Annual Report 2021

Building families and helping people live better lives

FERRING PHARMACEUTICALS

Annual Report 2021

Contents

A new era of growth and innovation

Lars Rebien Sørensen
Chairman

> People come first at Ferring – which applies to patients, their families and caregivers, and the employees who are the foundation of our success.

In 2021, I had the privilege of taking on the role of Chairman of Ferring's Board of Directors as the company prepares to embark on a new and exciting phase of growth driven by groundbreaking scientific innovation.

Ferring's strength in a number of key therapeutic areas is demonstrated by the fact that 2021 was the most successful year in our history, despite the ongoing challenges posed by the COVID-19 pandemic. We already hold a leading global position in reproductive medicine and maternal health, and I look forward to further expanding our presence to support even more people worldwide on their family-building journey.

We are also forging ahead with pioneering research that could establish the human microbiome as a novel treatment modality for a range of diseases, and exploring the use of gene therapy as a highly innovative treatment for a common form of bladder cancer.

I am very grateful to Dr. Frederik Paulsen, who has contributed so much to the success of Ferring over many years, for entrusting me with the company's future direction as he transitions into the role of Chairman Emeritus.

In 2021 there were a number of other important changes to the company's senior leadership, including the appointment of Jan Lundberg as a non-executive director and Chairman of the Research and Development Committee following the retirement of John Patterson.

Jan has a strong scientific and medical background and extensive leadership experience, and has supervised the discovery and development of more than 200 drug candidates resulting in 25 approved products across multiple therapeutic areas.

In addition, Jean-Frédéric Paulsen was appointed to the Board of Directors as well as being the Chairman of Ferring Ventures S.A. He has previously served in senior corporate and government advisory roles and brings a strong business track record to the organisation.

At the same time, it is important to recognise that the future of Ferring depends not just on its senior leadership, but also on the commitment, expertise and insight of every one of its employees. When I joined Ferring, I was struck by the professionalism and dedication of all my colleagues, and by the company's philosophy that 'People Come First' – which applies equally to patients, their families and caregivers, and to the employees who are the foundation of the company's success.

Lars Rebien Sørensen
Chairman

Life changing innovation
for people and families

Per Falk
President

> We have maintained our commitment to scientific research, paving the way for innovations that could transform patient care across our core therapeutic areas.

In 2021, the continuing effects of the COVID-19 pandemic tested the resilience of everyone at Ferring, but we demonstrated our ability to overcome all challenges by achieving the best-ever financial performance in the 71-year history of the company. This was the result of a sustained effort across every area of the business, starting with the teams responsible for manufacturing and supply who maintained a constant flow of our products to patients throughout the year. In the markets, our customer-facing colleagues also exceeded all expectations in helping to make this a record year for the business.

Supporting these impressive results, in 2021 we achieved a number of key objectives in our mission to build families and help people live better lives. In Ferring's core therapeutic area of reproductive medicine and maternal health, we secured the European approval of Menopur® Pen, a new liquid formulation of our leading product for the treatment of female and male infertility, administered with a patient-friendly injection device. We will begin the rollout of this product in the EU in 2022.

In another major milestone, our newest infertility treatment Rekovelle® was approved and launched in Japan, a country where declining birth rates are causing so much concern that the government has launched an official programme to reverse the trend. Worldwide, we are proud that our fertility products including Menopur and Rekovelle have contributed to the birth of an estimated 3.7 million babies over a 50-year period.

Women in low and lower-middle income countries also benefitted from Ferring's expertise in the field of maternal health with the launch of Carbetocin Ferring, a heat-stable formulation of our treatment for postpartum haemorrhage, the leading direct cause of maternal mortality worldwide. Unlike other products, Carbetocin Ferring does not require refrigeration, making it ideal for use in countries without reliable cold-chain distribution. In July 2021 the first mothers were treated in India, and we are pursuing approval and launch in around 80 more countries, where it will be supplied under a sustainable access agreement with the potential to help thousands of women to survive childbirth.

We are conscious that even in high income countries, women of colour are at greater risk than white women of dying from complications in pregnancy and childbirth. In 2021 we launched a programme of grants covering all aspects of clinical research, prevention, epidemiology and social science, with the aim of addressing these racial disparities across the spectrum of reproductive medicine and maternal health.

Ferring is also at the forefront of research into the microbiome, a community of microorganisms living on every surface of the human body which offers a new and largely unexplored approach to the treatment of a range of serious diseases. In 2021, we filed the first application in the U.S. for RBX2660, our investigational treatment for recurrent *C. diff* infection after antibiotic treatment. We hope RBX2660 will become the first ever microbiota-based live biotherapeutic to receive regulatory approval. We are aiming to further harness the power of the microbiome by exploring new indications and developing new products in the future.

We are also seeking to push back medical frontiers in uro-oncology by filing for U.S. approval of Nadofaragene Firadenovec (rAdIFN/Syn3), a novel gene-based therapy with the potential to become the gold standard of care for certain forms of non-muscle-invasive bladder cancer. In 2020 we received a Complete Response Letter from the Food and Drug Administration (FDA) due to outstanding questions about the manufacturing process, which is highly complex with a groundbreaking gene therapy of this kind. The FDA confirmed they had no concerns about the clinical data supporting the product, and we are working to address their questions and resubmit the application as soon as possible.

Therefore, despite many challenges, 2021 proved to be a year of remarkable progress for Ferring in commercial and regulatory terms, and I would like to thank everyone whose hard work has made this possible. We have also maintained our investment and commitment to scientific research, paving the way for further innovations that could transform the care of patients across our core therapeutic areas.

Per Falk
President

Record results set Ferring

on course for future ambitions

Dominic Moorhead
Chief Financial Officer

> "Despite the continued impact of the pandemic, we ended 2021 in a stronger financial position than ever and are poised to deliver on our next phase of growth."

Key financials P&L statement	2021 € million	2020 € million	% Change @CER	% Change @AER
Total revenues	**2,162**	**1,944**	+14%	+11%
of which sales of goods	2,104	1,904	+14%	+11%
Operating profit	**358**	**236**	+70%	+52%
OP as % of sales	17.0%	12.4%	-	-
Net income	**290**	**152**	-	+91%
NI as % of sales	13.8%	8.0%	-	-

In 2021 Ferring Pharmaceuticals reported total revenues of €2,162 million, with a growth versus 2020 of 14% at constant exchange rates (CER), and 11% at actual exchange rates (AER). This strong performance was driven by a sharp rebound in the business in the first half of the year (versus the first half of 2020, which was heavily impacted by the onset of COVID-19), particularly in the Reproductive Medicine and Maternal Health (RMMH) franchise in the U.S., followed by a normalisation of the market in the second half of the year. Ferring was well-positioned to benefit from the market opportunities in 2021 after we made structural changes in 2020 to refocus on the key growth drivers.

Business activities continued to be constrained by COVID-19 measures across the world which meant that access to clinics and hospitals was limited, recruitment of patients to clinical studies was slower, and medical congresses were run virtually. We continued to focus on protecting our manufacturing operations and broader supply chain from the challenges of COVID-19. Thus, operating expenses were contained to an increase of 2% CER (0% AER) in 2021 versus the prior year, helped by improved efficiency, greater focus, and better leveraging of resources. Importantly, we continued to prioritise investment in progressing our mid-term growth opportunities.

The combined effect of strong sales growth and contained operating expenses resulted in a significant 70% CER increase in operating profit to reach a record level of €358 million, which represents a margin of 17.0% of sales.

Net income increased by 91% AER to reach a record level of €290 million, representing a margin of 13.8% of sales. This was primarily driven by the strong operating profit, but also by lower net finance expenses and a lower effective tax rate.

Revenues grew by 14% to reach a record €2,162 million

Total revenues, comprising sales of goods, royalty income and other income, grew by 14% CER to reach €2,162 million.

Royalty income and other income totalled €58 million and increased by 42% CER versus the prior year. This increase was due to higher income from out-licensing, and some one-time product divestments.

Sales of goods totalled €2,104 million, with growth of 14% CER (11% AER) versus prior year. The unfavourable currency impact of €60 million during 2021 was mainly due to the stronger EUR versus most other currencies, and in particular the USD; thus the growth at CER was equivalent to €260 million.

Given the market disruption caused by the onset of COVID-19 in 2020, it is meaningful to consider the compound annual growth rate (CAGR) over the past two years from 2019 to 2021 at CER. Thus sales grew by a CAGR of 5% per annum over the past two years, demonstrating the resilience and adaptability of our business in challenging times, as well as the ability to maintain production and keep delivering products to our customers, and ultimately patients.

Sales of goods by region	2021 € million	2020 € million	% Change @CER	2-year CAGR
United States	811	667	+27%	+12%
Europe	612	609	+0%	-1%
Asia-Pacific	400	364	+11%	+3%
Latin America/Canada	155	134	+24%	+10%
Middle East/Turkey/Africa	116	108	+14%	+4%
Other	11	21	-	-
Total sales of goods	2,104	1,904	+14%	+5%

All regions performed well in 2021, with % changes in sales of goods at CER explained by region as follows.

The United States was the largest region with sales of €811 million (39% of total sales), with an impressive growth of 27% CER versus prior year. The negative impact of COVID-19 in the second quarter of 2020 was most severe in the U.S., but conversely the recovery in the second half of 2020 turned into an acceleration of the market dynamics in 2021, especially in the fertility business. The two-year CAGR in the U.S. reached 12% per annum over the past two years from 2019 to 2021 at CER. In fact, the RMMH franchise in the U.S. totalled €632 million and grew by 35% CER, driven by the flagship product Menopur® (menotropin) as well as Fyremadel® (ganirelix) and Endometrin® (progesterone), while Euflexxa® (1% sodium hyaluronate) also grew by 6% CER.

Europe achieved sales of €612 million (29% of total sales) and was flat versus prior year at CER, with continued price pressure across the portfolio and a product recall. The two-year CAGR in Europe was -1% per annum from 2019 to 2021 at CER. Pentasa® (mesalazine) continued to be the largest product with growth of 1% CER to reach sales of €181 million.

Moreover, the RMMH franchise had a strong performance in 2021 with growth of 17% CER to reach sales of €234 million, again driven by Menopur®. However, this was largely offset by the global recall of the ZomaJet® device which resulted in the loss of €26 million of Zomacton® (somatropin) sales versus 2020.

Asia-Pacific achieved sales of €400 million (19% of total sales) with growth of 11% CER. This was driven by strong growth of 17% CER in the RMMH franchise and 10% CER for Pentasa®. The two-year CAGR in Asia-Pacific was 3% per annum from 2019 to 2021 at CER.

Latin America and Canada achieved sales of €155 million (7% of total sales) with growth of 24% CER and a two-year CAGR of 10% per annum. This was driven mainly by Menopur® and Pentasa®.

Middle East/Turkey/Africa achieved sales of €116 million (5% of total sales) with growth of 14% CER and a two-year CAGR of 4% per annum.

Sales of goods by franchise/product	2021 € million	2020 € million	% Change @CER	2-year CAGR
RMMH	1,144	934	+27%	+11%
of which Menopur®	*753*	*557*	*+40%*	*+17%*
Gastroenterology/Endocrinology	550	557	+0%	+1%
of which Pentasa®	*332*	*322*	*+5%*	*+5%*
Urology/Uro-oncology	294	292	+3%	-3%
of which Minirin®	*183*	*183*	*+2%*	*-7%*
Orthopaedics	107	105	+7%	-6%
Other	9	15	-	-
Total sales of goods	2,104	1,904	+14%	+5%

Globally, our core franchise of RMMH reached sales of €1,144 million (54% of total sales), with growth of 27% CER and a two-year CAGR of 11% per annum. Within this, our flagship product Menopur® achieved sales of €753 million with a strong growth of 40% CER, and a two-year CAGR of 17% per annum.

The Gastroenterology and Endocrinology franchise achieved sales of €550 million (26% of total sales) and was flat versus prior year at CER. This was driven by growth from Picoprep® (sodium picosulfate) at 50% CER and Pentasa® at 5% CER, but this was largely offset by the loss of Zomacton® sales due to the global recall of the ZomaJet® device.

The Urology and Uro-oncology franchise achieved sales of €294 million (14% of total sales) with growth of 3% CER, mainly due to growth from Minirin® (desmopressin) at 2% CER and Firmagon® (degarelix) at 6% CER.

Impressive profit growth and free cash flow generation

Driven by growth in revenues of 14% CER (11% AER), cost of goods increased by 15% CER (15% AER) versus the prior year. The gross profit margin at 69.9% of sales (at AER) was lower than the prior year by 0.7% points, mainly due to unfavourable exchange rates.

Operating expenses totalled €1,112 million and increased by 2% CER (0% AER) versus the prior year, with continuing constrained business activity due to COVID-19 as well as cost containment measures, but this also included one-time expenses for restructuring and impairments. Sales and marketing expenses totalled €453 million representing 21.5% of sales, and increased by 10% CER (8% AER) to support the strong sales growth. Research and development expenses (including medical affairs) totalled €314 million representing 14.9% of sales, and were lower by 8% CER (9% AER) due to the completion of clinical studies, evolution of the development pipeline, and slower recruitment of patients to clinical studies because of COVID-19. General and administration expenses were lower by 2% CER (4% AER) with improved efficiencies, and totalled €198 million representing 9.4% of sales.

In particular, we continued to progress as a priority the late-stage opportunities which are critical to our growth agenda – RBX2660, a pioneering microbiome treatment, and Nadofaragene Firadenovec (rAdIFN/Syn3), a novel gene-based therapy. This has involved a concerted effort across the company and with our partners to prepare for regulatory filings, ensure commercial readiness, and build manufacturing capabilities.

Key financials cash flow statement	2021 € million	2020 € million	Change € million	% Change @AER
Operating	**450**	**327**	+123	+38%
of which EBITDA	492	334	+158	+47%
Investing	**(152)**	**(158)**	+6	+4%
Free cash flow	298	169	+129	+76%
Financing	**(267)**	**150**	-417	-
Net cash flow	**38**	**310**	-272	-88%
Closing net cash	657	620	+37	+6%

Operating profit for the year reached a record of €358 million (17.0% of sales), an increase of 70% CER (52% AER) versus the prior year. This was equivalent to an increase of €164 million at CER, with performance partly offset by the unfavourable currency impact of €42 million during the year due to the stronger EUR versus most other currencies, in particular the USD. The significant growth in operating profit was due to the combined effect of the strong sales growth and contained operating expenses.

Net income for the year reached a record of €290 million (13.8% of sales), an increase of 91% AER versus the prior year. This was derived primarily from the strong operating profit, but also from an improved financial result with net foreign exchange gains, as well as lower expenses after the repayment of all outstanding loans apart from the Swiss Bond. Although income tax expenses increased by 68% AER, the effective tax rate reduce by 2.0% points to reach 19.0%.

Net cash generated by operating activities amounted to €450 million (versus €327 million in the prior year), driven mainly by an increase in EBITDA which reached €492 million (versus €334 million in the prior year), and an EBITDA margin at 23.4% of sales (versus 17.5% in the prior year).

Net cash used for investment purposes decreased slightly to €152 million versus €158 million in the prior year. Investment in fixed assets increased by €38 million to reach €96 million, mainly focused on strengthening and expanding our manufacturing plants and R&D facilities. There was also a increase in investment in intangible assets. However, this was more than offset by the repayment of loans to related parties granted in the prior year.

In particular, an amendment to the existing licensing agreement for Nadofaragene Firadenovec was negotiated with the related party Trizell Ltd., who are the licensors and manufacturers, whereby Ferring will invest more in this asset on achievement of defined milestones, in exchange for a reduction in future royalty and milestone obligations to Trizell Ltd. This resulted in a net investing outflow of €53 million during the year.

Thus, free cash flow increased by 76% to €298 million versus €169 million for the prior year.

Net cash used in financing activities amounted to a significant outflow of €267 million, versus an inflow of €150 million for the prior year. Repayment of loans to the shareholder totalled €60 million in 2021 versus €77 million in the prior year, and a dividend of €30 million was paid. In July 2020, 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 net proceeds were partly used in 2021 to repay all the other outstanding loans, resulting in a cash outflow of €155 million. In 2020, the company was rated as investment grade BBB (Credit Suisse) and Baa- (Fedafin), both with a stable outlook, and these ratings were confirmed in 2021.

Consequently, the cash position at the end of 2021 totalled €657 million versus €620 million at the end of 2020, a slight increase of €37 million. This, combined with the signing of an enhanced revolving credit facility in December 2021, gives the company a solid financial base from which to appropriately fund business opportunities in order to realise its strategic agenda over the coming years.

Enabling and supporting our strategic agenda

In recent years, we have developed a much deeper understanding of the company's overall purpose and direction, resulting in a more targeted plan for what needs to be done to realise our growth agenda. Based on this, good progress has been made in focusing our efforts on leveraging in-market opportunities and progressing late-stage developments, as well as adapting our structures and processes in preparation for the next phase of growth.

We would like to recognise all of our colleagues across the company who are driving the changes that will enable our next wave of profitable growth, and who are working together to implement more effective ways of working as the foundation for this. In spite of the continued pandemic and the challenges of remote working, it is impressive how well people have adapted as they collaborate to deliver these record results.

In conclusion, despite the continued impact of the pandemic on business dynamics, 2021 was a record year for the company in terms of revenue, profit and cash generation. We ended the year in a stronger financial position than ever and are poised to deliver on the next phase of our growth agenda with the aim of "helping people live better lives".

Dominic Moorhead
Chief Financial Officer

Ferring at a glance

Ferring Pharmaceuticals is a research-driven, specialty biopharmaceutical group committed to building families and helping people 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 more than 50 countries, and markets its products in 110 countries.

Helping people build families and live better lives

Ferring has developed a world-class portfolio of innovative treatments that help doctors combat a range of severe or potentially life-changing diseases and medical conditions, focusing on our core therapeutic areas. Despite the challenges presented by the COVID-19 pandemic, 2021 was a year of progress in which a number of our key products were made available to treat even more patients around the world. We further enhanced our global reputation for developing new drugs and biotechnology-derived medicines through cutting-edge science and technology, as well as adapting existing therapies to meet specific medical needs with effective and patient-friendly drug delivery systems.

Reproductive Medicine and Maternal Health

Ferring is recognised as a world leader in the field of reproductive medicine and maternal health, and is the only pharmaceutical company with a portfolio of products spanning the entire spectrum from conception to birth.

In 2021, Reproductive Medicine and Maternal Health contributed

54%

of the company's revenues

In markets such as Europe, the U.S. and Japan, a patient can undergo a treatment cycle of *in vitro* fertilisation (IVF) or intracytoplasmic sperm injection (ICSI) using only products made by Ferring.

For more than half a century, we have applied innovations in fertility, obstetrics and gynaecology to ensure that potential parents are given the best possible opportunity in their family-building journey. We remain committed to researching and developing new medicines in areas of high unmet need, such as female and male infertility and diseases of pregnancy.

Ferring's best-selling product is **Menopur**® (menotropin) for the treatment of infertility in women and men. Menopur is a human-derived mixture of a follicle stimulating hormone (FSH) and human chorionic gonadotropin (hCG). In women undergoing assisted conception techniques such as IVF, these hormones stimulate follicles to produce eggs in the ovaries that can be harvested to create embryos which are then transferred back into the patient.

Menopur is available in more than 100 countries and is supported by robust clinical data and more than 20 years' patient experience. The treatment is supplied in separate vials containing a powder and injection solution which the patient draws into a syringe and mixes ready for injection. A new liquid formulation has been developed in a disposable pre-filled injection pen *(for more on Menopur Pen, see "The power of innovative science" on page 22)*. Menopur is also indicated to treat men with hypogonadotropic hypogonadism.

Our most recent product for treating infertility is **Rekovelle**® (follitropin delta), the only recombinant follicle stimulating hormone (rFSH) to be derived from a human cell line. Other genetically engineered FSHs are derived from animal cells, and are less potent. Rekovelle is indicated for controlled ovarian stimulation to induce multiple follicle growth in women undergoing assisted reproductive technologies (ART) such as IVF or ICSI.

Rekovelle is supplied in a ready-to-use pre-filled pen, allowing patients to self-inject as part of their treatment plan. It is administered according to an individual dosing regimen based on a woman's body weight and her level of anti-Müllerian hormone (AMH), a biomarker used to assess ovarian reserve and predict the response to stimulation. Rekovelle is available in around 45 countries, and passed an important milestone in 2021 with approval and launch in Japan. This country has one of the lowest fertility rates in the world and the number of births has fallen consistently since 1973, prompting the government to establish a special Ministry to find solutions for increasing the population. In 2021, we also published new data from the STORK and GRAPE clinical studies showing that Rekovelle produced a comparable ongoing pregnancy rate to follitropin alfa in an Asian population.

