Lundbeckfonden

Lundbeckfonden
Scherfigsvej 7
DK-2100 København Ø
CVR-no 11 81 49 13

Approved at the
Annual Meeting 22 March 2022

Lene Skole
Chairman

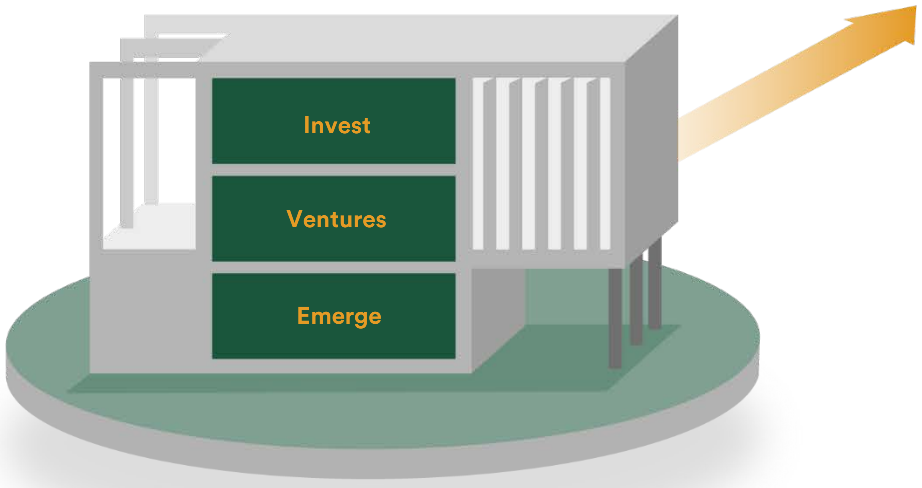
Annual report 2021

LUNDBECK
FOUNDATION

LUNDBECKFONDEN AT A GLANCE

We live our purpose every day through engaged ownership of our subsidiaries and biotech portfolio companies, all of which strive to improve patients' and customers' lives. Our investment activities enable us to continuously award significant independent research grants to advance Danish-based biomedical research with a specific focus on neuroscience. Established in 1954, the Lundbeck Foundation is one of Denmark's largest commercial foundations, with a net wealth at the end of 2021 in excess of DKK 67bn.

Grants & Prizes
DKK 803m
Approx. 79% for neuroscience
916 FTEs funded



ALK
40%*
Ownership
Voting rights
67%

Falck
58%*
Ownership

Lundbeck
69%*
Ownership

The purpose of the Lundbeck Foundation is to create powerful ripple effects that bring discoveries to lives through investing actively in business and science at the frontiers of their fields

* The percentage indicates the Foundation's share of ownership

CONTENTS

Management review

Financial statements

"With grants of more than DKK 800m, 2021 was a record year. Our commitment to neuroscience and talent development led us to support the Neuroscience Academy Denmark with DKK 187m to strengthen interdisciplinary neuroscience education – an important first step towards further strengthening the Danish neuroscience environment"

JAN EGEBJERG
Senior Vice President, Grants & Prizes, Director of Science

2021 was a strong year; the Lundbeck Foundation delivered the best financial result in its history, awarded a record level of grants, and took important steps forward in the realisation of its 2030 strategy.

LETTER FROM THE CHAIRMAN AND THE CEO

2021 was an exceptional year for the Lundbeck Foundation, which awarded a record level of grants and delivered the best financial result in its history.

The year began amid widespread uncertainty, as the impact of the COVID-19 pandemic continued to be felt. However, confidence began to return as societies reopened, which in turn inspired renewed optimism and positive momentum for global economies and the financial markets. In 2021, the Foundation delivered the best financial result in its history, with a profit of DKK 6,928m – a considerable increase on the previous record profit of DKK 5,214m, which was delivered in 2019.

The financial performance allowed us to increase our grants to public health research at the frontiers of medical science, to an all-time high level of DKK 803m, which was significantly above our annual target of distributing a minimum of DKK 500m.

2021 was a year of new beginnings, as we began executing on our new strategy: Bringing Discoveries to Lives. This saw us taking steps to align our new initiatives with existing activities, while simultaneously building the platform for future value creation. Achieving all of this demanded significant effort and commitment from our employees, both at the Foundation and its subsidiaries, and their collective dedication delivered further important progress towards our goals.

The past year has also been an important one for our subsidiaries, Lundbeck, ALK and Falck.

Despite a challenging market and pipeline, Lundbeck maintained its strategic trajectory and delivered financial results within its guidance for 2021. Its strategic brands continued to perform well across all markets, delivering solid growth. This included the newest member of the Lundbeck product family, the preventative migraine treatment Vyepti®, which delivered according to plans in 2021 but has yet to fully recover the ground lost due to COVID-19 delaying the US uptake in 2020. Nevertheless, in 2021 Vyepti® sales grew as planned in the USA and other markets, and Lundbeck plans to launch the product in more countries in the future. We also started to see the impact from Lundbeck's new and transformed approach to R&D, which started to show progress in the early phases. In February 2022, Lundbeck announced the plan to introduce a new A and B share class structure to be adopted at an extraordinary general meeting in 2022. This initiative, instigated by the Foundation and developed in close dialogue with Lundbeck, has a clear objective: to ensure that Lundbeck has every opportunity to pursue and create value for patients and shareholders through organic growth, partnerships and acquisitions, while maintaining the Foundation's long-term commitment and majority ownership.

ALK continued its progress with a strong 2021, during which, the company delivered double-digit growth in sales and further developed its position in respiratory allergy, supported by new digital patient engagement platforms. Further, ALK is well on the way to expanding its business with new offerings in anaphylaxis and food allergy, having made considerable investments in these areas.

Falck regained trust in the public eye, serving as a partner for the Danish national health authority's COVID-19 testing infrastructure. This partnership contributed positively to the financial results for Falck, helping to consolidate its financial position, despite being an interim activity that falls outside the company's normal scope of activity. Falck also continued to execute on its Care for more '25 strategy, by selling its non-core, international roadside assistance activities, and investing in direct healthcare activities, both organically and via the acquisition of Frisk Gruppen in Norway, which expanded the company's Nordic footprint in occupational health-services and specialist healthcare. Having delivered a very strong financial result in 2021 and a strong platform for growth and further development, Falck announced in early 2022, the appointment of a new and independent Chairman of the Board, Niels Smedegaard, who will steer the evolving considerations around a potential future initial public offering for Falck.

Meanwhile, the Foundation's investment portfolio delivered its best ever results, and our direct investments in biotech firms showed promising results in scientific innovation, opening doors to potential new medicines and treatments for people around the world with unmet medical needs. The year also saw us complete two successful exits from our Ventures investment portfolio and several financing rounds for our Emerge investment portfolio, as well as the initial public offering of IO Biotech on the Nasdaq stock exchange.

In October, we announced the merger of our two biotech direct investment teams, Lundbeckfonden Ventures and Lundbeckfonden Emerge, which takes effect in April 2022. Our biotech investments play a vital role in the Foundation's strategy and overall value creation, and underpin Denmark's development as a life sciences nation. Combining these teams will amplify our strategic impact, both on the development of new companies in Denmark's life-science sector, and on our purpose of bringing new discoveries to the lives of patients and their families all over the world.

2021 was another year of innovation and scientific discoveries within the healthcare industry. However, the brain continues to be a conundrum that challenges scientists all over the world, and brain disorders continue to pose a serious and increasing threat to our society, to healthcare systems, and to quality of life. We know that one in five people will get a brain disease during the courses of their lives, yet we still know relatively little about the brain and how it works. That is why we at the Lundbeck Foundation have set our hearts and minds on finding solutions to the great brain challenge, and we intend to achieve this by supporting the brightest minds in neuroscience.

For us, a highlight of every year is the awarding and celebration of The Brain Prize – the world's largest individual neuroscience prize. This award is the spearhead of our focus on the brain and its diseases, and it celebrates the science behind some of the greatest discoveries about the mysteries of the organ of thought. Disappointingly, the 10th anniversary celebration of The Brain Prize was postponed in 2020, but we made up for this in 2021, with a celebratory event in Copenhagen that brought together both years' winners.

At the celebration, the 2021 Brain Prize was awarded to four neuroscientists from the USA, UK, Sweden and Denmark who, together, discovered a key mechanism that causes migraine – a condition affecting more than a billion people around the world, making it one of the most prevalent and disabling of neurological conditions.

As a foundation, we are deeply committed to the scientists who dedicate their lives to new discoveries and innovation in neuroscience. We continuously circulate our profits back into society through a carefully planned combination of strategic research programmes, open calls for funding applications, as well as talent programmes at all levels, experimental projects, targeted competency building initiatives, and the dissemination of new knowledge and insights. All these activities support each other and the development of the neuroscience and healthcare community in Denmark.

Our work is driven by a strong belief in the power of international collaboration, entrepreneurship and diversity across disciplines and backgrounds, with the aspiration of improving the lives of millions of patients living with brain disorders. We hope to see more new knowledge and breakthroughs emerging in the years to come, inspiring both current and future scientists to pursue new discoveries in the continuing battle for better brain health.

This financial report goes to print in the middle of an international crisis, caused by the Russian invasion of Ukraine. The human, political and economic consequences are severe and the new year has therefore begun with a grim outlook. The situation calls for international assistance and the Lundbeck Foundation has donated DKK 10m to the international NGO-community, who will steer and manage the regional efforts. Our thoughts go to the Ukrainian people and to the international organisations, who are active on the ground during this war and humanitarian crisis.

Steffen Kragh,
Chairman of the Board

Lene Skole,
CEO

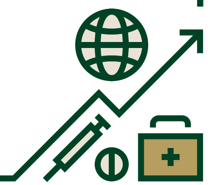
DELIVERING ON OUR STRATEGY TOWARDS 2030

In 2021, the Lundbeck Foundation announced its new strategy, Bringing Discoveries to Lives, which builds on the Foundation's history and past achievements, but also articulates new ambitions and aspirations to be delivered during the next decade.

Leading healthcare companies

We create value when, as a competent and engaged owner, we develop and grow healthcare companies to become international market leaders within their categories.

Our ambition is that, by 2030, we will be a long-term and significant owner of a portfolio of 5-8 small or large healthcare companies, preferably in Denmark, that are international market leaders or on their way to becoming leaders.



Top-tier neuroscience

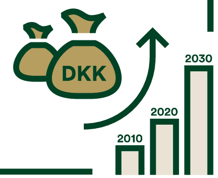
We create value when we fund Danish-based research that results in a better understanding of the brain and better prevention, diagnosis and treatment of brain diseases.

Our ambition is that, by 2030, Lundbeck Foundation-funded research will have led to a better understanding of the brain and to groundbreaking new programmes and treatments in clinical trials or on their way to the market.

Attractive financial returns

We create value when our return on investment enables us to increase our grants to society and secures our long-term economic robustness and growth.

Our ambition for 2030 is for our investment activities to deliver a competitive return equal to or better than that of relevant peers, and that we at least double our annual fixed grants and our assets.



Close collaboration between research and business

We create value when we invest in research talents, entrepreneurs and innovation in Danish healthcare, and when we strengthen the collaboration between universities, hospitals and companies in Denmark.

Our ambition is that, by 2030, the Lundbeck Foundation will have contributed to innovative healthcare solutions and/or started new healthcare companies in Denmark.

Active public voice

We create value when we develop and internationalise Danish healthcare research and business culture and when we improve society's understanding of the brain and its diseases.

Our ambition for 2030 is that the Foundation has increased the public understanding of the importance of brain health, improved the conditions for research in Denmark and further developed the role of commercial foundations.

THE 2030 STRATEGY: BRINGING DISCOVERIES TO LIVES

The Lundbeck Foundation is a commercial foundation and engaged in a broad range of commercial and philanthropic activities. The activities differ widely but also support and underpin each other, thereby creating a clear path for the Foundation's value creation towards 2030.

The ambitions for the Foundation's value creation during the next decade is summarised in five 'value flags'. In 2021, important steps were taken to deliver on each of the value flags.

THE FIVE VALUE FLAGS

TOP-TIER NEUROSCIENCE

The tremendous complexity of the brain makes it one of mankind's most challenging scientific topics. Today, the world lacks basic knowledge about the brain, both with regard to the brain's normal functioning and with regard to brain disorders. This creates an urgent need for new insights and knowledge, which can form the scientific basis for new and better treatments. An important ambition towards 2030 is to generate new knowledge that can lead to better prevention, diagnosis and treatment of brain disorders. In 2021, 79% of the Foundation's grants were awarded to neuroscience research through a mix of strategic programmes, open calls and talent development activities, driving insight and knowledge for the benefit of patients, doctors and therapists, and further strengthening the neuroscience community in Denmark.

The Foundation supported the development and strengthening of Denmark's life-science and neuroscience community through support for the establishment of a new master's degree programme in neuroscience at Copenhagen University's Faculty of Health and Medical Science. The two-year programme was started in 2020, providing the opportunity for 30 medical students to specialise in neuroscience through their master's degree. In 2021, the programme reported a 32% increase in student applications, including a strong increase in international applications.

The Foundation also strengthened its focus on clinical research, a critical element in neuroscience as well as other areas of healthcare. The Foundation instituted a new grant targeting postdoctoral researchers (postdocs) conducting clinical research projects. The ambition is to develop a critical mass of researchers with clinical competencies, thereby nurturing an area that is fundamental for bringing discoveries to patients.

In 2021, the Foundation was finally able to celebrate two years' winners of The Brain Prize, the world's largest prize for brain research, at a ceremony in Copenhagen. At the ceremony, the two winners from 2020 (Huda Zoghbi and Adrian Bird, receiving the prize for their work on Rett syndrome) and the four winners from 2021 (Michael Moskowitz, Peter Goadsby, Lars Edvinsson and Jes Olesen, receiving the prize for their work on migraine) were celebrated for their outstanding work and personal commitment and dedication. The ceremony also highlighted the importance of neuroscience and brain research in the global scientific community and the Foundation's ambition to further build Denmark's position in neuroscience.

CLOSE COLLABORATION BETWEEN RESEARCH AND BUSINESS

Healthcare innovation and commercial entrepreneurship are dependent upon a constructive collaboration between the scientific research community and the commercial business world. This is seen in some of the world's most innovative healthcare communities where talent makes the leap from science to business. This is not easy in Denmark today and an important ambition for the Foundation is to strengthen the dialogue and collaboration between Denmark's academic research institutions and the local commercial biotech and pharmaceutical communities, allowing scientific academic talent to explore, develop, innovate and, eventually, make the leap from science to business.

In 2021, the Foundation launched a new grant initiative, Frontier Grants, which targets scientific research talent with commercially intriguing ideas and interests. The objective is to support, develop and encourage talent to embark on the challenging journey from idea generation to commercial

analysis and value proposition. The grant has no commercial ties to the Foundation but is inspired by the approach and work taking place in Lundbeckfonden Emerge, which is an active, hands-on and engaged investor in Denmark's biotech community.

LEADING HEALTHCARE COMPANIES

The ownership of Lundbeck, ALK and Falck is at the core of the Foundation's value creation. These subsidiaries create products and treatments that benefit patients all over the world, while also driving financial returns that enable new investments in neuroscience, talent, and grant-making activities, as well as driving insights and knowledge about the brain and brain diseases, and developing the local life-science community.

Being an owner of three international healthcare companies headquartered in Denmark, gives the Foundation an important role in safeguarding and developing Denmark's position as a leading healthcare nation. But even more important are the Foundation's ambitions to grow and develop its subsidiaries on a global scale and to help them become leaders within their industrial segments, bringing innovations, products and treatments to patients.

In 2021, Falck took on an important role in the fight against the COVID-19 pandemic in Denmark. Less visible, but also highly important, was the underlying commercial performance of Falck's core business areas, bearing witness to the successful turnaround in recent years. The work is still ongoing, but considerable progress has now been made. ALK also delivered a strong performance in 2021 and continues its growth journey while defining new ambitions, creating an exciting vision for the company's future development. Lundbeck delivered another positive financial performance, and remained highly focused on delivering on its strategy, which includes building its R&D portfolio for the long-term, and will continue in the years to come.

A strategic ambition for the Foundation is to expand its ownership portfolio from three, to between five and eight companies by 2030, thereby enhancing and strengthening its critical mass in Denmark's life-science community for the benefit of all healthcare companies in Denmark. An important step for this ambition was the decision to increase the financial commitment to Lundbeckfonden Emerge's portfolio company, IO Biotech. In November 2021, IO Biotech was listed on Nasdaq Global Market and Lundbeckfonden became the largest financial shareholder in the company.

ATTRACTIVE FINANCIAL RETURNS

The investment activities of the Foundation are split into four categories: Strategic Investments (Lundbeck, ALK and Falck), Lundbeckfonden Invest (financial investments), Lundbeckfonden Ventures (international biotech investments) and Lundbeckfonden Emerge (biotech investments in Denmark). The ambition towards 2030 is to deliver financial returns which are above market peers, leading to a doubling of the Foundation's net wealth by 2030 and enabling a doubling of its minimum philanthropic grants to DKK 1bn annually, while maintaining the Foundation's long-term financial robustness.

2021 was a record year for the Foundation's investments teams. Lundbeckfonden Ventures exited two portfolio companies - Sanifit Therapeutics and Amplyx Pharmaceuticals – both of which were sold to pharmaceutical companies. Meanwhile, Lundbeckfonden Invest delivered a strong financial result that was well above those of relevant peers.

In total, all these activities delivered the best result in the history of the Foundation in 2021, at DKK 6,928m, and enabled philanthropic grants of DKK 803m, which was considerably above the Foundation's current target of a minimum of DKK 500m in annual grants.

ACTIVE PUBLIC VOICE

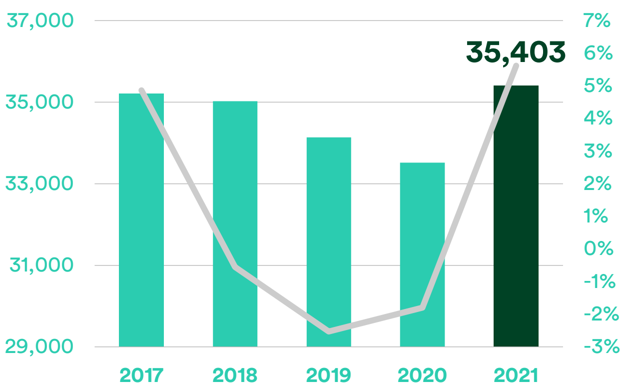
As a commercial foundation in Denmark with considerable assets under management, the Foundation has obligations and a responsibility for the broader development of Denmark as hub for healthcare research and business. The Foundation pursues three strategic agendas in its external communication: The importance of brain health, Denmark as hub for scientific research in healthcare, and commercial foundations as a responsible business ownership model.

The importance of the brain health agenda was advanced through The Brain Prize which, in 2021 was awarded for work in the field of migraine – a historically overlooked disease in science and research. In addition, migraine became the key theme in the Foundation's external communications, emphasising the continued importance of fighting non-communicable diseases (NCDs). These activities triggered renewed public interest and debate around migraine treatment in Denmark, and led to a new partnership with the NCD Alliance and the BBC around the production of a short, documentary film about the life of a migraine patient and the life-changing impact of new migraine treatments.

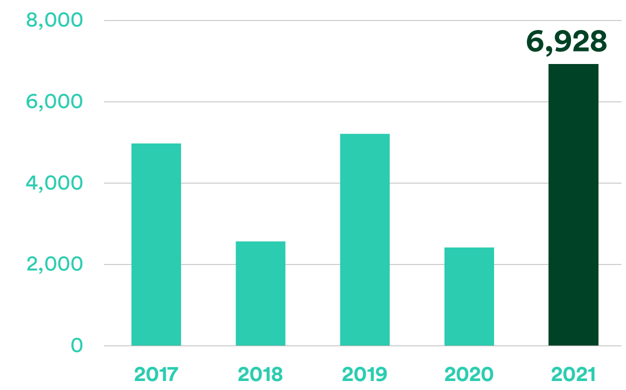
In 2021, the Foundation also supported competence building and talent development among young scientists through various partnerships and activities. The Foundation continued its support for the annual PhD Cup, which is organised by the media group Information and Denmark's national broadcaster Danmarks Radio, and trains young scientists on how to better communicate their work and scientific results. The Foundation also supported various independent media initiatives, disseminating new scientific knowledge, and started a new partnership with Bloom Festival, which cultivates a broader interest in nature and science. These events and activities are important platforms for the further development of young scientists in healthcare, and for disseminating scientific knowledge to a broader audience, making them integral to the further development of a strong healthcare community in Denmark.

FINANCIAL HIGHLIGHTS

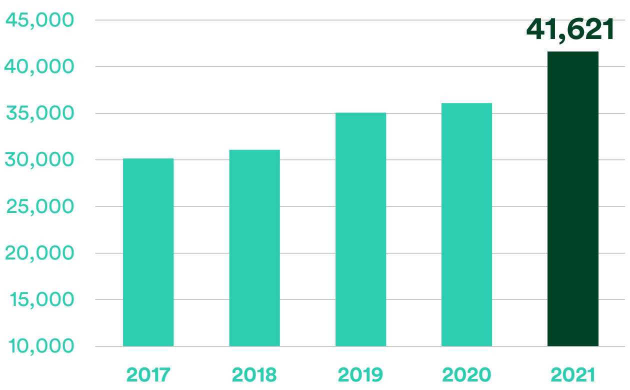
REVENUE (DKKm) AND REVENUE GROWTH (%)



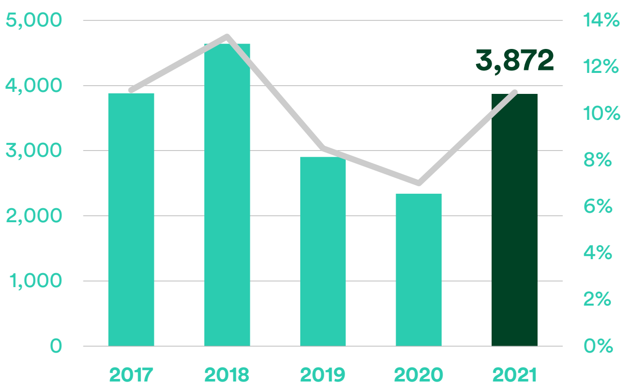
PROFIT FOR THE YEAR (DKKm)



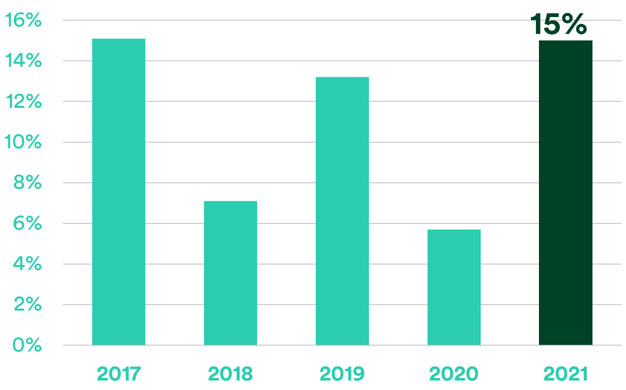
LUNDBECKFONDEN'S SHARE OF EQUITY (DKKm)



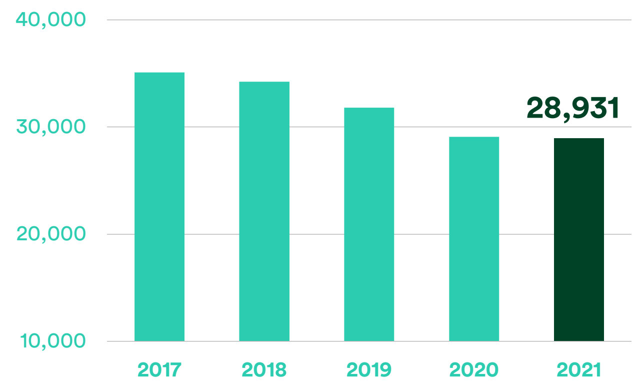
OPERATING PROFIT BEFORE SPECIAL ITEMS (DKKm) AND OPERATING PROFIT MARGIN (%)



RETURN ON EQUITY (%)



AVERAGE NUMBER OF EMPLOYEES (FTEs)



FIVE-YEAR SUMMARY

DKKm	2021	2020	2019	2018	2017
Revenue	35.403	33.520	34.134	35.020	35.215
Operating profit before special items	3.872	2.340	2.902	4.641	3.878
Operating profit	3.872	2.340	2.902	4.641	5.998
Profit for the year	6.928	2.415	5.214	2.570	4.974
Lundbeckfonden's share of profit	5.880	1.998	4.672	1.605	3.733
Financial items, Invest etc.	4.608	1.244	2.187	-325	1.433
Financial items, Ventures and Emerge	-141	-6	1.452	153	754
Grants awarded	803	600	666	571	507
Dividends from subsidiaries	343	563	1.648	1.099	357
Cash flow from operating activities	4.569	5.635	3.659	6.941	4.198
Cash flow from investing activities	-1.368	-1.131	-8.757	-3.710	-1.594
Cash flow from operating and investing activities (free cash flow)	3.201	4.504	-5.098	3.231	2.604
Cash flow from financing and grant-making activities	-4.840	-3.494	4.419	-1.880	-2.706
Subsidiaries' acquisitions	680	-	10.516	804	503
Investments in intangible assets	255	171	158	564	631
Investments in property, plant and equipment	737	606	677	730	771
Equity	49.422	42.852	41.802	36.985	35.668
Lundbeckfonden's share of equity	41.621	36.108	35.053	31.076	30.156
Total assets	78.022	74.563	76.502	58.646	57.133
Debt to financial institutions and others	9.310	12.549	15.766	6.332	7.168
Net wealth	67.114	64.411	65.301	62.483	63.591
Key figures					
Revenue growth	5,6%	-1,8%	-2,5%	-0,6%	4,9%
Operating profit margin before special items	10,9%	7,0%	8,5%	13,3%	11,0%
Operating profit margin	10,9%	7,0%	8,5%	13,3%	17,0%
Return on equity	15,0%	5,7%	13,2%	7,1%	15,1%
Average number of employees (FTE)	28.932	29.084	31.818	34.226	35.107

2017 figures are not adjusted for the impact of IFRS 9 and IFRS 15 reporting standards, which were implemented in 2018.
For the definition of key figures, please see note 35.

FINANCIAL PERFORMANCE

In 2021, the Lundbeck Foundation delivered its best ever financial result, boosted by the investment portfolio's record contribution of DKK 4,467m.

Revenue (DKKm)
35,403

Operating profit (DKKm)
3,872

Net wealth (DKKm)
67,732

In line with the Foundation's expectation of a higher profit in 2021 than was achieved in 2020, Group operating profit increased to DKK 3,872m, up from DKK 2,340m in 2020.

Grants totalled DKK 803m (DKK 600m), which was the highest level ever awarded.

OPERATING ACTIVITIES

Revenue for the year was DKK 35,403m (DKK 33,520m). Revenue at Falck was DKK 15,173m, corresponding to an increase of 23% on the DKK 12,348m reported in 2020. The increase was driven by Falck's COVID-19 antigen testing activities in Denmark. Excluding testing activities, Group revenue decreased to DKK 31,947m, in line with the expectations announced in the annual report for 2020.

Revenue at ALK increased by DKK 425m, or 12%, and revenue at Lundbeck decreased by DKK 1,373m, or 8%. The decline in Lundbeck's revenue was a consequence of generic erosion of Northera®.

Gross profit was DKK 18,771m, versus DKK 18,181m in 2020. The increase was primarily attributable to Falck, where gross profit increased by DKK 1,081m. Gross profit at ALK increased by DKK 368m, whereas gross profit at Lundbeck decreased by DKK 855m. Group gross margin was level with 2020 at 54%.

Research and development (R&D) costs decreased by DKK 593m to DKK 4,483m (DKK 5,076m). R&D costs in 2020 were impacted by Lundbeck's impairment relating to the foliglurax product rights and R&D restructuring costs totalling DKK 869m.

Overall sales and distribution costs increased to DKK 7,542m (DKK 7,459m), representing 21% of total revenue in 2021 (22%).

Overall administration costs amounted to DKK 2,946m (DKK 3,088m). The Foundation's own net administration and operational costs amounted to DKK 123m, versus DKK 156m in 2020. The decrease was due to bonuses payable under Ventures' incentive programmes, primarily as a result of the sale of the Foundation's holding in Veloxis, which was accounted for in 2020.

REVENUE

DKKm	2021	2020
Lundbeck	16,299	17,672
ALK	3,916	3,491
Falck	15,173	12,348
Other business	15	9
Total	**35,403**	**33,520**

Capacity costs in total thus amounted to DKK 14,971m, versus DKK 15,623m in 2020. The decrease was primarily attributable to the DKK 593m decrease in R&D costs.

Other operating items, net, amounted to an income of DKK 72m (expense of DKK 218m) and included a change in the valuation of biological assets and related land, amounting to an income of DKK 74m, and transaction costs of DKK 55m related to acquisitions and divestments.

In 2020, other operating items, net, included restructuring and reorganisation costs within Falck, and costs in connection with Lundbeck's acquisition of Alder BioPharmaceuticals, Inc.

Operating profit increased to DKK 3,872m in 2021 (DKK 2,340m). The increase was mainly attributable to Falck, where profitability increased by DKK 1,347m, driven by the previously mentioned antigen testing activities, which contributed DKK 1,229m to operating profit. Meanwhile, ALK and Lundbeck both improved their profitability by DKK 142m and DKK 20m, respectively.

OPERATING PROFIT

DKKm	2021	2020
Lundbeck	2,010	1,990
ALK	292	150
Falck	1,741	394
Lundbeckfonden	-123	-156
Other business	-48	-38
Total	**3,872**	**2,340**

INVESTMENT ACTIVITIES

The Foundation's other investment activities contributed to the 2021 results with a return of DKK 4,467m, versus DKK 1,238m in 2020. Of this contribution, the financial investment portfolio delivered a return of DKK 4,608m, versus DKK 1,244m in 2020. Meanwhile, the Foundation's Ventures and Emerge portfolios delivered a net loss totalling DKK 141m (net loss of DKK 6m).

TAX

The reported tax rate amounted to 11% in 2021, compared to 19% in 2020. The lower effective tax rate was primarily due to deductible grants and non-deductible amortisation, and the write-down of intangibles, which increased the effective tax rate in 2020.

NET RESULTS AND GRANTS

Overall, 2021 profit for the Lundbeck Foundation Group was DKK 6,928m (DKK 2,415m). The Foundation's share of Group profit was DKK 5,880m (DKK 1,998m).

In 2021, total grants increased to DKK 803m (DKK 600m), driven by the Foundation's funding of the Neuroscience Academy Denmark, which received DKK 187m to strengthen PhD education.

ASSETS

Total assets at 31 December 2021 amounted to DKK 78,022m, versus DKK 74,563m at the end of 2020.

Intangible assets amounted to DKK 28,738m at 31 December 2021 (DKK 28,244m), of which, product rights amounted to DKK 17,361m (DKK 17,921m). Amortisation and impairment of product rights amounted to DKK 1,299m (DKK 2,357m). Goodwill at year-end amounted to DKK 10,060m (DKK 9,237m).

The Foundation's financial assets at 31 December 2021 amounted to DKK 25,129m (DKK 21,088m), equivalent to an increase of DKK 4,041m compared with the end of 2020.

Cash and bank balances at 31 December 2021 amounted to DKK 4,321m (DKK 5,885m).

EQUITY AND LIABILITIES

Total equity of the Group at 31 December 2021 amounted to DKK 49,422m (DKK 42,852m), reflecting an increase of 15% during 2021. The Foundation's share of the equity increased to DKK 41,621m (DKK 36,108m).

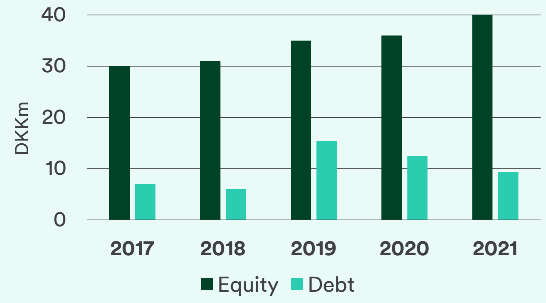
At 31 December 2021, total debt to financial institutions etc., including lease liabilities, decreased to DKK 9,310m (DKK 12,549m). Consequently, net interest-bearing debt, excluding the Foundation's financial assets, amounted to DKK 4,989m (DKK 6,664m).

CASH FLOW

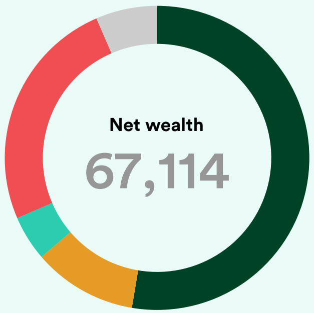
Total cash flow from operating activities amounted to DKK 4,569m, versus DKK 5,635m in 2020. The decrease was primarily driven by Lundbeck, which saw cash flow from its operating activities decline to DKK 2,272m (DKK 3,837m), mainly as a consequence of the loss of patent exclusivity for Northera®.

