LUNDBECKFONDEN

ANNUAL REPORT
2015

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Lene Skole

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LUNDBECKFONDEN

Lundbeckfonden (in English, 'Lundbeck Foundation') is one of the largest industrial foundations in Denmark – both in terms of the value of its business activities and the amount of funds it allocates to grants.

Lundbeckfonden was established in 1954 by Grete Lundbeck, the widow of Hans Lundbeck who founded H. Lundbeck A/S. Today, the Foundation has a total market value of more than DKK 50 billion and an annual grant contribution of around half a billion DKK supporting biomedical* research of the highest, international quality.

The mission of the Foundation is twofold, reflecting its commercial and grant activities:

- to generate value and stimulate growth, through active ownership
- to create, inspire and spread new knowledge

With a special focus on brain health, it is the vision of Lundbeckfonden to create better lives through new knowledge.

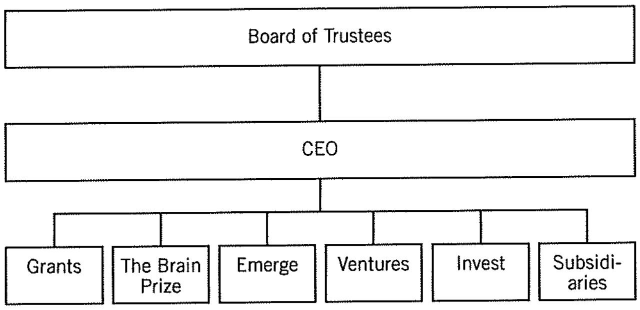
Lundbeckfonden is the majority shareholder in three large Danish companies: H. Lundbeck A/S, ALK-Abelló A/S and Falck Holding A/S. In addition, the Foundation manages securities of about DKK 14 billion and a portfolio of more than 20 life science investments in European and American companies, including a couple of Danish early-stage scientific projects.

The Foundation exercises active ownership in accordance with three core values: respectful, innovative and dedicated.

Lundbeckfonden is headquartered in Copenhagen and has around 30 employees.

*In Danish, biomedicin og sundhedsvidenskab.

Organisational chart (explanatory, not legal)



Board of Trustees

Jørgen Huno Rasmussen, Chairman
Born 1952, elected to the Board in 2008.
Member of the Investment Committee.
MSc engineering (civil), B. Com. and Lich.tech.
Chairman of the board of Tryghedsgruppen and board of Tryg A/S.
Vice Chairman of the boards of Haldor Topsoe A/S, Terma A/S and Rambøll Group A/S.
Member of the boards of Bladt Industries A/S, Otto Mønsted A/S and Thomas B. Thriges Fond.

Special qualifications
In-depth knowledge of managing an international, listed group and skills in new markets, strategy, branding, acquisitions and divestments, business development, procurement, finance, risk management and optimising production processes.

Considered independent.

Steffen Kragh, Vice Chairman
Born 1964, elected to the Board in 2013.
Member of the Investment Committee.
MSc. and MBA.
President & CEO of Egmont Foundation and Egmont International Holding.
Non-executive board member of Nykredit Holding A/S (VC), Nykredit Realkredit A/S (VC), Foreningen Nykredit, and chairman of numerous companies in the Egmont group.

Special qualifications
Expertise within strategy, economics, finance and accounting, capital markets, securities and funding, legal and regulatory matters of importance to financial business, corporate management and financial business management, including IT.

Considered independent.

Lars Holmqvist
Born 1959, elected to the Board in 2015.
Member of the Investment Committee.
Senior Advisor of Bain Capital.
Member of the boards of BPL Holdings (UK), H. Lundbeck A/S, ALK-Abelló A/S and Tecan AG (Switzerland).

Special qualifications
Experience in management, finance, sales and marketing in international life science companies, including med-tech and pharmaceutical companies.

Considered independent.

Povl Krogsgaard-Larsen
Born 1941, elected to the Board in 2011.
Member of the Research Committee.
Professor, Pharm. D., Copenhagen University.
Chairman of the board of Bioneer A/S, Vice Chairman of the Alfred Benzon Foundation and member of the board of the Carlsberg Laboratory.

Special qualifications
Experience with board work in a large international company and management of knowledge-intensive organisations. Skills in research, development and innovation and experience with research evaluation. Introduction of the concept of scientific social responsibility and contribution to principles of academic leadership.

Considered dependant due to his role as Chairman of the Grete Lundbeck European Brain Research Foundation.

Susanne Krüger Kjær
Born 1955, elected to the Board in 2014.
Member of the Research Commitee.
Professor, M.D., DMSc. Rigshospitalet, Copenhagen University.
Head of Research, Unit of Virus, Lifestyle and Genes, Danish Cancer Society Research Center. Member of the Steering Committee of the Mermaid Project. Member of the boards of Johannes Clemmesens Research Foundation and the Aragon Foundation.

Special qualifications
Substantial scientific production within oncology. Skills in research, development, research evaluation and innovation. Long-standing experience with international research management.

Considered independent.

Peter Schütze
Born 1948, elected to the Board in 2015.
Chairman of the Investment Committee.
Chairman of DSB SOV and Falck Holding A/S.
Chairman of the investment committee of The Danish Climate Investment Fund and The Danish Agribusiness Fund.
Vice Chairman of SimCorp A/S and Nordea-fonden and Nordea Bank-fonden.
Member of the Industrial Board of Axcel and Axcel Future.
Member of "The Systemic Risk Council".
Chairman of Dronning Margrethe den II's Arkæologiske Fond.
Member of the boards of Bestyrelsesforeningen and Gösta Enboms Fond.

Special qualifications
Extensive management experience from an international financial company as well as several board positions both as chairman and member. Skills in accounting, investments, IT, risk management, strategy and organisational development.

Considered independent.

Gunhild Waldemar
Born 1957, elected to the Board in 2011.
Chairman of the Research Committee.
Professor and Chair, Chief Physician, M.D., D.M.Sc. Dept. of Neurology, Rigshospitalet, University of Copenhagen.
Director of Danish Dementia Research Centre,
Coordinating professor (Neuroscience at Rigshospitalet), Institute of Clinical Medicine, University of Copenhagen
Vice-President at the Medical Society of Copenhagen.

Special qualifications
Skills in research, development, research evaluation and innovation. Long-standing experience with international research management and board work in international scientific companies.

Considered independent.

Henrik Sindal Jensen
Born 1969, elected to the Board in 2014.
Principal Scientist (PhD).

Member of the Board of Lundbeck.

Elected by the employees of Lundbeck.

Vagn Flink Møller Pedersen
Born 1957, elected to the Board in 2014.
Rescue Officer
Shop steward for assistance west

Member of the Board of Falck.

Elected by the employees of Falck.

Peter Adler Würtzen
Born 1968, elected to the Board in 2008.
Senior Research Scientist (PhD).

Elected by the employees of ALK.

Executive management
Lene Skole, CEO.

Management team
Mette Kirstine Agger, Managing Partner, Lundbeckfond Ventures.
Christian Elling, Partner, Lundbeckfond Emerge.
Anne-Marie Engel, Director of Research.
Bertil From, CFO.
Kim Krogsgaard, Managing Director, The Brain Prize.
Regitze Reeh, Director of Communication.

MANAGEMENT REPORT

STRATEGIC FOCUS

In 2015, Lundbeckfonden went through a strategy process. Supporting the newly defined vision and mission, an overarching strategy was developed for the Foundation and implemented in the various units in support of the newly defined vision and mission.

The strategy is based on three pillars:

- **Manage business value** – to create value by being an active, long-term owner and investor.

  This pillar represents the way the Foundation manages its subsidiaries and the Foundation's internal capital investment department. The Key Performance Indicators (KPIs) used to measure business value are Total Shareholder Return (TSR), Return on Invested Capital (ROIC) and returns from the investment portfolio.

- **Develop business** – to create products and companies by facilitating product development, from early-stage research to commercialisation, with a view to bringing products and companies to market.

  This pillar is well reflected in the venture activities and reaches into the activities for early-stage life science projects. Business development is measured by number of companies and products that progress from phase to phase.

- **Improve knowledge** – to support the creation and dissemination of new research-based knowledge, for the benefit of as many people as possible. This pillar constitutes the basis for the Foundation's grant activities, The Brain Prize and other outreach activities.

  Knowledge improvement is measured by number of publications, quotations and numbers of stakeholders activated by the outreach programmes.

Communication
Until this year, the annual report has been Lundbeckfonden's main piece of communication, presenting all its activities. As a means to reach a broader audience, Lundbeckfonden is now launching a new publication, Lundbeckfonden Magazine, which will be issued annually together with the annual report. Whereas the annual report focuses on the Foundation's financial results and primarily targets the financial stakeholders and authorities, the Magazine will focus more on Lundbeckfonden's grants strategy, demonstrating the role the Foundation plays in society, and how it pursues its vision of creating better lives through new knowledge.

Also building on the new strategy, the Foundation has developed a new visual identity, which will be rolled out during 2016. Centred around a new logo that comprises all units, the visual identity presents a unified external image and a strong internal mind-set.

FINANCIAL PERFORMANCE

2015 has been an eventful year for Lundbeckfonden Group with underlying satisfactory performance. Despite a net loss of DKK 4.8 billion, the Foundation's net wealth increased by more than DKK 15 billion and reached DKK 54 billion – the highest value recorded in the history of Lundbeckfonden. The net loss – as well as the significant increase in net wealth – is primarily a reflection of the Foundation's ownership of Lundbeck.

Group key figures

Financial highlights (DKK million)	2015	2014	2013	2012	2011
Revenue	32,453	29,904	30,092	28,675	23,602
Operating profit before special items	-665	1,425	3,465	2,842	4,172
Operating profit	-6,890	892	2,216	2,446	3,803
Financial items, Lundbeckfond Invest, net	950	2,228	1,206	1,286	-67
Financial items, Lundbeckfond Ventures and Lundbeckfond Emerge, net	491	373	181	-78	-63
Profit for the year	-4,766	2,653	2,455	2,646	2,429
Lundbeckfonden's share of profit	-3,006	2,494	2,074	2,115	1,618
Grants awarded	442	474	376	482	504
Dividends from subsidiaries	149	401	295	499	537
Investments in acquisitions	278	3,534	593	437	4,537
Investments in property, plant, equipment and intangible assets	3,971	2,358	2,361	2,426	1,563
Total assets	56,126	59,588	54,121	50,232	47,459
Equity	28,864	33,023	29,357	27,928	26,332
Lundbeckfonden's share of equity	25,615	28,354	25,437	24,033	22,551
Net wealth	54,341	38,770	37,642	26,893	28,736
Key figures					
Revenue growth	8.5%	-0.6%	5.0%	21.5%	39.4%
Operating profit margin before special items	-2.0%	4.8%	11.5%	9.9%	17.7%
Return on equity	-15.4%	8.5%	8.6%	9.8%	9.3%
Average number of employees	34,436	32,135	29,798	28,049	15,875

In 2015, Lundbeck's restructuring programme and its impairment of product rights and fixed assets affected the Foundation's result with DKK 6.8 billion, while the value of the Foundation's shares in Lundbeck increased by 92%, equivalent to DKK 15 billion.

Operating activities

Revenue for 2015 reached DKK 32,453 million, compared to DKK 29,904 million in 2014. The increase of 9% is a result of increasing revenues in each of the Foundation's three subsidiaries: Lundbeck, ALK and Falck.

Total costs for 2015 amounted to DKK 33,118 million, compared to DKK 28,479 million in 2014. The increase of 16% is primarily driven by the increase in revenue as well as costs relating to Lundbeck's restructuring programme (DKK 1.1 billion) and impairment of intangible product rights and fixed assets (DKK 0.7 billion).

Research and development costs increased by 8% and reached DKK 3,573 million. Sales and distribution costs increased by 22%, reaching DKK 8,305 million. The increase can primarily be ascribed to the continuation of Lundbeck's extensive product launch programme as well as new activities and contracts in Falck. Administration costs increased by 6% to DKK 3,121 million. Lundbeckfonden's own administration costs totalled DKK 67 million, compared to DKK 70 million in 2014.

As a result of increased costs, Lundbeckfonden Group realised an operating loss before special items of DKK 665 million in 2015, compared to a profit of DKK 1,425 million in 2014.

Special items

In 2015, special items amounted to DKK 6,225 million, compared to DKK 533 million in 2014. The special items in 2015 is a result of Lundbeck's impairment of product rights (DKK 5.0 billion) and impairment in relation to Falck's safety service activities (DKK 721 million). Lundbeck's impairment loss of DKK 5.0 billion is based on Lundbeck management's reassessment of certain milestone payments previously capitalised as product rights, while the impairment charge of DKK 721 million in relation to Falck's safety service activities is a result of the crisis in the global oil and gas industry following the sharp drop in oil prices.

As a result of the high amount of special items, Lundbeckfonden Group realised a net operating loss of DKK 6,890 million in 2015, compared to a net profit of DKK 892 million in 2014.

By nature, the special items for 2015 are considered as one-off amounts and, as such, they do not mirror Group costs going forward.

Investment activities

The return from the investment activities in Lundbeckfond Invest, Lundbeckfond Ventures and Lundbeckfond Emerge contributed positively to the result. Lundbeckfond Invest generated a return of DKK 950 million, compared to DKK 2,228 million in 2014. This translates into a return of 7% for 2015, compared to 19% in 2014. The decrease reflects the general development in returns from financial markets in 2015 compared to 2014. Lundbeckfond Ventures and Lundbeckfond Emerge realised a return of DKK 491 million, compared to DKK 373 million in 2014.

Net result

The Group realised a net loss for the year of DKK 4,766 million, compared to a net profit of DKK 2,653 million in 2014.

Due to the net loss for the year, Lundbeckfonden Group had a tax income of DKK 992 million in 2015, compared to a tax expense of DKK 441 million in 2014. This equals an effective tax rate of 17% in 2015, compared to 14% in 2014.

Lundbeckfonden's share of net loss for the year amounted to DKK 3,006 million in 2015 compared to a net profit of DKK 2,494 million in 2014.

In 2015, the Foundation awarded DKK 442 million in grants, compared to DKK 474 million in 2014.

Equity and net wealth

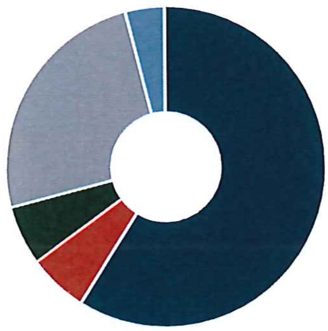
As a combined effect of the development in the Group's operations, the consolidated equity fell to DKK 28,864 million, compared to DKK 33,023 million in 2014.

The Foundation's share of consolidated equity fell to DKK 25,615 million after the allocation of grants, compared to DKK 28,354 million in 2014. Despite the net loss for the year – and the decrease in the share of equity – Lundbeckfonden's net wealth calculated at fair value increased to DKK 54,341 million in 2015, compared to DKK 38,770 million in 2014. The increase of 40% is primarily due to the increase in Lundbeck's share price, which rose by 92%. As a result, the value of the Foundation's shares in Lundbeck increased by DKK 15,466 million, reaching DKK 32,333 million. ALK and the Foundation's financial activities contributed positively to the increase in net wealth, while the estimated value of the Foundation's shares in Falck fell to DKK 3,422 million.

Outlook

The financial performance of Lundbeckfonden Group depends on developments in the commercial activities of Lundbeck, ALK and Falck as well as the returns generated by Lundbeckfond Ventures and Lundbeckfond Invest. The latter depends on trends in the

Distribution of net wealth



Net wealth

	Value (DKK million)	Contribution to net wealth 1/1-31/12 2015
Lundbeck	32,333	15,466
ALK	3,574	938
Falck	3,422	-1,543
Invest	13,937	936
Ventures and Emerge	2,173	545
Grants, Admin, etc.	-1,098	-771
Net wealth	**54,341**	**15,571**

financial markets. For the financial year 2016, Lundbeckfonden Group expects a continued growth in revenue. Furthermore, it is expected that the Group will once again generate an operating profit following the operating loss in 2015.

Based on the current financial performance across the Group, the Foundation expects to maintain its current level of grant activities in the coming years. For a detailed account of the outlook for the subsidiaries, please go to their company websites: www.lundbeck.com, www.alk-abello.com and www.falck.com.

THE SUBSIDIARIES

Lundbeckfonden wishes to have a significant part of its value invested in international companies based in Denmark that show a potential for value creation. The three subsidiaries constitute more than two thirds of the total value of Lundbeckfonden. The development of the companies has a determining impact on the total value of the Foundation. Exercising active ownership is therefore key to the strategy of managing business value. This is done by active involvement at board level of the subsidiaries.
Lundbeckfonden expects its subsidiaries to create a return on investment on par with or above comparable companies.

H. Lundbeck A/S

Lundbeck is a global pharmaceutical company specialising in depression, schizophrenia, Parkinson's and Alzheimer's diseases. Lundbeckfonden owns 70% of Lundbeck.

In 2015, Lundbeck focused particularly on the development of key products and key markets. The company has seen strong growth in the important US market, among others, and in the sale of its key products. At the same time, however, Lundbeck is experiencing a sharp deterioration of its European franchise due to generic competition and timing of market access.

Lundbeck continued its extensive launch programme in 2015 and was able to add Rexulti® to its product portfolio following FDA approval in July of two indications: adjunct treatment for major depressive disorder (MDD) and treatment of schizophrenia. Lundbeck's portfolio of key products now consists of Abilify Maintena®, Brintellix®, Northera®, Onfi® and Rexulti®.

In early 2014, Lundbeck launched Brintellix® in the US. During the course of 2014 and into 2015, Brintellix® was launched in several European and international markets. A number of other countries are preparing for the launch of Brintellix, but still awaiting market access.

2015 was also a year of restructuring and focusing for Lundbeck. In August, the company announced the initiation of a restructuring programme, which will reduce the cost base by approximately DKK 3 billion, reaching full effect in 2017. To recover profitability, the programme included a staff reduction of approximately 1,000 employees globally. To strengthen the business within psychiatry and neurology, Lundbeck has introduced a number of key initiatives in these two areas. It has decided to focus on early-stage research projects – specifically within depression, schizophrenia, Parkinson's disease and Alzheimer's disease. Lundbeck will further increase profit through independent development and commercialisation of future products.

Another important event in 2015 was when Lundbeck's new CEO, Kåre Schultz, joined in May.

FINANCIAL RESULT

In 2015, Lundbeck's revenue reached DKK 14,594 million, compared to DKK 13,468 million in 2014. The increase of 8% is driven by a positive development in Lundbeck's key products. Growth from key products reached 171%, and generated revenue of DKK 3,647 million, which corresponds to 25% of total revenue. Lundbeck expects continued high growth for these products.

Lundbeck's total costs for 2015 amounted to DKK 21,410 million, compared to DKK 13,369 million in 2014. The increase in total costs can primarily be ascribed to the impairment of product rights, provisions and impairments relating to the restructuring programme with a total of DKK 6.8 billion. Following the restructuring programme, Lundbeck made a provision of some DKK 1.1 billion for severance payments and other restructuring costs. Moreover, the company recognised DKK 0.7 billion in impairment losses due to changed management estimates of certain intangible rights and fixed assets. In addition, an impairment loss of DKK 5.0 billion is included as research and development costs for the year. The impairment loss is based on management's reassessment of certain milestone payments previously capitalised as product rights, which relates mainly to Rexulti®.

As a result of increased costs, EBIT for 2015 amounted to a loss of DKK 6,816 million, compared to a profit of DKK 99 million in 2014.

ALK-Abelló A/S

ALK is a global pharmaceutical company with a mission to improve quality of life for allergy sufferers. Lundbeckfonden owns 42% of the share capital and 69% of the votes in ALK.

In 2015, ALK made important progress in their efforts to globalise the reach of the company's evidence-based products. ACARIZAX®, the first and only SLIT-tablet* for the treatment of house dust mite (HDM) allergic rhinitis and allergic asthma, was approved in 11 European countries in 2015. As of January 2016, the product is launched in Germany and Denmark, with further launches planned during 2016. The HDM SLIT-tablet's first launch market was Japan. It is known there as MITICURE™ and became available in December 2015.

On 22 February 2016, ALK announced that CEO Jens Bager would resign as President and CEO of ALK. Until a new CEO is found, Steen Risgaard will as Chairman of the Board act as a day-to-day leader of the company.

FINANCIAL RESULTS

ALK's revenue for 2015 increased by 6% and reached DKK 2,569 million. The increase was positively affected by a 9% increase in revenues in Q4, driven by growing demand in parts of Europe – particularly in France, where authorities ordered ALK's main competitor to temporarily suspend production and recall certain products.

The increase for 2015 can be ascribed to higher revenues from ALK's base business (total revenue excluding revenues from the SLIT-tablet partnerships in North America and International Markets), which increased by 7%. Revenue from SCIT* and SLIT-drops* reached DKK 1,845 million, compared to DKK 1,786 in 20. The sales of SLIT-tablets in Europe (GRAZAX®), increased by 16% amounting to DKK 253 million. Sales of SLIT-tablets outside Europe fell to DKK 186 million in 2015, compared to DKK 214 million in 2014. This decrease was expected, and is the result of lower milestone and upfront payments from partnerships.

*SCIT: subcutaneous injection-based allergy immunotherapy
*SLIT-drops: sublingual drop-based allergy immunotherapy
*SLIT-tablets: sublingual tablet-based allergy immunotherapy

Investment portfolio

	Market value		Return		Return	
	31.12 2015	31.12 2014	2015	2014	2015	2014
	DKKm	DKKm	DKKm	DKKm	%	%
Bonds and liquid funds	1,978	2,182	29	37	1.2	0.8
Credit etc.	2,554	2,360	158	166	6.6	6.4
Listed equities	7,549	7,393	538	1,429	7.0	23.5
Unlisted equities	1,302	1,319	130	634	10.0	94.0
Real estate	555	481	95	-38	20.1	-8.2
Lundbeckfond Invest total	**13,937**	**13,735**	**950**	**2,228**	**7.0**	**19.1**

ALK's total cost for 2015 reached DKK 2,276 million, compared to DKK 2,124 million in 2014. The increase of 7% can primarily be ascribed to an increase in sales costs (following an increase in revenues) – and to an increase in sales and marketing expenses. The latter reflects the planned acceleration of market-building activities ahead of the European launch of ACARIZAX® as well as the effort to support ALK's geographical expansion.

Operating profit (EBIT) for 2015 increased by 11% and amounted to DKK 292 million. ALK realized a net profit for 2015 of DKK 344 million, compared to DKK 181 million in 2014. The increase of 90% is positively affected by a net financial gain of DKK 108 million, compared to DKK 36 million in 2014 – as well as a one-off positive tax adjustment of DKK 74 million, following the transfer of activities from the Swiss subsidiary to the Danish parent company.

Falck Holding A/S

Falck's activities are directed at preventing accidents and disease; providing assistance in situations of emergency, accidents and need; and helping people move on with their lives after illness or accidents. Lundbeckfonden owns 57% of Falck.

With more than 38,000 employees, Falck has business activities in 45 countries across the globe on six continents. In 22 countries Falck provides ambulance services to the general public in close collaboration with the authorities. Operating more than 2,500 ambulances, Falck has the world's largest international ambulance fleet. Falck is also the world's largest provider of fire services and the world's largest provider of rescue and safety training for the offshore industry – as well as the largest provider of employee healthcare services in Scandinavia.

2015 was a challenging year. The crisis in the global oil and gas industry resulted in a sharp drop in activities within Falck's Safety Services business. Furthermore, Falck lost a significant emergency contract in Denmark and was affected by start-up costs related to new and important emergency contracts outside Denmark. The other business areas showed a stable performance. All in all, the company's profitability was not satisfactory in 2015.

FINANCIAL RESULT

In 2015, Falck's revenue increased by 9%, reaching DKK 15,227 million. The increase was mainly due to the full-year effect of the merger with TryghedsGruppen's healthcare companies in June 2014. The organic growth in revenue was 2.2% compared to 6.8% in 2014. The organic growth was affected by the significant slowdown in Falck's safety service activities and the non-renewal of emergency contracts in Denmark and Sweden.

Operating profit before costs, impairment and amortisation from acquisitions (EBITA) fell by 15%, amounting to DKK 971 million. This decrease was primarily due to the slowdown in safety service activities, caused by the crisis in the global oil and gas industry following the sharp drop in oil prices. As a result of lower oil prices, fewer offshore employees received training at Falck's training centres.

In 2015, Falck's profitability was also affected by significant costs related to the start-up of new activities and new contracts, primarily within Falck's emergency activities.

As a result of the slowdown in safety service activities, and hence earnings, Falck made an impairment charge of DKK 750 million in relation to its safety service activities.
Falck realised a net loss of DKK 586 million in 2015, compared to a net profit of DKK 218 million in 2014.

INVESTMENT ACTIVITIES

Lundbeckfond INVEST

The purpose of Lundbeckfond Invest is to generate returns on the Foundation's financial investments to secure sufficient reserves to support the Foundation's grant activities and the subsidiaries. The investment philosophy and strategy continues to focus on investing in high quality companies across asset classes with a view to generating an attractive long-term return. Most of the assets are managed internally, where Lundbeckfond Invest has attained the right competencies and resources.

In 2015, the volatility of the global equity markets increased, and the year ended generating a minor negative return measured in local currencies for the global markets. Three elements in particular influenced the development of the markets. First, the USD appreciated around 10% against the DKK, driven by the increasing divergence in monetary policy between Europe and the US. Second, the Chinese economy continued to decelerate and an unexpected change in the Chinese foreign exchange policy – effectively depreciating the Chinese Renminbi versus the USD – created general fears of a hard landing in the Chinese economy. Third, continued oversupply of oil and disagreement in OPEC triggered a more than 30% decline in oil prices.

Despite the challenging market conditions, Lundbeckfond Invest generated a return of DKK 950 million in 2015, compared to DKK 2,228 million in 2014. This translates into a return for 2015 of 7%, compared to 19% in 2014. This is a satisfactory result given the substantially increased volatility and decline in the financial markets in the second half of 2015.

The single largest contributor to the return in 2015 was currency exposure to the USD within equity, credit and fixed income. During the year, the exposure was reduced following the USD appreciation. The main contributor within asset classes were equities, particularly listed equities, but unlisted equities also made a sizeable contribution. This was strongly supported by an active use of options, predominantly with a view to manage risk. The investments in high yield credits denominated in EUR and USD also made a considerable contribution.

During the last couple of years, the value of funds under management in Lundbeckfond Invest has increased substantially. For this reason, the Foundation has modified its investment strategy, allowing us to also make larger investments in single companies should the opportunity arise. Executing on the revised strategy, a 10% equity position has been aquired in FLSmidth. FLSmidth is a well-managed company and a technology leader in a cyclical sector, which is projected to be temporarily oversupplied. Long term, however, the oversupply in commodities is expected to reach a normal level, which should result in attractive returns from this investment.

Lundbeckfond VENTURES

Lundbeckfonden's venture activities are managed by the unit, Lundbeckfond Ventures, which is set up as an international, evergreen venture fund. This allows for a long-term investment perspective and a flexible investment strategy.

Lundbeckfond Ventures invests in life science, focusing particularly on the development of new medicines. The programmes supported are innovative and patentable, delivering treatments that address unmet medical needs.

Following the strategic review in 2015, Lundbeckfond Ventures continues its investment strategy – developing businesses as an active investor and asserting the Foundation's presence among leading life-science investors. Lundbeckfond Ventures aims to have a balanced portfolio of 20-25 companies across Europe and North America, and an annual rate of three to five new investments along with a corresponding amount of exits.

In 2015, the venture investments in new and existing companies amounted to DKK 361 million. At the end of the year, combined exit proceeds and market value of Lundbeckfonden's share of the portfolio companies totalled DKK 2,410 million, in particular driven by the increase in the share price of Veloxis Pharmaceuticals and the appreciation of Acacia Pharma. Since setting up Lundbeckfond Ventures in 2010, Lundbeckfonden has invested DKK 1,427 million in 25 life science companies, most of them private. 2015 was an exciting year with regards to portfolio development: one company exited, three new companies were included (Biom'Up, Spero Therapeutics and Sanifit), and one company was liquidated.

Together, the three new companies and nine follow-up investments raised DKK 1.8 billion. At the end of 2015, Lundbeckfond Ventures had 19 active companies in the portfolio, the same as in 2014. Out of the 19 companies, eight companies (42%) are based in the US.

Beyond extensive financing activities, key developments in the Ventures portfolio during 2015 were:

Acacia Pharma: Reported success in a phase II trial with APD403 in Chemotherapy-induced Nausea and Vomiting. Started a 1200 patient phase III study with APD421 in Post-Operative Nausea and Vomiting.

AtoxBio: Initiated a phase III clinical trial of its orphan and fast-track designated AB103 for the treatment of necrotising soft tissue infections.

Bonesupport: Achieved a CE mark for its second biological bone cement loaded with an antibiotic – this time, Cerament™IV that elutes Vancomycin.

PsiOxus: Initiated a clinical combination study in the US, combining its oncolytic virus, Enadenotucirev with Keytruda from Merck.

River Vision: Completed enrolment in its phase II clinical study of RV001 (teprotumumab, a fully human IGF-1 receptor antagonist antibody) for the treatment of Graves' Orbitopathy.

scPharmaceuticals: Announced positive results from a pivotal trial of its novel subcutaneous furosemide formulation in patients with heart failure, and the start of a pivotal trial for subcutaneous delivery of the leading antibiotic ceftriaxone.

Veloxis Pharmaceuticals: Achieved regulatory approval in the US for Envarsus® XR and published clinical data demonstrating that Envarsus® XR has superior side effect and kinetic profile over its competitors. Envarsus® XR also achieved Orphan Drug Status. In December, a new, commercially experienced CEO (Craig Collard) joined the company, and Envarsus® XR was launched in the US.