Propess®/Cervidil® (dinoprostone vaginal insert) is the leading therapy worldwide for initiating cervical ripening – the process of softening, relaxing and dilating the cervix in readiness to give birth. Cervical ripening is required when labour has to be induced, which occurs in around 10% of births where there is a risk to the health of mother or baby. Propess is administered through a vaginal insert which releases dinoprostone, an analogue similar to a natural prostaglandin, at a constant and controlled rate. The therapy is available in over 60 countries and has been used more than six million times since its first approval more than 20 years ago.

Endometrin® (progesterone) is a vaginal tablet used for support during the luteal phase of the menstrual cycle following implantation, to increase the success rate with ART.

Decapeptyl® Daily[1] (triptorelin acetate) is used to downregulate the pituitary gland before and during controlled ovarian stimulation in women undergoing IVF. Another formulation, **Decapeptyl® Depot[1]**, can be given every 30 days for a range of indications including the treatment of endometriosis and regulation of premature early puberty.

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 given automatically using an injection device called a Pod.

Tractocile® (atosiban) is used to delay imminent preterm birth, the main cause of death and disability in newborn infants. It is the leading product worldwide for this indication. Tractocile is given intravenously and contains an oxytocin/vasopressin antagonist which prevents uterine contractions and relaxes the uterus.

Pabal® (carbetocin) is a long-acting oxytocin analogue registered in more than 90 countries for the prevention of postpartum haemorrhage (PPH), or bleeding following childbirth. Excessive bleeding can occur after a normal labour due to insufficient contraction of the uterus once the placenta has been released, or following incomplete abortion or a caesarean section. PPH is the leading direct cause of maternal mortality worldwide and is responsible for around 70,000 deaths a year[2], more than 90% of which occur in low and lower-middle income countries (L&LMICs)[3]. Although effective, the standard of care oxytocin requires storage and transportation at 2-8°C, typically in a refrigerator, which is difficult in many L&LMICs with a hot climate and unpredictable power supply. To address this, in collaboration with the World Health Organization (WHO) and MSD for Mothers we have developed a heat-stable formulation of carbetocin which does not require refrigeration, and we will supply this at a sustainable access price to the public healthcare sector in all L&LMICs. In July 2021, heat-stable Carbetocin Ferring became available to patients in India for the first time outside a clinical trial setting. Deliveries are scheduled to several African countries following national approvals under Swissmedic's Marketing Authorisation for Global Health Products (MAGHP) procedure *(for more on access to Carbetocin Ferring in L&LMICs, see "Building families – from conception to birth" on page 32).*

1. *In certain markets, the Decapeptyl trademark is owned by third parties.*
2. *Say L, et al. Global causes of maternal death: a WHO systematic analysis. The Lancet Global Health. 2014; 2(6):e323-33. Available at: https://www.thelancet.com/pdfs/journals/langlo/PIIS2214-109X(14)70227-X.pdf Last accessed: February 2022.*
3. *World Health Organization. Trends in maternal mortality 2000 to 2017. 2019. Available at: https://apps.who.int/iris/bitstream/handle/10665/327596/WHO-RHR-19.23-eng.pdf Last accessed: February 2022.*

Gastroenterology

Gastroenterology has long been one of Ferring's most important therapeutic areas, and we are constantly seeking to deliver new medicines that will help people to live better lives.

In 2021, Gastroenterology contributed

22%

of the company's revenues

Pentasa® (mesalazine) is used for the treatment and long-term management of ulcerative colitis and Crohn's disease, two forms of inflammatory bowel disease (IBD). Pentasa is the leading global product for treating mild to moderate symptoms of active IBD, and as maintenance therapy to reduce the risk of recurrent attacks. Pentasa is available orally as tablets/granules (sachets) in Europe and the rest of the world, excluding the U.S. where Takeda sells Pentasa under a trademark licence from Ferring. Oral Pentasa has a prolonged-release formulation designed to ensure the drug reaches the entire intestine.

Topical formulations are also available in the form of suppositories and enemas, providing a high concentration of mesalazine over several hours in areas of inflammation at the lower end of the digestive tract.

Picoprep® (sodium picosulfate) is used for cleansing the colon before colonoscopy in adults and children aged nine years and older. It is available in a sachet to be mixed with water, or as a ready-to-drink oral formulation.

Clenpiq® (sodium picosulfate) is an oral solution for cleansing the colon in adults undergoing a colonoscopy.

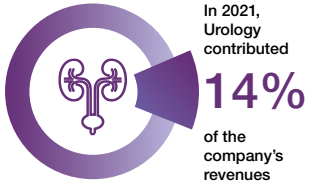
Cortiment® MMX®[1] (budesonide) is a controlled-release oral steroid used to induce remission in mild-to-moderate active ulcerative colitis. Patients experience periods of relapse or flare-up when their symptoms are particularly troublesome, and can be helped with Cortiment. This contains budesonide, a locally acting glucocorticosteroid, in a novel oral formulation using multimatrix technology to ensure controlled release and distribution throughout the colon.

Glypressin® (terlipressin) is given by intravenous injection to patients with 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 hepanorenal syndrome type 1, a form of progressive kidney failure seen in people with severe liver damage, often due to cirrhosis.

1. *MMX is a trademark of Cosmo Pharmaceuticals S.A.*

Urology and Uro-Oncology

Urology has long been an important area of focus for Ferring, and we are now strengthening our commitment to the treatment of urological cancers.



Minirin® (desmopressin) is the leading global product in its class for treating primary nocturnal enuresis (PNE, or bedwetting) in children, and nocturia (or the need to awaken at night to pass urine) in adults.

Minirin works by imitating a natural hormone called vasopressin which helps the kidneys to produce less water at night. PNE 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.

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. Lowering testosterone levels causes cancer cells to die, reducing the size of the tumour and delaying its growth. Firmagon is given once a month and is available in many countries including the U.S., EU and Japan. In 2021, we entered into a strategic partnership with Pfizer in China to ensure as many doctors and patients as possible gain access to this innovative treatment.

Decapeptyl® **Depot**[1] (triptorelin acetate) is used to suppress the action of testosterone and oestrogen, making it a standard therapy for diseases that depend on sex hormones, e.g. for slowing the development of prostate cancer and regulating premature early puberty. Decapeptyl Depot consists of a solution for injection in a pre-filled syringe.

Orthopaedics

Euflexxa® (1% sodium hyaluronate) is a recombinant form of hyaluron, a substance normally found in the fluid surrounding the knee that helps to lubricate, cushion and protect the joint. Euflexxa can be injected into the knees of osteoarthritis patients to reduce pain.

Endocrinology

Zomacton® (somatropin) is a recombinant human growth hormone mainly used to treat growth hormone deficiency in children, and short stature associated with Turner syndrome.

1. In certain markets, the Decapeptyl trademark is owned by third parties.

The power of innovative science

At Ferring, we believe in the power of research and are curious and passionate about science. We invest heavily in the process of discovering and developing new medicines through the work of our research and development centres, and through collaboration with scientific institutes and biotechnology and pharmaceutical companies worldwide.

Ferring's R&D activities are focused on the development of transformational therapies that address unmet needs in our key therapeutic areas, through deep understanding of disease biology and the application of novel technologies.

In reproductive medicine and maternal health, we are exploring new biotechnological approaches that build on our extensive portfolio and established heritage in the field. We are pioneering research into the microbiome that could unlock new approaches for preventing, diagnosing and treating a range of diseases.

In uro-oncology, we are developing Nadofaragene Firadenovec (rAd-IFN/Syn3) as a groundbreaking gene therapy for patients with non-muscle-invasive bladder cancer (NMIBC) who are unresponsive to current treatments. Ferring also devotes substantial resources to developing drug delivery systems and formulations that enable medicines to be administered in the most patient-friendly way possible.

This work is conducted at R&D centres in Brazil, China, Denmark, India, Israel, Japan, Russia, Switzerland, the UK and U.S. The main research and development hubs are in Copenhagen, Denmark, and San Diego in the U.S. These sites drive therapeutic innovation and the development of new molecular entities, as well as further developing our marketed products to better meet patient needs and address new disease areas. We also collaborate with a range of academic institutions, companies and other 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. Our R&D programmes aim to support and extend our established portfolio of medicines by investigating new indications and treatment modalities. In reproductive medicine we are focused on a robust strategy for gonadotropins – the hormones that stimulate the ovaries or testes to carry out their reproductive or endocrine functions. Ferring is using its recombinant DNA technology platform to develop recombinant gonadotropins that will complement our human-derived gonadotropin franchise. In addition, we are exploring novel treatment options for fertility-related problems, and for common conditions such as bacterial vaginosis.

As an example of our approach to innovation, we are preparing to launch **Menopur® Pen**, a new liquid formulation of our best-selling product Menopur for treating both female and male infertility *(for more on Menopur, see "Helping people build families and live better lives" on page 17)*. The disposable pre-filled injection pen makes administration quicker and easier for patients, and has already been approved in the EU, Switzerland and the UK. Another new product, **Milprosa®** (progesterone vaginal ring), was approved in the U.S. in 2020 as the first once-weekly progesterone treatment for luteal phase support in women using assisted reproductive technologies such as IVF.

Our R&D efforts in maternal health are directed towards unmet needs in the treatment of diseases of pregnancy, prevention of preterm birth, lactation support and management of postpartum haemorrhage. No effective treatments are available for many of these conditions, which together cause the deaths of tens of thousands of mothers and more than one million babies annually.

Around the world, including in high income countries, women of colour are more likely than white women to die from complications during pregnancy and childbirth. We are determined to play our part in reducing racial disparities in maternal mortality and improving IVF, pregnancy and postpartum outcomes for black and indigenous communities. In 2021, we launched a new grants programme to fund research into conditions that disproportionately affect communities of colour, resulting in a higher risk of morbidity or mortality.

Eligible projects included basic, translational and clinical research, and studies into prevention, epidemiology, and social science. A large number of submissions were received from individuals and organisations worldwide with a commitment to reducing racial disparities in the field of reproductive medicine and maternal health *(for more on our research grants programme, see "Building families – from conception to birth" on page 32)*.

Therapeutic area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Reproductive Medicine and Maternal Health	FE 202767 Lactation (merotocin)	●		
	rHCG for triggering final follicle maturation Infertility	●		
	rFSH for male infertility Infertility	●		
	Menopur® Pen (China) Infertility (gonadotropin)		●	
	Menopur® Pen (U.S.) Infertility (gonadotropin)		●	
	Menopur® Pen (Japan) Infertility (gonadotropin)		●	
	LutrePulse® (U.S.) Infertility (gonadotropin GnRH)		●	
	Rekovelle® (India and U.S.) Infertility (follitropin delta)		●	
	Rekovelle® (China) Infertility (follitropin delta)			●

(This table only shows post Phase 2 projects)

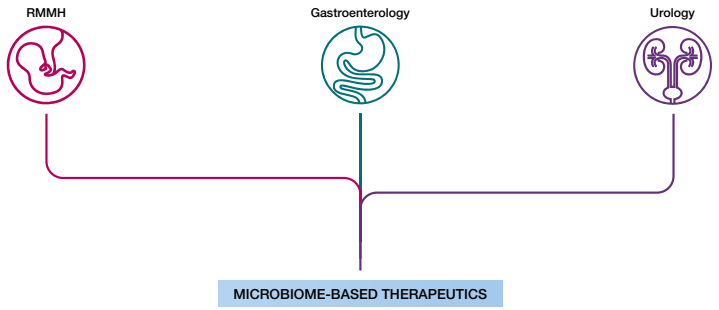
Microbiome

A healthy human gut contains a large number of symbiotic microorganisms known as the normal flora or "microbiota". The gut microbiota assists with digestion, regulates the immune system, modulates energy metabolism, and importantly, helps mitigate the growth of microorganisms that could cause infection[1]. A disruption in the composition and/or diversity of the gut microbiota – also referred to as the gut microbiome – can lead to a range of disorders including recurrent *Clostridioides difficile (C. diff)* infection, irritable bowel syndrome (IBS) and inflammatory bowel disease (IBD)[2,3].

As part of Ferring's commitment to creating life-changing medicines, we are working with our partners to understand the human microbiome and its role in health and disease, and to explore the potential of rehabilitating the gut microbiome to help people live better lives. Ferring began working in the microbiome space in 2008 and has since established relationships with leading institutions such as the Karolinska Institutet in Stockholm, Sweden. In 2018, Ferring acquired Rebiotix Inc., an innovative biotechnology company and microbiome pioneer. Together, we are developing potentially life-changing microbiome products that could provide an entirely new approach to treating a range of diseases across our global therapeutic areas.

The most advanced project is RBX2660, a potential first-in-class microbiota-based live biotherapeutic which delivers a broad consortium of diverse microbes to the gut to reduce recurrent *C. diff* infection (rCDI) after antibiotic treatment. This debilitating and potentially life-threatening condition is caused by *C. diff* bacteria in the gut microbiome, leading to symptoms such as severe diarrhoea, fever, stomach tenderness, pain and loss of appetite. CDI causes an estimated half a million illnesses and tens of thousands of deaths each year in the U.S. alone. Infection often marks the start of a cycle of recurrence, creating a significant burden for patients and healthcare systems. Antibiotics are the standard treatment for rCDI but fail to address the underlying problem.

As the most advanced formulation in Ferring's microbiome pipeline, a Biologics License Application for RBX2660 has been submitted for review to the U.S. Food & Drug Administration (FDA). During development, RBX2660 has been granted Fast Track, Orphan, and Breakthrough Therapy designations by the FDA. The pivotal Phase 3 programme builds on nearly a decade of research, with robust data from six clinical trials involving more than 1,000 participants, including two studies that followed patients for up to 24 months. RBX2660 is a liquid suspension delivered rectally.



1. *Wu HJ, Wu E. The role of gut microbiota in immune homeostasis and autoimmunity. Gut Microbes. 2012;3(1):4-14. doi:10.4161/gmic.19320.*
2. *Bien J, Palagani V, Bozko P. The intestinal microbiota dysbiosis and Clostridium difficile infection: is there a relationship with inflammatory bowel disease? Therap Adv Gastroenterol. 2013;6(1):53-68.*
3. *Marchesi JR, Adams DH, Fava F, et al. The gut microbiota and host health: a new clinical frontier. Gut. 2016;65(2):330-339.*

Therapeutic area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Microbiome	RBX7455 oral formulation[1] Recurrent *C. diff* infection		●	
	RBX2660 rectal administration Recurrent *C.diff* infection			●

(This table only shows post Phase 2 projects)
1. While it was anticipated that Phase 3 would begin in 2021, this has been delayed due to third party supplier issues.

We are also seeking to harness the power of the microbiome in our core therapeutic area of reproductive medicine and maternal health. In 2021, Ferring and Rebiotix announced a multi-year collaboration with MyBiotics Pharma to develop live microbiota-based biotherapeutics to address bacterial vaginosis – a common infection among women of reproductive age linked to increased risk of miscarriage and complications in pregnancy and fertility. Bacterial vaginosis is currently treated with antibiotics which can disrupt the vaginal microbiome, and the condition often returns following treatment. The aim of microbiota-based treatment is to reduce antibiotic use and provide a long-term treatment solution.

Gastroenterology

In addition to the microbiome, Ferring is pursuing other therapeutic approaches in our core area of gastroenterology, building on our strong heritage of clinical research into IBD. We are conducting a number of discovery programmes using novel scientific approaches to investigate development opportunities within this therapeutic area.

Urology and 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 non-muscle-invasive bladder cancer (NMIBC), which has been submitted to the FDA for U.S. approval. This is an adenovirus vector-based therapy containing the gene interferon alfa-2b, administered by catheter intravesically (i.e. into the bladder) every three months. The vector enters the cells of the bladder wall where it breaks down, releasing the active gene to do its work. The internal gene/DNA machinery of the cells then translates the interferon alfa-2b into proteins which inhibit tumour cell growth and activate an immune response, blocking disease progression.

Bladder cancer is the tenth most common cancer worldwide with 573,000 new diagnoses in 2020, and causes 212,000 deaths a year[1]. It occurs when abnormal cells grow in the lining of the bladder, and in some cases spread into the bladder muscle. The most common form is NMIBC, in which the cancerous cells are confined to the lining of the bladder. Low and intermediate risk patients can be treated by removing the cancerous cells surgically, followed by chemotherapy or radiotherapy. For high risk patients, intravesical treatment with Bacillus Calmette-Guérin (BCG) is the current standard of care to reduce recurrence.

When patients are unresponsive to BCG or become resistant to treatment, there is a high unmet need as few options are available other than removal of the bladder, which is associated with lower quality of life and increased mortality.

A Phase 3 clinical trial showed that 24% of patients with carcinoma in situ (CIS) and 44% of patients with papillary disease were free from recurrence one year after treatment. Among patients who responded after first treatment (i.e. at three months), 45% of CIS patients and 60% of papillary patients were still disease-free after one year. This shows that Nadofaragene Firadenovec has the potential to become the new gold standard of care. The FDA has granted Fast Track, Breakthrough Therapy and Priority Review to Nadofaragene Firadenovec, but issued a Complete Response Letter (CRL) in 2020 due to outstanding questions about the manufacturing process, which is highly complex with a gene therapy of this kind. The FDA reiterated that they have no concerns with the clinical data supporting the safety and efficacy of the product. We are working to address their questions and preparing to resubmit the application. Ferring has a global licence to develop and commercialise Nadofaragene Firadenovec, and in 2019 we formed a collaboration with Blackstone Life Sciences to pursue commercialisation and life-cycle management in the U.S. A new gene therapy company, FerGene Inc., was created as a Ferring subsidiary to facilitate this collaboration.

1. Source Globocan. Available from: https://gco.iarc.fr/today/data/factsheets/cancers/30-Bladder-fact-sheet.pdf. Last accessed February 2022.

Therapeutic area	Project/Indication (and API)	Phase 2	Phase 3	Filed
Urology and Uro-Oncology	Nadofaragene Firadenovec (rAd-IFN/Syn3) (U.S.) High-grade non-muscle-invasive bladder cancer			●

(This table only shows post Phase 2 projects)

Progressing the pipeline through internal and external innovation

Innovation is one of Ferring's strategic growth drivers. We have traditionally focused on the discovery of amino acid-based therapies utilising the body's own signaling hormones, and our scientists are now using a wide array of modalities to build a portfolio of innovative medicines that will address areas of high unmet need in our core therapeutic areas. We are focused on delivering transformational medicines through our deep understanding of disease biology, and by applying advanced technologies such as artificial intelligence (AI) and machine learning.

In 2021, we strengthened our research pipeline with a number of projects targeting male and female infertility and IBD. In particular, our focus on immunology is reinforcing and diversifying our portfolio with promising assets in the areas of inflammation and autoimmune disease.

We also made further investments in our R&D capabilities with the expansion of laboratory capacity in San Diego and Copenhagen. This will enable cutting-edge research and the use of novel technologies in areas such as chemistry, protein engineering and biotherapeutics.

Partnerships between internal and external scientists are integral to our innovation strategy. We work with leading experts in universities, biotechnology companies and innovation incubators to improve drug discovery and advance our pipeline.
In 2021, we continued to leverage existing collaborations, e.g. with the Ferring Institute for Reproductive Medicine in collaboration with the Chinese Academy of Sciences, ReproUnion (part of Medicon Valley), the Milner Therapeutics Institute at Cambridge University, and Evotec, a contract research organisation providing drug discovery support and expertise. We have also established a series of important new collaborations. For example, we are working with CytoReason to identify novel targets in IBD, pairing Ferring's medical expertise with their AI platform to build cell-centred disease models. We are also pursuing a research collaboration with Igenomix, a Spanish biotechnology company specialising in reproductive genetics, with the aim of identifying novel targets and disease mechanisms in infertility and pregnancy-related conditions.

By continuing to collaborate with a growing number of external partners and investing in novel technology platforms such as AI, we aim to deliver innovation across a broader range of diseases than ever before. Our investment in data sciences and technology, early research capabilities and infrastructure, and in the skills of our researchers, provides the foundation for expansion into areas such as immunology, in addition to our continued research into the microbiome, gastroenterology and reproductive medicine and maternal health.

Building families – from conception to birth

As a world leader in reproductive medicine and maternal health, we believe in everyone's right to a family, and we are committed to building families of every shape and size. We are proud that our fertility products have contributed to the birth of an estimated 3.7 million 'Ferring babies' over the last 50 years. At the same time, we recognise that millions of people around the world are unable to access the care, treatment and support they need to build their own families. Through our research and development programmes we are seeking to address some of the greatest challenges in this field of healthcare, while also working to improve access to care and treatment, and to advocate for everyone's right to build a family.