Cash flow from investment activities, excluding the purchase and sale of financial assets, was an outflow of DKK 1,495m, versus an outflow of DKK 713m in 2020. The cash flow in 2021 was impacted by Falck's acquisition of Frisk Gruppen in Norway, which amounted to an outflow of DKK 680m.

LUNDBECKFONDEN'S SHARE OF EQUITY AND DEBT TO FINANCIAL INSTITUTIONS ETC.



DISTRIBUTION OF NET WEALTH



NET WEALTH

DKKm	Value	Contribution to net wealth 2021
Lundbeck	23,192	-5,144
ALK	15,392	4,173
Falck	3,789	146
Invest	24,128	4,699
Ventures	1,854	-42
Emerge	624	-112
Grants, corporate functions, etc.	-1,865	-1,017
Net wealth	67,114	2,703

The three subsidiaries' contributions to net wealth differed from the contribution recognised and measured in accordance with the accounting policies of the Lundbeck Foundation Group. The fair value of the Foundation's net assets is based on market prices, where available - for ALK and Lundbeck - and, for Falck, an estimated fair value based on a trading multiple model, and using historical accounting numbers for Falck and its peers.

In 2021, the total cash flow from grants paid, and dividends paid to non-controlling interests, amounted to an outflow of DKK 666m (outflow of DKK 636m). Repayment of debt to financial institutions etc., amounted to a net outflow of DKK 3,912m (net outflow of DKK 2,718m).

Net cash flow in 2021 amounted to an outflow of DKK 1,639m (inflow of DKK 1,010m). At the end of 2021, the Group's cash balance totalled DKK 4,321m, versus DKK 5,885m at the end of 2020.

NET WEALTH

The Group's net wealth increased by 4% to DKK 67,114m at 31 December 2021 (DKK 64,411m).

Results from the Foundation's investment activities and an increase in ALK's share price of 37% affected net wealth positively by DKK 4,699m and DKK 4,173m, respectively. Adjusted for dividend payments, a decrease in Lundbeck's share price affected net wealth negatively by DKK 5,144m.

OUTLOOK

The financial performance of the Group depends upon developments in the commercial activities of Lundbeck, ALK and Falck, as well as returns generated by the Foundation's financial investment activities, including the biotech portfolio. Returns provided by financial investments largely depend on the overall performance of the financial markets, whereas returns from the biotech portfolio also depend on the development of products and similar factors at the portfolio companies.

For 2022, revenue is expected to reach between DKK 33bn and DKK 34bn. Group operating profit is expected to be between DKK 3.0bn and DKK 3.6bn. The expected decrease in Group revenue and operating profit compared to 2021 is primarily related to an expected decline in revenue at Falck related to antigen testing activities.

The Russian invasion of Ukraine introduces extraordinary uncertainty for any financial outlook. Based on strong solidity and cashflow the Group is in a position to deal with a crisis including a temporary recession.

Based on the financial strength of the Foundation and dependent on the impact of the war in Ukraine, the expenditure on grants is expected to be between DKK 500m and DKK 1,200m.

The expectations are based on the exchange rates prevailing at the end of January 2022.

Please refer to the respective annual reports of Lundbeck, ALK and Falck for further details about the companies' individual expectations.

LUNDBECK FOUNDATION (PARENT ENTITY)

The Foundation's profit for the year amounted to DKK 2,195m, versus DKK 1,106m in 2020. The 2021 result was positively affected by net financial income of DKK 1,130m (DKK 96m). The dividends from Lundbeckfond Invest A/S amounted to DKK 1,140m (DKK 1,088m).

In total, grants awarded in 2021 amounted to DKK 803m, versus DKK 600m in 2020. Net grants amounted to DKK 792m (DKK 576m) in 2021, as grants of DKK 11m (DKK 24m) were reversed or repaid during the year. Subsequently, the carrying equity at 31 December 2021 amounted to DKK 9,565m (DKK 8,162m).

Figures for 2020 are shown in brackets

H. LUNDBECK A/S

Lundbeck is a global pharmaceutical company that specialises in brain health. The Lundbeck Foundation owns 69% of the company's shares.

Lundbeck's Expand and Invest to Grow strategy, launched in 2019, is beginning to show tangible results. Lundbeck has made good progress on expanding its early- and mid-stage pipeline. In 2021, Lundbeck also established several important partnerships that strengthen its developmental capabilities through external innovation.

2021 saw continued solid growth from Lundbeck's strategic brands[1], which mitigated the impact from the loss of exclusivity on Northera® in the USA early in the year. At the same time, several of Lundbeck's mature brands showed remarkable resilience. The company's commercial teams continue to accelerate their efforts in growing the mature and strategic brands across more geographies, thereby maximising the existing brands to drive growth in the coming years.

The newest launch, Vyepti® is increasing in pace in the USA and was launched in the United Arab Emirates and Kuwait in 2021. It was also approved in Canada, Australia, Singapore and Switzerland, and was, in January 2022, approved by the EU Commission for the preventive treatment of migraine in adults. Lundbeck is investing in the global launch of Vyepti® as its first independent global launch.

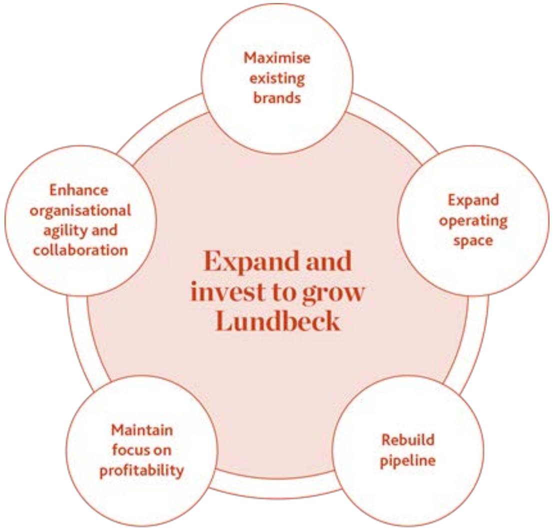
With the launch of Vyepti® in the USA and the continuing global roll-out, Lundbeck is beginning to establish a new frontier in migraine prevention and is expanding its presence into protein-based therapies.

[1] Abilify Maintena® (schizophrenia), Brintellix®/Trintellix® (depression), Rexulti®/Rxulti® (depression/schizophrenia) and Vyepti® (prevention of migraine)

REBUILDING THE PIPELINE

Lundbeck continues to orient R&D towards specialist-treated disease indications that address high unmet needs in niche and rare-disease neurology and psychiatry, so Lundbeck can best deliver for patients and maintain a leadership position among companies of its size and scope.

Lundbeck will use its four biological clusters within its in-house discovery research to target the high unmet needs within its expanded operating space and to deliver impactful neuroscience medicines of the future. Drawing on its experimental medicine expertise, Lundbeck now detects signals and gains more objective evidence to test efficacy earlier in development – de-risking the path to the market. Lundbeck is complementing the rebuild of the pipeline with the right blend of external innovation, acquisitions, partnerships and licences for new medicines to fit with its refined focus on niche neuroscience indications.



In 2021, Lundbeck advanced the R&D strategy established in 2020, sharpening its focus on leading-edge science, de-risking and optimising clinical development. Lundbeck executed this throughout the year and was able to initiate two important proof-of-concept studies for treatment of multiple system atrophy and for migraine prevention. The journey to transform R&D has strong momentum, and Lundbeck now has a more robust mid-stage pipeline.

FINANCIAL PERFORMANCE

SALES

Revenue reached DKK 16,299m in 2021 (DKK 17,672m). The decline in sales was mainly a consequence of generic erosion of sales of Northera®. Excluding Northera®, sales grew by 6% in local currencies.

The newest product in the portfolio of strategic brands, Vyepti®, continued its strong momentum following its launch

Revenue (DKKm)

16,299

Operating profit (DKKm)

2,010

Net profit (DKKm)

1,318

Number of employees (FTEs)

5,488

in April 2020 in the USA, and reached DKK 492m in 2021 compared to DKK 93m in 2020. On aggregate, strategic brand sales grew 18% in local currencies, reaching DKK 9,287m in 2021, or 57% of total revenue.

OPERATING PROFIT

In 2021, total costs declined by 9% to DKK 14,289m (DKK 15,623m).

Cost of sales declined by 12% to DKK 3,648m in 2021 and the gross margin was 77.6% compared to 76.4% in 2020. Cost of sales was negatively impacted by the inclusion of Vyepti® amortisations, but reduced royalty costs mitigated some of the effect.

Sales and distribution costs were DKK 5,885m, a decline of 1% compared to 2020, mainly because of COVID-19-related cost avoidance. Sales and distribution costs corresponded to 36.1% of revenue, compared to 33.6% in the previous year. Administrative expenses declined 3% to DKK 933m, corresponding to 5.7% of total revenue.

R&D costs were DKK 3,823m for 2021 with an R&D ratio of 23.5%. Compared to 2020, R&D costs declined 16% while, adjusted for the DKK 792m impairment of foliglurax in 2020, R&D costs increased by 2%.

EBIT reached DKK 2,010m (DKK 1,990m). The EBIT margin increased from 11.3% to 12.3%.

NET PROFIT

The effective tax rate for 2021 was 16.6% compared to 17.0% in 2020. The tax rate was positively impacted by increased R&D deductions in Denmark, foreign-derived intangible income (FDII) benefits, and the recognition of tax credits in the USA.

Profit for 2021 reached DKK 1,318m (DKK 1,581m).

Audrey Craven, migraine patient and advocate

Figures for 2020 are shown in brackets

ALK-ABELLÓ A/S

ALK is a global allergy solutions company with a century of scientific knowledge and expertise. ALK's business model is designed to help people to take control of their allergies and their lives. The Lundbeck Foundation owns 40% of the share capital and 67% of the votes.

In 2021, ALK continued its progress towards sustainable growth and improved profitability as the company successfully executed on its four focus areas. Revenue increased 12% on broad-based growth across all three sales regions, with tablets being the key driver of growth.

FOCUS AREAS DURING 2021-23

ALK's priority for the immediate future is to build upon its successful transformation by targeting sustainable growth and profitability, as it seeks to become ever more relevant to people with allergy.

The steps towards fulfilling these ambitions fall into four key focus areas:

- Succeed in North America
- Complete and commercialise the tablet portfolio
- Consumer engagement and new horizons
- Optimise for excellence

In North America, ALK continued its efforts to mobilise allergy patients, accelerate tablet sales, and to secure paediatric and adolescent indications, as well as introducing other prescription allergy solutions. Growth was further supported by the strong early performance of ITULATEK® in Canada. Even so, the long-established market barriers to the adoption of the tablets in the USA remained a challenge. Work to increase traction in the USA for the tablet portfolio included the introduction and expansion of a telehealth partnership giving patients direct access to an allergy health professional, which saw patients mobilised to take action on their allergies, albeit still in small numbers.

Efforts to complete and commercialise the tablet portfolio advanced, with the aim of securing their use in new geographies and additional patient groups. In April, ALK received approval from the FDA for the use of RAGWITEK® in US paediatric patients, while December saw the filing of a US application covering the use of ODACTRA® in adolescents.

ALK's two paediatric Phase III trials in allergic rhinitis – in Europe and North America for the house dust mite tablet, and in Europe and Canada for the tree pollen tablet – progressed as planned. The trials represent some of the final steps towards full paediatric coverage for the tablets in Europe and North America, which will be an important driver of sustained double-digit revenue growth for ALK. COVID-19 continued to impact ALK's paediatric trial in house dust mite-induced allergic asthma. Also, the Phase III registration trial in China of the house dust mite tablet in adult allergic rhinitis remains paused due to COVID-19, and ALK is in discussions with the relevant authorities on possible next steps.

Progress on increasing consumer engagement continued, and Q2 saw the launch of ALK's klarify digital engagement platform in Canada, bringing the total number of klarify countries to six. Metrics on the success of this platform remain encouraging and, during 2021, ALK mobilised more than 375,000 consumers worldwide via klarify, including more than 40,000 in the USA, versus targets of 250,000 and 20,000, respectively.

ALK's 'new horizons' priority covers initiatives with the ability to accelerate the company's long-term growth, including an expanded offering in anaphylaxis and ALK continued to advance two parallel adrenaline auto-injector (AAI) projects – one in-house, and one in partnership with Windgap. In 2021, ALK made an entry into food allergy treatment as it completed a feasibility study confirming that its current tablet technology is suitable for this project, and plans to start Phase I clinical development in 2022 with an initial project for peanut allergy.

ALK has begun developing an allergy immunotherapy tablet for potentially life-threatening peanut allergy

Revenue (DKKm)
3,916

Operating profit (DKKm)
292

Net profit (DKKm)
219

Number of employees (FTEs)
2,492

Also in 2021, ALK signed an exclusive agreement with the China-based pharmaceutical company, Grandpharma, that will see its existing AAI, Jext®, become the first to be registered and launched in China.

The priority 'optimise for excellence' covers ALK's product and site strategy programme (PASS), amongst other initiatives. This aims to safeguard ALK's core portfolio of legacy products by ensuring it remains viable in the long-term, which, in part, means upgrading legacy production processes so that they continue to meet the very latest regulatory standards. A key element in this programme is the simplification of ALK's production setup by reducing the number of different drug substances used for similar products.

FINANCIAL PERFORMANCE

SALES

2021 revenue increased by 12% to DKK 3,916m (DKK 3,491m). Exchange rate fluctuations did not materially impact reported revenue growth. Revenue growth was driven by ALK's tablet portfolio, sales of which grew 29% overall, continuing the strong positive trajectory of recent years. Sales of legacy products were largely unchanged as sales mostly recovered for subcutaneous allergy immunotherapy (SCIT) products previously impacted by COVID-19, which had prevented or discouraged visits to allergy clinics. Meanwhile, sales of sublingual allergy immunotherapy (SLIT) drops declined on planned product discontinuations and the shift of patients to SLIT-tablets.

OPERATING PROFIT

Cost of sales increased 5% in local currencies to DKK 1,520m (DKK 1,463m). The gross profit of DKK 2,396m (DKK 2,028m) yielded a gross margin of 61% (58%), which exceeded the original goal of a 1-2 percentage point improvement and mainly reflected increased sales – especially from tablets in Europe – although this was somewhat reduced by increased shipments to ALK's partner Torii, in Japan, which yield lower gross margins. ALK continues to see significant costs for compliance efforts to secure robustness in product supply, as well as the implementation of the product and site strategy.

Capacity costs increased 13% in local currencies to DKK 2,105m (DKK 1,877m). R&D expenses increased by 23% in local currencies to DKK 631m (DKK 515m) in support of a planned increase in clinical trial activities. Sales and marketing expenses increased by 10% in local currencies, reflecting a gradual normalisation of activity levels following the 2020 impact of COVID-19 on business activities. Administrative expenses increased 3% in local currencies.

EBITDA (operating profit before depreciation and amortisation) increased 35% in reported currency to DKK 534m (DKK 395m) despite the planned 23% increase in R&D expenses, and was better than originally expected, driven by the higher sales and improving gross margin. Exchange rates had only a minor effect on operating profit.

NET PROFIT

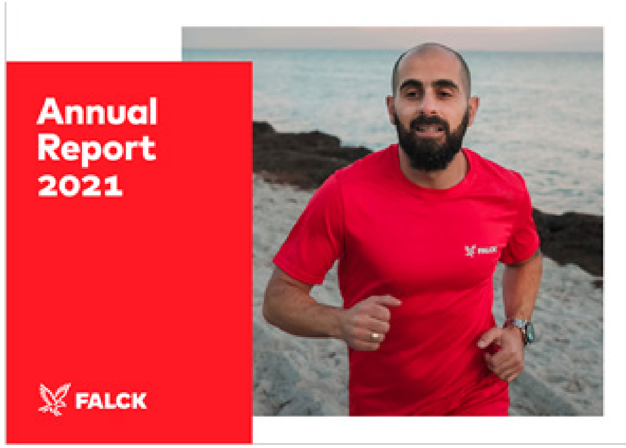
Net financials were a loss of DKK 13m (loss of DKK 49m) mainly relating to interest payments and loan fees. Tax on the profit totalled DKK 60m (DKK 76m) and net profit was DKK 219m (DKK 25m).

Figures for 2020 are shown in brackets

FALCK A/S

Falck employs 33,000 highly skilled professionals, delivering more than 8 million emergency response and healthcare services every year. The Lundbeck Foundation owns 58% of Falck.

Falck delivered strong results in 2021 and, with a solid financial basis, good commercial traction and a new strategy in place, Falck is now well positioned for the future. The good results were, to a large extent, due to the extraordinary efforts made in connection with the COVID-19 antigen testing activities in Denmark. Falck performed more than 20 million tests in Denmark during 2021, and the testing service stands as one of the largest and most demanding undertakings in Falck's history. It is also an example of good public-private cooperation, as Falck supported healthcare systems which were under pressure, and thereby helped maintain the infrastructure of society.



Alongside this important contribution to the battle against COVID-19, Falck's underlying business continued to deliver a stable performance, despite unpredictable, and often difficult, circumstances.

Falck has grouped its activities into two core business areas:

- **Emergency Response** comprises the segments Ambulance Europe, Ambulance US and Fire Services.
- **Direct Healthcare** comprises the segments Employee Healthcare, Assistance and Community Healthcare.

In the Direct Healthcare business area, Employee Healthcare won several new B2B contracts, and in both Assistance and Community Healthcare, the number of healthcare subscriptions increased. In September, Falck announced the strategically important acquisition of Frisk Gruppen in Norway, which specialises in labour market services, occupational health services, and specialist healthcare. With this acquisition, Falck has strengthened its footprint as a significant player in employee healthcare in Scandinavia.

In the Emergency Response business area, Falck won several large, long-term ambulance contracts in Denmark and Sweden and, in the USA, Falck started up the large contract in San Diego at the end of the year. Falck also lost contracts in Denmark, following a decision by the Danish regions to in-source. Falck's Fire Services business won a number of contracts for large industrial corporations in Europe.

LAUNCH OF NEW STRATEGY – CARE FOR MORE '25

At the beginning of 2021, Falck launched a new, five-year strategy: Care for more '25. The strategy sharpens Falck's profile as an integrated healthcare services provider aiming to meet healthcare needs of people throughout their lifetime.

Across markets, Falck can see that people are increasingly demanding healthcare services of a higher quality, that are delivered when and where they need them, tailored to their individual needs, and seamlessly connected across multiple

A number of Falck's non-core business entities are managed in the **Portfolio business.**

Managing these entities outside the scope of Falck's core business allows Falck to optimise the portfolio for value independently of the new strategic direction of Falck.

In December 2021, the Portfolio business area announced the divestment of the Roadside Assistance business in Sweden, Norway, Finland, Estonia and Lithuania. The divestment was regulatory approved in March 2022.

Revenue (DKKm)

15,173

Operating profit (DKKm)

1,741

Net profit (DKKm)

1,229

Number of employees (FTEs)

20,862

types of care. At the same time, societies are under increasing pressure to deliver healthcare to an ageing and more demanding population, while keeping costs under control.

It is Falck's ambition to serve as a supplement to the public system, by offering flexible resources that can respond to changing healthcare needs, bringing innovations and global learnings to the healthcare sector, and preventing accidents, sickness and work-related healthcare issues, thereby lowering the costs of treatment.

The new service offering, Falck Sundhedshjælp, is a direct outcome of the Care for more '25 strategy and Falck's ambition to operate as an integrated healthcare services company. All the new services build on Falck's experience and reputation within healthcare services, and are the result of collaboration across Falck's business segments.

FINANCIAL PERFORMANCE

SALES

In 2021, revenue was DKK 15,173m (DKK 12,348m), and was positively impacted by COVID-19 antigen testing activities in Denmark amounting to DKK 3,456m. The divestment and discontinuation of operations in the Portfolio segment had a negative impact on revenue for the year, whereas revenue increased in the Core business in both the Emergency Response and Direct Healthcare business areas.

OPERATING PROFIT

Cost of services (OPEX) increased to DKK 11,394m (DKK 9,640m), mainly driven by testing activities.

Sales and administrative (SG&A) expenses decreased to DKK 2,006m (DKK 2,087m) due to the discontinuation of businesses in the Portfolio segment. In the Core business, cost savings carried out in the second half of 2020 also reduced SG&A expenses.

EBITA increased to DKK 1,834m (DKK 675m), corresponding to an EBITA margin of 12.1% (5.5%). Excluding testing activities, EBITA was level with 2020 at DKK 605m (DKK 608m), as higher earnings from generally higher contract volumes and business activities, were offset by ramp-up costs for new contracts, as well as higher operating costs due to an increased use of patient transport services, combined with staff shortages in Emergency Response.

Operating profit (EBIT) was DKK 1,741m (DKK 394m) and was negatively impacted by amortisation of customer contracts of DKK 38m, and special items of DKK 55m.

NET PROFIT

Losses related to the divestment of businesses amounted to DKK 107m (DKK 306m), and net financial expenses were DKK 46m (DKK 146m). Compared to 2020, net financial expenses were reduced as a consequence of lower interest expenses on loans, as well as foreign exchange gains. Income tax amounted to DKK 359m, corresponding to an average tax rate of 22.6%.

Profit for the year was DKK 1,229m (loss of DKK 178m).

Figures for 2020 are shown in brackets

FINANCIAL INVESTMENTS (INVEST)

Invest generates returns with the primary purpose of securing sufficient reserves to protect the long-term ownership of the Foundation's subsidiaries and to maintain grant-making activities. The financial investments are spread across a diversified investment portfolio.

2021 was a solid year for risk assets due to the global reopening of societies and the recovery of economies following the onset of the COVID-19 pandemic. Invest was well positioned for this scenario and delivered the strongest result ever, with a return of 23%.

The world economy recovered rapidly in 2021 and, in stark contrast to the pandemic-led 'supply shock' recession of 2020, experienced a 'positive demand shock', which disrupted global supply chains as the pandemic turbocharged demand for goods. The situation was exacerbated in many industries due to semiconductor shortages and a structural undersupply in the transport and logistics sector.

Inflation rose significantly due to strong demand, lack of supply and rising energy and raw material prices, among other factors. Part of the rise is likely to be temporary, but long-term inflation expectations increased, as did bond yields.

The Foundation's financial investments generated a very satisfactory return of DKK 4,608m versus DKK 1,244m in 2020. The return was mainly driven by listed equities with additional significant contributions from private equities and real assets.

RETURN ON THE INVESTMENT PORTFOLIO

Listed equities generated the highest absolute return, at DKK 3,112m. The investments in the consumer discretionary sector, which includes luxury goods, auto and retail, brought the largest absolute return, with financial sector names also contributing. Meanwhile, green energy stocks fell in 2021 following a prosperous 2020. In addition to returns from the underlying equity portfolio, call options on the European equity market, which were bought in anticipation of rising markets, contributed positively.

Private equities generated the highest percentage return, at 49%, as a strong exit strategy, combined with generally good earnings performances from underlying portfolio companies, contributed to a highly satisfactory performance.

Real assets, including real estate and woodland, generated the second-best return, at 48%. The robust real estate market in Copenhagen, with few idle properties and increasing property prices, resulted in a high return in Obel-LFI Ejendomme A/S. The woodland investments of LFI Silva Investments A/S also performed strongly, supported by rising timber prices and increasing demand for woodland from investors seeking suitable investments and inflation hedges. In 2021, Invest increased its woodland investments by investing in the specialised management company Cresco Capital Services A/S.

Credit also performed well, with a return of 13%, despite rising interest rates. Better credit fundamentals, due to the reopening of societies, supported the performance of both listed and unlisted credit.

In 2021, the expense ratio (including management fees) declined to 0.18% (0.37%) mainly reflecting lower payments of performance fees.

INVESTMENT STRATEGY

Invest entered 2021 with a 'pro risk' mindset, supported by the sentiment surrounding the ongoing global reopening, an expectation of strong earnings growth, and attractive investment opportunities within both equities and credit. To date, the investment strategy has been moderately offensive despite prospects of higher inflation and interest rates. Invest remains focused on a balanced approach to risk, quality and valuation as it focuses attention on companies with secular growth – i.e., driven by forces that will likely be in place for an extended period of time.

Long-term results for Invest remained strong, with returns of 16.1% and 11.9% over three and five years, respectively, both of which are well above the benchmark. This provides a firm endorsement of the current investment philosophy and the strategy of investing in high quality companies across asset classes with a view to generating an attractive long-term return.

INVESTMENT PORTFOLIO

	Market value (DKKm)		Return (%)	
Assets	2021	2020	2021	2020
Bonds and liquid funds	3,131	3,939	-0.5%	0.4%
Credit etc.	3,599	3,373	13.1%	0.2%
Listed equities	13,465	10,945	28.7%	11.9%
Private equities	2,271	1,159	49.3%	3.5%
Real assets	1,662	1,119	48.3%	5.0%
Total	**24,128**	**20,535**	**23.5%**	**6.4%**

LUNDBECKFONDEN VENTURES

Ventures is the Foundation's evergreen venture fund, investing in international life science with a focus on the development of innovative new medicines in areas of high unmet medical need.

2021 was, in many ways, an exciting and remarkable year for Ventures, with two exits and two initial public offerings (IPOs). While COVID-19 impacted some companies, the portfolio continued to perform well, as demonstrated by the very tangible results that also included the filing of New Drug Applications (NDA), the initiation of new clinical studies, and the closing of significant financing rounds.

During the year, Spero Therapeutics completed the filing of a NDA in the USA for its lead programme, tebipenem HBr for the treatment of complicated urinary tract infections (cUTIs). If approved, tebipenem HBr would be the only oral carbapenem antibiotic available for use in cUTIs, which are considered a significant, unmet medical need. The NDA followed the successful completion of the Phase III ADAPT-PO trial in 2020. During an eventful year, Spero also partnered with Pfizer on SPR206 - a clinical-stage, intravenously-administered, next generation polymyxin - in a combined equity investment and licensing agreement.

Significant progress was also made elsewhere in the portfolio, as several companies managed to keep their clinical trials on track despite the challenges of COVID-19, including late-stage trials at Sanifit, Enterome, Reneo Pharmaceuticals, Lexeo Therapeutics and Imara. In addition, VarmX moved into the clinic and dosed its first patients.

Ventures supported several portfolio companies participating in their follow-on financing, including Aura Biosciences, Lexeo Therapeutics and Reneo Pharmaceuticals.

Lexeo Therapeutics followed its 2020 series A round, with a successful series B round in 2021, raising USD 100m with participation from existing and new investors. Lexeo is focused on developing novel gene therapies for rare and non-rare monogenic diseases and has a comprehensive pipeline, including three clinical-stage, gene therapy programmes. During 2021, Lexeo expanded its cardiology pipeline through the acquisition of Stelios Therapeutics, which added three investigational adeno-associated virus (AAV) mediated gene therapy programmes to the Lexeo pipeline.

Aura Biosciences and Reneo Pharmaceuticals both completed IPOs on Nasdaq, raising USD 76m and USD 94m, respectively. Aura's IPO followed the closing of an oversubscribed USD 80m private financing round earlier in the year, and the company will use the combined proceeds to fund the clinical development of its laser-activated, virus-like drug conjugate (VDC) platform, including the pivotal Phase III programme for the company's lead candidate, AU-011, for use in first-line choroidal melanoma - a malignant intraocular tumour. Reneo's IPO will allow the company to complete the clinical development of its lead molecule in primary mitochondrial myopathies, a group of related mitochondrial diseases predominantly, but not exclusively, affecting skeletal muscle.

Last but not least, Ventures made two successful exits during 2021. In April, Amplyx accepted an offer to be acquired by Pfizer. The company's lead compound, fosmanogepix, is a first-in-class, anti-fungal compound, under development for the treatment of invasive fungal infections, which is an indication with a large unmet need and mortality rates as high as 30-80%. If approved, fosmanogepix would be the first novel therapeutic class of antifungal therapies to be approved by the US Food and Drug Administration (FDA) in nearly 20 years. In November, Sanifit was acquired by Vifor Pharma for a EUR 205m upfront payment, plus substantial pre-commercial and commercial milestones. Vifor Pharma will continue its development of SNF472, a novel, first-in-class inhibitor of vascular calcification, for the treatment of calcific uremic arteriolopathy (CUA) and peripheral artery disease (PAD) in patients with end-stage kidney disease.

FINANCIAL RESULTS

Ventures' investments in new and existing companies, amounted to DKK 281m. The net return for the year was DKK 34m versus DKK -7m in 2020. The negative result reflected the substantial negative share price development during the year in the US public biotech market.

The fair market value of the portfolio was DKK 1,876m at 31 December 2021, compared to DKK 1,733m at the end of 2020.

At year-end, the Ventures portfolio comprised 14 companies, of which seven were listed. The complete portfolio is listed on the following page.

PUBLIC PORTFOLIO COMPANIES

acacia pharma

Marketing two drugs on the US market: Barhemsys, for post-operative nausea and vomiting, and Byfavo, for procedural sedation.

aura

Aura's first product candidate, the laser-activated AU-011, is currently being investigated in a Phase III study for the treatment of patients with small-to-medium primary ocular melanoma.

imara

Developing IMR-687 as a potentially disease-modifying, oral, chronic treatment for patients with sickle cell disease and beta-thalassaemia. Currently conducting Phase IIb clinical trials in both indications.

Reneo

In clinical trials in genetic mitochondrial diseases with a drug that enhances mitochondrial function and potentially increases the number of mitochondria.

scPharmaceuticals

Developing a proprietary subcutaneous furosemide for heart failure diuresis, and medicines for bacterial infections, that are delivered via an easy-to-operate, on-body infuser. Expected to file an NDA with the FDA at the end of Q1 2022 for subcutaneous administration of furosemide.

SPERO THERAPEUTICS

A multi-asset, clinical-stage biopharmaceutical company, focused on identifying, developing and commercialising novel treatments for multi-drug resistant (MDR) bacterial infections. The lead programme has completed Phase III with positive results and an NDA has been submitted to the FDA.

trevi THERAPEUTICS

The company is running a Phase IIb/III clinical trial with Haduvio™ (nalbuphine ER) for the treatment of pruritus in prurigo nodularis, plus a Phase IIb trial in chronic cough in patients with idiopathic pulmonary fibrosis.

PRIVATE PORTFOLIO COMPANIES

Atox Bio Innovation in Critical Care

Develops novel immunomodulators. An NDA has been filed for the lead candidate, reltecimod, aimed at patients with necrotising soft tissue infections (NSTIs). Reltecimod has also been granted Fast Track and Orphan Drug designations by the FDA and the European Medicines Agency (EMA).

DYSIS Smart Colposcopy

Markets high-resolution, digital colposcopes with an adjunctive map overlaid on a live image of the cervix, to help with the identification of the most relevant biopsy sites when cancerous and pre-cancerous cervical cancer lesions are suspected.

enterome bioscience

Enterome is pioneering the development of novel microbiome based drugs. In Phase II studies in Crohn's disease patients and Phase I/II studies in immuno-oncology.

LEXEO therapeutics

Progressing a pipeline of gene therapy programmes based on the company's AAV10 platform. The lead programme targets treatment of the cardiomyopathy that occurs in patients suffering from the genetic disorder Friedreich's ataxia (FA).

PsiOxus THERAPEUTICS

PsiOxus is developing gene-based, immuno-oncology treatments for solid tumours, using its proprietary, intravenously-administered T-SIGn virus platform. The portfolio of differentiated gene therapy products are all delivered systemically but act locally within the tumour. The company has several programmes in clinical trials.

SANIFIT

Develops treatments for calcification disorders such as end-stage renal disease (ESRD) and calciphylaxis. The lead product, SNF472, is currently in Phase III for calciphylaxis.

VarmX

Clinical candidate VMX-C001 is intended to safely and effectively restore haemostasis in case of bleeding or emergency surgery in patients taking oral factor Xa inhibitors.

> "Despite challenging circumstances, our companies have made advances in developing drug candidates and launching new products with the potential to improve the lives of patients around the world. The year also saw significant transactional activity, with successful exits and financing events"

METTE KIRSTINE AGGER
Managing Partner, Ventures

LUNDBECKFONDEN EMERGE

Emerge is the Foundation's early-stage, evergreen investment unit, building and financing biotech companies based on Danish research. Emerge invests in pioneering research that promises to deliver significant patient benefit as well as having commercial potential.

2021 was a transformative year for Emerge, which saw two portfolio companies close large financing rounds with international investors, followed by the first ever IPO of an Emerge portfolio company. The portfolio companies also made substantial progress in research and development during the year, and several companies initiated clinical studies or reported important results from ongoing clinical trials.