Vtesse: Initiated a pivotal phase IIb/III clinical trial of VTS-270 for the treatment of Niemann-Pick Type C1 (NPC) Disease and was granted break-through designation from the FDA.

Ziarco Pharma: Completed recruitment in a phase IIa clinical trial of the H4 receptor antagonist, ZPL-389 in atopic dermatitis.

New investments in 2015

Biom'Up is based in Lyon, France and is developing devices based on biopolymers for use during surgery, including a new generation hemostatic product. The company is currently conducting a pilot trial in the US.

Sanifit is a Spanish company that develops treatments for calcification disorders such as end-stage renal disease (ESRD) and calciphylaxis. The lead product, SNF472 is currently in phase I clinical trials.

Spero Therapeutics is a Boston-based company that develops novel therapies for the treatment of highly resistant Gram-negative (and positive) bacterial infections.

Lundbeckfond EMERGE

Lundbeckfond Emerge is the early-stage investment unit of Lundbeckfonden. The focus is on investments in pioneering research with commercial potential, developing business by providing the capital, expertise and network a project needs to become a viable biotech business.

As part of the overall strategy process in 2015, a strategic review of the Foundation's early-stage investment activities and approach was conducted. It showed that the strong engagement in, and active ownership of the portfolio companies are of great value not only to the companies which the Foundation invests in, but also to the Foundation itself. Consequently, Lundbeckfonden decided to invest an additional DKK 300 million in Danish early-stage biotech companies over a period of four years (2016-2019). We will continue to apply the Foundation's active ownership approach to new investments in the future.

Portfolio activities in 2015

EpiTherapeutics: In May 2015, Lundbeckfond Emerge was proud to be part of the syndicate of investors that could announce the sale of EpiTherapeutics to Gilead Sciences for USD 65 million. EpiTherapeutics develops novel cancer drugs, based on world-class research into epigenetics conducted by Professor Kristian Helin and his group at the Biotech Research & Innovation Centre (BRIC), University of Copenhagen, Denmark. Through the successful sale of the company, the exciting programmes were transferred to the new owner, who will continue their development.

Insusense Therapeutics: In October 2015, Lundbeckfonden refinanced Insusense Therapeutics with EUR 2 million (approx. DKK 15 million), enabling the company to continue its work in translating the exciting scientific results on sortilin biology into new potential treatments for diabetes. The company is based on breakthrough research conducted by Professor Anders Nykjær and his team at the neuroscience research centre, MIND at Aarhus University, Denmark.

IO Biotech: In December 2015, Lundbeckfonden participated in a EUR 11 million financing of IO Biotech, a company based on research conducted by Professor Mads Hald Andersen and Professor Inge Marie Svane at the Centre for Cancer Immune Therapy, Herlev Hospital, Denmark. IO Biotech is a clinical-stage company that develops disruptive immune therapies targeting so-called checkpoints in cancer cells with vaccines, thereby allowing the body to better fight cancer.

GRANT ACTIVITIES

Once again in 2015, Lundbeckfonden was among the largest private donors of grants to Danish biomedical research, awarding a total of DKK 442 million to 433 grants. These funds support excellent and innovative researchers and research projects within biomedicine and health science, as well as science education and research communication activities. The total sum marked a slight decrease in funding compared to 2014, but the Foundation keeps to its earlier communicated goal of distributing approximately DKK 3 billion in research grants from 2015-2020.

By improving knowledge, it is the strategic goal of the Foundation to contribute to growth in Denmark. Indirectly by strengthening Danish research, directly by securing jobs for a large number of research staff, academic and technical, who work on projects funded by Lundbeckfonden. In 2015, the salaries of 551 full time researchers and other staff were covered by Lundbeckfonden grants.

Supporting innovative research

For several years, one of the main pillars of Lundbeckfonden's grant activities has been to support the careers of young and promising researchers. In 2015, the Foundation appointed six new Lundbeckfonden Fellows. They will each receive DKK 10 million over a five-year period, to establish and expand their own independent research group at a Danish institution. Since the fellowship programme was launched in 2007, 50 researchers have received this prestigious grant. In addition, 47 individual PhD scholarships and 58 postdoc scholarships were allocated for research projects conducted in Denmark and abroad in 2015.

2015 also marked the launch of Lundbeckfonden Clinical Research Fellowship Program (LFCRF). The programme, which is set up as a partnership between Lundbeckfonden and Innovation Centre Denmark in Silicon Valley, brings Danish medical students to San Francisco for a period of ten months. During this period, the students go through formalised clinical research training, closely mentored by two internationally recognized clinical researchers. This takes place at either University of California San Francisco (UCSF) or Stanford University – in collaboration with a Danish medical school. This year, five students were selected for the LFCRF programme following a thorough board review of applicants. The students started their fellowship year in San Francisco in early September 2015.

Unlike previous years, the Foundation chose not to support any major strategic projects. Instead, it published a call for larger biomedical projects of an innovative, ground-breaking and international standard, awarding grants of up to DKK 10 million for each. 12 projects covering various areas within biomedicine received DKK 111 million in funding.

Awarding exceptional talent

Promoting science communication and honouring researchers, students and teachers continues to be a strong priority for the Foundation. Professor Robert Fenton, Aarhus University received the Research Prize for Young Scientists, and four young promising researchers received the Foundation's talent prizes. The Board of Trustees renewed the grant for "The Best Teacher Award" – in collaboration with the Danish newspaper, Politiken – for an additional three years and also reaffirmed the Foundation's commitment to support the science communication competition, "PhD Cup".

A revised grant strategy

As part of the Foundation's strategy process in 2015, Lundbeckfonden adopted a revised grant strategy, which supports the vision of creating better lives through new knowledge.

The revised strategy supports the Foundation's commitment to increase the quality and the usability of the cumulative, research-based knowledge and experience in the field of biomedical sciences in Denmark, with a specific focus on brain health.

As per 2015, Lundbeckfonden's grant activities will be divided into four grant categories:

1. Larger theme-based grants that strengthen specified areas of research
2. Research career grants that promote the careers of researchers at all career levels
3. Honorary awards that honour young as well as more senior researchers for outstanding achievements
4. Science education and communication grants that seek to inspire teachers and pupils within the fields of natural science and science communication

THE BRAIN PRIZE

The Brain Prize is deeply rooted in the Foundation's efforts to improve knowledge. As part of Lundbeckfonden's strategy process in 2015, it was decided to further engage scientists and a broader audience by enhancing international outreach activities, including a PR- and branding scheme. The aim is to position The Brain Prize as the most well-known and prestigious international neuroscience prize in the world.

2015 marked the fifth anniversary of The Brain Prize. This year, the research prize of € 1 million was shared equally between four scientists: Winfried Denk, Arthur Konnerth, Karel Svoboda and David Tank. The prize was awarded to this team of scientists for their invention, development and application of the two-photon microscope. The instrument enables precise examination of the function of individual brain cells and how the brain cells communicate in networks.

The prize was awarded on 7 May 2015 at a ceremony attended by His Royal Highness Crown Prince Frederik, who presented the prize to the four winners.

The Brain Prize Meeting 2015 was held on 2-3 November with the participation of the four prize winners and a number of neuroscientists from Denmark and abroad. This year's two Brain Conferences, held in collaboration with the Federation of European Neuroscience Societies (FENS), were both well attended and successful. They took place in April and October, respectively.

To gear The Brain Prize for the future and expand outreach activities, Lundbeckfonden's Board of Trustees and the Board of Trustees of Grete Lundbeck European Brain Research Foundation decided to transfer all activities associated with the Prize and its staff to Lundbeckfonden. As of 1 May 2016, the Brain Prize activities will become an integral part of Lundbeckfonden's total contribution to Danish brain research, allowing Lundbeckfonden to make better use of the skills and expertise generated by the Brain Prize organisation.

No further funds will be injected into the Grete Lundbeck European Brain Research Foundation. Pending the consent of the Danish Department of Civil Affairs, all activities of this Foundation will be discontinued after the award of the Brain Prize 2016 and transferred to Lundbeckfonden.

RISK MANAGEMENT, CORPORATE GOVERNANCE, AND CSR

Risk management

Lundbeckfonden wishes to ensure a reasonable balance between value creation and risk exposure. The goal is to achieve long-term, stable returns at a moderate risk.

Risk assessment is an important part of Lundbeckfonden's business procedures, allowing us to respond appropriately to changing circumstances. A risk analysis for the Lundbeckfonden Group is prepared annually and reported to the Foundation's Board of Trustees.

The most important risks relate to the business risks of the subsidiaries and investments. However, for an industrial foundation, reputation is also an important part of risk management. For this reason, we focus on good governance and set high standards for the Foundation's way of doing business.

Risks related to the subsidiaries
Risks include business and financial risks associated with the operations and performance of the three subsidiaries, Lundbeck, ALK, and Falck. Such risks are most effectively managed decentrally. Consequently, the management of the individual subsidiaries defines their own risk management policies and procedures.

As owner and member of the Board of Directors of each subsidiary, business performance in the subsidiaries is closely monitored, and reports on business and risk-related issues are provided on a monthly basis to the Foundation's Board of Trustees.

Risks related to portfolio investments
The Board defines the Foundation's investment policy. The Foundation manages the market, credit and currency risks related to the portfolio investments by limiting maximum exposure to individual asset classes and underlying assets. To manage interest rate risk, limits for the duration of bond investments are defined. Derivative financial instruments such as swaps, options and forward contracts are used for risk management purposes. The investment policy governs the use of such instruments with regard to maturity, quantity and counter-party requirements as well as the venture investments.

Weekly portfolio performance reports are prepared for the CEO, and monthly detailed reporting is prepared for the Foundation's Board of Trustees.

Corporate governance

Lundbeckfonden wishes to run a transparent operation. This is reflected in the governance structure and approach to investments and grants.

Industrial foundations play an important role in Danish society. With ownership of some of the largest Danish corporations and substantial contributions to Danish research, industrial foundations have considerable influence on the social and economic development in Denmark. Such influence comes with a high level of responsibility.

Lundbeckfonden is committed to ensure transparent operations and conduct its business with integrity. That is why Lundbeckfonden sets high standards for good governance and follow all recommendations issued by the Committee on Foundation Governance, except for the recommended election period of board members where the Foundation has chosen a shorter election period. For a full overview of the way the Foundation complies with the recommendations, please go to pages 12-15.

The Board of Trustees

Tasks and responsibilities
Lundbeckfonden is managed by a Board of Trustees. The Board's primary responsibilities are to:

- define the Foundation's strategy;
- make all decisions of major significance or of an exceptional nature;
- make final decisions on the allocation of grants, based on recommendations from the committees;
- supervise the organisation to make sure the Foundation is managed appropriately, in accordance with applicable law and the Foundation's statutes; and
- appoint the Foundation's CEO.

The Board meets a minimum of four times a year for board meetings and holds an annual seminar to review, discuss and refine the Foundation's strategy.
The Board has set up research and investment committees, which meet regularly to analyse and discuss grant and investment issues in greater detail.

Active involvement in subsidiaries
As majority shareholder, Lundbeckfonden is actively involved in all its subsidiaries. The Foundation monitors their performance closely and seeks to act as a value-creating partner for their executive management and boards. The Foundation exerts its influence through board selection and representation on the companies' boards and at their General Meetings. The CEO of Lundbeckfonden sits on the subsidiaries' Board of Directors in the role of Vice Chairman, as one of the Foundation's two representatives.

Whistleblowing
The whistleblowing scheme provides the employees of the Foundation, employees in the subsidiaries and people related to the Foundation with the opportunity to confidentially report wrongdoing. The whistleblowing reporting function is accessed via the Foundation's website.

Code of conduct for grants

Lundbeckfonden has a code of conduct in place regarding grants, and rules governing the access of board members, employees and third parties to Foundation grants. Members of the Board of Trustees may not receive grants from the Foundation.

The full version of the Foundation's Code of Conduct is available on www.lundbeckfonden.com.

Grant governance

The basic criteria for the allocation of research funds are that the scientific content of the application, the qualifications of the applicant, and the academic environment at the host institution are of a high international standard. Moreover, the proposed research should create, inspire and spread new knowledge.

Lundbeckfonden seeks to ensure consistent and equal assessment of all applications. Consequently, it aims to have all applications peer reviewed by a group of experts, of which the majority are independent of the Foundation. For the assessment of regular project applications, two permanent evaluation committees with a majority of external and international experts have been set up. For the assessment of larger personal and strategic applications, ad hoc evaluation panels with international experts are established. The members of both types of panels must all adhere to the Foundation's rules on members' disqualification.

All expert assessments lead to a recommendation to the Board of Trustees that makes the final allocation of grants in accordance with statutory requirements. Assessment procedures for applications and recommendations are adjusted on an ongoing basis to accommodate the developments and implementation of new initiatives.

Code of Conduct for Good Research Practice

In 2014, the Board of Trustees adopted Lundbeckfonden's Code of Conduct for Good Research Practice. This document supports basic principles of good research, i.e. honesty, transparency and accountability. All grant holders must sign this document before any research funds can be disbursed. By doing so, they declare that they will comply with these codes at all times. Lundbeckfonden's Code of Conduct for Good Research Practice complies with the new national Code of Conduct for Research Integrity of 2014, issued by the Danish Ministry of Higher Education and Science.

CSR

CSR in Lundbeckfonden is guided by a our clear commitment to making a positive impact on the societies the Foundation operates in.

As an international player with various grant and investment activities, Lundbeckfonden has significant societal influence. It acknowledges the responsibilities that follow from this and strives to be recognised as a trustworthy group setting high standards for transparency, commitment and integrity.

The Foundation is committed to the UN Global Compact, whose 10 principles set out the general framework for Lundbeckfonden's approach to corporate social responsibility. Lundbeckfonden opposes any form of corruption, including extortion and bribery. Furthermore, it follows the UN guidelines laid down for labour and environmental principles, human rights and sustainable development. The specific CSR policies and codes of conduct for the subsidiaries are laid down by their respective Boards of Directors, in which the Foundation is represented. The representatives of the Foundation make sure that policies for CSR, including human rights, climate changes and environmental impact, are enforced. Values and policies are adapted to meet the circumstances in which each of the subsidiaries operates.

For more information about Lundbeck, ALK and Falck's approach to CSR, please consult their websites or annual reports.

The Foundation's approach to CSR is also reflected in tax policy, approach to allocation of grants, commercial investments, and the support of gender equality and diversity in the workplace.

Transparency on tax

Lundbeckfonden is a responsible tax payer working to minimize tax risks and to be transparent in the policy on tax. The tax policy is based on four basic principles:

- Lundbeckfonden always complies with tax legislation.
- Lundbeckfonden places activities in a way that allows us to compete on equal terms within the industry.
- Lundbeckfonden always pursues activities for commercial reasons – and not to gain tax benefits.
- Lundbeckfonden can account for all its decisions and transactions on tax.

The tax policy is available in full text on www.lundbeckfonden.com.

Taxes are handled in accordance with applicable law and reported in our annual report in accordance with applicable accounting reporting standards.

Support to independent research

Lundbeckfonden allocates substantial funds to independent research for the benefit of society and to help improve human health. In 2015, the Foundation awarded grants worth DKK 442 million. All grant receivers must sign Lundbeckfonden's Code of Conduct for Good Research Practice, which supports basic principles of good research, i.e. honesty, transparency and accountability. To make sure grant receivers comply with the conditions specified for the individual grants, the Foundation reviews their status reports and holds status meetings with all significant grant receivers.

Portfolio investments

Lundbeckfonden's investment policy states that the Foundation is not allowed to make investments in enterprises presumed to act unethically. Nor is it allowed to invest in companies presumed to violate any of the 10 principles set out in the UN Global Compact.

The Foundation regularly reviews the investment portfolios to make sure that major investments comply with the policy. The reviews conducted in 2015 revealed no instances of unethical conduct or violation among the Foundation's investments.

Gender equality and diversity

Lundbeckfonden supports gender equality and diversity. Lundbeckfonden's Board of Trustees counts two women and five men (not including employee representatives). This constitutes gender balance in accordance with the guidelines*.

At management level, the Foundation aims to have a mix of men and women that reflects the gender distribution in the rest of the organisation. Among the senior management team, four out of seven are women.

*Guidance on gender equality issued by the Danish Business Authority in March 2016 ("Vejledning om måltal og politikker for den kønsmæssige sammensætning af ledelsen og afrapportering herom)

Statutory report on foundation governance, cf. section 77a of the Financial Statements Act

Note:
The report is an integrated part of the management commentary in the annual report of the foundation for the following accounting period:
1 January 2015 – 31 December 2015

Recommendations	Lundbeckfonden
1.1. **IT IS RECOMMENDED** that the board of directors adopt guidelines for external communication, including who can make public statements on behalf of the foundation and on what matters. The guidelines should address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	**We comply** The Board has defined an external communication policy, which sets out who can make public statements on behalf of Lundbeckfonden and on what matters. The CEO defines the general framework and goals for communication and makes statements on behalf of the Foundation. This responsibility can be delegated to the Director of Communications or relevant members of the management team. All press enquiries to the Board are referred to the Chairman, who speaks on behalf of the Board.
2.1.1 **IT IS RECOMMENDED** that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, at least once a year the board of directors take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.	**We comply** At the annual strategy seminar, the Board takes a position on the overall strategy and distribution policy of Lundbeckfonden.
2.2.1 **IT IS RECOMMENDED** that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively.	**We comply** The Chairman plans all board meetings in close collaboration with the CEO. It is the Chairman's responsibility to convene, organise and chair board meetings.
2.2.2 **IT IS RECOMMENDED** that if, in addition to the position as chairman, in exceptional circumstances, the chairman of the board of directors is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the board of directors retains its independent, overall management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.	**We comply** The Chairman is responsible for organising Lundbeckfonden's board work. If, in exceptional circumstances, the Chairman is requested to perform specific operating functions, the Board expects this to take place as a result of a board decision, which specifically ensures an appropriate allocation of responsibilities between the Chairman and the other members of the Board and management.
2.3.1 **IT IS RECOMMENDED** that the board of directors regularly assess and stipulate the competences that the board of directors is to possess in order to perform the tasks incumbent upon the board of directors as well as possible.	**We comply** The Board regularly assesses and stipulates which competencies that the board of directors needs to possess to perform the tasks that the Board carries out.
2.3.2 **IT IS RECOMMENDED** that, with due respect of any right in the articles of association to make appointments, the board of directors ensures a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.	**We comply** The Board is a self-perpetuating entity that selects and supplements members in accordance with the articles of association. It is typically the Chairman and Vice Chairman who nominate new members to the Board. In circumstances where specific research competencies are required, nomination takes place in collaboration with the Chairman of the Foundation's research committee. External advisors are usually called in to assist with the selection process.

Recommendations	Lundbeckfonden
2.3.3 IT IS RECOMMENDED that members of the board of directors are appointed on the basis of their personal qualities and competences taking into account the collective competences of the board and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity is considered in relation to commercial and grants experience, age and gender.	**We comply** The Board is composed in such a way that the combined knowledge and experience etc. of its members ensure the fulfilment of Lundbeckfonden's objectives, as specified in the statutes.
2.3.4 IT IS RECOMMENDED that in the management review in the annual report and on the commercial foundation's website, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member: • the name and position of the member, • the age and gender of the member, • date of original appointment to the board whether the member has been re-elected, and expiry of the current election period, • any special competences possessed by the member, • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organisation tasks, • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent.	**We comply** An overview of the composition of the Board is presented in the Annual Report 2015 and on Lundbeckfonden's website. No authority or similar body have the power to appoint members to the Board.
2.3.5 IT IS RECOMMENDED that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully owned actual holding company.	**We comply** The majority of the members of Lundbeckfonden's Board are not also members of the boards of the subsidiaries, and the Chairman – in our listed subsidiaries – is independent. The Foundation's board is not represented in the subsidiaries' executive management. The Board is represented by two members in the boards of our subsidiaries. One of them is our CEO, who serves as Vice Chairman on these boards. Our Chairman is not a member of the boards of our subsidiaries.
2.4.1 IT IS RECOMMENDED that an appropriate proportion of the board of directors be independent. If the board of directors (excluding employee representatives) is composed of up to four members, at least one member should be independent. If the board of directors is composed of between five and eight members, at least two members should be independent. If the board of directors is composed of nine to eleven members, at least three members should be independent, and so on. To be considered independent, this person may not:	**We comply** The Board consists of 10 members, of which seven are elected according to the statues and three are employee-elected representatives appointed by Group employees. Six out of the seven statute-elected board members are independent – as the Chairman of the Grete Lundbeck European Brain Research Foundation is a member of Lundbeckfonden's Board and thus not considered independent.

Recommendations	Lundbeckfonden
• be or within the past three years have been member of the executive board, or senior employee in the foundation, or a subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation, • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation, • be or within the past three years have been employed or partner at the external auditor, • have been a member of the board of directors or executive board of the foundation for more than 12 years, • have close relatives with persons who are not considered as independent, • is the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or • a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years have received significant donations from the foundation.	
2.5.1 **IT IS RECOMMENDED** that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.	**We explain** Lundbeckfonden has chosen a shorter election period. According to the statues, a board member is elected for one year at a time – adopting best practice from listed companies. This allows for regular evaluation of a member's performance. No member who has been a member of the Board for more than 12 years can be re-elected. The Board may deviate from this rule if the Board's competence profile dictates it. The decision to do so is always made by the Board.
2.5.2 **IT IS RECOMMENDED** that an age limit for members of the board of directors be set, which is published in the management review or on the foundation's website.	**We comply** Members of the Board who have turned 75 years of age cannot be elected or re-elected to the Board. The Board may deviate from this rule if the Board's competence profile dictates it. The decision to do so is always made by the Board.
2.6.1 **IT IS RECOMMENDED** that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually and the result is discussed by the board of directors.	**We comply** The Board performs an annual self-assessment facilitated by a third party.
2.6.2 **IT IS RECOMMENDED** that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.	**We comply** The work and performance of the management team is assessed as part of the annual self-assessment of the Board.

Recommendations	Lundbeckfonden
3.1. IT IS RECOMMENDED that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of a possible executive board be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.	**We comply** Members of the Board and management are remunerated by a fixed fee. This fee does not depend on the financial results of the subsidiaries nor on our other investment activities. Members of our research and investment committees – as well as the board members in the subsidiaries – receive an additional fee in proportion to their workload.
3.2 IT IS RECOMMENDED that the annual financial statements provide information about the full remuneration received by each member of the board of directors and executive board (if relevant) from the commercial foundation and from other enterprises in the group. Furthermore there should be information on any other remuneration which members of the board of directors, except for employee representatives, have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation.	**We comply** Information on the total sum paid in remuneration to members of the Board and the CEO is specified in Lundbeckfonden's Annual Report 2015.

Grant policy of Lundbeckfonden, cf. section 77b of the Financial Statements Act

Referring to the statutes of Lundbeckfonden, the Foundation has two primary objectives:
a) to secure and extend the activities of the LUNDBECK GROUP
b) to make donations for the objectives mentioned in section 6 of the statutes

Adhering to the recommendations by the committee for industrial foundations, the grant objectives of the foundation are divided into the following categories:

- Social causes
- Research
- Cultural purposes
- Relatives of the Founder
- Employees of the Lundbeck Group
- Subsidiaries

The grant objectives listed under section 6 in the statutes are categorized as follows:

Lundbeckfonden's statutes	Grant objective
Section 6a (Relatives of the Founder).	The Foundation may make donations to descendants of the parents of the Founder and her spouse.
Section 6b (Employees of the Lundbeck Group).	The Foundation may grant support to and otherwise make distributions for the benefit of present and previous employees of the LUNDBECK GROUP, for instance for education, holidays and for holiday purposes. In so far as there is no need, in the given case, to make distributions at any other time of the year, such distributions shall only be made once a year at the birthday on 20 July of the deceased Hans Lundbeck, manufacturer.
Section 6c (Research).	The Foundation may grant honorary awards to physicians, scientists and others.
Section 6d (Research).	The Foundation may grant support for scientific purposes, primarily for specific projects.
Section 6e (Subsidiaries).	The Foundation may support special research projects within the LUNDBECK GROUP.
Section 6f (Research).	The Foundation may grant support for hospitals and for the combating of diseases.
Section 6g (Research).	The Foundation may support education in the widest sense of the word, possibly by way of interest-free loans.
Section 6h (Research).	The Foundation may make donations for nurses.
Section 6i (Social causes).	The Foundation may distribute up to 3% of the profit for the year before tax less retained earnings in subsidiaries and associates, including LFI A/S, for the support of old and/or sick people as well as those in need.
Section 6j (All categories).	The Foundation may support other purposes as decided by the Board of Trustees. However, support for such purposes may in a calendar year only account for 25% of the total distributions of the year.

The Board of Trustees has the overall responsibility for the allocation of all grants. The Board has decided that the previously mentioned objectives should be met through support for research within biomedicine*. Grants for the support of research are primarily awarded through calls for applications in open competition. Grants can also be awarded without calls for applications.

The Foundations has four overall grant categories:
- Strategic/theme-based research grants within biomedicine
- Personal research grants within health and biomedicine
- Honorary awards for excellent researchers
- Grants for science communication and science teaching

Committees
To facilitate the grant activities within the previously mentioned areas, the Foundation has established the following committees, which serve as advisory bodies and give recommendations for decisions to the Board of Trustees.

Research Committee (Biomedicine)
The Board has appointed a research committee comprised of the members of the Board with research expertise elected in accordance with the statutes. The CEO and the Director of Research, who are not members of the research committee, assist the committee. The research committee is tasked with the following:
- To council and give recommendations for decisions to the Board regarding applications and strategic science policy issues
- To review applications within health and biomedicine, possibly assisted by external experts
- To supervise and contribute to the development of the Foundation's grant strategy

Science Teaching and Communication Committee
The Foundation has an internal committee for reviewing applications within science teaching and communication. The committee is comprised of the CEO, the Director of Research, the Director of Communications, and may be assisted by external experts. The committee acts as an advisory body and gives recommendations for decisions regarding applications within science teaching and communication to the Board of Trustees.

Goals
The goal for the grant activities is to fulfil the Foundation's grant strategy entrenched in the statutes' section 6. The grant strategy is an integrated part of this grant policy.

*In Danish, biomedicin og sundhedsvidenskab.

Distribution of competencies
The Director of Research is responsible for managing day-to-day operations in the grant department, both in terms of implementation of the grant strategy and staff responsibility.

FINANCIAL STATEMENTS LUNDBECKFONDEN GROUP

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INCOME STATEMENT FOR THE PERIOD 1 JANUARY – 31 DECEMBER

	Note	2015 DKKm	2014 DKKm
Revenue	2	32,453	29,904
Cost of sales	3, 4	-18,119	-15,434
Gross profit		14,334	14,470
Research and development costs	3, 4	-3,573	-3,313
Sales and distribution costs	3, 4	-8,305	-6,787
Administrative expenses	3, 4, 5	-3,121	-2,945
Operating profit before special items		-665	1,425
Special items	6	-6,225	-533
Operating profit		-6,890	892
Financial items, Lundbeckfond Invest, net	7	950	2,228
Financial items, Lundbeckfond Ventures and Emerge, net	7	491	373
Financial items, subsidiaries, net	7	-308	-392
Income from investments in associates	13	-1	-7
Profit before tax		-5,758	3,094
Tax on profit for the year	8	992	-441
Profit for the year		-4,766	2,653
Profit attributable to:			
Lundbeckfonden		-3,006	2,494
Non-controlling interests	20	-1,760	159
		-4,766	2,653
Grants authorised, including Lundbeckfond Emerge activities, gross	9	442	474

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER

	Note	2015 DKKm	2014 DKKm
Profit for the year		-4,766	2,653
Actuarial gains/losses	21	13	-78
Tax	8	-2	22
Items that will not subsequently be reclassified to the income statement		11	-56
Currency translation, foreign subsidiaries		238	418
Currency translation concerning additions to net investments in foreign subsidiaries		555	664
Adjustment, deferred exchange gains/losses, hedging		-93	-102
Exchange gains/losses, hedging (transferred to the hedged items)		80	85
Exchange gains/losses, trading (transferred from hedging)		5	-13
Value adjustment of interest hedging instruments		-3	-50
Value adjustment of currency hedging instruments		-1	-
Fair value adjustment of available-for-sale financial assets	19	79	-48
Adjustment for hyperinflation		-11	18
Tax on other comprehensive income	8	-161	-155
Items that may subsequently be reclassified to the income statement		688	817
Other comprehensive income for the year, net of tax		699	761
Total comprehensive income for the year		-4,067	3,414
Attributable to:			
Lundbeckfonden		-2,501	3,023
Non-controlling interests	20	-1,566	391
Total comprehensive income for the year		-4,067	3,414

Currency translation of foreign subsidiaries and currency translation concerning additions to net investments in foreign subsidiaries and tax related to these items amounted to a net gain of DKK 625 million (net gain of DKK 927 million in 2014), and is recognised in the currency translation reserve in equity. Other items and tax related to such items are recognised in reserve for hedging transactions and reserve for fair value adjustments of available-for-sale financial assets, respectively, at a net loss DKK 16 million (net loss of DKK 62 million in 2014) and a net gain DKK 79 million (net loss DKK 48 million in 2014) and recognised under retained earnings in equity in the amount of DKK -92 million (DKK 252 million in 2014).