In 2017, we initiated #ProjectFamily to promote a worldwide conversation about the need to improve access to quality healthcare, and to provide better support for people on their journey from conception to a safe and successful birth. At the start of 2022, we announced the award of 17 grants totalling nearly €2.9 million to support projects focused on tackling inequalities and disparities in reproductive medicine and maternal health. In addition, we have a number of other research projects, partnerships and initiatives which help to reinforce the four key pledges we have made as part of #ProjectFamily:

1. Learning from patients to improve their treatment and care

Ferring is committed to ensuring the patient voice is heard consistently as we research, develop and launch our therapies. To this end, we established a Global Fertility Council of patient group representatives and fertility advocates to provide a forum where they can express their views. This ensures we understand patients' real-life challenges and reflect their needs when designing everything from clinical trials and support programmes to communications materials and product packaging.

One of the new Ferring grants will enable the development of decision-making aids for cancer patients, who frequently suffer loss of fertility as a side effect of treatment but are rarely informed about the options for fertility preservation. For example, a recent UK survey found many women were unaware that chemotherapy caused infertility, and only 12% of them were referred to a fertility consultant. Our grant will enable the creation and translation of a suite of decision aids for patients and patient groups, to be hosted on our *Cancer, Fertility and Me* website. The project will be led by clinical experts from universities in the UK and Italy.

2. Collaborating to reduce maternal and infant mortality

Ferring works with patient groups and public and private sector organisations to reduce the global burden of maternal and infant mortality. In 2021 we launched Carbetocin Ferring, a heat-stable formulation of our therapy for the prevention of postpartum haemorrhage (PPH), or excessive bleeding after childbirth. As the leading direct cause of maternal mortality worldwide, PPH is responsible for 70,000 deaths each year[1], mostly in low and lower-middle income countries (L&LMICs)[2]. Unlike other PPH therapies, Carbetocin Ferring does not require refrigeration, making it suitable for use in places without reliable cold-chain storage and distribution *(for more on Carbetocin, see "Helping people build families and live better lives" on page 18)*.

1. *Say L, et al. Global causes of maternal death: a WHO systematic analysis. The Lancet Global Health. 2014; 2(6):e323-33. Available at: https://www.thelancet.com/pdfs/journals/langlo/PIIS2214-109X(14)70227-X.pdf. Last accessed: February 2022.*
2. *World Health Organization. Trends in maternal mortality 2000 to 2017. 2019. Available at: https://apps.who.int/iris/bitstream/handle/10665/327596/WHO-RHR-19.23-eng.pdf. Last accessed: February 2022.*

We are committed to supplying Carbetocin Ferring at an affordable and sustainable price to publicly funded or not-for-profit healthcare facilities in L&LMICs, and are currently working to secure regulatory registrations. In July 2021, Carbetocin Ferring became available for the first time in India, where one woman dies every five minutes during pregnancy or childbirth, with 30% of these deaths being due to PPH. The new medicine has also been approved in South Sudan, Sierra Leone and Nigeria – the countries with the first, third and fourth highest rates of maternal mortality in the world respectively – and in Tanzania (including Zanzibar), the Democratic Republic of Congo and Uganda.

The World Health Organization (WHO) has added heat-stable carbetocin to its PPH Prevention Guidelines and Model Essential Medicines List (EML) of therapies deemed vital to address the world's most urgent public health needs. The WHO is now conducting a pre-qualification review which will allow accelerated registration in many more L&LMICs through collaborative registration procedures. We are working with MSD for Mothers, Concept Foundation, Jhpiego and other organisations to implement the PPH Prevention Guidelines and EML at a country level.

We have also begun a collaboration with the United Nations Population Fund (UNFPA) to provide evidence supporting the introduction of Carbetocin Ferring in humanitarian settings. In 2021, the product was added to the UNFPA's Product Catalogue for "quality-assured commodities related to reproductive health, census and humanitarian response".

In a separate project, we are supporting GreenLamp, an organisation dedicated to improving conditions for mothers and babies in rural Ethiopia *(for more on this, see "Moving to a more sustainable future" on page 38)*. We are also partnering with the March of Dimes Prematurity Research Center at Imperial College London and the Karolinska Institutet in Sweden on research into other areas of high unmet need, including preterm birth.

3. Closing gender and racial inequality gaps

There is a wide gender gap in healthcare, with significantly less investment and resources devoted to developing treatments and services for women than men. To help redress this imbalance, more than 60% of Ferring's research investment goes into the traditionally underserved and under-researched field of women's reproductive medicine and maternal health. Our research programmes focus on areas of high unmet need including infertility, pregnancy-related conditions and endometriosis. Ferring is currently conducting 13 clinical trials involving 5,000 patients to investigate new treatment options in reproductive medicine and maternal health. At the same time, we are seeking to dispel the myth that infertility is solely a 'women's issue' by researching factors that contribute to male infertility.

We are committed to supporting black and indigenous communities on their family-building journeys, and to helping reduce racial disparities in maternal mortality and access to IVF treatment. We have set up a racial equality taskforce to identify ways in which Ferring can address these problems, and in 2021 we launched a grants programme to fund research into conditions that disproportionately affect communities of colour *(for more on this grants programme, see "The power of innovative science" on page 24)*.

4. Working together to win hearts and minds

The #ProjectFamily Commitment inspires everything we do to help build families worldwide, and we are constantly exploring new ways to support the communities we work with. We recognise that building a family can involve both joy and heartache, and seek to tackle the stigmas that often surround fertility and reproductive health. This involves working with patient communities to help them win hearts and minds and change attitudes, policies and laws, so that everyone can access the personalised treatment, care and support they need to build a family.

We are committed to helping people speak openly about infertility, IVF treatment and baby loss, and empowering them to address issues such as fertility preservation for cancer patients and transgender people, donor conception, surrogacy and adoption. This includes people whose circumstances make them unable to build a family without medical help, such as single women and the LGBTQ+ community. We have worked on a number of campaigns that directly address patients' issues, including Fertility House Calls, a U.S. platform that connects prospective parents with fertility specialists for an initial virtual consultation, making it easier for people to take the first step on their fertility journey.

Other campaigns such as #FertilityAwks, Fertility Out Loud and Fertility Diaries are designed to raise awareness and help people overcome the challenges involved in family-building. Ferring is also funding research to understand the reasons for declining global fertility rates. For example, data show that women in 1950 had an average of 4.7 children during their lifetime, whereas in 2017 this had nearly halved to 2.4. We are supporting a number of projects to investigate possible causes, including social and demographic changes, fertility awareness, and access to infertility treatment.

Finally, we help to celebrate the doctors, nurses, midwives, donors, surrogates, scientists, advocacy groups, policy makers, social workers, foster carers, and others who help people build families around the world every day. Together we advocate for everyone's right to build a family, no matter who they are, where they live or who they love. At Ferring, we commit to this, because we know that throughout the world, your family, however it is defined, is the most important thing in life.

Overcoming challenges

to develop our global supply network

Despite the ongoing challenges posed by the pandemic during 2021, Ferring Technical Operations (TechOps) succeeded in maintaining the global supply of our products, while also making progress on our strategic plan to optimise operations, strengthen the robustness of products and processes, and prepare for upcoming launches.

The urgent need to vaccinate the world's population against COVID-19 inevitably put pressure on resources across the healthcare sector. We faced a range of logistical issues including restrictions in air and maritime freight capacity, shortages of glass vials and diluent required for vaccine manufacture, and supply delays in raw materials compromising production plans.

All the measures under our control were implemented to mitigate pressures and reduce risks within the supply chain, such as advanced planning and booking, and where possible switching to alternative ports or modes of transport. As a result, we successfully maintained product availability throughout the year, and delivered volumes more than 20% above budget to support additional sales of all products.

At the same time, we continue to execute on the first phase of our strategic roadmap which will ensure we have state-of-the-art processes and technologies in place by 2026, running efficient and compliant operations globally with an optimised supply and manufacturing network. To achieve this, we are focused on streamlining operations while maintaining high levels of product supply to enable 'on-time, in-full' delivery performance. This involves developing our manufacturing network to strengthen the robustness of products and processes, while preparing for major launches (e.g. Menopur Pen, Rekovelle and late-stage pipeline projects), and executing on our critical investments to support growth and sustain compliance.

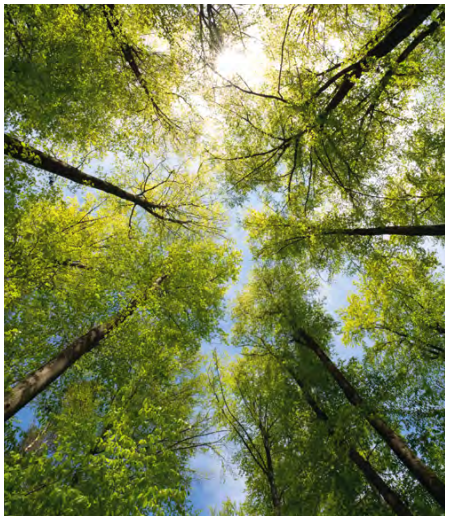
TechOps consists of a cross-functional network of almost 1,900 employees responsible for manufacturing, supply network operations, manufacturing technology and science, together with support functions. In-house production takes place in Argentina, China, the Czech Republic, Denmark, Germany, India, Israel, Mexico, Switzerland, the UK and U.S. As part of our strategic review, we have clarified the future roles of these manufacturing sites to define how each of them will support the company's growth agenda. The aim is 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.

An essential part of our work in 2021 was enhancing the availability, reliability and robustness of equipment and utilities across our manufacturing network. We made encouraging progress in terms of service levels, manufacturing process improvements, integration of new products, and launch readiness. We also worked closely with our network of around 270 direct suppliers to improve relationships, reduce the risk of shortages and quality issues, and improve cost control.

One of the largest investments in our network was at Kiel in Germany, which is being developed as Ferring's centre for aseptic manufacturing, focusing on cartridges, vials, syringe filling and device assembly. We made further important changes in our plant at St-Prex in Switzerland with the introduction of a new production organisation and training programmes, resulting in higher employee engagement levels than ever before.

Moving to a more sustainable future

As a world leader in reproductive medicine and maternal health, Ferring helps to build the generations of the future. We therefore have a duty to protect the world in which these generations will grow up, and to operate our business in a sustainable way that will benefit society in decades to come. Our sustainability vision is guided by the Ferring Philosophy, which places people at the heart of our business in a culture based on respect, integrity and doing the right thing. In our mission to become the world-leading, most trusted healthcare company in reproductive medicine and maternal health, and a leader in specialty areas within gastroenterology and urology, we are committed to conducting a responsible business and achieving sustainable growth built on our core values and strong ethical heritage.



While this commitment has always been central to Ferring's purpose as a company, we recognise that sustainability is becoming an imperative throughout the wider business community. Investment decisions are increasingly based on environmental, social and governance (ESG) criteria, and regulators are imposing ever more stringent reporting and disclosure requirements on companies. In 2021, Ferring conducted a 'double materiality' assessment of our ESG performance, working with external experts to ensure impartiality. Double materiality means examining how sustainability issues affect a business financially, as well as the impact of the business on people and the environment. The assessment defined Ferring's ESG priorities and will help us to identify targets and metrics, develop a strategic ESG framework, and track and measure progress through rigorous reporting.

This approach is consistent with our membership of the UN Global Compact, and our commitment to set ambitious and measurable sustainability targets that are aligned to the UN's Sustainable Development Goals. Our strategy is focused on three pillars, namely Purpose, People and Planet.

Purpose

Ensuring responsible and ethical business governance to advance our mission of building families and helping people live better lives.

Ferring's core purpose is to advance treatment across our key therapeutic areas, with a special focus on delivering better outcomes at every stage of the reproductive journey from conception to birth. We believe everyone has the right to quality care to help them build families, wherever they live. This was demonstrated by our development of Carbetocin Ferring, a heat-stable treatment for the prevention of postpartum haemorrhage (PPH) which does not require refrigeration and therefore has the potential to save thousands of lives in low and lower-middle income countries without reliable cold-chain storage and distribution *(for more on this, see "Building families – from conception to birth" on page 32)*.

In another initiative that supports our purpose as a company, we deepened our relationship with GreenLamp, a non-profit organisation which improves maternal and child health outcomes in rural Ethiopia by educating midwives and providing essential equipment. Ferring is funding a community programme that will provide a qualified midwife to train local staff, five college scholarships for midwifery students, installation of a solar-powered system with vaccine fridges in up to five health centres, and supply of screening equipment and outreach services in tandem with local healthcare providers. We also support GreenLamp's programme to distribute Solar Suitcases, which use solar power to supply lighting and power for mobile communication and medical equipment to help with emergency obstetric care in rural delivery wards. GreenLamp has provided more than 220 Solar Suitcases, reaching more than one million women in Ethiopia and resulting in a 67% increase in safe deliveries, as well as greatly increased attendance for health advice and check-ups. Ferring has committed to support GreenLamp for five years, leading to sustainable healthcare improvements in a remote region of Africa with extreme unmet needs.

In 2021, we continued to collaborate with researchers in many external organisations to develop more effective clinical approaches to help people build families, and to provide new treatment options in specialist areas of gastroenterology and urology. For example, we maintained our collaboration with the Karolinska Institutet in Sweden to explore the potential of the human microbiome across a number of therapeutic areas. We also provided research grants to expand our understanding of the effects of COVID-19 on reproduction, pregnancy and neonatal health, and to reduce racial disparities in maternal mortality and improve outcomes for black and indigenous communities in the field of reproductive medicine and maternal health *(for more on this, see "The power of innovative science" on page 24)*.

We seek to achieve our purpose and deliver value as a responsible and ethical business by acting with integrity and respecting the needs of patients, employees, regulators, customers and communities. We have a duty to 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 our internal policies and practices. By the end of 2021, 90% of employees had been trained on Ferring's Code of Conduct, which requires compliance with the letter and spirit of local laws, regulations and industry codes. This training will be completed by all remaining employees in 2022. Our responsibilities extend to ensuring we make the right choices when selecting suppliers, and in 2021 we enhanced the sustainable procurement programme by integrating our Supplier Conduct Principles into core business processes. We continue to operate the Ferring AlertLine for employees to report any concerns with complete confidentiality.

People

Creating value for society by positively impacting the communities in which we operate, and protecting the health and wellbeing of our patients and employees.

We are proud that people have always come first at Ferring, and in 2021 we made further progress in demonstrating our commitment to employees and the communities in which we operate. Our diversity and inclusion (D&I) strategy seeks to integrate D&I into the fabric of the organisation, recognising our social and ethical responsibility to support D&I and to eliminate discrimination and inequality in the workplace and in our local and patient communities. In 2021, we took a more structured approach to embedding D&I into our day-to-day operations by appointing Global and U.S. Directors of Diversity and Inclusion to drive and implement our long-term strategy. In November 2021, Ferring held its first Diversity and Inclusion Month to raise awareness, educate employees through mandatory training, and share their experiences of inclusive practices and behaviours. We strive to become an organisation with greater diversity of backgrounds, experiences and opinions, leading to more effective decision-making and a greater understanding of the needs of the patients we serve.

At Ferring, we believe that everyone should have access to support in their family-building journey, and that no woman should die while giving life. We recognise that giving birth carries greater risks for a woman of colour than a white woman due to disparities in access, treatment and care. For example, women in sub-Saharan Africa and South Asia account for around 85% of global maternal deaths, while black women in the U.S. are three times more likely to die in childbirth than white women. We are therefore committed to supporting black and indigenous communities on their family-building journey, and helping to reduce racial disparities in maternal mortality and access to IVF treatment. Addressing these disparities involves exposing structural inequalities across social institutions, education and healthcare provision. While these represent enormous challenges, we believe that change must start with every individual and every organisation *(for more on this, see "The power of innovative science" on page 24)*.

Planet

Protecting the environment by reducing negative impact to build a better future.

The COVID-19 pandemic has shown what the global community can achieve when we work together towards a common goal. We believe this example should inspire us to devote the same energy to addressing the climate crisis and other environmental challenges.

At Ferring, we are determined to play our part in this worldwide effort, and our materiality assessment helped to define the most pressing areas in which to focus our sustainability strategy.

One of these is reducing greenhouse gas emissions in a number of key areas, such as business travel and the transportation of products and other goods and services.

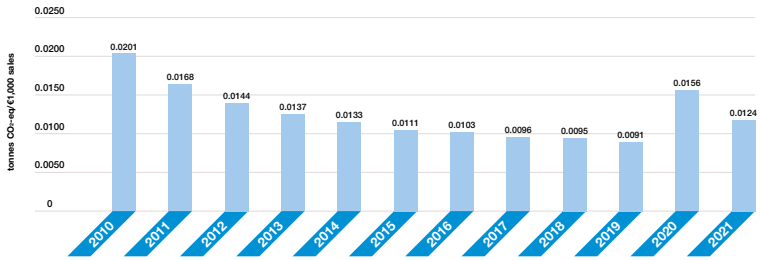
In 2019, we introduced a pilot green car policy at our headquarters in Switzerland, encouraging employees with a company car to use an electric or hybrid vehicle. Following evaluation, our aim is to make this policy permanent. We have also implemented green mobility programmes at other sites worldwide, such as Ferring Brazil where biofuel represents almost 90% of the fuel used in company cars. In the UK, 40% of all company cars are now electric or hybrid, while in the Czech Republic the target is to switch 50% of the car fleet to electric vehicles in the next two years, and ultimately 100%.

Inventories show that 8% of global carbon emissions are caused by trade-related freight transport, equivalent to 492 million passenger vehicles being driven in one year. At Ferring, a significant part of our carbon footprint comes from shipping our products around the world. When the pandemic imposed severe restrictions on aviation, we took the opportunity to explore alternative and more sustainable ways of transporting our products, such as by rail. At the end of 2020, Ferring took another step towards more sustainable transportation by working with one of our largest logistics providers to offset 100% of the CO_2 emitted while transporting our products during the year. This corresponds to 1,851 tonnes of CO_2, or 8% of the volumetric weight of finished products that we distribute through the global supply network. The projects supported by our carbon offsetting are based in Indonesia and Brazil, and are focused on forest protection and building health centres. In another initiative, we partnered with a freight company to switch from a diesel lorry to one powered by liquefied natural gas (LNG) for the daily transport of goods from the St-Prex manufacturing site in Switzerland to our hub in Germany. LNG is non-toxic, emits almost no sulphur or fine particles, and reduces CO_2 by up to 20%.

Business travel was significantly reduced as a result of COVID-19, and even as a global organisation with teams all over the world, we were able to continue normal business activities by means of virtual meetings and online collaboration tools. These will form an integral part of how we work together in the future, reducing business travel and our impact on the environment.

At our Technical Operations manufacturing sites, we reduced absolute greenhouse gas emissions (GHG) by 18% between 2010 and 2020 (scope 1 and 2, expressed in tonnes CO_2-eq). In 2020, we started to include the newly operational manufacturing sites in India and the U.S. in our figures. This caused an increase in absolute emissions of 43% between 2019 and 2021. In terms of emissions relative to sales, we saw an increase in 2020 due to inclusion of the sites in India and the US, followed by a major improvement in 2021 due to multiple energy saving projects and a shift to renewable energy sources. It should be noted that with further extension of our manufacturing facilities, emissions are likely to increase.

Relative greenhouse gas emissions (scope 1 and 2, expressed in tonnes CO_2-eq)/global sales)



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.

Lars Rebien Sørensen
Chairman

Mr. Sørensen was appointed Chairman of Ferring's Board of Directors in July 2021. He has more than 30 years' management experience in the pharmaceutical industry, and was President and CEO of Novo Nordisk A/S from 2000 until 2016. He is Chair of the Board of the Novo Nordisk Foundation and Novo Holdings A/S, a Board member of Thermo Fisher Scientific Inc. (U.S.), Essity AB (Sweden) and Jungbunzlauer Suisse A.G. (Switzerland), and Chair of the Advisory Board of Axcel Management A/S (Denmark). Mr. Sørensen serves as a Post-doctoral Lecturer in the Faculty of Science at the University of Copenhagen, and in the Center for Corporate Governance at Copenhagen Business School in Denmark.

Frederik Paulsen
Chairman Emeritus

Dr. Paulsen was Chairman of Ferring's Board of Directors from 1988 to June 2021, and was named Chairman Emeritus in July 2021. 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.

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 in the UK.

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 has been the Poling Chair of Business and Government at the Kelley School of Business in Indiana, U.S. She is also involved in philanthropic pursuits and is Patron of the Danish Parkinson Association. She has also been Patron of UNICEF in Denmark, and of the Danish Society for the Blind.

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 U.S. Dr. Lundberg holds M.D. and Ph.D. degrees, and before joining industry was Professor of Pharmacology at the Karolinska Institutet in Sweden.