Afyx Therapeutics announced positive Phase IIb efficacy and safety data for Rivelin® clobetasol for the treatment of lesions in oral lichen planus, a chronic inflammatory condition causing agonising mouth ulcers. If approved, Rivelin® clobetasol, would be the first approved treatment option for such patients.

NMD Pharma, which develops innovative medical treatments for rare neuromuscular diseases, dosed its first myasthenia gravis patient in a combined Phase I/IIa clinical trial of its lead compound, NMD670, and announced that it has initiated an international observational study in collaboration with Aarhus University and The Ohio State University to assess neuromuscular function in patients with Charcot-Marie-Tooth (CMT) disease.

IO Biotech published best-in-class efficacy data from a Phase I/II study of IO102 and IO103 in first-line melanoma patients in the high impact journal, Nature Medine. This followed the 'breakthrough therapy' designation for the combination of IO102 and IO103 with an anti-PD-1 monoclonal antibody (mAb) for patients with unresectable metastatic melanoma, which was granted by the US Food and Drug Administration (FDA) towards the end of 2020.

Emerge also supported several portfolio companies in their follow-on financing, including IO Biotech and CytoKi Pharma.

IO Biotech completed an IPO on Nasdaq, raising USD 115m. The IPO followed the closing of an oversubscribed EUR 127m series B financing round earlier in the year, and the company will use the combined proceeds to fund clinical trials for its early- and late-stage immuno-oncology programmes, including a large, randomised trial for IO102 and IO103 with an anti-PD-1 mAb in metastatic melanoma, and a Phase II basket trial in non-small-cell lung cancer (NSCLC) and other solid tumours. The late-stage trials will be conducted in collaboration with MSD, under two new clinical trial collaboration and supply agreements that were also established in 2021.

Elsewhere in the portfolio, CytoKi Pharma raised USD 45m in series A financing. CytoKi Pharma is advancing a long-acting interleukin-22 (IL-22) variant to clinical testing, initially focusing on inflammatory bowel disease, and the proceeds from the series A round will be used to support the development of the IL-22 programme through clinical proof of concept studies and, in addition, explore expansion into additional pathologies related to epithelial tissue injury.

Finally, SNIPR Biome secured up to USD 3.9m in funding from Carb-X – a leading global non-profit partnership dedicated to accelerating antibacterial research - to develop its lead programme SNIPR001 for the treatment of E. coli infection in cancer patients. SNIPR Biome is pioneering a novel use of CRISPR/Cas technology to selectively eradicate pathological bacteria based on specific DNA sequence signatures in the bacterial genome, while leaving the rest of the patient's microbiome intact. Furthermore, the company announced a research agreement with Novo Nordisk and a collaboration with The University of Texas MD Anderson Cancer Center and the granting of a fundamental patent in the field of CRISPR-based targeting in microbiomes by the European Patent Office.

FINANCIAL RESULTS

The net return for the year was DKK -107m versus DKK 1m in 2020. The 2021 return was affected by a loss of 142m related to IO Biotech.

The fair market value of the portfolio was DKK 624m at 31 December 2021, compared to DKK 348m at the end of 2020.

At year-end, the Emerge portfolio comprised seven companies, of which, one was listed. The complete portfolio is listed on the following page.

PUBLIC PORTFOLIO COMPANY

IO Biotech develops disruptive cancer immune therapies, directing the immune system to target cells expressing so-called 'checkpoints'. This allows the immune system to directly engage with otherwise 'cloaked' malignant cells. The combination of the company's lead programmes, IO102 and IO103, currently in late-stage clinical development, has been granted US Food and Drug Administration (FDA) 'breakthrough therapy' designation in combination with anti-PD-1 monoclonal antibodies for patients with unresectable metastatic melanoma.

PRIVATE PORTFOLIO COMPANIES

Afyx Therapeutics is developing a new therapy for diseases of the oral cavity, using technology based on the Rivelin® clobetasol patch which, uniquely, adheres to mucosal surfaces in order to deliver medicines. The first product candidate, which is in late-stage clinical development, targets oral lichen planus (OLP), for which there is currently no approved treatment.

CytoKi Pharma is a discovery-stage biotech company, which was founded in 2019 based on an exploratory investment from Emerge. The company is developing a preclinical long- acting interleukin-22 candidate in irritable bowel disease and other pathologies related to epithelial tissue injury.

Folium Science uses CRISPR technology to precisely manage microbial and bacterial populations to enhance soil, animal, plant and, ultimately, human health, in the agriculture, food and beverage industries. The company continues in its quest to bring its technology to the food and feed industries and to launch the first product for controlling salmonella in industrial chicken feed.

Based on world-leading electrophysiology science, NMD Pharma develops innovative medical treatments for rare neuromuscular diseases such as myasthenia gravis. The company's lead programme is currently in Phase I/IIa clinical trial for the treatment of symptoms of myasthenia gravis.

SNIPR Biome is developing new therapies based on CRISPR gene technology – which allows the precision killing of bacteria – for use in the management of untreatable and difficult-to-treat infections, as well as complex diseases directly impacted by the human microbiota.

Vesper Bio is developing a Vps10p antagonist programme focused on central nervous system- and peripheral diseases. The programme is currently in preclinical development where it has demonstrated proofs of concept in models of disease.

"2021 was a year that saw advances across our portfolio, culminating in IO Biotech's IPO, a first for Emerge. This validates our long-term strategy of investing in world-class Danish innovation that brings the promise of novel medicines to patients across the world"

CHRISTIAN ELLING
Managing Partner, Emerge

GRANTS & PRIZES

The Lundbeck Foundation's ambition is to make Denmark a frontrunner in the field of neuroscience, by funding Danish-based research that promotes an improved understanding of the brain, and better prevention, diagnosis, and treatment of brain disorders. The Foundation also supports activities to improve interactions between universities, hospitals and businesses.

Total grants (DKKm)

803

Number of grants

136

Support for brain research (DKKm)

632

Number of full time employees funded

916

In 2021, the Foundation continued its support for outstanding biomedical research with an even stronger commitment to talent development and research in basic and clinical neuroscience.

The total grant sum amounted to DKK 803m versus DKK 600m in 2020. The increase reflected the Foundation's commitment to talent development through its funding of the Neuroscience Academy Denmark with DKK 187m to strengthen PhD education.

Four new grant types and one new prize were introduced in 2021, with the first donations being made in 2022. These were: Clinical Postdoc grants, Start-up grants, Frontier grants, the Diversity grant and the Scientific Enrichment Prize.

The 2021 awards were distributed across five main groups:

PEOPLE

Four recurring programmes focus on talent and career advancement for the best scientists, with the most innovative ideas:

- **LF Postdoc grants** support postdoctoral scientists conducting research within biomedical or health-related areas. DKK 67m was awarded to 32 postdocs in 2021, with 14 grants in neuroscience.
- **LF Fellows** are talented, young researchers who wish to establish or expand their own independent research groups in Denmark. DKK 70m was awarded to seven scientists: four in neuroscience (migraine, epidemiology of mental disorders, stoke and dementia) and three in other areas (joint infection, epigenetics and DNA replication).
- **LF Ascending Investigators** are independent researchers with research projects in neuroscience, or in areas which may benefit neuroscience research. DKK 59m was awarded to 12 investigators.
- **LF Professors** supports the very best neuroscience researchers, thereby helping to build excellent research environments and programmes in Denmark. Seven grants, totalling DKK 178m, were awarded, with support going to research in Parkinson's disease, neuroinflammation, pain, and brain cancer.

PROJECTS

The 2021 Projects programme comprised three recurring funding instruments and support for two Pioneer Centres:

- **LF Collaborative Projects** focuses on complex, basic or clinical neuroscience projects that require collaborative efforts. The grant is awarded every second year and the next round will take place in 2022.
- **LF Experiments** focuses on funding high-risk, and ground-breaking research ideas. This funding covers neuroscience projects or projects, which may benefit neuroscience research. DKK 51m was awarded to 26 projects in 2021.
- **LF & NIH BRAIN Initiative grants** support collaborative projects between a Danish research group and a research

group supported by the NIH Brain Initiative programme. DKK 9m was awarded to three projects in 2021.

- **Pioneer Centres** is an ambitious national programme, initiated by the Ministry of Higher Education and Science, to attract the very best researchers to establish three-to-four world class research centres on artificial intelligence and climate/energy. Pioneer Centres is a collaboration between the Ministry, the Danish National Research Foundation, Carlsberg Foundation, Lundbeck Foundation, Novo Nordisk Foundation and Villum Foundation. In 2021, the Lundbeck Foundation awarded DKK 77m to two centres.

PRIZES

Prizes acknowledge and celebrate outstanding scientists.

The Brain Prize is the world's largest international neuroscience prize, dedicated to scientists who have made an outstanding contribution to neuroscience. The Brain Prize 2021, of DKK 10m, was awarded to Professors Lars Edvinsson (Sweden), Peter Goadsby (UK/USA), Michael Moskowitz (USA), and Jes Olesen (Denmark) for their ground-breaking work on the causes and treatment of migraine.

His Royal Highness Crown Prince Frederik presented The Brain Prizes to both the 2020 and 2021 winners at a celebration ceremony in Copenhagen.

Brain Prize outreach activities

Brain Prize outreach activities bring the outstanding science behind each year's Brain Prize to the scientific community, with particular focus on the Danish neuroscience community. The three-day Brain Prize Meeting 2021, titled 'Migraine and related CNS disorders – common pathways to treatment', was held in Denmark with international guest speakers. Brain Prize plenary lectures were also given at several international meetings, including for the Federation of European Neuroscience Societies, the European College of Neuropharmacology, the Japan Neurosciences Society, and the European Academy of Neurology.

Honorary prizes for young scientists

Honouring young scientists remains a strong priority for the Foundation, and honorary prizes are awarded annually to promising, Danish-based, young scientists who have conducted outstanding research in the field of biomedical science.

The Young Investigator Prize of DKK 1m for promising researchers under the age of 40 was awarded to Senior Consultant Emil Loldrup Fosbøl, Department of Cardiology, Rigshospitalet, for his research on valvular heart diseases.

Five talent prizes of DKK 300,000 each, for promising young researchers under the age of 30, were awarded to MD and postdoc Lærke Smidt Gasbjerg, University of Copenhagen (gut hormones); MD and PhD student Tatyana Fedorova, Aarhus University Hospital (Parkinson's diagnosis); MD and PhD student Simon Mark Dahl Baunwall, Aarhus University (faecal microbiota transplantation); MD and PhD student Håkan Ashina, Rigshospitalet (traumatic brain injury and migraine); MD and postdoc Philip Brainin, Herlev-Gentofte Hospital, (cardiac diagnosis).

SCIENCE EDUCATION AND SCIENCE COMMUNICATION

The Foundation supports science education projects at high school level and above, which help promote better understanding of the brain and brain disorders, as well as science communication projects to promote a better understanding of brain disorders and their consequences. In 2021, the Foundation granted DKK 31m to 17 projects.

The Foundation provides five scholarships for medical students to study for one year at Stanford University or the University of California, San Francisco, USA. In addition, more than 30 scholarships were awarded by seven scientific societies through grants totalling DKK 7m.

NEUROSCIENCE ACADEMY DENMARK

In 2021, the Foundation continued the support to talent development by awarding its largest single grant ever, of DKK 187m, to the Neuroscience Academy Denmark. The academy will establish a novel PhD programme structure by adding an initial year with rotations between laboratories and teaching. The academy aims to enhance the neuroscience PhD-level experience and, through cross-university activities, strengthen the coherence of Danish neuroscience research activities.

DKKm	
People	382
Projects	190
Prizes	13
Science education and communication	31
Neuroscience Academy Denmark	187
Total grants in 2021	803

Other purposes include donations to descendants of DKK 196,200.

NEW INITIATIVES INTRODUCED IN 2021

- Start-up grants can be obtained by Danish institutions to offer attractive start-up packages when recruiting highly talented researchers from abroad or industry.
- Clinical Postdoc grants support medical doctors to continue research activities concurrently with their specialisation training.
- Frontier grants serve a dual purpose by supporting advanced research ideas to a stage where they can become attractive for investors, while, at the same time supporting the training of the lead scientists.
- Diversity Grants serve to support initiatives to increase diversity at Danish universities (e.g., collaboration between disciplines, retaining talent, teaching in unconscious bias etc.).
- The Scientific Enrichment Prize will be awarded annually as a personal prize to a leader who has actively worked to increase diversity, and created scientific results through diversity.

RISK MANAGEMENT

The Lundbeck Foundation's risk management framework provides close monitoring, systematic risk assessment, and the ability to identify, manage and report risks and opportunities in a changing environment.

The Lundbeck Foundation strives for a reasonable balance between value creation and risk exposure, with the aim of delivering long-term, stable returns at moderate risk levels.

Risk assessment is an important part of the Foundation's business procedures, allowing it to respond appropriately to changing circumstances and to integrate risk management into the development of the Foundation's strategy. The risk management framework consists of a 'top-down', as well as a 'bottom-up', approach to risk mapping, which identifies key risks that the Foundation may face.

The most important risks relate to the business risks of the Foundation's subsidiaries, and its investments. Assessing and mitigating these risks is important for long-term value creation as well as to the ability of the Foundation and its subsidiaries to operate. However, as a foundation, reputational risk as it relates to grant-making is also important, and there is a strong governance framework in place to cover these activities, setting high standards designed to protect the Foundation from excessive risk.

RISK ASSESSMENT AND MANAGEMENT

Risks are a natural and integral part of the Foundation's business activities. However, through risk management at both an entity and a group level, by balancing its different activities, and by incorporating risk assessment into its strategy framework together with scenario planning, the Foundation mitigates risk to what it considers to be an acceptable level.

There are several types of risk, including: business, operational, cyber and market risks – including fluctuations in interest rates, share prices, exchange rates and credit spreads – as well as reputational risks. Through knowledge of its subsidiaries and of its own internal operations, investments and grant activities, the Foundation aggregates the various risk factors and identifies the most important ones in terms of probability and potential impact.

A risk analysis report is prepared and submitted biannually to the Foundation's Board of Directors. More frequently, updates on exposure to risk factors, such as industry and geographical concentrations, are submitted to the Investment Committee. The Foundation's management team monitors the development of current and potential risks.

The overall risk level is assessed in the risk reports. The Foundation has a long time horizon for its activities and the current strategy spans until 2030. Similarly, the Foundation takes a long-term view on potential risks and risk management, spanning at least 10 years.

Diversification across the different subsidiaries and activities is a central part of the Foundation's approach to risk management. Likewise, the size and the risk level of the

RUSSIAN INVASION OF UKRAINE

In February 2022 Russia invaded Ukraine. In addition to the significant human costs, the war negatively changes the geopolitical system and affects global cooperation and trade potentially leading to energy and economic crises. This was not identified as a current risk during the Foundation's risk assessment process, even though it was recognised as a potential risk. This illustrates that not all risks or unforeseen events are easily identified during a risk assessment exercise and that risk management and governance frameworks need to be agile and prepared for unforeseen events.

In the months leading up to the Russian invasion, the situation and development were closely monitored and potential direct and indirect impact was assessed. The direct effects on the Foundation are limited as operations in Ukraine and Russia are small. However, the indirect effects can be material depending on disruption of energy supply and development on financial markets. Each subsidiary took their own actions with the involvement of the Foundation's representatives on their boards. Priority was safety for employees in Ukraine and Russia. The Foundation developed mid- and long-term risk scenarios to asses potential negative financial impact of the invasion and changes in economic and financial variables. Contingency plans were established. The liquidity buffer in Invest to support the Foundation's ongoing business and subsidiaries is enlarged to ensure that financial flexibility is available if needed.

portfolio investments – specifically Invest - are adjusted continuously depending on the risk assessment, to ensure that there are sufficient financial resources to support the Foundation's activities.

The most recent risk assessment exercise resulted in the identification of a range of strategic, operational, financial, political and reputational risks that could potentially pose a threat to the Foundation. A key priority of the subsequent work has been to ensure that no single risk has the ability to materially damage the Foundation, and that the Foundation would be able to continue its operations and strategy should any one of the risk factors materialise. To ensure this is the case, each of the risks identified has an assigned owner who is responsible for actively managing and mitigating the risk.

The key risks that have been identified are presented in the table on page 29, together with details of the mitigation measures that have been put in place.

RISKS RELATED TO SUBSIDIARIES

Business and financial risks associated with the operation and performance of the Foundation's three subsidiaries, Lundbeck, ALK and Falck, are most effectively managed within each business. Consequently, the management teams at the individual subsidiaries each define their own risk management policies and procedures.

The Foundation is represented on the Board of Directors of each subsidiary and monitors the business performance of the subsidiaries closely. Descriptions of each company's approach to risk management are given by each of the subsidiaries in their own annual reports.

Reports on business- and risk-related issues at the subsidiaries are provided monthly to the Foundation's Board of Directors.

RISKS RELATED TO PORTFOLIO INVESTMENTS

The Board of Directors defines the Foundation's investment policy, while compliance with the policy is monitored by the Investment Committee.

The Foundation manages the market risk of its portfolio investments by having limits for its exposure to individual asset classes and their underlying assets. This policy covers the whole portfolio, including investments by Ventures and Emerge.

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 and as an alternative to buying the underlying assets. The investment policy governs the use of such instruments regarding maturity, quantity and counter-party requirements.

Weekly portfolio performance reports are prepared for the CEO and detailed monthly reports are prepared for the Board of Directors.

Finally, all investments must comply with the Foundation's environmental, social and governance (ESG) principles. An external consultant monitors the portfolio investments for issues related to ESG principles. An ESG status report is reviewed and approved by the CEO and the Investment Committee twice a year. No investments have been identified as being in violation of the ESG principles.

RISKS RELATED TO IT SECURITY

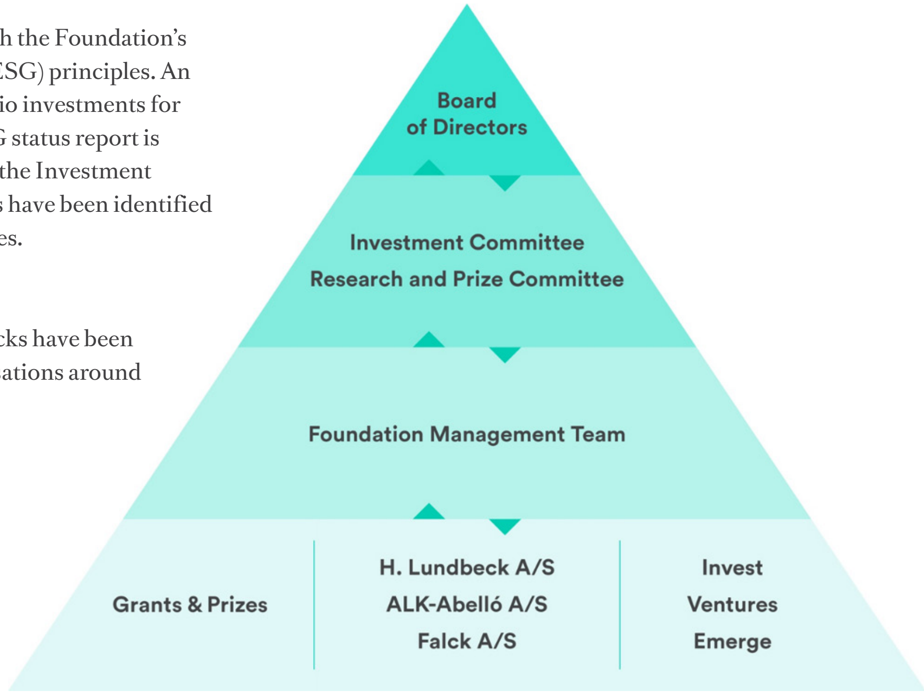
In recent years, several major cyber-attacks have been launched against companies and organisations around the world.

The subsidiaries and the Foundation rely on their IT platforms to run their businesses and the Group owns various types of intellectual property rights. Consequently, the Group is a potential target for cyber-attacks or industrial espionage, and it is a strategic priority to continuously improve cyber-security.

As IT platforms differ across the Group, cyber-security is managed by each subsidiary and the Foundation separately. Each has programmes designed to improve resilience against cyber-attacks. In addition, cyber-risk awareness campaigns are conducted regularly throughout each organisation to minimise risks resulting from phishing emails and similar threats.

RISK REPORTING AND MANAGEMENT

The Foundation's risk reporting and management framework is illustrated in the figure below.



RISKS AND MITIGATION

RISK	CONTEXT	MITIGATION
1. Distress in subsidiaries Subsidiaries account for 63% of the Foundation's total net wealth	Poor performance by subsidiaries, ultimately resulting in value destruction of the Foundation's shareholdings in the companies	▪ Engaged ownership with a focus on: ◦ The overall strategy and key activities ◦ Board and executive management composition to ensure the right competencies ◦ A sound capital structure to support the strategy ◦ Good governance with delegation of duties ◦ Representation on the boards ◦ Diversification through several different subsidiaries
2. Research and development risk in pharmaceutical subsidiaries	Lack of a successful pipeline in pharmaceutical subsidiaries will limit long-term growth in the companies and result in value destruction	▪ High quality research and development with a focus on: ◦ New, innovative drugs in areas with unmet medical needs ◦ Ongoing evaluation of the product pipelines, regulatory requirements and product benefits ▪ Active involvement through: ◦ Board and executive management composition to ensure the right competencies ◦ Representation on the scientific committees in the subsidiaries ◦ A sound capital structure to support research and development
3. Financial market crisis effect on portfolio investments Portfolio investments account for more than 30% of the Foundation's total net wealth	Financial losses due to financial turmoil and possible economic recession	▪ Diversified portfolio ▪ Close monitoring of risks in portfolio and dynamic adjustment of exposure ▪ Limits on market and concentration risk through investment policy ▪ Dynamic hedging and continuous adjustment of portfolio
4. Ventures and Emerge – loss on investments Ventures and Emerge account for 4% of the Foundation's total net wealth	Unsuccessful development and/or commercial failure of portfolio companies	▪ Close monitoring of risks in the portfolio and active participation on boards ▪ Diversified investment in a broad portfolio of life science companies ▪ Understanding the risk in portfolio companies and investing in tranches
5. Misuse of grants	Fraud or scientific misconduct by grant recipients	▪ Transparent grants allocation processes ▪ Peer reviews by external scientists ▪ Status reports and budget follow-ups ▪ Code of conduct signed by grant recipients
6. Geographical exposure to the USA Group exposure to the US market is estimated at 30% of total revenue	Exposure to the USA through subsidiaries and portfolio investments	▪ Ongoing monitoring of exposure to the USA and adjustment of exposure ▪ Hedging against exchange rate risk (USD) in subsidiaries and financing of companies in USD ▪ Lower relative exposure to the USA in the Foundation's portfolio investments
7. Price pressure in the healthcare sector Group exposure to healthcare accounts for 61% of the Foundation's total net wealth	Regulation or market dynamic that lowers the prices for drugs	▪ Limit on exposure to pharmaceutical companies in the Foundation's investment portfolio ▪ Focus in pharmaceutical subsidiaries on: ◦ Innovation and generating strong clinical data ◦ Cooperation with healthcare authorities to document the value of the companies' pharmaceuticals ◦ Stringent process for managing price changes
8. IT security	Cyber-attacks and cyber-fraud System down-time	▪ IT policies and procedures are in place to safeguard processes and data ▪ Cyber-attack testing is performed on a regular basis

SUSTAINABILITY

With its 2030 strategy, Bringing Discoveries to Lives, the Lundbeck Foundation has expressed a clear commitment to making a positive and sustainable impact on society, and will continue to drive sustainable outcomes focusing on four key areas: health, innovation, economic growth and good governance.

The Lundbeck Foundation is a commercial foundation which owns and invests in healthcare companies and channels its profits back to society via grants to biomedical research programmes and talents focusing on neuroscience and the brain. As one of the largest commercial foundations in Denmark, the Lundbeck Foundation carries a significant responsibility, and is continuously evolving and adjusting its operating model ensuring a strong focus on transparency, clear governance principles, and constructive collaboration with external partners.

COMMITMENT TO THE UN GLOBAL COMPACT

Based on the firm belief that international problems require international solutions, and that commercial foundations have a social responsibility, the Lundbeck Foundation was the first Danish commercial foundation to sign the UN Global Compact in 2012. Today, the Foundation's three subsidiaries are all signatories of UN Global Compact; Lundbeck signed in 2009 and Falck and ALK followed suit in 2019.

The Lundbeck Foundation's sustainability approach is integrated with its 2030 strategy: Bringing Discoveries to Lives. Delivering the strategy will drive sustainable impact in four key areas as shown in the figure to the right.

3 GOOD HEALTH AND WELL-BEING

Improving health and quality of life starting with the brain

8 DECENT WORK AND ECONOMIC GROWTH

Supporting responsible economic growth and job creation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Pioneering innovation within healthcare

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promoting sustainable practices and good governance

IMPROVING HEALTH AND QUALITY OF LIFE STARTING WITH THE BRAIN

The number of people with brain diseases is growing around the globe, with severe consequences for health and quality of life, and bringing significant costs for the welfare state, thereby indirectly impacting other areas of society. Today, the world lacks basic knowledge about the brain and its diseases, and the knowledge gap remains a critical barrier for the development of new treatments, which could lead to better health and quality of life, both for patients living with brain diseases and their families.

The Lundbeck Foundation is committed to helping to bridge the knowledge gap regarding the brain, and to generating new insights and knowledge that can lead to better prevention, diagnosis and treatment of brain disorders. In 2021, the Lundbeck Foundation awarded a record amount of DKK 803m in grants, with 79% of this awarded to neuroscience and brain research.

SUPPORTING RESPONSIBLE ECONOMIC GROWTH AND JOB CREATION

As the engaged owner of three international healthcare companies and a direct investor in 21 biotech companies, the Lundbeck Foundation has a significant responsibility to drive sustainable economic growth and to be a good employer that can create jobs and ensure a good working environment for its employees.

With its ownership of three healthcare companies, the Foundation shares a responsibility for more than 40,000 employees in Denmark and abroad, and is proud to see its subsidiaries demonstrating a strong care for their employees while growing and developing their businesses. In 2021, revenue growth at Falck and ALK was 23% and 12%, respectively. All subsidiaries consistently focused on their people, which is part of their business leadership agendas and which is made operational through professional HR-organisations that have a voice on their respective leadership teams. Further, all three companies regularly measure employee well-being and satisfaction, and report on key people-focused metrics in their annual reports.

The Foundation's most direct people impact is, however, on those working directly for the Foundation. The Foundation carried out its first employee engagement survey in 2020, and has since established this as a recurring process, to be conducted every two years. The 2020 survey was followed in 2021 by a workplace assessment study. Both surveys showed a good level of job satisfaction, motivation and loyalty among employees, but also some areas requiring further attention. The Foundation therefore strengthened its internal HR focus and processes in 2021, and will continue to develop this area in the coming years.

PIONEERING INNOVATION WITHIN HEALTHCARE

The Lundbeck Foundation invests in businesses, science and people at the frontiers of their fields, with the ambition of pioneering new healthcare innovations, and bringing new treatments and solutions to patients.

In its role as venture capital and seed investor, the Foundation focuses on healthcare innovation and the development of new medicines and treatments in areas of unmet patient need. These investments are entirely commercial, as business building and commercialisation remain the key route from scientific discovery to the treatment of patients. The investments are often focused on the specialty pharma segment, which can be largely overlooked by the world's large pharmaceutical companies. In 2021, the Foundation's combined portfolio covered 21 biotech investments across different therapeutic disease areas and multiple geographies.

In 2021, the Foundation decided to create Frontier grants, to infuse new energy and focus into the early phases of commercialisation. The new grants target scientists with relevant projects and ideas for healthcare innovation, as well as the interest and appetite for exploring the journey from science project to commercial idea, and potential business building. The grants will be rolled out in 2022.

PROMOTING SUSTAINABLE PRACTICES AND GOOD GOVERNANCE

In its three very different roles as owner, investor and philanthropist, the Lundbeck Foundation has many opportunities to promote sustainable practices, both inside and outside its organisation. The Foundation has therefore, during the past decade, developed a strong governance model, based on four key principles:

- Compliance with Danish recommendations on good governance
- Board independence
- Transparency in reporting and grant decisions
- Internal checks and balances

These four principles constitute the general operating model for the Foundation, which has developed five policies regarding key activities – including grant administration, investments, communication, tax and remuneration – all of which are available on the Foundation's website. The Foundation has also implemented a whistleblower system, which can be used by external and internal parties in case of concerns that involve legal or other serious risks. The whistleblower system can be accessed via the Foundation's website.

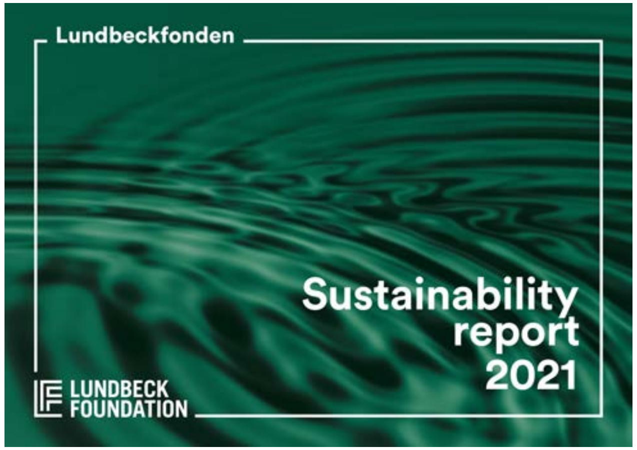
The investment policy guides the Foundation's approach to asset management, and integrates environmental, social and governance (ESG) factors into decision-making. The Foundation's investment decisions are made based on the view that companies that act responsibly and ethically, can create significant financial value. Therefore, for the Lundbeck Foundation, financial return and sustainability go hand in hand.

All investments must comply with the Foundation's ESG principles, and screening is conducted twice a year by an external company – Sustainalytics – which screens the Foundation's financial investments for issues related to the ESG principles and develops an ESG status report, which is reviewed and approved by the CEO and the Investment Committee. In 2021, no investments were identified as being in violation of the ESG principles.

TAKING STEPS TOWARDS A MORE PROACTIVE APPROACH

The abovementioned 2021 sustainability activities were all important, but nevertheless are yet to reach the level of ambition defined by the Foundation for its future approach to sustainability across its commercial and philanthropic activities.

In 2021, further steps were taken in this regard, and the Foundation initiated a new strategic programme with the objective of advancing its understanding and approach to sustainability, covering all the Foundation's different activity areas. A new proactive ambition was defined in 2021 and, based on this, 2022 will be a year of further developing and articulating the Foundation's 'sustainability playbook', which will outline the relevant actionable processes and tools that the Lundbeck Foundation will use in the future.



STATUTORY REPORT CF. SECTION 99B OF THE FINANCIAL STATEMENTS ACT

The purpose of section 99b is to make sure that all Danish companies of a certain size have a diversity policy.

The Lundbeck Foundation supports gender equality and diversity, in practice as well as policy. The Foundation's Board of Directors counts two women and five men among its members, excluding employee representatives. This constitutes a gender balance which is in accordance with the guidelines on gender equality issued by the Danish Business Authority ('Guidelines on target figures, policies and reporting on the gender composition of management').

At management level, the Foundation aims to have a mix of women and men that reflects the gender distribution in the rest of the organisation. Of the management team of six, three are women and three are men, which is above the female proportion of the Foundation's employee base of 42%.

In 2021, the Foundation also strengthened its focus on gender diversity as it relates to grants administration. The Foundation initiated a dialogue with Danish universities around their talent nominations, which led to an increase in the number of female nominations compared to previous years. The Foundation also started a new collaboration with international organisation, the ALBA Network, focused on growing gender diversity in international scientific research, and took new steps towards improving gender diversity among nominations for The Brain Prize, resulting in an increase in female nominations, from 21% to 25%, for The Brain Prize 2022.

This diversity focus is also reflected at the Foundation's three subsidiaries, each of which has defined gender-balance targets for its top management team. Furthermore, Lundbeck, ALK and Falck have reported on individual targets in their respective annual reports, as well as on their individual policies concerning gender balance at other management levels, if applicable.

Learn more about sustainability at the Lundbeck Foundation Group

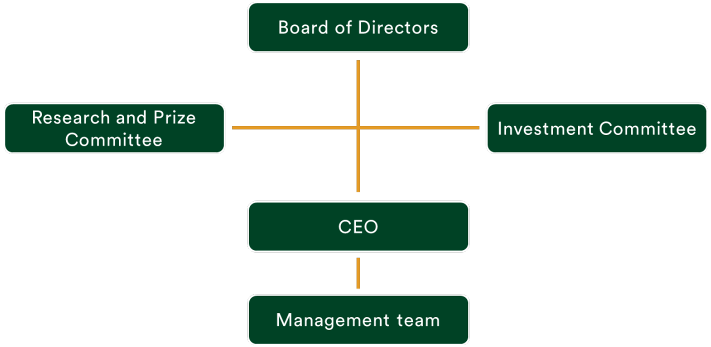
For more information on how the Lundbeck Foundation works to create impact within its four key sustainability areas, important developments in 2021, and what the future holds, please refer to the Foundation's Sustainability Report 2021 (https://www.lundbeckfonden.com/en/sustainability).