BALANCE SHEET AT 31 DECEMBER, ASSETS

	Note	2015 DKKm	2014 DKKm
Goodwill		11,313	11,384
Product rights		5,134	8,335
Contractual customer relationships etc.		1,655	1,951
Other intangible assets		921	840
Intangible assets	10	19,023	22,510
Property, plant and equipment	11	6,125	6,344
Financial assets – Lundbeckfond Invest	12	13,673	13,245
Financial assets – Lundbeckfond Ventures and Emerge	12	2,173	1,452
Investments in associates	13	52	78
Receivables from associates	12	21	72
Deferred tax	14	1,641	983
Other financial assets	12	195	182
Financial assets		17,755	16,012
Non-current assets		**42,903**	**44,866**
Inventories	15	2,845	2,485
Trade receivables and other receivables	16	6,901	6,265
Income tax		210	190
Receivables		7,111	6,455
Securities – Lundbeckfond Invest		34	251
Securities – subsidiaries		564	320
Securities	17	598	571
Cash – Lundbeckfond Invest		345	458
Cash – subsidiaries		2,324	4,753
Cash	17	2,669	5,211
Current assets		**13,223**	**14,722**
Assets		**56,126**	**59,588**

BALANCE SHEET AT 31 DECEMBER, EQUITY AND LIABILITIES

	Note	2015 DKKm	2014 DKKm
Capital base	18	2,888	2,728
Other reserves	19	1,627	939
Retained earnings		21,100	24,687
Lundbeckfonden's share of equity		**25,615**	**28,354**
Non-controlling interests' share of equity	20	3,249	4,669
Total equity		28,864	33,023
Payable grants		333	375
Provisions	21	1,800	1,714
Deferred tax	14	711	1,779
Payables to financial institutions – subsidiaries	22	10,339	9,572
Other payables		31	28
Non-current liabilities		13,214	13,468
Payable grants		586	582
Provisions	21	1,214	623
Payables to associates		15	15
Income tax		180	97
Payables to financial institutions – subsidiaries	22	1,023	870
Repo debt – Lundbeckfond Invest	22	367	205
Other payables	23	10,663	10,705
Current liabilities		14,048	13,097
Liabilities		**27,262**	**26,565**
Equity and liabilities		**56,126**	**59,588**

CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY – 31 DECEMBER

	Note	2015 DKKm	2014 DKKm
Operating profit before special items		-665	1,425
Special items		-6,225	-533
Adjustment for non-cash operating items etc.	24	9,812	2,595
Working capital changes	25	-887	382
Cash flows from operating activities before financial receipts and payments and tax		**2,035**	**3,869**
Financial receipts		639	441
Dividend received		-	125
Financial payments		-615	-486
Income tax paid		-740	-764
Cash flows from operating activities		**1,319**	**3,185**
Acquisition of companies	26	-278	-3,534
Divestment of subsidiaries, non-controlling interests and operations		-	-7
Investments in intangible assets		-2,919	-1,476
Investments in property, plant and equipment		-1,052	-882
Disposal of intangible assets and property, plant and equipment		296	108
Investments in other financial assets at fair value through profit or loss		-1,940	-6,532
Sale of other financial assets at fair value through profit or loss		1,723	7,396
Change in other financial assets		-1	-12
Cash flows from investing activities		**-4,171**	**-4,939**
Loan proceeds		1,575	1,595
Repayment of loans		-713	-933
Change in other financial liabilities		-	-2
Buyback of shares from non-controlling interests		-22	-70
Capital injections from non-controlling interests		170	1,039
Settlement of exercised share options		-41	-73
Employee bonds		-8	-18
Dividend paid to non-controlling interests	20	-155	-256
Authorised grants paid	9	-444	-459
Cash flows from financing and grant activities		**362**	**823**
Change in cash		-2,490	-931
Cash at 1 January		5,211	6,098
Unrealised exchange adjustments for the year		-52	44
Cash at 31 December	17	**2,669**	**5,211**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER

	Capital base DKKm	Other reserves DKKm	Retained earnings DKKm	Lundbeck-fonden's share of equity DKKm	Non-controlling interests' share of equity DKKm	Total equity DKKm
Equity at 1 January 2015	2,728	939	24,687	28,354	4,669	33,023
Profit for the year			-3,006	-3,006	-1,760	-4,766
Other comprehensive income		688	-183	505	194	699
Comprehensive income	-	688	-3,189	-2,501	-1,566	-4,067
Grants authorised during the year, net		-406		-406		-406
Transferred to provision for future grants		406	-406	-		-
Non-controlling interests' share of dividends				-	-155	-155
Buyback of shares from non-controlling interests			-15	-15	-7	-22
Change in non-controlling interests			-24	-24	145	121
Adjustment of provision for acquisition of non-controlling interests			162	162	120	282
Incentive programmes			57	57	61	118
Settlement of share options			-17	-17	-25	-42
Tax related to items recognised directly on equity			5	5	7	12
Other transactions	-	-	-238	-238	146	-92
Increase of capital base	160	-	-160	-	-	-
Equity at 31 December 2015	2,888	1,627	21,100	25,615	3,249	28,864
Equity at 1 January 2014	2,523	-626	23,540	25,437	3,920	29,357
Profit for the year			2,494	2,494	159	2,653
Other comprehensive income		815	-286	529	232	761
Comprehensive income	-	815	2,208	3,023	391	3,414
Grants authorised during the year, net			-444	-444		-444
Transferred to provision for future grants		750	-750	-		-
Non-controlling interests' share of dividends				-	-206	-206
Buyback of shares from non-controlling interests			-49	-49	-21	-70
Change in non-controlling interests			426	426	634	1,060
Adjustment of provision for acquisition of non-controlling interests			-51	-51	-38	-89
Incentive programmes			34	34	19	53
Settlement of share options			-31	-31	-42	-73
Tax related to items recognised directly on equity			9	9	12	21
Other transactions	-	750	-856	-106	358	252
Increase of capital base	205	-	-205	-	-	-
Equity at 31 December 2014	2,728	939	24,687	28,354	4,669	33,023

NOTE 1

1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and Danish disclosure requirements for annual reports for large enterprises ("regnskabsklasse C stor") including the Danish Statutory Order on Adoption of IFRS.

The consolidated financial statements are presented in Danish kroner (DKK), which also is the functional currency of Lundbeckfonden (the parent entity).

The consolidated financial statements are presented on a historical cost basis, except that derivative financial instruments and financial instruments are measured at fair value.

The consolidated financial statements have been prepared in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply for the financial year. The implementation of the new and revised standards has not resulted in any changes in accounting policies that have affected recognition and measurement in the current year and previous years.

Future IFRS changes

At the date of the publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been endorsed by the EU. Consequently, they are not incorporated in the consolidated financial statements.

IASB has issued IFRS 9 Financial Instruments, which awaits EU endorsement. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 9 Financial Instruments is part of IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement, and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. The new standard will also impact the recognition of expected losses regarding receivables. The Group is assessing the impact of the standard and it is not possible to give a reasonable estimate of the effect before a detailed assessment has been made.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard has not yet been endorsed by the EU. Entities will apply a five-step model to determine when, how and at what amount revenue is to be recognised depending on whether certain criteria are met. Before implementation of the standard, the Group will assess how that standard will impact current and new agreements. The new standard may have an effect on the timing of recognising revenue from collaborations and licensing agreements. It is, however, not possible to give a reasonable estimate of the effect before a detailed assessment has been made. In addition, the implementation will result in additional disclosures.

IFRS 16 Leases was issued in January 2016. The standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 Leases currently in force. The standard has not yet been endorsed by the EU. The new standard is expected to have an impact on the Group as a lessee, as all leases (except for short-term leases and leases of low-value assets) shall be recognised in the balance sheet as a right-of-use asset and a lease liability calculated in a similar way to finance leases under IAS 17 Leases. Consequently, the change will also impact the presentation of the income statement and cash flow statement. As the standard has only recently been issued, the Group has not yet assessed the impact on future financial statements. It is thus not possible to give an estimate of the effect of the implementation of the standard.

Significant accounting policies

The preparation of the consolidated financial statements of Lundbeckfonden involves the use of the following significant accounting policies.

License income and income from research collaborations
License income and royalties from outlicensed products and non-refundable downpayments and milestone payments including service income from such agreements relating to research collaborations is recognised in the income statement under revenue when the following criteria have been met:

- The payment relates to research results already obtained.
- The buyer has gained access to and possession of the research results.
- The most significant risks and benefits associated with the asset sold are transferred to the buyer.
- The Group does not retain management control of the asset sold.
- Revenue from the individual payments in an overall agreement can be clearly separated and calculated reliably at fair value.
- It is probable that the Group will receive payment for the asset sold.
- There are no further delivery obligations for the Group concerning the asset sold.

Research and development costs
Research and development costs totalled DKK 3,573 million in 2015 (DKK 3,313 million in 2014). Research costs are recognised in the income statements as they are incurred. Development costs are recognised in the income statement as they are incurred unless the criteria for capitalisation are deemed to have been met and it is found to be probable that future earnings will cover the development costs. Due to a very long development period and significant uncertainty in relation to the development of new products, in the opinion of the Group, development costs should not normally be capitalised.

Significant accounting estimates and judgements

In the presentation of the consolidated financial statements in accordance with IFRS and generally accepted accounting principles, it is necessary for Management to make certain estimates and assumptions as not all accounting items and accruals can be calculated with certainty.

Management's estimates are based on historical data, recent information available at the time of presentation of the financial statements and other assumptions considered reasonable under the given circumstances. The actual outcome may differ from these estimates. Management of Lundbeckfonden, Lundbeck Group, Falck Group and ALK Group, respectively makes the estimates.

Application of materiality and relevance
In the preparation of the consolidated financial statements, Lundbeckfonden aims to focus on information, which is considered to be material and thus relevant to the users of the consolidated financial statements. This applies both to the accounting policies and to the information given in the notes in general.

NOTE 1

Based upon events, which have taken place during the year and the financial position at year-end, Management has assessed which information is material for the users. For this purpose, Lundbeckfonden operates with internal guidelines for the application of materiality and relevance, which have been agreed with the external auditors.

When assessing materiality and relevance, due consideration is given to ensure adherence to the International Financial Reporting Standards as endorsed by the EU and to Danish disclosure requirements and to ensuring that the consolidated financial statements give a true and fair view of the Group's financial position at the balance sheet date and the operations and cash flows for the financial year.

Management believes that the following accounting estimates and judgements are significant to the financial statements.

Provision for restructuring
In 2015, Lundbeck initiated a restructuring programme in order to significantly improve profitability and the company's value creation. The restructuring programme has affected approximately 1,000 employees and a provision for severance payments of DKK 1,0 billion has been recognised. As a consequence of the dismissal of employees, an additional provision of DKK 0,1 billion has been made to cover onerous contracts relating to vacation of premises and termination of leasing contracts.

The calculation of the provision is based on a detailed analysis of the terms of termination and estimated termination costs per employee in headquarters and the individual subsidiaries affected by the restructuring plan.

Valuation of intangible assets
Goodwill, product rights and contractual customer relationships etc. represent a significant part of the Group's total assets, amounting to DKK 18,102 million in 2015 (DKK 21,670 million in 2014).The majority of the value of these items arose through the acquisition of businesses or the acquisition of rights. On acquisition, the individual assets and liabilities are re-assessed to ensure that both recognised and unrecognised values are measured at fair value. Especially for intangible assets for which there is often no active market, the calculation of fair value may involve uncertainty. Contractual customer relationships etc. identified at acquisition were primarily acquired with a view to further developing the acquired business areas and markets and establishing positions in new markets. As a result, a large part of the purchase prices has been allocated to goodwill.

Intangible assets with indefinite lives and intangible assets in progress are tested for impairment at least once a year or if there is evidence of impairment. The value in use of the assets is calculated by discounting the estimate made by Management over the expected cash flows during a budget period of a number of years and – if relevant - with due consideration to patent expiry. For the calculation of the value in use of the assets, the Group uses different discount rates and Management's expectations for growth and terminal value in the period over the budget period. These factors are crucial for the assessment of any impairment and thus for the final calculation of the fair value of intangible assets.

It is a precondition for the retention of the value of the Group's rights that such rights are respected. It is the Group's policy to defend these rights wherever they may be violated.

Impairment
Goodwill is written down through the income statement in those cases where the carrying amount exceeds the future net income expected from the cash-generating unit (CGU) to which the goodwill relates (recoverable amount). In the impairment test, the discounted expected future cash flows (value in use) for the CGU are compared to the carrying amounts of goodwill and other net assets.

The carrying amount of intangible assets and property, plant and equipment is analysed in connection with the preparation of the consolidated financial statements or if there are indications that the carrying amount of an asset may exceed the expectations of future income from the asset (recoverable amount). If this analysis concludes that the future expected net income from the asset will be lower than the carrying amount, the carrying amount will be reduced to the higher of fair value less cost to sell and value in use.

Impairment losses are recognised in the income statement under the same items as the associated depreciation or amortisation or as special items, if the definition is met.

Previously, all material milestone payments triggered by an event were treated as an addition of the purchase price for the products rights. They were therefore capitalised, and when the products are launched, amortised over the product's life cycle. Prior to receiving final market registration approval, there is significant uncertainty as to whether the product will be approved and launched, i.e. whether a product right exists at this stage. Consequently, Management of Lundbeck decided to adopt a more conservative approach when these milestone payments predominantly are triggered by or relate to research and development or pre-registration efforts. Based on the uncertainty impairment testing of these product rights has been performed. The impairment loss, mainly related to Rexulti®, amounts to DKK 5,0 billion. The impairment loss has been recognised in the income statement under special items.

As a consequence of the restructuring plan in Lundbeck, there was indication of impairment of Selincro® and other assets. These assets were tested separately from the CGU in accordance with IAS 36 Impairment of assets, and an impairment loss of DKK 0,7 billion was recognised in 2015.

As a consequence of the pressure on the oil price, there was indication of impairment of goodwill in Falck Safety Services. This CGU was tested, and an impairment loss of goodwill amounting to DKK 0,7 billion was recognised in 2015. The impairment loss has been recognised in the income statement under special items.

Financial assets
Financial assets include investments in listed and unlisted equity instruments and securities, including life science investments recognised at their fair value. Investments in unlisted equity instruments and securities amount to DKK 2,618 million in 2015 (DKK 1,719 million in 2014).

The assessment of fair value of these investments is subject to considerable uncertainty. This applies especially to life science investments because the value of these businesses is linked to the company's often long-term investment in the development of new pharmaceuticals and technologies.

Management estimates the fair value of unlisted investments in accordance with International Private Equity and Venture Capital Valuation Guidelines i.e.

NOTE 1

on the basis of relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment. The Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. An impairment loss is recorded if the Group assesses that lack of compliance with business plans affect the calculation of fair value or if subsequent capital injections are made at lower prices.

Acquisitions and purchase price allocation in business combinations
Acquisitions are evaluated in order to determine whether they constitute a business combination in accordance with IFRS 3 Business Combinations. The evaluation is based on the input, processes and output of the acquisition. In connection with allocation of purchase price in business combinations, calculations are made of fair value of acquired assets and liabilities. As this determination is based on expected future cash flows relating to the assets and liabilities acquired, there is an inherent uncertainty in respect of whether such cash flows will materialise as expected. In accordance with IFRS 3, the purchase price allocation in business combinations may be adjusted for up to 12 months from the date of acquisition.

Provisions for acquisition of non-controlling interests
Provision for acquisition of non-controlling interests amounts to DKK 937 million in 2015 (DKK 1,160 million in 2014). In the determination of the fair value of issued put options under which the Group assumes an obligation to buy shares in subsidiaries held by non-controlling interests, the Group makes certain estimates, including of the future financial performance of the subsidiaries, the probability that the option holders exercise their right to sell and the time of exercise. These factors are of material importance to the fair value calculation, which is therefore subject to uncertainty.

Deferred tax assets
Deferred tax assets, net amount to DKK 930 million in 2015 (a net deferred tax liability of DKK 796 million in 2014). Due to the restructuring costs as well as the high investment level in product launches and research and development efforts, a significant net operating loss (NOL) was realised in 2015. Deferred tax assets related to NOLs are capitalised in the consolidated financial statements, if it is probable that the benefits are expected to occur within a foreseeable future.

Due to the non-recurring nature of both the restructuring costs and impairment of products rights and as the Groups estimate of future income according to budgets, forecasts, business plans and planned initiatives for the coming years supports the utilisation of the deferred tax assets within a foreseeable future, the full value of deferred tax assets has been capitalised.

General accounting policies

Consolidated financial statements

The consolidated financial statements comprise Lundbeckfonden and entities controlled by the Foundation. Control is achieved where the Group directly or indirectly holds more than 50% of the voting rights or is otherwise able to exercise or actually exercises control.

Companies in which the Group holds between 20% and 50% of the voting rights and/or exercises significant influence but not control are regarded as associates. Unrealised gains on transactions with associates are eliminated in proportion to the Group's share of the enterprise.

Investments in associates included in the Group's documented investment strategy are recognised as financial assets measured at fair value through the income statement.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Lundbeckfonden and its subsidiaries. The consolidated financial statements are prepared as a consolidation of items of a uniform nature. The financial statements used for consolidation are prepared in accordance with the Group's accounting policies. On consolidation, intra-group income and expenses, intra-group balances and dividends, and gains and losses arising on intra-group transactions are eliminated.

Business combinations
Companies acquired or established during the financial year are recognised in the consolidated financial statements from the date of acquisition or inception. The date of acquisition is the date when control actually passes to the Group. Companies divested or discontinued are recognised in the consolidated income statement up to the time of divestment or discontinuance. The date of disposal is the date when control of the business actually passes to a third party.

Acquired businesses are accounted for using the acquisition method of accounting, according to which the identifiable assets, liabilities and contingent liabilities of the acquired businesses are stated at fair value at the time of acquisition. Account is taken of the tax effect of the revaluations made. The cost of a business is generally the fair value of the consideration paid. If the final determination of the consideration is contingent on one or more future events, the value thereof will be recognised at fair value at the date of acquisition. Changes to contingent considerations are recognised in the income statement. Put options issued in connection with acquisitions and the value of which is contingent on future events will be recognised as part of the consideration at the date of acquisition. The put options issued are subsequently measured at fair value. Any changes to the fair value of issued put options after initial recognition are recognised in equity. Costs directly attributable to the business combination are recognised in the income statement as incurred. Adjustments of commitments in connection with conditional consideration or issued put options the value of which is contingent on future events concerning business combinations with an acquisition date before 1 January 2010 will still be recognised in accordance with IFRS 3 (2004). Accordingly, the adjustments are recognised in goodwill until the conditions have been met or the issued put options exercised.

Any positive difference (goodwill) between the consideration and the value of non-controlling interests in the acquiree and the fair value of the previously held interests in the acquiree, on the one hand, and the fair value of the acquired identifiable assets, liabilities and contingent liabilities, on the other hand, is recognised in intangible assets. On acquisition, goodwill is allocated to the cash-generating units, which will subsequently form the basis for future impairment tests. Negative differences (negative goodwill) between the cost of the acquired business and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised in the income statement at the time of acquisition. Goodwill arising from acquired businesses is adjusted within a maximum period of 12 months from the acquisition if additional information about the fair value at the time of acquisition of assets, liabilities

NOTE 1

and contingent liabilities acquired is obtained after the acquisition and it is found that the fair values originally calculated were incorrect or the consideration for the business combination is different from that originally fixed. The effect of the adjustments will be recognised in the opening equity, and the comparative figures will be restated accordingly. Subsequently, goodwill is not adjusted. However, goodwill will not be recognised by an amount exceeding the expectations of future income from the acquiree.

Goodwill and fair value adjustments in connection with the acquisition of independent foreign entities (subsidiaries or associates) are accounted for as assets and liabilities in the acquiree and translated at the exchange rate at the balance sheet date.

Gains or losses on the divestment or winding up of subsidiaries and associates are stated as the difference between the sales or disposal amount and the carrying amount of net assets including goodwill at the time of sale or winding up. In addition, any retained non-controlling interests are measured at fair value. Gains or losses on the divestment or winding up of subsidiaries and associates and the effect of renewed measurement of any non-controlling interests are recognised in the income statement.

Non-controlling interests

On initial recognition, non-controlling interests are either recognised at fair value (including the fair value of goodwill related to non-controlling interests in the acquired company) or at the non-controlling interests' proportionate share of the acquired company's identifiable assets, liabilities and contingent liabilities measured at fair value (excluding the fair value of goodwill related to non-controlling interests in the acquired company). The measurement basis for non-controlling interests is selected for each individual transaction.

Acquisition and divestment of non-controlling interests
Increases and reductions of non-controlling interests are treated for accounting purposes as transactions with shareholders, in their capacity as shareholders. As a result, any differences between adjustment to the carrying amount of non-controlling interests and the fair value of the consideration received or paid are recognised directly in equity.

When put options are issued as part of the consideration for business combinations, the non-controlling interests receiving put options are considered to have been redeemed on the acquisition date. The non-controlling interests are eliminated and a debt obligation is recognised at fair value on initial recognition. Fair value is determined as the present value of the exercise price of the option. The subsequent measurements is fair value with recognition in equity of value changes as they arise.

Issued put options relating to business combinations with an acquisition date before 1 January 2010 will still continue to be recognised in accordance with IFRS 3 (2004). Accordingly, subsequent measurement takes place at amortised cost with recognition of interest expenses in the income statement and value changes in goodwill as they arise. Any subsequent dividend payments to option holders are recognised as a financial expense in the income statement in the cases where the option price is independent of dividend payments. Dividend payments are included in the determination of the cost of the put options in cases where the option price is adjusted for dividend payments received.

Translation of foreign currency

A functional currency is determined for each of the reporting enterprises of the Group. The functional currency is the currency in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated at standard rates which approximate the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment are recognised in the income statement as financial items except in case of hedge accounting. In case of hedge accounting, such differences are recognised in the same item as the hedged item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the rates at the time the receivable or payable is created or recognised in the latest consolidated financial statements is recognised in the income statement under financial items in respect of unhedged items and under the same items for hedged items.

On recognition of foreign subsidiaries and associates having a functional currency different from that used by the Foundation, non-monetary as well as monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising from the translation of both the balance sheets and the income statements of the foreign subsidiaries and associates are recognised in the Group's statement of comprehensive income under other comprehensive income.

However, for foreign subsidiaries and associates operating in hyperinflationary economies, revenue and costs are translated at the exchange rate ruling at the balance sheet date. Prior to the translation, the income statement and the non-monetary items of the balance sheet are restated taking into account the buying power of the functional currency based on inflation until the balance sheet date (inflation correction). The effect of the inflation correction is recognised in the currency translation reserve in equity. In the income statement, it is recognised in financials as a loss/gain on the monetary net position in the relevant entities. The assessment of when an economy is hyperinflationary is based on qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in the order of 100%.

Foreign exchange adjustment of receivables from or debt to subsidiaries which are considered part of the Group's overall investment in the subsidiary in question is recognised in the statement of comprehensive income under other comprehensive income.

On the divestment of wholly-owned foreign entities, foreign exchange adjustments accumulated in equity via other comprehensive income and which can be attributed to entities are reclassified from the "Currency translation reserve" to the income statement together with any gain or loss on the divestment. On the divestment of partially owned foreign subsidiaries, the part of the currency translation reserve that relates to non-controlling interests is not recognised in the income statement. On partial divestment of foreign subsidiaries without giving up control, a proportionate share of the currency translation reserve is transferred from the parent company shareholders' to the non-controlling shareholders' share of equity. On partial divestment of associates and

NOTE 1

joint ventures, the proportionate share of the accumulated currency translation reserve recognised in other comprehensive income is transferred to profit for the year together with the gain or loss on the divestment. Any repayment of intercompany balances that are considered part of the net investment is not considered, in itself, a partial divestment of subsidiaries.

Financial instruments

Forward exchange contracts, interest rate swaps, share options and other derivatives are initially recognised in the balance sheet at fair value on the contract date and subsequently re-measured at fair value at the balance sheet date. Positive and negative fair values are included in other receivables and other payables respectively.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging future cash flows are recognised in the Group's statement of comprehensive income under other comprehensive income. On invoicing of the hedge item, income and expenses related to such hedging transactions are transferred from other comprehensive income and recognised in the same item as the hedged item.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognised in the income statement under financial items as they arise.

Changes in the fair value of derivatives used to hedge net investments in foreign subsidiaries or associates and that otherwise meet the relevant criteria are recognised in other comprehensive income.

Securities, available-for-sale financial assets and derivatives measured at fair value are classified according to the fair value hierarchy as belonging to levels 1-3 depending on the pricing method applied. Level 1 includes financial assets for which the fair value is measured on the basis of quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured on the basis of directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair value is measured on the basis of valuation techniques which include inputs not based on observable market data.

Income statement

Revenue: Pharmaceuticals for the treatment of brain disorders and allergy
Revenue comprises invoiced sales for the year less returned goods and discounts and revenue-based taxes consisting mainly of value added taxes and revenue-based drug taxes. Moreover, revenue includes license income and royalties from out-licensed products as well as non-refundable down payments and milestone payments relating to research and development collaborations and collaboration on commercialisation of products.

In addition, income from the reduction of investments in research enterprises considered to represent sale of research results is recognised as revenue.

See Significant accounting estimates and judgements above for a description of the accounting treatment of licensing income and income from research collaborations.

Revenue: Emergency, Assistance, Healthcare and Training sectors
Revenue represents the value of services and goods delivered and invoiced subscriptions attributable to the financial period, and is recognised in the income statement if delivery and transfer of risk to the buyer have taken place before year-end, and if the income can be reliably measured and is expected to be received.

The value of services rendered is recognised on the basis of the delivered percentage of the total service.

Revenue from subscriptions is allocated to the income statement on a straight-line basis.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and other taxes collected on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales
Cost of sales comprises the cost of goods and services sold. Cost includes the cost of raw materials, transport costs, consumables and goods for resale, direct labour and indirect costs of production, including operating costs, amortisation/depreciation and impairment losses relating to products rights and manufacturing facilities. Moreover, cost of sales includes royalty payments concerning in-licensed products. Also included are expenses for quality assurance of products and any write-down to net realisable value of unsaleable and slow-moving items. Cost of sales also includes external assistance to generate the revenue for the year.

Research and development costs
Research and development costs comprise costs incurred for the Group's research and development functions, i.e. wages and salaries, amortisation/depreciation and impairment losses and other indirect costs as well as costs relating to research and development collaborations.

Research costs are always recognised in the income statement as they are incurred.

Development costs are recognised in the income statement as they are incurred. Development costs are capitalised only if a number of specific criteria are deemed to have been met.

See Significant accounting estimates and judgements for a description of conditions for capitalising development costs.

Sales and distribution costs
Sales and distribution costs comprise costs incurred for the sale and distribution of the Group's products sold during the year. This includes costs for sales campaigns, training and administration of the sales force and direct distribution, marketing and promotion. Also included are salaries and other costs for the sales and distribution functions, amortisation/depreciation and impairment of product rights, for example, and other indirect costs.

Administrative expenses
Administrative expenses comprise expenses incurred in the year for the management and administration of the Group, i.e. salaries, amortisation/depreciation and impairment losses and other indirect costs.

NOTE 1

Results of investments in associates

The proportionate share of the results of associates is recognised in the income statement after tax and elimination of the proportionate share of any intra-group gains and losses and after deduction of any write-downs of the equity investments.

Financial items

Net financials include interest income and expenses, including the interest component of financial lease payments, which are recognised in the income statement at the amounts relating to the financial year. Financial items also include realised and unrealised market value adjustments of financial assets including securities that are included in the Group's documented investment strategy, unhedged items denominated in foreign currencies as well as forward contracts and other derivatives not used for hedge accounting, realised exchange gains and losses concerning additions to net investments in foreign subsidiaries that are recycled from other comprehensive income, realised fair value adjustments and write downs due to prolonged losses on available-for-sale financial assets. Dividends to capital holders who have received put options in connection with business combinations are recognised as a financial expense in the cases where the option price is independent of dividend payments and other financial expenses.

Tax

The Group's controlled Danish subsidiaries are jointly taxed with Lundbeckfond Invest A/S as administration company. The current Danish income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Lundbeckfonden has the option to use section 3(4) of the Danish Corporation Tax Act. Under these rules, the taxable income of Lundbeckfond Invest A/S is considered to have been earned by Lundbeckfonden if the taxable income is distributed as dividends to Lundbeckfonden. Since Lundbeckfonden's taxable income is regularly offset against grants for the year and tax provisions for future grants, no current or deferred tax is recognised in respect of financial assets or future grants.

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the net profit or loss for the year, in other comprehensive income as regards the amount that can be attributed to items in other comprehensive income and in equity as regards the amount that can be attributed to items recognised in equity. The effect of foreign currency exchange difference on deferred tax is recognised in the balance sheet as part of the movements in deferred tax.

Current tax for the year is calculated based on the income tax rates and rules applicable at the balance sheet date.

Special items

Special items comprise major one-off amounts not directly attributable to the Group's ordinary activities, and they concern matters such as amortisation of contractual customer relationships identified at acquisitions, transaction costs associated with acquisitions and impairment of goodwill and product rights.

Balance sheet

Intangible assets

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost or fair value of the acquired business over the fair value of the acquired assets, liabilities and contingent liabilities. On recognition, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash generating units).

Goodwill is not amortised, but is tested for impairment at least once a year, or if there is evidence of impairment.

Development projects

Development costs are recognised in the income statement as they are incurred unless the conditions for capitalisation have been met. Development costs are capitalised only if the development projects are clearly defined and identifiable and where the technical rate of utilisation of the project, the availability of adequate resources and a potential future market or development opportunity in the company can be demonstrated. Furthermore, such costs are only capitalised where the intention is to manufacture, market or use the project, where the cost can be measured reliably and when it is probable that the future earnings can cover production, sales and distribution costs, administrative expenses as well as the development costs.

After completion of the development work, development costs are amortised over the expected useful life. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining term of the rights concerned. Ongoing development projects are tested for impairment at least once a year, or if there is evidence of impairment.