Jean-Frédéric Paulsen
Member of the Board of Directors

Mr. Paulsen joined the Ferring Board of Directors in July 2021, and is also Chairman of Ferring Ventures S.A. He previously served as Senior Advisor to four Ministers of Economy and Sustainable Development in Georgia, and has worked at Mars Inc., Coca-Cola and Credit Suisse. Mr. Paulsen received a Master's degree in Finance from the London School of Economics and Political Science, and is a Fellow of the Chartered Institute of Management Accountants in the UK.

Hélène Ploix
Chairman of the Audit and Finance Committee

Mrs. Ploix was a partner of Pechel Industries Partenaires, a private equity fund, until the end of December 2021. 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, and Chairman of the Banque Industrielle et Mobilière Privée (BIMP). Mrs. Ploix is Chairman of Fidelity Emerging Markets Fund Ltd., Chairman of Sogama Crédit Associatif, and Director and Chairman of the Audit Committee of SES-imagotag. She holds an M.B.A. from INSEAD, a Master's degree from the University of California at Berkeley, U.S., and a Diploma from the Institute of Political Studies in Paris, France.

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 A.G. 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, 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 1st January 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 Institutet, Sweden, and Washington University School of Medicine, U.S. Per has an M.D. degree and a Ph.D. in Biochemistry and Clinical Chemistry from Gothenburg University, Sweden.

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 U.S. 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 in the U.S.

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 in the U.S.

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 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 Medical and Science Officer

Mirjam joined Ferring Pharmaceuticals as Senior Vice President for Global Development in 2018 and has held the position of Chief Medical and Science Officer since 2020. She is responsible for overseeing Ferring's research and development, global value and access, 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 MSD, Schering-Plough and Organon. 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 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 a Board member 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, UK. 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, UK.

Ferring products

Reproductive Medicine and Maternal Health

Carbetocin Ferring
Choragon® (Novarel®/Brevactid®)
Decapeptyl® Daily[1] (Gonapeptyl® Daily)
Endometrin®
Follitrin®
Gestone™
Lutinus® (Endometrin®)
Lutrelef® (LutrePulse®)
Menogon® (Repronex®)
Menopur® (Merapur®/Meropur®)
Norprolac®
Pabal® (Duratocin®/Lonactene®/Duratobal®)
Propess® (Cervidil®)
Rekovelle®
Tractocile®

Gastroenterology

Clenpiq®
Cortiment® MMX®[2]
Glypressin®/Remestyp®
Klyx®
Pentasa®
Picoprep® (Pico-salax®/Picolax®/Prepopik®)

Urology and Uro-Oncology

Ddavp® (Desmotabs®/Desmospray®/Adiuretin®)
Firmagon® (Gonax®)
Gonapeptyl® Depot/Decapeptyl® Depot[1]
Minirin® (Minirin® Melt/Desmomelt®/Ddavp® Melt/
Minurin®/Minrin® Melt)
Nocdurna® (Nokdirna®/Noqdirna®/Noqturina®)
Octim® (Octostim®)

Endocrinology

Decapeptyl® Depot[1]
Zomacton®

Orthopaedics

Euflexxa®

1. In certain markets, the Decapeptyl trademark is owned by third parties.
2. MMX is a trademark of Cosmo Pharmaceuticals S.A.

Ferring group

Consolidated financial statements 2021

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 S.A. 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 2021 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 135) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 estimated gross to net adjustments in the U.S.; and
- Carrying value of intangible assets (licences and goodwill).

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 the organisation of the Group as well as to ensure that our audit was both effective and risk focused. Further details are provided on page 51.

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 Estimated Gross to Net Adjustments in the U.S.

Key audit matter
The Group sells its products to customers in the U.S. 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 ended 31 December 2021 the total revenues included €670.6 million of GTN adjustments made in the U.S., of which €109.2 million were estimates accrued at year end.

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 with further disclosures provided in Note 29.

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 obtained an understanding 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, average chargeback rate per unit, and 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.

Carrying Value of Intangible Assets (licences and goodwill)

Key audit matter
The Group's balance sheet includes €674.7 million of intangible assets (licences and goodwill arising from the purchases of licences and/or businesses with licences), which represent 23% of total Group assets. These balances are allocated to cash generating units (CGUs), the goodwill is tested at least annually for impairment, and the licences are assessed for indicators of impairment at each reporting period.

Discounted cash flow models are 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 (licences and goodwill) to be a key audit matter because the determination of the recoverable value is a source of significant estimation uncertainty as it requires management to make assumptions that involve forward looking information, which are highly judgemental and are inherently uncertain since they are 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 with further disclosures provided in Notes 7, 8 and 14.

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

Our audit work included the following procedures on the carrying value of intangible assets (licences and goodwill):

- We obtained an understanding of the key controls over the valuation of intangible assets (licences and goodwill), 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 worked with 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 compared the carrying value of associated assets and liabilities 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, the carrying value of the CGUs containing the licences and goodwill and the associated 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.

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 our professional judgement we have determined materiality for the consolidated financial statements as a whole to be €13.9 million (2020: €13.9 million).

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 €2.4 million to €7.2 million (2020: €2.4 million to €7.2 million) depending on the scale of the component's operations, component's significance to the Group and our assessment of risks specific to each location.

Group materiality is shown as a percentage of the metrics considered in the table below.

Metric	2021	2020
Profit before tax	4%	7%
Revenue	0.7%	0.7%
Net cash flow from operating activities	3%	4%
Net assets	1%	1%

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% (2020: 80%) of Group materiality for the 2021 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 them all audit differences in excess of €695 thousand (2020: €695 thousand), 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 (2020: 20) locations. Fourteen (2020: 13) of these were subject to a full audit, whilst the remaining six (2020: 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 locations represent the principal business units and account for approximately 80% (2020: 79%) of the Group's revenue, 81% (2020: 89%) of the Group's assets and 72% (2020: 67%) of the Group's profit. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

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 program 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 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, 4th March 2022

Consolidated statement of income

for the year ended 31 December 2021

Continuing operations	Notes	2021	2020
Sales of goods		2,104,144	1,903,770
Royalty income		18,875	20,163
Other income		39,052	20,429
Total revenues	*5*	**2,162,071**	**1,944,362**
Cost of sales		(692,158)	(600,627)
Gross profit		**1,469,913**	**1,343,735**
Distribution expenses		(30,643)	(27,683)
Sales and marketing expenses		(453,164)	(419,190)
Research and development expenses		(314,380)	(345,877)
General and administrative expenses		(197,621)	(205,065)
Other operating expenses	*7*	(116,308)	(110,064)
Operating profit	*8*	**357,797**	**235,856**
Finance income	*9*	57,489	35,948
Finance expense	*9*	(57,264)	(79,874)
Finance income and costs	*9*	**225**	**(43,926)**
Income before taxes	*12*	**358,022**	**191,930**
Income tax expenses	*12*	(68,116)	(40,376)
Net income from continuing operations		**289,906**	**151,554**
Discontinued operations			
Net income from discontinued operations	*10*	23	15
Net income		**289,929**	**151,569**
Attributable to the owners of the Company	*11*	289,929	151,569
Non-controlling interests		-	-
Earnings per share			
Basic and diluted earnings per registered share of CHF 10	*11*	11.60	6.06
Basic and diluted earnings per registered share of CHF 20	*11*	23.20	12.12

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

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021	2020
Net income		**289,929**	**151,569**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	*12,24*	51,924	(10,571)
Total		51,924	(10,571)
Items that may be subsequently reclassified to profit or loss			
Reclassification to P&L on disposal of discontinued operations	*10*	(32)	-
Reclassification to P&L on disposal of foreign operations		(2,659)	-
Reclassification adjustments relating to financial assets disposed of in the year		115	-
Fair value change on cross-currency interest rate swap	*32*	688	(3,681)
Fair value change on listed securities	*16*	(117)	430
Currency translation differences		26,166	(17,015)
Total		24,161	(20,266)
Total other comprehensive income for the year, net of tax		76,085	(30,837)
Total comprehensive income for the year		366,014	120,732
Attributable to the owners of the Company		366,014	120,732
Non-controlling interests		-	-
Total comprehensive income for the year attributable to the owners of the Company arises from			
Continuing operations		366,023	120,717
Discontinued operations		(9)	15

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 2021 (before appropriation of available earnings)

Assets	Notes	2021	2020
Non-current assets			
Property, plant and equipment	*13*	564,932	474,941
Intangible assets	*14*	674,689	490,280
Right-of-use assets	*15*	42,928	47,217
Receivables	*17*	15,296	15,692
Deferred tax assets	*12*	137,332	138,276
Derivative financial instruments	*32*	6,474	-
Investments in financial assets	*16,32*	26,716	44,033
Total non-current assets		1,468,367	1,210,439
Current assets			
Inventories	*18*	375,979	364,511
Receivables and prepayments	*19*	466,165	456,240
Current income tax assets		19,622	13,838
Investments in financial assets	*16,32*	5,799	46,174
Derivative financial instruments	*32*	177	1,244
Cash and cash equivalents	*20,32*	657,296	619,696
Total current assets without disposal group		**1,525,038**	**1,501,703**
Assets of disposal groups held for sale	*21*	-	6,320
Total current assets		**1,525,038**	**1,508,023**
Total assets	*31*	2,993,405	2,718,462

(Amounts expressed in thousands of Euros)

Equity and liabilities	Notes	2021	2020
Equity attributable to owners of the Company		1,418,260	1,082,246
Non-controlling interests		-	-
Total equity	*22,31*	1,418,260	1,082,246
Non-current liabilities			
Borrowings	*23,32*	303,221	354,477
Deferred tax liabilities	*12*	38,007	32,649
Pension liabilities	*24*	56,732	110,548
Provisions	*25*	39,612	32,443
Deferred income	*26*	54,236	60,701
Lease liabilities	*15*	24,249	26,668
Other financial liabilities	*28*	30,572	29,495
Contingent consideration liabilities	*27*	181,314	168,531
Derivative financial instruments	*32*	-	6,803
Other liabilities		2,136	2,832
Total non-current liabilities		730,079	825,147
Current liabilities			
Borrowings	*23,32*	10,281	150,740
Trade accounts payable		133,090	99,590
Current income taxes liabilities		56,175	61,876
Other taxes and social security liabilities		46,177	44,334
Provisions	*25*	38,121	54,871
Deferred income	*26*	11,073	8,115
Lease liabilities	*15*	22,359	22,468
Contingent consideration liabilities	*27*	119,266	24,829
Derivative financial instruments	*32*	4,959	9,143
Accruals and other liabilities	*29*	403,565	333,316
Total current liabilities without disposal group		**845,066**	**809,282**
Liabilities of disposal groups held for sale	*21*	-	1,787
Total current liabilities		**845,066**	**811,069**
Total liabilities		**1,575,145**	**1,636,216**
Total shareholder's equity and liabilities		2,993,405	2,718,462

(Amounts expressed in thousands of Euros)

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2021

	Share capital	Retained earnings	Legal reserves	Foreign exchange translation reserve	Cash flow hedging reserve	Financial assets at FVOCI	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2020	**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 adjustment on interest rate swap	-	-	-	-	430	-	366	-	366
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**
Comprehensive income									
Net income	-	289,929	-	-	-	-	289,929	-	289,929
Other comprehensive income, net of tax									
Reclassification to P&L of financial assets disposed of in the year	-	-	-	-	115	-	115	-	115
Reclassification to P&L on disposal of discontinued operations	-	-	-	(32)	-	-	(32)	-	(32)
Reclassification to P&L on disposal of foreign operations	-	-	-	(2,659)	-	-	(2,659)	-	(2,659)
Remeasurements of post-employment benefit obligations	-	51,924	-	-	-	-	51,924	-	51,924
Fair value change on cross-currency interest rate swap	-	-	-	-	688	-	688	-	688
Fair value change on listed securities	-	-	-	-	-	(117)	(117)	-	(117)
Currency translation differences	-	-	-	26,166	-	-	26,166	-	26,166
Total other comprehensive income, net of tax	-	**51,924**	-	**23,475**	**803**	**(117)**	**76,085**	-	**76,085**
Total comprehensive income	-	**341,853**	-	**23,475**	**803**	**(117)**	**366,014**	-	**366,014**
Transfer to retained earnings	-	(137)	137	-	-	-	-	-	-
Transactions with owners									
Dividends payment relating to 2020	-	(30,000)	-	-	-	-	(30,000)	-	(30,000)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021	164,355	1,218,703	59,360	(21,048)	(2,993)	(117)	1,418,260	-	1,418,260

(Amounts expressed in thousands of Euros)

Consolidated statement of cash flows

as at 31 December 2021

	Notes	2021	2020
Net income from continuing operations		**289,906**	**151,554**
Net income from discontinued operations		**23**	**15**
Adjustments reconciling cash generated by operating activities	*37*	240,944	214,784
Interest received		6,023	4,270
Interest paid		(13,881)	(9,026)
Income tax paid		(73,383)	(34,303)
Net cash generated by operating activities		449,632	327,294
Cash flows from investing activities			
Purchase of property, plant and equipment		(95,631)	(57,853)
Purchase of intangible assets		(139,620)	(42,024)
Repayment of loans to key management and others		7,199	-
Proceeds on loans to related parties		-	(66,250)
Repayment of loans to related parties		68,094	5,240
Proceeds from sale of non-current assets		5,052	2,952
Cash received from investments in financial assets	*16*	2,105	-
Net cash inflow on acquisition of subsidiary	*36*	-	78
Net cash inflow on disposal of subsidiary	*10*	885	-
Net cash from (used in) investing activities		(151,916)	(157,857)
Cash flows from financing activities			
Repayment of lease liabilities	*15*	(22,354)	(24,564)
Repayment of borrowings		(154,846)	(279)
Proceeds from business collaboration financing	*28*	244	-
Proceeds from bonds	*23*	-	252,525
Transaction costs related to bonds		-	(727)
Repayment of loans from related parties		(60,000)	(77,000)
Dividends paid		(30,000)	-
Net cash (used in) financing activities	*30*	**(266,956)**	**149,955**
Effect of foreign exchange rate changes on cash and cash equivalents		6,983	(8,896)
Net increase in cash and cash equivalents		**37,743**	**310,496**
Balance of cash and cash equivalents less bank overdrafts at the beginning of the year	*20*	619,552	309,056
Balance of cash and cash equivalents less bank overdrafts at the end of the year	*20*	657,295	619,552

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 S.A. was incorporated on 15 December 2000 in Switzerland. It is ultimately owned by the Dr. Frederik Paulsen Foundation, a trust subject to the laws of Bermuda.

Ferring Holding S.A. directly owns Ferring International Center S.A. 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 4th March 2022.

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 general and administrative expenses have been allocated to cost of sales and research and development lines with no impact on the consolidated operating profit.

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.

- **Revenue Estimates**

Gross sales are 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. The group has recognised revenue with a corresponding provision against revenue for estimated returns, which are deemed to be immaterial. 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 24).

- **Income taxes Estimates**

Management judgement is required in determining the worldwide provision for income taxes.

The Group's current tax provision relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with relevant Tax Authority. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. The Group recognises liabilities for anticipated tax audit issues based on estimates for potential additional taxes, which are deemed to be immaterial (Note 12).

- **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 interest risk free rates. The fair values are reviewed on a regular basis, at least annually, and any changes are reflected in the income statement (Note 27).

Contingent milestone liabilities are recognised at the point when the contingent event becomes probable which involves management judgement about future uncertain events. Contingent milestones liabilities that do not meet the probability threshold are disclosed as contingent liabilities (Note 27).

- **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, which are deemed to be immaterial (Note 7).

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. There are no expectations from management changed due to the extension on lease terms/extension 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 7).

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 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. An analysis has been done and impact is not material. The interest rate benchmark reform does not have a material impact on the Group's hedging relationships.

- The amendment in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. These amendments had no 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 2021 and have not been adopted by the Group. They may become relevant in the future.

- IIFRS 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)

- 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.

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies (effective 2023)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'.

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- Amendments to IAS 8 Definition of Accounting Estimates (effective 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 2023)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

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.

Compared to last year, the Group sales show a growth of +13.7% (+€260.4 million) on a performance basis, showing strong resilience despite the crisis across all the regions. The Business Plan also reflects this resistance and the Group's capacity to keep growing thanks to its current solid portfolio combined with promising launches in a close future. The Group did not receive any government grant in 2021.

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 2021, resulting in additional restructuring expenses and provisions (Notes 7 and 25).

Overall, these 2021 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. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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 39 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 straightline 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.

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.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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. The Group measures financial assets at either amortised cost, fair value through profit or loss (FVTPL), or fair value through other comprehensive income (FVTOCI).

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;
  - 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. Financial assets are initially measured at fair value. 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. These could be general trends and changes in the economy, such as inflation/growth rates, unemployment rates, interest rates or FX rates. In addition, there could be further industry- or geography-specific indicators that might have a significant impact on inferring future default levels.

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 de-recognises 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 expenses 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 in 2020 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 EUR and CHF rates are fixed. The Group settles the difference between the EUR 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 received CHF proceeds on the starting day of the bond and the same day exchanged those into EUR, the functional currency. During the lifetime of the bond yearly interest payments to investors are 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 effective portion is 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-phase 2 to have a material impact on its loans and its hedging relationships.

The fair values of various financial instruments used for hedging purposes are disclosed in Note 31 and Note 32.

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 measured at fair value 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 drawn 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 amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Provisions are measured at the present value representing the time value of money and the risks specific to the obligation. The Group does not have onerous contract.

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 are 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.

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. 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 nadofaragene firadenovec 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 business

The nadofaragene firadenovec business is focused on the development of a treatment for non-muscle invasive bladder cancer through gene mediated immunotherapy. In 2019 Ferring entered into a collaboration arrangement with Blackstone Life Sciences related to the U.S. development and commercialisation of the product. The commercial organisation in the United States has been downsized for the time being as the launch was postponed. Further investments have been made in 2021 to progress on the pathway towards BLA approval, and the Group has taken on a broader role and additional responsibilities in this process. In addition, the Group and Trizell Ltd. have signed an amendment to the existing agreement which has changed the financial and other terms of the initial agreement. The Group has agreed to invest more in the asset on completion of defined milestones, which has resulted in additions to intangible assets of €199,018 in exchange for a reduction of the future royalty and sales milestone obligations to Trizell Ltd. (Note 14 and 35).

	Base business		Nadofaragene firadenovec business		Ferring Group	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
The following is an analysis of the Group's revenue and results by reportable segment						
Total revenues	2,162,071	1,944,362	-	-	2,162,071	1,944,362
Operating result	370,940	283,723	(13,143)	(47,867)	357,797	235,856
Finance income	48,313	26,062	9,176	9,886	57,489	35,948
Finance expense	(45,043)	(72,601)	(12,221)	(7,273)	(57,264)	(79,874)
Income tax expenses	(71,229)	(51,575)	3,113	11,199	(68,116)	(40,376)
Net income from continuing operations	302,981	185,609	(13,075)	(34,055)	289,906	151,554
Included in the result from operating activities						
Depreciation	(69,549)	(73,155)	-	-	(69,549)	(73,155)
Amortisation	(33,589)	(34,043)	-	-	(33,589)	(34,043)
Impairment charges on fixed assets	(21,654)	(24,335)	-	-	(21,654)	(24,335)
The following is an analysis of the Group's statement of financial positions by reportable segment						
Total assets	2,631,125	2,480,474	362,280	237,988	2,993,405	2,718,462
Total liabilities	1,103,995	1,300,307	471,150	335,909	1,575,145	1,636,216
Major investing activities in non-current assets						
Additions to property, plant and equipment	111,939	65,737	4,838	2	116,777	65,739
Additions to intangible assets	50,365	45,302	199,018	-	249,383	45,302
Additions to loans to related parties	-	22,000	25,000	11,500	25,000	33,500
The following is an analysis of the Group's cash flows by reportable segment						
Cash flows from operating activities	475,969	386,965	(26,337)	(59,671)	449,632	327,294
Cash flow from investing activities	(94,431)	(111,605)	(57,485)	(46,252)	(151,916)	(157,857)
Cash flow from financing activities	(267,200)	149,955	244	-	(266,956)	149,955

The CMC funding of €25,000 previously recognised in other intangible assets was reclassified into non-current financial assets at fair value. The repayment of this receivable is triggered by the receipt of the BLA approval and will be repaid in tranches over a 5 year period.

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 and therapeutic area information

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

	2021	2020	Performance growth
United States	811,292	667,415	27.4%
Europe	611,828	608,722	0.3%
Asia Pacific	399,590	369,012	10.8%
Latin America and Canada	154,962	134,333	23.7%
Middle East Turkey and Africa	115,550	103,039	14.2%
Other	10,922	21,249	-49.4%
Total sales of goods	2,104,144	1,903,770	13.7%

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.

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.

