 229)**	**(7 193 555)**	**(3 010 380)**	**(3 354 888)**
Income taxes		**-**	**-**	**-**	**-**
Net loss for the year		**(6 714 229)**	**(7 193 555)**	**(3 010 380)**	**(3 354 888)**

Notes to the financial statements 2020

1. General information

The principal activities of Ferring Holding SA, Saint-Prex (Switzerland) ('the Company') and its subsidiaries ('Ferring Group' or 'the Group') are the research, development, production, distribution and sale of prescription pharmaceuticals in the areas of reproductive health, urology, gastroenterology, endocrinology and osteoarthritis.

Ferring Holding SA was incorporated on 15 December 2000 and is 100% owned by Isles B.V. incorporated in The Netherlands. It is ultimately owned by the Dr. Frederik Paulsen Foundation.

Ferring Holding SA directly owns Ferring International Center SA and Ferring B.V.. The Group develops, produces and markets its pharmaceuticals worldwide through subsidiaries located in North America, Europe, Latin America, the Middle East, the Far East, Australia and also through an extensive network of agents and distributors.

The Company has prepared consolidated financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards and therefore is dispensed to include additionnal disclosure information and a cash flow statement in compliance with the art. 961d of the Swiss Code of Obligations.

2. Key accounting and valuation principles

Principles of financial reporting

These financial statements are prepared in accordance with the regulations of Swiss financial reporting law. Where not prescribed by the Code of Obligations, the significant accounting and valuation principles applied are described below.

Use of estimates

Financial reporting under the Code of Obligations requires certain estimates and assumptions to be made by management. These are made continuously and are based on past experience and other factors (e.g. anticipations of future results, which seem appropriate under the circumstances). The results subsequently achieved may deviate from these estimates.

Actual items in the annual accounts, which are based on the estimates and assumptions made by management, are as follows:

- Provisions
- Investments

Foreign currency items

The accounting records of the Company are kept in Euro. For statutory financial statements purposes, the accounts are translated into CHF using the closing rate method. The resulting translation differences are recorded as currency translation adjustment and presented within shareholder's equity.

Investments

Investments are stated at cost less provision for permanent impairment. Ferring BV and Ferring International Center SA were contributed on the incorporation of Ferring Holding SA on 15 December 2000 in return for the issue of share capital with a nominal value of CHF 249,750,000.

Related parties

The Group is ultimately owned by the Frederik Paulsen Foundation, established by the late Dr. Frederik Paulsen, the founder of the Ferring Group. Related party transactions refer to transactions with key management and with companies controlled directly or indirectly by common directors with Ferring Holding SA.

Income from investments - Dividends

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid. As a result, dividends are recognised in income in the year in which they are received, on a cash basis.

Taxes

Current income taxes are computed on the basis of the taxable results on an accruals basis.

Employees

The Company has no employees.

Bonds

Bonds are valued at nominal value.

3. Other receivables to related parties Non-Current

The Other receivables to related parties Non-Current represents a loan for CHF 270,000,000 (EUR 249,054,515 as of 31 December 2020) to Ferring International Center S.A, with maturity of 5 years at an interest rate of 1.55 % per annum.

4. Long term liabilities to third parties

As of 9 July 2020, the Company issued bonds on the SIX Swiss Exchange for CHF 270,000,000 (EUR 249,054,515 as of 31 December 2020) with a 5-year maturity at a fixed rate of 1.05% per annum.

5. Investments

	31 December 2020		31 December 2019	
	EUR	CHF	EUR	CHF
Company				
Ferring BV	**189 552 525**	**205 493 891**	186 911 117	202 931 268
Ferring International Center SA	**127 787 428**	**138 534 352**	127 787 428	138 740 090
	317 339 953	**344 028 243**	**314 698 545**	**341 671 358**

Company	Location	Shares Held	Voting Rights	Total share Capital
Ferring BV	The Netherlands	96.3%	100.0%	EUR 4 756 800
Ferring International Center SA	Switzerland	100%	100%	CHF 56 600 000

In 2016 in agreement with the Company, Ferring BV issued new shares to other parties with rights to a certain portion of the profit of Ferring BV and without voting rights. The Company has the right to buy these shares at any time at the price of the accrued profit and nominal value of these shares.