Product rights and other intangible assets

Acquired intellectual property rights in the form of product rights, contractual customer relationships, patents, licenses, brand names and software are measured at cost less accumulated amortisation and impairment. The cost of software comprises the cost of planning, labour and costs directly attributable to the project.

Product rights are amortised over the economic lives of the underlying products, which in all material aspects are currently between 6-12 years. Contractual customer relationships are measured at cost less accumulated depreciation and impairment. Intangible assets acquired on acquisition are amortised over the expected economic life, estimated to be 3 to 10 years. Patents are amortised over a maximum of the remaining life of the patent, which in all material aspects is currently between 10-13 years. Licenses are amortised over the period of the agreement. Software is amortised over the expected economic life, estimated to be 3 to 5 years. The economic lives of large administrative systems are estimated to be 8 years. Amortisation commences when the asset is ready to be brought into use, e.g. at the time of commercialisation.

Amortisation is recognised in the income statement under cost of sales, sales and distribution costs, administrative expenses and research and development costs, respectively. Borrowing costs to finance the manufacture of other intangible assets are recognised in the cost price if such borrowing costs relate to the production period. Other borrowing costs are expensed.

Gains and losses on the disposal of development projects, patents and licenses are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale.

NOTE 1

See Significant accounting estimates and judgements above for a description of the calculation of the recoverable amount of intangible assets and impairment testing.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. The cost of self-constructed assets includes costs directly attributable to the construction of the asset. Borrowing costs to finance the manufacture of property, plant and equipment are recognised in the cost price if such borrowing costs relate to the production period. Other borrowing costs are expensed.

Assets held under finance leases are recognised under property, plant and equipment and measured at the lower of the fair value and value in use of the future lease payments at the inception of the lease. Assets held under finance leases are depreciated over the useful lives of the assets or, if shorter, over the lease term.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets:

	Years
Buildings	25-50
Installations	10
Plant and machinery	3-10
Vehicles according to category	5-12
Fixtures and fittings, tools and equipment	3-10
Leasehold improvements max.	10

The depreciation base is cost less the estimated residual value at the end of the expected useful life. The cost of a total asset is divided into smaller components that are depreciated separately if such components have different useful lives. Depreciation methods, useful lives and residual values are reassessed annually.

Costs incurred that increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and are depreciated over the expected useful life of the improvement.

Depreciation is recognised in the income statement under cost of sales, sales and distribution costs, administrative expenses and research and development costs, respectively.

Gains or losses on the sale or retirement of items of property, plant and equipment are calculated as the difference between the carrying amount and the selling price reduced by costs relating to divestment or discontinuance. Gains and losses are recognised in the income statement under the same items as the associated depreciation.

Investments in associates
Investments in associates, except for investments in associates, that are included in the Group's documented investment strategy, are recognised and measured in the consolidated financial statements according to the equity method, which entails that the investments are measured in the balance sheet at the proportionate share of the associate's net asset value calculated in accordance with the Group' accounting policies less or plus unrealised intra-group gains and losses and plus the carrying amount of goodwill.

The proportionate share of the result of the associate is recognised in the income statement after tax and elimination of the proportionate share of any intra-group gains and losses and after deduction of any write-downs of the investments. The proportionate share of all transactions and events recognised directly in the associate's other comprehensive income is recognised in the Group's statement of comprehensive income under other comprehensive income.

Investments in associates with a negative carrying amount are recognised at DKK 0. Receivables and other long-term financial assets considered to form part of the overall investment in the associate are written down by any remaining negative net asset value. Trade receivables and other receivables are written down only to the extent they are deemed irrecoverable. A provision to cover the remaining negative net asset value will only be made if the Group has a legal or constructive obligation to cover the liabilities of the relevant associate and it is probable that an outflow of resources will be required to settle the obligation.

Financial assets
Securities that are included in Lundbeckfonden's documented investment strategy in accordance with the fair value option of IAS 39 Financial Instruments: Recognition and Measurement are recognised on the basis of the settlement date fair value and are subsequently measured at market price or estimated fair value at the balance sheet date. Bonds with a term to maturity of less than one year are recognised in current assets. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Financial assets are measured at fair value through the income statement, including investments in associates if they are included in the Lundbeckfonden's documented investment strategy.

Bonds forming part of repo transactions, i.e. the selling of bonds to be repurchased at a later date, remain in the balance sheet as financial assets, and the amount received on repo transactions is recognised as repo debt. Returns on such bonds are recognised under financial items.

On initial recognition, other investments classified as available-for-sale are measured at fair value with the addition of costs directly attributable to the acquisition. Other investments are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised in the statement of comprehensive income under other comprehensive income with the exception of impairment losses and dividends, which are recognised in the income statement. When other available-for-sale investments are sold or settled, the accumulated fair value adjustments recognised under other comprehensive income are recycled to the income statement.

The fair value of listed investments is calculated using official currently quoted prices. The calculation of fair value of unlisted investments, including life science investments, is made in accordance with International Private Equity and Venture Capital Valuation Guidelines. i.e. on the basis of relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment. The Group assesses at each balance sheet date whether there is

NOTE 1

objective evidence that an investment or a group of investments is impaired. Assessments of investments in unlisted equity instruments and securities, including life science investments, include an assessment of whether the companies live up to the defined business plans and the impact of any non-compliance on the calculation of fair value.

Inventories

Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which equals cost computed according to the FIFO method. Work in progress and finished goods manufactured by the Group are measured at cost, i.e. the cost of raw materials, consumables and direct labour and indirect costs of production. Indirect costs of production include materials and labour as well as maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory administration and management. Indirect costs of production are allocated based on the normal capacity of the production plant.

Inventories are written down to net realisable value if it is lower than the cost price. The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to execute the sale. The net realisable value is determined having regard to marketability, obsolescence and expected selling price developments.

Receivables

Current receivables comprise trade receivables and other receivables arising in the Group's normal course of business. Other receivables recognised in financial assets are financial assets with fixed or determinable payments that are not quoted on an active market and are not derivative financial instruments. On initial recognition, receivables are measured at fair value and subsequently at amortised costs, which usually corresponds to the nominal value less write-downs to counter the risk of loss calculated on the basis of an individual evaluation. A provision account is used for this purpose.

Prepayments

Prepayments consist of expenses relating to subsequent financial years. Prepayments are measured at cost.

Securities

On initial recognition, securities including the bond portfolio, that are included in Lundbeckfonden's documented investment strategy for excess liquidity, or bonds with a term to maturity of less than one year, are recognised under current assets and measured at fair value at the transaction date. The securities are subsequently measured at fair value at the balance sheet date corresponding to the market value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Equity

Authorised grants

Grants are considered equity movements and are recognised as a liability at the time when the grant has been authorised by the Board of Trustees and announced to the recipient. Authorised grants not yet disbursed are recognised in non-current or current liabilities, respectively.

Reserve for future grants

In accordance with the Danish Act for Industrial Foundations, a reserve for future grants has been set up in order for Board of Trustees to be able to donate grants during the period until the approval of the annual report for the subsequent financial year. The reserve does not have to be used, but is continuously reduced with donated grants. Every year at the Annual Meeting, the Board of Trustees will re-evaluate the size of the reserve.

Hedging reserve

Hedge transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised are recognised in equity under the hedging reserve.

Value adjustments concerning hedging transactions used to hedge the Group's net investment in such entities are recognised in equity under the hedging reserve.

Currency translation reserve

Foreign exchange adjustments arising on the translation of financial statements for entities which have a functional currency other than Danish kroner, together with foreign exchange adjustments relating to financial assets and liabilities representing a part of the Group's net investment in such entities are recognised in equity under the currency translation reserve.

On full or partial realisation of a net investment, foreign exchange adjustments are recognised in the income statement.

Reserve for fair value adjustment of available-for-sale financial assets

Reserve for fair value adjustment comprises accumulated changes in the fair value of available-for-sale financial assets. The reserve, which forms part of the Group's free reserves, is dissolved and transferred to the income statement as the investment is sold or written down.

Treasury shares

Cost and selling prices of treasury shares as well as dividends are recognised directly in equity under retained earnings.

Non-controlling interests

The proportionate shares of the profits and equity of subsidiaries attributable to non-controlling interests are recognised as a separate item under equity. On initial recognition, non-controlling interests are recognised as described under "Business combinations". The issuance of put options as part of the consideration in business combinations is recognised as described under "Acquisition and divestment of non-controlling interests".

Share-based payments

Share-based incentive programmes, in which employees may opt to buy shares in H. Lundbeck A/S, Falck Holding A/S and ALK-Abelló A/S, and in which shares are granted to employees (equity-based programmes) are measured at fair value at the date of grant and recognised under staff costs when or as the employees obtain the right to buy/receive the shares. The balancing item is recognised directly in equity under other transactions.

Share price-based incentive programmes, in which employees have the difference between the agreed price and the actual share price settled in cash (debt-based programmes), are measured at fair value at the date of grant and recognised in the income statement under staff costs when or as the employees obtain the right to such difference settlement. The incentive programmes are subsequently re-measured on each balance sheet date and upon final settlement, and any changes in the fair value of the programmes are recognised under staff costs. The balancing item is recognised under provisions until the time of the final settlement.

NOTE 1

Pension obligations
Periodical payments to defined contribution plans are recognised in the income statement at the due date and any contributions payable are recognised in the balance sheet under current liabilities.

The present value of the Group's liabilities relating to future pension payments according to defined benefit plans is measured on an actuarial basis once a year on the basis of the pensionable period of employment up to the time of the actuarial valuation. The present value is calculated based on assumptions of the future developments of salary, interest, inflation, mortality and disability rates and other factors. Present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with the Group. Pension expenses, finance costs and administration fees are recognised in the income statement under staff costs. Actuarial gains and losses are recognised in the statement of comprehensive income as they are calculated and cannot subsequently be recycled through profit or loss.

The present value of the liability according to defined benefit plans is measured less the fair value of the plan assets, and any net obligation is recognised in the balance sheet under non-current liabilities. Any net asset is recognised in the balance sheet as a financial asset.

Income tax and deferred tax
Current tax payables and receivables are recognised in the balance sheet, computed as tax calculated on the taxable income for the year, adjusted for provisional tax paid.

Tax on items in other comprehensive income is recognised in the statement of comprehensive income under other comprehensive income. Tax on equity entries is recognised in equity.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities and their tax base, except for temporary differences arising either on initial recognition of goodwill or from a transaction that is not a business combination and with the temporary difference ascertained at the time of the initial recognition affecting neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of each asset.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the Group has a possibility of controlling when the deferred tax is to be realised and it is likely that the deferred tax will not materialise as current tax.

Deferred tax is measured on the basis of the tax rates and tax rules in force in the respective countries on the balance sheet date. Changes in deferred tax as a result of changed tax rates or tax rules are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net assets to be offset against future positive taxable income.

Changes in deferred tax concerning the cost of share-based payments are generally recognised in the income statement.

Deferred tax in respect of recaptured losses previously deducted in foreign subsidiaries is recognised on the basis of a specific assessment of the intention with each individual subsidiary.

Balances calculated according to the provision of the Danish Corporate Income Tax Act on interest deductibility limitations are allocated between the jointly-taxed companies according to a joint taxation agreement and are allocated between the companies that are subjected to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognised in the balance sheet, whereas deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

See Significant accounting estimates and judgements above for a description of accounting estimates and judgements related to deferred tax.

Other provisions
Other provisions consist of different types of provisions, including provisions for pending lawsuits. Management assesses provisions and contingent liabilities, including the probable outcome of pending and possible future lawsuits, which inherently depends on uncertain future events. When management determines the probable outcome of lawsuits and similar factors, it relies on assessments made by external advisers who are familiar with the specific cases and the existing legal practice in the area.

In connection with a restructuring of the Group, provisions are only made for liabilities set out in a specific restructuring plan on the basis of which the parties affected can reasonably expect that the Group will carry out the restructuring, either by starting to implement the plan or announcing its main components.

See Significant accounting estimates and judgements above for a description of accounting estimates and judgements made in connection with this year's restructuring costs.

Provisions are made for onerous contracts when the anticipated benefits to the Group from a contract are outweighed by the unavoidable costs under the contract.

When the Group is under an obligation to dismantle an asset or re-establish the site where the asset has been used, a provision is made corresponding to the present value of the expected future costs. The provision is determined based on current orders and estimated future costs, discounted to their present value. The discount factor used reflects the general level of interest rates. The present value of the costs is recognised in the cost of the item of property, plant and equipment in question and depreciated with these assets. The increase of the present value over time is recognised in the income statement under financial expenses.

Other provisions are recognised when the Group has a legal or constructive obligation that arises from past events and it is probable that an outflow of financial resources will be required to settle the obligation.

Other provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

Return obligations are recognised in the balance sheet under other provisions.

NOTE 1

Debt

Mortgage debt, bank debt and debt to credit institutions are recognised at the time of the raising of the loan at proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value when the effective rate of interest is used. The difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Residual lease commitments from finance leases are recognised at amortised cost.

Repo debt relates to bonds included in repo transactions. Repo debt is recognised at amortised cost, and accumulated repo interest has been accrued.

Debt included in the short-term financial liquidity is measured at amortised cost in subsequent periods.

Other payables, which include trade payables and debt to public authorities etc., are measured at amortised cost.

Leases

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases when substantially all risks and rewards of ownership of the leased asset are transferred. Other leases are classified as operating leases.

The accounting treatment of assets held under finance lease and the related liability is described in the sections on property, plant and equipment, and financial liabilities, respectively.

Assets held under operating leases are not recognised in the balance sheet. Lease liabilities under operating leases are disclosed as contingent liabilities. Lease payments concerning operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Cash flow statement

The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities respectively, and cash and cash equivalents at the beginning and at the end of the year.

Cash flows from acquisitions and divestments of companies are shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired companies from the date of acquisition and cash flows from divested companies until the time of divestment.

Cash flows from operating activities are calculated as the Group's operating profit before special items, adjusted for non-cash operating items, working capital changes, financial receipts and payments, special items paid and income taxes paid.

Cash flows from investing activities include payments in connection with purchases and sales of intangible assets, property, plant and equipment and financial assets, including equity investments in companies. Also included are securities classified as current assets. Entering into a finance lease is considered a non-cash transaction.

Cash flows from financing activities include payments to and from shareholders and related expenses as well as the raising of and repayments on loans, mortgage debt and other long-term debt and cash flows from dividends and non-controlling interests.

Cash comprises cash and bank balances less any drawings facilities that are an integral part of the cash management.
Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates during the year because they approximate the actual exchange rates at the date of payment. Cash and bank balances at year-end are translated at the exchange rates at the balance sheet date, and the effect of exchange rate adjustments on cash and bank balances are shown as a separate item in the cash flow statement.

Key figures

Key figures are calculated according to Recommendations and Financial Ratios 2015 issued by the Danish Finance Society.

Operating profit:	Defined as the profit before special items, financial items and tax
Operating profit margin:	Operating profit x 100 / Revenue
Return on equity:	Profit for the year x 100 / average equity

NOTES 2 - 3

2. REVENUE

	2015 DKKm	2014 DKKm
Europe	18,025	18,179
USA	9,160	6,210
Rest of the world	5,268	5,515
Total	**32,453**	**29,904**
Brain diseases (Lundbeck)	14,594	13,468
Allergy treatment (ALK)	2,569	2,437
Emergency, assistance, healthcare and training (Falck)	15,290	13,999
Total	**32,453**	**29,904**
Revenue includes:		
Downpayments and milestone payments	148	249
Service income from research collaborations	55	51
Royalty	291	169
Income from sales of companies and operations	130	-
Revenue in Denmark	6,248	6,186
Deferred income		
Subscription revenue and other accrued income	1,510	1,600

3. STAFF COSTS

	2015 DKKm	2014 DKKm
Short-term staff benefits	13,382	11,355
Share-based payment	61	52
Pension benefits	772	665
Other social security costs	1,296	1,138
Total	**15,511**	**13,210**
The year's staff costs are specified as follows:		
Cost of sales	8,209	7,250
Research and development costs	1,620	1,363
Sales and distribution costs	3,572	2,749
Administrative expenses	2,110	1,848
Total	**15,511**	**13,210**
Remuneration in the Group including management remuneration for board position's in subsidiaries		
Total remuneration in the Group for the Executive Management of Lundbeckfonden amounts to	9	9
Total remuneration in the Group for the Board of Trustees of Lundbeckfonden amounts to	6	6

NOTE 3

3. STAFF COSTS – CONTINUED

	2015 DKKm	2014 DKKm
Executive Management:		
Lene Skole, from 1 September 2014	8.9	2.8
Christian Dyvig, stepped down on 31 August 2014	-	6.0
Board of Trustees:		
Jørgen Huno Rasmussen, Chairman of Lundbeckfonden and Lundbeckfond Invest A/S and member of the Investment Committee	0.7	0.8
Steffen Kragh, Vice-Chairman of Lundbeckfonden and Lundbeckfond Invest A/S, from 7 April 2014 and member of the Investment Commitee	0.5	0.4
Lars Holmqvist, member of the Investment Committee, from 9 April 2015	0.9	-
Povl Krogsgaard-Larsen, member of the Research Committee	0.4	0.5
Susanne Krüger Kjær, member of the Research Committee, from 7 April 2014	0.4	0.3
Peter Schütze, Chairman of the Investment Committee, from 9 April 2015	1.0	-
Gunhild Waldemar, Chairman of the Research Committee	0.5	0.5
Vagn Flink Møller Pedersen, employee representative from Falck A/S, from 7 April 2014	0.5	0.3
Henrik Sindal Jensen, employee representative from H. Lundbeck A/S, from 7 April 2014	0.5	0.4
Peter Adler Würtzen, employee representative from ALK-Abelló A/S	0.2	0.2
Thorleif Krarup, member of the Investment Committee, Chairman of the Science Teaching and Communication Committee, stepped down on 9 April 2015	0.1	2.2
Mikael Rørth, Vice-Chairman of Lundbeckfonden and Lundbeckfond Invest A/S, Chairman of the Biomedical Sciences Committee and member of the Investment Committee, stepped down on 7 April 2014	-	0.2
Kim Klitgaard, employee representative from H. Lundbeck A/S, stepped down on 7 April 2014	-	0.1
Ken Liljegren, employee representative from H. Lundbeck A/S, stepped down on 7 April 2014	-	0.1
Rounding	-	-0.1
Total	**5.7**	**5.9**
Average number of full-time employees during the year	34,436	32,135
Number of employees at year-end	45,582	41,907

Lundbeckfonden

Incentive programmes

The Executive Management of Lundbeckfonden is not offered incentive programmes. An incentive programme has been in existence since 2010 for employees of Lundbeckfond Invest and Lundbeckfond Ventures which is similar to standard incentive programmes for investment management and venture industry. The purpose of the incentive programme is for Lundbeckfond Invest and Lundbeckfond Ventures to be able to attract and retain skilled and qualified employees. The cost related to the programs is not recognised as staff cost before payment take place, due to uncertainty about the amount and if and when the payment becomes payable. In 2015 bonus under Lundbeckfond Invest program amounts to DKK 6 million (DKK 6 million in 2014). For Lundbeckfond Ventures program an expense of DKK 64 million (DKK 30 million in 2014) has been recognised in the income statement under financial items and in the balance sheet as a provision. Provision amounts to DKK 94 million at 31 December 2015 (DKK 30 million at 31 December 2014).

In order to attract, retain and motivate key employees and align their interests with those of the shareholders, incentive programmes have been established in Lundbeck, ALK and Falck. The Group uses short-term incentive programmes that provide an annual bonus for the achievement of pre-determined targets of the financial year as well as long term equity-based and debt-based programmes.

Lundbeck

Incentive programmes

In order to attract, retain and motivate key employees and align their interests with those of the shareholders, Lundbeck has established a number of incentive programmes. Lundbeck uses equity-based as well as debt-based programmes.

Equity-based programmes

In the 2015 financial year, equity-based incentive programmes consisted of warrants, shares and restricted share units (RSUs) granted in the years 2008-2015.

In December 2015, Lundbeck established an RSU programme for key employees. 129 employees were granted 130,777 RSUs in H. Lundbeck A/S. All of the RSUs will vest in 2018, three years after grant, subject to the financial targets for vesting being achieved and subject to continuing employment with the Lundbeck Group. The market value of the RSUs is calculated using the Black-Scholes method and is based on a volatility of 31.44%, a dividend yield of 2.00%, a risk free interest rate of 0.50%, a vesting period of three years and a share price of DKK 215.32. The fair value at the time of grant was DKK 202.78 per RSU.

NOTE 3

3. STAFF COSTS – CONTINUED

In May 2014, Lundbeck established a warrant programme for Executive Management. Executive Management was granted 1,355,000 warrants in H. Lundbeck A/S. All of the warrants will vest three years after grant, subject to the Board of Directors' decision on vesting (taking into account e.g. the financial situation of the Lundbeck Group) and subject to the Executive Management members' continuing employment with the Lundbeck Group during the vesting period. The warrants are exercisable during certain windows from the vesting date and up to three years after vesting. The market value of the warrants is calculated using the Black-Scholes method and is based on a volatility of 23.68%, a dividend yield of 2.00%, a risk free interest rate of 0.50%, a vesting period of three years and a share price of DKK 157.30. This translates into a fair value per warrant of DKK 26.06. The warrants granted to the former CEO Ulf Wiinberg who resigned in November 2014, a total of 600,000, were cancelled.

In June 2014, Lundbeck established an RSU programme for key employees. 106 key employees were granted 204,985 RSUs in H. Lundbeck A/S. All of the RSUs will vest in 2017, three years after grant, subject to the financial targets for vesting being achieved and subject to continuing employment with the Lundbeck Group. The market value of the RSUs is calculated using the Black-Scholes method and is based on a volatility of 26.08%, a dividend yield of 2.00%, a risk free interest rate of 0.19%, a vesting period of three years and a share price of DKK 147.40. The fair value at the time of grant was DKK 138.81 per RSU.

In December 2014, one key employee was granted 717 RSUs on terms and conditions similar to those that apply to the RSU programme granted to key employees in June 2014.

Warrants and shares granted to key employees in 2012 vested in 2015, and 20% of the warrants granted to Executive Management in 2012 vested in 2015. Warrants and shares granted to key employees in 2011 vested in 2014. In 2015, the following number of warrants were exercised: 82,886 from the 2008 grant (26,952 in 2014), 100,293 from the 2009 grant (35,685 in 2014), 110,683 from the 2010 grant (52,754 in 2014), 218,305 from the 2011 grant (76,448 in 2014) and 400,239 from the 2012 grant. The weighted average share price of exercised warrants was DKK 184.44 (DKK 147.35 in 2014).

The tables below shows the conditions for the active equity-based scheme in 2015 and 2014 financial year:

	Vesting date	Exercise period begins	Exercise period ends	Number of warrants/shares granted	Exercise price	Fair value
Warrant programmes						
2008, number of persons 87	06.05.2011	06.05.2011	05.05.2016	405,234	115.00	35.55
2009, number of persons 98	16.03.2012	16.03.2012	15.03.2017	534,058	102.00	40.37
2010, number of persons 101	16.03.2013	16.03.2013	15.03.2018	765,979	97.00	29.86
2010, number of persons 16	16.03.2013	16.03.2013	15.03.2018	24,971	97.00	24.30
2011, number of persons 112	31.03.2014	01.04.2014	31.03.2019	849,085	121.00	30.10
2012, number of persons 4	31.03.2015	01.04.2015	31.12.2018	155,750	113.00	21.05
2012, number of persons 4	31.03.2016	01.04.2016	31.12.2018	233,629	113.00	22.40
2012, number of persons 4	31.03.2017	01.04.2017	31.12.2018	389,380	113.00	21.99
2012, number of persons 102	31.03.2015	01.04.2015	31.03.2020	692,003	113.00	24.11
2014, number of persons 3	30.04.2017	01.05.2017	30.04.2020	1,355,000	141.00	26.06

As from 2012, the exercise price of DKK 113.00 is revalued by 4.00% per year adjusted for the dividend payout ratio.
As from 2014, the exercise price of DKK 141.00 is revalued by 4.00% per year adjusted for the dividend payout ratio.

	Vesting date	Exercise price	Fair value
Share scheme and RSU programmes			
2011, number of person 112	31.03.2014	156,360	121.20
2011, number of person 30	30.06.2014	383,602	114.29
2012, number of person 104	31.03.2015	230,503	113.20
2012, number of person 5	31.03.2015	15,178	99.05
2013, number of person 113	31.05.2016	540,562	110.70
2014, number of person 107	31.05.2017	205,702	138.81
2015, number of person 129	01.12.2018	130,777	202.78

NOTE 3

3. STAFF COSTS – CONTINUED

Warrants	**Executive Management Number**	**Executives Number**	**Other Number**	**Total Number**	**Average exercise price DKK**
1 January 2015	1,038,184	366,713	1,041,840	2,446,737	121.14
Tranfers	-	-63,338	63,338	-	-
Exercises	-	-215,105	-697,301	-912,406	111.95
31 December 2015	1,038,184	88,270	407,877	1,534,331	134.79
1 January 2014	637,167	462,082	1,144,659	2,243,908	112.92
Grants	1,355,000	-	-	1,355,000	141.00
Tranfers	-	-76,691	76,691	-	-
Exercises	-	-12,329	-179,510	-191,839	110.02
Cancellations	-953,983	-6,349	-	-960,332	131.43
31 December 2014	1,038,184	366,713	1,041,840	2,446,737	121.14

Debt-based programmes
The debt-based programmes consist of stock appreciation rights (SARs) and restricted cash units (RCUs) granted during the years 2011-2015.

A few key employees in Lundbeck US subsidiaries were granted 9,314 RCUs in December 2015, (10,543 RCUs in June 2014) on terms and conditions similar to those that apply to the restricted share unit programme granted in December 2015 (June 2014 for the grant made in 2014) to key employees of Lundbeck parent company and its non-US subsidiaries. The RCUs will vest on 1 December 2018 (31 May 2017 for the grant made in 2014) subject to continuing employment with Lundbeck and Lundbeck achieving its financial targets, after which time they are settled. The size of the amount depends on the value of the Lundbeck share on the vesting date. The fair value per RCU at the time of grant was calculated at DKK 202.78 (DKK 138.81 for the grant made in 2014).

The share price-based programme for employees of Lundbeck US subsidiaries cannot be converted into shares because the value of the programme is distributed as a cash amount.

The SARs granted in 2012 vested in 2015. The RCUs granted in 2012 vested in 2015, after which time the programme was settled. The SARs granted in 2011 vested in 2014. The RCUs granted in 2011 vested in 2014, after which time the programme was settled.

Fair value, liability and expense recognised in the income statement
The warrants, shares and restricted share units granted are recognised in the income statement for 2015 at an expense corresponding to the fair value at the time of grant calculated according to the Black-Scholes method for the part of the vesting period that concerns 2015. The total expense recognised in respect of equity-based programmes amounted to DKK 34 million (DKK 42 million in 2014; the amount includes an income of DKK 14 million regarding grants which were cancelled as the vesting conditions were not met). At 31 December 2015, the fair value of equity-based programmes amounted to DKK 317 million (DKK 134 million in 2014).

The SARs granted are recognised in the income statement at an expense corresponding to the value adjustment for the year based on the Black-Scholes method, and the RCUs granted are recognised in the income statement at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share. The total expense recognised in respect of debt-based programmes amounted to DKK 12 million (DKK 3 million in 2014). The expense covers all debt-based programmes in force in 2015. At 31 December 2015, the total liability in respect of debt-based programmes amounted to DKK 7 million (DKK 5 million in 2014). The liability covers all debt-based programmes in force at 31 December 2015.

ALK
Share option plans
ALK has established share option plans for ALK Board of Management and a number of key employees as a part of a retention programme.

Each share option entitles the holder to acquire one existing B share of DKK 10 nominal value in ALK. The right to exercise the option is subject to the holder of the option not having resigned at the time of exercise. No other vesting conditions apply. The option can be exercised only during a period of four weeks after the publication of annual reports or interim financial statements. Share options are considered sufficiently covered by treasury shares.

NOTE 3

3. STAFF COSTS, CONTINUED

Outstanding options have the following charateristics:

	Vesting date	Exercise period begins	Exercise period end	Options units	Exercise price
Equity-based schemes					
2009, plan	01.11.2012	01.11.2012	01.11.2016	2,600	546
2010, plan	01.11.2013	01.11.2013	01.11.2017	8,000	400
2011, plan	01.11.2014	01.11.2014	01.11.2018	61,950	366
2012, plan	01.05.2015	01.05.2015	01.05.2019	55,125	452
2013, plan	01.03.2016	01.03.2016	01.03.2020	80,775	475
2014, plan	01.03.2017	01.03.2017	01.03.2021	47,850	758
2015, plan	01.03.2018	01.03.2018	01.03.2022	44,150	836

Specification of outstanding options:

Share options plans	Board of Management Units	Other key personnel Units	Total Units	Weighted average exercise price
1 January 2015	137,325	240,250	377,575	454
Additions	18,100	26,050	44,150	836
Exercises	-25,500	-90,500	-116,000	403
Expired	-	-1,750	-1,750	585
Cancellations	-	-3,525	-3,525	552
31 December 2015	129,925	170,525	300,450	470
1 January 2014	243,000	321,475	564,475	416
Additions	21,300	32,100	53,400	758
Exercises	-104,750	-100,075	-204,825	438
Expired	-5,500	-12,400	-17,900	854
Cancellations	-16,725	-850	-17,575	538
31 December 2014	137,325	240,250	377,575	454

At 31 December 2015 the total number of vested share options amounts to 127,675 units (155,225 units in 2014).

ALK Board of Directors decided for three open windows in 2015 that share options were to be settled by cash settlement and a total of 95,450 share options were exercised and total cash payments amounted to DKK 41 million. For one open window the Board of Directors decided that share options were settled by shares and a total of 20,550 were exercised.