The net sales of goods from external customers by therapeutic areas are broken down below:

	2021	2020	Performance growth
Reproductive Medicine and Maternal Health	1,144,031	934,245	26.6%
Gastroenterology/Endocrinology	549,575	557,141	0.4%
Urology/Uro-Onconlogy	294,307	292,180	2.7%
Orthopaedics	106,804	104,750	7.1%
Other	9,427	15,454	-37.8%
Total sales of goods	2,104,144	1,903,770	13.7%

The performance growth percentage reflects the growth versus last year excluding the effect of exchange rates.

(Amounts expressed in thousands of Euros)

5. Revenues

	2021	2020
Sales of goods	2,104,144	1,903,770
Royalty income	18,875	20,163
Other income	39,052	20,429
Total revenues	2,162,071	1,944,362

The 10 main products contributing to the net sales of goods are:

	2021	2020	Performance growth
Menopur	752,638	556,561	40.4%
Pentasa	332,396	322,287	4.5%
Minirin	182,758	182,799	2.1%
Propess	107,998	113,584	-1.9%
Firmagon	106,235	101,848	6.4%
Euflexxa	104,993	103,102	7.1%
Endometrin/Lutinus	71,043	63,321	17.3%
Picoprep	56,761	38,954	50.2%
Fyremadel	52,883	40,474	33.2%
Decapeptyl depot	50,145	47,883	3.5%
Total top 10 products	1,817,850	1,570,813	
% of total net sales of goods	86.4%	82.5%	

The performance growth percentage reflects the growth versus last year excluding the exchange rate effect.

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.

Revenues recognised in the year include a negative impact of **€3,239** (2020: €6,009) arising from changes from prior year estimates of returns provision (Note 25).

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

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

(Amounts expressed in thousands of Euros)

6. Staff costs

	Notes	2021	2020
Wages and salaries		566,375	566,189
Social security costs		71,980	69,967
Termination benefits		6,614	6,685
Relocation		4,360	3,484
Restructuring	*7*	17,851	24,384
Pension costs: defined contribution plans		17,980	19,697
Pension costs: defined benefit plans	*24*	20,192	23,912
Capitalised in intangible assets related to the OneERP program	*14*	(4,851)	-
Total		700,501	714,318

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

	2021	2020
Cost of sales	169,963	159,249
Sales and marketing expenses	220,753	230,650
Research and development expenses	153,097	159,280
General and administration expenses	128,044	132,335
Other operating expenses	28,644	32,804
Total	700,501	714,318

7. Other operating expenses

		2021	2020
Litigation expenses net of insurance cover		3,148	4,839
Impairment charges		21,654	24,335
Amortisation of intangible assets	*14*	20,999	21,687
Restructuring expenses	*6*	17,851	24,384
Reorganisation expenses and projects		18,542	17,893
Contingent consideration adjustments, net	*27*	21,312	5,181
Other projects		12,802	11,745
Total		116,308	110,064

(Amounts expressed in thousands of Euros)

The impairment charges arise from:	*Notes*		
Assessment of the carrying value of machinery & equipment	*13*	2,822	9,808
Assessment of the carrying value of intangible assets	*14*	18,832	14,527
Total		21,654	24,335

Litigation expenses net of insurance cover

The litigation expenses recognised in 2021 mainly relate to legal fees and recall expenses paid to settle the 2020 litigation regarding the desmopressin supply disruption.

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.

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

Impairment charges

In 2021, the assessment of the carrying value of the goodwill and of the intangible assets has resulted in impairment charges on licences of **€18,832** (2020: €14,527) (Note 14).

Due to a quality issue with the injector device, the Group has decided to discontinue ZomaJet® pens worldwide leading to a full impairment of the acquired licence and customer relationship with JCR Pharmaceutical Company Ltd. in Japan for a total amount of **€7,907** (Note 7).

Following a desmopressin quality issue in 2020 and a significant decrease in forecasted sales, the Group has decided to partially impair the Ddavp licence in the United States by **€5,300** (Note 14).

The termination for convenience of the contract with INVO Bioscience Inc related to the distribution rights of INVOcell® has resulted in an impairment of the full asset of **€4,132** (Note 14).

Additional impairment tests on intangible assets showing a potential indicator for impairment have been carried out in 2021 and have resulted in a total amount impaired of **€1,493**.

The impairments of licences in 2020 were mainly related to Cortiment® Japan (€7,925) and Stimate® (€3,830).

The annual impairment tests carried out on the book value of goodwill are detailed in Note 14. They resulted in no impairment charge in 2021 and 2020.

The impairment charges of **€2,822** on tangible assets in 2021 mainly relate to impairment of machinery and equipments for ZomaJet® for **€1,735**.

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

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. In 2021 the Swiss headquarters has been included in the program. The staff costs of terminating contracts connected to those initiatives amount to **€17,851** (2020: €24,384) (Note 6).

Reorganisation expenses and projects

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

Contingent consideration adjustments, net

In 2021 the contingent consideration adjustments relate to the increase of probabilities of paying additional milestones in relation to the Rebiotix acquisition of **€21,312**.

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®.

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.

8. Operating profit

The following items have been included in operating profit	*Notes*	2021	2020
Employees costs	*6*	700,501	714,318
Depreciation of property, plant and equipment	*13*	44,158	45,322
Impairment of property, plant and equipment	*13*	2,822	9,808
Depreciation of right of use assets	*15*	25,391	27,833
Amortisation of intangible assets	*14*	33,589	34,043
Impairment of intangible assets	*14*	18,832	14,527

Inventories			
Cost of inventory included in cost of sales	*18*	540,698	461,588
Write-down of inventories	*18*	26,554	28,841
Short-term lease charge	*15*	1,812	1,960
Low-value lease charge	*15*	121	134
Variable lease payments	*15*	2,626	1,530

(Amounts expressed in thousands of Euros)

9. Finance income and costs

Income	Notes	2021	2020
Interest income		4,822	6,746
Forex exchange gains		43,292	23,107
Other financial income		9,375	6,095
Total Income		57,489	35,948
Expense			
Interest expenses		(20,900)	(25,012)
Foreign exchange losses		(33,738)	(52,459)
Other financial expenses		(2,626)	(2,403)
Total Expense		(57,264)	(79,874)
Total		225	(43,926)

The net interest result consists of:

Interest result			
Interest income on bank deposits and swaps		4,822	6,746
Interest expense on borrowings		(11,187)	(13,646)
Interest expense on lease liabilities	*15*	(973)	(1,289)
Interest expense on defined benefit obligation	*23*	(482)	(612)
Unwinding of discount on contingent liabilities	*27*	(850)	(2,365)
Unwinding of discount on financial liabilities	*28*	(7,408)	(7,100)
Total		(16,078)	(18,266)

The net foreign exchange result consists of:

Foreign exchange result		
Revaluation of positions	15,199	(32,663)
Results from hedging activity	(5,645)	3,311
Total	9,554	(29,352)

The net other finance result consists of:

Other financial income and expenses			
Remeasurement of financial liabilities	*28*	9,177	6,044
Bank charges and other finance charges		(2,428)	(2,352)
Total		6,749	3,692

(Amounts expressed in thousands of Euros)

10. Discontinued operations

Sale of subsidiaries

In 2020 the Group annouced its decision to sell Ferring Galenisches Labor A.G. (FGAL) to a related party company, Amzell B.V.. The associated assets and liabilities were consequently presented as held for sales in 2020 financial statements.

The disposal of the subsidiary was completed on January 1st, 2021, the date on which control passed to the acquirer. FGAL was subsquently renamed Bazell Pharma A.G.

In 2021 the Group decided to sell the shares in Kuopio Center for Gene and Cell Therapy Oy (KCT) to a related party company, Ferring Ventures S.A. (previously Trizell Holding S.A.). The subsidiary was sold on July 1st, 2021 and is reported under discontinued operations.

Assets and liabilities derecognised at the date of sale

	Notes	FGAL	KCT	Total
Property, plant and equipment	*13*	321	1,061	**1,382**
Intangible assets	*14*	3	75	**78**
Right-of-use assets	*15*	-	1,469	**1,469**
Deferred tax assets		221	-	**221**
Receivables and prepayments		84	-	**84**
Total non-current assets		629	2,605	3,234
Trade debtors		311	-	**311**
Prepayments and accrued income		951	1,113	**2,064**
Cash and cash equivalents		-	675	**675**
Total current assets		1,262	1,788	3,050
Total assets		1,891	4,393	6,284
Pension liabilities		1,183	-	**1,183**
Non-current lease liabilities		-	1,303	**1,303**
Total non-current liabilities		1,183	1,303	2,486
Trade accounts payable		4	358	**362**
Current lease liabilities		-	226	**226**
Other taxes and social security liabilities		138	-	**138**
Accruals and other liabilities		362	1,147	**1,509**
Total current liabilities		504	1,731	2,235
Total liabilities		1,687	3,034	4,721

(Amounts expressed in thousands of Euros)

	Notes	FGAL	KCT	Total
Net assets disposed of		204	1,359	1,563
Gain/(loss) on sales before reclassification of foreign currency translation reserve		(6)	3	**(3)**
Reclassification of foreign currency translation reserve		32	-	**32**
Gain on sales after reclassification of foreign currency translation reserve		26	3	29

The Group did not incur transaction costs for those sales.

Net cash inflows arising on disposal

Consideration received in cash and cash equivalent	198	1,362	**1,560**
Cash and cash equivalents balances disposed of	-	(675)	**(675)**
Net cash inflow on disposal	198	687	885

Financial performance and cash flow information

For KCT, the financial performance information presented is for the six months ended 30 June 2021 and for the second half of the year ended 31 December 2020. The entity was acquired on 1st July 2020.

	2021	2020
Sales of goods		
Royalty income		
Other income	2,281	2,759
Total revenues	2,281	2,759
Research and development expenses	(2,231)	(2,684)
General and administrative expenses	-	(38)
Operating profit	50	37
Finance expense	(25)	(13)
Income before taxes	25	24
Income tax expenses	(5)	(9)
Gain/(loss) on sale of the subsidiary	3	-
Net income from discontinued operations	23	15

During the year KCT contributed to **€437** (2020 €725) to the Group's net operating cash flows, paid **€14** (2020 €247) in respect of investing activities and paid **€123** (2020 €129) in respect of financing activities.

There were no disposals of subsidiary made in 2020.

(Amounts expressed in thousands of Euros)

11. Earnings per share

		2021	2020
Net income from continuing and discontinued operations attributable to the owner of the Company	*In thousand Euros*	289,929	151,569
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*	11.60	6.06
Basic and diluted earnings per registered share of CHF 20	*In Euros*	23.20	12.12

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

Net income from continuing operations attributable to the owner of the Company	*In thousand Euros*	289,906	151,554
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*	11.60	6.06
Basic and diluted earnings per registered share of CHF 20	*In Euros*	23.20	12.12

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

(Amounts expressed in thousands of Euros)

12. Income taxes

	2021	2020
Income before taxes from continuing operations	358,022	191,930
Current income tax expenses	63,515	72,224
Deferred tax (benefits)	4,601	(31,848)
Total income tax expenses	68,116	40,376

Effective tax rate	**19.0%**	**21.0%**

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	358,022	191,930
Taxes calculated at weighted average tax rate	55,286	26,771
Non-deductible expenses, tax credit and other permanent differences	3,760	6,847
Movement in unrecognised deferred tax assets	(1,160)	2,273
Revisions to prior year taxes	(476)	3,031
Deferred taxes on stock profit elimination	8,716	(2,565)
Effect of tax rate change	1,311	119
Tax risk provision adjustment	679	3,900
Income tax expenses	68,116	40,376

The net increase in the taxes calculated at weighted average tax rate is due primarily to the significant increase of the income before taxes (85%). The proportional increase is also explained by the strong performance of higher tax jurisdictions such as the US.

The deferred taxes on stock profit elimination represent the distortion effect between income before taxes and the income taxes from the stock profit elimination calculation caused by the deferred taxes on inventory of the commercial entities.

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	2021	2020
Opening net deferred tax assets	105,627	83,353
(Charged)/credited to the statement of income	(4,601)	31,848
(Charged)/credited to other comprehensive income	(7,016)	2,192
Exchange rate (loss)/gain	5,864	(11,221)
Utilisation of deferred tax asset not recognised in the statement of income	(549)	(545)
Closing net deferred tax assets	99,325	105,627

Deferred tax assets as presented on the balance sheet	137,332	138,276
Deferred tax liabilities as presented on the balance sheet	(38,007)	(32,649)
Net deferred tax assets	99,325	105,627

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	*Notes*	Accelerated tax depreciation	Temporary differences on inventory	Recognised in business combination	Other temporary differences	Total
Opening net book value		**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 loss		(411)	(43)	(2,299)	(44)	**(2,797)**
At 31 December 2020		30,962	6,034	23,884	9,406	70,286
Charged to the P&L		(1,943)	(4,767)	-	(4,930)	**(11,640)**
Exchange differences gain		172	388	2,050	2,497	**5,107**
At 31 December 2021		29,191	1,655	25,934	6,973	63,753

In 2018, deferred tax liabilities were recognised in relation to the intangible assets acquired in the Rebiotix Inc. business combination. No deferred tax liability has been recognised on temporary differences of €45,605 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.

(Amounts expressed in thousands of Euros)

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	**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 gain	(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
Credited to the P&L	(15,111)	220	(275)	501	6,444	(8,020)	**(16,241)**
Credited to OCI	-	-	(7,016)	-	-	-	**(7,016)**
DTA utilised & not recognised in the P&L	-	-	-	-	(549)	-	**(549)**
Exchange differences loss	4,826	456	21	242	958	4,468	**10,971**
At 31 December 2021	61,787	6,575	6,495	3,566	29,928	54,727	163,078

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 an accumulated deferred tax asset of **€29,928** for the net operating losses of FerGene Inc. and Rebiotix Inc. With regards to Rebiotix Inc., 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 U.S. legal entities that are part of the same consolidated tax return. For both FerGene Inc. and Rebiotix Inc. 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, **€54,727** iin 2021 and €58,279 in 2020, are mainly made up of provisions, accruals, inventory valuation. In most of the jurisdictions the costs related to the provisions and accruals are only taxdeductible upon payment.

Total unrecognised tax carry forward losses amounted to **€43,517** and €44,295 for the years ended 31 December 2021 and 2020, respectively. This decrease is mainly due to the utilisation of unrecognised tax losses incurred in prior years by a certain number of affiliates in various jurisdictions, the most important being the Netherlands (€6,287).

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

	2020		
	Before tax	**Tax credit/ (charge)**	**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	

	2021		
	Before tax	**Tax credit/ (charge)**	**After tax**
Remeasurements of post employment benefit obligations	58,940	(7,016)	**51,294**
Reclassification to P&L on disposal of discontinued operations	(32)	-	**(32)**
Reclassification to P&L on disposal of foreign operations	(2,659)	-	**(2,659)**
Reclassification to P&L on disposal of financial assets	115	-	**115**
Fair value change on cross-currency interest rate swap	688	-	**688**
Fair value change on listed securities	(117)	-	**(117)**
Currency translation differences	26,166	-	**26,166**
Other comprehensive expense	83,101	(7,016)	76,085
Current tax		-	
Deferred tax		(7,016)	

(Amounts expressed in thousands of Euros)

13. Property, plant and equipment

Year ended 31 December 2020	Notes	Land and buildings	Machinery and equipment	Furniture fixtures and other	Assets under construction	Total
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	*36*	-	1,117	79	-	**1,196**
Disposals		(1,360)	(260)	(1,308)	(895)	**(3,823)**
Impairment	*7*	(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
Year ended 31 December 2021						
Opening net book value		237,060	154,508	14,754	68,619	**474,941**
Additions	*4*	21,142	15,495	5,884	74,256	**116,777**
Disposals		(965)	(598)	(1,607)	(52)	**(3,222)**
Sale of subsidiairies	*10*	-	(1,324)	(58)	-	**(1,382)**
Impairment	*7*	(675)	(1,884)	-	(263)	**(2,822)**
Transfers		12,954	17,062	2,049	(31,870)	**195**
Depreciation		(12,101)	(26,673)	(5,384)	-	**(44,158)**
Exchange rate differences		14,409	7,212	533	2,449	**24,603**
Closing net book value		271,824	163,798	16,171	113,139	564,932
At 31 December 2021						
Cost		430,111	455,106	70,619	113,139	**1,068,975**
Accumulated depreciation and impairment		(158,287)	(291,308)	(54,448)	-	**(504,043)**
Net book value		271,824	163,798	16,171	113,139	564,932

Depreciation of **€44,158** (2020: €45,322) has been charged to the following income statement captions: cost of sales **€30,693** (2020: €29,860); sales and marketing expenses **€2,355** (2020: €3,128); research and development expenses for **€7,420** (2020: €8,044) and general and administration expenses **€3,690** (2020: €4,290).

During 2021 and 2020, no borrowing costs were capitalised.

As of 31 December 2021, property, plant and equipment have been pledged as security against loans with a value of **€556** (2020: €38,283).

In 2021, the Group sold the shares of Ferring Galenisches Labor A.G. and Kuopio Center for Gene and Cell Therapy Oy (Note 10). Kuopio Center for Gene and Cell Therapy Oy was initially acquired in July 2020, including PPE value of €1,196.

In 2020, Ferring Galenisches Labor A.G. was classified under Disposal groups held for sale. As at 31 December 2020, Property, Plant and Equipment balances were €321 (Note 21).

The addition is mainly related to the equipments to be used in R&D projects in the Soundport building in Denmark (Note 15) and to a mix of R&D and manufacturing projects in Germany, Switzerland and Russia.

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 was classified under Disposal groups held for sale at 31 December 2020 (Note 21).

14. Intangible assets

Year ended 31 December 2020	Notes	Licences	Goodwill	Capitalised development cost	Other intangibles	Total
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	*7*	(14,527)	-	-	-	**(14,527)**
Transfers		(3,065)	-	(1,465)	30	**(4,500)**
Amortisation	*7*	(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

(Amounts expressed in thousands of Euros)

Year ended 31 December 2021	Notes	Licences	Goodwill	Capitalised development cost	Other intangibles	Total
Opening net book value		341,841	58,249	7,685	82,505	**490,280**
Additions		213,631	-	2,439	33,313	**249,383**
Disposals		(28)	-	-	(135)	**(163)**
Sale of subsidiary		-	-	-	(78)	**(78)**
Impairment	7	(17,566)	-	(517)	(749)	**(18,832)**
Transfers		-	-	-	(25,023)	**(25,023)**
Amortisation	7	(19,987)	-	(1,012)	(12,590)	**(33,589)**
Exchange rate differences		7,530	4,559	(1)	623	**12,711**
Closing net book value		525,421	62,808	8,594	77,866	674,689
At 31 December 2021						
Cost		896,145	132,832	17,383	186,831	**1,233,191**
Accumulated amortisation and impairment		(370,724)	(70,024)	(8,789)	(108,965)	**(558,502)**
Net book value		525,421	62,808	8,594	77,866	674,689

Licences

Main Licences

The Licences mostly include the assets related to nadofaragene firadenovec (2021: **€306,966**, 2020: €107,948), Rebiotix in-development drugs (2021: **€96,051**, 2020: €88,457), Condoliase® (2021: **€69,248**, 2020: €69,248) and Propess® (2021: **€17,090**, 2020: €23,228).

Main additions of Licences in 2021

During 2021, the development of nadofaragene firadenovec has continued on the pathway towards BLA approval. This followed the complete response letter received from the FDA in early 2020 as a result of the site inspection at the manufacturer in Finland (a related party of Trizell Ltd.). This delay has led to a change in strategy whereby the Group has agreed to take on a broader role and additional responsibilities in the process. In addition, the Group and Trizell Ltd. have signed an amendment to the existing agreement to reflect the operational changes in the responsibilities of the Group and Trizell Ltd.

The Group has agreed to invest more in the asset on completion of defined milestones in exchange for a reduction of the future royalty and sales milestone obligations to Trizell Ltd. This has resulted in the recognition of contingent consideration milestone liabilities of **€199,018** (Note 27) in 2021, with an equal and opposite value capitalised in intangible assets.

The Group signed an agreement with Sun Pharmaceutical Industries Ltd. in May 2021 for the development and commercialisation in the world (excluding India and China) of Cetrorelix, a GnRH antagonist for ovulation suppression, for an amount of **€9,778**.

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.

(Amounts expressed in thousands of Euros)

Main impairments in 2021

Due to a quality issue with the injector device, the Group has decided to discontinue ZomaJet® pens worldwide leading to a full impairment of the acquired licence and customer relationship with JCR Pharmaceutical Company Ltd. in Japan for a total amount of **€7,907** (Note 7).

Following a desmopressin quality issue in 2020 and a significant decrease in forecasted sales, the Group has decided to partially impair the Ddavp licence in the United States by **€5,300** (Note 7).