In 2018 in agreement with the Company, Ferring BV issued new shares to other parties with rights to a certain portion of the profit of Ferring BV and without voting rights. The Company has the right to buy these shares at any time at the price of the accrued profit and nominal value of these shares.

During 2020 the Group acquired 4.200 shares of non-voting B-shares of Ferring B.V. for a purchase price of 2,894,455 CHF.

Ferring BV acts as a holding company and also distributes pharmaceutical products within the Netherlands. The purpose of Ferring International Center SA is to coordinate and operate the production, marketing and sale of pharmaceutical products.

Unless stated otherwise, all companies listed below are 100% owned, as of 31 December 2020 and 31 December 2019.

Ferring BV direct investments:

Name of company	Location	Principal activity
Laboratórios Ferring S.A.	Argentina, Buenos Aires	Marketing and Sales, Manufacturing
Ferring Pharmaceuticals Pty Ltd.	Australia, Pymble	Marketing and Sales
Ferring Arzneimittel GesmbH	Austria, Vienna	Marketing and Sales
Ferring N.V.	Belgium, Aalst	Marketing and Sales
CPSI Holdings Ltd.	Bermuda	Holding
Laboratórios Ferring Ltda.	Brazil, São Paulo	Marketing and Sales
Ferring Inc.	Canada, Toronto	Marketing and Sales
Ferring Productos Farmaceuticos SpA	Chile, Santiago	Marketing and Sales
Ferring International Pharma-Science Centre (China) Co. Ltd.	China, Beijing	No activity
Ferring Pharmaceuticals Ltd.	China, Hong Kong	Marketing and Sales
Ferring Pharmaceutical (China) Co.Ltd.	China, Zhongshan City	Manufacturing
Ferring Pharmaceuticals (Asia) Company	China, Shanghai	Marketing, R&D
Ferring Pharmaceuticals S.A.S	Colombia, Bogotá	Marketing and Sales
Ferring-Léciva a.s.	Czech Republic, Jesenice u, Praha	Manufacturing
Ferring Pharmaceuticals CZ S.R.O.	Czech Republic, Jesenice u, Praha	Marketing and Sales
Ferring Holding Danmark A/S	Denmark, Copenhagen	Holding
Ferring Lægemidler A/S	Denmark, Copenhagen	Marketing and Sales
Ferring Pharmaceuticals A/S	Denmark, Copenhagen	R&D
Stamholmen ApS	Denmark, Copenhagen	Real Estate
Syntese A/S	Denmark, Hvidovre	Manufacturing
Ferring Lääkkeet Oy	Finland, Espoo	Marketing and Sales
Kuopio Center for Gene and Cell Therapy Oy (1)	Finland, Kuopio	R&D
Ferring S.A.S.	France, Gentilly	Marketing and Sales
Ferring Arzneimittel GmbH	Germany, Kiel	Marketing and Sales
Ferring GmbH	Germany, Kiel	Manufacturing
Wittland Vermögensverwaltung GmbH	Germany, Kiel	Real Estate
Ferring Hellas Pharmaceuticals M.E.P.E.	Greece, Athens	Marketing and Sales
Ferring Magyarország Gyógyszerkereskedelmi Korlátolt Felelossegu Társaság	Hungary, Budapest	Marketing and Sales
Ferring Therapeutics Private Ltd.	India, Mumbai	Manufacturing, R&D
Ferring Pharmaceuticals Private Ltd.	India, Mumbai	Marketing and Sales