	2015	2014
Average remaining life of outstanding share options at year end (years)	4.1	4.4
Exercise prices for outstanding share options at year end (DKK)	352-867	344-795

The calculated market price at the grant date is based on the Black & Scholes method for valuation of options.

The assumptions for the calculation of the market price of share options at the grant date are as follows:	2015 Plan	2014 Plan
Average share price (DKK)	747	669
Expected exercise price (DKK) (1)	825	739
Expected volatility rate	28% p.a.	25% p.a.
Expected option life	5 years	5 years
Expected dividend per share	5	5
Risk-free interest rate	0.16% p.a.	1.20% p.a
Calculated fair value of granted share options (DKK)	145	123

NOTE 3

3. STAFF COSTS – CONTINUED

The expected volatility rate is based on the historical volatility

(1) The exercise price is equivalent to the average market price of ALK's share for the five trading days immediately preceding the date of grant and is increased by 2.5% p.a. and reduced by dividends paid.

Conditional shares
ALK has established conditional share plans for ALK Board of Management and a number of key employees as a part of a retention programme. Conditional shares will be available three years after the date of grant, provided that ALK achieves the targets for vesting.

Outstanding conditional shares have the following characteristics:

	Vesting date	Conditional share units
Share based payment		
2013, share scheme	01.03.2016	13,300
2014, share scheme	01.09.2017	8,405
2015, share scheme	01.03.2018	8,470

Outstanding conditional shares	Board of Management Units	Other key personnel Units	Total Units
1 January 2015	13,400	22,625	36,025
Additions	3,520	5,090	8,610
Exercises	-2,525	-4,400	-6,925
Cancellations	-2,525	-5,010	-7,535
31 December 2015	**11,870**	**18,305**	**30,175**
1 January 2014	11,925	17,275	29,200
Additions	3,525	5,350	8,875
Cancellations	-2,050	-	-2,050
31 December 2014	**13,400**	**22,625**	**36,025**

The conditional shares have been granted at the average market price of ALK's share for the five trading days immediately preceding the date of grant. The conditional shares have been granted at DKK 747 per share (2014: DKK 738). Conditional shares are considered sufficiently covered by treasury shares.

Restricted Stock Units
In 2015, ALK Board of Directors decided to grant Restricted Stock Units to all employees not included in the conditional shares plan. The programme granted 10 Restricted Stock Units to employees permanently employed at ALK as of 31 March 2015. A Restricted Stock Unit (RSU) is a right to receive one share or the value of one share in ALK upon vesting.

The programme will run for three years and vesting will be no later than 31 March 2018.

A total of 18,150 RSU's were granted in 2015. The costs of the programme were calculated based on a share price of DKK 746 and in total amounted to DKK 14 million, which are expensed over the vesting period.

As of 31 December 2015, outstanding RSU's were 18,100 and are considered sufficiently covered by treasury shares.

Falck

	Acquisition date	Exercise period begins	Exercise period end	Number of warrants/shares granted	Exercise price
Falck Holding A/S - equity-based scheme					
2011, Warrants Executive Management Board	15.03.2011	2019	2021	4,443,120	171-209
2014, Warrants executive employees	25.06.2014	2021	2025	1,040,877	102
2015, Warrants executive employees	25.06.2014	2021	2025	59,006	102

NOTE 3

3. STAFF COSTS – CONTINUED

Warrants	**Executive Management Board Number**	**Executives employees Number**	**Total Number**
1 January 2015	4,443,120	1,040,877	5,483,997
Grants	-	59,006	59,006
Buy-back of warrants	-	-134,311	-134,311
31 December 2015	4,443,120	965,572	5,408,692
1 January 2014	4,443,120	-	4,443,120
Grants	-	1,040,877	1,040,877
31 December 2014	4,443,120	1,040,877	5,483,997

At a meeting of Falck Board of Directors held on 15 March 2011, the Board passed a resolution to establish a warrant programme for Falck Executive Management Board. The warrant programme comprises 4,443,120 warrants.

Each warrant entitles the holder to subscribe for one share in Falck Holding A/S with a nominal value of DKK 1.00. The warrants are exercisable in the period 2019-2021 at between DKK 171 and DKK 209 per share. The warrants issued were acquired at market value with no conditions attached. The members of the Executive Management Board do not participate in the new warrant programme for executives of Falck that is described below.

At the annual general meeting held on 26 April 2012, Falck Board of Directors was authorised to establish a new warrant programme. At a meeting of the Board of Directors held on 25 June 2014, the Board passed a resolution to establish a new warrant programme for executive employees excluding the Executive Management Board.

The warrant programme comprises 965,572 warrants held by 21 employees. Each warrant entitles the holder to subscribe for one share in Falck Holding A/S with a nominal value of DKK 1.00. The warrants are exercisable in three tranches in 2021, 2023 and 2025 at a price based on a share price of DKK 102 plus 8% per year. Dividends in the period between issuance and exercise of the warrants are adjusted in the price.

The exercise of the warrants is subject to the employee being in continuing employment in the Group on the date of exercise. Special provisions are in place concerning sickness and death and in case of change to the Group's capital structure etc. The Board of Directors may at any time set an earlier time for exercise of the warrants than the said fixed times of exercise. If the employee does not use the option to exercise, the warrants lapse.

Valuation at time of granting

The employees acquired the warrants issued at market value, equivalent to DKK 5 million, so no cost relating to the warrants is recognised in the income statement. The market value is based on a Black-Scholes option valuation model with adjustment for dilution. The volatility in the calculation 23.3% (2014: 27.2%) is estimated based on the average rate of volatility for the defined peer group. Zero-coupon interest rates adjusted for the term of the programme have been used as risk free interest rate 1.2% (2014: 1.3%). Moreover, the calculation of the market value takes into account the non-marketability of the warrants, whereas the employment requirement at the time of exercise is not included.

Group - Recognised expenses	**2015 DKKm**	**2014 DKKm**
Recognised expenses concerning equity-based schemes	49	53
Recognised expenses concerning debt-based schemes	12	3
Total recognised expenses	**61**	**56**

The amount for 2015 includes an income of DKK 1 million (DKK 18 million in 2014) regarding grants which were cancelled as the vesting conditions were not met.

At 31 December 2015, the total liability in respect of debt-based schemes amounted to DKK 7 million (DKK 5 million in 2014). The liability covers all debt-based schemes in force at 31 December 2015.

NOTES 4 - 5

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2015 DKKm	2014 DKKm
Depreciation, amortisation and impairment are specified as follows:		
Cost of sales	2,126	1,437
Research and development costs	282	376
Sales and distribution costs	147	72
Administrative expenses	187	150
Special items	6,213	494
Total	**8,955**	**2,529**

In reference to note 1 and 10, Lundbeck has impaired a number of product rights totalling DKK 4,988 million recognised in special items.

In addition and as a consequence of Lundbecks restructuring programme initiated in 2015, the product rights to Selincro® were written down and an impairment loss was recognised in costs of sales in the amount of DKK 50 million and in research and development costs in the amount of DKK 79 million. In addition, an impairment loss of DKK 51 million concerning other rights and DKK 58 million concerning projects in progress was recognised. The impairment loss was recognised in cost of sales in the amount of DKK 36 million, in sales and distribution costs in the amount of DKK 29 million, in administrative expenses in the amount of DKK 27 million and in research and development costs in the amount of DKK 17 million. Furthermore, an impairment loss concerning property, plant and equipment of DKK 434 million was recognised in cost of sales in the amount of DKK 285 million, in sales and distribution costs in the amount of DKK 11 million, in administrative expenses in the amount of DKK 37 million and in research and development costs in the amount of DKK 101 million. The majority of these assets were valued at fair value less costs of disposal, which for buildings, in their current condition, were based on market values including the use of external appraisers.

In reference to note 10, Falck has impairment of goodwill recognised under special items, DKK 721 million and property, plant and equipments, etc. DKK 29 million under cost of sales.

In 2014, the decision to cease the development of desmoteplase resulted in an impairment loss of DKK 222 million in respect of the desmoteplase product rights. The impairment loss was recognised in amortisation, depreciation and impairment losses under research and development costs. Consequently, the carrying amount of the product rights is DKK 0. In addition, the decision resulted in a DKK 87 million writedown of research and development materials previously recognised under prepayments. This writedown was recognised in research and development costs. The total impairment loss and writedown for desmoteplase recognised in research and development costs was DKK 309 million.

Losses and gains on the sale of intangible assets and property, plant and equipment were recognised at a net gain of DKK 172 million (DKK 29 million in 2014).

5. FEES TO AUDITORS APPOINTED AT THE ANNUAL MEETING

	2015 DKKm	2014 DKKm
Administrative expenses include fees to the Group auditors appointed at the annual meeting, Deloitte, in the amount of:		
Statutory audit	22	21
Other assurance engagements	-	1
Tax advisory services	4	3
Other services	5	21
Total	**31**	**46**

A few small foreign subsidiaries are not audited by the Group auditors, a foreign business partner of the auditors, or by a recognised, international auditing firm.

NOTES 6 - 7

6. SPECIAL ITEMS

	2015 DKKm	2014 DKKm
Impairment product rights, Lundbeck	-4,988	-
Impairment goodwill, Falck	-721	-
Amortisation of contractual customer relationships, Falck	-504	-494
Transaction costs associated with acquisitions, Falck	-12	-39
Special items	**-6,225**	**-533**

7. NET FINANCIAL ITEMS

	2015 DKKm	2014 DKKm
Financial items, Lundbeckfond Invest, net, are specified as follows:		
Financial income		
Interest on financial assets measured at amortised cost	2	5
Gains on financial instruments at fair value through profit or loss	1,409	2,344
Gains on financial instruments included in the trading portfolio	158	138
Exchange gains	198	92
Total financial income	**1,767**	**2,579**
Financial expenses		
Other financial expenses	1	3
Losses on financial instruments at fair value through profit or loss	812	254
Losses on financial instruments included in the trading portfolio	3	93
Exchange losses	1	1
Total financial expenses	**817**	**351**
Net financials	**950**	**2,228**
Financial items, Lundbeckfond Ventures and Emerge, net, are specified as follows:		
Financial income		
Gains on financial instruments at fair value through profit or loss	683	422
Exchange gains	4	0
Other financial income	19	0
Total financial income	**706**	**422**
Financial expenses		
Losses on financial instruments at fair value through profit or loss	215	49
Total financial expenses	**215**	**49**
Net financials	**491**	**373**
Financial items, subsidiaries, net, are specified as follows:		
Financial income		
Interest on financial assets measured at amortised cost	21	25
Gains on financial assets at fair value through profit or loss	-	2
Gains on available-for-sale financial assets, incl. dividends	-	10
Exchange gains	451	354
Other financial income	13	7
Total financial income	**485**	**398**

NOTES 7 - 8

7. NET FINANCIAL ITEMS – CONTINUED

	2015 DKKm	2014 DKKm
Financial expenses		
Interest on financial liabilities measured at amortised cost	346	368
Other financial expenses	45	43
Losses on available-for-sale financial assets	39	-
Interest component, discounted liabilities	14	17
Exchange losses	349	362
Total financial expenses	**793**	**790**
Net financials	**-308**	**-392**

At 31 December 2015, the Group recorded a net result on available-for-sale financial assets of DKK 0 million (DKK 10 million in 2014).

The net gain on financial instruments measured at fair value through profit or loss amounted to DKK 1,056 million at 31 December 2015 (net gain of DKK 2,463 million in 2014). The net gain on financial instruments included in the trading portfolio amounted to DKK 155 million (net gain of DKK 45 million in 2014), and the net exchange gain, including realised net exchange loss transferred from other comprehensive income, amounted to net gain of DKK 302 million in 2015 (net gain of DKK 83 million in 2014).

8. TAX ON PROFIT FOR THE YEAR

	2015 DKKm	2014 DKKm
Current tax	855	772
Prior-year adjustment, current tax	-28	34
Prior-year adjustment, deferred tax	6	-34
Change of deferred tax for the year	-1,779	-205
Change of deferred tax as a result of changed income tax rates	117	7
Total tax for the year	**-829**	**574**
Tax for the year is composed of:		
Tax on profit for the year	-992	441
Tax on other comprehensive income	163	133
Total tax for the year	**-829**	**574**

Explanation of the Group's effective tax rate relative to the Danish tax rate 2015	DKKm	%
Profit before tax	-5,758	
Calculated tax, 23.5%	-1,354	23.5
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	237	-4.1
Non-deductible expenses/non-taxable income and other permanent differences	115	-2.0
Non-capitalised tax losses etc. for the year	72	-1.2
Research and development activities (tax credits)	-43	0.7
Non-deductible amortization of intangibles	342	-5.9
Effect of group transfer of activities	-74	1.3
Prior-year tax adjustments etc., total effect on operations	-19	0.3
Non-deductible losses/non-taxable gains on shares and other equity investments	-265	4.6
Change in valuation of net tax assets	-106	1.8
Deduction for grants	-62	1.1
Other taxes and adjustments	23	-0.4
Change of deferred tax as a result of changed income tax rates	142	-2.5
Effective tax for the year	**-992**	**17.2**

NOTES 8 - 9

8. TAX ON PROFIT FOR THE YEAR – CONTINUED

Explanation of the Group's effective tax rate relative to the Danish tax rate 2014	DKKm	%
Profit before tax	3,094	
Calculated tax, 24.5%	758	24.5
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	67	2.2
Non-deductible expenses/non-taxable income and other permanent differences	129	4.2
Research and development activities (tax credits)	-28	-0.9
Prior-year tax adjustments etc., total effect on operations	-7	-0.2
Non-deductible losses/non-taxable gains on shares and other equity investments	-214	-6.9
Unrecognised timing differences on securities recognised at fair value through profit or loss	-13	-0.4
Change in valuation of net tax assets	-2	-0.1
Deduction for grants	-276	-9.0
Other taxes and other adjustments	20	0.7
Change of deferred tax as a result of changed income tax rates	7	0.2
Effective tax for the year	**441**	**14.3**

9. GRANTS FOR THE YEAR

	2015 DKKm	2014 DKKm
Communicating science	45	10
Travel grants and research abroad, UCSF	8	5
Non-salary related project cost - running costs	11	20
Regular grants	64	35
Lundbeckfonden Scholar	5	11
Lundbeckfonden PhD	66	46
Lundbeckfonden Postdoc	58	51
Lundbeckfonden Fellowships	60	60
Lundbeckfonden Professor	-	10
Lundbeckfonden Clinical research associate professor	9	6
Lundbeckfonden Clinical research professor	13	13
Personal grants - National	211	197
Lundbeckfonden International Masters	2	2
Lundbeckfonden Postdoc Fellowships	8	5
Visiting Professor to Denmark	2	2
Personal grants - International	12	9
Talent and teaching prizes	5	1
PhD cup	3	3
Grete Lundbeck European Brain Research Foundation	17	15
Prizes	25	19
Bottom-up	111	-
Top-down	-	199
Strategic grants	111	199
Grants for the year, gross	423	459
Descendants	-	-
Reversed grants/repayments	-17	-15
Grants for the year, net	406	444

NOTES 9 - 10

9. GRANTS FOR THE YEAR – CONTINUED

	2015 DKKm	2014 DKKm
Grants for the year, gross	423	459
Lundbeckfond Emerge activities	19	15
Grants authorised, including Lundbeckfond Emerge activities, gross	**442**	**474**
Grants for the year, net	406	444
Change in payable grants	38	15
Grants paid for the year	**444**	**459**

10. INTANGIBLE ASSETS

	Goodwill DKKm	Contractual customer relations etc. DKKm	Product rights DKKm	Patent and and license rights DKKm	Other intangible assets DKKm	Ongoing projects DKKm	Total DKKm
Cost at 1 January 2015	11,404	3,701	12,311	760	2,031	127	30,334
Currency translation	426	29	696	7	16	1	1,175
Reclassification / transfers	-	-	-	-	122	-55	67
Addition on acquisitions	247	188	-	-	1	-	436
Adjustment of put options and contingent consideration	-22	-	-	7	-	-	-15
Additions	-	-	2,615	1	216	87	2,919
Disposals	-	-4	-232	-26	-138	-	-400
Cost at 31 December 2015	12,055	3,914	15,390	749	2,248	160	34,516
Amortisation and impairment at 1 January 2015	-20	-1,750	-3,976	-610	-1,468	-	-7,824
Currency translation	-1	-9	-280	-2	-4	-	-296
Amortisation	-	-504	-1,123	-23	-170	-	-1,820
Impairment	-721	-	-5,109	-3	-56	-58	-5,947
Amortisation and impairment on disposals	-	4	232	25	133	-	394
Amortisation and impairment at 31 December 2015	-742	-2,259	-10,256	-613	-1,565	-58	-15,493
Carrying amount at 31 December 2015	11,313	1,655	5,134	136	683	102	19,023

Except for goodwill and the Falck trademark in the amount of DKK 514 million, recognised in Contractual customer relations etc., all intangible assets are deemed to have a definite life.

Goodwill impairment test

On Group level, the management of Lundbeckfonden has performed impairment tests of goodwill related to the investments in the sub-groups; Lundbeck (DKK 4,475 million), ALK (DKK 521 million) and Falck (DKK 6,317 million). The tests have been performed individually for each sub-group. The basis for the test is a comparison of market value of the shares held in the sub-group with the equity recognised in the consolidated financial statements. For Lundbeck and ALK market prices equal closing prices according exchange markets. For Falck the price of the shares has been based on the latest transaction prices and market multiples for a peer group.

Furthermore the management of Lundbeck, Falck and ALK have tested goodwill for impairment on a lower level.

NOTE 10

10. INTANGIBLE ASSETS – CONTINUED

CGU definition
The following cash generating units (CGUs) have been applied:
- Lundbeck one CGU
- ALK one CGU
- Falck four CGUs; Emergency, Assistance, Healthcare and Safety Services

Based on the impairment tests performed it was concluded that there was a need for writing down goodwill, in total DKK 721 million (DKK 0 million in 2014) regarding Falck Safety Services.

Methodology used in sub-groups
In the impairment test, the discounted expected future cash flows (value in use) pursuant to the most recent management-approved budgets for each cash generating unit (CGU) are compared to the carrying amounts of goodwill and other net assets. The future cash flows are based on specific business plans for the next 1-6 years with due consideration to patent expiry.

The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount factor and the preconditions for the terminal period. Negative growth is projected in Lundbeck in the terminal period due to patent expiry. Positive growth of 2.5-3.5% (2.5-3.5% in 2014) is projected for Falck and 1.5% (2% in 2014) for ALK.

In addition, the following elements are considered when determining the key parameters for Lundbeck:

- Financial elements: Prices, rebates, quantities, patient population, market shares, competition, fill rates, prescription rates and Lundbeck costs
- R&D elements: R&D spend, collaborations, pipeline success rate, product labelling and liaison with regulatory bodies
- Market elements: Healthcare reforms, price reforms, market access, pharma restrictions in some markets, launch success, product positioning, competing pharmaceuticals and generics on the market
- Other elements: supply chain effectiveness, reputation and strength and abilities of partners

The following elements are considered when determining the key parameters for ALK:

- Product launches
- Volume forecasts
- Price information regarding ALK's partnerships for the SLIT-tablet programmes
- ALK's sales projections from base business including SLIT-tablets and adrenaline auto-injectors as well as geographical expansion

The calculation of the value in use for Lundbeck is based on a discount rate of 9.8% (11.9% in 2014). For Falck, a discount rate of 8% (8% in 2014) is used for emergency, assistance and healthcare activities, while a discount rate of 11% (10% in 2014) is used for safety services. For ALK, a discount factor of 11% is used (11% in 2014). The discount rate is before tax, and the result of [WACC/(1 – tax rate)] and the applied cash flows are also pre-tax figures. The calculation of the discount rate includes a market adjustment premium.

The impairment loss regarding Falck Safety Services is primarily related to the negative impact on cash flows from the crisis in the global oil and gas industry in the wake of the low level of oil prices. A lower number of offshore employees in oil and gas companies has resulted in fewer employees receiving training at Falck's training centres. The strategy plan for the period until 2020 predicts continued downward pressure on earnings from the downturn in global offshore oil exploration. At the same time, training activities targeting other sectors, including the maritime industry and sustainable energy, are expected to grow organically.

As a consequence of the pressure on the oil price, there was indication of impairment of goodwill in Falck Safety Services. This CGU was tested, and an impairment loss of DKK 721 million was recognised in 2015.

Product rights
In 2014, Lundbeck purchased the Northera® product rights by acquiring all shares in Chelsea Therapeutics International, Ltd. The purchase is considered a purchase of assets (i.e. not a business combination). The value of the product rights amounted to DKK 2,600 million at the time of purchase. The carrying amount at 31 December 2015 was DKK 2,589 million (DKK 2,770 million in 2014) due to the development in the USD/DKK exchange rate. The remaining amortization period is five years (six years in 2014).

Of product rights, DKK 130 million (DKK 2,531 million in 2014) are products not yet commercialised.

Previously, all material milestone payments triggered by an event were treated as an addition of the purchase price for the products rights. They were therefore capitalised, and when the products are launched, amortised over the product's life cycle. Prior to receiving final market registration approval, there is significant uncertainty as to whether the product will be approved and launched, i.e. whether a product right exists at this stage. Consequently, Management of Lundbeck decided to adopt a more conservative approach when these milestone payments predominantly are triggered by or relate to research and development or pre-registration efforts. Based on the uncertainty impairment testing of these product rights has been performed. The impairment loss, mainly related to Rexulti®, amounts to DKK 4,988 million.

NOTES 10 - 11

10. INTANGIBLE ASSETS – CONTINUED

The recoverable amounts were calculated on the basis of Management's reassessed estimate of the value in use of the assets. The reassessment was based on contractual circumstances and generally eroded market conditions, mainly in Europe, affecting the outlook for market access and pricing conditions. The pre-tax discount rate used was 8.4%.

As a consequence of the restructuring plan in Lundbeck, there was indication of impairment of Selincro® and other assets. These assets were tested separately from the CGU and an impairment loss of DKK 129 million was recognised in 2015.

	Goodwill DKKm	Contractual customer relations etc. DKKm	Product rights DKKm	Patent and and license rights DKKm	Other intangible assets DKKm	Ongoing projects DKKm	Total DKKm
Cost at 1 January 2014	10,455	3,507	7,856	734	1,857	84	24,493
Currency translation	468	30	359	5	-	1	863
Reclassification / transfers	-	-	3	-	9	-51	-39
Addition on acquisitions	498	164	-	-	34	-	696
Adjustment of put options and contingent consideration	-16	-	-	17	-	-	1
Additions	-	-	4,103	4	192	93	4,392
Disposals	-1	-	-10	-	-61	-	-72
Cost at 31 December 2014	11,404	3,701	12,311	760	2,031	127	30,334
Amortisation and impairment at 1 January 2014	-20	-1,246	-2,668	-592	-1,391	-	-5,917
Currency translation	-	-10	-236	-	-1	-	-247
Reclassification	-	-	-2	-	7	-	5
Amortisation	-	-494	-848	-18	-154	-	-1,514
Impairment	-	-	-222	-	-	-	-222
Amortisation and impairment on disposals	-	-	-	-	71	-	71
Amortisation and impairment at 31 December 2014	-20	-1,750	-3,976	-610	-1,468	-	-7,824
Carrying amount at 31 December 2014	11,384	1,951	8,335	150	563	127	22,510

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Leasehold improvements DKKm	Prepayments and assets under construction DKKm	Total DKKm
Cost at 1 January 2015	5,898	2,294	2,753	125	732	11,802
Currency translation	42	31	-21	-4	20	68
Reclassification / transfers	196	180	57	-	-500	-67
Addition on acquisitions	-	-	159	5	-	164
Additions	73	99	548	56	275	1,051
Disposals	-176	-157	-213	-	-	-546
Cost at 31 December 2015	6,033	2,447	3,283	182	527	12,472

NOTES 11 - 12

11. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Leasehold improvements DKKm	Prepayments and assets under construction DKKm	Total DKKm
Depreciation and impairment at 1 January 2015	-2,627	-1,457	-1,335	-39	-	-5,458
Currency translation	-37	-15	30	6	-	-16
Depreciation	-201	-164	-462	-19	-	-846
Impairment for the year	-334	-44	-69	-1	-12	-460
Depreciation and impairment on disposals	114	154	165	-	-	433
Depreciation and impairment at 31 December 2015	**-3,085**	**-1,526**	**-1,671**	**-53**	**-12**	**-6,347**
Carrying amount at 31 December 2015	**2,948**	**921**	**1,612**	**129**	**515**	**6,125**
In the carrying amount financial leasing is included in the amount of	126		265			391
Carrying amount of property, plant and equipment provided as loan collateral	1,991		-			1,991
Cost at 1 January 2014	5,671	2,080	2,496	88	732	11,067
Currency translation		16	74	5	22	209
Reclassification / transfers	166	161	56	-	-344	39
Addition on acquisitions	-	-	44	7	-	51
Additions	25	84	417	34	322	882
Disposals	-56	-47	-334	-9	-	-446
Cost at 31 December 2014	**5,806**	**2,294**	**2,753**	**125**	**732**	**11,802**
Depreciation and impairment at 1 January 2014	-2,371	-1,343	-1,173	-27	-	-4,914
Currency translation	-43	-12	-24	-3	-	-82
Depreciation	-207	-147	-410	-15	-	-779
Depreciation and impairment on disposals	-6	45	272	6	-	317
Depreciation and impairment at 31 December 2014	**-2,627**	**-1,457**	**-1,335**	**-39**	**-**	**-5,458**
Carrying amount at 31 December 2014	**3,179**	**837**	**1,418**	**86**	**732**	**6,344**
In the carrying amount financial leasing is included in the amount of	132		101			233
Carrying amount of property, plant and equipment provided as loan collateral	2,186		4			2,190

12. FINANCIAL ASSETS AND FINANCIAL RISKS

The Group's financial investments classified as financial assets at fair value through profit or loss primarily relate to Lundbeckfond Invest's investments. These investments are made on the basis of an investment policy approved by the Board of Trustees. The strategy aims for an appropriate diversification of investments on different asset classes and geographical markets in order to achieve an appropriate diversification of interest rate, exchange rate, credit and equity risks on the financial investments. The purpose is to reduce the risk of losses but also to retain the prospect of gaining a long-term return on the investments.

Credit risks

Credit risks concerning the Group's financial investments primarily relate to investment in bonds and other unlisted funds investing in loans to businesses.
In order to limit the credit risk, a large proportion of this asset class has been invested in Danish government and mortgage bonds with a high credit rating. To achieve a higher return, the Group also invests in corporate bonds.

NOTE 12

12. FINANCIAL ASSETS AND FINANCIAL RISKS – CONTINUED

Equity risks
Equity risks concerns the Group's holding of listed and unlisted shares, including private equity funds as part of the Group's investment operations. Most of these investments are placed in listed shares.

To limit the risk of losses on these shares, they are diversified on different geographical regions and sectors in accordance with the applicable investment policy. Derivative financial instruments are used to manage the equity risk.

Other things being equal, a 10% decrease/increase in equity prices would reduce/increase profits by DKK 938 million and DKK 959 million respectively (reduce by DKK 806 million and increase by DKK 751 million in 2014).

For further information on risks concerning the Group's financial investments, see note 17: Cash resources and note 27: Financial risks and financial instruments.

	Financial assets at fair value through profit or loss, Lundbeckfond Invest DKKm	Financial assets at fair value through profit or loss, Lundbeckfond Ventures and Emerge DKKm	Financial assets at fair value through profit or loss, total DKKm	Other financial assets: Available-for-sale financial assets DKKm	Other financial assets: Other receivables DKKm	Other financial assets: Receivables from associates DKKm	Total DKKm
Carrying amount at 1 January 2015	13,496	1,452	14,948	71	111	72	254
Reclassification to securities, current assets, 1 January 2015	-251	-	-251	-	-	-	-
Carrying amount at 1 January 2015, adjusted	13,245	1,452	14,697	71	111	72	254
Additions	8,262	402	8,664	5	21	-	26
Disposals	-8,064	-232	-8,296	-25	-7	-51	-83
Value adjustments, year-end	13	551	564	17	2	-	19
Reclassification to securities, current assets	217	-	217	-	-	-	-
Carrying amount at 31 December 2015	**13,673**	**2,173**	**15,846**	**68**	**127**	**21**	**216**
Carrying amount at 1 January 2014	11,770	728	12,498	92	88	52	232
Reclassification to securities, current assets, 1 January 2014	116	-	116	-	-	-	-
Carrying amount at 1 January 2014, adjusted	11,886	728	12,614	92	88	52	232
Reclassification	-	-	-	-14	14	-	-
Additions	6,081	346	6,427	48	46	20	114
Disposals	-6,253	-18	-6,271	-8	-40	-	-48
Value adjustments, year-end	1,666	396	2,062	-47	3	-	-44
Reclassification to securities, current assets	-135	-	-135	-	-	-	-
Carrying amount at 31 December 2014	**13,245**	**1,452**	**14,697**	**71**	**111**	**72**	**254**

Fair value hierarchy for financial assets and financial liabilities, measured at fair value
Level 1 includes financial assets for which the fair value is measured on the basis of quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured on the basis of directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair value is measured on the basis of valuation methods which include inputs not based on observable market data.

NOTE 12

12. FINANCIAL ASSETS AND FINANCIAL RISKS – CONTINUED

The requirement for reclassifications between the levels are evaluated continually during the year. For the individual financial assets and liabilities it is evaluated whether the most critical input variable in connection with determination of fair value have changed from unobservable to observable or the other way around. If this is the case the asset or liability is reclassified from the recent relevant level to new level from the time where the change in input variable occur.