The termination for convenience of the contract with INVO Bioscience Inc related to the distribution rights of INVOcell® has resulted in an impairment of the full asset of **€4,132** (Note 7).

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 7).

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 7).

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.

No past impairments, either from 2020 or before, have been reversed in 2021.

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 21).

Goodwill

The goodwill as of 31 December 2021 comprises **€38,639** (2020: €35,583) rrelated to the Rebiotix cash-generating unit, **€21,169** (2020: €19,666) for the Cytokine (Propess®) cash-generating unit and **€3,000** (2020: €3,000) for the Syntese cash-generating unit (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 the intangible assets of the Group annually for potential impairment, assessing the recoverable value of the assets against the carrying value. These tests require management to apply assumptions and estimates.

The gross margins used in the impairment tests are based on an average of the last reporting period and the next budget period for Cash Generating Units (CGUs) which are already generating sales, a projected margin taking into consideration anticipated future sales and raw materials cost 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 management to ensure their accuracy.

The discount rates used are based on the specific circumstances of the Group and its operating segments and are 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.

The projection period of the cash flows is based on financial forecasts reflecting the expected life of each asset and are approved by management. All significant assets capitalised as of December 2021 are expected to last for a minimum period of 10 years. The licence period for each product is greater than 5 years and due to the specific nature of each product, management is able to make reliable estimates over the period of the licences which usually exceeds 5 years. 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 recognised 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 **€38,639** and licences of **€96,051**. 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%** and a period of 6 years beyond forecast representing the strong potential of the microbiome market. The discount rate used in the impairment test is **17.1%** (2020:16.9%), 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 **€157,864** (2020: €144,479). The goodwill of **€38,639** (2020: €35,583) is not impaired.

The sensitivity analysis performed over the WACC showed that, other things equal, an increase of **1.0%** of the WACC would decrease the recoverable amount of €23,726 and would not result in an impairment 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, a decrease up to **5%** of the sales would not result in an impairment.

Goodwill recognised 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 **€21,169** and licences of **€17,090**.

The impairment test is based on average sales growth of **1%** per year (2020: 2.5%), and a flat cost structure, over a valuation period of 10 years. The tax rate is based on a blended rate of **14.3%** (2020: 14.6%). The discount rate used on the cash flows in the impairment test is **10.2%** (2020: 9.9%), 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 **€414,575** (2020: €491,850). The goodwill of **€21,169** (2020: €19,666) 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 **1%** of the average sales growth, would not result in an impairment of the CGU's assets which are covered by a high recoverable amount.

Goodwill recognised on the acquisition of Syntese (2004)

The CGU is the local manufacturing facility producing semi-finished goods for Pentasa® and comprises a goodwill 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 **22%** (2020: 25%). The discount rate used on the cash flows in the impairment test is **10.1%** (2020: 9.9%), 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 **€31,877** (2020: €25,812). The goodwill of **€3,000** (2020: €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 would result in a potential impairment of €2,300, a decrease up to 2.0% of the average sales growth would result in a potential impairment of €900, a decrease of **1.0%** of the Terminal value growth rate would not result in an impairment of the CGU's assets.

Capitalised development cost

In 2021, capitalised costs amount to **€2,439** (2020: €1,807) of which the main assets are **€822** for Revokelle® in Japan and **€498** for Nocdurna®.

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

Other intangibles

In 2021, the additions of other intangible assets of **€33,313** mainly include capitalised costs and software licences incurred by OneERP, the global project to implement SAP and business process re-engineering aiming at the generation of efficiencies.

In 2020, the additions of other intangible assets of €25,180 were mainly related to software licences and capitalised external costs incurred connected to business process re-engineering (€25,180).

Main transfers in 2021

The transfers mostly relate to the reclassification to financial assets of the intial CMC funding of €25,000 to Trizell Ltd. (Note 16).

Amortisation

Amortisation expense of **€33,589** (2020: €34,043) has been charged to the following income statement captions: cost of sales **€2,757** (2020: €2,771); sales and marketing expenses **€592** (2020: €568); research and development expenses **€985** (2020: €1,793); general and administrative expenses **€8,256** (2020: €7,224); and other operating expenses **€20,999** (2020: €21,687).

15. Right-of-use assets and lease liabilities

Year ended 31 December 2020	*Notes*	Land and buildings	Machinery and equipment	Furniture fixtures and other PPE	Total
Opening net book value		**33,180**	**16,258**	**1,281**	**50,719**
Additions		13,403	11,191	(390)	**24,204**
Acquisition of a subsidiary	*36*	-	-	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
At 31 December 2020					
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

(Amounts expressed in thousands of Euros)

Year ended 31 December 2021	Notes	Land and buildings	Machinery and equipment	Furniture fixtures and other PPE	Total
Opening net book value		**29,326**	**15,175**	**2,716**	**47,217**
Additions		14,814	6,877	(404)	**21,287**
Disposals		-	(63)	-	**(63)**
Sale of a subsidiary	*10*	-	-	(1,469)	**(1,469)**
Depreciation		(16,097)	(8,875)	(419)	**(25,391)**
Exchange rate differences		885	477	(15)	**1,347**
Closing net book value		28,928	13,591	409	42,928
At 31 December 2021					
Cost		50,750	31,812	1,233	**83,794**
Accumulated depreciation and impairment		(21,822)	(18,221)	(824)	**(40,866)**
Net book value		28,928	13,591	409	42,928

In 2021, the depreciation expense of **€25,391** (2020: €27,833) has been charged in cost of sales **€2,032** (2020: €2,010), in sales and marketing expenses **€12,714** (2020: €15,840), in research and development expenses **€7,890** (2020: €7,259), in general and administration expenses **€2,713** (2020: €2,701), and in other operating expenses **€42** (2020: €23).

Lease liabilities	Notes	31 December 2021	31 December 2020
Current lease liabilities	*30*	22,359	22,468
Non-current lease liabilities	*30*	24,249	26,668
Total		46,608	49,136

The Group has signed a lease contract for Soundport, a building under construction in Denmark that the Group expects to be ready for use in early 2022 as a replacement for the current building used by Ferring Pharmaceuticals A/S. These lease assets and liabilities will be recognised from the point at which the building is ready for use. As of December 2021, the undiscounted obligation over the contract period amounts to **€216,589** (2020: €215,542).

Amounts recognised in the statement of income	31 December 2021	31 December 2020
Depreciation expense on right-of use assets	**(25,391)**	**(27,833)**
Interest expense on lease liabilities	**(973)**	**(1,289)**
Expense relating to short-term leases	**(1,812)**	**(1,960)**
Expense relating to leases of low-value assets	**(121)**	**(134)**
Expense relating to variable lease payments not included in lease liabilities	**(2,626)**	**(1,530)**

The total cash outflow for leases in 2021 was **€22,354** (2020: €24,564).

(Amounts expressed in thousands of Euros)

16. Investments in financial assets

Financial assets designated as at FVTOCI	Notes	2021	2020
Shares and convertible bonds from VectivBio Holding A.G.		1,009	605
Total Financial assets measured as at FVTOCI		1,009	605
Financial assets measured as at FVTPL			
Securities – Germany in EUR		707	704
Loans to related party entities	*35*	25,000	-
Loans to other entities		2,899	2,767
Total Financial assets measured as at FVTPL		28,606	3,471
Financial assets measured at amortised cost			
Loans to related party entities	*35*	-	76,215
Loans to former key management and other loans		2,900	9,916
Total Financial assets measured at amortised cost		2,900	86,131
Total investments in financial assets		32,515	90,207
of which:			
Non-current financial assets		26,716	44,033
Current financial assets		5,799	46,174

VectivBio A.G. continued the development of its asset and was supported by an additional financing round in 2021. The Group has elected not to participate in this round, which has caused a further dilution of its shares (now less than 0.5%). However, the Group received additional shares following a milestone achievement. As this is an investment in equity instruments, the company irrevocably elected at initial recognition to classify the investment as FVTOCI. In 2020, the financing round resulted in a conversion of the VectivBio A.G. bonds into shares and a further dilution of the Group's interests in VectivBio A.G. The fair value of the financial asset is revalued using the share price on NASDAQ and the USD revaluation.

The investments in financial assets measured at amortised cost include loans to former key management of the Group. The 2020 loans to related party entities mainly related to a loan provided to the future supplier of nadofaragene firadenovec (note 35). Those loans have been settled in 2021. 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 2021.

In 2021 the Group signed an amendment to the existing contract with Trizell Ltd., a related party with regards to nadofaragen firadenovec resulting in reclassifying the CMC funding of €25,000 previously recognised in other intangible assets into noncurrent financial assets at fair value. The repayment of this receivable is triggered by receipt of the BLA approval and will be repaid in tranches over a 5 year period.

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

(Amounts expressed in thousands of Euros)

17. Non-current receivables

	2021	2020
Non-current deposits	11,475	11,480
Other non-current receivables	3,821	4,212
Total	15,296	15,692

Non-current receivables mainly consist of deposits made in connection with long-term leases and real estate agreements. The deposits are financial assets repayable to the Group at the end of the lease terms and recognised at amortised cost (note 32).

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 2021, it amounts to **€1,711** (2020: € 2,384).

18. Inventories

	2021	2020
Raw and auxiliary materials	139,974	105,833
Semi-finished goods	99,632	105,045
Finished goods	136,373	153,633
Total	375,979	364,511

The Group has recognised an expense of **€26,554** (2020: €28,841) as a result of a write-down of inventory, which is included in the cost of sales in the statement of income.

The cost of inventories recognised as expenses and included in cost of sales amounted to **€540,698** (2020: €461,588).

19. Receivables and prepayments

	Notes	2021	2020
Trade receivables		332,145	311,018
Allowance for expected credit losses		(11,692)	(11,097)
Trade receivables, net		**320,453**	**299,921**
Prepayments and accrued income		69,312	66,492
Prepayments and accrued income with related parties	*35*	-	30,370
Other receivables		64,072	54,516
Other receivables from related parties	*35*	12,328	4,941
Total		466,165	456,240

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:

Net trade receivables not past due		
New customers (less than 6 months)	3,573	2,186
Existing customers, no defaults in the past	272,966	259,501
Existing customers, some defaults in the past	20,155	23,599
Total	296,694	285,286

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)	1,712	181
Existing customers, no defaults in the past	21,639	10,374
Existing customers, some defaults in the past	408	4,080
Total	23,759	14,635

(Amounts expressed in thousands of Euros)

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

Balance at the beginning of the year	11,097	9,991
Additions	2,581	2,810
Unused amounts reversed	(1,930)	(875)
Charged/(credited) to statement of income	**651**	**1,935**
Utilised during the year	(197)	(262)
Exchange rates difference	141	(567)
Balance at the end of the year	11,692	11,097

The allowance for expected credit losses amounting to **€11,692** (2020: €11,097) relates mainly to receivables in Southern Europe, South America, Middle East and North America.

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. In determining the expected credit loss, the Group consider past experience and relevant forward-looking information such as an overall economic and political situation in a region where its customers operate, the relationship with a customer, its liquidity and credibility to predict their payment attitudes in the future.

	Trade receivables – months past due				
At 31 December 2021	Not past due	Up to 3	3 to 6	Over 6	Total
Expected credit losses (ECL) rate	*0.2%*	*7.8%*	*75.5%*	*100%*	**-**
Estimated total gross carrying amount at default	297,186	25,173	2,263	7,523	**332,145**
Lifetime ECL	(492)	(1,968)	(1,709)	(7,523)	**(11,692)**
	296,694	23,205	554	-	320,453

	Trade receivables – months past due				
At 31 December 2020	Not past due	Up to 3	3 to 6	Over 6	Total
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

In 2021, an expense of **€651** (2020: €1,935) for changes in the allowance for expected credit losses has been recognised in the consolidated statement of income, including an expense of **€614** (2020: €1,931) under sales and marketing expenses, and an expense of **€37** (2020: €4) under general and administrative expenses.

Necessary allowances related to the trade receivables are made for expected credit losses. Expected credit losses related to other categories are deemed to be immaterial and no such loss has been experienced during 2021.

20. Cash and cash equivalents

	2021	2020
Cash at bank and in hand	446,834	468,175
Short-term bank deposits	210,462	151,521
Total	657,296	619,696

Bank deposits as of 31 December 2021 all have a maturity of under 90 days and are denominated in the following currencies:

	2021	% of total bank deposits	Interest rate
U.S. Dollar	190,069	90.31%	0.30%
Indian Rupee	11,173	5.31%	2.90%
Israelian Shekel	8,792	4.18%	0.01%
Russian Ruble	355	0.17%	8.00%
Swiss Franc	73	0.03%	0.00%
Total	210,462	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:

	2021	2020
Cash and cash equivalents	657,296	619,696
Bank overdrafts (Note 23)	(1)	(144)
Total	657,295	619,552

The Group operates a cash pooling arrangement and cash concentrations are with banks with an investment grade as shown in the table below. In many of the Group's operating locations smaller amounts are held with local banks.

	2021	2020
AA	106,315	93,889
AA-	-	652
A+	497,329	463,705
A	23,801	27,388
A-	13,394	1,187
BBB+	2,084	19,675
BBB	342	-
BBB-	1,005	969
Less than BBB-	13,026	12,231
Total	657,296	619,696

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

(Amounts expressed in thousands of Euros)

21. Disposal groups held for sale

Sale of Testavan® and Vitaros®

In 2020 the Board resolved to dispose of the assets related to Testavan® and Vitaros® as part the Group's intention to focus on its core business. These assets have been sold on 9 February 2021 for a selling price of €9,000. An upfront payment of €3,500 has been received in February 2021. The deferred consideration will be settled in cash by the purchaser for an amount of €5,500 in 2022 and is presented under current receivables.

The following assets and liabilities were reclassified as held for sale in relation to the sale of Testavan® and Vitaros® as at 31 December 2020:

	2020
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.

The sale of Ferring Galenisches Labor A.G. has been completed on 1 January 2021. The Group no longer holds share in the company. The assets and liabilities are disclosed in Note 10.

There is no intention in 2021 to dispose of a group of assets nor a subsidiary.

22. Shareholder's equity

Issued share capital

Ferring Holding S.A. 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 2021 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 2021 amounts to **€43,844** (2020: €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 **€16,177** (2020: €16,158).

A dividend in respect of 2021 of **€60,000** is to be proposed at the Annual General Meeting. These financial statements do not reflect this dividend payable.

Significant shareholders

At 31 December 2021 the entire share capital of the Company was held by Ferring Foundation 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.

(Amounts expressed in thousands of Euros)

23. Borrowings

Current:	*Notes*	2021	2020
Bank overdraft	*20*	1	144
Short-term borrowings from related parties	*35*	10,000	60,000
Short-term borrowings from third party		280	90,596
Total		10,281	150,740

Non-current:			
Long-term borrowings from third party		276	53,422
Long-term borrowings from related party	*35*	42,000	52,000
Bonds		260,945	249,055
Total		303,221	354,477

The fair value of the long-term borrowings as of 31 December 2021 is **€310,268** (€360,547 as of 31 December 2020). 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 have a 5 year maturity. The fair value of the bonds as of 31 December 2021 is **€267,991** (2020: €255,054).

Loans outstanding at the end of 2021 and 2020 were denominated in the following currencies (short and long-term):

	Share		Average nominal interest rates	
	2021	2020	2021	2020
Euro	17%	26%	1%	1%
Swiss Franc	83%	53%	1%	1%
Danish Krone	0%	0%	1%	1%
U.S. Dollar	0%	21%	0%	3%

Maturities of non-current borrowings are as follows:

	2021	2020
Between 2 and 5 years	303,221	354,477
Total	303,221	354,477

As of 31 December 2021 borrowings of **€556** (€38,283 at 31 December 2020) were secured by property, plant and equipment.

The Group's loan agreements contain financial covenants such as debt/EBITDA ratio. The Group was compliant with all financial covenants at 31 December, 2021.

Credit facilities

The Group had **€313,282** of unused lines of credit at 31 December 2021 (€326,309 at 31 December 2020).

(Amounts expressed in thousands of Euros)

24. 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 2021.

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 16 years.

The consolidated disclosures include 39 plans as at 31 December 2021. 41 plans were in scope at 31 December 2020.

Components of the pension benefit obligations

	2021			2020		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Present value of funded obligations	296,821	14,217	**311,038**	294,933	12,497	**307,430**
Fair value of plan assets	(256,871)	(13,653)	**(270,524)**	(202,363)	(11,784)	**(214,147)**
(Surplus)/deficit of funded plans	**39,950**	**564**	**40,514**	**92,570**	**713**	**93,283**
Present value of unfunded obligations	-	16,218	**16,218**	-	17,265	**17,265**
Liability in the balance sheet	**39,950**	**16,782**	**56,732**	**92,570**	**17,978**	**110,548**
Experience gains/(losses) on plan liabilities	4,735	(784)	**3,951**	(11,748)	463	**(11,285)**
Experience gains/(losses) on plan assets	31,634	576	**32,210**	4,775	(410)	**4,365**

(Amounts expressed in thousands of Euros)

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

	2021			2020		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Current service cost	22,577	2,501	**25,078**	20,998	2,940	**23,938**
Net interest expense/(income)	164	318	**482**	190	422	**612**
Past service cost/(credit) recognised	(5,449)	(85)	**(5,534)**	-	(813)	**(813)**
Termination benefits	-	172	**172**	-	212	**212**
(Gains)/losses on settlements	-	-	**-**	-	(22)	**(22)**
Administration expenses	-	4	**4**	-	4	**4**
Actuarial (gain)/loss and other items recognised	-	(10)	**(10)**	-	(19)	**(19)**
Net periodic pension cost (Note 6)	17,292	2,900	20,192	21,188	2,724	23,912

In 2021, most of the past service credit of **€5,449** relates to a curtailment impact following restructuring event and plan amendments in Switzerland.

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

(Amounts expressed in thousands of Euros)

Movements in the present value of the defined benefit obligation

	2021			2020		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Defined benefit obligation at the beginning of the year	**294,933**	**29,762**	**324,695**	**245,937**	**30,671**	**276,608**
Classification to held for sale	-	-	-	(3,948)	-	**(3,948)**
Current service cost (employer part)	22,577	2,501	**25,078**	20,998	2,940	**23,938**
Plan participant contributions	8,493	-	**8,493**	8,248	-	**8,248**
Interest on benefit obligations	604	558	**1,162**	703	625	**1,328**
Actuarial losses/(gains) due to changes in financial assumptions	(5,062)	(450)	**(5,512)**	5,344	114	**5,458**
Actuarial losses/(gains) due to changes in demographic assumptions	(17,655)	-	**(17,655)**	-	186	**186**
Experience losses/(gains) on liabilities	(4,735)	784	**(3,951)**	11,748	(463)	**11,285**
Liabilities extinguished on settlements/termination benefits	-	172	**172**	-	190	**190**
Past service cost/(credit)	(5,449)	(85)	**(5,534)**	-	(813)	**(813)**
Benefits paid from the plan (less transfers in)	(11,812)	(1,344)	**(13,156)**	5,339	(335)	**5,004**
Benefits paid direct by employer	-	(2,901)	**(2,901)**	-	(2,167)	**(2,167)**
Exchange rate differences	14,927	1,438	**16,365**	564	(1,186)	**(622)**
Defined benefit obligation at the end of the year	**296,821**	**30,435**	**327,256**	**294,933**	**29,762**	**324,695**
of which:						
Present value of funded obligations	296,821	14,217	**311,038**	294,933	12,497	**307,430**
Present value of unfunded obligations	-	16,218	**16,218**	-	17,265	**17,265**

(Amounts expressed in thousands of Euros)

Movements in the fair value of plan assets of the year

	2021			2020		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Fair value of plan assets at the beginning of the year	**202,363**	**11,784**	**214,147**	**170,049**	**11,513**	**181,562**
Classification to held for sale	-	-	-	(2,765)	-	**(2,765)**
Interest income on plan assets	440	240	**680**	513	203	**716**
Actual return on plan assets less interest income on plan assets	31,634	576	**32,210**	4,775	(410)	**4,365**
Assets distributed on settlements	-	-	-	-	-	-
Plan participant contributions	8,493	-	**8,493**	8,248	-	**8,248**
Employer contributions	15,487	4,181	**19,668**	15,140	3,387	**18,527**
Benefits paid from the plan (less transfers in)	(11,812)	(1,344)	**(13,156)**	5,339	(335)	**5,004**
Benefits paid direct by employer	-	(2,901)	**(2,901)**	-	(2,167)	**(2,167)**
Administrative expenses	-	(4)	**(4)**	-	(4)	**(4)**
Other adjustments	-	4	**4**	-	-	**-**
Exchange rate differences	10,266	1,117	**11,383**	1,064	(403)	**661**
Fair value of plan assets at the end of the year	**256,871**	**13,653**	**270,524**	**202,363**	**11,784**	**214,147**

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

	2021			2020		
	Switzerland	Other	**Total**	Switzerland	Other	**Total**
Changes in financial assumptions	(5,062)	(408)	**(5,470)**	5,344	88	**5,432**
Changes in demographic assumptions	(17,655)	-	**(17,655)**	-	186	**186**
Experience adjustments on benefit obligations	(4,735)	751	**(3,984)**	11,748	(418)	**11,330**
Actual return on plan assets less interest on plan assets	(31,634)	(576)	**(32,210)**	(4,775)	410	**(4,365)**
Other adjustments	402	(23)	**379**	176	(4)	**(180)**
Total (gain)/loss recognised in OCI	(58,684)	(256)	(58,940)	12,493	270	12,763

The positive return on assets in Switzerland corresponds to the inclusion in the plan assets of a proportionate share of the collective pension funds' statutory funding. The gain on demographic assumptions in Switzerland is due to the update of the actuarial tables from BVG 2015 to BVG 2020 (most recent published tables in Switzerland) that include assumptions on mortality, turnover, disability and other assumptions relevant for an actuarial valuation. The gain on financial assumptions is mainly due to an increase in the discount rate in Switzerland.