This report is the Lundbeck Foundation's statutory statement on sustainability in accordance with sections 99a and 99d of the Danish Financial Statements Act.

For information about Lundbeck, ALK and Falck's approaches to sustainability, please visit their websites.

GOVERNANCE

The Lundbeck Foundation aims to conduct its business with transparency and integrity. This intent is underpinned by a clear governance structure and is further reflected in the Foundation's approach to investments and grants.



Commercial foundations play an important role in Danish society. With ownership of some of the largest Danish corporations and substantial contributions to Danish research, commercial foundations can influence social and economic development in Denmark. For the Lundbeck Foundation, such influence comes with a high level of responsibility.

The Lundbeck Foundation is committed to transparency in its operations and to conducting its business with integrity. Consequently, it has high standards of governance and follows the recommendations issued by Denmark's Committee on Foundation Governance, with two exceptions:

- Board members serve for a shorter period than is recommended by the Committee, and must be re-elected after one year, instead of the recommended two-to-four years. In this case, the Lundbeck Foundation has chosen to follow the rules issued by the Danish Committee on Corporate Governance, which sets the rules for publicly traded companies.
- The Board of Directors has decided to use a bonus model in the remuneration of the CEO based on several elements including the financial results of the subsidiaries and of the Foundation's financial investment activities. The bonus elements are determined to ensure the alignment between the CEO remuneration and the long-term development of the Foundation, which comprise a very broad range of commercial and philanthropic activities.

For a full overview of the Foundation's compliance with the recommendations cf. section 77a of the Financial Statements Act, please see the Foundation's website: Recommendations on Foundation Governance – 2021 (https://www.lundbeckfonden.com/en/recommendations-on-foundation-governance-and-transparency).

The keyword for good governance is independence. Therefore, the Foundation's governance statutes require that both the Board of Directors of the Lundbeck Foundation and the boards of directors of all subsidiaries of the Foundation should comprise a majority of independent members. Furthermore, according to the Foundation's Rules of Procedure, but respecting the governance rules for active involvement in the subsidiaries, no present or former senior employees of either the Foundation or its subsidiaries can become members of the Board of the Foundation. This also applies to present or former members of the Board of Directors of a subsidiary.

This ensures checks and balances through a high degree of independence, something that is of particular importance for a foundation which, by design, is not under the control of any legal owners.

The Foundation's governance principles are more fully described on the Foundation's website.

THE BOARD OF DIRECTORS

The Lundbeck Foundation is managed by a Board of Directors in collaboration with the CEO. The Board members are presented on pages 37-39.

The Board's primary responsibilities are to:

- Decide the Foundation's strategy
- Make decisions of major significance or of an exceptional nature
- Make final decisions on the allocation of grants
- Supervise the organisation to ensure the Foundation is managed appropriately, in accordance with applicable laws and the Foundation's statutes
- Approve the Foundation's policies for investments, communication, remuneration etc.
- Appoint the Foundation's CEO

The Board of Directors meets a minimum of four times each year and holds an annual seminar to review, discuss and refine the strategy.

The Board has set up a Research and Prize Committee and an Investment Committee. Both committees meet regularly to analyse and discuss issues related to grants and prizes and to discuss investments in greater detail, respectively.

ACTIVE INVOLVEMENT IN SUBSIDIARIES

As the majority shareholder, the Foundation is closely involved with each of the three subsidiaries, monitoring their performances and, as a long-term owner, seeking to add value to the companies and their executive management teams and boards. The Foundation exerts its influence through board appointments and representation on the companies' boards, and at their general meetings. The CEO of the Lundbeck Foundation sits on the boards of all three subsidiaries in the role of Deputy Chairman and is one of the Foundation's two representatives on each company board.

As stated previously, the Foundation has a strong focus on good governance and independence of board members. Please see page 33 for a full description.

GRANT GOVERNANCE

The basic criteria for the allocation of research funding are the scientific content of the application, the qualifications of the applicant, and the academic environment at the host institution, all of which must be of a high international standard.

The Lundbeck Foundation seeks to ensure the consistent and equal assessment of all applications. Consequently, all significant applications must be peer reviewed by experts. In addition to the Research and Prize Committee, the Board of Directors has established the Selection Committee to oversee The Brain Prize – as well as three permanent evaluation panels: the Grants and Prizes Panel, the Talent Panel and the Internationalisation Panel. Please see page 36 for information about the committees and panels.

Furthermore, ad hoc evaluation panels with international experts are established, as required, to assess personal and strategic applications. The members of the committees and panels must comply with the Foundation's impartiality rules.

The Research and Prize Committee and the Grants and Prizes Panel report to the Board of Directors. The Selection Committee for The Brain Prize reports to the Board of Directors through the Research and Prize Committee, to ensure that its recommendations comply with the provisions for The Brain Prize.

The Board of Directors decides on the allocation of grants in accordance with statutory requirements. However, the Foundation has developed a model, which has been approved by the Danish Business Authority, whereby the Board, as part of its decision-making on the allocation of grants, can issue a grant mandate to a panel, formed by the Board, to implement the Board's grant decisions.

The following panels allocate grants under a grant mandate:

- The Talent Panel evaluates LF Postdocs, LF Clinical Postdocs, LF Ascending Investigators and LF Experiments
- The Internationalisation Panel evaluates scientific meetings and conferences, visiting professorships and senior researcher sabbaticals

The Board of Directors has also issued a grant mandate to the CEO to implement the Board's decisions on Frontier grants.

In general, assessment procedures for applications and recommendations are adjusted on an ongoing basis to accommodate the development and implementation of new initiatives.

DISTRIBUTION OF RESPONSIBILITY

The Senior Vice President, Grants & Prizes, Director of Science, is responsible for managing day-to-day operations in the Grants & Prizes department.

The Board of Directors approves all of the Foundation's prizes before they are awarded.

INVESTMENT GOVERNANCE

Although it maintains overall responsibility for the Foundation's investments, the Board of Directors has established an Investment Committee and appoints four committee members from among its members.

The committee is responsible for preparing decisions and recommendations for consideration and approval by the Board of Directors, and for ensuring that the Board of Directors is informed of all material matters.

Supervision of the Foundation's investment activities is delegated to the Investment Committee in accordance with the investment policy, which is described in the Risk Management section on page 27.

The Investment Committee meets at least four times a year, or as required by special circumstances.

Policies

The Board of Directors yearly discusses and approves a number of policies which are a vital part of the framework for the Foundation's activities.

Please find the Foundation's policies at the Foundation's website: https://www.lundbeckfonden.com/en/policies.

GRANT POLICY

STATUTORY REPORT CF. SECTION 77B OF THE FINANCIAL STATEMENTS ACT

In accordance with the statutes of Lundbeckfonden, the Foundation has two primary objectives:

a. To consolidate and expand the activities of the Lundbeck Group
b. To make distributions for the purposes mentioned in article 6 of the statutes

At the annual strategy seminar, the Board takes a position on the overall strategy and grant policy. 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 statutes do not stipulate any obligations for grant activities within the individual categories.

The grant objectives listed under section 6 in the statutes are categorised as shown on the right:

STATUTES	GRANT OBJECTIVE
Article 6a (Relatives of the Founder)	The Foundation may make grants to descendants of the parents of the founder and her spouse.
Article 6b (Employees of the Lundbeck Group)	The Foundation may provide financial support to, and otherwise make distributions, for the benefit of existing and former employees of the Lundbeck Group, including for training and education, for holidays and for holiday purposes. In so far as there is no need in each individual case to make distributions at any other time of the year, such distributions will only be made once a year on 20 July, which is the birthday of the deceased Mr Hans Lundbeck, manufacturer.
Article 6c (Research)	The Foundation may grant honorary awards to physicians, scientists and others.
Article 6d (Research)	The Foundation may grant support for scientific purposes, primarily for specific projects.
Article 6e (Subsidiaries)	The Foundation may support special research projects within the Lundbeck Group.
Article 6f (Research)	The Foundation may grant support to hospitals and for disease prevention.
Article 6g (Research)	The Foundation may provide support for training and education in the widest sense of the words, if relevant, by way of interest-free loans.
Article 6h (Research)	The Foundation may make grants for nurses.
Article 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.
Article 6j (All categories)	The Foundation may support other purposes, as decided by the Board of Directors. However, support for such purposes may only account for 25% of the total annual distributions in each calendar year.

The aim of the grant activities is to fulfil the Foundation's grant strategy as based on the grant objectives set out in the statutes' section 6. The grant strategy is an integral part of this grant policy.

The Board of Directors has the overall responsibility for the allocation of all grants. The Board of Directors has decided that the previously mentioned objectives should be met mainly through support for research in biomedicine with a focus on strengthening Danish neuroscience. The Board of Directors may decide on grants based upon recommendations from committees/expert panels, or issue a grant mandate to an expert panel that will make the final decisions within certain grant programmes. Grants for the support of research are primarily awarded to projects invited through open calls for applications. Grants may also be awarded without calls for applications.

COMMITTEES

To facilitate grant and prize activities within the aforementioned categories, the Foundation has established two committees, which serve as advisory bodies and submit recommendations for decisions to the Board of Directors.

RESEARCH AND PRIZE COMMITTEE

This committee comprises the three members of the Board of Directors who are appointed for their research expertise according to the statutes. The CEO, and the Senior Vice President, Grants & Prizes, Director of Science, neither of whom are members of the Research and Prize Committee, assist this committee. The members of the Research and Prize Committee, who are also members of the Grants and Prizes Panel (see below), are tasked with the following:

- Advising and submitting recommendations for decisions to the Board of Directors regarding applications, prize nominations and strategic research policy issues
- Supervising the implementation of the Foundation's strategy

THE SELECTION COMMITTEE FOR THE BRAIN PRIZE

The selection committee for the Brain Prize reviews the nominations for The Brain Prize. Its members, all of whom are external to the Foundation, represent the highest possible level of expertise within the field of brain research, bringing to the committee relevant and comprehensive knowledge about the international scientific world.

EXPERT PANELS

The Foundation has set up three expert panels to evaluate applications and make decisions on grants.

THE GRANTS AND PRIZES PANEL

This panel comprises the three members of the Board of Directors appointed for their research expertise according to the statutes, and three external experts from within the field of neuroscience. The panel evaluates applications for LF Fellows, LF Professors, and LF Collaborative Projects and submits recommendations for decisions to the Board of Directors.

THE TALENT PANEL

This panel comprises 14 external experts spanning the field of biomedical research. The panel evaluates applications for LF Postdocs, LF Ascending Investigators and LF Experiments. The panel makes decisions on grants according to a grant mandate issued by the Board of Directors.

THE INTERNATIONALISATION PANEL

This panel comprises two of the three members of the Board of Directors appointed for their research expertise according to the statutes, and the Senior Vice President, Grants & Prizes, Director of Science, and the Grant Manager. The panel evaluates applications for meetings, visiting professorships and senior researcher sabbaticals. The panel makes decisions on grants according to a grant mandate issued by the Board of Directors.

GENERAL TERMS AND CONDITIONS FOR RESEARCH GRANTS

All grant recipients must comply with the Lundbeck Foundation's General Terms and Conditions for Research Grants.

The Foundation expects researchers who receive funding to conduct their research according to recognised codes of Good Research Practice, including the Danish Ministry of Higher Education and Science's Code of Conduct for Research Integrity, the Medical Research Council's Good Research Practice, and the International Society for Pharmaco-epidemiology's Guidelines for Good Pharmacoepidemiology Practice. This also applies to interactions with other researchers, the collection, generation and analysis of data, applications for research funding, the publication of research results, and the recognition of direct and indirect contributions by colleagues, partners and others.

It is a prerequisite that researchers who receive funding from the Lundbeck Foundation are affiliated with institutions that have their own, published codes and guidelines for Good Research Practice, and that the grant recipients comply with such guidelines. In addition, it is a prerequisite that these institutions have formally described procedures, which must be adhered to when handling any suspicion of scientific dishonesty.

To be eligible for a grant from the Foundation, the grant recipient and their host institution, as well as researchers and third parties affiliated with the research project, must also comply with all laws and rules relevant to the research project.

BOARD OF DIRECTORS

STEFFEN KRAGH, 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 A/S
- Chairman of companies in the Egmont group

Holds 400 shares in ALK-Abelló A/S

Considered independent

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.

PETER SCHÜTZE, DEPUTY CHAIRMAN

Born 1948, elected to the Board in 2015

- Member of the Investment Committee
- MSc (Econ)
- Chairman of DSB SOV, Nordea-fonden, Tietgenfonden and SimCorp A/S. Chairman of the Investment Committee at the Danish SDG Investment Fund K/S
- Member of the boards of Falck A/S, Axcel Future and Gösta Enboms Fond
- Member of The Systemic Risk Council
- Chairman of Dronning Margrethe II's Arkæologiske Fond

Holds 1,360 shares in H. Lundbeck A/S and 200 shares in ALK-Abelló A/S

Considered independent

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.

GUNHILD WALDEMAR

Born 1957, elected to the Board in 2011

- Chairman of the Research and Prize Committee
- Professor and Chair, MD, DMSc. Danish Dementia Research Centre, Department of Neurology, Rigshospitalet, University of Copenhagen
- Coordinating Professor (for the Neuroscience Centre at Rigshospitalet), Department of Clinical Medicine, University of Copenhagen
- President of Biomedical Alliance in Europe

Considered independent

SPECIAL QUALIFICATIONS

Long-standing experience with international research management and with strategic management in international scientific societies. Extensive experience with the assessment of biomedical research and with research and innovation in clinical neuroscience.

LARS HOLMQVIST

Born 1959, elected to the Board in 2015

- Chairman of the Investment Committee
- Chairman of the board of Biovica International AB
- Member of the boards of H. Lundbeck A/S, ALK-Abelló A/S, Naga UK Topco Ltd. (UK), and Vitrolife AB (Sweden)

Holds 15,000 shares in H. Lundbeck A/S

Considered independent

SPECIAL QUALIFICATIONS

Experience in management, finance, sales and marketing in international life science companies, including medtech and pharmaceutical companies.

MICHAEL KJÆR

Born 1957, elected to the Board in 2016

- Member of the Research and Prize Committee
- Professor, Chief Physician, DMSc. Head of Institute of Sports Medicine, Department of Orthopaedic Surgery, Bispebjerg Hospital and coordinating Professor (for Bispebjerg-Frederiksberg Hospital), Institute of Clinical Medicine, University of Copenhagen
- Chair for the PhD School Programme in Basic and Clinical Research in Musculo-Skeletal Sciences, Faculty for Health and Medical Sciences, University of Copenhagen
- Member of the Steering Committee at the Center for Healthy Aging, University of Copenhagen

Holds 10 shares in ALK-Abelló A/S

Considered independent

SPECIAL QUALIFICATIONS

Scientific production within musculo-skeletal and metabolic research. Skills in research, development and research evaluation. Experience in research management and international scientific board work.

SVEND ANDERSEN

Born 1961, elected to the Board in 2020

- Member of the Investment Committee
- BSc in Economics and Business, and Graduate Diploma in Business Administration, Sales & Marketing and Organisation
- Executive Vice President and President, Consumer Self-Care International, Perrigo
- Executive Member of the Association of the European Self-Care Industry (AESGP)

Considered independent

SPECIAL QUALIFICATIONS

Extensive international leadership experience in several pharmaceutical sectors with a proven track record of creating sustainable value.

SUSANNE KRÜGER KJÆR

Born 1955, elected to the Board in 2014

- Member of the Research and Prize Committee
- Professor, MD, DMSc. Rigshospitalet, University of Copenhagen
- Head of Research, Unit of Virus, Lifestyle and Genes, Danish Cancer Society Research Centre
- Member of the Steering Committee of the Mermaid Project
- Member of the Board of Johannes Clemmesens Research Foundation
- Member of the Human Papillomavirus Prevention and Control Board
- Member of the Steering Committee for the Research Education programme in Public Health and Epidemiology, University of Copenhagen
- Visiting professor Johns Hopkins University School of Medicine

Considered independent

SPECIAL QUALIFICATIONS

Substantial scientific output within oncology. Skills in research, development, research evaluation and innovation. Longstanding experience within international research management.

KRISTIAN FUNDING ANDERSEN

Born 1964, elected to the Board in 2021

- Personal Assistant to Executive Vice President of Research and Development
- Personal Assistant to Executive Vice President of Global Product Supply
- PhD Zoology, University of Cambridge, UK

Holds 37 shares in ALK-Abelló A/S

EMPLOYEE-ELECTED

Elected by the employees of ALK-Abelló A/S

LUDOVIC TRANHOLM OTTERBEIN

Born 1973, elected to the Board in 2018

- Head of Research and Development, Solution Architect Group
- PhD Biophysics, MSc Molecular Biology
- Member of the Board of H. Lundbeck A/S

Holds 300 shares in H. Lundbeck A/S

EMPLOYEE-ELECTED

Elected by the employees of H. Lundbeck A/S

VAGN FLINK MØLLER PEDERSEN

Born 1957, elected to the Board in 2014

- Rescue Officer
- Member of the Board of Falck A/S

EMPLOYEE-ELECTED

Elected by the employees of Falck A/S

MANAGEMENT

LENE SKOLE
Chief Executive Officer

Deputy chairman of the boards of H. Lundbeck A/S, ALK-Abelló A/S, Falck A/S and Ørsted A/S. Member of the boards of Tryg A/S and Tryg Forsikring A/S

Holds 12,254 shares in H. Lundbeck A/S and 1,150 shares in ALK-Abelló A/S

BERTIL FROM
Chief Financial Officer

Chairman of the board of Cresco Capital Services A/S. Member of the boards of Aage V. Jensen Naturfond, LFI Silva Investments A/S, Nordic Corporate Investments A/S and Obel-LFI Ejendomme A/S

CHRISTIAN ELLING
Managing Partner, Emerge

Chairman of the boards of SNIPR Holdings ApS, SNIPR Biome ApS and CytoKi Pharma ApS. Member of the boards of Afyx Therapeutics A/S, IO Biotech, Inc, NMD Pharma A/S and 7TM A/S

INGE BERNEKE
Senior Vice President, Corporate Affairs

Member of the boards of Louisiana Museum of Modern Art and CfL

JAN EGEBJERG
Senior Vice President, Grants & Prizes, Director of Science

METTE KIRSTINE AGGER
Managing Partner, Ventures

Member of the boards of Abzu A/S, C.W. Obel A/S, Klifo Holding A/S, Symbion Fonden, Dysis Medical Inc., Lexeo Therapeutics, PsiOxus Therapeutics Ltd. and scPharmaceuticals Inc.

Consolidated financial statements

OF LUNDBECKFONDEN

FINANCIAL STATEMENTS
LUNDBECKFONDEN GROUP

Contents

Notes

Notes

INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2021	2020
Revenue	2	35,403	33,520
Cost of sales	3-5	-16,632	-15,339
Gross profit		**18,771**	**18,181**
Research and development costs	3-5	-4,483	-5,076
Sales and distribution costs	3-5	-7,542	-7,459
Administrative expenses	3-6	-2,946	-3,088
Other operating items, net	7	72	-218
Operating profit		**3,872**	**2,340**
Financial income	8	5,725	3,392
Financial expenses	8	-1,853	-2,739
Profit before tax		**7,744**	**2,993**
Tax on profit for the year	9	-816	-578
Profit for the year		**6,928**	**2,415**

DKKm	Note	2021	2020
Profit attributable to:			
Lundbeckfonden		5,880	1,998
Non-controlling interests	23	1,048	417
Profit for the year		**6,928**	**2,415**
Grants authorised, gross	10	**803**	**600**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2021	2020
Profit for the year		6,928	2,415
Actuarial gains/losses	24	16	-3
Tax	9	-5	2
Items that will not subsequently be reclassified to the income statement		**11**	**-1**
Currency translation reserve:			
Currency translation, foreign subsidiaries		1,067	-1,029
Currency translation concerning additions to net investments in foreign subsidiaries		-157	-21
Hedging of net investments in foreign subsidiaries		-127	356
Adjustment, deferred exchange gains/losses, hedging		-340	313
Exchange gains/losses, hedging (transferred to revenue)		-53	-5
Value adjustment of interest hedging instruments		63	-90
Tax on other comprehensive income	9	112	-108
Items that may subsequently be reclassified to the income statement		**565**	**-584**
Other comprehensive income for the year, net of tax		**576**	**-585**
Total comprehensive income for the year		**7,504**	**1,830**
Attributable to:			
Lundbeckfonden		6,258	1,608
Non-controlling interests	23	1,246	222
Total comprehensive income for the year		**7,504**	**1,830**

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2021	2020
Goodwill		10,060	9,237
Product rights		17,361	17,921
Brands		553	514
Customer contracts		251	26
Other intangible assets		513	546
Intangible assets	11	**28,738**	**28,244**
Property, plant and equipment	12	4,975	4,818
Right-of-use assets	13	1,910	1,805
Biological assets	14	195	117
Tangible assets		**7,080**	**6,740**
Financial assets	15	25,129	21,088
Investments in associates		1	1
Deferred tax	16	1,154	1,059
Income tax		172	168
Other financial assets		236	290
Other non-current assets		**26,692**	**22,606**
Non-current assets		**62,510**	**57,590**

DKKm	Note	2021	2020
Inventories	17	**4,059**	**3,316**
Trade receivables	18	4,305	4,340
Other receivables		900	1,467
Prepayments		941	645
Contract assets	19	353	506
Income tax		351	305
Receivables		**6,850**	**7,263**
Securities	20	**282**	**509**
Cash and bank balances	20	**4,321**	**5,885**
Current assets		**15,512**	**16,973**
Assets		**78,022**	**74,563**

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2021	2020
Capital base	21	3,901	3,461
Other reserves	22	1,921	1,106
Retained earnings		35,799	31,541
Lundbeckfonden's share of equity		**41,621**	**36,108**
Non-controlling interests' share of equity	23	7,801	6,744
Total equity		**49,422**	**42,852**
Payable grants		1,245	554
Provisions	24	867	873
Deferred tax	16	2,003	1,866
Income tax		169	143
Debt to financial institutions and bond debt	25	7,088	8,673
Lease liabilities	25	1,407	1,444
Contract liabilities	26	62	36
Other payables	27	495	1,192
Non-current liabilities		**13,336**	**14,781**

DKKm	Note	2021	2020
Payable grants		618	1,029
Provisions	24	1,660	1,872
Income tax		667	731
Debt to financial institutions	25	263	2,034
Lease liabilities	25	552	398
Contract liabilities	26	1,132	1,159
Other payables	27	10,372	9,707
Current liabilities		**15,264**	**16,930**
Liabilities		**28,600**	**31,711**
Equity and liabilities		**78,022**	**74,563**

CASH FLOW STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2021	2020
Operating profit		3,872	2,340
Adjustment for non-cash operating items	28	2,040	3,611
Working capital changes	29	-718	302
Cash flows from operating activities before financial receipts and payments and tax		**5,194**	**6,253**
Financial receipts		640	456
Financial payments		-383	-543
Income tax paid		-882	-531
Cash flows from operating activities		**4,569**	**5,635**
Acquisition of businesses	30	-680	3
Divestment of businesses	30	81	16
Investments in intangible assets	11	-255	-171
Investments in property, plant and equipment	12	-737	-606
Disposal of intangible assets and property, plant and equipment		96	45
Investments in financial assets measured at fair value through profit or loss		-7,540	-9,572
Sale of financial assets measured at fair value through profit or loss		7,671	9,512
Investments in other financial assets, net		-3	-13
Repurchase setup agreement (Repo), net		-1	-345
Cash flows from investing activities		**-1,368**	**-1,131**
Cash flows from operating and investing activities (free cash flow)		**3,201**	**4,504**

DKKm	Note	2021	2020
Proceeds from loans and issue of bonds	25	1,743	4,253
Repayment of loans and lease liabilities	25	-5,655	-6,971
Buyback of shares from non-controlling interests		-34	-32
Sale of treasury shares		31	11
Capital increase through exercise of warrants		-	1
Settlement of exercised share options and warrants		-72	-24
Dividends paid to non-controlling interests		-154	-252
Other transactions with non-controlling interests		-187	-96
Authorised grants paid		-512	-384
Cash flows from financing and grant-making activities		**-4,840**	**-3,494**
Cash flows from operations		**-1,639**	**1,010**
Net cash flow for the year		-1,639	1,010
Cash at 1 January	20	5,885	5,027
Unrealised exchange rate adjustments for the year		75	-152
Cash at 31 December	20	**4,321**	**5,885**

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Capital base	Other reserves	Retained earnings	Lundbeckfonden's share of equity	Non-controlling interests' share of equity	Total equity
Equity at 1 January 2021	**3,461**	**1,106**	**31,541**	**36,108**	**6,744**	**42,852**
Profit for the year			5,880	5,880	1,048	6,928
Other comprehensive income	-	565	-187	378	198	576
Comprehensive income	**-**	**565**	**5,693**	**6,258**	**1,246**	**7,504**
Grants for the year, net		-792		-792	-	-792
Provision for future grants		1,042	-1,042	-	-	-
Non-controlling interests' share of dividends			-	-	-158	-158
Buyback of shares from non-controlling interests			-24	-24	-10	-34
Sale of treasury shares			13	13	18	31
Change in non-controlling interests			39	39	-39	-
Revaluation of put options related to non-controlling interests			-4	-4	-3	-7
Incentive programmes			12	12	-11	1
Other adjustments			7	7	8	15
Tax related to items recognised directly on equity	-	-	4	4	6	10
Other transactions	**-**	**250**	**-995**	**-745**	**-189**	**-934**
Increase of capital base	**440**	**-**	**-440**	**-**	**-**	**-**
Equity at 31 December 2021	**3,901**	**1,921**	**35,799**	**41,621**	**7,801**	**49,422**

DKKm	Capital base	Other reserves	Retained earnings	Lundbeckfonden's share of equity	Non-controlling interests' share of equity	Total equity
Equity at 31 December 2019 as disclosed in the annual report	3,236	1,690	28,587	33,513	6,061	39,574
Correction of previous years			1,540	1,540	688	2,228
Equity at 1 January 2020	**3,236**	**1,690**	**30,127**	**35,053**	**6,749**	**41,802**
Profit for the year			1,998	1,998	417	2,415
Other comprehensive income	-	-584	194	-390	-195	-585
Comprehensive income	**-**	**-584**	**2,192**	**1,608**	**222**	**1,830**
Grants for the year, net		-576	-	-576	-	-576
Provision for future grants		576	-576	-		-
Non-controlling interests' share of dividends			-	-	-252	-252
Buyback of shares from non-controlling interests			-23	-23	-9	-32
Sale of treasury shares			5	5	6	11
Change in non-controlling interests			-14	-14	-17	-31
Adjustment of provision for acquisition of non-controlling interests			12	12	8	20
Incentive programmes			24	24	12	36
Tax related to items recognised directly on equity	-	-	19	19	25	44
Other transactions	**-**	**-**	**-553**	**-553**	**-227**	**-780**
Increase of capital base	**225**	**-**	**-225**	**-**	**-**	**-**
Equity at 31 December 2020	**3,461**	**1,106**	**31,541**	**36,108**	**6,744**	**42,852**

NOTES

1. Basis of preparation

REPORTING ENTITY

Lundbeckfonden (the Lundbeck Foundation) is domiciled in Denmark. The Foundation's registered office is at Scherfigsvej 7, 2100 Copenhagen. These consolidated financial statements comprise the parent foundation and its subsidiaries.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act. The consolidated financial statements were approved by the Board of Directors on 22 March 2022.

Details of the Group's accounting policies are included in this note and note 35 *Significant accounting policies*.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Danish kroner (DKK), which is also the functional currency of Lundbeckfonden (the parent foundation). All amounts have been rounded to the nearest DKK million, unless otherwise indicated.

PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared to give a true and fair view of the Group's financial position at 31 December 2021 and financial performance for the year. The significant accounting policies are described in note 35 *Significant accounting policies*. Management believes that the accounting policies listed in the following section, *Use of judgements and estimates,* are principal to the financial statements.

USE OF JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, Management has made estimates and judgements that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised prospectively.

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

Principal accounting policies	Key accounting estimates and judgements	Note
Provision for discounts and rebates	Estimate of discounts and rebates in the USA	24
Income taxes and deferred income taxes	Judgement and estimate of deferred tax assets and liabilities and provision for uncertain tax positions	9,16
Impairment of intangible assets	Estimate of the value-in-use methodology for impairment of intangible assets	11
Right-of-use assets	Estimate of lease periods, utilisation of extension options and applicable discount rates	13
Financial assets	Estimate of fair value of unlisted investments	15,31
Provisions for legal disputes, contingent assets and liabilities	Estimate of ongoing legal disputes, litigations and investigations	24,32
Other payables - contingent consideration	Assumptions and estimates used in the calculation of the fair value related to contingent consideration from the businesses acquired in 2019	27

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the group

Effective 1 January 2021, a number of amendments to the accounting standards were implemented.

None of the amendments have a material impact on the accounting policies and/or on the consolidated financial statements, consequently, no changes to the accounting policies or retrospective adjustments have been made as a result of adopting these standards and/or amendments.

NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments are effective for annual periods beginning after 1 January 2021 though not mandatory for annual reporting periods ending on 31 December 2021.

1. Basis of preparation - continued

Earlier application is permitted, however, the new or amended standards have not been adopted early by the Group.

The amended standards are as follows:

- A number of narrow-scope amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and some annual improvements on IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of Financial Statements)
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Amendment to IAS 12 Income taxes - deferred tax related to assets and liabilities arising from a single transaction.

The Group expects to adopt the new standards, improvements, amendments and interpretations when they become mandatory.

None of the amended standards are expected to have significant impact on the accounting policies and/or on the consolidated financial statements

2. Revenue

DKKm	2021	2020
Europe	19,458	15,886
North America	10,607	12,345
Rest of the world	5,338	5,289
Total	**35,403**	**33,520**
Brain diseases (Lundbeck)	16,299	17,672
Allergy treatment (ALK)	3,916	3,491
Ambulance Europe, Ambulance US, Fire Services, Employee Healthcare, Assistance, Community Healthcare and Portfolio Businesses (Falck)	15,173	12,348
Other	15	9
Total	**35,403**	**33,520**

Revenue includes:	2021	2020
Sale of goods	19,521	20,449
Rendering of services	15,013	12,229
Downpayments and milestone payments	13	32
Royalties	856	810
Total	**35,403**	**33,520**
Revenue in Denmark	8,021	5,051

BRAIN DISEASES (LUNDBECK)

DKKm	2021	2020
Abilify Maintena®	2,420	2,271
Brintellix®/Trintellix®	3,526	3,102
Rexulti®/Rxulti®	2,849	2,620
Vyepti®	492	93
Strategic brands	**9,287**	**8,086**
Cipralex®/Lexapro®	2,346	2,380
Northera®	665	2,553
Onfi®	505	642
Sabril®	657	777
Other pharmaceuticals	2,439	2,738
Other revenue	347	491
Effects from hedging	53	5
Total	**16,299**	**17,672**

ALLERGY TREATMENT (ALK)

DKKm	2021	2020
SCIT/SLIT-drops	1,655	1,673
SLIT-tablets	1,774	1,370
Other products	487	448
Total	**3,916**	**3,491**

2. Revenue – continued

FALCK

DKKm	2021	2020
Ambulance Europe	7,180	3,884
Ambulance US	1,623	1,539
Fire Services	1,177	1,150
Employee Healthcare	1,350	1,224
Assistance	1,542	1,524
Community Healthcare	664	661
Eliminations	-63	-41
Total core business	**13,473**	**9,941**
Portfolio business	1,725	2,433
Eliminations	-25	-26
Total	**15,173**	**12,348**

In 2021, Ambulance Europe's revenue included testing activities of DKK 3,456m.