Financial assets and liabilities measured at fair value 31 December 2015	**Level 1 DKKm**	**Level 2 DKKm**	**Level 3 DKKm**
Financial assets			
Financial assets at fair value through profit or loss			
Danish mortgage and government bonds	2,568	-	84
Credit bonds	1,857	-	148
Listed equities	7,494	-	-
Property and infrastructure	391	-	163
Lundbeckfond Ventures and Emerge	914	-	1,259
Private equity funds	580	-	723
Other unlisted funds	32	11	218
Available-for-sale financial assets	24	-	44
Derivative financial instruments	-	92	-
Financial assets at fair value	13,860	103	2,639
Financial liabilities			
Derivative financial instruments	-	151	-
Financial liabilities at fair value	-	151	-

Applied valuation methods for the determination of fair value of the majority of the separate categories above are as follows:

	Valuation method used	**Used unobservable inputs**	**Sensitivity in fair value in case of changes in unobservable inputs**
Danish mortgage and government bonds	Closing prices according to exchange markets	N/A	N/A
Credit bonds	Closing prices according to exchange markets	N/A	N/A
Listed equities	Closing prices according to exchange markets	N/A	N/A
Property and infrastructure	Closing prices according to exchange markets and the capitalisation model	Required rates on return 5.0-5.75%	If required rate of return is reduced by 0.25pp the fair value will be reduced by DKK 32 million.
Lundbeckfond Ventures and Emerge	Closing prices according to exchange markets and price of recent transactions for level 3	Capital contributions made at different prices	N/A
Private equity funds and other unlisted funds	Closing prices according to exchange markets and market multiples for a peer group, reduced by an estimated factor for trading in an unlisted market	Multiples	If closing prices according to exchange markets for a peer group increase by 1% the fair value will be increased by DKK 10 million
Available-for-sale financial assets	Closing prices according to exchange markets or cost less write-downs	N/A	N/A

NOTES 12 - 13

12. FINANCIAL ASSETS AND FINANCIAL RISKS – CONTINUED

	Valuation method used	Used unobservable inputs	Sensitivity in fair value in case of changes in unobservable inputs
Derivative financial instruments	Fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves, fair value of foreign exchange contracts is determined using forward exchange rate at the balance sheet date and fair value of share options is based on closing prices according to exchange markets	N/A	N/A

Financial assets and liabilities measured at fair value 31 December 2014	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
Financial assets			
Financial assets at fair value through profit or loss			
Danish mortgage and government bonds	2,323	-	-
Credit bonds	2,002	-	25
Listed equities	7,371	-	-
Property and infrastructure	309	-	172
Lundbeckfond Ventures and Emerge	814	-	638
Private equity funds	623	-	695
Other unlisted funds	38	39	219
Available-for-sale financial assets	29	-	42
Derivative financial instruments	-	73	-
Financial assets at fair value	13,509	112	1,791
Financial liabilities			
Derivative financial instruments	-	228	-
Financial liabilities at fair value	-	228	-

	2015 DKKm	2014 DKKm
Financial assets measured at fair value according to level 3		
Carrying amount at 1 January	1,791	1,346
Additions	728	635
Disposals	-260	-145
Reclassification, from level 3 to level 1 in connection with IPO's	-201	-203
Fair value adjustment	581	158
Carrying amount at 31 December	2,639	1,791

13. INVESTMENTS IN ASSOCIATES

	2015 DKKm	2014 DKKm
Cost at 1 January	86	87
Exchange rate adjustments	2	5
Additions	4	18
Additions on acquisitions	5	-
Disposal and reclassification	-38	-24
Cost at 31 December	59	86

NOTES 13 - 14

13. INVESTMENTS IN ASSOCIATES – CONTINUED

	2015 DKKm	2014 DKK
Value adjustments and impairment at 1 January	-8	-1
Share of profit for the year after tax	-1	-7
Disposal and reclassification	2	-
Accumulated value adjustments and impairment at 31 December	**-7**	**-8**
Carrying amount at 31 December	**52**	**78**

Please see the Group overview for information about registered office and ownership interests in associates.

	2015 / 31 December 2015 DKKm	2014 / 31 December 2014 DKKm
Summarised financial data for associates		
Revenue	430	507
Profit for the year	-1	-4
Total assets	498	689
Total provisions	396	547

14. DEFERRED TAX

Temporary differences between the carrying amount and the tax base

	Balance at 1 January DKKm	Currency translation DKKm	Adjustment of deferred tax at 1 January DKKm	Addition on acqusition of businesses DKKm	Movements during the year DKKm	Balance at 31 December DKKm
2015						
Non-current assets	7,980	44	96	59	-6,194	1,985
Current assets	-264	1	-48	-	16	-295
Other	-1,228	-7	98	-	-174	-1,311
Provisions in subsidiaries	-120	-5	17	-	-48	-156
Tax loss carry-forwards etc.	-1,885	-247	-34	-	-1,370	-3,536
Total	**4,483**	**-214**	**129**	**59**	**-7,770**	**-3,313**
Deferred (tax assets)/tax liabilities	948	-77	25	13	-1,758	-849
Research and development activities (tax credits)	-145	-34	-	-	98	-81
Deferred (tax assets)/tax liabilities	**803**	**-111**	**25**	**13**	**-1,660**	**-930**
2014						
Non-current assets	8,379	102	3	162	-666	7,980
Current assets	-388	-11	54	-	81	-264
Other	-1,037	-163	33	-	-61	-1,228
Provisions in subsidiaries	-107	26	-70	-	31	-120
Tax loss carry-forwards etc.	-871	-1	-164	-	-849	-1,885
Total	**5,976**	**-47**	**-144**	**162**	**-1,464**	**4,483**
Deferred (tax assets)/tax liabilities	1,430	-15	-52	38	-453	948
Research and development activities (tax credits)	-99	-22	-	-	-24	-145
Deferred (tax assets)/tax liabilities	**1,331**	**-37**	**-52**	**38**	**-477**	**803**

NOTES 14 - 15

14. DEFERRED TAX – CONTINUED

The movement during the year includes in 2014 additions from Lundbeck's acqusition of Chelsea Therapeutics International, Ltd. of DKK 272 million not recognised in the income statement as well as change in deferred tax as a result of changes in corporate income tax rate and movement in deferred tax related to equity and other comprehensive income.

	2015 DKKm	2014 DKKm
Deferred tax assets concern the following items:		
Non-current assets	546	84
Current assets	152	149
Provisions and payables	151	114
Other	688	499
Provisions in subsidiaries	46	39
Tax value of tax loss carry-forwards etc.	907	632
Research and development activities (tax credits)	81	144
Offset within legal tax entities and jurisdictions	-930	-678
Total	**1,641**	**983**
Deferred tax liabilities concern the following items:		
Non-current assets	1,148	2,063
Current assets	55	69
Provisions and payables	54	19
Other	384	313
Offset within legal tax entities and jurisdictions	-930	-678
Total	**711**	**1,786**
Net	-930	803

Of the recognised deferred tax assets, DKK 988 million (DKK 776 million in 2014) related to tax losses etc. and research and development activities to be carried forward. Utilisation of these is based on a future positive taxable income that exceeds realisation of the deferred tax liabilities.

The recognition of tax losses is based on estimates of the expected taxable income in the loss-making entities, supported by reports by external analysts, when available.

	2015 DKKm	2014 DKKm
Unrecognised deferred tax assets:		
Unrecognised deferred tax assets at 1 January	503	302
Prior-year adjustments	-	-22
Additions	9	236
Utilised	-118	-13
Unrecognised deferred tax assets at 31 December	**394**	**503**

15. INVENTORIES

	2015 DKKm	2014 DKKm
Raw materials and consumables	432	376
Work in progress	609	579
Manufactured goods and goods for resale	1,804	1,530
Total	**2,845**	**2,485**
Indirect costs of production	530	455
Impairment loss for the year	115	38
Inventories calculated at net realisable value	5	4
The total cost of goods sold is included in cost of sales in the amount of	3,372	3,010

NOTE 16

16. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2015 DKKm	2014 DKKm
Trade receivables and other receivables		
Trade receivables	5,720	5,125
Other receivables	689	615
Derivative financial instruments	92	73
Receivables from associates	41	52
Prepayments	359	400
Total	**6,901**	**6,265**
Trade receivables		
Receivables	6,208	5,487
Impairment	-488	-362
Total	**5,720**	**5,125**
Due dates of trade receivables not written-down		
Not due	4,080	3,832
Overdue by more than 1 month and up to 6 months	1,481	1,246
Overdue by more than 6 month and up to 12 months	92	31
Overdue by more than 12 months	67	16
Total	**5,720**	**5,125**
Development in writedowns of trade receivables		
Writedowns at 1 January	362	328
Actual writedowns	-256	-282
Reversed, unrealised writedowns	-5	-3
Change in writedowns	387	319
Writedowns at 31 December	**488**	**362**
Specification of other receivables by due date		
Not due	669	609
Overdue by up to 3 months	14	6
Overdue by more than 3 month and up to 6 months	2	-
Overdue by more than 6 month and up to 12 months	4	-
Total	**689**	**615**

As no losses are expected on other receivables, no writedowns have been made.

Credit risks

The Groups products and services are sold primarily to distributors of pharmaceuticals and hospitals and services to public authorities, other large customers and small subscription receivables from individual customers.

The Group has no particular customer concentration and no significant reliance on specific customers. In Falck, the large customers are to a great extent represented by public authorities.

Lundbeck, ALK and Falck have all defined internal procedures for evaluating specific credit risk from new customer relationships and changes to the risk profil of existing relationships to ensure that the risk of losses is reduced to acceptable levels. The Group is monitoring development in the global economies and also developments in trade receivables in order to reduce the risk of losses to the best possible extent.

Market risks

The pharmaceutical market is characterised by the aim of the authorities to reduce or cap healthcare costs. Market changes such as price reductions and ever-earlier launch of generics may have a considerable impact on the earnings potential of pharmaceuticals. Moreover, the growing number of market access hudles set by local authorities is the earnings potential of the new generation of pharmaceuticals in the finite period of exclusivity. The Group expects that these conditions will continue in 2016 and 2017.

The emergency market especially in the United States is affected by the fact that ambulance companies collect payment directly from the patient if the patient does not have health insurance or is covered by a public insurance scheme. This may be difficult in the event of emergency responses. Write-downs are generally

NOTES 16 - 17 - 18

16. TRADE RECEIVABLES AND OTHER RECEIVABLES – CONTINUED

recognised in Sales and distribution costs. However, write-downs of receivables from private customers in the United States are recognised in revenue when it is assumed in advance that they cannot be collected.

17. CASH RESOURCES

	2015 DKKm	2014 DKKm
Fixed-term deposits	137	2,312
Other cash resources	2,532	2,899
Cash at 31 December	2,669	5,211
Securities with a maturity of less than 3 months	472	443
Securities with a maturity of more than 3 months	126	128
Securities at 31 December	598	571
Cash and securities at 31 December	3,267	5,782

DKK 115 million (DKK 94 million in 2014) of the Group's cash and securities is held by a Swedish subsidiary comprised by Swedish insurance rules and, by extension, governed by rules on solvency requirements.

The securities portfolio is classified as financial assets measured at fair value through the income statement.

Liquidity and credit risk and capital structure
With the present capital structure, the Group is well-consolidated. The Group aims to retain adequate cash resources to support business development and flexibility in case of changes to the market situation, potential acquisition activities and product inlicensing opportunities. This is achieved through a combination of liquidity management, ultra-liquid assets and guaranteed and unguaranteed credit facilities. The capital structure is considered appropriate relative to the Group's strategic plans.

The credit risk of cash and derivatives (forward exchange contracts, currency options, interest-rate options and share options) is limited because the Group only deals with banks with a high credit rating. To further limit the risk of losses, internal limits have been defined for the credit exposure accepted towards the banks with which the Group collaborates, and the Group aims to maintain counterparty diversification to avoid material concentration at individual counterparties. The Group also uses collateral agreements (e.g. ISDA and GRMA) and exchange of collateral with counterparties with which the Group has hedging business.

18. CAPITAL BASE

Lundbeckfondens capital base is DKK 2,888 million. The present charter of Lundbeckfonden was approved by the Board of Trustees on 9 April 2015. The Danish Business Authority acts as supervisory authority.

Of the Foundation's profit before tax less non-distributed earnings in the subsidiaries and associates, at least 20% must first be allocated to the capital base.

	Note	2015 DKKm	2014 DKKm
Change in the Foundation's capital base during the period 1 January 2011 - 31 December 2015			
The capital base at 1 January 2011 amounted to:		2,050	2,050
2011 Capital base increased by		175	175
2012 Capital base increased by		45	45
2013 Capital base increased by		253	253
2014 Capital base increased by		205	205
2015 Capital base increased by		160	-
Capital base at 31 December 2015		2,888	2,728
Grants for the year, net	9	406	444

NOTES 19 - 20

19. OTHER RESERVES

	2015 DKKm	2014 DKKm
Reserve for future grants		
Balance at 1 January	750	-
Grants for the year	-406	-
Transferred to provision for future grants	406	750
Balance at 31 December	**750**	**750**
Currency translation reserve		
Balance at 1 January	331	-593
Currency translation for the year concerning foreign subsidiaries and additions to net investments in foreign subsidiaries	789	1,100
Tax in relation hereto	-153	-176
Balance at 31 December	**967**	**331**
Hedging reserve		
Balance at 1 January	-63	-2
Adjustment, deferred exchange gains/losses, hedging, recognised in other comprehensive income	-103	-115
Exchange gains/losses, hedging, transferred to revenue	167	30
Exchange gains/losses, hedging, transferred to the balance sheet	-87	55
Exchange gains/losses, trading, transferred to net financials (transferred from hedging)	5	-
Value adjustment of interest hedging instruments	-1	-50
Tax in relation hereto	3	19
Balance at 31 December	**-79**	**-63**
Reserve for fair value adjustment of available-for-sale financial assets		
Fair value adjustment at 1 January	-79	-31
Fair value adjustment	79	-38
Realised gain on disposal	-	-10
Tax in relation hereto	-11	-
Fair value adjustment at 31 December	**-11**	**-79**
Total other reserves	**1,627**	**939**

20. NON-CONTROLLING INTERESTS

	2015 DKKm	2014 DKKm
Non-controlling interests at 1 January	4,669	3,920
Share of profit/loss for the year	-1,760	159
Share of other comprehensive income for the year	194	232
Share of other capital movements	43	-11
Dividend	-155	-206
Addition on acquisition	7	15
Buyback of shares from non-controlling interests	-7	-21
Change in non-controlling interests	137	619
Adjustment of provision for acquisition of non-controlling interests	121	-38
Non-controlling interests at 31 December	**3,249**	**4,669**

Of dividend paid to non-controlling interests, DKK 11 million (DKK 48 million in 2014) was recognised in liabilities related to acquisition of non-controlling interests in 2015 (Note 21.2).

NOTES 20 - 21

20. NON-CONTROLLING INTERESTS – CONTINUED

Lundbeckfonden's subsidiaries with significant non-controlling interests include the following:

	Non-controlling interests	Percentage of votes	Registered Office
H. Lundbeck A/S	30.4%	69.6%	Copenhagen
ALK-Abelló A/S	59.7%	67.2%	Horsholm
Falck Holding A/S	42.6%	57.4%	Copenhagen

The financial information set out below are aggregated for the sub-groups:

	Lundbeck		ALK		Falck	
	2015 DKKm	2014 DKKm	2015 DKKm	2014 DKKm	2015 DKKm	2014 DKKm
Statement of comprehensive income						
Revenue	14,594	13,468	2,569	2,433	15,227	13,952
Profit (loss) for the year	-5,694	-153	344	181	-586	218
Total comprehensive income	-4,855	596	338	195	-720	216
Profit (loss) for the year attributable to non-controlling interests	-1,731	-46	205	105	-233	103
Balance sheet						
Non-current assets	13,665	16,251	2,716	2,387	14,609	15,047
Current assets	7,660	9,386	1,536	1,032	3,730	3,646
Non-current liabilities	4,792	4,909	636	541	7,928	7,588
Current liabilities	7,748	7,202	919	524	4,478	4,498
Equity	8,785	13,526	2,697	2,354	5,933	6,607
Carrying amount of non-controlling interests of equity	2,671	4,066	1,610	1,360	2,758	3,030
Statement of cash flows						
Cash flows from operating activities	197	1,610	183	320	828	909
Cash flows from investing activities	-2,842	-3,396	-165	-219	-1,008	-1,219
Cash flows from financing activities	501	589	298	-124	-142	407
Change in cash and cash equivalents	-2,144	-1,197	316	-23	-322	97
Dividends paid to the non-controlling interests during the year	-	163	29	29	126	-

In Falck sub-group there is a non-controlling interests' ownership in the Falck Healtcare sub-group of 40%. Sub-non-controlling interests in the Falck sub-group are included in figures for non-controlling interests above.

21. PROVISIONS

	Note	2015 DKKm	2014 DKKm
Provisions can be specified as follows:			
Pensions and similar obligations	21.1	533	539
Liabilities relating to acquisitions and non-controlling interests	21.2	937	1,160
Other provisions	21.3	1,544	638
Total		3,014	2,337

	2015 DKKm	2014 DKKm
Provisions break down as follows:		
Non-current	1,800	1,714
Current	1,214	623
Total	3,014	2,337

NOTE 21

21.1 PENSIONS AND SIMILAR OBLIGATIONS

The majority of the employees of the Group are covered by pension plans paid for by the companies of the Group. The nature of the plans varies according to regulatory requirements, tax rules and economic conditions in the countries in which the employees are employed. A summary of the most important plans is given below.

Defined contribution plans
In defined contribution plans, the employer is obliged to pay a certain contribution to a pension fund or the like but bears no risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

The cost of defined contribution plans, representing contributions to the plans, totalled DKK 744 million in 2015 (DKK 631 million in 2014).

Defined benefit plans
In defined benefit plans the employer is obliged to pay a certain payment when a pre-agreed event occurs. The employer bears the risks regarding future developments in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

The Group has defined benefit plans in a few countries. The most important plans comprise employees in Germany, The Netherlands, Switzerland and the UK.

	2015 DKKm	**2014 DKKm**
Pensions and similar obligations		
Present value of funded pension obligations	500	477
Fair value of plan assets	-404	-366
Funded pension obligations, net	**96**	**111**
Present value of unfunded pension obligations	364	337
Provisions for pensions at 31 December	**460**	**448**
Other pension-like obligations	75	93
Provisions for pensions and pension-like obligations at 31 December	**535**	**541**
Pension assets/liabilities and similar obligations break down as follows:		
Non-current liabilities	529	532
Current liabilities	4	7
Pension obligations	533	539
Plan assets, recognised in other (receivables) / liabilities	2	2
Pension assets/liabilities and similar obligations 31 December, net	535	541

The actuarial assumptions applied in calculating pension obligations concerning the defined benefit plans vary from one country to the next and are based on local economic and social conditions. The following assumptions were applied:

	2015	**2014**
Discount rate	2.2%-3.85%	2.2%-3.7%
Inflation rate	1.9%-2.9%	2.1%-2.2%
Pay rate increase	2.4%-4.0%	2.4%-4.1%
Pension increase	1.9%-3.0%	2.2%-3.0%
Age-weighted staff resignation rate	0%-8.0%	0%-8.0%
Expected return on plan assets	2.2%-3.85%	2.3%-4.2%

NOTE 21

21.1 PENSIONS AND SIMILAR OBLIGATIONS – CONTINUED

	2015 % distribution	2014 % distribution
The fair value of the plan assets breaks down as follows:		
Shares	12	10
Bonds	15	16
Property	5	4
Insurance contracts	51	54
Other assets	17	16
Total	**100**	**100**

Shares and bonds are measured at fair value based on quoted prices in an active market. Property, insurance contracts and other assets are not based on quoted prices in an active market.

	2015 DKKm	2014 DKKm
Change in present value of funded pension obligations		
Present value of funded pension obligations at 1 January	477	407
Currency translation	25	15
Past service costs	-	1
Pension expenses	7	11
Interest expenses relating to the obligations	15	15
Experience and assumptions adjustments	-7	42
Disbursements	-11	-16
Employee contributions	2	2
Settlement	-8	-
Present value of funded pension obligations at 31 December	**500**	**477**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	366	314
Currency translation	21	10
Interest income on plan assets	12	12
Experience adjustments	3	23
Contributions	24	24
Disbursements	-16	-16
Employee contributions	2	2
Administration fee	-2	-3
Settlement	-6	-
Fair value of plan assets at 31 December	**404**	**366**
Realised return on plan assets	**10**	**21**
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations at 1 January	337	265
Currency translation	5	-
Pension expenses	11	8
Interest expenses relating to the obligations	5	8
Experience and assumptions adjustments	-2	60
Disbursements	-7	-4
Plan Changes	15	-
Present value of unfunded pension obligations at 31 December	**364**	**337**

NOTE 21

21.1 PENSIONS AND SIMILAR OBLIGATIONS – CONTINUED

	2015 DKKm	2014 DKKm
Specification of expenses recognised in the income statement		
Pension expenses	18	20
Interest expenses relating to the obligations	20	23
Expected return on plan assets	-12	-12
Actuarial (gains)/losses	2	3
Total expenses recognised	**28**	**34**
Specification of amount recognised in the statement of comprehensive income		
Actuarial (gains)/losses	-13	78
Total expenses recognised	**-13**	**78**

The expected contribution for 2016 for the defined benefit plans is DKK 32 million (DKK 38 million in 2015).

Sensitivity analysis
Discount rate and inflation rate are the most significant assumptions used in the calculation of the obligation for defined benefit plans. An increase in the discount rate of 0.25% of a percentage point would results in an decrease in the obligation of approximately DKK 69 million (DKK 53 million. in 2014) and vice versa. An increase in the inflation rate of 0.25% of a percentage point would results in an increase in the obligation of approximately DKK 13 million (DKK 13 million in 2014) and vice versa.

Other pension-like obligations
An obligation of DKK 75 million (DKK 93 million in 2014) is recognised in the Group to cover other pension-like obligations, including primarily termination benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met. The amount of pension-like obligations decrease by DKK 18 million (increase by DKK 4 million in 2014).

21.2 LIABILITIES RELATING TO ACQUISITIONS AND NON-CONTROLLING INTERESTS

	2015 DKKm	2014 DKKm
Liabilities		
Liabilities concerning acquisition of non-controlling interests	837	1,077
Payable considerations and contingent consideration	100	83
Liabilities at 31 December	**937**	**1,160**
Non-current portion		
Liabilities concerning acquisition of non-controlling interests	765	897
Payable considerations and contingent consideration	62	61
Non-current portion at 31 December	**827**	**958**
Current portion		
Liabilities concerning acquisition of non-controlling interests	72	180
Payable considerations and contingent consideration	38	22
Current portion at 31 December	**110**	**202**
Liabilities concerning acquisition of non-controlling interests		
Liabilities at 1 January	1,077	898
Currency translation	45	78
Additions through acquisitions	45	54
Additions on sale of non-controlling interests	-	40
Disposals on acquisition of non-controlling interests	-19	-23
Interest component, discounted liabilities	9	11
Dividends paid and other adjustments	-11	-48
Adjustments recognised in goodwill relating to business combinations before 1 January 2010	-27	-22
Adjustments and interest recognised in equity relating to business combinations after 1 January 2010	-282	89
Liabilities concerning acquisition of non-controlling interests at 31 December	**837**	**1,077**

NOTE 21

21.2 LIABILITIES RELATING TO ACQUISITIONS AND NON-CONTROLLING INTERESTS – CONTINUED

	2015 DKKm	2014 DKKm
Classification of liabilities for acquisition of non-controlling interests by expected maturity		
Within 1 year	72	180
Between 1 and 5 years	765	870
More than 5 years	-	27
Liabilities concerning acquisition of non-controlling interests at 31 December	837	1,077
Outstanding consideration and earn-outs		
Liabilities at 1 January	83	123
Currency translation	3	-1
Additions through acquisitions	36	50
Reassessment of previously recognised earn-outs	3	-9
Payments and other disposals	-25	-80
Outstanding considerations and earn-outs at 31 December	100	83
Classification of outstanding consideration and earn-outs by expected maturity		
Within 1 year	38	22
Between 1 and 5 years	62	61
Liabilities concerning acquisition of non-controlling interests at 31 December	100	83

Liabilities relating to acquisitions and non-controlling interest relate to Falck. In connection with Falck assuming an obligation to acquire non-controlling interests, a concurrent right was obtained for Falck to acquire the same non-controlling interests in the agreed period.

The consideration for obligations and rights to acquire non-controlling interests is determined on the basis of profit before exercise multiplied by an already agreed multiple typically less net debt in the relevant companies. On recognition in the balance sheet, this liability is made up at earnings and net debt at the time when the non-controlling interests are expected to exercise their right to sell their shares to Falck. The calculated liability typically assumes an increase in earnings and a decrease in net debt in the relevant companies as compared with the value recognised in the financial statements.

21.3 OTHER PROVISIONS

	2015 DKKm	2014 DKKm
Other provisions at 1 January	638	565
Currency translation	27	20
Addition on acquisitions	66	8
Provisions charged	1,445	341
Provisions used	-556	-280
Unused provisions reversed	-76	-16
Total	1,544	638
Other provisions at 31 December can be specified as follows:		
Non-current provisions	444	224
Current provisions	1,100	414
Total	1,544	638

In 2015, Other provisions primarily cover Lundbeck's expenses for e.g. disputes, returns and restructuring programme initiated in 2015 and Falck's pending litigation, actuarially estimated liabilities relating to worker injuries in the United States and obligation to clean up and demolish facilities on leased land.

NOTE 22

22. MORTGAGE, BANK, LEASING AND REPO DEBT

	Note	2015 DKKm	2014 DKKm
Mortgage, bank, leasing and repo debt can be specified as follows:			
Mortgage debt	22.1	2,817	2,503
Bank and leasing debt	22.2	8,545	7,939
Repo debt	22.3	367	205
Total		**11,729**	**10,647**
Can be specified as follow:			
Non-current debt to financial institutions – subsidiaries		10,339	9,572
Current debt to financial institutions – subsidiaries		1,023	870
Repo debt – Lundbeckfond Invest		367	205
Total		**11,729**	**10,647**

Syndicated loan of DKK 6,165 million (DKK 6,125 million in 2014) is subject to loan terms that include covenants requiring that certain financial performance indicators are met. All loan terms were honoured in 2015 and 2014.

22.1 MORTGAGE DEBT

	2015 DKKm	2014 DKKm
Mortgage debt by maturity:		
Within 1 year	100	2
Between 1 and 5 years	472	339
More than 5 years	2,245	2,162
Mortgage debt at 31 December	**2,817**	**2,503**
Can be specified as follow:		
Non-current liabilities	2,717	2,501
Current liabilities	100	2
Mortgage debt at 31 December	**2,817**	**2,503**

	Currency Expiry	Fixed/floating	Weighted average effective interest rate	Amortised cost DKKm	Nominal value DKKm	Fair value DKKm
2015						
Bond loan, Lundbeck	DKK/2035	Fixed	1.5%	1,418	1,450	1,451
Bond loan, Lundbeck	DKK/2037	Fixed	1.1%	436	422	428
Bond loan, Lundbeck	DKK/2037	Floating	0.5%	276	283	276
Bond loan, Lundbeck	DKK/2034	Floating	0.8%	12	12	12
Bond loan, Falck	DKK/2045	Fixed	1.2%	331	333	332
Bond loan, ALK	DKK/2035	Floating	1.2%	344	344	345
Total				**2,817**	**2,844**	**2,844**
2014						
Bond loan, Lundbeck	DKK/2035	Fixed	1.5%	1,416	1,450	1,474
Bond loan, Lundbeck	DKK/2037	Floating	1.1%	439	440	428
Bond loan, Lundbeck	DKK/2037	Floating	1.1%	272	283	275
Bond loan, Lundbeck	DKK/2034	Floating	0.8%	12	12	12
Bond loan, Falck	DKK/2025	Fixed until 2015	4.5%	342	351	357
Bond loan, ALK	DKK/2026	Floating	2.0%	22	22	23
Total				**2,503**	**2,558**	**2,569**

Bond loans are classified as level 1 under the fair value hierarchy. Fair value has been determined based on closing prices according to exchange markets.

NOTE 22

22.2 BANK AND LEASING DEBT

	2015 DKKm	2014 DKKm
Bank and leasing debt by maturity:		
Within 1 year	923	868
Between 1 and 5 years	7,274	6,825
More than 5 years	348	246
Bank debt at 31 December	8,545	7,939
Specification of bank and leasing debt:		
Non-current obligations, loan	7,493	7,003
Non-current obligations, leased assets	129	68
Total non-current	7,622	7,071
Current obligations, loan	852	824
Current obligations, leased assets	71	44
Total current	923	868
Bank debt at 31 December	8,545	7,939

2015	Currency	Expiry	Fixed/floating	Weighted average effective interest rate	Carrying amount DKKm	Fair value DKKm
Bank debt, Lundbeck	EUR	2019	Floating	2.3%	1,119	1,119
Bank debt, Lundbeck	DKK	2017	Floating	1.4%	500	500
Other loans, Falck	DKK	2019	Fixed	10.0%	121	121
Bank debt, Falck	DKK, EUR, USD, NOK, other	2016-2019	Floating	3.4%	6,307	6,398
Leasing debt, Falck	EUR, USD	2016-2025	Fixed/floating	4.1%	197	197
Leasing debt, ALK	EUR, USD	2016-2020	Floating	1,3% - 4,0%	3	3
Other bank and finance loans, ALK	EUR	2016	Fixed	3.1%	298	298
Total					8,545	8,636
2014						
Bank debt, Lundbeck	EUR	2019	Floating	1.2%	1,117	1,117
Overdraft facilities, Lundbeck	Various	-	Floating	0.9%	76	76
Bank debt, Falck	DKK, EUR, USD, other	2014-2018	Floating	3.9%	6,361	6,398
Leasing debt, Falck	EUR, USD	2014-2025	Fixed/floating	8.0%	83	108
Leasing debt, ALK	EUR, USD	2016-2020	Floating	3,5% - 4,0%	4	4
Other bank and finance loans, ALK	EUR	2016	Fixed	3.1%	298	298
Total					7,939	8,001

22.3 REPO DEBT

Repo debt in Lundbeckfond Invest amounts to DKK 367 million (DKK 205 million in 2014) fell due 20 January 2016. The debt carries a fixed rate of interest from the date of conclusion at negative 0,25% (0.25% in 2014).