Name of company	Location	Principal activity
Ferring Laboratories Private Ltd.	India, Mumbai	Real Estate
PT Ferring Pharmaceuticals Industry (2)	Indonesia, Jakarta	Marketing and Sales,
Ferring (Ireland) Ltd.	Ireland, Dublin	Marketing and Sales
Ferring Pharmaceuticals Ltd.	Israel, Caesarea	Marketing and Sales
Bio-Technology General (Israel) Ltd.	Israel, Kiryat Malachi	Manufacturing, R&D
Ferring Holding Ltd.	Israel, Kiryat Malachi	Holding
Ferring S.p.A.	Italy, Milan	Marketing and Sales
Ferring Pharma Kabushiki Kaisha	Japan, Tokyo	Marketing and Sales, R&D
Ferring Sdn. Bhd	Malaysia, Petaling Jaya	Marketing and Sales
Ferring S.A. de C.V.	Mexico, Lerma, Estado de Mexico	Marketing and Sales, Manufacturing
Ferring B.V.	The Netherlands, Hoofddorp	Holding, Marketing and Sales
Ferring Pharmaceuticals B.V.	The Netherlands, Hoofddorp	Holding, Marketing and Sales
Ferring Legemidler AS	Norway, Oslo	Marketing and Sales
Ferring Pharmaceuticals Poland Sp.z o.o	Poland, Warsaw	Marketing and Sales
Ferring Portuguesa - Produtos Farmacêuticos, Sociedade Unipessoal, Lda.	Portugal, Linda-a-Velha	Marketing and Sales
Ferring Service Center LDA (3)	Portugal, Lisbon	IT services
Ferring Pharmaceuticals Romania Srl	Romania, Timisoara	Marketing
Ferring Pharmaceuticals LLC	Russian Federation, Moscow	Marketing and Sales
Ferring Production LLC (4)	Russian Federation, Moscow	Manufacturing
Ferring Pharmaceuticals D.O.O.	Serbia, Belgrade	Marketing
Ferring Pharmaceuticals Private Ltd.	Singapore	Marketing and Sales
Ferring Slovakia s.r.o.	Slovakia, Bratislava	Marketing and Sales
Ferring (Proprietary) Ltd.	South Africa, Pretoria	Marketing and Sales
Ferring Jeyak Chusik Hoesa	South Korea, Seoul	Marketing and Sales
Ferring S.A.U.	Spain, Madrid	Marketing and Sales
Ferring AB	Sweden, Malmö	No activity
Ferring Läkemedel AB	Sweden, Malmö	Marketing and Sales
Ferring A.G.	Switzerland, Baar	Marketing and Sales
Ferring Controlled Therapeutics (Switzerland) S.A. (5)	Switzerland, St-Prex	No activity
Ferring International Center S.A.	Switzerland, St-Prex	Head Office, Manufacturing, R&D, Marketing and Sales
Ferring Pharmaceuticals Ltd.	Taiwan, Taipei	Marketing and Sales
Ferring Pharmaceuticals Company Ltd.	Thailand, Bangkok	Marketing and Sales
Ferring Ilac Sanayi Ve Ticaret Limited Sirketi	Turkey, Istanbul	Marketing and Sales

Name of company	Location	Principal activity
Ferring Ukraine LLC	Ukraine, Kyiv	Marketing
CPSI Scotland Ltd.	United Kingdom, Glasgow	No activity
Ferring Controlled Therapeutics Ltd.	United Kingdom, Glasgow	Manufacturing, R&D
Ferring Asset Management Ltd.	United Kingdom, West Drayton	Holding
Ferring Pharmaceuticals Ltd.	United Kingdom, West Drayton	Holding
Ferring Laboratories Ltd.	United Kingdom, West Drayton	Marketing and Sales
Cytokine Pharmasciences Inc.	U.S.A. Delaware	Holding
CPSI Holdings (Delaware) Inc. (6)	U.S.A. Delaware	Holding
Ferring Pharmaceuticals Inc.	U.S.A., Parsippany, NJ	Marketing and Sales
Ferring International Pharmascience Center U.S. Inc.	U.S.A., Parsippany, NJ	R&D
Ferring Holding Inc.	U.S.A. Parsippany, NJ	Holding
Ferring Production Inc.	U.S.A. Parsippany, NJ	Manufacturing
Ferring Properties Inc.	U.S.A. Parsippany, NJ	Real Estate
Rebiotix Inc	U.S.A, Roseville, MN	R&D
Ferring Research Institute Inc.	U.S.A., San Diego, CA	R&D
4245 Sorrento Valley, Inc.	U.S.A., San Diego, CA	Real Estate
Ferring Pharmaceuticals Company Limited (7)	Vietnam, Ho Chi Minh City	Marketing and Sales