3. Employee costs

DKKm	2021	2020
Wages and salaries	12,924	12,424
Share-based payment	76	62
Pensions	727	703
Other social security costs	1,286	1,324
Severance and other costs from restructuring activities	100	15
Total	**15,113**	**14,528**
The year's employee costs are specified as follows:		
Cost of sales	8,791	8,071
Research and development costs	1,204	1,252
Sales and distribution costs	3,325	3,308
Administrative expenses	1,735	1,759
Other operating items, net	-	83
Included in the cost of assets	58	55
Total	**15,113**	**14,528**
Average number of full-time employees during the year	28,932	29,084
Number of employees at year-end	41,256	35,500

DKKm	2021	2020
Remuneration in the Group including remuneration for board positions in subsidiaries:		
Total remuneration to key management of Lundbeckfonden	16.4	14.2
Total remuneration (fees) to the Board of Directors of Lundbeckfonden	9.0	9.2
Total	25.4	23.4
Key management, Lene Skole, CEO		
Salary	11.1	10.9
Cash bonus	4.0	2.5
Pension	1.1	0.5
Non-cash benefits (company car and telephone)	0.2	0.3
	16.4	14.2
Fees to Board of Directors		
Steffen Kragh, Chairman of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	1.2	0.9
Peter Schütze, Deputy Chairman of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	1.9	1.7
Gunhild Waldemar, Chairman of the Research Committee	0.8	0.7
Lars Holmqvist, Chairman of the Investment Committee	1.6	1.4
Michael Kjær, member of the Research Committee	0.6	0.5
Susanne Krüger Kjær, member of the Research Committee	0.6	0.5
Svend Andersen, member of the Investment Committee, from 23 April 2020	0.5	0.3
Ludovic Tranholm Otterbein, employee representative from H. Lundbeck A/S	0.7	0.7
Vagn Flink Møller Pedersen, employee representative from Falck A/S	0.6	0.6
Kristian Funding Andersen, employee representative from ALK-Abelló A/S, from 30 June 2021	0.2	-
Henrik Villsen Andersen, employee representative from Falck A/S stepped down on 1 July 2021	0.2	0.6
Peter Adler Würtzen, employee representative from ALK-Abelló A/S stepped down on 30 June 2021	0.1	0.3
Jørgen Huno Rasmussen stepped down on 23 April 2020	-	1.0
Total	**9.0**	**9.2**

4. Incentive programmes

Lundbeckfonden

The Executive Management of Lundbeckfonden participates in a short-term incentive programme that provides an annual bonus for the achievement of pre-determined targets. Bonuses under the programme amounted to DKK 4.0m in 2021 (DKK 2.5m in 2020), which was equivalent to 100% of the maximum, and will be paid out with a delay of 12 months.

In addition, Lundbeckfonden has incentive programmes to be able to attract and retain skilled and qualified employees. The costs related to the programmes are recognised as employee costs when there is certainty about the amount due and the time of payment.

Provision for Lundbeckfonden Ventures programmes amounted to DKK 22m at 31 December 2021 (DKK 23m), resulting in an income in 2021 of DKK 1m (DKK 58m) recognised in the income statement under financial items. In 2020, bonuses due according to Ventures incentive programmes of DKK 41m were recognised in other payables and expensed as employee costs. The net effect amounted to an income of DKK 1m (income of DKK 17m).

Subsidiaries

To attract, retain and motivate key employees and align their interests with those of the shareholders, a number of 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 for the financial year, as well as long-term, equity-based and debt-based programmes, as described below.

Lundbeck

Lundbeck has established equity- and cash-settled programmes.

EQUITY-SETTLED PROGRAMMES

In 2021, equity-settled incentive programmes consisted of restricted share units (RSUs).

In February 2021 (February 2020), Lundbeck established an RSU programme for Lundbeck's registered Executive Management and key employees, as part of Lundbeck's recurring long-term incentive programme. Four of the members of the registered Executive Management (four members for the 2020 programme) and 135 key employees employed with H. Lundbeck A/S or a Lundbeck subsidiary were granted RSUs (131 key employees for the 2020 programme). The participants were selected on the basis of job level. All the RSUs vest three years after grant (for the 2020 programme will vest three years after grant). Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The fair value of the RSUs has been calculated on the basis of a share price of DKK 250.97 (DKK 274.56 for the 2020 programme) reduced by an expected dividend yield of 2.00% p.a. The fair value at the time of the grant was DKK 236.21 per RSU (DKK 258.41 for the 2020 programme).

The RSUs granted to the registered Executive Management and key employees in 2017 vested in 2021. The RSUs granted to the registered Executive Management and key employees in 2016 vested in 2020.

RSU programmes	2021	2020	2019	2018	2017
Number of persons included in the programme	139	135	139	133	127
Total number of RSUs granted	160,273	139,119	127,899	107,321	131,516
Number of RSUs granted to the registered Executive Management	34,781	29,923	28,128	24,783	47,911
Vesting date	01.02.2024	01.02.2023	01.02.2022	01.02.2022	01.02.2021
Fair value at the date of grant, DKK	236.21	258.41	269.71	291.03	268.65

At 31 December 2021, no warrants were outstanding (no warrants in 2020). No new warrant programmes were granted in 2021. In 2020, all remaining warrants granted (from the 2012 programme) were exercised or expired and the weighted average share price of the warrants exercised during 2020 was DKK 284.52.

4. Incentive programmes - continued

Warrant programmes	Granted in 2012
Number of persons included in the programme	102
Total number of warrants granted	692,003
Number of warrants granted to the registered Executive Management	-
Vesting date	31.03.2015
Exercise period begins	01.04.2015
Exercise period ends	31.03.2020
Exercise price, DKK	113.00
Fair value at the date of grant, DKK	24.11

Warrants, units	Registered Executive Management	Executives	Other	Total	Average exercise price, DKK
1 January 2020	-	3,458	23,527	26.985	113.00
Exercised	-	-3,458	-8,039	-11.497	113.00
Expired	-	-	-15,488	-15.488	113.00
31 December 2020	-	-	-	-	

CASH-SETTLED PROGRAMMES

In 2021, the cash-settled programmes consisted of restricted cash units (RCUs).

The cash-settled programmes cannot be converted into shares because the value of the programmes is distributed as a cash amount. In 2020, the cash-settled programmes consisted of restricted cash units (RCUs).

In February 2021 (February 2020), Lundbeck established an RCU programme for the Chief Executive Officer (CEO) and a few key employees in the US subsidiaries. The terms and conditions are similar to those applying to the RSU programme granted to the registered Executive Management and key employees of the Parent company and its non-US subsidiaries in February of the same year. The RCUs granted to the CEO, a total of 33,621 (30,012 for the 2020 programme), and the RCUs granted to the key employees, a total of 1,505 (1,526 for the 2020 programme), will vest three years after grant (for the 2020 programme will vest three years after grant). Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The size of the amount depends on the value of the Lundbeck share on the vesting date. The fair value at the time of the initial grant was DKK 250.97 per RCU (DKK 258.41 for the 2020 programme).

The RCUs granted in 2017 vested in 2021, after which the programme was settled. The RCUs granted in 2016 vested in 2020, after which the programme was settled.

FAIR VALUE, LIABILITY AND EXPENSE RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The RSUs granted are recognised in profit or loss for 2021 at an expense corresponding to the fair value at the time of grant for the part of the vesting period that concerns 2021.

The total expense recognised in respect of equity-settled programmes amounted to DKK 37m (DKK 30m in 2020). At 31 December 2021, the fair value of the remaining equity-settled programmes was DKK 91m (DKK 89m in 2020).

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 cash-settled programmes amounted to DKK 4m (DKK 4m in 2020) and covers all cash-settled programmes in force in 2021. At 31 December 2021, the total liability in respect of cash-settled programmes was DKK 11m (DKK 7m in 2020) and covers all cash-settled programmes.

The total expense recognised in profit or loss for all incentive programmes amounted to DKK 41m in 2021 (DKK 34m in 2020).

ALK

The incentive plans consist of share options and performance share units that are considered sufficiently covered by treasury shares.

ORDINARY INCENTIVE PLANS

The share options entitle the holder to acquire one existing B share, of DKK 10 nominal value in the company, per share option, and the performance share units entitle the holder to receive one existing B share per performance share unit, free of charge.

The vesting period for both share options and performance share units is three years after grant. Vesting is conditional upon certain targets being met and upon the participant not having resigned. Target achievement is met upon fulfilment of strategic key performance indicators. In case performance is below the threshold there will be no units vesting, and if above target, a multiplier is applied that can increase the vesting by up to 100%.

4. Incentive programmes - continued

The exercise of share options is possible in the trading windows following the release of annual and interim reports conditional upon the share option holder not having resigned at the time of exercise. For performance share units, the final transfer of ownership takes place at vesting three years after the grant.

SPECIAL INCENTIVE PLAN 2018

ALK's special incentive plan was a one-time scheme designed to support the implementation of ALK's growth strategy and consisted of both share options and performance share units with a vesting period of three years.

The special incentive plan was adopted at the annual general meeting in March 2018 and vested in March 2021. The grant value of the plan did not exceed 50% of the Executive's 2018 annual base salary on the grant date. The plan was conditional upon strategic key performance indicators being attained. Based on the financial results for 2020, the KPI achievements exceeded their targets, increasing the granted number of performance shares and share options by 100%. However, the overall payout of the plan on the vesting date for the performance shares and on the exercise date for the share options can never exceed a total value of 300% of the recipient's 2018 annual base salary.

EXPENSED IN THE INCOME STATEMENT

In 2021, the total cost of share-based payments of DKK 36m (DKK 29m in 2020) included a financial expense of DKK 1m due to the exercise and cash settlement of share options (DKK 1m in 2020). The total cost included DKK 11m related to adjustment in the share options and performance share units expected to vest (DKK 5m in 2020).

4. Incentive programmes - continued

	Share options				Performance share units		
Units	Board of Management	Other key personnel	Total	Weighted average exercise price, DKK	Board of Management	Other key personnel	Total
1 January 2021	89,758	59,338	149,096	972	13,444	35,426	48,870
Additions	29,811	25,494	55,305	1,129	6,250	10,799	17,049
Exercised/settled	-55,279	-46,323	-101,602	844	-13,183	-20,316	-33,499
Expired	-	-100	-100	795	-	-	-
31 December 2021	**64,290**	**38,409**	**102,699**	**1,187**	**6,511**	**25,909**	**32,420**
Total number of vested share options			49,247				
Average remaining life at year end (years)			2.1				
Exercise prices at year end (DKK)			802-2,320				
1 January 2020	98,263	62,293	160,556	904	13,569	36,257	49,826
Additions	13,253	12,130	25,383	1,332	3,024	12,528	15,552
Exercised/settled	-21,758	-15,085	-36,843	954	-3,149	-12,774	-15,923
Expired	-	-	-	-	-	-585	-585
31 December 2020	**89,758**	**59,338**	**149,096**	**972**	**13,444**	**35,426**	**48,870**
Total number of vested share options			32,467				
Average remaining life at year end (years)			2.6				
Exercise prices at year end (DKK)			783-1,372				

The Board of Directors decided for one trading window in 2021 (two in 2020) to settle share options in cash and a total of 66,986 (34,616 in 2020) share options were exercised and total cash payments amounted to DKK 62m (DKK 24m in 2020). For three (two in 2020) trading windows the Board of Directors decided to settle share options in shares and a total of 34,616 (11,898 in 2020) share options were exercised.

Outstanding share options and performance share units have the following characteristics:

	Share options					Performance share units	
Plan	Units	Exercise price, DKK	Vested as per	Exercise period begins	Exercise period (years)	Units	Vested as per
2016 Plan	3,660	1,113	01.03.2019	01.03.2019	4		
2018 Plan	5,789	802	01.03.2021	01.03.2021	2		
2018 Plan - special plan	39,798	802	01.03.2021	01.03.2021	2		
2019 Plan	23,738	1,141	01.03.2022	01.03.2022	2	13,241	01.03.2022
2020 Plan	18,677	1,460	01.03.2023	01.03.2023	2	11,314	01.03.2023
2021 Plan	11,037	2,439	01.03.2024	01.03.2023	2	7,865	01.03.2024
31 December 2021	**102,699**					**32,420**	

4. Incentive programmes - continued

FAIR VALUE OF SHARE OPTIONS AND PERFORMANCE SHARE UNITS GRANTED

SHARE OPTIONS

Fair value at grant date is measured in accordance with the Black-Scholes model for valuation of share options, using the following assumptions:

	2021 Plan	2020 Plan
Average share price (DKK)	2,320	1,372
Expected exercise price (DKK)	2,498	1,477
Expected volatility rate, based on the historical volatility	36% p.a.	34% p.a.
Expected option life	4 years	4 years
Expected dividend per share	-	-
Risk-free interest rate	-0.49% p.a.	-0.01% p.a.
Calculated fair value of granted share options (DKK)	576	328

PERFORMANCE SHARE UNITS

Performance share units have been granted at DKK 2,320 per share (DKK 1,372 per share).

Falck

The remuneration of the members of the Executive Committee consists of three key components: base salary, a short-term incentive plan and a long-term incentive plan.

The short-term incentive programme is a cash-based, one-year programme with a focus on financial, operational, commercial and people key performance indicators (KPIs). The maximum pay-out is twice the level of the target pay-out for the Executive Committee.

The long-term incentive programme is based on a three-year performance period with an economic profit target at the end of the three-year period.

Group

Recognised expenses, DKKm	2021	2020
Recognised expenses concerning equity-based schemes	73	59
Recognised expenses concerning debt-based schemes	4	4
Total recognised expenses	**77**	**63**

5. Depreciation, amortisation and impairment

DKKm	2021	2020
Depreciation, amortisation and impairment are specified as follows:		
Cost of sales	2,075	2,457
Research and development costs	110	898
Sales and distribution costs	146	157
Administrative expenses	136	173
Other operating items, net	14	51
Total	**2,481**	**3,736**

The amounts include gains and losses on disposal of intangible and tangible assets.

6. Fees to auditors appointed at the annual meeting

DKKm	2021	2020
Administrative expenses include fees to the Group auditors appointed at the annual meeting in the amount of:		
Statutory audit	20	22
Other assurance engagements	2	-
Tax advisory services	3	4
Other services	8	2
Total	**33**	**28**

A few minor foreign subsidiaries are not audited by the parent foundation's auditors, a foreign business partner of the auditors, or by a recognised, international auditing firm.

The fee for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, consisted of a people service project, other assurance services and other accounting and tax advisory services.

7. Other operating items, net

DKKm	2021	2020
Transaction costs related to acquisitions and divestments (Falck)	-55	-
Change in value of biological assets and related land	74	11
Gain on sales of assets, net	11	23
Integration, retention and transaction costs (Lundbeck)	-	-59
Redundancy and restructuring costs, etc. (Falck)	-	-181
Impairment non-current assets	-	-52
Other operating income	42	40
Total	**72**	**-218**

In 2020, the change in value of biological assets and related land included a reversal of impairment of property, plant and equipment of DKK 5m.

8. Financial items

	Lundbeck, ALK and Falck		Lundbeckfonden Ventures and Emerge		Invest etc.		Group	
DKKm	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial income								
Interest on financial assets measured at amortised cost	21	13	-	-	-	-	21	13
Interest on financial assets measured at fair value through profit or loss	-	-	-	-	207	178	207	178
Interest on receivables from associates	-	-	5	5	-	-	5	5
Dividends from associates	-	-	-	-	25	50	25	50
Dividends from portfolio investments	-	-	-	-	233	168	233	168
Gains on financial assets at fair value through profit or loss	7	92	472	304	4,622	2,282	5,101	2,678
Fair value adjustment of contingent consideration	-	102	-	-	-	-	-	102
Exchange gains	88	123	-	-	28	15	116	138
Other financial income	15	1	1	58	1	1	17	60
Total financial income	**131**	**331**	**478**	**367**	**5,116**	**2,694**	**5,725**	**3,392**
Financial expenses								
Interest on financial liabilities measured at amortised cost	255	295	-	-	4	5	259	300
Interest component, discounted liabilities	21	29	-	-	-	-	21	29
Losses on financial assets at fair value through profit or loss	65	12	619	371	484	1,360	1,168	1,743
Fair value adjustment of contingent consideration	133	99	-	-	-	-	133	99
Exchange losses	64	90	-	-	11	58	75	148
Losses from divestment of enterprises	107	306	-	-	-	-	107	306
Other financial expenses	81	85	-	2	9	27	90	114
Total financial expenses	**726**	**916**	**619**	**373**	**508**	**1,450**	**1,853**	**2,739**
Net financials	**-595**	**-585**	**-141**	**-6**	**4,608**	**1,244**	**3,872**	**653**

9. Tax on profit for the year

DKKm	2021	2020
Current tax	806	1,008
Prior-year adjustment, current tax	-46	29
Prior-year adjustment, deferred tax	-45	-69
Change of deferred tax for the year	-15	-364
Change of deferred tax as a result of changed income tax rates	-1	36
Total tax for the year	**699**	**640**
Tax for the year is composed of:		
Tax on profit for the year	816	578
Tax on other comprehensive income	-107	106
Tax on other transactions in equity	-10	-44
Total tax for the year	**699**	**640**

Tax on other comprehensive income, DKKm	2021	2020
Actuarial gains/losses	5	2
Currency translation, foreign subsidiaries	-11	24
Currency translation on additions to net investments in foreign subsidiaries	-28	-79
Value adjustment of interest-hedging instruments	14	15
Adjustment, deferred exchange gains/losses, hedging	-75	-69
Exchange gains/losses, hedging (transferred to the hedged items)	-12	1
Total tax on other comprehensive income	**-107**	**-106**

UNCERTAIN TAX POSITIONS

The Group operates in a multinational tax environment. Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear or may change over time. In addition, transfer-pricing disputes with tax authorities may occur. Management's judgements are applied to assess the possible effect of exposures and the possible outcome of disputes or interpretational uncertainties.

The net accrual for uncertain tax positions amounts to DKK 504m (DKK 528m at 31 December 2020). Management believes that the accrual is adequate. However, the actual obligation may differ from the accrual made and depends on the outcome of litigations and settlements with the relevant tax authorities.

Explanation of the Group's effective tax rate relative to the Danish tax rate 2021	DKKm	%
Profit before tax	7,744	
Calculated tax, 22%	1,704	22
Tax effect of:		
Differences in income tax rates of foreign subsidiaries from Danish corporate income tax rate	64	1
Non-deductible/non-taxable items and other permanent differences	-60	-1
Non-capitalised tax losses etc. for the year	29	-
Research and development activities (tax credits)	-76	-1
Non-deductible amortisation and write-down of intangibles	16	-
Foreign-derived intangible income benefit	-32	-
Prior-year tax adjustments etc., total effect on operations	-91	-1
Change in valuation of net tax assets	-155	-2
Deduction for grants	-656	-8
Other taxes and adjustments	74	1
Change of deferred tax as a result of changed income tax rates	-1	-
Effective tax for the year	**816**	**11**

Explanation of the Group's effective tax rate relative to the Danish tax rate 2020	DKKm	%
Profit before tax	2,993	
Calculated tax, 22%	658	22
Tax effect of:		
Differences in income tax rates of foreign subsidiaries from Danish corporate income tax rate	44	1
Non-deductible/non-taxable items and other permanent differences	111	4
Non-capitalised tax losses etc. for the year	9	-
Research and development activities (tax credits)	-69	-2
Non-deductible amortisation and write-down of intangibles	212	7
Foreign-derived intangible income benefit	-26	-1
Recirculation of exchange rate adjustments from divestment	38	1
Prior-year tax adjustments etc., total effect on operations	-40	-1
Change in valuation of net tax assets	-242	-8
Deduction for grants	-238	-8
Other taxes and adjustments	85	3
Change of deferred tax as a result of changed income tax rates	36	1
Effective tax for the year	**578**	**19**

10. Grants

DKKm	2021	2020
LF Professorships	178	-
LF Ascending Investigators	55	90
LF Fellowships	70	80
LF Postdocs	67	68
LF Pre-Graduate Scholarships	7	7
LF Stipends for travel, sabbatical leave, visiting professorships & larger international meetings, and conferences & the University of California San Francisco	5	5
People	**382**	**250**
LF Experiments	51	55
LF Projects	50	75
LF Pioneer Centres	77	-
Neurotorium	2	-
Neuroscience Academy Denmark	187	-
LF Collaborative Projects	-	120
LF COVID-19 projects	1	33
LF & NIH Brain Initiative	9	3
Projects	**377**	**286**
The Brain Prize	10	10
LF Young Investigator Prize and LF Talent Prizes	3	3
Prizes	**13**	**13**
Science Education & Communication	31	50
Other purposes	-	1
Grants authorised, gross	**803**	**600**
Descendants	-	-
Reversed grants/repayments	-11	-24
Grants for the year, net	**792**	**576**

Donations to descendants amounted to DKK 196,200 (DKK 196,200 in 2020).

11. Intangible assets

DKKm	Goodwill	Product rights	Brands	Customer contracts	Patent and licence rights	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2021	11,050	30,559	514	2,869	231	3,294	171	48,688
Currency translation	446	1,209	-	11	5	14	1	1,686
Reclassifications/transfers		-	-	-	-	110	-121	-11
Additions on acquisitions	446	-	42	269	-	-	-	757
Additions through acquisitions, change in opening balance	185	-	-	-	-	-	-	185
Additions	-	102	-	-	1	70	82	255
Disposals	-	-90	-	-2,822	-1	-271	-	-3,184
Disposals on divestments	-358	-	-	-64	-	-2	-	-424
Cost at 31 December 2021	**11,769**	**31,780**	**556**	**263**	**236**	**3,215**	**133**	**47,952**
Amortisation and impairment at 1 January 2021	-1,813	-12,638	-	-2,843	-214	-2,936	-	-20,444
Currency translation	-35	-572	-	-19	-4	-11	-	-641
Reclassifications/transfers	-	-	-	-	-	-	-	-
Amortisation	-	-1,299	-3	-35	-7	-152	-	-1,496
Impairment	-	-	-	-	-1	-11	-	-12
Amortisation and impairment on disposals	-	90	-	2,822	1	262	-	3,175
Amortisation and impairment on divestments	139	-	-	63	-	2	-	204
Amortisation and impairment at 31 December 2021	**-1,709**	**-14,419**	**-3**	**-12**	**-225**	**-2,846**	**-**	**-19,214**
Carrying amount at 31 December 2021	**10,060**	**17,361**	**553**	**251**	**11**	**369**	**133**	**28,738**

Product rights at 31 December 2021 included product rights not yet commercialised amounting to DKK 5,992m.

In 2021, Lundbeck adjusted the goodwill related to the acquisition of Alder BioPharmaceuticals (subsequently renamed to Lundbeck Seattle BioPharmaceuticals, Inc.) due to the identification of accounting errors in the purchase price allocation in prior years related to the fair value of a future milestone payment to a third party of Alder BioPharmaceuticals of DKK 273m (see note 27 Other payables) and an unrecognised prepayment of DKK 39m.

The 2021 changes to the purchase price allocation are a net increase in goodwill of DKK 185m, an increase in other payables of DKK 273m, an increase in prepayments of DKK 39m, and a net decrease in deferred tax liabilities of DKK 49m.

Due to immateriality, the accounting errors are recognised in 2021 and not as an adjustment to prior years.

Please refer to note 30.1 for information about additions on acquisitions.

11. Intangible assets - continued

DKKm	Goodwill	Product rights	Brands	Customer contracts	Patent and licence rights	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2020	11,669	31,610	514	2,995	240	3,495	134	50,657
Currency translation	-590	-1,357	-	-44	-9	-23	-1	-2,024
Reclassifications/transfers	-	-	-	-	-	55	-55	-
Additions on acquisitions	-	306	-	-	-	-	-	306
Additions through acquisitions, change in opening balance	-24	-	-	-	-	-	-	-24
Additions	-	-	-	-	-	78	93	171
Disposals	-1	-	-	-60	-	-296	-	-357
Disposals on divestments	-4	-	-	-22	-	-15	-	-41
Cost at 31 December 2020	**11,050**	**30,559**	**514**	**2,869**	**231**	**3,294**	**171**	**48,688**
Amortisation and impairment at 1 January 2020	-1,880	-10,878	-	-2,920	-208	-3,006	-3	-18,895
Currency translation	67	597	-	45	7	19	-	735
Reclassifications/transfers	-	-	-	-	-	-3	3	-
Amortisation	-	-1,565	-	-48	-13	-164	-	-1,790
Impairment	-	-792	-		-	-34	-	-826
Amortisation and impairment on disposals	-	-	-	60	-	239	-	299
Amortisation and impairment on divestments	-	-	-	20	-	13	-	33
Amortisation and impairment at 31 December 2020	**-1,813**	**-12,638**	**-**	**-2,843**	**-214**	**-2,936**	**-**	**-20,444**
Carrying amount at 31 December 2020	**9,237**	**17,921**	**514**	**26**	**17**	**358**	**171**	**28,244**

Product rights at 31 December 2020 included product rights not yet commercialised amounting to DKK 5,890m.

In 2020, Lundbeck changed the initial purchase price allocation relating to the acquisition of Alder BioPharmaceuticals (subsequently renamed to Lundbeck Seattle BioPharmaceuticals, Inc.) due to prepayments to a supplier expensed prior to the acquisition date and due to a reassessment of the inventory valuation. This resulted in a decrease in goodwill of DKK 24m, comprising of an increase in prepayments of DKK 164m and a decrease in inventories, net of tax, of DKK 140m.

Please refer to note 30.1 for information about additions on acquisitions.

11. Intangible assets - continued

Except for goodwill and the value of the Falck brand in the amount of DKK 514m, all intangible assets are deemed to have a definite life.

IMPAIRMENT TESTING GOODWILL

As required by IFRS, intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment annually, irrespective of whether there is any indication of impairment.

Management has performed impairment tests of goodwill related to the investments in the subgroups.

The impairment tests performed for 2021 and 2020 did not result in recognition of any impairment losses.

Methodology used for Lundbeck

At 31 December 2021, goodwill related to Lundbeck amounted to DKK 5,377m.

Goodwill has been tested at an aggregated level for Lundbeck as one CGU.

In the impairment test of the CGU, based on the fair value less cost of disposal, the market price of Lundbeck is compared with its carrying amount.

Methodology used for ALK

At 31 December 2021, goodwill related to ALK amounted to DKK 555m.

Goodwill has been tested at an aggregated level for ALK as one CGU.

In the impairment test of the CGU, based on the fair value less cost of disposal, the market price of ALK is compared with its carrying amount.

Methodology used for Falck

At 31 December 2021, goodwill related to Falck amounted to DKK 4,128m.

Impairment tests are carried out per business segment which is the lowest level of CGU to which the carrying amount of intangibles, i.e., goodwill and customer contracts, can be allocated and monitored with any reasonable certainty.

Impairment tests are carried out on the business segments Ambulance Europe, Ambulance US, Fire Services, Employee Healthcare, Assistance, Community Healthcare and Portfolio business following the changes in the segment structure in 2021.

The goodwill has been reallocated in 2021 to the new business segments. The carrying amounts and the key assumptions are not directly comparable with 2020.

Impairment test of the Falck brand

The carrying amount of the Falck brand is tested at Falck Group level based on Falck's Group-wide cash flows (aggregate cash flows determined for each CGU) less the total carrying amount of the goodwill and other non-current assets. The impairment test shows significant headroom from comparing the value in use to the carrying amount for all assets in the Falck Group.

Key assumptions in the impairment test

The recoverable amounts for the CGUs are determined based on the value-in-use.

In the impairment tests, the discounted values of the future net cash flows of each of the CGU's value-in-use are compared with their carrying amounts. The value-in-use is calculated using certain key assumptions for the expected future cash flows and applied discount factors.

The cash flow projections are based on financial budgets and business plans approved by Management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience. The discount rates applied reflect the time value of money as well as the specific risks related to the underlying cash flows, i.e., project and/ or country-specific risk premiums. Further, any uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates.

The value-in-use calculation comprises the following key assumptions:

- Revenue growth in the forecast period
- EBITA margin
- Development in net working capital
- Discount rates
- Growth rate in terminal period

11. Intangible assets - continued

Revenue growth

Revenue growth projections in the financial forecast for 2022-2026 are estimated based on current operations and the expected market development for the individual CGUs.

For Ambulance Europe, a decrease in revenue is expected based on current awarded business in the Danish market, but growth is expected from other geographical areas and from pursuing new business opportunities. Revenue from antigen testing activities is not considered for impairment testing exercise, given the uncertainty around the need for testing activities in the future.

For Ambulance US, an increase in revenue is expected from current awarded business in San Diego city in 2022 and the volume is expected to remain at the 2022 level for the forecasting period.

Employee Healthcare is expecting an increase in revenue from 2022 to 2026 through organic growth and general recovery from COVID-19. The financial forecast for Employee Healthcare does not include the impact of Frisk Gruppen, as it was acquired in 2021 and will be tested separately.

Assistance is expecting an increase in revenue in the forecast period from new services and organic growth.

Community Healthcare expects revenue will grow from increased numbers of subscribers in the forecasting period. Fire Services and Portfolio Business also expects overall growth in the forecasting period.

EBITA margin

When estimating the CGUs EBITA margin in the financial forecast for 2022-2026, past experiences are taken into consideration.

The EBITA margin in Ambulance Europe is expected to be lower in 2022 versus 2021, however it is expected to gradually improve over the forecast period.

The EBITA margin in Ambulance US is expected to marginally improve in 2022 and expected to remain level in forecast period.

Employee Healthcare has been impacted by COVID-19 in 2020 and 2021, but the EBITA margin is expected to improve in the forecast period.

Assistance, Community Healthcare, Fire Services and the Portfolio business expect improvement in the EBITA margin during the forecast period.

Discount rates and terminal growth

The discount rates for 2021 impairment testing purposes are based on a calculation of weighted average cost of capital (WACC) applicable for Falck, considering both debt and equity.

The cost of equity is calculated using Capital Asset Pricing Model (CAPM). The beta applied at year-end 2021 is obtained from comparable peers. Market risk premiums have been added to reflect different market risks within the countries in which the CGUs operate.

The market risk premium is based on observed market data and is calculated as the average of the equity risk premiums and country risk premiums and the global split of revenue within the CGUs.

The cost of debt is based on the long-term interest cost related to Falck's borrowings plus the risk-free interest of the countries in which the CGU operates.

Further, country risk is added based on split of revenue where applicable. A risk premium is added if special conditions indicate a need hereto.

Terminal growth rates do not exceed the expected long-term rate for inflation based on a weighted average for the countries in which the CGU operates.

11. Intangible assets - continued

Carrying amounts and key assumptions

The carrying amount of goodwill and customer contracts, and the key assumptions used in the impairment testing at 31 December are presented below for each CGU[1]:

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
2021, DKKm	Goodwill[2]	Customer contracts	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance Europe	382	-	382	0.7%	5.9%	1.7%	7.4%	6.5%	7.7%
Ambulance US	304	-	304	7.4%	5.2%	4.3%	5.3%	8.0%	9.4%
Fire Services	362	-	362	9.6%	7.6%	2.1%	8.7%	7.3%	8.9%
Employee Healthcare	446	-	446	4.7%	8.0%	1.9%	9.8%	6.8%	8.0%
Assistance	1,482	-	1,482	6.7%	23.7%	1.4%	25.8%	6.5%	7.9%
Community Healthcare	438	-	438	7.3%	7.6%	4.4%	24.5%	12.4%	15.4%
Portfolio business	279	-	279	4.9%	1.1%	2.4%	5.9%	7.6%	8.7%
Total	**3,693**	**-**	**3,693**						

1) The goodwill has been reallocated to new business segments in 2021. Therefore, the carrying amounts and the key assumptions are not directly comparable with 2020.
2) Goodwill (DKK 435m) and earnings related to acquisition of Frisk Gruppen is not included in the impairment test.

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
2020, DKKm	Goodwill	Customer contracts	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	804	25	829	2.5%	6.7%	0.8%	8.4%	6.5%	8.6%
Assistance	1,632	-	1,632	1.6%	19.9%	0.6%	21.1%	6.2%	7.8%
Healthcare	593	-	593	4.5%	2.2%	0.6%	3.4%	6.2%	7.4%
Community Healthcare	403	-	403	4.8%	19.2%	4.6%	20.8%	10.4%	12.9%
Fire Services	358	1	359	8.7%	7.6%	0.7%	9.6%	6.9%	8.7%
Portfolio business	52	-	52	9.3%	1.1%	1.0%	12.8%	6.5%	7.7%
Total	**3,842**	**26**	**3,868**						

11. Intangible assets - continued

IMPAIRMENT TESTING OF OTHER INTANGIBLE ASSETS

Other intangible assets in use with indefinite useful lives are tested for impairment if there is any indication of impairment. Furthermore, prior impairment losses are reviewed for possible reversal at each reporting date.

Lundbeck

Material product rights

Vyepti®

The eptinezumab product rights (Vyepti®), which is an investigational monoclonal antibody (mAb) for migraine prevention targeting the calcitonin gene-related peptide (CGRP) was acquired in 2019. The value of the product rights was DKK 13,421m at the time of acquisition. The carrying amount of DKK 12,107m, net of amortisation, at 31 December 2021 (DKK 12,076m at 31 December 2020) was affected by developments in the USD/DKK exchange rate.

Rexulti®

Rexulti® is a prescription medication used as an adjunctive therapy to antidepressants for the treatment of major depressive disorder (MDD) and as a treatment for adults with schizophrenia in certain markets. Rexulti® is co-marketed in a partnership collaboration with Otsuka Pharmaceuticals Co., Ltd. The total carrying amount of the Rexulti® product rights amounted to DKK 2,497m, net of amortisation, at 31 December 2021 (DKK 2,823m at 31 December 2020).