The deferred tax asset recognised on the OCI movement is disclosed in Note 12.

Recognition of the changes in the net liabilities

	2021			2020		
	Switzerland	Other	Total	Switzerland	Other	**Total**
Net liability/(asset) at the beginning of the year	**92,570**	**17,978**	**110,548**	**75,888**	**19,158**	**95,046**
Classification to held for sale	-	-	**-**	(1,183)	-	**(1,183)**
Amounts recognised in the statement of income	17,292	2,900	**20,192**	21,188	2,724	**23,912**
Employer contributions	(15,487)	(4,181)	**(19,668)**	(15,140)	(3,387)	**(18,527)**
Amounts recognised in other comprehensive income	(58,684)	(256)	**(58,940)**	12,493	270	**12,763**
Exchange differences	4,661	321	**4,982**	(500)	(783)	**(1,283)**
Other adjustments	(402)	20	**(382)**	(176)	(4)	**(180)**
Net liability/(asset) at the end of the year	**39,950**	**16,782**	**56,732**	**92,570**	**17,978**	**110,548**

Principal actuarial assumptions used at the end of the reporting period

	2021			2020		
	Switzerland	Other	**Total (weighted average)**	Switzerland	Other	**Total (weighted average)**
Discount rate	0.3%	2.3%	**0.5%**	0.2%	1.9%	**0.4%**
Inflation rate	n/a	2.7%	**2.7%**	n/a	1.7%	**1.7%**
Interest credit rate assumption	0.8%	n/a	**0.8%**	0.8%	n/a	**0.8%**
Compensation growth rate	1.5%	2.6%	**1.6%**	1.5%	3.1%	**1.6%**
Pension growth rate	0.0%	2.2%	**0.2%**	0.0%	1.4%	**0.1%**

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:

	2021		2020	
	Switzerland	Other	Switzerland	Other
Retiring at the end of reporting period:				
- Male	21.7	21.0	21.8	21.0
- Female	23.4	22.9	23.7	22.5
Retiring 20 years after the end of the reporting period:				
- Male	23.3	23.0	23.4	21.9
- Female	25.0	24.8	25.2	23.3

(Amounts expressed in thousands of Euros)

Standard base mortality tables have been use in Switzerland with longevity improvements being projected using the CMI 2018 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 3.7%	Increase by 3.9%
Inflation assumption	0.25%	Increase by 0.1%	Decrease by 0.1%
Interest credit rate	0.25%	Increase by 1.2%	Decrease by 1.2%
Compensation growth rate	0.25%	Increase by 1.1%	Decrease by 1.1%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.0%	Decrease by 1.9%

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

	2021				2020			
	Switzerland	Other	**Total**	% of Total	Switzerland	Other	**Total**	% of Total
Equities	97,113	111	**97,224**	36%	60,018	73	**60,091**	28%
Bonds	81,176	720	**81,896**	30%	65,914	618	**66,532**	31%
Real estate	59,844	137	**59,981**	22%	50,191	112	**50,303**	23%
Cash	10,343	34	**10,377**	4%	5,781	29	**5,810**	3%
Alternative investments	8,395	-	**8,395**	3%	20,459	-	**20,459**	10%
Insurance policies	-	9,785	**9,785**	4%	-	8,475	**8,475**	4%
Others	-	2,866	**2,866**	1%	-	2,477	**2,477**	1%
Total	256,871	13,653	270,524	100%	202,363	11,784	214,147	100%

With the exception of insurance contracts in Israel, all assets have a quoted price in an active market.
Cash outflows expected for contributions in 2022: **€18,860**

(Amounts expressed in thousands of Euros)

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 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 cashflows discounted at a rate based on corporate bond yields. If bond yields fall, liabilities increase.

25. Provisions

	Litigation	Returns	Restructuring	Incentive plan	Other	Total
At 1 January 2021	**14,756**	**22,882**	**9,544**	**39,356**	**776**	**87,314**
Additional provisions	697	3,502	19,309	14,741	812	**39,061**
Unused amounts reversed	(736)	(263)	(573)	(3,039)	(87)	**(4,698)**
Charged/(credited) to statement of income	**(39)**	**3,239**	**18,736**	**11,702**	**725**	**34,363**
Utilised during year	(5,134)	(2,349)	(17,770)	(21,812)	(178)	**(47,243)**
Exchange rate difference	454	1,736	180	927	2	**3,299**
At 31 December 2021	**10,037**	**25,508**	**10,690**	**30,173**	**1,325**	**77,733**
of which:						
- Non-current	98	15,454	-	23,435	625	**39,612**
- Current	9,939	10,054	10,690	6,738	700	**38,121**

The litigation provisions mainly relate to a case with the Italian health authorities regarding Menopur® 2021: **€9,289** (2020: €8,900), settlement date is still uncertain. Litigation related to the global recall on the nasal spray formulation of Minirin® recorded in July 2020 has been settled during 2021.

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 returns provision mainly related to Euflexxa®, Menopur®, Clenpiq® and Cervidil®.

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, clusterization and digitalisation.

(Amounts expressed in thousands of Euros)

In 2021, transformation process has been extented to the Swiss headquarters and remaining restructuring provision at end of December 2021 are related to Switzerland and France (Note 7) and will be settled during 2022. In addition, activities of FerGene Inc. have been downsized during 2021 generating an increase of the restructuring provision.

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.

26. Deferred income

	2021	2020
Opening book value	68,816	23,966
New deferred income	12,285	61,516
Credited to statement of income	(13,934)	(13,702)
Netted in asset under construction	(867)	-
Exchange rate differences	(991)	(2,964)
Closing book value	65,309	68,816

The split of deferred income over non-current and current is as follows:		
Non-current	54,236	60,701
Current	11,073	8,115
Total	65,309	68,816

The non-current deferred income relates to:		
Co-promotion, distribution and out-licensing	39,510	44,028
Income related to future supply	14,726	16,579
Deferred discount on purchased material	-	94
Total	54,236	60,701

The current deferred income relates to:		
Co-promotion and distribution	6,463	6,003
Government grants	1,261	-
Income related to future supply	1,853	1,853
Deferred discount on purchased material	94	126
Sales of goods	1,402	133
Total	11,073	8,115

New deferred income for **€6,870** (2020: €4,382) relates to transfer of goods to customer whereby not all conditions to recognise the sale are met.

The Group signed a distribution agreement with Cipla Australia Pty Ltd. starting as from January 2021. The recognised deferred income of **€2,739** comprised an upfront payment of **€1,613** and a sales milestones of **€1,126**. The agreement resulted in recognising other income in 2021 of **€399**.

In January 2020, the Group signed an extension of the existing distributor contract with Kissei Pharmaceuticals related to the copromotion 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 2021 of **€5,111** (2020: €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 2021 of **€636** (2020: €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 2021 of **€1,553** (2020: €3,677).

The income credited to the statement of income is presented in revenues under sales of goods (2021: **€5,678**; 2020: €5,497), other income (2021: **€7,494**; 2020: €7,920) and cost of sales (2021: **€762**; 2020: €285).

27. 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.

	Notes	Nadofaragene firadenovec	Rebiotix	Condoliase	Other	Total
At 31 December 2019		**39,620**	**88,924**	**62,372**	**8,547**	**199,463**
Remeasurement through income statement		-	9,609	-	(3,765)	5,844
Unwinding of discount	9	157	1,980	146	82	2,365
Recognition of milestone liabilities during the year	14	-	-	-	750	750
Cash payments: investing activities		-	-	-	(668)	(668)
Transfer to liabilities of disposal groups held for sale		-	-	-	(100)	(100)
Exchange rate differences		-	(8,226)	(5,584)	(484)	(14,294)
At 31 December 2020		**39,777**	**92,287**	**56,934**	**4,362**	**193,360**
Remeasurement through income statement		-	21,312	-	-	21,312
Unwinding of discount	9	980	1,140	(1,590)	320	850
Recognition of milestone liabilities during the year	14	199,018	-	-	14,619	213,637
Milestone settlements		(140,000)	-	-	-	(140,000)
Cash payments: investing activities		-	-	-	(3,277)	(3,277)
Exchange rate differences		-	8,922	4,734	1,042	14,698
At 31 December 2021		**99,775**	**123,661**	**60,078**	**17,066**	**300,580**
Non-current		-	-	-	-	181,314
Current		-	-	-	-	119,266

(Amounts expressed in thousands of Euros)

Of the contigent consideration payable at 31 December 2021, €119,266 (2020: €25,000) is expected to be paid within one year and mainly relates to nadofaragene firadenovec and Rebiotix.

The main increase during 2021 relates to recognition of milestone liabilities for nadofaragene firadenovec following the amendment to the agreement with Trizell Ltd. as described in Note 14. Out of the €140,000 milestone settlement €94,369 were paid in cash and the remainder was settled by offsetting against loans, receivables and prepayments due from the Ferring Ventures Group.

In the Other category, the main contingent consideration relates to Cetrorelix. The contingent consideration liabilities are discounted using a risk free rate depending on the currency of the underlying debt. Contingent consideration milestones that are not recognised on the balance sheet are disclosed as contingent liabilities in note 33.

28. Other financial liabilities

Other financial liabilities consist of 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 2020	29,495
Remeasurement through income statement	(9,177)
Unwinding of discount	7,408
Cash received: financing activities	244
Exchange rate differences	2,602
At 31 December 2021	30,572

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 €317,938. This agreement supports the global development and commercialisation of nadofaragene firadenovec in the United States of America; these activities are executed in a subsidiary of the Group, FerGene Inc. In December 2021, the Group received an additional contribution of **€244** from Blackstone.

29. Accruals and other liabilities

	2021	2020
Accrued personnel costs	130,252	121,438
Accrued royalties, discounts and commissions	126,874	100,609
Accrued marketing and sales costs	17,868	11,167
Accrued inventory purchases	37,582	22,503
Accrued clinical trials, research and development costs	27,451	27,092
Accrued legal and professional fees	15,597	11,893
Accrued distribution costs	4,774	2,733
Accrued other	39,618	33,908
Non-trade accounts payable	3,549	1,973
Total	403,565	333,316

(Amounts expressed in thousands of Euros)

30. 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 2021	Cash flows	Foreign exchange movements	Transfer	Other changes	31 December 2021
Long-term borrowings	53,422	(55,108)	2,241	(279)	-	276
Short-term borrowings	90,595	(99,738)	9,144	279	-	280
Bonds	249,055	-	11,890	-	-	260,945
Non-Current loan related parties	52,000	-	-	(10,000)	-	42,000
Current loan related parties	60,000	(60,000)	-	10,000	-	10,000
Non-current lease liabilities	26,668	(445)	685	(20,258)	17,599	24,249
Current lease liabilities	22,468	(21,909)	541	20,258	1,001	22,359
Non-current liabilities	29,495	244	2,602	-	(1,769)	30,572
Total	583,703	(236,956)	27,103	-	16,831	390,681

31. 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 derivatives 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 derivatives 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 derivatives to manage its exposure to foreign currency risk and interest rate risk.

(Amounts expressed in thousands of Euros)

(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 EUR.

The Group has a substantial portion of its production, research and development, general and administrative expenses denominated in Danish Krone, U.S. Dollars 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	2021	2020	2021	2020
USD	557,841	415,581	586,018	380,031
DKK	61,691	36,091	12,049	28,799
CHF	362,795	312,685	396,929	369,341

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. The foreign exchange rate is based on the corresponding year end Group balance sheet rates.

	Currency U.S. Dollar Impact		Currency Danish Krone Impact		Currency Swiss Franc Impact	
€ '000	2021	2020	2021	2020	2021	2020
P&L impact EUR weaken 10%	(2,439)	3,077	4,297	631	(2,955)	(4,905)
P&L impact EUR strengthen 10%	2,439	(3,077)	(4,297)	(631)	2,955	4,905

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 derivatives is immaterial.

As at 31 December 2021 the Group had entered into forward exchange contracts with a nominal face value of **€309,062** (2020: €271,074) and the fair value of all open currency contracts amounted to a loss of **€4,760** (2020: €6,857).

(Amounts expressed in thousands of Euros)

(ii) Interest rate risk management

The Group's principal interest rate risk arises from borrowings. The Group has an outstanding total debt balance of **€313,501** (2020: €505,073). 83% of the total debt has a fixed interest rate until July 2025, while 17% has a variable interest rate.

The Group has entered into the following derivatives to manage interest rate and currency risk on its borrowings: Cross currency interest rate swaps to convert CHF 270,000 of borrowings with a fixed interest rate of 1.05% to € 254,000 of principal with a fixed interest rate of 1.32% maturing July 9, 2025.

At 31 December 2021, if interest rates on borrowings had been 0.25% lower/higher with all other variables held constant, post–tax profit would have been **€271** (2020: €516) higher/lower. The total fair value of the above swaps is **€6,474** (2020: (€6,803)).

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

(iii) Interest rate swap contracts and hedge accounting

The Group enters into derivatives 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 32 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 effective portion is 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 32.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed 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

	Average contracted fixed interest rate		Notional principal value		Fair value assets (liabilities)	
	2021	2020	2021	2020	2021	2020
1-2 years	0.00%	2.83%	-	81,302	-	(9,097)
2-5 years	1.32%	1.32%	253,770	253,770	6,474	(6,803)
Total			253,770	335,072	6,474	(15,900)

(Amounts expressed in thousands of Euros)

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 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 EUR and CHF rates are fixed. The Group settles the difference between the EUR and CHF rates. The CCIRS are designated as cash flow hedges, thereby reflecting the EUR interest rate paid in the P&L with FX movements reflected in the Other Comprehensive Income. The costs of hedging are immaterial.

(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 19).

Credit risks arising from cash, derivatives and deposits with banks are managed by Group Treasury. As per 31 December 2021 the Group's most significant concentration risk equated to around 51% 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 **€313,282** of unused credit lines at 31 December 2021 (€326,309 at 31 December 2020).

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.

Non-derivative financial liabilities

At 31 December 2021	Average weighted rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Lease liability	1.9%	1,697	3,235	17,427	22,465	1,784	**46,608**	46,608
Variable interest rate borrowings	0.5%	10,000	125	374	42,457	-	**52,956**	52,556
Fixed interest rate borrowings	1.1%	-	685	2,055	267,795	-	**270,535**	260,945
Trade and other payables and liabilities	-	-	139,037	-	-	-	**139,037**	139,037
Other financial liabilities	-	-	-	-	30,572	-	**30,572**	30,572
Contingent consideration in a business combination	-	-	-	43,286	54,291	26,084	**123,661**	123,661
Total		11,697	143,082	63,142	417,580	27,868	663,369	653,379

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

(Amounts expressed in thousands of Euros)

Derivative CCIRS

At 31 December 2021	Average weighted rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Cross currency IRS (receiving CHF) – fixed interest rates	1.05%	-	-	2,740	269,165	-	**271,905**
Cross currency IRS (paying EUR) – fixed interest rates	1.32%	-	-	-3,346	-263,809	-	**-267,155**
At 31 December 2020							
Cross currency IRS (receiving CHF) – fixed interest rates	1.05%	-	-	2,615	259,515	-	**262,130**
Cross currency IRS (paying EUR) – fixed interest rates	1.32%	-	-	-3,346	-267,155	-	**-270,501**

(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 2021 the Group's strategy, which was unchanged from 2020, 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 2021 and 2020 were:

	2021	2020
Total shareholder's equity	1,418,260	1,082,246
Total assets	2,993,405	2,718,462
Equity ratio	47%	40%

32. Financial instruments by category

Year ended 31 December 2021

Assets per balance sheet	Notes	Assets at AC*	Assets at FVTPL*	Assets at FVTOCI*	Total
Long-term receivables		11,475	485	-	**11,960**
Investments in financial assets	*16*	2,900	28,606	1,009	**32,515**
Trade and other receivables		336,143	-	-	**336,143**
Cash and cash equivalents	*20*	657,296	-	-	**657,296**
Derivative financial instruments		-	177	6,474	**6,651**
Total		1,007,814	29,268	7,483	1,044,565

Liabilities per balance sheet		Liabilities at AC*	Liabilities at FVTPL*	Liabilities at FVTOCI*	Total
Borrowings	*23*	313,502	-	-	**313,502**
Trade and other payables and liabilities		139,037	-	-	**139,037**
Contingent consideration in a business combination	*27*	-	123,661	-	**123,661**
Other financial liabilities	*28*	30,572	-	-	**30,572**
Derivative financial instruments		-	4,959	-	**4,959**
Total		483,111	128,620	-	611,731

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	*20*	619,696	-	-	**619,696**
Derivative financial instruments		-	1,244	-	**1,244**
Total		1,023,458	5,230	605	1,029,293

(Amounts expressed in thousands of Euros)

Liabilities per balance sheet	*Notes*	Liabilities at AC*	Liabilities at FVTPL*	Liabilities at FVTOCI*	Total
Borrowings	*23*	505,217	-	-	**505,217**
Trade and other payables and liabilities		106,210	-	-	**106,210**
Contingent consideration in a business combination	*27*	-	92,287	-	**92,287**
Other financial liabilities	*28*	29,495	-	-	**29,495**
Derivative financial instruments		-	9,028	6,918	**15,946**
Total		640,922	101,315	6,918	749,155

* *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:

	2021			2020		
Assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Investments in financial assets						
- Equity securities designated as at FVTOCI	1,009	-	-	-	-	605
- Financial assets measured as a FVTPL	707	2,899	-	704	2,767	-
Financial assets at fair value through statement of income						
- Outstanding forwards	-	177	-	-	1,244	-
- Loans to related party entities	-	25,000	-	-	-	-
Derivatives used for economic hedging outstanding forwards						
- Forward-starting interest rate swap	-	6,474	-	-	-	-
Life insurance	-	485	-	-	515	-
Total	1,716	35,035	-	704	4,526	605

Liabilities	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities at fair value through statement of income						
- Other liabilities	-	-	123,661	-	-	92,287
- Trading derivatives	-	22	-	-	9,028	-
- Outstanding forwards	-	4,937	-	-	-	-
Derivatives used for economic hedging outstanding forwards						
- Forward-starting interest rate swap	-	-	-	-	6,918	-
Total	-	4,959	123,661	-	15,946	92,287

(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:

Assets per balance sheet	2021	2020
Opening balance	605	614
Transfer to level 1 instruments	(605)	-
Gains/(losses) recognised in the statement of income	-	(9)
Closing balance	-	605
Total gains/(losses) for the period included in the statement of income for assets held at the end of the reporting period	-	(9)

Liabilities per balance sheet		
Opening balance	92,287	88,925
(Gains)/losses recognised in the statement of income	22,452	11,588
(Gains)/losses recognised in other comprehensive income	8,922	(8,226)
Closing balance	123,661	92,287
Total (gains)/losses for the period included in the statement of income; which consists of:	22,452	11,588
Other financial income and expenses	1,140	1,980
Other operating expenses	21,312	9,608

(Amounts expressed in thousands of Euros)

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 2021

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 €123,661 (level 3)	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration	Risk free rates	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 €4,615; if the discount rate was 1 point lower while all other variables were held constant, the carrying amount would increase by €4,728
2) Contingent consideration in a business combination €123,661 (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 EUR at 0.88316	If 10% appreciation of USD while all other variables were held constant, the carrying amount would increase by €12,366; if 10% depreciation of USD while all other variables were held constant, the carrying amount would decrease by €12,366

(Amounts expressed in thousands of Euros)

Year ended 31 December 2020

Financial assets/ financial liabilities	*Notes*	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)	*36*	Discounted cash flow method was used to capture the present value of the Group arising from the contingent consideration	Discount rate of 2.3 percent	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)	*36*	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 EUR at 0.81334	If 10% appreciation of USD while all other variables were held constant, the carrying amount would increase by €9,229; if 10% depreciation of USD 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 A.G. 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)

33. 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 before the 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. In late 2019 the Danish tax authorities contested the valuation experts' appraisals and they submitted a pleading to the National Tax Tribunal in which they argue that the Tribunal should set aside the experts' opinion. The Group has submitted a rebuttal pleading in response to the pleading of the Danish tax authorities and believes that no additional payments are due. The case is expected to be closed in 2022.