(1) Since July 2020
(2) Since February 2019
(3) Since September 2020
(4) Since June 2019
(5) In Liquidation
(6) Merged into Cytokine Pharmasciences Inc. in December 2019
(7) Since July 2020

Ferring International Center SA direct investments:

Name of company	Location	Principal activity
Ferring Pharmaceuticals S.A.	Switzerland, St-Prex	Marketing and Sales
Ferring Galenisches Labor A.G.	Switzerland, Allschwil	R&D
Ferring Private Ltd.	Singapore	Regional Head Office, Manufacturing, R&D, Marketing and Sales
Ferring Properties S.A.	Switzerland, St-Prex	Real Estate
Ferring Procurement S.A. (8)	Switzerland, St-Prex	Procurement Service Provider
FerGene Inc. (9)	U.S.A., Delaware	Marketing and Sales

(8) Since April 2019
(9) Since November 2019, holds at 99.99%

6. Share capital

	31 December 2020		31 December 2019	
	EUR	CHF	EUR	CHF
20,625,000 registered shares of CHF 10 each	**171 489 150**	**206 250 000**	171 489 150	206 250 000
2,187,500 registered shares of CHF 20 each	**36 376 486**	**43 750 000**	36 376 486	43 750 000
	207 865 636	**250 000 000**	**207 865 636**	**250 000 000**

7. Movements in retained earnings

	2020		2019	
	EUR	CHF	EUR	CHF
Balance at 1 January	**139 192 172**	**146 944 481**	142 202 552	150 299 369
Transfer to general legal reserve from accumulated profit	**-**	**-**	**-**	**-**
Payment of the ordinary dividend according to the shareholder's meeting	**-**	**-**	**-**	**-**
Net loss	**(6 714 229)**	**(6 714 229)**	(6 714 229)	(6 714 229)
Balance at 31 December	**132 477 943**	**139 750 924**	**139 192 172**	**146 944 481**

Balance of retained earnings incl. cumulative translation adjustments	2020		2019	
	EUR	CHF	EUR	CHF
Balance at 1 January	**139 192 172**	**124 112 491**	142 202 552	143 212 216
Movement of cumulative translation adjustment	**-**	**(714 691)**	-	(714 691)
Movement of retained earnings adjustment	**(6 714 229)**	**(7 193 557)**	(6 714 229)	(7 193 557)
Balance at 31 December	**132 477 943**	**116 204 243**	**139 192 172**	**124 112 491**

8. Guarantees in favor of third parties

	31 December 2020		31 December 2019	
	EUR	CHF	EUR	CHF
Guarantees granted to related parties in connection with credit facility agreements	**472 271 147**	**511 989 150**	**383 652 712**	**416 535 586**
Of which used:	**181 767 382**	**197 054 019**	159 013 365	172 642 401

9. Subsequent events

No subsequent events have occurred that would require recognition or disclosure in the Ferring Holding SA financial statements.

10. Exchange rates

	31 December 2020	31 December 2019
Exchange rates used for translation from EUR (functional currency) to CHF	**EUR/CHF**	**EUR/CHF**
Closing rate	**1.08410**	**1.08571**
Average rate	**1.07139**	**1.11444**

Proposal of the Board of Directors for appropriation of available earnings

	31 December 2020	
	EUR	CHF
Available earnings	**132 477 943**	**139 750 924**
Gross dividend	**(30 000 000)**	**(32 264 700)**
Appropriation to general legal reserve from accumulated profit	**-**	**-**
To be carried forward	**102 477 943**	**107 486 224**

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