Portfolio of compounds including the product rights to ABX-1431

A portfolio of compounds, including the product rights to ABX-1431; a first-in-class, small-molecule inhibitor of monoacylglycerol lipase (MGLL) currently being investigated in clinical trials for the treatment of neurological disorders, and various compounds in the pre-clinical phase, was acquired in 2019. The value of the portfolio of compounds recognised as product rights was DKK 1,853m at the time of acquisition. During 2020, the parent company H. Lundbeck A/S acquired all intellectual property rights from Lundbeck La Jolla Research Center, Inc. The carrying amount at 31 December 2021 was DKK 1,871m (DKK 1,871m at 31 December 2020).

In March 2020, it was announced that the phase IIa study (AMBLED) of its novel selective positive allosteric modulator of the glutamate 4 receptor (mGlu4 PAM), foliglurax, for the treatment of Parkinson's disease did not meet the primary study endpoint. Consequently, Lundbeck recognised an impairment loss of DKK 792m relating to the foliglurax product rights.

Lundbeck performs impairment tests of product rights not yet commercialised and for product rights available for use, in case an indication of impairment is identified.

In the impairment tests of product rights, based on value-in-use, the discounted expected future cash flows for the specific asset tested are compared with the carrying amount of the intangible asset. The expected future cash flows are based on a forecast period, which is the period used by Management for decision making, with due consideration of patent expiry.

The assumptions used in the impairment test are based on benchmarked external data and historical trends. The key parameters in the calculation of the value-in-use are revenue, earnings, working capital, discount rate and the preconditions for the cash flow period.

The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the cash flow period.

The four category elements below are taken into consideration when determining the key parameters for the value-in-use calculation.

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

The calculation of the value in use for product right is based on a discount rate after tax of 6.2% (7.3% at 31 December 2020).

Lundbeck's impairment test performed in 2021 did not result in the recognition of any impairment losses. The impairment tests performed in 2020 did not result in the recognition of any impairment loss other than the impairment loss on the foliglurax product rights recognised in March 2020.

ALK

In 2021, the impairment tests in relation to ALK resulted in the impairment of acquired intellectual property rights of DKK 1m and software of DKK 11m. In 2020, the impairment tests in relation to ALK resulted in impairment of acquired intellectual property rights of DKK 13m and software of DKK 9m.

11. Intangible assets - continued

Falck

In 2021, no impairments were identified. In 2020, an impairment of DKK 12m was recognised related to a planning system within Ambulance.

IMPAIRMENT TESTING TOTAL

The impairment losses per intangible asset category can be specified as follows:

Impairment loss per intangible asset category, DKKm	2021	2020
Products rights	-	792
Other intangible assets	12	34
Impairment loss total	**12**	**826**

The impairment loss has been recognised in the income statement as follows:

Impairment loss recognised in the income statement, DKKm	2021	2020
Research and development costs	-	811
Cost of sales	1	5
Sales and distribution costs	11	-
Other operating items, net	-	10
Impairment loss total	**12**	**826**

12. Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments and assets under construction	Total
Cost at 1 January 2021	5,654	2,944	3,095	218	853	12,764
Currency translation	39	23	50	2	6	120
Reclassifications/transfers	107	153	68	-	-315	13
Additions on acquisitions	-	-	5	1	-	6
Additions	32	59	115	3	529	738
Disposals	-145	-106	-371	-7	-1	-630
Disposals on divestments	-	-	-132	-	-	-132
Cost at 31 December 2021	**5,687**	**3,073**	**2,830**	**217**	**1,072**	**12,879**
Depreciation and impairment at 1 January 2021	-3,009	-2,058	-2,640	-148	-91	-7,946
Currency translation	-7	-13	-40	-1	-	-61
Reclassifications/transfers	-	-	-	-	-	-
Depreciation	-185	-177	-166	-15	-	-543
Impairment	-	-10	-	-	-1	-11
Depreciation and impairment on disposals	64	103	359	6	1	533
Disposals on divestments	-	-	124	-	-	124
Depreciation and impairment at 31 December 2021	**-3,137**	**-2,155**	**-2,363**	**-158**	**-91**	**-7,904**
Carrying amount at 31 December 2021	**2,550**	**918**	**467**	**59**	**981**	**4,975**
Carrying amount of property, plant and equipment provided as loan collateral	550	-	-	-	-	550

Impairment amounted to DKK 11m, of which, DKK 8m related to ALK's production equipment with no recoverable amount after impairment.

12. Property, plant and equipment - continued

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments and assets under construction	Total
Cost at 1 January 2020	5,558	2,713	3,356	246	842	12,715
Currency translation	-42	-29	-104	-11	-11	-197
Reclassifications/transfers	108	245	44	-	-382	15
Additions on acquisitions	-	-	2	-	-	2
Additions	44	61	72	7	422	606
Disposals	-14	-46	-242	-20	-18	-340
Disposals on divestments	-	-	-33	-4	-	-37
Cost at 31 December 2020	**5,654**	**2,944**	**3,095**	**218**	**853**	**12,764**
Depreciation and impairment at 1 January 2020	-2,842	-1,950	-2,767	-164	-91	-7,814
Currency translation	-	20	88	10	-	118
Reclassifications/transfers	-4	-	-	-	-	-4
Depreciation	-175	-166	-217	-17	-	-575
Impairment	-1	-7	-	-	-16	-24
Reversal of impairment	5	-	-	-	-	5
Depreciation and impairment on disposals	8	45	227	21	16	317
Disposals on divestments	-	-	29	2	-	31
Depreciation and impairment at 31 December 2020	**-3,009**	**-2,058**	**-2,640**	**-148**	**-91**	**-7,946**
Carrying amount at 31 December 2020	**2,645**	**886**	**455**	**70**	**762**	**4,818**
Carrying amount of property, plant and equipment provided as loan collateral	490	-	-	-	-	490

Impairment amounted to DKK 24m, of which, DKK 16m related to ALK's production equipment with no recoverable amount after impairment.

13. Right-of-use assets

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	2,102	655	2,757
Currency translation	26	25	51
Re-measurement	14	-12	2
Additions on acquisitions	95	-	95
Additions	246	156	402
Disposals	-11	-56	-67
Disposals on divestments	-	-15	-15
Cost at 31 December 2021	**2,472**	**753**	**3,225**
Depreciation and impairment at 1 January 2021	-628	-324	-952
Currency translation	-8	-12	-20
Depreciation	-310	-115	-425
Reversal of impairment	19	-	19
Depreciation and impairment on disposals	8	43	51
Disposals on divestments	-	12	12
Depreciation and impairment at 31 December 2021	**-919**	**-396**	**-1,315**
Carrying amount at 31 December 2021	**1,553**	**357**	**1,910**

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	2,122	701	2,823
Currency translation	-45	-32	-77
Re-measurement	-24	-19	-43
Additions	98	75	173
Disposals	-49	-70	-119
Cost at 31 December 2020	**2,102**	**655**	**2,757**
Depreciation and impairment at 1 January 2020	-307	-266	-573
Currency translation	9	17	26
Depreciation	-353	-138	-491
Depreciation and impairment on disposals	23	63	86
Depreciation and impairment at 31 December 2020	**-628**	**-324**	**-952**
Carrying amount at 31 December 2020	**1,474**	**331**	**1,805**

Amounts recognised in the income statement, DKKm	2021	2020
Expenses relating to short-term leases, not capitalised	81	64
Expenses related to low value leases, not capitalised	176	161
Interest expenses relating to lease liabilities	35	45
Depreciation	406	491

The total cash outflow from recognised lease agreements amounted to DKK 480m (DKK 511m in 2020) and includes repayment of lease liabilities and interest.

For disclosures of the lease liabilities, see note 25.3 *Lease liabilities*.

14. Biological assets

DKKm	2021	2020
Fair value at 1 January	117	141
Currency translation	9	-8
Reclassifications/transfers	2	-11
Disposals	-7	-11
Change in fair value	74	6
Fair value at 31 December	**195**	**117**

Biological assets comprise forestry activities in Scotland. The fair value of the biological assets was based on a valuation carried out in December 2021 by an external assessor. The assessment was made on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject forests.

At 31 December 2021, the Group owned 1,637 hectares of forest farming land being managed actively.

The carrying amount of land related to forestry activities is recognised under property, plant and equipment.

15. Financial assets

The Group's financial investments classified as financial assets at fair value through profit or loss primarily relate to Invest's investments. These investments are made based on an investment policy approved by the Board of Directors. The strategy aims for an appropriate diversification of investments across different asset classes and geographical markets 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.

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 amounted to DKK 5,079m at 31 December 2021 (DKK 3,897m at 31 December 2020).

The assessment of fair value of unlisted investments is subject to considerable uncertainty. This applies especially to life science investments because the value of these businesses is linked to the companies' often long-term investment in the development of new pharmaceuticals and technologies. Please refer to note 31.3 for information about applied valuation methods for the determination of fair value.

CREDIT RISKS

Credit risks relating to the Group's financial investments primarily relate to investment in bonds and unlisted funds investing in loans to businesses.

To limit the credit risk, a 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.

EQUITY RISKS

Equity risks relate to 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, the investments are diversified across different geographical regions and sectors in accordance with the applicable investment policy. Derivative financial instruments are used to manage the equity risk. The instruments can be used both for risk management purpose and as an alternative to selling or buying the underlying assets.

Other things being equal, a 10% decrease/increase in equity prices would decrease/increase profits after tax by DKK 1,515m and DKK 1,589m respectively (decrease by DKK 1,254m and increase by DKK 1,328m in 2020).

For further information on risks relating to the Group's financial investments, see note 20 *Liquidity* and note 31 *Financial risks and financial instruments*.

Financial assets included in Invest and Lundbeckfonden Ventures and Emerge are measured at fair value through profit or loss. Other receivables are measured at amortised cost. At 31 December 2021, investments in associates included in Lundbeckfonden's investment strategy amount to DKK 1,262m (DKK 669m at 31 December 2020). The associates are not individually material. Consequently, financial information about the associates are not disclosed.

15. Financial assets - continued

DKKm	Danish mortgage and government bonds	Credit bonds and loans	Equities	Private equity funds and other unlisted funds	Derivative financial instruments	Receivables	Total
Carrying amount at 1 January 2021	3,483	2,946	13,450	1,540	50	82	21,551
Additions	2,271	994	3,084	781	399	11	7,540
Disposals	-3,004	-974	-2,619	-323	-751	-	-7,671
Transferred	-	-	-50	-	-	50	-
Value adjustments, year-end	-61	145	2,776	747	401	-17	3,991
Carrying amount at 31 December 2021	**2,689**	**3,111**	**16,641**	**2,745**	**99**	**126**	**25,411**
Invest	2,689	3,111	14,617	2,745	99	-	23,261
Lundbeckfonden Ventures and Emerge	-	-	2,024	-	-	126	2,150
	2,689	**3,111**	**16,641**	**2,745**	**99**	**126**	**25,411**
Recognised in:							
Financial assets	2,488	3,030	16,641	2,745	99	126	25,129
Securities	201	81	-	-	-	-	282
	2,689	**3,111**	**16,641**	**2,745**	**99**	**126**	**25,411**

DKKm	Danish mortgage and government bonds	Credit bonds and loans	Equities	Private equity funds and other unlisted funds	Derivative financial instruments	Receivables	Total
Carrying amount at 1 January 2020	2,517	2,181	14,220	1,314	-99	705	20,838
Additions	3,306	1,499	3,614	395	709	49	9,572
Disposals	-2,327	-631	-5,226	-204	-519	-605	-9,512
Transferred	-	-	-180		-	-22	-202
Value adjustments, year-end	-13	-103	1,022	35	-41	-45	855
Carrying amount at 31 December 2020	**3,483**	**2,946**	**13,450**	**1,540**	**50**	**82**	**21,551**
Invest	3,483	2,946	11,721	1,540	50	-	19,740
Lundbeckfonden Ventures and Emerge	-	-	1,729	-	-	82	1,811
	3,483	**2,946**	**13,450**	**1,540**	**50**	**82**	**21,551**
Recognised in:							
Financial assets	3,245	2,675	13,450	1,540	96	82	21,088
Securities	238	271	-	-	-	-	509
Other payables	-	-	-	-	-46	-	-46
	3,483	**2,946**	**13,450**	**1,540**	**50**	**82**	**21,551**

Please refer to note 31 for information about exchange rate and interest rate risks.

16. Deferred tax

Temporary differences between the carrying amount and the tax base:

DKKm	Balance at 1 January	Currency translation	Adjustment of deferred tax at beginning of year	Addition on acquisition of businesses etc.	Movements during the year	Balance at 31 December
2021						
Non-current assets	14,784	761	-62	395	-780	15,098
Current assets	-1,546	-2	-9	-	-331	-1,888
Other	-1,315	-31	-5	-52	-64	-1,467
Provisions in subsidiaries	-1,411	-75	20	-273	133	-1,606
Tax loss carry-forwards etc.	-7,308	-204	-138	-	1,346	-6,304
Total	**3,204**	**449**	**-194**	**70**	**304**	**3,833**
Deferred (tax assets)/tax liabilities	811	85	-45	18	67	936
Research and development activities (tax credits)	-4	-	-	-	-83	-87
Deferred (tax assets)/tax liabilities	**807**	**85**	**-45**	**18**	**-16**	**849**
2020						
Non-current assets	17,351	-1,010	25	306	-1,888	14,784
Current assets	-157	-10	-514	-178	-687	-1,546
Other	-1,397	50	-94	-	126	-1,315
Provisions in subsidiaries	-1,645	102	49	-164	247	-1,411
Tax loss carry-forwards etc.	-8,814	385	241	164	716	-7,308
Total	**5,338**	**-483**	**-293**	**128**	**-1,486**	**3,204**
Deferred (tax assets)/tax liabilities	1,296	-117	-69	29	-328	811
Research and development activities (tax credits)	-4	-	-	-	-	-4
Deferred (tax assets)/tax liabilities	**1,292**	**-117**	**-69**	**29**	**-328**	**807**

In 2021, addition on acquisition of businesses etc. included the effect of changes to the purchase price allocation amounting to a net decrease in deferred tax liabilities of DKK 49m, cf. note 11.

16. Deferred tax – continued

DKKm	2021	2020
Deferred tax assets relate to the following items:		
Non-current assets	-5	3
Current assets	534	437
Provisions and payables	194	180
Other	202	195
Provisions in subsidiaries	384	339
Tax value of tax loss carry-forwards etc.	1,532	1,767
Research and development activities (tax credits)	87	4
Offset within legal tax entities and jurisdictions	-1,774	-1,866
Total	**1,154**	**1,059**
Deferred tax liabilities relate to the following items:		
Non-current assets	3,653	3,611
Current assets	85	68
Other	39	53
Offset within legal tax entities and jurisdictions	-1,774	-1,866
Total	**2,003**	**1,866**
Deferred tax, net	**-849**	**-807**

Management estimates future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years, which supports the recognition of deferred tax assets. When forecasting the utilisation of tax assets, the Group applies the same assumptions as for impairment testing. See note 11 *Intangible assets*.

Accordingly, at 31 December 2021, all deferred tax assets relating to tax losses carried forward in Denmark going back to 2016 were capitalised in the amount of DKK 938m (DKK 1,186m at 31 December 2020).

US tax losses and tax credits stemming from Lundbeck's acquisitions have been recognised in the amount of DKK 521m (DKK 553m at 31 December 2020) equalling the expected utilisation within a foreseeable future, whereas an amount of DKK 56m (DKK 132m at 31 December 2020) has not been recognised in the balance sheet.

DKKm	2021	2020
Unrecognised deferred tax assets:		
Unrecognised deferred tax assets at 1 January	428	975
Currency translation	11	-
Prior-year adjustments	-	-89
Additions	29	29
Disposals	-	-200
Recognised	-155	-287
Unrecognised deferred tax assets at 31 December	**313**	**428**

Unrecognised deferred tax assets primarily relate to net operating losses and tax credits not expected to be utilised within a foreseeable future. The majority of the tax losses have no expiry date.

17. Inventories

DKKm	2021	2020
Raw materials and consumables	462	422
Work-in-progress	1,966	1,593
Manufactured goods and goods for resale	1,631	1,301
Total	**4,059**	**3,316**
Indirect costs of production	1,081	951
Impairment loss for the year	32	43
Inventories calculated at net realisable value	105	230
The total cost of goods sold is included in cost of sales in the amount of	2,845	3,061

Inventories at 31 December 2021 of DKK 1,350m (DKK 1,007m at 31 December 2020) are expected to be utilised after more than 12 months.

18. Trade receivables

Trade receivables, DKKm	Expected loss rate %	Receivables, gross	Loss allowance	2021 Total
Days past due				
Not due	0%	3,599	12	3,587
1 month to 6 months	13%	757	101	656
6 months to 12 months	23%	48	11	37
More than 12 months	59%	61	36	25
Total		**4,465**	**160**	**4,305**

Trade receivables, DKKm	Expected loss rate %	Receivables, gross	Loss allowance	2020 Total
Days past due				
Not due	0%	3,662	15	3,647
1 month to 6 months	6%	645	41	604
6 months to 12 months	51%	116	59	57
More than 12 months	60%	80	48	32
Total		**4,503**	**163**	**4,340**

DKKm	2021	2020
Allowance for doubtful trade receivables:		
Allowance at 1 January	163	301
Divestments	-87	-
Losses recognised	-98	-81
Adjustment for the year	197	-24
Currency translation	-5	-19
Reversal	-10	-14
Allowance at 31 December	**160**	**163**

CREDIT RISKS

The Group's products are sold primarily to distributors of pharmaceuticals, pharmacies and hospitals. Services are sold to public authorities, other large customers and small individual customers.

No single customer contributed 10% or more to total revenue. The Group has no significant reliance on specific customers. Internal procedures for evaluating specific credit risks from new customer relationships, and changes to the risk profile of existing relationships, ensure that the risk of loss is reduced to an acceptable level.

19. Contract assets

DKKm	2021	2020
Contract assets (not invoiced)	355	521
Contract assets impairments	-2	-15
Total	**353**	**506**
Expected loss rate	1%	3%

20. Liquidity

DKKm	2021	2020
Cash and bank balances, Invest	477	528
Cash and bank balances, subsidiaries	3,844	5,357
Cash and bank balances at 31 December	**4,321**	**5,885**
Securities with a maturity of less than 3 months	78	205
Securities with a maturity of more than 3 months	204	304
Securities at 31 December	**282**	**509**
Cash, bank balances and securities at 31 December	**4,603**	**6,394**

Securities are classified as financial assets measured at fair value through profit or loss.

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 in-licensing 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.

20. Liquidity - continued

The credit risk of cash, bank balances 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 loss, internal limits have been defined for the credit exposure accepted towards the banks with which the Group collaborates. Pursuant to the Group's policies, the credit lines are presented to the Board of Directors and boards of directors in sub-groups, for approval. Furthermore, the Group aims to maintain counterparty diversification to avoid material concentration at individual counterparties. The Group also uses collateral agreements (e.g., International Swaps and Derivatives Association (ISDA) and Global Master Repurchase Agreement (GRMA)) and exchange of collateral with counterparties with which the Group has hedging business.

21. Capital base

Lundbeckfonden's capital base is DKK 3,901m. The present statutes of Lundbeckfonden were approved by the Board of Directors on 22 April 2021. 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.

Capital base, DKKm	2021	2020	2019	2018	2017
Capital base at 1 January	3,461	3,236	3,114	3,109	2,965
Increase in capital base	440	225	122	5	144
Capital base at 31 December	**3,901**	**3,461**	**3,236**	**3,114**	**3,109**

22. Other reserves

DKKm	2021	2020
Reserve for future grants:		
Balance at 1 January	1,250	1,250
Grants for the year	-792	-576
Transferred to provision for future grants	1,042	576
Balance at 31 December	**1,500**	**1,250**
Currency translation reserve:		
Balance at 1 January	-239	515
Currency translation for the year concerning foreign subsidiaries and additions to net investments in foreign subsidiaries	783	-694
Tax in relation hereto	39	-60
Balance at 31 December	**583**	**-239**
Hedging reserve:		
Balance at 1 January	95	-75
Adjustment, deferred exchange gains/losses, hedging, recognised in other comprehensive income	-340	313
Deferred fair value of interest rate swaps	63	-90
Exchange gains/losses, hedging, transferred to revenue	-53	-5
Tax in relation hereto	73	-48
Balance at 31 December	**-162**	**95**
Other reserves at 31 December	**1,921**	**1,106**

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 822m (net loss of DKK 754m in 2020), and are recognised in the currency translation reserve in equity. Other items and tax related to such items are recognised in reserve for hedging transactions at a net loss of DKK 257m (net gain of DKK 170m in 2020).

23. Non-controlling interests

DKKm	2021	2020
Non-controlling interests at 1 January	6,744	6,749
Share of profit/loss for the year	1,048	417
Share of other comprehensive income for the year	198	-195
Incentive programmes	-11	12
Dividend	-158	-252
Buyback of shares from non-controlling interests	-10	-9
Sale of treasury shares	18	6
Change in non-controlling interests	-39	-17
Revaluation of put options related to non-controlling interests	-3	-
Adjustment of provision for acquisition of non-controlling interests	-	8
Capital increase	1	-
Other adjustments	7	-
Tax on other transactions in equity	6	25
Non-controlling interests at 31 December	**7,801**	**6,744**

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

	Non-controlling interests	Lundbeckfonden's percentage of votes	Registered office
H. Lundbeck A/S	30.9%	69.0%	Copenhagen
ALK-Abelló A/S	59.2%	67.2%	Hørsholm
Falck A/S	42.2%	57.8%	Copenhagen

The minority shareholder's share of goodwill in acquired businesses in Falck is recognised in the consolidated financial statements. Thus, goodwill of DKK 1,971m (DKK 1,971m at 31 December 2020) arising at the time of the Foundation's acquisition of Falck is not recognised in the consolidated financial statements.

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

	Lundbeck		ALK		Falck	
DKKm	2021	2020	2021	2020	2021	2020
Income statement:						
Revenue	16,299	17,672	3,916	3,491	15,173	12,348
Profit (loss) for the year	1,318	1,581	219	25	1,229	-178
Total comprehensive income	1,800	1,003	310	-82	1,218	-64
Profit (loss) for the year attributable to non-controlling interests	407	488	130	15	521	-79
Balance sheet:						
Non-current assets	26,041	25,924	3,427	3,223	7,198	6,678
Current assets	8,612	10,105	2,403	2,340	3,475	3,382
Non-current liabilities	7,556	9,044	965	1,381	3,108	3,572
Current liabilities	8,818	10,012	1,385	1,029	4,572	4,705
Equity	18,279	16,973	3,480	3,153	2,993	1,783
Carrying amount of non-controlling interests of equity	5,640	5,240	2,059	1,858	62	-402
Statement of cash flows:						
Cash flows from operating activities	2,272	3,837	468	301	1,866	1,311
Cash flows from investing activities	-610	-467	-266	-245	-622	-20
Cash flows from financing activities	-3,336	-2,394	-311	-62	-1,024	-1,211
Net cash flow for the year	-1,674	976	-109	-6	220	80
Dividends paid to the non-controlling interests during the year	154	252	-	-	-	-

24. Provisions

DKKm	Note	2021	2020
Provisions can be specified as follows:			
Pensions and similar obligations	24.1	622	646
Liabilities relating to acquisitions and non-controlling interests		-	7
Other provisions	24.2	1,905	2,092
Total		**2,527**	**2,745**
Provisions break down as follows:			
Non-current		867	873
Current		1,660	1,872
Total		**2,527**	**2,745**

24.1 Pensions and similar obligations

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, amounted to DKK 692m in 2021 (DKK 669m in 2020).

DEFINED BENEFIT PLANS

The defined benefit plans guarantee employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. The Group bears the risks regarding the future development 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 current and former employees in France, Germany, Switzerland and the UK.

DKKm	2021	2020
Retirement benefit obligations and similar obligations:		
Present value of defined benefit plans	815	822
Fair value of plan assets	-302	-288
Defined benefit plans at 31 December	**513**	**534**
Other pension-like obligations	109	112
Retirement benefit obligations and similar obligations at 31 December	**622**	**646**
Retirement benefit obligations and similar obligations break down as follows:		
Non-current liabilities	621	644
Current liabilities	1	2
Retirement benefit obligations and similar obligations at 31 December	**622**	**646**

Actuarial assumptions

The following were the key actuarial assumptions at the reporting date

Percentage	2021	2020
Discount rate	1.00%-2.00%	0.70%-2.00%
Inflation rate	2.10%-3.30%	1.75%-2.85%
Pay rate increase	0.00%-3.50%	0.00%-2.50%
Pension increase	2.10%-5.00%	1.75%-5.00%
Age-weighted staff resignation rate	0.00%-8.00%	0.00%-8.00%
Expected return on plan assets	1.80%	1.70%-2.90%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country.

Sensitivity analysis

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate and inflation rate. An increase in the discount rate of 0.25 of a percentage point would result in a decrease in the obligation of approximately DKK 35m, before tax (DKK 36m at 31 December 2020) and vice versa. An increase in the inflation rate of 0.25 of a percentage point would result in an increase in the obligation of approximately DKK 10m, before tax (DKK 11m at 31 December 2020) and vice versa. The sensitivity analysis indicates how a change in the individual assumptions would change the obligation. However, the assumptions will most likely be correlated and consequently result in a different obligation.

24. Provisions - continued

24.1 Pensions and similar obligations - continued

% distribution	2021	2020
The fair value of the plan assets breaks down as follows:		
Shares	18	18
Bonds	21	21
Property	5	5
Insurance contracts	45	46
Other assets	11	10
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.

DKKm	2021	2020
Change in present value of defined benefit plans:		
Present value of defined benefit plans at 1 January	822	821
Effect of foreign exchange differences	22	-16
Past service costs	9	10
Pension expenses	7	7
Interest expenses relating to the obligations	9	9
Experience and assumptions adjustments	-22	17
Benefits paid	-21	-25
Unused provisions, reversed	-	-2
Employee contributions	1	1
Other adjustments	-12	-
Divestments	-1	-
Reclassified to and from the statement of financial position	1	-
Present value of funded pension obligations at 31 December	**815**	**822**
Change in fair value of plan assets:		
Fair value of plan assets at 1 January	288	288
Effect of foreign exchange differences	18	-13
Interest income on plan assets	5	5
Experience adjustments	-7	12
Contributions	10	8
Disbursements	-12	-12
Employee contributions	1	1
Administration fee	-1	-1
Fair value of plan assets at 31 December	**302**	**288**
Realised return on plan assets	**-2**	**17**

DKKm	2021	2020
Specification of expenses recognised in the income statement:		
Current service costs	10	10
Pension expenses	7	7
Interest expenses relating to the obligations	4	4
Actuarial (gains)/losses	1	1
Total expenses recognised	**22**	**22**
Specification of amount recognised in the statement of comprehensive income:		
Actuarial (gains)/losses	-16	3
Total expenses recognised	**-16**	**3**

The expected contribution for 2022 for the defined benefit plans was DKK 24m (DKK 26m in 2021).

Other obligations of a retirement benefit nature

An obligation at 31 December 2021 of DKK 109m (DKK 112m at 31 December 2020) was recognised to cover other obligations of a retirement benefit nature, which primarily include post-employment benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

24. Provisions - continued

24.2 Other provisions

DKKm	2021	2020
Other provisions at 1 January	2,092	2,552
Currency translation	116	-171
Addition on acquisitions	4	-
Divestments	-6	-
Provisions charged	2,505	2,610
Provisions used during the year	-2,714	-2,604
Unused provisions reversed	-92	-252
Reclassified to and from other balance sheet accounts	-	-43
Other provisions at 31 December	**1,905**	**2,092**
Other provisions at 31 December can be specified as follows:		
Non-current provisions	246	222
Current provisions	1,659	1,870
Total	**1,905**	**2,092**

Discounts and rebates

Discounts and rebates at 31 December 2021 amounted to DKK 923m (DKK 1,002m at 31 December 2020).

The most significant sales deductions are in the USA and comprise discounts and rebates given in connection with sales under US Federal and State Government Healthcare programmes, primarily Medicaid.

Management's estimate of discounts and rebates is based on a calculation which includes a combination of historical product/population utilisation mix, price increases, programme/market growth and state-specific information. Further, the calculation of rebates involves legal interpretation of relevant regulations and is subject to changes in interpretative guidance from governmental authorities. The obligations for discounts and rebates are incurred at the time the sale is recorded; however, the actual rebate related to a specific sale may be invoiced by the authorities six-to-nine months later. In addition to this billing time lag, there is no statute of limitations for states to submit rebate claims; thus, rebate adjustments in any particular period may relate to sales from a prior period. Moreover, when a product loses exclusivity, shifts in payer mix may cause Medicaid claims/estimates to be more volatile.

Other provisions

At 31 December 2021, DKK 85m (DKK 179m at 31 December 2020) related to a provision regarding returns and DKK 263m (DKK 161m at 31 December 2020) related to restructuring programmes in Lundbeck and ALK. Furthermore, other provisions at 31 December 2021 comprised liabilities for e.g., legal disputes and antigen testing activities in Denmark.

25. Bank debt, bond debt and borrowings

DKKm	Note	2021	2020
Debt to financial institutions and others can be specified as follows:			
Debt to financial institutions etc.		7,351	10,707
Lease liabilities		1,959	1,842
Total		**9,310**	**12,549**
Can be specified as follows:			
Non-current liabilities			
Mortgage debt	25.1	581	659
Bank debt and bond debt	25.2	6,507	8,014
Lease liabilities	25.3	1,407	1,444
Total		**8,495**	**10,117**
Current liabilities			
Mortgage debt	25.1	28	31
Bank debt etc.	25.2	235	2,003
Lease liabilities	25.3	552	398
Total		**815**	**2,432**
Total debt		**9,310**	**12,549**

25.1 Mortgage debt

DKKm	2021	2020
Mortgage debt by maturity:		
Within 1 year	28	31
Between 1 and 5 years	123	351
More than 5 years	458	308
Mortgage debt at 31 December	**609**	**690**

DKKm	Currency/ expiry	Fixed/floating	Weighted average effective interest rates	Amortised cost	Nominal value	Fair value
2021						
Falck	DKK/2045	Floating	-0.2%	265	265	265
Falck	DKK/2041	Fixed/floating	0.4%	104	104	104
ALK	DKK/2035	Floating	0.2%	240	240	243
Total				**609**	**609**	**612**
2020						
Falck	DKK/2045	Floating	-0.1%	279	279	279
Falck	DKK/2042	Fixed/floating	0.5%	153	153	153
ALK	DKK/2035	Floating	0.2%	258	258	263
Total				**690**	**690**	**695**

Fair value was calculated by applying the market value of the underlying bonds at 31 December and therefore measured by level 1 input.

25. Bank debt, bond debt and borrowings - continued

25.2 Bank debt and bond debt etc.

DKKm	2021	2020
Bank debt and bond debt by maturity:		
Within 1 year	235	2,003
Between 1 and 5 years	2,807	4,315
More than 5 years	3,700	3,699
Total	**6,742**	**10,017**

Falck

Falck's primary debt financing is a syndicated bank loan facility of DKK 1,715m (DKK 2,164m) split between a Term Loan expiring September 2023 and a Revolving Credit Facility expiring January 2027. The syndicated bank loan facility was refinanced in 2021.

Lundbeck

The USD funding has been swapped into fixed interest rates by interest rate swaps. The nominal amounts of the interest rate swaps follow the expected repayment profile of the USD debt until they expire in 2023.

The total outstanding amount of the interest rate swaps as of 31 December 2021 was USD 305m, and the average interest rate was 1.56% for the fixed legs and 0.12% for the floating legs.

The eurobond is issued with a fixed coupon until October 2027.

DKKm	Currency	Expiry	Fixed/floating	Weighted average effective interest rates	Carrying amount	Fair value
2021						
Bank debt, Falck	DKK	2023	Floating	1.00%	618	618
Bank debt, Falck	EUR	2027	Floating	0.70%	1,115	1,115
Bank debt, Lundbeck	USD	2025	Floating	0.93%	1,083	1,083
Issued bonds, Lundbeck	EUR	2027	Fixed	0.88%	3,700	3,755
Other bank and finance loans, ALK	EUR	2022	Fixed	0.40%-0.50%	226	226
Total					**6,742**	**6,797**
2020						
Bank debt, Falck	DKK	2.023	Floating	1.49%	678	678
Bank debt, Falck	EUR	2.023	Floating	1.49%	1,496	1,496
Bank debt, Lundbeck	DKK	2.021	Floating	0.80%	2,000	2,000
Bank debt, Lundbeck	USD	2.024	Floating	1.11%	1,698	1,698
Issued bonds, Lundbeck	EUR	2.027	Fixed	0.88%	3,699	3,781
Other bank and finance loans, ALK	EUR	2.022	Fixed	1.80%	446	446
Total					**10,017**	**10,099**

Fair value of issued bonds was calculated by level 1 input while bank and other loans were calculated by level 3 input. Please refer to note 31.5 for information about interest rate swaps.