During 2021 the Group has taken the initiative to file a complaint at the District Court of Delaware (United States) seeking a declaratory judgment that the claims of certain third party patents are invalid and not infringed. When the Court will judge negatively this could potentially lead to a financial compensation to the patent owners. The Group believes that this litigation will not lead to a negative outcome.

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 2021 have not been recognised as a liability on the balance sheet and amount to **€30,338** (€41,466 at 31 December 2020). In addition there are unrecognised contingent milestones upon reaching certain sales levels for products still in development.

In 2018 the Group 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 2021. The development milestone payments as per 31 December 2021 that have not been recognised as a liability on the balance sheet amount to **€47,294** (€52,643 at 31 December 2020). 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.

34. Commitments

Leases not recorded under IFRS 16

	2021	2020
Not later than 1 year	4,498	4,633
Later than 1 year and not later than 5 years	2,009	851
After 5 years	112	36
Total	6,619	5,520

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

(Amounts expressed in thousands of Euros)

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounted to **€62,686** at 31 December 2021 and €49,342 at 31 December 2020. The increase is mainly related to a mix of R&D and manufacturing projects.

Other commitments

At 31 December 2021 and 2020 the Group had the following other commitments arising in the ordinary course of business not recognised as liabilities:

	2021	2020
Not later than 1 year	239,298	151,110
Later than 1 year and not later than 5 years	113,891	112,969
After 5 years	155,694	155,196
Total	508,883	419,275

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 expects to be ready for use in early 2022 as a replacement for the current building used by Ferring Pharmaceuticals A/S. The lease assets and liablities will be recognised from the point at which the building is ready for use. As of December 2021, the undiscounted obligation over the contract period amounts to **€216,589** (2020: €215,542) (Note 15).

35. 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	2021	2020
Amring Group	1,205	5,163
Altacor Ltd.	1,174	886
Other	427	11
Total	2,806	6,060

The sales of goods decrease to Amring Pharmaceuticals Inc. is driven by the take over from Amring Pharmaceuticals Inc. of the responsibility of the manufacturing of Lysteda. As a consequence, the Ferring Group does not sell this product any longer.

Sales of product intangibles	2021	2020
Draupnir Group	300	-
Total	300	-

(Amounts expressed in thousands of Euros)

Sales of services	2021	2020
Insula Group	10,613	951
Ferring Ventures Group (formerly Trizell Group)	10,192	6,741
Ferring Foundation B.V. (formerly Isles B.V.)	325	650
Ney Group	575	543
Other	49	181
Total	21,754	9,066

The amount reported under Ferring Ventures Group mainly represents the recharge of the BLA costs connected to the approval of nadofaragene firadenovec in the U.S. market to Trizell Ltd., and the services rendered by Kuopio Center for Gene and Cell Therapy Oy that were recharged to Ferring Ventures S.A. (prior name Trizell Holding S.A.). The amount reported under Insula Group mainly represents the sale of R&D services to Bazell Pharma A.G. (prior name Ferring Galenisches A.G.), which was sold by the Group in 2021 (Note 10).

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

Purchases of goods	2021	2020
PolyPeptide Group	35,864	40,078
Nordic Group	7,285	6,436
Ferring Ventures Group (formerly Trizell Group)	230	9,024
Amring Group	825	-
Total	44,204	55,538

The Group mainly purchases Active Pharmaceutical Ingredient (API) to produce drugs from the PolyPeptide Group. In 2020 the purchases from the Ferring Venture Group represented a pre-payment of royalties and goods connected to nadofaragene firadenovec. The pre-payment of 2020 has been reversed and transferred in the purchase of the product licence.

Purchase of services	2021	2020
Izvarino Group	4,039	2,581
Ney Group	3,355	1,148
Insula Group	5,000	-
Other	18	413
Total	12,412	4,142

In January 2021, Ferring Galenisches Labor A.G. was sold by the Ferring Group to Amzell B.V. (Insula Group) and renamed to Bazell Pharma A.G. and continued to provide support to Ferring's Global Life Cycle Management products under a research agreement for €5,000 per year.

(Amounts expressed in thousands of Euros)

Purchases of product licenses	2021	2020
Ferring Ventures Group (formerly Trizell Group)	199,018	-
Total	199,018	-

The Group and Ferring Ventures Group through Trizell Ltd. have signed an amendment of the existing agreement regarding the Group's commercial rights to nadofaragene firadenovec, whereby the Group invests more in the asset following defined milestones, which has resulted in recognition of milestone liabilities and intangible assets of €199,018 and a reduction of the future royalty and milestone obligations to Trizell Ltd. (Note 14).

Purchase of shares of related parties/sales of shares to related parties

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 from Ferring Ventures S.A. for a purchase price of €1,325 (Note 36). The entity has been sold back to its former owner for a selling price of €1,362 (Note 10) in 2021.

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

Receivables from related parties	2021	2020
Ney Group	7,518	7,696
Insula Group	5,964	-
Ferring Ventures Group (formerly Trizell Group)	5,095	35,425
Izvarino Group	909	1,903
PolyPeptide Group	-	600
Amring Group	59	1,684
Other	299	4
Total	19,844	47,312

The Insula receivable represents the invoicing of services to Bazell Pharma A.G. The Ney Group receivable represents a lease deposit related to a lease agreement for future premises in Copenhagen.

The 2020 receivable to Ferring Ventures Group has been reversed and transferred to purchased licenses as part of the amendment of the existing agreement regarding the Group's commercial rights to nadofaragene firadenovec.

Payables to related parties	2021	2020
Ferring Ventures Group (formerly Trizell Group)	100,000	39,837
PolyPeptide Group	2,786	2,419
Ney Group	544	-
Nordic Group	251	358
Other	280	113
Total	103,861	42,727

The payables to the Ferring Ventures Group represents the unpaid milestones related to the amendment of the existing agreement regarding the Group's commercial rights to nadofaragene firadenovec.

(Amounts expressed in thousands of Euros)

(IV) Loans to/from related parties

Loans to related parties	*Interest rate*	2021	2020
Loans to key management	*0.25%*	-	692
Ferring Ventures Group (formerly Trizell Group) [1]	*3.5%*	-	54,215
Esperante Group [2]	*0.0%*	-	3,150
Neohorm Group [3]	*1.75%*	-	22,000
Ferring Ventures Group (formerly Trizell Group) [4]	*3.0%*	25,000	-
Total		25,000	80,057

(1) The loans mainly covers the costs to support the investments of the Ferring Ventures Group (formerly Trizell Group) to manufacture nadofaragene firadenovec, and has been repaid following the amendment of the existing agreement.
(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. The debt has been purchased in June 2021 by ney Group.
(4) The repayment of this non-current receivable asset is contingent on the BLA approval for nadofaragene firadenovec and will be repaid in tranches in the 5 years following the approval (Note 16).

Loans from related parties	*Interest rate*	2021	2020
Ferring Foundation B.V. (formerly Isles B.V.)	*0.50%*	52,000	112,000

Out of the above balance **€10,000** will be repaid to Ferring Foundation B.V. in 2022 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 (Ferring Holding S.A. Board of Directors, Group Executive Management) in 2021 was **€10,509** (2020: €12,222), which includes salary costs, other short term and long term benefits **€9,581** (2020: €11,080) and post-employment benefits **€928** (2020: €1,142).

36. Business combinations

There were no business combination in 2021.

Business combinations in 2020

On 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 S.A. 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.

Assets acquired and liabilities recognised at the date of acquisition	*Notes*	
Property, plant and equipment	*13*	1,196
Intangible assets	*14*	125
Right-of-use assets	*15*	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.

(Amounts expressed in thousands of Euros)

37. Adjustments reconciling net income to operating cash flow

	Notes	2021	2020
Net income from continuing and discontinued operations		**289,929**	**151,569**
Adjustments to reconcile cash generated by operating activities			
Depreciation	*13,15*	69,549	73,155
Amortisation	*14*	33,589	34,043
Impairment charges on fixed assets	*7,13,14*	21,654	24,335
Interest income	*9*	(4,822)	(6,746)
Other finance (income)/costs		11,241	18,682
Unrealised foreign exchange (income)/loss included in the net income		25,721	(323)
Income tax expense	*12*	68,122	40,385
(Gain)/loss on sale of non-current assets		(6,265)	63
Contingent consideration remeasurement	*27*	21,312	5,844
Other non-cash expense		2,011	976
Fair value (gain)/loss on derivatives and other financial assets		(3,005)	3,342
Inventory write-downs	*18*	26,554	28,841
Other provisions (charged)/credited to the statement of income		(28,402)	(27,816)
Increase/(decrease) in other employee benefits		(10,148)	10,874
Increase/(decrease) in pension liabilities		734	4,902
Increase/(decrease) in provisions	*25*	(2,647)	14,003
Increase/(decrease) in other liabilities		(445)	(6,387)
Changes in working capital			
(Increase)/decrease in trade and other receivables		31,334	(76,307)
(Increase)/decrease in inventories		(5,772)	(70,231)
Increase/(decrease) in trade and other payables		(5,637)	95,304
Increase/(decrease) in deferred income		(3,734)	47,845
Total adjustments		**240,944**	**214,784**
Cash generated from operations		530,873	366,353

38. Audit fees and non-audit services fees

	2021	2020
Audit fees	2,682	2,740
Non-audit service fees	409	1,813
Total	3,091	4,553

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.

(Amounts expressed in thousands of Euros)

39. Principal subsidiary companies and associates

Unless stated otherwise, all companies listed below are 100% owned, as of 31 December 2021 and 31 December 2020.

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. [1]	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 [2]	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 [3]	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

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 Társasság	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	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 A/S	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 [4]	Portugal, Lisbon	IT services
Ferring Pharmaceuticals Romania Srl	Romania, Timisoara	Marketing
Ferring Pharmaceuticals LLC	Russian Federation, Moscow	Marketing and Sales
Ferring Production LLC	Russian Federation, Moscow	Manufacturing
Ferring Pharmaceuticals D.O.O.	Serbia, Belgrade	Marketing
Ferring Pharmaceuticals Private Ltd.	Singapore	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 A.B.	Sweden, Malmö	No activity
Ferring Läkemedel A.B.	Sweden, Malmö	Marketing and Sales
Ferring A.G.	Switzerland, Baar	Marketing and Sales

Name of entity	Place of business	Principal activity
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.	Switzerland, St-Prex	Procurement Service Provider
Ferring Properties S.A.	Switzerland, St-Prex	Real Estate
Ferring Galenisches Labor A.G. [6]	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. [7]	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
FerGene Inc. [8]	U.S.A., Delaware	Marketing and Sales
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) In Liquidation
(2) Merged into Syntese A/S in 2021
(3) Disposed of on 01.07.2021 (Note 10)
(4) Since September 2020
(5) In liquidation
(6) Disposed of on 01.01.2021 (Note 10)
(7) Dissolved in January 2021
(8) 99.99% owned
(9) Since July 2020

40. Subsequent events

No subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements as of the date of approval of 4th March 2022.

Ferring Holding S.A.

Saint-Prex

To the General Meeting of **Ferring Holding S.A., 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 31 December 2021 and the statement of income and notes for the year then ended, including a summary of significant accounting policies. In our opinion the financial statements (pages 139 to 147) 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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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 statements submitted to you be approved.

Deloitte S.A.

William Eversden
Licensed Audit Expert
Auditor in Charge

Robert Purdy
Licensed Audit Expert

Geneva, 4th March 2022

Balance sheet	Notes	31 December 2021 EUR	31 December 2021 CHF	31 December 2020 EUR	31 December 2020 CHF
Assets					
Current assets					
Other receivables – third parties		**5,371**	5,557	**4,950**	5,366
Other receivables – cashpool	13	**115,123**	119,118	**66,682**	72,290
Other receivables – related party		**1,966**	2,034	**1,877**	2,035
Total current assets		**122,460**	126,709	**73,509**	79,691
Non-current assets					
Other receivables – third parties non-current		**376**	387	**501**	544
Other receivables – related parties non-current	3	**260,945**	270,000	**249,055**	270,000
Investments	5	**335,679**	347,328	**317,340**	344,028
Total non-current assets		**597,000**	617,715	**566,896**	614,572
Total assets		719,460	744,424	640,405	694,263
Liabilities and shareholder's equity					
Current liabilities					
Other payables – third parties		**91**	94	**48**	51
Other payables – cashpool		**299**	309	**180**	195
Deferred unrealised foreign exchange gain		**11,941**	12,356	**3,480**	3,772
Provision and accrued expenses		**2,159**	2,234	**1,869**	2,027
Liabilities to related party		**2,158**	2,233	**1,586**	1,720
Total current liabilities		**16,648**	17,226	**7,163**	7,765
Non-current liabilities					
Long term liabilities to third parties	4	**260,945**	270,000	**249,055**	270,000
Total non-current liabilities		**260,945**	270,000	**249,055**	270,000
Shareholder's equity					
Share capital	6	**207,866**	250,000	**207,866**	250,000
General legal reserve from accumulated profit		**43,844**	50,293	**43,844**	50,293
Retained earnings	7	**190,157**	201,788	**132,478**	139,751
Cumulative translation adjustment		-	(44,883)	-	(23,547)
Total shareholder's equity		**441,867**	457,198	**384,188**	416,497
Total liabilities and shareholder's equity		719,460	744,424	640,405	694,263

(Amounts expressed in thousands)

Statement of income for the year ended 31 December		2021		2020	
	Notes	EUR	CHF	EUR	CHF
Income					
Income from investments		**100,000**	108,385	-	-
Financial income		**3,917**	4,245	**1,895**	2,030
Foreign exchange gains		**130**	-	**3**	4
Total income		103,917	112,630	1,898	2,034
Expenses					
Gross salaries and remuneration		**(1,321)**	(1,432)	**(666)**	(713)
General and administrative expenses		**(3,015)**	(3,268)	**(2,347)**	(2,515)
Capital taxes		**(704)**	(763)	**(614)**	(658)
Financial expenses		**(2,787)**	(3,021)	**(1,276)**	(1,367)
Foreign exchange losses		**(8,411)**	(9,116)	**(3,709)**	(3,974)
Total expenses		(16,238)	(17,600)	(8,612)	(9,227)
Net income (loss) for the year before income taxes		**87,679**	95,030	**(6,714)**	**(7,193)**
Income taxes		-	-	-	-
Net income (loss) for the year		87,679	95,030	(6,714)	(7,193)

Notes to the financial statements 2021

1. General information

The principal activities of Ferring Holding S.A., 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 S.A. was incorporated on 15 December 2000 and is 100% owned by Ferring Foundation B.V. incorporated in The Netherlands. It is ultimately owned by the Dr. Frederik Paulsen Foundation.

Ferring Holding S.A. directly owns Ferring International Center S.A. 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 2021 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. The consolidated financial statements are available separately.

(Amounts expressed in thousands)

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 EUR. 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 B.V. and Ferring International Center S.A. were contributed on the incorporation of Ferring Holding S.A. on 15 December 2000 in return for the issue of share capital with a nominal value of CHF 249'750.

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 S.A.

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 (€260,945 as of 31 December 2021) 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 (€260,945 as of 31 December 2021) with a 5-year maturity at a fixed rate of 1.05% per annum.

5. Investments

	31 December 2021		31 December 2020	
Company	EUR	CHF	EUR	CHF
Ferring B.V.	**207,892**	215,105	**189,553**	205,494
Ferring International Center S.A.	**127,787**	132,223	**127,787**	138,534
	335,679	347,328	317,340	344,028

Company	Location	Shares Held	Voting Rights	Total share Capital
Ferring B.V.	The Netherlands	99.8%	100%	EUR 4,757
Ferring International Center S.A.	Switzerland	100%	100%	CHF 56,600

In 2016 in agreement with the Company, Ferring B.V. issued new shares to other parties with rights to a certain portion of the profit of Ferring B.V. 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 B.V. issued new shares to other parties with rights to a certain portion of the profit of Ferring B.V. 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 Company acquired 4,200 non-voting B-shares of Ferring B.V. for a purchase price of CHF 2,894.

During 2021 the Company acquired 16'700 non-voting B-shares of Ferring B.V. for a purchase price of €18,340.

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

(Amounts expressed in thousands)

Unless stated otherwise, all companies listed below are 100% owned, as of 31 December 2021 and 31 December 2020.

Ferring B.V. 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. [1]	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
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 [2]	Denmark, Copenhagen	Real Estate
Syntese A/S	Denmark, Hvidovre	Manufacturing
Ferring Lääkkeet Oy	Finland, Espoo	Marketing and Sales
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 Társasaság	Hungary, Budapest	Marketing and Sales
Ferring Therapeutics Private Ltd.	India, Mumbai	Manufacturing, R&D
Ferring Pharmaceuticals Private Ltd.	India, Mumbai	Marketing and Sales, R&D

Name of company	Location	Principal activity
Ferring Laboratories Private Ltd.	India, Mumbai	Real Estate
PT Ferring Pharmaceuticals Industry	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 A.S.	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	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 A.B.	Sweden, Malmö	No activity
Ferring Läkemedel A.B.	Sweden, Malmö	Marketing and Sales
Ferring A.G.	Switzerland, Baar	Marketing and Sales
Ferring Controlled Therapeutics (Switzerland) S.A., en liquidation [4]	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. [5]	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
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 Ltd. [6]	Vietnam, Ho Chi Minh City	Marketing and Sales

(1) In liquidation
(2) Merged into Syntese A/S in 2021
(3) Since September 2020
(4) In liquidation
(5) Dissolved in January 2021
(6) Since July 2020

Ferring International Center S.A. direct investments:

Name of company	Location	Principal activity
Kuopio Center for Gene and Cell Therapy Oy [7]	Finland, Kuopio	R&D
Ferring Pharmaceuticals S.A.	Switzerland, St-Prex	Marketing and Sales
Ferring Galenisches Labor A.G. [8]	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.	Switzerland, St-Prex	Procurement Service Provider
FerGene Inc. [9]	U.S.A., Delaware	Marketing and Sales

(7) Disposed of on a 01.07.2021, now a related party
(8) Disposed of on 01.01.2021, now a related party
(9) Holds at 99.99%

6. Share capital

	31 December 2021		31 December 2020	
	EUR	CHF	EUR	CHF
20,625,000 registered shares of CHF 10 each	**171,489**	206,250	**171,489**	206,250
2,187,500 registered shares of CHF 20 each	**36,376**	43,750	**36,376**	43,750
	207,865	250,000	207,865	250,000

7. Movements in retained earnings

	2021		2020	
	EUR	CHF	EUR	CHF
Balance at 1 January	**132,478**	139,750	**139,192**	146,944
Transfer to general legal reserve from accumulated profit	-	-	-	-
Payment of the ordinary dividend according to the shareholder's meeting	**(30,000)**	(32,994)	-	-
Net Income (Loss)	**87,679**	95,031	**(6,714)**	(7,194)
Balance at 31 December	190,157	201,787	132,478	139,750

Balance of retained earnings incl. cumulative translation adjustments	2021		2020	
	EUR	CHF	EUR	CHF
Balance at 1 January	**132,478**	116,203	**139,192**	124,112
Movement of cumulative translation adjustment	-	(21,336)	-	(715)
Movement of retained earnings adjustment	**57,679**	62,037	**(6,714)**	(7,194)
Balance at 31 December	190,157	156,905	132,478	116,203

(Amounts expressed in thousands)

8. Guarantees in favor of third parties

	31 December 2021		31 December 2020	
	EUR	CHF	EUR	CHF
Guarantees granted to related parties in connection with credit facility agreements	**317,936**	328,968	**472,271**	511,989
Of which used:	**3,603**	3,728	**181,767**	197,054

9. Subsequent events

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

10. Exchange rates

Exchange rates used for translation from EUR (functional currency) to CHF	31 December 2021	31 December 2020
	EUR/CHF	EUR/CHF
Closing rate	**1.03470**	**1.08410**
Average rate	**1.08385**	**1.07139**

Proposed appropriation of available earnings

	2021	
	EUR	CHF
Available earnings	**190,156,778**	201,788,224
Gross dividend	**(60,000,000)**	(62,059,800)
Appropriation to general legal reserve from accumulated profit	-	-
To be carried forward	130,156,778	139,728,424

(Amounts expressed in thousands)

FERRING
PHARMACEUTICALS

Annual Report **2021**