NOTES 23 - 24 - 25 - 26

23. OTHER PAYABLES

	Note	2015 DKKm	2014 DKKm
Employee bonds		-	8
Trade payables		5,288	5,777
Other payables		3,719	3,092
Derivative financial instruments		146	228
Prepayments	2	1,510	1,600
Total		**10,663**	**10,705**

24. ADJUSTMENT OF NON-CASH OPERATING ITEMS

	2015 DKKm	2014 DKKm
Depreciation, amortisation and impairment	8,968	2,496
Gain on reduction of ownership interest	-37	-
Incentive programmes	49	53
Change in pension obligation	-10	-7
Change in other provisions	828	51
Income from sales of companies and operations	48	-
Other adjustments	-34	2
Total	**9,812**	**2,595**

25. WORKING CAPITAL CHANGES

	2015 DKKm	2014 DKKm
Change in inventories	-223	-7
Change in receivables	-368	-59
Change in receivables from associates	-	15
Change in current liabilities	-296	433
Total	**-887**	**382**

26. ACQUISITIONS

26.1 ACQUISITION OF BUSINESSES

	Total 2015 DKKm	Total 2014 DKKm
Assets		
Intangible assets	196	215
Property, plant and equipment	164	51
Financial assets	6	1
Cash and cash equivalents	32	55
Other current assets	234	224
Liabilities		
Interest-bearing debt	-200	-30
Current liabilities, provisions etc.	-256	-166
Deferred tax	-13	-42
Non-controlling interests	-	-15
Net assets acquired	**163**	**293**

NOTE 26

26.1 ACQUISITION OF BUSINESSES – CONTINUED

	Total 2015 DKKm	Total 2014 DKKm
Net assets acquired	163	293
Goodwill	252	504
Acquisition cost	415	797
Fair value of investment in phased acquisitions	-68	-
Provisions for acquisition of non-controlling interests	-45	-54
Acquisition cost exclusive of obligations to buy non-controlling interests	302	743
Acquired cash in hand and at bank	-32	-55
Outstanding consideration	-36	-50
Consideration relating to prior-year acquisitions	28	65
Expensed transaction costs	12	39
Cash consideration	274	742

Acquisitions 2015

Name	Principal activity	Country	Date of acquisition	Purchase price	Voting share acquired
Responce	Emergency	Denmark	Apr. 2015	97	75%
Manpower Hälsopartner	Healthcare	Sweden	Apr. 2015	23	100%
9Lives	Emergency	Finland	Jun. 2015	76	51%
Rapid Response	Emergency	USA	Aug. 2015	52	100%
Others				54	
				302	

Responce is a Danish ambulance service provider with activities in central og southern Jutland. Part of the purchase price has been allocated to existing costumer contracts, while the rest has been allocated to goodwiil, relating to the potential synergy and efficiency gains through consolidation of Response and Falck.

Manpower Hälsopartner supplies healthcare solutions for industrial businesses and public-sector customers in Sweden. Part of the purchase price has been allocated to existing customer contracts, while the rest has been allocated to goodwill, relating to the potential for expanding Falck´s healthcare activities. The company and its 160 employees are beeing intregrated into Previa, a subsidiary acquired by Falck in 2014.

9Lives is one of the largest ambulance service providers in Finland. This acqusition will make Falck the leading private patient transport and ambulance service provider i Finland. Part of the purchase price has been allocated to existing customer contracts. The rest has been allocated to goodwill, relating to the potential of growth in the Finnish market by achieving a strong foundation and efficiency through consolidation and by leveraging the competencies, knowledge and relations of key persons.

Rapid Responce is an ambulance service provider in, primarily, Detroit. Part of the purchase price has been allocated to existing customer contracts and the rest to goodwill, relating to a strong platform for continued growth in the United States.

Acquisitions 2014

Name	Principal activity	Country	Date of acquisition	Purchase price	Voting share acquired
Fineta	Emergency	France	Mar. 2014	36	51%
Previa	Healthcare	Sweden	Jun. 2014	337	100%
Quick Care	Healthcare	Denmark	Jun. 2014	253	100%
BHM and Haces	Emergency	Colombia	Nov. 2014	45	80%
Others				72	
				743	

NOTES 26 - 27

26.1 ACQUISITION OF BUSINESSES – CONTINUED

The cost price paid in connection with the company acquisitions exceeded the fair value of acquired identifiable assets, liabilities and contingent liabilities.

Other than customer contracts and customer relations with a total value of DKK 188 million (DKK 164 million in 2014), no assets or liabilities have been identified which were not recognised in the companies acquired on the date of acquisition. Goodwill represents DKK 252 million (DKK 504 million in 2014).

In connection with acquisitions, an assessment is made of the value of the acquired customer agreements, framework agreements and customer portfolios. The valuation thereof was based on the "Multi Period Excess Earnings Method (MEEM-method)" in which the value is calculated on the basis of an expected future cash flow. The principal assumptions are expected lives of the existing agreements and portfolios, earnings and contribution for using associated assets and employees.

Acquired assets include trade receivables at a fair value of DKK 128 million (DKK 146 million in 2014). The contractual gross receivable is DKK 128 million (DKK 146 million in 2014), of which DKK 0 million (DKK 0 million in 2014) was deemed to be unrecoverable as of the date of takeover.

Non-controlling interests in acquisitions in 2014 are recognised at fair value, including the fair value of goodwill related to the minority interest. In 2011, goodwill in relation to acquisition of Falck was recognised exclusive of goodwill relating to non-controlling interests.

Business combinations may be adjusted for up to 12 months after the date of acquisition.

Of the Group's comprehensive income in 2015 of DKK - 4,067 million (DKK 3,414 million in 2014), DKK - 23 million (DKK 6 million in 2014) is attributable to results generated by the acquired operations after the acquisition date.

Revenue and comprehensive income for the Group for 2015 calculated pro forma as if the acquired enterprises had been acquired on 1 January 2015 amount to DKK 32,465 million (DKK 29,914 million in 2014) and DKK - 3,893 million (DKK 3,456 million in 2014), respectively. The amounts stated are exclusive of the effect of the purchase price allocation, which is incorporated in the pre-acquisition balance sheet.

26.2 ACQUISITION OF ASSETS

The acquisition of Chelsea Therapeutics International, Ltd. in 2014, which is considered a purchase of assets, consists of the Northera™ product rights valued at DKK 2,600 million and tax assets of DKK 272 million as well as net liabilities totalling DKK 41 million. A cash balance of DKK 145 million was also acquired, and this amount is included in the cash flow statement as acqusition of companies.

27. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

The Group's business activities imply that the results and balance sheet may be affected by various financial risks. The management of these risks is decentralised and handled in Lundbeckfonden and in Lundbeck, ALK and Falck based on policies and guidelines approved by the Board of Trustees or the Board of Directors in the sub-groups.

See also note 12: Financial assets and financial risks, note 16: Trade receivables and other receivables, and note 17: Cash resources for a description of risks and the management thereof.

27.1 EXCHANGE RATE RISKS

Exchange rate risks arise because the Group's expenses and income in different currencies do not match and because the Group's assets and liabilities denominated in foreign currency do not balance, among other things due to Lundbeckfond Invest's investment assets. The management of these risks is focused on risk mitigation.

The Group applies various derivative financial instruments to manage these risks. Some of these instruments are classified as hedging instruments and meet the accounting criteria for hedging future cash flows. Changes in the fair value of these contracts are recognised in the statement of comprehensive income under other comprehensive income as they arise and – on invoicing of the hedged cash flow – transferred from other comprehensive income for inclusion in the same item as the hedged cash flow. Hedging contracts that do not meet the hedge criteria are classified as trading contracts, and changes in the fair value are recognised as financial items as they arise. The need for hedging is assessed separately in Lundbeck, ALK and Falck and in Lundbeckfond Invest.

NOTE 27

27.1 EXCHANGE RATE RISKS – CONTINUED

Monetary assets and monetary liabilities for the principal currencies at 31 December	**2015 DKKm**	**2014 DKKm**
Monetary assets		
CAD	142	317
CHF	222	224
EUR	4,998	4,855
GBP	1,183	604
JPY	204	123
USD	8,881	8,737
Monetary liabilities		
CAD	80	214
EUR	2,979	3,552
GBP	582	188
JPY	6	80
USD	4,118	2,092

Estimated impact on profit and equity from a 5% increase in year-end exchange rates of the most important currencies

	CAD DKKm	**CHF DKKm**	**GBP DKKm**	**JPY DKKm**	**USD DKKm**
2015					
Profit	2	11	26	10	260
Equity	-12	11	29	-8	528
2014					
Profit	2	11	4	2	267
Equity	-3	11	11	-8	602

The profit impact is included in the impact on equity.

Due to Denmark's long-standing fixed exchange rate policy against euro and the expected continuation of this policy, the foreign currency risk for euro is considered immaterial, and euro is therefore not included in the table above.

27.2 INTEREST RATE RISKS

Interest rate risk relates to the Group's interest-bearing assets and liabilities and principally to the Group's bonds classified as financial assets measured at fair value through profit or loss. See note 12: Financial assets and financial risks and Falck's loan financing, cf. note 22: Mortgage, bank, leasing and repo debt.

Interest income
The duration of the investments when selecting financing and investment instruments is used to manage the interest rate risk. In addition, the Group uses derivative financial instruments to mitigate the interest rate exposure. The use of financial instruments to manage interest rate risk does not qualify for hedge accounting, and the changes in fair value are therefore recognised as financial income or expenses in an ongoing process.

The Group's portfolio of bonds has a duration of 2.4 year (1.8 year in 2014). Other things being equal, an increase of 1 %-point in interest rates would increase the Group's profit by DKK 48 million (DKK 23 million in 2014).

At 31 December 2015, the Group had an interest rate swap for managing interest rate exposure on portfolio investments. Other than this, there were no derivatives at 31 December 2015 and 31 December 2014 to manage interest rate risks because the distribution of investments carrying floating and fixed interest at the given times was deemed to be satisfactory.

NOTE 27

27.2 INTEREST RATE RISKS – CONTINUED

Interest expenses
Interest rate risk is mainly affected by Falck's loan financing. Based on the current market situation, Falck's management has desided to extend the existing interest rate swaps, so that approximately 85% of the overall financing of Falck Holding A/S is at fixed rates of interest via interest rate swaps that expire in the period until June 2019. The rest of the overall financing is based on short-term interest rate. For this reason, Falck is only to a minor extent sensitive to fluctuations in market interest rates, and a fluctuation by 1% would change the interest expense for the year by DKK 3 million (DKK 3 million in 2014). Without these hedges, a fluctuation by 1% would change the interest expense by DKK 20 million (DKK 20 million in 2014).

The interest rate exposure is hedged by interest rate swaps to the effect that the basic rate of interest on the debt cannot exceed 3.1% (3.1% in 2014) including the current interest rate margin. Developments in the market interest rates are closely monitored in order to be able to react if the market situation changes.

The sensitivity stated has been determined based on the recognised financial assets and liabilities at 31 December 2015. No adjustment has been made for servicing and raising of debt or the like in 2015. Furthermore, it is assumed that all hedges of floating-rate loans are deemed to be effective.

27.3 CATAGORIES AND MATURITY DATES FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 December 2015	Less than 1 year DKKm	1-5 years DKKm	More than 5 years DKKm	Total DKKm	Effective interest rates
Financial assets					
Derivatives included in the trading portfolio	44	-	-	44	-
Securities [1]					
Danish mortgage and government bonds	565	512	1,541	2,618	0-4%
Credit bonds	148	1,035	823	2,006	0-16%
Listed equities	-	-	7,494	7,494	-
Shares in property and infrastructure	-	-	555	555	-
Lundbeckfond Ventures and Emerge	-	-	2,173	2,173	-
Private equity funds	-	-	1,316	1,316	-
Other unlisted funds	-	-	248	248	-
Financial assets at fair value through profit or loss	757	1,547	14,150	16,454	-
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	48	-	-	48	-
Financial assets used as hedging instruments	48	-	-	48	-
Receivables [2]	6,911	86	41	7,038	-
Fixed-term deposits	137	-	-	137	0-7%
Other cash resources	2,560	-	-	2,560	-1-10%
Loans and receivables	9,608	86	41	9,735	-
Available-for-sale financial assets	-	68	-	68	-
Total financial assets	10,413	1,701	14,191	26,305	-
Financial liabilities					
Derivatives included in the trading portfolio	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	116	30	-	146	-
Financial liabilities used as hedging instruments	116	30	-	146	-
Mortgage, bank, leasing and repo debt	1,550	8,537	2,365	12,452	1-5%
Employee bonds/purchase obligations	71	981	-	1,052	-
Other payables and non-disbursed grants 2)	9,998	342	-	10,340	-
Financial liabilities, measured at amortised cost	11,619	9,860	2,365	23,844	-
Total financial liabilities	11,735	9,890	2,365	23,990	-

NOTE 27

27.3 CATAGORIES AND MATURITY DATES FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES - CONTINUED

31 December 2014	Less than 1 year DKKm	1-5 years DKKm	More than 5 years DKKm	Total DKKm	Effective interest rates
Financial assets					
Derivatives included in the trading portfolio	5	-	-	5	-
Securities [1]					
Danish mortgage and government bonds	324	708	1,151	2,183	0-5%
Credit bonds	12	994	926	1,932	1-16%
Listed equities	-	-	7,371	7,371	-
Shares in property and infrastructure	-	-	481	481	-
Lundbeckfond Ventures and Emerge	-	-	1,452	1,452	-
Private equity funds	-	-	1,329	1,329	-
Other unlisted funds	-	-	285	285	-
Financial assets at fair value through profit or loss	**341**	**1,702**	**12,995**	**15,038**	**-**
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	68	-	-	68	-
Financial assets used as hedging instruments	**68**	**-**	**-**	**68**	**-**
Receivables [2]	6,054	90	21	6,165	-
Fixed-term deposits	2,312	-	-	2,312	0-1%
Other cash resources	3,134	-	-	3,134	0-10%
Loans and receivables	**11,500**	**90**	**21**	**11,611**	**-**
Available-for-sale financial assets	**-**	**71**	**-**	**71**	**-**
Total financial assets	**11,909**	**1,863**	**13,016**	**26,788**	**-**
Financial liabilities					
Derivatives included in the trading portfolio	66	-	-	66	-
Financial liabilities at fair value through profit or loss	**66**	**-**	**-**	**66**	**-**
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	123	39	-	162	-
Financial liabilities used as hedging instruments	**123**	**39**	**-**	**162**	**-**
Mortgage, bank, leasing and repo debt	1,228	8,019	2,083	11,330	0-5%
Employee bonds/purchase obligations	194	1,149	27	1,370	0
Other payables and non-disbursed grants 2)	9,588	378	-	9,966	-
Financial liabilities, measured at amortised cost	**11,010**	**9,546**	**2,110**	**22,666**	**-**
Total financial liabilities	**11,199**	**9,585**	**2,110**	**22,894**	**-**

The amounts in the table above are exclusive of interest for Lundbeck. At 31 December 2015 the expected interest expense on mortage and bank debt for Lundbeck the following 12 months totalled DKK 57 million (DKK 87 million in 2014).

1) The securities are classified as financial assets measured at fair value through profit or loss.

2) Including receivables and payments recognised in non-current assets and liabilities.

NOTE 27

27.4 NET OUTSTANDING FORWARD EXCHANGE RATE TRANSACTIONS, CURRENCY OPTIONS, INTEREST RATE SWAPS AND EQUITY OPTIONS

27.4 Hedging part
The Group uses forward exchange contracts to hedge its risks related to exchange rates. The fair value of the effective part of the outstanding foreign exchange contracts as at 31 December used as hedging instruments and qualifying for hedge accounting in respect of future transactions has been recognised directly in equity through other comprehensive income until the hedged transactions are recognised in the income statement. Forward exchange contracts are used to hedge investments in subsidiaries with a functional currency other than Danish kroner.

Forward contracts	**Contractual value in accordance with hedge accounting DKKm**	**Exchange gains/losses recognised in other comprehensive income DKKm**	**Exchange gains/losses recognised in income statement/ balance sheet DKKm**	**Average hedge prices of existing forward exchange transactions DKK**	**Expiry period**
2015					
CAD	378	17	2	517.43	Dec. 2016
GBP	73	-2	-21	1,042.87	Oct. 2016
JPY	339	-9	-9	5.46	Aug. 2016
SEK	471	-14	-	78.96	Mar. 2016
USD	2,996	-15	-22	673.27	Nov. 2016
Other currencies	1,096	-9	-30		
Forward contracts 2015	**5,353**	**-32**	**-80**		
2014					
CAD	174	-2	27	513.14	Nov. 2015
GBP	545	-9	-19	932.71	Dec. 2015
JPY	218	13	15	5.57	Aug. 2015
NOK	130	-6	-	79.21	Mar. 2015
SEK	416	2	-	78.14	Mar. 2015
USD	304	-4	-98	573.87	Dec. 2015
Other currencies	1,206	-10	-10		
Forward contracts 2014	**2,993**	**-16**	**-85**		

At 31 December 2015, the exchange difference between the contract value and the market value of the concluded forward exchange contracts represented a gain of DKK 12 million (a gain of DKK 19 million in 2014), of which a loss of DKK 10 million was recognised in the income statement (a loss of DKK 30 million in 2014).

Interest rate collar/interest rate swap	**Contractual value DKKm**	**Interest rate gains/losses recognised in other comprehensive income DKKm**	**Fixed interest rate %**	**Expiry period**
2015				
DKK interest rate swap	725	-3	0.56	Jun. 2016
DKK interest rate swap	2,015	-37	0.88	Sep. 2017
USD interest rate swap	464	-2	1.14	Sep. 2017
EUR interest rate swap	1,201	-20	0.67	Sep. 2017
DKK interest rate swap	1,700	-5	0.53	Jun. 2019
EUR interest rate swap	1,493	-6	0.25	Jun. 2019
Interest rate collar/interest rate swap		**-73**		

NOTE 27

27.4 NET OUTSTANDING FORWARD EXCHANGE RATE TRANSACTIONS, CURRENCY OPTIONS, INTEREST RATE SWAPS AND EQUITY OPTIONS - CONTINUED

Interest rate collar/interest rate swap	**Contractual value DKKm**	**Interest rate gains/losses recognised in other comprehensive income DKKm**	**Fixed interest rate %**	**Expiry period**
2014				
DKK interest rate swap	725	-9	0.56	Jun. 2016
DKK interest rate swap	2,015	-35	0.89	Sep. 2017
USD interest rate swap	441	-1	1.14	Sep. 2017
EUR interest rate swap	1,198	-23	0.67	Sep. 2017
DKK interest rate swap	1,700	-2	0.53	Jun. 2019
EUR interest rate swap	1,489	-2	0.25	Jun. 2019
		-72		

27.4 Trading part

Forward contracts	**Contractual value DKKm**	**Exchange gains/losses recognised in the income statement DKKm**	**Average hedge prices of existing forward exchange transactions DKKm**	**Expiry period**
2015				
GBP	-	-	-	-
Forward contracts		-		
2014				
GBP	-	-3	-	-
Forward contracts		-3		

Equity contracts	**Contractual value DKKm**	**Share option gains/losses recognised in the income statement DKKm**	**Market value 31 December DKKm**	**Expiry period**
2015				
Options on indices	-4	134	-	Jan. 2016
Options on shares	-102	30	-5	Jan. 2016
Share contracts	-106	164	-5	
2014				
Options on indices	-	124	5	Jan. 2015
Options on shares	-28	14	-1	Jan. 2015
Share contracts	-28	138	4	

2015				
Fixed to floating	600	-2	1.14	Maj 2025
Interest rate swap		-2		
2014				
Fixed to floating	600	-82	2.24	Nov. 2023
Interest rate swap		-82		

NOTE 28

28. CONTRACTUAL OBLIGATIONS

	2015 DKKm	2014 DKKm
The Group has signed operating lease obligations for a total amount of	**3,125**	**2,619**
Payment of the obligations breaks down as follows:		
Less than 1 year	591	548
Between 1 and 5 years	1,306	1,204
More than 5 years	1,228	867
	3,125	2,619
Expensed lease payments amounted to	**760**	**589**

The operating lease commitments primarily concern leases for vehicles and buildings in Falck. The lease term for vehicles typically runs for 4-9 years. The lease term for buildings typically runs for 20 years.

	2015 DKKm	2014 DKKm
The Group has signed finance lease obligations for a total amount of	**221**	**131**
Payment of the finance lease obligations breaks down as follows:		
Less than 1 year	74	48
Between 1 and 5 years	138	52
More than 5 years	9	31
Minimum lease payments	221	131
Amortisations premium for future expensing	-21	-19
Present value of finance lease obligations	**200**	**112**

Financial lease arrangements comprise leases on buildings, vehicles and other lease arrangements. The lease contracts do not include any contingent lease payments.

Besides this, the Group has made the following contractual obligations:

Lundbeckfonden, Lundbeckfond Invest A/S and LFI Equity A/S

Lundbeckfonden, Lundbeckfond Invest A/S and LFI Equity A/S have capital contribution obligations amounting to DKK 530 million (DKK 477 million in 2014).

Lundbeck

Other purchase obligations
Lundbeck has undertaken purchase obligations in the amount of DKK 200 million (DKK 353 million in 2014).

Research and development and collaborations
Research and development milestone obligations amounted to DKK 683 million (DKK 2,485 million in 2014). The total amounts of the milestone obligations may increase in line with the development of the projects.

Lundbeck is part of multi-year research and development collaboration projects comprising minimum research and contractual obligations in the order of DKK 33 million (DKK 37 million in 2014).

Other contractual commitments
Lundbeck has entered into various service agreements amounting to DKK 120 million (DKK 92 million in 2014).

Furthermore Lundbeck had at 31 December 2015 capital contribution obligations amounting to DKK 7 million (DKK 6 million in 2014).

ALK

ALK has liabilities relating to research and development projects and assets acquirement which are estimated at DKK 12 million (DKK 5 million in 2014).

NOTES 28 - 29

28. CONTRACTUAL OBLIGATIONS - CONTINUED

Falck
Falck has a right of first refusal to buy a number of buildings at a preset value. At year-end, Falck is subject to a commitment to purchase a property at a value of DKK 21 million (DKK 0 million in 2014).

29. GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND COLLATERALS

The Group has the following warranty commitments and contingent liabilities:

Joint taxation
Lundbeckfond Invest A/S, H. Lundbeck A/S, ALK-Abelló A/S and Falck Holding A/S and their Danish subsidiaries are jointly taxed. As from 2013 financial year, the companies have partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. As from 1 July 2012, the companies in the tax pool have partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for the jointly-taxed companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the companies directly or indirectly owned by Lundbeckfond Invest A/S.

Lundbeck

Acquisition of Chelsea Therapeutics International, Ltd.
In the second quarter of 2014, Lundbeck completed the purchase of all shares in Chelsea Therapeutics International, Ltd. for USD 6.44 per share in cash and non-transferable contingent value rights (CVRs) that may pay up to an additional USD 1.50 per share upon achievement of certain sales milestones. The CVR for 2015 was not achieved, which decreases the potential additional payment by USD 0.50 to USD 1.00 per share.

Pending legal proceedings
Lundbeck is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of the management of H. Lundbeck A/S, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain.

In June 2013, the European Commission issued a decision in which it found that, by entering into a few selected patent settlement agreements in 2002, Lundbeck had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, this decision was appealed by Lundbeck to the General Court and in November 2015, Lundbeck presented its case at a hearing before the General Court. Lundbeck expects a judgement from the General Court during 2016. If the judgement is appealed by either party to the European Court of Justice, it may take several years before the matter will reach its final conclusion. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

In December 2011, the Brazilian antitrust authorities (Secretariat of Economic Law – SDE) initiated administrative proceedings to investigate whether Lundbeck's enforcement of data protection rights could be viewed as anticompetitive conduct. In January 2012, Lundbeck submitted a response to the authorities. Due to a change in the Brazilian Antitrust Law, handling of the case has shifted from SDE to CADE (the Administrative Council for Economic Defense) and remains pending.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in two product liability class-action lawsuits in Canada. The cases are in the preliminary stages and as such associated with significant uncertainties. Lundbeck strongly disagrees with the claims raised.

In late January 2016, Lundbeck LLC, USA received a subpoena from the US Attorney's Office for the District of Rhode Island relating to an investigation of Xenazine® sales, marketing and related practices. Lundbeck LLC, USA is cooperating with this investigation.

Industry obligations
Lundbeck has return obligations normal for the industry. H. Lundbeck A/S' management expects no major loss on these obligations.

ALK

Collaterals and guarantees
Collaterals and guarantees amounted to DKK 10 million (DKK 9 million in 2014).

NOTES 29 - 30

29. GUARANTEES, CONTINGENT ASSETS AND LIABILITIES AND COLLATERALS - CONTINUED

Contingent liabilities and assets
The management assesses that the outcome of pending claims and other disputes will not have a material impact on the financial position.

Falck

Warranty and guarantee commitments
Warranty and guarantee commitments amounted to DKK 2 million (DKK 4 million in 2014).

Falck has issued performance bonds to a certain extent in connection with a number of contracts, including performance bonds for a total of DKK 252 million provided in connection with ambulance contracts (DKK 418 million in 2014).

As part of Falck's activities, usual supplier agreements have been entered into.

In connection with the divestment of companies and operations, usual representations and warranties are made. There are currently no outstanding claims which are not sufficiently recognised in the balance sheet.

Contingent liabilities and assets
Falck is a party to certain litigations and claims. Management believes that rulings in this respect will not have a material impact on the financial position.

Collaterals
The shares in the subsidiary Falck A/S and Falck Danmark A/S have been provided as collateral for debt in Falck Group.

Lundbeckfonden, Lundbeckfond Invest A/S and LFI Equity A/S

Collaterals
Bonds in repo business have been provided as collateral for repo debt, and other bonds have been provided as collateral for hedging transactions. The value of bonds provided as collateral at 31 December 2015 amounted to DKK 367 million (DKK 283 million in 2014).

30. RELATED PARTIES

Lundbeckfonden is a commercial foundation established by Grete Lundbeck in 1954.

Related parties exercising a significant influence on Lundbeckfonden are Executive Management and Board of Trustees. Other related parties are group companies. Please refer to Group overview page 78.

The following transactions were made between related parties and Lundbeckfonden, all on an arm's length basis:

- The Board of Trustees and the Executive Management received remuneration. See note 3.

- Transactions with associates:
  Transactions with associates comprise associates, in which Falck exercises significant influence. Reference is made to note 13 and the group overview for an overview of associates.

	2015 DKKm	2014 DKKm
Sale of property, plant and equipment	25	30
Acquisition of services	-2	-15
Sale of services	-	-
Royalty income	2	2
Rental costs	-25	-29

  Receivables from associates appear from the balance sheet, and interest payable for the period amounted to DKK 9 million (DKK 4 million in 2014).

- Other than the above and except for transactions eliminated in the consolidated financial statements, there have only been few transactions of immaterial importance with related parties.

NOTES 31 - 32

31. RESTATEMENT OF COMPARATIVE FIGURES

In 2015, certain costs previously recognised in administrative expenses regarding Lundbeck were reclassified to sales and distribution costs and to research and development costs. The effect on the profit/(loss) for the year is DKK 0. The purpose of the reclassification is to align with comparative peers. Comparative figures have been restated.

2014 **Income statement**	**Before adjustment DKKm**	**Adjustment DKKm**	**After adjustment DKKm**
Revenue	29,904	-	29,904
Cost of sales	-15,434	-	-15,434
Gross profit	**14,470**	-	**14,470**
Research and development costs	-3,204	-109	-3,313
Sales and distribution costs	-6,491	-296	-6,787
Administrative expenses	-3,350	405	-2,945
Special items	-533	-	-533
Operating profit	**892**	-	**892**
Financial items, net	2,202	-	2,202
Profit before tax	3,094	-	3,094
Tax on profit for the year	-441	-	-441
Profit for the year	**2,653**	-	**2,653**

32. EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred in the period from the balance sheet date until the presentation of the financial statements which may change the evaluation of the annual report.