25. Bank debt, bond debt and borrowings – continued

25.3 Lease liabilities

DKKm	2021	2020
Leasing liabilities by maturity:		
Within 1 year	552	398
Between 1 and 5 years	1,036	738
More than 5 years	371	706
Total	**1,959**	**1,842**

In 2021, the Group paid DKK 480m (DKK 511m in 2020) for lease agreements, of which, interest expenses amounted to DKK 35m (DKK 45m in 2020). See also note 13 *Right-of-use assets*.

25.4 Development in mortgage debt, bank debt and bond debt, etc.

DKKm	Balance at 1 January	Additions through acquisitions	Cash flow, net	Non-cash changes	Balance at 31 December
2021					
Long-term borrowings	8,673	-	-1,690	105	7,088
Short-term borrowings	2,034	-	-1,777	6	263
Lease liabilities	1,842	-	-445	562	1,959
Total	**12,549**	**-**	**-3,912**	**673**	**9,310**
2020					
Long-term borrowings	11,121	-	-2,215	-233	8,673
Short-term borrowings	2,066	7	-37	-2	2,034
Lease liabilities	2,234	-	-466	74	1,842
Total	**15,421**	**7**	**-2,718**	**-161**	**12,549**

26. Contract liabilities

DKKm	2021	2020
Stepped-pricing contracts	34	54
Prepayments	1,160	1,141
Total	**1,194**	**1,195**
Within 1 year	1,132	1,159
More than 1 year	62	36
Total	**1,194**	**1,195**
Revenue recognised from amounts included in contract liabilities at the beginning of the year	1,140	1,021
Revenue recognised from performance obligations satisfied in previous years	-16	-16

27. Other payables

DKKm	2021	2020
Trade payables	5,147	4,608
Contingent consideration	1,623	1,108
Derivative financial instruments	235	197
Other payables	3,862	4,986
Total	**10,867**	**10,899**
Provisions break down as follows:		
Non-current	495	1,192
Current	10,372	9,707
Total	**10,867**	**10,899**

At 31 December 2021, other payables included debt related to salaries and holiday payment of DKK 1,950m (DKK 2,311m), VAT and other taxes of DKK 547m (DKK 834m) and discounts and rebates of DKK 753m (DKK 627m).

Contingent consideration recognised through acquisitions

As part of the acquisition of Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.), Lundbeck is required to pay a contingent value right (CVR) of USD 2.00 per share upon European approval of eptinezumab. The CVR has a value of up to USD 233m (USD 236m in 2020). At 31 December 2021, the fair value of the CVR amounted to DKK 1,237m (DKK 1,059m at 31 December 2020).

27. Other payables – continued

The CVR was recognised as a contingent consideration at fair value at the acquisition date. Key inputs to the fair value of the CVR are the promise to pay a fixed price per share acquired, probability of success weighted by the possible outcomes and Lundbeck's WACC (weighted average cost of capital).

As part of the acquisition of Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.), Lundbeck is required to pay a sales milestone dependent on predefined milestones being reached. The fair value of contingent consideration is calculated as the discounted cash outflows (DCF method) from future milestone payments, taking probability of success into consideration.

The probability of success of 83.2% used for the calculations of the fair value of the CVR and the sales target milestone is based on the BIO/MedTracker 2016 publication.

As part of the acquisition of Abide Therapeutics, Inc., Inc. (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck is required to pay up to USD 100m in sales milestones (USD 150m at 31 December 2020) dependent on predefined milestones being reached. At 31 December 2021, the fair value of the contingent consideration amounted to DKK 60m (DKK 49m at 31 December 2020).

Contingent consideration is recognised at fair value. The calculation of the fair value is based on the discounted cash flow method (DCF method) which comprises significant assumptions and estimates. Key inputs are expected timing of payment (using a specific discount rate) and probability of success.

28. Adjustment for non-cash operating items

DKKm	2021	2020
Depreciation, amortisation and impairment	2,481	3,736
Incentive programmes	73	59
Change in other provisions	-337	-193
Gain on disposals of biological assets and related land	-	-10
Change in valuation of biological assets	-74	-6
Other adjustments	-103	25
Total	**2,040**	**3,611**

29. Working capital changes

DKKm	2021	2020
Change in inventories	-676	-359
Change in contract assets	144	-120
Change in receivables	484	-576
Change in contract liabilities	-59	-69
Change in liabilities	-611	1,426
Total	**-718**	**302**

30. Acquisitions and divestments

30.1 Acquisitions of businesses etc.

DKKm	2021	2020
Assets:		
Product rights	-	306
Customer contracts and brands	311	-
Property, plant and equipment, including right-of-use assets	101	2
Inventories	-	9
Trade receivables	59	-
Contract assets	6	-
Other receivables	10	15
Cash and bank balances	29	30
Equity and liabilities:		
Non-controlling interests' share of equity	-	-50
Deferred tax	-67	-67
Provisions	-4	-
Borrowings	-	-8
Lease liabilities	-95	-
Contract liabilities	-14	-
Trade payables	-11	-1
Other payables	-62	-7
Net assets acquired	**263**	**229**
Goodwill	446	-
Purchase price	**709**	**229**
Adjustment for cash and bank balances acquired	-29	-30
Transferred from financial assets, Lundbeckfonden Ventures	-	-202
Cash consideration for acquisitions	**680**	**-3**

The amounts in the table represent the purchase price allocation to the identifiable assets,

30. Acquisitions and divestments – continued

30.1 Acquisitions of businesses etc. - continued

liabilities and contingent consideration, and consequently also to goodwill at the acquisition date.

ACQUISITIONS IN 2021

In September 2021, Falck signed an agreement to acquire all shares in Frisk Gruppen. The acquisition was approved by the competition authorities in Norway in mid-October and completed by payment of the full consideration on 15 October 2021, from which point, control was gained.

Frisk Gruppen provides healthcare services within labour market services, occupational health services and specialist healthcare across Norway. The acquisition has strengthened Falck's Nordic presence in line with the strategy to develop Falck as an integrated healthcare business with dedicated health and labour market services for citizens, the public sector and private businesses.

The total consideration amounted to DKK 709m. Adjusted for cash on hand of DKK 29m, the total net consideration amounted to DKK 680m. There are no contingent or deferred consideration arrangements and indemnification assets.

Transaction costs for Falck Group related to acquisitions were DKK 13m, for external consultants.

Besides customer contracts and the brand, amounting to DKK 311m, no assets or liabilities have been identified which were not recognised in the companies acquired on the date of acquisition.

Net assets, goodwill and contingent assets, and liabilities recognised at the reporting date are, to some extent, still provisional. Adjustments may be applied to these amounts for a period of 12 months from the acquisition date in accordance with IFRS 3.

Valuation of intangible assets

An assessment was made of the value of the customer agreements, framework agreements and customer portfolios taken over. The valuation thereof was based on the ‘Multi Period Excess Earnings Method’ (MEEM), by which the value was calculated on the basis of expected future cash flow. The principle assumptions were expected lives of the existing agreements and portfolios, earnings and contribution for using associated assets and employees.

An assessment was made of the Frisk Gruppen brand. The valuation was based on the ‘Relief From Royalty’ (RFR) method, which calculates the value based on the hypothetical royalty payments that are saved by owning the asset rather than licensing it. The royalty payment was calculated as a percentage of the revenue.

Acquired assets include receivables from sales at fair value of DKK 59m. The contractual gross receivable is DKK 60m, of which, DKK 1m was deemed to be unrecoverable as of the date of takeover.

After recognition of identifiable assets, liabilities and provisions at fair value, goodwill of DKK 446m has been calculated. The recognised goodwill is not tax deductible. Goodwill mainly represents the value of operational synergies from the integration of Frisk Gruppen into Falck Group and the experienced and knowledgeable Frisk Gruppen workforce.

Frisk Gruppen’s revenue after the date of acquisition amounted to DKK 90m, and the company was recognised at a profit of DKK 7m in the consolidated financial statements for 2021.

Had the company been consolidated at 1 January 2021, the Group’s consolidated revenue and net profit for 2021 would have been DKK 35,854m and DKK 6,963m, respectively.

ACQUISITION IN 2020

The acquisition in 2020 related to the medical device company, Dysis, which designs, develops, manufactures and markets Dysis colposcopes. These are computer-aided smart imaging systems focusing on the non-invasive, in vivo diagnosis of epithelial pre-cancerous lesions.

30. Acquisitions and divestments – continued

30.2 Divestment of businesses

Divestment of businesses include divestment of subsidiaries and operations.

DKKm	2021	2020
Assets		
Goodwill	219	4
Other intangible assets	-	8
Property, plant and equipment	8	6
Right-of-use assets	2	-
Other current assets	120	93
Cash and bank balances	83	6
Equity and liabilities		
Provisions	-7	-
Current liabilities	-173	-15
Net assets divested	**252**	**102**
Recirculation of exchange rate adjustments from divestments	**19**	**226**
Gain and losses on divestment of business, net	-111	-298
Sales price	**160**	**30**
Adjustment for cash and bank balances transferred	-83	-6
Adjustments related to prior years' divestments	6	
Transaction costs	-2	-8
Cash flows from divestment of subsidiaries and operations	**81**	**16**

30.2 Divestment of businesses - continued

In 2021, Falck divested its shares in a number of entities from the portfolio businesses in Denmark, Sweden, the USA and the Czech Republic. A total loss on the divestment of enterprises of DKK 107m was recognised in the income statement, consisting of the loss from divestments, net DKK 111m, adjustments related to prior years divestments of DKK 6m, and transaction costs of DKK 2m.

Transaction costs to external consultants related to divestments were DKK 44m in total, DKK 2m is included in the losses from divestments, whereas DKK 42m is included in other operating items.

In 2020, Falck divested its shares in a number of entities, including entities in the USA, Sweden and Venezuela. A total loss on the divestment of enterprises of DKK 306m was recognised in the income statement. This included transaction costs and recycling of foreign exchange reserves from divested entities.

31. 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 Directors or the boards of directors in the subsidiaries.

See also note 15 *Financial assets*, note 18 *Trade receivables and other receivables*, note 20 *Liquidity* for a description of risks and the management thereof and note 31.5 for information about derivative financial instruments.

31.1 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 Invest's and Lundbeckfonden Ventures' 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 Invest.

Estimated impact from financial instruments on profit for the year and equity from a 5% increase in year-end exchange rates of the major currencies:

DKKm	CAD	CNY	GBP	JPY	USD
2021					
Profit	7	3	-5	16	400
Equity	-23	-32	-5	2	120
2020					
Profit	6	-2	17	13	299
Equity	-18	-25	16	-	-43

31. Financial risks and financial instruments - continued

31.1 Exchange rate risks - continued

The shown sensitivities only comprise impact from financial instruments and reflect a relative change of the exchange rates at 31 December 2021 and 2020.

The sensitivity analysis includes derivatives, bank loans, trade receivables, trade payables, intercompany lending and borrowing, as those are the financial instruments where the Group has the most currency exposure.

The profit impact comprises financial instruments that remained open at the balance sheet date and which have an impact on profit in the current financial year. It includes foreign exchange differences relating to intra-group balances that are not eliminated in the consolidated financial statements. The calculation of the estimated impact is based on the functional currency of the entities where the financial instruments are located. The profit impact is limited as the largest liabilities are exchange rate adjusted in other comprehensive income, being part of the Group's hedging structure.

The equity impact includes financial instruments that remained open at the balance sheet date and which are exchange rate adjusted in other comprehensive income. The equity effects in 2021 and 2020 primarily consist of exchange-rate adjustments on bank loans and cross-currency swaps in USD that are designated as hedges of net investment and foreign exchange differences on outstanding cash flow hedging contracts.

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

31.2 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 25 *Debt to financial institutions and others and note 31.3 Fair value hierarchy for financial assets and liabilities, measured at fair value*.

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.

At 31 December 2021, the Group's portfolio of bonds had a duration of 2.2 years (1.2 years at 31 December 2020). Other things being equal, an increase of 1 percentage point in interest rates would decrease the Group's profit after tax by DKK 80m (decrease of DKK 36m at 31 December 2020).

At 31 December 2021, the Group had an interest rate swap with a contractual value of DKK 600m for managing interest rate exposure on Danish mortgage and government bonds amounting to DKK 2,488m (DKK 3,245m at 31 December 2020). Other than this, there were no derivatives at 31 December 2021 and 31 December 2020 to manage interest rate risks because the distribution of investments carrying floating and fixed interest at the given times was deemed to be satisfactory.

INTEREST EXPENSES

Interest rate risk is primarily related to Lundbeck and Falck. Lundbeck's exposure to interest rate risk is low, as the EUR 500m bond has a fixed coupon and the USD funding has been swapped into fixed interest through interest rate swaps. For more information about interest rate swaps, see note 25.2.

Falck's exposure to interest rate risk relates to the part of the mortgage loans which carry a floating interest rate, and the syndicated loan of DKK 1,733m, which carries variable interest.

An interest rate change on bank debt and bond debt, including interest rate swaps, of +/-1 percentage point would decrease/increase profit for the year after tax by DKK 11m (DKK 28m in 2020) and increase/decrease equity by DKK 24m in 2021 (DKK 60m at 31 December 2020) on an annual basis.

31.3 Fair value hierarchy for financial assets and liabilities, measured at fair value

Level 1 includes financial assets for which the fair value is measured based on quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured based on directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair

31. Financial risks and financial instruments - continued

31.3 Fair value hierarchy for financial assets and liabilities, measured at fair value - continued

value is measured based on valuation methods which include inputs not based on observable market data.

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

Level 3 liabilities are determined on the basis of profit prior to the right being exercised, multiplied by an already agreed multiple, typically less net debt in the relevant companies. When recognised in the balance sheet, this liability is made up on the basis of earnings and net debt at the time when the non-controlling interests are expected to exercise their right to sell their shares to the Group. 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.

The fair value of derivatives is determined by applying recognised measurement techniques, whereby assumptions are based on the market conditions prevailing on the balance sheet date.

The fair value of contingent consideration is calculated as the discounted cash outflows from future milestone payments, taking probability of success into consideration.

31. Financial risks and financial instruments - continued

31.3 Fair value hierarchy for financial assets and liabilities, measured at fair value - continued

Financial assets and liabilities measured at fair value through profit or loss

31 December 2021, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets, Invest				
Danish mortgage and government bonds	2,488	-	-	2,488
Credit bonds and loans	2,857	-	173	3,030
Equities	13,843	-	775	14,618
Private equity funds and other unlisted funds	-	248	2,496	2,744
Derivative financial instruments	-	99	-	99
Total financial assets, Invest	19,188	347	3,444	22,979
Lundbeckfonden Ventures and Emerge				
Equities	938	-	1,086	2,024
Receivables from sale of portfolio companies	-	-	75	75
Other receivables	-	-	51	51
Total Lundbeckfonden Ventures and Emerge	938	-	1,212	2,150
Other financial assets	22	-	35	57
Securities (current assets)	282	-	-	282
Total financial assets	**20,430**	**347**	**4,691**	**25,468**
Financial liabilities				
Contingent consideration (see note 27)	-	-	-	1,623
Total financial liabilities	**-**	**-**	**-**	**1,623**

Financial assets and liabilities measured at fair value through other comprehensive income

31 December 2021, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	41	-	41
Financial liabilities				
Derivative financial instruments	-	243	-	243

Financial assets and liabilities measured at fair value through profit or loss

31 December 2020, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets, Invest				
Danish mortgage and government bonds	3,245	-	-	3,245
Credit bonds and loans	2,518	-	157	2,675
Equities	11,288	-	433	11,721
Private equity funds and other unlisted funds	-	269	1,271	1,540
Derivative financial instruments	-	96	-	96
Total financial assets, Invest	17,051	365	1,861	19,277
Lundbeckfonden Ventures and Emerge				
Equities	658	-	1,071	1,729
Receivables from sale of portfolio companies	-	-	12	12
Other receivables	-	-	70	70
Total Lundbeckfonden Ventures and Emerge	658	-	1,153	1,811
Other financial assets	81	-	35	116
Securities (current assets)	509	-	-	509
Total financial assets	**18,299**	**365**	**3,049**	**21,713**
Financial liabilities				
Derivative financial instruments	-	46	-	46
Contingent consideration (see note 27)	-	-	1,108	1,108
Total financial liabilities	**-**	**46**	**1,108**	**1,154**

Financial assets and liabilities measured at fair value through other comprehensive income

31 December 2020, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	483	-	483
Financial liabilities				
Derivative financial instruments	-	151	-	151

31. Financial risks and financial instruments - continued

31.3 Fair value hierarchy for financial assets and liabilities, measured at fair value - continued

Financial assets measured at fair value according to level 3, DKKm	2021	2020
Carrying amount at 1 January	3,049	3,479
Additions	1,084	813
Disposals	-400	-832
Reclassification, from level 3 to level 1 in connection with IPOs	-562	-99
Transferred	-	-202
Fair value adjustment	1,520	-110
Carrying amount at 31 December	**4,691**	**3,049**

Applied valuation methods for the determination of fair value of the material 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 and credit bonds (listed)	Closing prices according to exchange markets	N/A	N/A
Equities (listed)	Closing prices according to exchange markets	N/A	N/A
Equities, property and infrastructure (unlisted)	Capitalisation model	Required rates on return 3.0-4.5% or cost if under construction	If required rate of return is reduced by 0.25pp the fair value will be increased by DKK 114m
Equities, Ventures and Emerge (unlisted)	Trading multiples, relative adjustment based on predefined value triggers/business plans, cost at recent transaction and price at financing round	Trading multiples, value trigger assumptions, cost at recent transaction and price at financing round	If group of investments increase by 1% the fair value will be increased by DKK 12m
Private equity funds and other unlisted funds	Adjusted reported net asset value (NAV)	Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant)	Data not accessible
Receivables including receivables from sale of portfolio companies	Expected discounted cash flow	N/A	N/A
Securities (current assets)	Closing prices according to exchange markets	N/A	N/A
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. Fair value for share and index options is based on closing prices according to exchange markets	N/A	N/A

31. Financial risks and financial instruments - continued

31.4 Maturity dates for financial assets and financial liabilities

31 December 2021, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	-	632	2,236	2,868	2,488	-2-3%
Credit bonds and loans	-	1,223	2,138	3,361	3,030	0-14%
Derivative financial instruments	99	-	-	99	99	
Financial assets, Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	75	-	-	75	75	
Other receivables	57	5	-	62	51	8-16%
Securities (current assets)	449	-	-	449	282	-2-14%
Financial assets at fair value through profit or loss	**680**	**1,860**	**4,374**	**6,914**	**6,025**	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	24	4	-	28	28	
Financial assets at fair value through other comprehensive income	**24**	**4**	**-**	**28**	**28**	
Receivables	5,332	351	-	5,683	5,683	
Cash and bank balances	4,321	-	-	4,321	4,321	-1-0%
Financial assets measured at amortised cost	**9,653**	**351**	**-**	**10,004**	**10,004**	
Total financial assets	**10,357**	**2,215**	**4,374**	**16,946**	**16,057**	

31 December 2021, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial liabilities						
Contingent consideration	1,237	33	353	1,623	1,623	
Financial liabilities at fair value through profit or loss	**1,237**	**33**	**353**	**1,623**	**1,623**	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	226	9	-	235	235	
Financial liabilities at fair value through other comprehensive income	**226**	**9**	**-**	**235**	**235**	
Bank debt and bond debt etc.	342	2,602	4,831	7,775	7,351	0-2%
Leasing liabilities	574	1,097	389	2,060	1,959	1-8%
Liabilities relating to acquisitions and non-controlling interests	2	-	-	2	2	
Other payables and non-disbursed grants	9,649	1,518	-	11,167	11,167	
Financial liabilities measured at amortised cost	**10,567**	**5,217**	**5,220**	**21,004**	**20,479**	
Total financial liabilities	**12,030**	**5,259**	**5,573**	**22,862**	**22,337**	

The amounts in the tables are including interest.

31. Financial risks and financial instruments - continued

31.4 Maturity dates for financial assets and financial liabilities - continued

31 December 2020, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	-	1,032	2,522	3,554	3,245	-1-1%
Credit bonds and loans	-	996	2,365	3,361	2,675	0-22%
Derivative financial instruments	96	-	-	96	96	
Financial assets, Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	12	-	-	12	12	
Other receivables	74	6	-	80	70	8-15%
Securities (current assets)	663	-	-	663	509	-1-22%
Financial assets at fair value through profit or loss	**845**	**2,034**	**4,887**	**7,766**	**6,607**	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	476	7	-	483	483	
Financial assets at fair value through other comprehensive income	**476**	**7**	**-**	**483**	**483**	
Receivables	5,415	342	-	5,757	5,757	
Cash and bank balances	5,885	-	-	5,885	5,885	-1-10%
Financial assets measured at amortised cost	**11,300**	**342**	**-**	**11,642**	**11,642**	
Total financial assets	**12,621**	**2,383**	**4,887**	**19,891**	**18,732**	

31 December 2020, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial liabilities						
Derivatives included in the trading portfolio	46	-	-	46	46	
Contingent consideration	-	1,087	21	1,108	1,108	
Financial liabilities at fair value through profit or loss	**46**	**1,087**	**21**	**1,154**	**1,154**	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries	93	58	-	151	151	
Financial liabilities at fair value through other comprehensive income	**93**	**58**	**-**	**151**	**151**	
Bank debt and bond debt etc.	2,159	4,642	4,411	11,212	10,707	1-3%
Leasing liabilities	421	953	564	1,938	1,842	1-8%
Liabilities relating to acquisitions and non-controlling interests	173	-	-	173	173	
Other payables and non-disbursed grants	10,883	781	-	11,664	11,664	
Financial liabilities measured at amortised cost	**13,636**	**6,376**	**4,975**	**24,987**	**24,386**	
Total financial liabilities	**13,775**	**7,521**	**4,996**	**26,292**	**25,691**	

The amounts in the tables are including interest.

31. Financial risks and financial instruments - continued

31.5 Net outstanding forward exchange rate transactions, currency options, interest rate swaps and equity options

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, DKKm	Contractual value according to hedge accounting	Fair value at year-end recognised in other comprehensive income	Realised exchange gains/losses for the year recognised in the income statement/ balance sheet	Average hedge prices of existing forward exchange contracts	Maturity
2021					
CAD (sell position)	393	-12	-23	499.04	Oct 2022
CNY (sell position)	505	-33	-28	95.53	Oct 2022
JPY (sell position)	252	-1	14	5.69	Nov 2022
USD (sell position)	3,030	-108	116	631.25	Nov 2022
Other currencies	1,136	-12	-26	-	Dec 2022
Forward contracts	**5,316**	**-166**	**53**		
2020					
CAD (sell position)	383	1	7	475.46	Dec 2021
CNY (sell position)	458	-2	-	91.71	Oct 2021
JPY (sell position)	294	8	5	6.04	Oct 2021
USD (sell position)	3,337	225	-55	648.01	Oct 2021
Other currencies	1,172	-27	48	-	Dec 2021
Forward contracts	**5,644**	**205**	**5**		

Currency option contracts, DKKm	Contractual value according to hedge accounting	Fair value at year-end recognised in other comprehensive income	Realised exchange gains/losses for the year recognised in the income statement/ balance sheet	Average hedge prices of existing forward exchange contracts	Maturity
2021					
AUD (sell position)	82	-1	-	462.18 – 498.24	Nov 2022
CAD (sell position)	137	-2	-	498.99 – 536.51	Dec 2022
JPY (sell position)	43	-	-	5.49 – 6.01	Oct 2022
USD (sell position)	571	-14	-	634.07 – 670.85	Nov 2022
Currency option contracts	**833**	**-17**	**-**		

31. Financial risks and financial instruments - continued

31.5 Net outstanding forward exchange rate transactions, currency options, interest rate swaps and equity options - continued

Interest rate collar/interest rate swap, DKKm	Contractual value	Market value 31 December	Gains/losses recognised in other comprehensive income	Fixed interest rate	Expiry
2021					
USD interest rate swap	2,001	-24	63	1.56	Jul 2023
DKK interest rate swap	600	5	22	0.25	Jul 2029
Interest rate collar/interest rate swap		**-19**	**85**		
2020					
USD interest rate swap	-1,785	22	22	-	Oct 2021
USD interest rate swap	1,755	-104	-112	1.56	Jul 2023
DKK interest rate swap	600	-17	-18	0.25	Jul 2029
Interest rate collar/interest rate swap		**-99**	**-108**		

TRADING PART

Equity contracts, DKKm	Contractual value	Gains/losses recognised in the income statement	Market value 31 December	Expiry
2021				
Options on indices	5,570	260	60	Mar 2022
Options on shares	2,123	134	34	Dec 2024
Total	**7,693**	**394**	**94**	
2020				
Options on indices	1,052	-84	34	Jan 2021
Options on shares	-24	86	61	Dec 2021
Futures on indices	-1,987	-25	-28	Mar 2021
Total	**-959**	**-23**	**67**	

32. Contractual obligations, contingent assets and liabilities, and collaterals

OTHER CONTRACTUAL OBLIGATIONS

DKKm	2021	2020
Purchase obligations	68	126
Research and development milestone obligations	1,031	300
Guarantee for a third party's debt	112	-
Capital contribution obligations	1,068	1,384

CONTINGENT ASSETS AND LIABILITIES

Pending legal proceedings

The Group is involved in a number of legal proceedings, including patent disputes, the most significant of which are described below. The outcome of these proceedings is not expected to have a material impact on the financial position or cash flows beyond the amount already provided for in the financial statements, or it is too uncertain to make a reliable provision. Such proceedings will, however, develop over time, and new proceedings may occur which could have a material impact on the financial position and/or cash flows.

In June 2013, Lundbeck received the European Commission's decision that agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining Lundbeck EUR 93.8m (approximately DKK 700m). Lundbeck paid and expensed the fine in the third quarter of 2013. In March 2021, the European Court of Justice rejected Lundbeck's final appeal of the European Commission's decision. So-called 'follow-on claims' for reimbursement of alleged losses, resulting from alleged violation of competition law, often arise when decisions and fines issued by the European Commission are upheld by the European Court of Justice. Health authorities in the UK and an umbrella organisation of Dutch health insurance companies have taken formal protective steps against Lundbeck with the principal purpose of preventing potential claims from being time-barred under the applicable statutes of limitation. In September 2021, the UK proceedings were transferred from the High Court to the Competition Appeal Tribunal at the request of the parties. Lundbeck expects that the UK health authorities will now pursue their alleged claims. Further, in late October 2021, Lundbeck received a writ of summons from a German healthcare company claiming compensation for an alleged loss of profit plus interest payments, allegedly resulting from Lundbeck's conclusion of agreements with two of the four generic competitors, which were comprised by the EU Court of Justice ruling. Lundbeck is preparing its defence and it may take several years before a final conclusion is reached by the German courts. Lundbeck disagrees with the claims and will defend itself against the claims

In Canada, Lundbeck is involved in three product liability class-action lawsuits relating to Cipralex®/Celexa® (two cases alleging various Celexa®-induced birth defects and one case against several manufacturers of selective serotonin reuptake inhibitors (SSRIs) (incl. Lundbeck) alleging that the SSRI (Celexa®/Lexapro®) induces autism birth defect, three relating to Abilify Maintena® (alleging i.a., failure to warn about compulsive behaviour side effects) and one relating to Rexulti® (also alleging i.a., failure to warn about compulsive behaviour side effects). The cases are in the preliminary stages and, as such, there is significant uncertainty as to how these lawsuits will be resolved. Lundbeck strongly disagrees with the claims raised.

In 2018, Lundbeck entered into settlements with three of four generic companies involved in an Australian federal court case, in which Lundbeck was pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck received AUD 51.7m (DKK 242m) in 2018. In Lundbeck's case against the last of the four generic companies, Sandoz Pty Ltd, the Federal Court found that Sandoz Pty Ltd had infringed Lundbeck's escitalopram patent between 2009 and 2012 and awarded Lundbeck AUD 26.3m in damages. Sandoz' appeal of the decision was heard in May 2019 and the Full Federal Court has in August 2020 allowed Sandoz' appeal and decided that Sandoz is not liable for damages. Lundbeck's application for special leave to appeal the decision to the High Court was granted in February 2021, and the appeal was heard on 8 October 2021. A decision is expected within three to six months of the hearing. If Lundbeck's appeal is successful, the case will go back to the Federal Court for recalculation and Lundbeck's appeal of the Australian Patent Office's decision to grant Sandoz a licence will be restarted.

Together with Takeda, Lundbeck instituted patent infringement proceedings against 16 generic companies in response to their filing of Abbreviated New Drug Applications ('ANDAs') with the US FDA seeking to obtain marketing approvals for generic versions of Trintellix® in the USA. Two opponents have since withdrawn and Lundbeck has settled with eight opponents. As communicated by Lundbeck in company release no. 706 dated 1 October 2021, the cases against the six remaining opponents (the 'ANDA Filers') has been decided by the US District Court for the District of Delaware (the 'Court'). The Court found that Lundbeck's patent protecting the active ingredient in Trintellix®, vortioxetine (US Patent No. 7,144,884) is valid. The active ingredient patent expires on 17 June 2026, with an expected six-month paediatric exclusivity period extending to 17 December 2026. Assuming the ruling is confirmed at appeal, final approval will not be granted to the relevant ANDA Filers until after expiration of the active ingredient patent, including any extension or additional periods of exclusivity. A total of seven other patents asserted at trial were found by the Court to be valid or their validity was not challenged during the trial. The Court decided that none of the seven other patents were infringed by the relevant ANDA Filers, except that Lupin was found to infringe a patent covering Lundbeck's process for manufacturing vortioxetine. Unless and until the Court's ruling is reversed on appeal, the patents found not infringed by a particular ANDA Filer will not prevent

32. Contractual obligations, contingent assets and liabilities, and collaterals - continued

that ANDA Filer from receiving final approval. For details on each of the patents comprised by the case, please see the company release no. 706. The Court's decision has been appealed by Lundbeck to the US Court of Appeals for the Federal Circuit. Lupin has appealed with respect to the process patent and the ANDA Filers have cross appealed with respect to the validity of two of the seven other patents.

Together with Otsuka Pharmaceutical, Lundbeck has instituted patent infringement proceedings against several generic companies that have applied for marketing authorisations for generic versions of Rexulti® in the USA. Lundbeck has strong confidence in the Rexulti® patents. The US FDA cannot grant marketing authorisation in the USA to the generic companies before the patents expire, unless the generic companies receive decisions in their favour. Trial is scheduled to begin on 25 July 2022. The compound patent, including patent term extensions, will expire in the USA on 23 June 2029. A patent for the specific formulation used will expire 12 September 2032.

Lundbeck received a Civil Investigative Demand ('CID') from the US Department of Justice ('DOJ') in March 2020. The CID seeks information regarding the sales, marketing, and promotion of Trintellix®. Lundbeck is cooperating with the DOJ.

In the USA, Lundbeck is involved in three product liability lawsuits relating to Lexapro® (alleging Lexapro® induces birth defects). The cases are in the preliminary stages. Lexapro® was marketed by Forest Labs. in the USA. Lundbeck will vigorously defend against the claims raised.

Product return obligations
The Group has product return obligations that are normal for the industry. Management does not expect any major losses from these obligations apart from the amount already recognised.

Usual representations and warranties are made in connection with the divestment of companies and operations. There are currently no significant outstanding claims that are not sufficiently recognised in the statement of financial position.

Environmental obligations
The Group may be liable in environmental cases related to cleaning of some properties. The matter is being investigated, and it is currently not practical to estimate the potential outcome.

33. Related parties

Collaterals
Land and buildings provided as security for mortgage debt amounted to DKK 550m (DKK 490m at 31 December 2020) out of mortgage debt of DKK 276m (DKK 690m at 31 December 2020).