GROUP OVERVIEW – LUNDBECKFONDEN

AT 31 DECEMBER 2015

COMPANY NAME	COUNTRY	OWNERSHIP
Lundbeckfonden subsidiaries:		
Lundbeckfond Invest A/S	Denmark	100%
- H. Lundbeck A/S	Denmark	70%
- Falck Holding A/S	Denmark	57%
- ALK-Abelló A/S	Denmark	40% (69% of the votes)
LFI Equity A/S	Denmark	100%
Insusense ApS	Denmark	69%
Lundbeckfond Invest A/S - associates:		
Obel-LFI Ejendomme A/S	Denmark	50%
Veloxis Pharmaceuticals A/S	Denmark	43%
Lundbeckfond Invest A/S - direct investments:		
Acacia Pharma Ltd	United Kingdom	27%
Atox Bio Ltd	Israel	17%
Biom'Up	France	12%
Bonesupport Holding AB	Sweden	16%
Cydan Inc.	USA	19%
DySIS Medical Ltd.	United Kingdom	38%
Enterome	France	26%
Iconic Therapeutics Inc.U	SA	17%
Nexstim Oy	Finland	4%
PsiOxus Ltd	United Kingdom	15%
River Vision Corp.	USA	36%
Sanifit	Spain	7%
scPharmacauticals Inc.	USA	32%
Spero	USA	12%
Thesan Inc.	USA	11%
VHsquared Ltd.	United Kingdom	26%
Vtesse Inc.	USA	11%
Ziarco Ltd.	United Kingdom	15%
Lundbeck subsidiaries:		
Lundbeck Argentina S.A.	Argentina	100%
Lundbeck Australia Pty Ltd, including	Australia	100%
- CNS Pharma Pty Ltd	Australia	100%
Lundbeck Austria GmbH	Austia	100%
Lundbeck S.A.	Belgium	100%
Lundbeck Brasil Ltda.	Brazil	100%
Lundbeck Canada Inc.	Canada	100%
Lundbeck Chile Farmacéutica Ltda.	Chile	100%
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd.	China	100%
Lundbeck Colombia S.A.S.	Colombia	100%
Lundbeck Croatia d.o.o.	Croatia	100%
Lundbeck Czech Republic s.r.o.	Czech Republic	100%
Lundbeck China Holding A/S1, including	China	67%
- Lundbeck Pharmaceuticals (Tianjin) Co., Ltd.	China	100%
- Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd.	China	100%
Lundbeck Export A/S	Denmark	100%
Lundbeck Insurance A/S	Denmark	100%
Lundbeck Pharma A/S	Denmark	100%
Lundbeck Eesti A/S	Estonia	100%
OY H. Lundbeck AB	Finland	100%
Lundbeck SAS	France	100%
Sofipharm SA, including	France	100%
- Laboratoire Elaiapharm SA	France	100%
Lundbeck GmbH	Germany	100%
Lundbeck Hellas S.A.	Greece	100%
Lundbeck HK Limited	Hong Kong	100%
Lundbeck Hungária KFT	Hungary	100%

GROUP OVERVIEW – LUNDBECKFONDEN

AT 31 DECEMBER 2015

COMPANY NAME	COUNTRY	OWNERSHIP
Lundbeck India Private Limited	India	100%
Lundbeck (Ireland) Ltd.	Ireland	100%
Lundbeck Israel Ltd.	Israel	100%
Lundbeck Italia S.p.A.	Italy	100%
Lundbeck Pharmaceuticals, Italy S.p.A., including	Italy	100%
- Archid S.a.	Luxembourg	100%
Lundbeck Japan K. K.	Japan	100%
Lundbeck Korea Co., Ltd.	Republic of Korea	100%
SIA Lundbeck Latvia	Latvia	100%
UAB Lundbeck Lietuva	Lithuania	100%
Lundbeck Malaysia SDN. BHD.	Malaysia	100%
Lundbeck México, SA de CV	Mexico	100%
Lundbeck B.V.	The Netherlands	100%
Lundbeck New Zealand Limited	New Zealand	100%
H. Lundbeck AS	Norway	100%
Lundbeck Pakistan (Private) Limited	Parkistan	100%
Lundbeck America Central S.A.	Panama	100%
Lundbeck Peru S.A.C.	Peru	100%
Lundbeck Business Service Centre Sp.z.o.o.	Poland	100%
Lundbeck Poland Sp.z.o.o.	Poland	100%
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda	Portugal	100%
Lundbeck Romania SRL	Romania	100%
Lundbeck RUS OOO	Russian Federation	100%
Lundbeck Singapore PTE. LTD.	Singapore	100%
Lundbeck Slovensko s.r.o.	Slovakia	100%
Lundbeck Pharma d.o.o.	Slovenia	100%
Lundbeck South Africa (Pty) Limited	South Africa	100%
Lundbeck España S.A.	Spain	100%
H. Lundbeck AB, including	Sweden	100%
- CNS Pharma AB	Sweden	100%
Lundbeck (Schweiz) AG	Switzerland	100%
Lundbeck Pharmaceutical GmbH	Switzerland	100%
Lundbeck laç Ticaret Limited irketi	Turkey	100%
Lundbeck Group Ltd., including	UK	100%
- Lundbeck Limited	UK	100%
- Lundbeck Pharmaceuticals Ltd.	UK	100%
- Lifehealth Limited	UK	100%
- Lundbeck UK LLP2	UK	100%
Lundbeck USA Holding LLC, including	USA	100%
- Lundbeck LLC, including	USA	100%
- Chelsea Therapeutics International, Ltd., including	USA	100%
- Lundbeck NA Ltd f/k/a Chelsea Therapeutics Inc.	USA	100%
- Lundbeck Pharmaceuticals Ireland Limited	Ireland	100%
- Lundbeck Pharmaceuticals Services, LLC	USA	100%
- Lundbeck Research USA, Inc.	USA	100%
Lundbeck de Venezuela, C.A.	Venezuela	100%

1) In subsidiaries in which Lundbeck does not hold 100% of the share capital but has a put option to buy the remaining capital at a fixed price after a pre-arranged number of years, a debt obligation is recognized instead of recognition of non-controlling interests.

2) Lundbeck UK LLP is owned by Lundbeck Group Ltd. (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H. Lundbeck A/S as the direct or ultimate parent company.

ALK subsidiaries:		
ALK-Abelló Nordic A/S	Denmark	100%
ALK-Abelló Nordic A/S (branch)	Sweden	100%
ALK-Abelló Nordic A/S (branch)	Norway	100%
ALK-Abelló Nordic A/S (branch)	Finland	100%
ALK-Abelló Ltd.	United Kingdom	100%
ALK-Abelló S.A.	France	100%

GROUP OVERVIEW – LUNDBECKFONDEN

AT 31 DECEMBER 2015

COMPANY NAME	COUNTRY	OWNERSHIP
ALK-Abelló Arzneimittel GmbH	Germany	100%
ALK-Abelló Allergie-Service GmbH	Austria	100%
ALK-Abelló AG	Switzerland	100%
ALK AG	Switzerland	100%
ALK ilaç ve Alerji Ürünleri Ticaret Anonim irketi	Turkey	100%
ALK-Abelló B.V.	The Netherlands	100%
- Artu Biologicals Europe B.V.	The Netherlands	100%
ALK-Abelló S.A.	Spain	100%
- ALK-Abelló S.p.A.	Italy	100%
ALK-Abelló sp. z.o.o.	Poland	100%
ALK-Abelló, Inc.	USA	100%
ALK-Abelló, Source Materials, Inc.	USA	100%
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%
ALK-Abelló A/S (branch)	China	100%
ALK Medical Consulting	China	100%
ALK Slovakia s.r.o.	Slovakia	100%
ALK Slovakia s.r.o. – od št pný závod	Czech Republic	100%
Falck subsidiaries:		
Denmark		
Falck A/S	Denmark	100%
Falck Danmark A/S	Denmark	100%
Falck Health Care Holding A/S	Denmark	59%
Falck Healthcare A/S	Denmark	100%
Falck Hjælpemidler A/S	Denmark	100%
VikTeam A/S	Denmark	100%
Sirculus ApS	Denmark	55%
Falck Lægehuse A/S	Denmark	100%
Quick Care A/S	Denmark	100%
ActivCare A/S	Denmark	100%
Falck Safety Services A/S	Denmark	100%
Responce A/S	Denmark	100%
Global Life Care A/S 1)	Denmark	40%
KPC Ejendomme af 6. juni 2002 A/S 1)	Denmark	25%
Nordics		
Falck Ensihoito Oy	Finland	100%
Falck Oy	Finland	100%
9Lives Oy	Finland	100%
9Lives Pirkanmaa Oy	Finland	100%
Falck Health Care Norge AS	Norway	100%
Falck Redning AS	Norway	100%
Falck Emergency Norway AS	Norway	100%
Falck Nutec AS	Norway	100%
Falck Aktiv Arbetsmedicin AB	Sweden	100%
Falck Healthcare AB	Sweden	100%
Skandinavisk Hälsovård AB	Sweden	100%
Svensk Närsjukvård AB	Sweden	100%
Doc Care AB	Sweden	100%
Ofelia Vård AB	Sweden	100%
AB Previa	Sweden	100%
Falck Hälsopartner AB	Sweden	100%
Falck Räddningskår AB	Sweden	100%
Falck Försäkringsaktiebolag	Sweden	100%
Falck Global Assistance AB	Sweden	100%
Falck Ambulans AB	Sweden	95%
Falck Services AB	Sweden	100%
Falck Secure AB	Sweden	100%

GROUP OVERVIEW – LUNDBECKFONDEN

AT 31 DECEMBER 2015

COMPANY NAME	COUNTRY	OWNERSHIP
Europe		
Falck Fire Services BE NV	Belgium	100%
Falck Safety Services Belgium BVBA	Belgium	100%
Falck Autoabi OÜ	Estland	100%
Falck France SAS	France	65%
Fineta SAS	France	42%
Falck B.V.	Holland	100%
Falck Consulting & Technology B.V.	Holland	100%
Falck Fire Services NL B.V.	Holland	100%
Safety Center Zuid Holland c.v.	Holland	52%
Falck Prevention B.V.	Holland	100%
Falck Nutec B.V.	Holland	100%
Falck Russia Holding B.V. 1)	Holland	49%
Falck Servizi Industriali di Emergenza S.r.l.	Italy	65%
UAB Altas Assistance	Lithuania	100%
Falck Medycyna Sp. z o.o.	Poland	100%
Starowka Sp. z o.o.	Poland	76%
Falck SCI Portugal – Segurança Contra Incêndios, SA.	Portugal	100%
Falck Fire Services S.R.L	Romania	93%
MoPi.ch GmbH	Switzerland	100%
Käch Falck AG	Switzerland	60%
Falck Záchranná a.s.	Slovakia	100%
Falck Healthcare a.s.	Slovakia	100%
Falck Fire Services a.s.	Slovakia	100%
Falck SCI, S.A.	Spain	65%
Falck VL Servicios Sanitarios, S.L.	Spain	75%
Falck Global Assistance Spain S.L.	Spain	100%
Falck Onsite Limited	UK	100%
Medical Services Limited	UK	51%
Falck Fire Consulting Limited	UK	93%
Falck Fire Services UK Limited	UK	100%
Falck Emergency a.s.	Czech Republic	100%
Falck Yargin Hizmetleri Limited irketi	Turkey	100%
G.A.R.D. Beteiligungsgesellschaft für Ambulanz und Rettungsdienst mbH	Germany	100%
Kranken-Transport Herzig GmbH	Germany	100%
North America		
Falck Safety Services Canada Ltd.	Canada	55%
Alford Services, Inc.	USA	100%
Alford Safety Services, Inc.	USA	100%
Care Ambulance Service, Inc.	USA	100%
Lifestar Response of Alabama, Inc.	USA	100%
Lifestar Response of Maryland, Inc.	USA	100%
Access Transport Services Holding, Inc.	USA	100%
Cape Cod Medica Enterprises, Inc.	USA	100%
American Ambulance, Inc.	USA	100%
Falck Southeast II Corp.	USA	96%
Falck Northern California Corp.	USA	87%
Falck Northwest Corp.	USA	100%
Falck Rocky Mountain, Inc.	USA	100%
Rapid Response Emergency Services, LLC	USA	100%
Pulse EME, LLC 1)	USA	50%

GROUP OVERVIEW – LUNDBECKFONDEN

AT 31 DECEMBER 2015

COMPANY NAME	COUNTRY	OWNERSHIP
Latin America		
Falck Nutec Brasil Treinamentos em Segurança Marítima Ltda	Brazil	100%
Falck Fire & Safety do Brasil S.A.	Brazil	65%
Falck Safety Services Limitada	Chile	100%
Servicio Emergencias Regional SER S.A.	Colombia	100%
BHM Soluciones Integrales de Logistica en Salud S.A.S.	Colombia	80%
Haces Inversiones y Servicios S.A.S	Colombia	80%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100%
EMI Ecuador S.A.- Emergencia Medica Integral	Ecuador	100%
EMI El Salvador S.A. de C.V.	El Salvador	100%
Falck Safety Services de México, S.A.P.I. de C.V.	Mexico	55%
EMI Central America Holding S.A.	Panama	90%
EMI Panama S.A.	Panama	100%
Falck Nutec Trinidad and Tobago Limited	Trinidad & Tobago	80%
UCM Uruguay S.A.	Uruguay	100%
Emergencia Medica Integral EMI Centro S.A.	Venezuela	100%
The rest of the world		
Falck Caspian Safe LLC	Aserbajdsjan	65%
Falck Pty Ltd	Australia	53%
Falck Safety Services LLC	The United Arab Emirates	49%
Falck Medical Services LLC	The United Arab Emirates	49%
Falck India Pvt. Ltd. (India)	India	100%
Open Clinic LLP	Kazakhstan	80%
Falck Global Assistance (China) Limited	China	100%
MSTS Asia Sdn. Bhd.	Malaysia	70%
Falck Prime Atlantic Limited	Nigeria	51%
Falck Safety Services LLC	Qatar	49%
MSTS Asia (S'pore) Pte. Ltd.	Singapore	100%
Falck Nutec (Thailand) Ltd	Thailand	65%
Falck Nutec Vietnam Limited	Vietnam	88%

1) Associates and joint ventures

FINANCIAL STATEMENTS PARENT FOUNDATION

CONTENTS

INCOME STATEMENT FOR THE PERIOD 1 JANUARY – 31 DECEMBER

	Note	2015 DKKm	2014 DKKm
Dividend from Lundbeckfond Invest A/S	8	1,000	821
Financial income	2	310	411
Financial expenses	2	-474	-133
Profit from investing activities before costs		**836**	**1,099**
Other operating income		3	1
Staff costs	3, 4	-19	-20
Other external costs	4, 5	-17	-19
Depreciations and amortisations		-3	-3
Profit before tax		**800**	**1,058**
Tax on profit for the year	6	-17	-33
Profit for the year		**783**	**1,025**
Proposed distribution of profit:			
Profit for the year		783	
Amount available for distribution		**783**	
The Board of Trustees proposes the profit be allocated as follows:			
Transferred to capital base		160	
Grants for the year		423	
Reversed grants/repayments for the year		-17	
Net grants for the year	7	406	
Transferred to provision for future grants		406	
Retained earnings		217	
Distributed		**783**	

BALANCE SHEET AT 31 DECEMBER

Assets	Note	2015 DKKm	2014 DKKm
Other intangible assets		1	1
Intangible assets		**1**	**1**
Land and buildings		78	80
Property, plant and equipment		**78**	**80**
Investments in subsidiaries	8	4,058	4,055
Other securities and investments	9	4,919	4,440
Financial assets		**8,977**	**8,495**
Non-current assets		**9,056**	**8,576**
Other receivables		31	35
Receivable from subsidiary		3	4
Income tax receivable		-	1
Cash		112	197
Current assets		**146**	**237**
Assets		**9,202**	**8,813**
Equity and liabilities			
Capital base		2,888	2,728
Reserve for future grants		750	750
Retained earnings		4,501	4,284
Equity	10	**8,139**	**7,762**
Pension liabilities	11	16	18
Provisions		**16**	**18**
Payable grants, long-term		333	375
Non-current liabilities		**333**	**375**
Payable grants, short-term		586	582
Income tax payable	6	3	21
Repo debt	9	119	49
Other payables		6	6
Current liabilities		**714**	**658**
Liabilities		**1,047**	**1,033**
Equity and liabilities		**9,202**	**8,813**
Contractual obligations	12		
Related parties	13		
Events after the balance sheet date	14		

NOTES 1 - 2 - 3

1. ACCOUNTING POLICIES

The annual report for Lundbeckfonden (the parent foundation) for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act for medium-sized reporting class C enterprises. The annual report is presented in Danish kroner (DKK), which also is the functional currency of the parent company.

The accounting policies are unchanged from last year.

Differences relative to the Group's accounting policies
The accounting policies for recognition and measurement are in accordance with Lundbeckfonden Group's policies with the exceptions stated below:

Other operating income
Other income consist of rental and other service income as well as gain on sale of tangible fixed assets.

Investments in subsidiaries
Investments in Lundbeckfond Invest A/S are recognised at cost. Dividends are recognised in the income statement.
Investments in other subsidiaries follow the same principles as for Lundbeckfond Invest A/S. The other current subsidiary is classified as a Lundbeckfond Emerge activity. In practice this means that the fair value of the investment is written down yearly based on costs incurred by the subsidiary.

2. FINANCIAL INCOME AND EXPENSES

	2015 DKKm	2014 DKKm
Financial income		
Interest income, etc.	233	234
Gain from securities and other equity investments	77	177
	310	411
Financial expenses		
Interest expenses etc.	1	-
Loss on securities and other equity investments	473	133
	474	133

3. STAFF COSTS

	2015 DKKm	2014 DKKm
Wages and salaries, incl. holiday allowance	19.1	16.8
Pension contributions	0.1	0.1
Pension benefits, including adjustment of pension provision	-	2.5
Other social security costs	0.1	0.1
	19.3	19.5

Pension benefits including adjustment of pension provision relates to pension obligations taken over from H. Lundbeck A/S and pension obligations towards existing and former board members. It was decided in 2012 to terminate the scheme going forward. However, persons already under the scheme receives / will receive pensions according to right earned up to the date of termination in 2012.

With effect from 1 September 2014 the Executive Management do not receive remuneration from Lundbeckfond Invest A/S. Lundbeckfond Invest A/S reimburses Lundbeckfonden for a part of the remuneration.

NOTES 3 - 4

3. STAFF COSTS – CONTINUED

	2015 DKKm	2014 DKKm
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	4	6
Remuneration of the Board of Trustees, including committee fees (excluding remuneration received from subsidiaries)	4	4

Members of Executive Management and the Board of Trustees who also serve as directors in subsidiaries also receive board remuneration directly from such subsidiaries. For a complete description hereof, please see the consolidated financial statements in the annual report of Lundbeckfonden for 2015, note 3.

Remuneration of the Executive Management and Board of Trustees (including remuneration received from the wholly owned subsidiary Lundbeckfond Invest A/S) is specified as follows:	**2015 DKKm**	**2014 DKKm**
Executive Management:		
Lene Skole, from 1 September 2014	3.7	2.7
Christian Dyvig, stepped down on 31 August 2014	-	3.3
Board of Trustees:		
Jørgen Huno Rasmussen, Chairman of Lundbeckfonden and Lundbeckfond Invest A/S and member of the Investment Committee	0.7	0.8
Steffen Kragh, Vice-Chairman of Lundbeckfonden and Lundbeckfond Invest A/S, from 7 April 2014 and member of the Investment Commitee	0.5	0.4
Lars Holmqvist, member of the Investment Committee, from 9 April 2015	0.2	-
Povl Krogsgaard-Larsen, member of the Research Committee	0.4	0.5
Susanne Krüger Kjær, member of the Research Committee, from 7 April 2014	0.4	0.3
Peter Schütze, Chairman of the Investment Committee, from 9 April 2015	0.3	-
Gunhild Waldemar, Chairman of the Research Committee	0.5	0.5
Vagn Flink Møller Pedersen, employee representative from Falck A/S, from 7 April 2014	0.2	0.1
Henrik Sindal Jensen, employee representative from H. Lundbeck A/S, from 7 April 2014	0.2	0.1
Peter Adler Würtzen, employee representative from ALK-Abelló A/S	0.2	0.2
Thorleif Krarup, member of the Investment Committee, Chairman of the Science Teaching and Communication Committee, stepped down on 9 April 2015	0.1	0.4
Mikael Rørth, Vice-Chairman of Lundbeckfonden and Lundbeckfond Invest A/S, Chairman of the Biomedical Sciences Committee and member of the Investment Committee, stepped down on 7 April 2014	-	0.2
Kim Klitgaard, employee representative from H. Lundbeck A/S, stepped down on 7 April 2014	-	0.1
Ken Liljegren, employee representative from H. Lundbeck A/S, stepped down on 7 April 2014	-	0.1
Rounding	0.1	-
	3.8	**3.7**

Average number of employees during the year	10	9
Number of employees at year-end	12	9

4. TOTAL OPERATING COSTS OF LUNDBECKFONDEN AND LUNDBECKFOND INVEST A/S

	2015 DKKm	2014 DKKm
Lundbeckfonden - Staff costs, other external costs and depreciations	39	42
Lundbeckfond Invest A/S - Staff costs and other external costs	28	28
	67	70
Can be allocated to Lundbeckfondens activities as follows:		
Strategic investment, monitoring and administration	28	32
Lundbeckfond Invest	16	14
Lundbeckfond Ventures	7	9
Grant and Emerge activities	16	15
	67	70

NOTES 5 - 6 - 7

5. FEES TO AUDITORS APPOINTED BY BOARD OF TRUSTEES

	2015 DKKm	2014 DKKm
Administrative expenses include fees to the auditors appointed by Board of Trustees, Deloitte, in the amount of:		
Statutory audit	0.3	0.3
Other services	0.3	0.2
	0.6	**0.5**

6. TAX ON PROFIT FOR THE YEAR

	2015 DKKm	2014 DKKm
Tax on profit for the year, Lundbeckfonden	17	33
	17	33

In the financial year, Lundbeckfonden paid income tax of DKK 27 million (DKK 6 million in 2014). When calculating taxable income, Lundbeckfonden has deducted grants and tax provisions for future grants. No deferred tax is recognised for accounting purposes concerning tax provisions for future grants as this is not expected to crystallise as well as tax assets for tax losses carried forward. Deferred tax not recognised amounted to DKK 406 million (DKK 558 million in 2014).

7. GRANTS FOR THE YEAR

	2015 DKKm	2014 DKKm
Communicating science	45	10
Travel grants and research abroad, UCSF	8	5
Non-salary related project cost - running costs	11	20
Regular grants	64	35
Lundbeckfonden Scholar	5	11
Lundbeckfonden PhD	66	46
Lundbeckfonden Postdoc	58	51
Lundbeckfonden Fellowships	60	60
Lundbeckfonden Professor	-	10
Lundbeckfonden Clinical research associate professor	9	6
Lundbeckfonden Clinical research professor	13	13
Personal grants - National	211	197
Lundbeckfonden International Masters	2	2
Lundbeckfonden Postdoc Fellowships	8	5
Visiting Professor to Denmark	2	2
Personal grants - International	12	9
Talent and teaching prizes	5	1
PhD cup	3	3
Grete Lundbeck European Brain Research Foundation	17	15
Prizes	25	19

NOTES 7 - 8

7. GRANTS FOR THE YEAR – CONTINUED

	2015 DKKm	2014 DKKm
Buttom-up	111	-
Top-down	-	199
Strategic grants	**111**	**199**
Grants for the year, gross	423	459
Descendants	-	-
Reversed grants/repayments	-17	-15
Grants for the year, net	**406**	**444**
Grants for the year, gross	423	459
Lundbeckfond Emerge activities	19	15
Grants authorised, including Lundbeckfond Emerge activities, gross	**442**	**474**

8. INVESTMENTS IN SUBSIDIARIES

	Lundbeckfond Invest A/S DKKm	Other subsidiaries DKKm	Total DKKm
Cost at 1 January 2015	4,046	15	4,061
Additions	-	7	7
Cost at 31 December 2015	**4,046**	**22**	**4,068**
Net revaluation at 1 January 2015	-	-6	-6
Value adjustments for the year	-	-4	-4
Net revaluation at 31 December 2015	**-**	**-10**	**-10**
Carrying amount at 31 December 2015	**4,046**	**12**	**4,058**
Carrying amount at 31 December 2014	4,046	9	4,055
Dividend received 2015	**1,000**	**-**	**1,000**
Dividend received 2014	821	-	821

	Registered office DKKm	**Ownership DKKm**	**Result for the year 2015 DKKm**	**Equity at 31 December 2015 DKKm**
Lundbeckfond Invest A/S	Copenhagen, Denmark	100%	1,537	17,276
Insusense ApS	Copenhagen, Denmark	69,23%	-6	7

NOTES 9 - 10 - 11

9. OTHER SECURITIES AND INVESTMENTS

	Bond and corporate loans portfolios DKKm	Equities DKKm	Unlisted investment funds DKKm	Total DKKm
Carrying amount at 1 January 2015	3,001	1,428	11	4,440
Additions	2,227	1,541	1	3,769
Disposals	-2,353	-604	-	-2,957
Value adjustments for the year	6	-340	1	-333
Carrying amount at 31 December 2015	**2,881**	**2,025**	**13**	**4,919**

Bonds in repo transactions have been provided as collateral for repo debt. The value of bonds in repo transactions provided as collateral at 31 December 2015 amounted to DKK 119 million (DKK 49 million in 2014).

Unlisted investment funds include investments in an unlisted investment fund with a residual payment obligation of DKK 3 million (DKK 3 million in 2014).

10. STATEMENT OF CHANGES IN EQUITY AND CAPITAL BASE

	Capital base*) DKKm	Reserve for future grants DKKm	Retained earnings DKKm	Total DKKm
Equity at 1 January 2015	2,728	750	4,284	7,762
Grants, net.		-406		-406
Transferred to provision for future grants		406	-406	-
Transferred to capital base	160		-160	-
Retained profit for the year	-	-	783	783
Equity at 31 December 2015	**2,888**	**750**	**4,501**	**8,139**

***) Changes in capital base 2011-2015:**	
The capital base at 1 January 2011 amounted to:	2,050
2011 Capital base increased by	175
2012 Capital base increased by	45
2013 Capital base increased by	253
2014 Capital base increased by	205
2015 Capital base increased by	160
Capital base at 31 December 2015	**2,888**

11. PENSION OBLIGATIONS

	2015 DKKm	2014 DKKm
Obligations at 1 January	18	20
Adjustment for the year	-2	-2
Obligations at 31 December	**16**	**18**

NOTES 12 - 13 - 14

12. CONTRACTUAL OBLIGATIONS

Lundbeckfonden has obligations amouting to DKK 1 million (DKK 1 million in 2014), in form of leasing of car.

Future lease payments	2015 DKKm	2014 DKKm
Within 1 year	-	-
Between 1 and 5 years	1	1
After 5 years	-	-
Contractual obligations at 31 December	1	1

13. RELATED PARTIES

Lundbeckfonden defines related parties as Lundbeckfondens Board of Trustees and Executive Management, its wholly-owned investment and holding company Lundbeckfond Invest A/S and this company's subsidiaries H. Lundbeck A/S, ALK-Abelló A/S, Falck Holding A/S, LFI Equity A/S, and Insusense ApS.

Lundbeckfond Invest A/S shares the same address as Lundbeckfonden, and there is duality of membership between the Executive Management, administration (partly) and Board of Trustees.

Lundbeckfonden receives dividends from Lundbeckfond Invest A/S, which are recognised in the income statement.

Lundbeckfonden receives payment for administration costs, net amounting to DKK 3 million in 2015 (DKK 2 million in 2014) from Lundbeckfond Invest A/S. At 31 december 2015 Lundbeckfonden has a receivable from Lundbeckfond Invest A/S amounting to DKK 3 million (DKK 4 million at 31 December 2014), which is recognised in the balance sheet under current assets.

Lundbeckfonden also receives service fee for administrative services provided to Insusense ApS amounting to DKK 0,1 million in 2015 (DKK 0,1 million in 2014).

For information on remuneration paid to the members of the Executive Management and Board of Trustees, please see note 3.

Other than the above, Lundbeckfonden has only had immaterial transactions with the related parties.

14. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date with effect on the financial statements have occured.

MANAGEMENT STATEMENT

The Board of Trustees and the Executive Management have today considered and approved the annual report of Lundbeckfonden for the financial year ended 31 December 2015.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the financial statements of the Foundation have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been prepared in accordance with the Danish disclosure requirements for annual reports.

We consider the accounting policies used to be appropriate. Accordingly, the consolidated financial statements and financial statements of the foundation give a true and fair view of the Group's and the Foundation's assets, liabilities and financial position at 31 December 2015, and of the Group's and the Foundation's activities and the Group's cash flows for the financial year 1 January – 31 December 2015.

We believe that the management's review includes a fair review of developments in the Group's and the Foundation's activities and finances, results for the year and the Group's and the Foundation's financial position in general as well as a fair description of the principal risks and uncertainties to which the Group and the Foundation are exposed.

We recommend that the annual report be approved at the annual meeting.

Copenhagen, 12 April 2016

Executive Management

Lene Skole

Board of Trustees

Jørgen Huno Rasmussen
Chairman

Steffen Kragh
Deputy Chairman

Lars Holmqvist

Povl Krogsgaard-Larsen

Susanne Krüger Kjær

Peter Schütze

Gunhild Waldemar

Vagn Flink Møller Pedersen
Elected by the employees

Henrik Sindal Jensen
Elected by the employees

Peter Adler Würtzen
Elected by the employees

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Lundbeckfonden

Report on the consolidated financial statements and the Foundation's financial statements

We have audited the consolidated financial statements and Lundbeckfonden's financial statements for the financial year 1 January – 31 December 2015, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Foundation, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports, and the Foundation's financial statements are prepared in accordance with the Danish Financial Statements Act.

Managements' responsibility for the consolidated financial statements and the Foundation's financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports as well as the preparation of financial statements of the Foundation that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and financial statements of the Foundation that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the Foundation's financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the Foundation's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Foundation's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Foundation's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements and the Foundation's financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the Foundation's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports.

Further, in our opinion, the Foundation's financial statements give a true and fair view of the Foundation's assets, liabilities and financial position at 31 December 2015 and of the results of the Foundation's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management review

Pursuant to the Danish Financial Statements Act, we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Foundation's financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and Foundation's financial statements.

Copenhagen, 12 April 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

Martin Faarborg

Erik Holst Jørgensen State Authorised Public Accountant	Martin Faarborg State Authorised Public Accountant