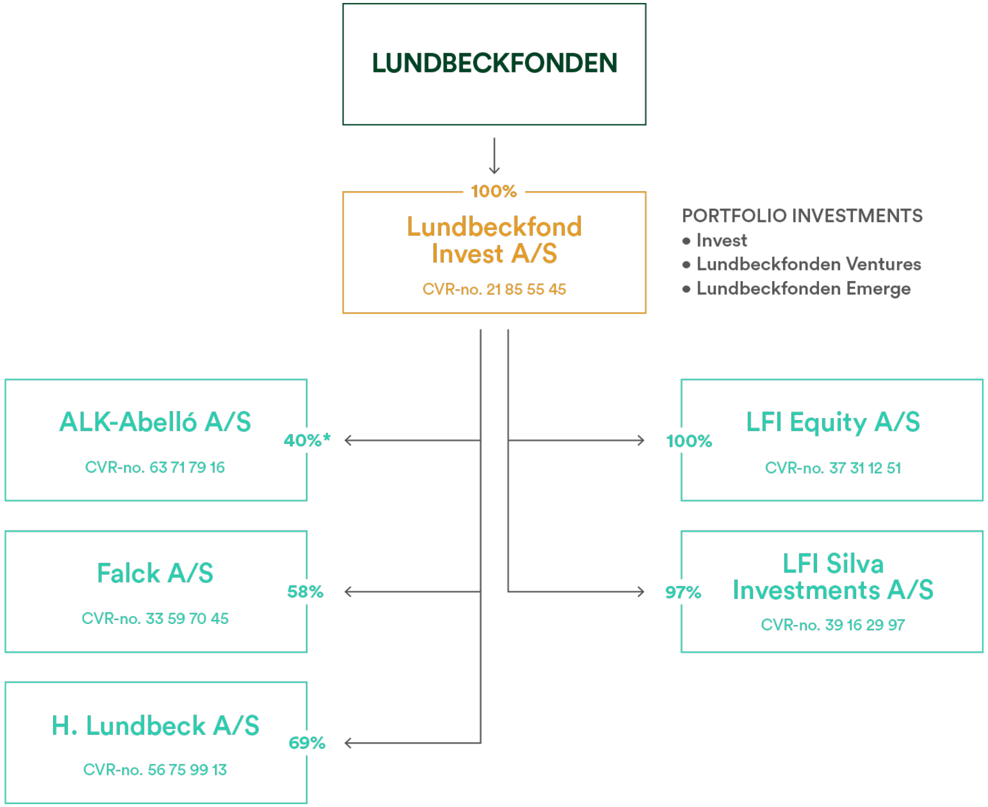
Lundbeckfonden is a commercial foundation established by Grete Lundbeck in 1954. As a foundation, no party controls Lundbeckfonden.

Related parties to Lundbeckfonden:

- The Foundation's Executive Management and Board of Directors
- Companies in which the Foundation's Executive Management and Board of Directors exercise controlling influence
- Associates

See note 3 *Employee costs* for information about remuneration received by the Board of Directors and the Executive Management.

34. Group overview



* Voting rights 67%

Company name	Country	Ownership
Subsidiaries of Lundbeckfonden		
Lundbeckfond Invest A/S, including	Denmark	100%
- H. Lundbeck A/S	Denmark	69%
- ALK-Abelló A/S	Denmark	40% (67% of the votes)
- Falck A/S	Denmark	58%
- LFI Equity A/S	Denmark	100%
- LFI Silva Investments A/S	Denmark	97%
- LFI Silva Investments Ltd.	United Kingdom	100%
- epVIR ApS	Denmark	100%
- DySIS Medical Ltd., including	United Kingdom	84%
- Forth Photonics Trustees Limited	United Kingdom	100%
- Forth Photonics Limited	United Kingdom	100%
- DYSIS Medical INC	United States	100%
- Forth Photonics Hellas S.A	Greece	100%
Insusense ApS	Denmark	75%
Associates of Lundbeckfond Invest A/S [1)]		
Obel-LFI Ejendomme A/S	Denmark	50%
Cresco Capital Services A/S	Denmark	25%
NMD Pharma A/S	Denmark	25%
CytoKi Pharma ApS	Denmark	30%
IO Biotech, Inc., including	United States	21%
- IO Biotech ApS, including	Denmark	100%
- IO Bio US, Inc.	United States	100%
- IO Biotech Limited	United Kingdom	100%
SNIPR Holdings ApS, including	Denmark	16%
- SNIPR Technologies Ltd.	United Kingdom	100%
- Folium Food Science Ltd.	United Kingdom	75%
SNIPR Biome ApS [2)], including	Denmark	31%
- SNIPR Biome UK Ltd.	United Kingdom	100%
VHsquared Ltd.	United Kingdom	30%
Subsidiaries of H. Lundbeck A/S		
Lundbeck Argentina S.A.	Argentina	100%
Lundbeck Australia Pty Ltd, including	Australia	100%
- CNS Pharma Pty Ltd	Australia	100%
Lundbeck Austria GmbH	Austria	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%

34. Group overview - continued

Company name	Country	Ownership
Lundbeck Czech Republic s.r.o.	Czech Republic	100%
Lundbeck Export 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%
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.	Netherlands	100%
Prexton Therapeutics B.V., including	Netherlands	100%
- Prexton Therapeutics S.A.	Switzerland	100%
Lundbeck New Zealand Limited	New Zealand	100%
H. Lundbeck AS	Norway	100%
Lundbeck Pakistan (Private) Limited	Pakistan	100%
Lundbeck America Central S.A.	Panama	100%
Lundbeck Peru S.A.C.	Peru	100%
Lundbeck Philippines Inc.	Philippines	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 LLC	Russia	100%
Lundbeck Singapore PTE. LTD.	Singapore	100%
Lundbeck Slovensko s.r.o.	Slovakia	100%

Company name	Country	Ownership
Lundbeck Pharma d.o.o.	Slovenia	100%
Lundbeck South Africa (Pty) Limited, including	South Africa	100%
- H. Lundbeck (Proprietary) Limited	South Africa	100%
Lundbeck España S.A.	Spain	100%
H. Lundbeck AB	Sweden	100%
Lundbeck (Schweiz) AG	Switzerland	100%
Lundbeck İlaç Ticaret Limited Şirketi	Turkey	100%
Lundbeck Group Ltd. (Holding), including	United Kingdom	100%
- Lundbeck Limited	United Kingdom	100%
- Lundbeck Pharmaceuticals Ltd.	United Kingdom	100%
- Lifehealth Limited	United Kingdom	100%
- Lundbeck UK LLP [3)]	United Kingdom	100%
Lundbeck USA Holding LLC, including	United States	100%
- Lundbeck LLC, including	United States	100%
- Chelsea Therapeutics International, Ltd., including	United States	100%
- Lundbeck NA Ltd.	United States	100%
- Lundbeck Pharmaceuticals LLC	United States	100%
- Lundbeck Research USA, Inc.	United States	100%
- Lundbeck La Jolla Research Center, Inc., including	United States	100%
- Abide Therapeutics (UK) Limited	United Kingdom	100%
- Lundbeck Seattle BioPharmaceuticals, Inc., including	United States	100%
- Alder Biopharmaceuticals Pty., Ltd.	Australia	100%
- Alder Biopharmaceuticals Limited	Ireland	100%
- Alderbio Holdings LLC ("ANEV")	United States	100%
Lundbeck de Venezuela, C.A.	Venezuela	100%
Subsidiaries of ALK-Abelló A/S		
Europe		
ALK-Abelló Allergie-Service GmbH	Austria	100%
ALK-Abelló Nordic A/S	Denmark	100%
ALK e-com A/S	Denmark	100%
ALK S.A.S	France	100%
ALK-Abelló Arzneimittel GmbH	Germany	100%
ALK-Abelló B.V.	Netherlands	100%
ALK-Abelló sp. z.o.o.	Poland	100%
ALK Slovakia s.r.o.	Slovakia	100%
ALK-Abelló S.A., including	Spain	100%
- ALK-Abelló S.p.A.	Italy	100%
ALK AG (in liquidation)	Switzerland	100%
ALK-Abelló AG	Switzerland	100%
ALK-Abelló Ltd.	United Kingdom	100%

34. Group overview - continued

Company name	Country	Ownership
North America		
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%
ALK-Abelló, Inc., including	United States	100%
- OKC Allergy Suppliers Inc.	United States	100%
ALK-Abelló, Source Materials, Inc., including	United States	100%
- OKC Crystal Laboratory Inc.	United States	100%
International markets		
ALK (Shanghai) Medical Technology Company Limited (Dormant)	China	100%
ALK ilaç ve Alerji Ürünleri Ticaret	Turkey	100%
Subsidiaries of Falck A/S		
Ambulance Europe		
Falck Danmark A/S	Denmark	100%
Responce A/S	Denmark	100%
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	100%
Falck Notfallrettung und Katastrophenschutz GmbH	Germany	100%
Falck Notfallrettung und Krankentransport Cuxhaven GmbH	Germany	100%
Falck Notfallrettung und Krankentransport Dortmund GmbH	Germany	100%
Falck Notfallrettung und Krankentransport GmbH	Germany	100%
Falck Notfallrettung und Krankentransport Spree-Neiße GmbH	Germany	100%
Falck Rettungsdienst GmbH	Germany	100%
Falck Rettungsdienst Hanse GmbH	Germany	100%
Falck Rettungsdienst Holding GmbH	Germany	100%
Falck Rettungsdienst Nord GmbH	Germany	100%
Falck Eurasia B.V.	Netherlands	100%
Falck VL Servicios Sanitarios, S.L.	Spain	100%
Falck Ambulans AB	Sweden	100%
Falck Services AB	Sweden	100%
Falck Sverige Holding AB	Sweden	100%
Ambulance US		
Falck Mobile Health Corp.	United States	100%
Falck Northwest Corp.	United States	100%
Falck Rocky Mountain, Inc.	United States	100%
Falck USA Inc.	United States	100%

Company name	Country	Ownership
Fire Services		
Falck Fire Services BE NV	Belgium	100%
Falck Fire & Safety do Brasil S.A.	Brazil	65%
Falck France SAS	France	65%
Falck Fire Services DE GmbH	Germany	100%
Falck Operations Services DE GmbH	Germany	100%
Falck Servizi Industriali di Emergenza S.r.l.	Italy	65%
Falck Holding B.V.	Netherlands	100%
Falck Brann og Redningstjeneste AS	Norway	100%
Falck Fire Services Polska Sp. z.o.o.	Poland	100%
Falck SCI Portugal - Segurança Contra Incêndios, SA.	Portugal	100%
Falck Fire Services S.R.L.	Romania	100%
Falck Fire Services a.s.	Slovakia	100%
Falck SCI, S.A.	Spain	65%
Falck Räddningstjänst AB	Sweden	100%
Falck Fire Services UK Limited	United Kingdom	100%
Employee Healthcare		
Falck Healthcare A/S	Denmark	100%
Falck Helse AS	Norway	100%
Frisk Aktimed Helse AS	Norway	100%
Frisk Gruppen AS	Norway	100%
Frisk Utvikling AS	Norway	100%
AB Previa	Sweden	100%
Alviva AB	Sweden	100%
Falck Health Care Holding AB	Sweden	100%
Assistance		
Falck Assistance A/S	Denmark	100%
Falck Investment Sverige AB	Sweden	100%
Community Healthcare		
Falck Brasil 747 Participações Ltda.	Brazil	100%
Falck Servicios Logisticos S.A.S.	Colombia	100%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100%
Haces Inversiones y Servicios S.A.S.	Colombia	100%
EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100%
EMI El Salvador S.A. de C.V.	El Salvador	100%
EMI Central America Holding S.A.	Panama	100%

34. Group overview - continued

Company name	Country	Ownership
EMI Holdings Management S.A.	Panama	100%
EMI Panama S.A.	Panama	100%
Luvtel S.A.	Uruguay	100%
Portovenus S.A.	Uruguay	16%
UCM Uruguay S.A.	Uruguay	100%
Portfolio business		
Falck (Victoria) Pty. Ltd.	Australia	100%
Falck Pty. Ltd.	Australia	100%
Falck Global Assistance (China) Limited	China	100%
Falck Global Assistance A/S	Denmark	100%
Falck Autoabi OÜ	Estonia	100%
Falck Global Assistance Oy	Finland	100%
Falck Oy	Finland	100%
Falck India Pvt. Ltd. (India)	India	100%
Falck Services Pvt. Ltd. (India)	India	100%
UAB Falck Lietuva	Lithuania	100%
Falck Services Limited	Mauritius	100%
Falck Global Assistance Norway AS	Norway	100%
Falck Redning AS	Norway	100%
Falck Medycyna Sp. z.o.o.	Poland	100%
Falck Global Assistance Singapore Pte. Ltd.	Singapore	100%
Falck Emergency AS	Slovakia	100%
Falck SK a.s.	Slovakia	100%
Falck Záchranná a.s.	Slovakia	100%
Falck Global Assistance Spain S.L.	Spain	100%
Falck Lanka (Pvt) Ltd.	Sri Lanka	50%
Falck Global Assistance AB	Sweden	100%
Falck Hälsopartner AB	Sweden	100%
Falck Räddningskår AB	Sweden	100%
Falck Global Assistance (Thailand) Ltd.	Thailand	49%
Falck Global Assistance Ltd.	Thailand	100%
Falck Saglik AS	Turkey	100%
Falck India Limited	United Kingdom	100%
Falck UK Ambulance Service Limited	United Kingdom	100%
Falck Northern California Corp.	United States	100%
Falck Global Assistance, LLC	United States	100%

Company name	Country	Ownership
Group		
Falck Properties A/S	Denmark	100%
Falck Treasury A/S	Denmark	100%

(1) Associates recognised in *Financial assets - Lundbeckfonden Ventures and Emerge*
(2) SNIPR Biome ApS is owned by Lundbeckfond Invest A/S and SNIPR Holdings ApS
(3) Lundbeck UK LLP is owned by Lundbeck Group Ltd. (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H. Lundbeck A/S as their direct or ultimate parent company

35. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise mentioned (see note 1 for information about new standards and amendments issued but not yet effective).

Basis of consolidation

The consolidated financial statements comprise the parent foundation Lundbeckfonden and entities controlled by the parent foundation.

Business combinations

Acquisitions are evaluated to determine whether they constitute a business combination in accordance with IFRS 3 Business Combinations or a purchase of individual assets and liabilities.

Acquired assets and liabilities that do not constitute a business are recognised at cost, i.e., no goodwill or negative goodwill is recognised.

Newly acquired or newly established companies or operations are recognised in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the Group. Companies sold or discontinued are recognised in the consolidated income statement up to the date of disposal. The date of disposal is the date when control of the company actually passes to a third party.

Acquisitions are accounted for using the purchase method, according to which, the identifiable assets, liabilities and contingent liabilities of companies acquired are measured at fair value at the date of acquisition.

35. Significant accounting policies - continued

Restructuring costs are only recognised in the takeover balance sheet if they represent a liability to the acquired company. The tax effect of revaluations is taken into account.

The cost of a company is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events, these are recognised at their fair value at the date of acquisition.

Put options issued to minority shareholders in connection with acquisitions for them to sell their remaining shares to the Group, the value of which are 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 present value of the expected exercise price. Any changes in the fair value of issued put options after initial recognition are recognised in equity.

Costs that can be attributed directly to the transfer of ownership are recognised in the income statement when they are incurred. Adjustments to estimates of conditional consideration are recognised directly to the income statement.

If the fair value of the acquired assets or liabilities subsequently proves different from the values calculated at the date of acquisition, cost is adjusted for up to 12 months after the date of acquisition.

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill), is recognised as an asset under intangible assets and tested for impairment at least annually.

Gains or losses on disposal of subsidiaries are stated as the difference between the disposal amount and the carrying amount of net assets including goodwill at the date of disposal, accumulated foreign exchange adjustments recognised in other comprehensive income, and anticipated disposal costs. The disposal amount is measured as the fair value of the consideration received.

Divestments

Companies divested or discontinued are recognised in the income statement until the date of divestment or discontinuation. Divested activities are shown separately as discontinued operations.

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

Translation of foreign currency

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 under financial items.

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 differences between the exchange rates at the time of recognition and the exchange rates at the balance sheet date or recognition of settlement are recognised in the income statement under financial items.

On translation of foreign subsidiaries having a functional currency different from that used by the Foundation, items in the income statement are translated at monthly average exchange rates, and non-monetary and monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising when translating the income statements and the balance sheets of foreign subsidiaries are recognised in other comprehensive income.

Exchange gains/losses on translation of receivables from, or payables to, subsidiaries that are considered part of the Group's net overall investment in the subsidiaries are recognised in other comprehensive income.

Exchange gains/losses on that part of the bank debt in foreign currency which is used for hedging of the net investments in subsidiaries, and which provides an effective hedging of the exchange gains/losses of the net investments, are recognised in other comprehensive income.

35. Significant accounting policies - continued

FINANCIAL INSTRUMENTS

Forward exchange contracts, interest rate swaps, equity options and other derivatives are initially recognised in the balance sheet at fair value on the contract date and subsequently remeasured at fair value at the balance sheet date. The fair value of derivatives is determined by applying recognised measurement techniques, whereby assumptions are based on the market conditions prevailing 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 hedge accounting are recognised in other comprehensive income. On recognition of hedged items, income and expenses related to such hedging transactions are transferred from other comprehensive income and recognised in the same line item as the hedged item.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

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

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

Securities, equity investments recognised in other financial assets, derivatives and contingent consideration measured at fair value are classified according to the fair value hierarchy as belonging to levels 1-3 depending on the valuation method applied.

INCENTIVE PROGRAMMES

Share-based incentive programmes (equity-settled share-based payments) which comprise share option plans, conditional share plans, and performance shares are measured at the grant date at fair value and recognised in the income statement under the respective functions over the vesting period and offset in equity.

The fair value of share options is determined using the Black-Scholes model.

If the share option agreements entitle the Group to demand cash settlement of the options, the cash-settled share options are recognised as other liabilities and adjusted to fair value when the Group has an obligation to settle in cash. The subsequent adjustment to fair value is recognised in the income statement under financial items.

Warrants regarding warrant programmes for the executive management boards of subsidiaries are issued at the market value on the date of grant. Payments received and made in relation to the warrant programmes are recognised in equity.

NON-CONTROLLING INTERESTS

On initial recognition, non-controlling interests are measured either 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 accounted for as transactions with shareholders, in their capacity as shareholders. Thus, 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 liability is recognised. The liability is determined as the present value of the expected exercise price of the option. Subsequent adjustments to the liability are recognised in equity.

Issued put options relating to business combinations with an acquisition date prior to 1 January 2010 will continue to be recognised in accordance with IFRS 3 (2004), i.e., with recognition of interest expenses in the income statement and value changes in goodwill. Any subsequent dividend payments to option holders reduce the liability, as the option price is adjusted for dividend payment.

35. Significant accounting policies - continued

INCOME STATEMENT

Revenue Lundbeck and ALK

Revenue comprises invoiced sales less expected return of goods for the year less returned goods, sales, discounts, rebates and revenue-based taxes. Revenue is recognised when the goods are delivered at the agreed destination (point in time), meaning that control of products has transferred to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products.

Revenue is measured at the amount of consideration to which the Group expects to be entitled to in exchange for transferring the products. Revenue is recognised net of sales deductions, including product returns as well as discounts, rebates and revenue-based taxes.

Moreover, revenue includes licence income and royalties from out-licensed products as well as non-refundable down payments and milestone payments relating to research and development collaborations and income from collaborations on the commercialisation of products.

Sales-based licensing and royalty income from out-licensed products are recognised in profit or loss under revenue, when the Group provides access to its product rights as it exists throughout the licence period. As the performance obligations are satisfied over time, revenue is also recognised over time.

When the Group provides a customer the right to use the product rights as it exists at the point in time at which the licence is granted, revenue is recognised at a point in time when control is transferred to the licensee and the licence period begins when the customer's rights to the intellectual property is transferred.

Non-refundable down payments and milestone payments received relating to research collaborations are recognised in profit or loss under revenue.

Revenue Falck

Revenue includes services and goods delivered together with invoiced subscriptions attributable to the financial period. Revenue is recognised in the income statement if the control of the services or goods are transferred to the customer. Services are recognised over time when the customer receives and consumes the benefits as the service is delivered by Falck.

For contracts with predetermined price reductions, the transaction price will be recalculated to an average price covering the total contract period.

For contracts where Falck acts as an agent (mainly claims handling), the revenue is recognised as the net amount that Falck is entitled to retain in return for its services as agent. For contracts where Falck acts as a principal, the revenue is recognised as the gross amount to which Falck expects to be entitled.

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.

Contracts with variable considerations are measured using the most likely amount and re-measured on a monthly basis.

Cost of sales

Cost of sales comprises the cost of goods and services sold. Cost includes the cost of raw materials, transportation costs, consumables and goods for resale, direct labour and indirect costs of production, including operating costs, amortisation/depreciation and impairment losses relating to product rights and manufacturing facilities. Moreover, cost of sales includes royalty payments for in-licensed products, expenses for quality assurance of products and write-downs to net realisable value of obsolete and slow-moving goods.

Cost of sales also includes external assistance used 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., employee costs, 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.

Due to a very long development period and the significant uncertainties inherent in the development of new products, development costs are expensed as incurred in line with industry practice. Consequently, the development costs do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

35. Significant accounting policies - continued

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 incurred 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, distribution and marketing functions, amortisation/depreciation and impairment losses, 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 and other expenses relating to e.g., management, HR, IT and finance functions, as well as amortisation/depreciation and impairment losses, and other indirect costs.

Other operating items

Other operating items comprise other income and expenses relating to operating activities of a secondary nature to the Group. Other operating items include integration and transaction costs relating to material acquisitions, transaction costs relating to divestments, income and expenses relating to legal settlements and material gains and losses on the sale or retirement of items of intangible assets and property, plant and equipment.

Special items

Special items comprise significant income and expenses of a special nature in terms of the Group's revenue-generating operating activities such as impairment of goodwill and product rights.

Results of investments in associates measured using the equity method

The proportionate share of the results of associates is recognised in the income statement after tax. Unrealised gains and losses on transactions with associates are eliminated in proportion to the Group's share of the enterprise.

Financial items

Financial items comprise:

- Interest income and expenses
- Net gain or loss on financial assets, including dividends
- Dividends to capital holders who have received put options in connection with business combinations in the cases where the option price is independent of dividend payments
- Fair value adjustment of contingent consideration
- Fair value adjustment of other financial liabilities
- Interest expenses and income related to uncertain tax positions are recognised on the balance sheet as tax liabilities and tax assets, respectively, upon the receipt of rulings from the tax authorities, and correspondingly reflected in the income statement as financial items, net
- Foreign currency gain and loss
- Other financial income and expenses

Interest income and expenses are accrued based on the principal and the effective rate of interest.

Income tax

Lundbeckfonden's Danish subsidiaries are jointly taxed with Lundbeckfond Invest A/S as the administration company. The current Danish corporate 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 a dividend to Lundbeckfonden. Since Lundbeckfonden's taxable income is regularly offset against grants for the year and tax provisions for future grants, no deferred tax asset or liability is recognised in respect of financial assets (portfolio investments) owned by Lundbeckfonden and Lundbeckfond Invest A/S and 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 in equity. The effect of foreign exchange differences on deferred tax is recognised in the balance sheet as part of the movements in deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances based on either the most likely amount or the expected value, depending

35. Significant accounting policies - continued

on which method provides a better prediction of the resolution of the uncertainty.

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

Current tax payables and receivables, including contributions payable and receivable under the Danish joint taxation scheme, are recognised in the balance sheet, computed as tax calculated on the taxable income for the year adjusted for provisional tax paid.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognised on temporary differences arising either on initial recognition of goodwill or from a transaction that is not a business combination, if the temporary difference ascertained at the time of the initial recognition affects neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of the individual assets.

Deferred tax is measured on the basis of the income tax rates and tax rules in force in the respective countries at the balance sheet date. Changes in deferred tax resulting from changed income tax rates or tax rules are recognised in profit or loss.

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

Changes in deferred tax concerning expenses for share-based payments are generally recognised in profit or loss. However, if the amount of the tax deduction exceeds the related cumulative expense, it indicates that the tax deduction relates not only to an operating expense, but also to an equity item. In such a case, the excess of the associated current or deferred tax is recognised directly in equity.

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

BALANCE SHEET

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost 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).

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 can be demonstrated. Furthermore, such costs are capitalised only where the intention is to manufacture, market or use the project, when the cost can be measured reliably and when it is probable that the future earnings can cover production, sales and distribution costs, administrative expenses and development costs.

After completion of the development work, development costs are amortised over the expected useful life. The maximum amortisation period for development projects protected by intellectual property rights is consistent with the remaining patent protection period of the rights concerned. Ongoing development projects are tested for impairment at least annually or when there is indication of impairment.

Product rights and other intangible assets

Acquired intellectual property rights in the form of product rights, patents, licences, customer relationships, brands and software are measured at cost less accumulated amortisation and impairment losses. 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 follow the patent terms, which are currently between five and 15 years. Other rights are amortised over the period of agreement. Intangible assets acquired on acquisition are amortised over the expected economic life, estimated to be three-to-10 years. Software is amortised over the expected economic life, estimated to be three-to-five years. Amortisation commences when the asset is ready to be brought into use.

Amortisation is recognised in the income statement under cost of sales, and research and development costs, respectively.

Borrowing costs to finance the manufacture of intangible assets are recognised in the cost price, if such borrowing costs relate to the production period. Other borrowing costs are expensed.

35. Significant accounting policies - continued

Gains and losses on the disposal of development projects, patents and licences are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale. In general, amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Cost includes the cost 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 recognised in the income statement.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term unless it is reasonably certain that a purchase option will be exercised at the end of the lease term. In that case, the assets are depreciated over the full, expected useful life.

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
Dispatch centres, radio systems, major administrative systems and networks	8
Fire extinguishers and similar equipment installed at customers' locations	3-5
Other fixtures and fittings, tools and equipment	3-10
Leasehold improvements, max.	10

Depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate.

Costs incurred that increase the recoverable amount of the asset are added to the value of the asset as an improvement and are depreciated over the estimated useful life of the improvement.

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 less cost to sell or discontinuance costs. Gains and losses are recognised in profit or loss; normally in other operating items, net or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated depreciation.

Biological assets
Forest assets are divided into growing forests, which are recognised as biological assets at fair value less cost to sell, and land, which is measured at cost. The valuation of biological assets is based on discounted cash flow models.

Changes in the fair value of biological assets are recognised in the income statement under other operating items.

Impairment
Intangible assets with indefinite useful lives, intangible assets not yet available for use, and goodwill acquired in a business combination, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. The annual impairment test is performed irrespective of whether there is any indication of impairment.

Intangible assets and property, plant and equipment in use with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses are reversed only if the assumptions and estimates underlying the impairment calculation have changed. Indications of impairment or reversal of impairment include the following:

- Research and development results for a product
- Changes in expected cash flows due to lower sales expectations

35. Significant accounting policies - continued

- Changes in technology
- Changes in assumptions about future use
- Changes in market and legal risks
- Changes in cost structure

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Investments in associates

Investments in associates, except for investments in associates that are included in Lundbeckfonden's investment strategy, are measured in the consolidated financial statements using the equity method and recognised at the proportionate share of the equity of the relevant enterprise, made up in accordance with the Group's accounting policies, with the addition of values added on acquisition, including goodwill. Investments in associates are tested for impairment when there is an indication that the investment may be impaired. Associates with negative equity value are measured at zero value. If the Group has a legal or constructive obligation to cover the associate's negative balance, such obligation is recognised under liabilities.

Investments in associates that are included in Lundbeckfonden's investment strategy are measured at fair value and presented together with the investment assets. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Financial assets

At initial recognition, securities, that are included in the group's investment strategy, are measured at its fair value. Transaction costs of financial assets are expensed under financial items.

Subsequently, securities are measured at fair value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Bonds with a term to maturity of less than one year are recognised in current assets. 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.

The fair value of listed investments is calculated using market prices at the balance sheet date. The calculation of fair value of unlisted investments, including biotech investments, is made on the basis of relevant valuation methods based on discounted cash flows or trading multiples. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost at recent transaction or price at financing round taking into account whether or not the companies live up to predefined value triggers/business plans.

Equity investments that are not included in the Group's investment strategy are classified as other financial assets. On initial recognition, these investments are measured at cost, corresponding to fair value. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised in the income statement or other comprehensive income according to an individual decision for each equity investment.

Inventories

Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which is equivalent to 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, goods for resale, consumables and direct labour and indirect costs of production. Indirect costs of production include materials and labour, 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 calculated 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 and contract assets

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 cash flow that are not quoted on an active market and are not derivative financial instruments.

Contract assets comprise the Group's right to consideration regarding future performance obligations.

35. Significant accounting policies - continued

On initial recognition, receivables and contract assets are measured at fair value, subsequently at amortised costs.

Impairments for lifetime expected credit losses (ECL), are recognised in the income statement upon initial recognition of the receivable. The expected credit losses are calculated on the portfolio of receivables grouped by shared credit risk characteristics. Provision matrices are established based on historical developments in trade receivables and the historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment.

An impairment gain or loss is recognised in the income statement.

Prepayments

Prepayments comprise prepaid costs which are measured at cost.

Securities

On initial recognition, securities including the bond portfolio, which are included in the Group's 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 cost, corresponding to fair value. The securities are subsequently measured at fair value at the balance sheet date. The fair value is based on officially quoted prices of the invested assets. Both realised and unrealised gains and losses are recognised in the income statement.

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 Directors 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 on Commercial Foundations, a reserve for future grants has been set up in order for Board of Directors 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 Directors 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 through other comprehensive income under the hedging reserve.

Foreign exchange adjustments concerning hedging transactions used to hedge the Group's net investment in such entities are recognised in equity through other comprehensive income under the hedging reserve.

Currency translation reserve

Foreign exchange adjustments arising on the translation of financial statements for subsidiaries and associates which are not part of Lundbeckfonden's Investment Strategy and have a functional currency other than DKK, and 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 through other comprehensive income under the currency translation reserve.

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

Treasury shares in subsidiaries

Acquisition and sale of treasury shares held by subsidiaries as well as dividends are recognised directly in equity under retained earnings.

Non-controlling interests

The proportionate shares of the profit 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'. Put options issued as part of the consideration for business combinations are recognised as described under 'Acquisition and divestment of non-controlling interests', above.

Share-based payments

Share-based incentive programmes in which shares are granted to employees and in which employees may opt to buy shares in H. Lundbeck A/S and ALK-Abelló A/S, and in which shares are granted to employees (equity-settled programmes) are measured at the equity instruments' fair value at the date of grant and recognised under employee costs as and when the employees obtain the right to receive/buy the shares. The offsetting item is recognised directly in equity under retained earnings.

35. Significant accounting policies - continued

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

Retirement benefit obligations and similar obligations

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 under 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 calculation of present value is based on assumptions of 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 employee costs. Actuarial gains and losses are recognised in other comprehensive income as they are calculated and cannot subsequently be recycled through profit or loss.

The present value of the defined benefit plan liability is recognised 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, taking into consideration, where relevant, the provisions of IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Provisions

Provisions mainly consist of provisions for discounts and rebates, product returns, pending lawsuits and restructuring. A provision is a liability of uncertain timing or amount.

Unsettled discounts and rebates are recognised as provisions when the timing or amount is uncertain. Where absolute amounts are known, the discounts and rebates are recognised as trade payables.

Return obligations imposed on the Group are recognised as provisions in the balance sheet.

Amounts relating to pending lawsuits are recognised when the outflow is probable and the amount is measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

In connection with restructurings in the Group, provisions are made only 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.

Contract liabilities

Prepayments mainly include accrued subscriptions and prepayment according to contracts. Contract liabilities also comprise the recalculated transaction price from predetermined price reductions, where the service is transferred over time, and are recognised at the same average consideration over the term of the contract.

Debt

Mortgage debt, bank debt and bond debt are recognised at the time of raising of the loan/issuing of the bonds at the fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, which is 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 under financial items over the loan period. Debt included in the short-term financial liquidity is measured at amortised cost in subsequent periods.

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

Other payables

Other payables include contingent consideration, debt to public authorities, etc.

Contingent consideration is recognised as part of the business combination and is recognised at fair value considering the passage of time and changes in the applied probability of success. The fair value is assessed at each reporting date and the effect of any adjustments relating to the timing of payment and the probability of success is recognised under financial income or financial expenses.

35. Significant accounting policies - continued

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

Lease liabilities

On initial recognition, lease liabilities are measured as the present value of future payments, including payments relating to reasonably certain extensions. The lease payments contain fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement over the term of the lease as a finance charge.

If the interest rate cannot be determined in the agreement, the lease payments are discounted using the Group's incremental borrowing, adjusted for the functional currency and length of the lease term. The lease liability is remeasured if, or when, the future payment or lease term changes.

Changes to lease agreements after initial recognition are accounted for either as a modification to an existing agreement, a separate agreement or a partial disposal, depending on the nature of the change. Changes will result in changes to both the lease liability and the right-of-use asset.

Short-term lease expenses and low value assets are not recognised as part of lease liabilities. They are recognised in the income statement when incurred as an operating expense.

CASH FLOW STATEMENT

The consolidated cash flow statement is presented in accordance with the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities, and cash and bank balances at the beginning and at the end of the year.

Cash flows includes cash flows from companies acquired as from the date of acquisition and cash flows from companies divested until the date of divestment.

Cash comprises cash and bank balances.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates for the year as 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 gains/losses on cash and bank balances is shown as a separate item in the cash flow statement.

KEY FIGURES

The key figures are calculated according to Danish Finance Society's Recommendations & Financial Ratios.

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

Net wealth

Lundbeckfonden's net wealth is estimated based on fair value at the balance sheet date. For the valuation of Lundbeckfonden's investment activities, please refer to the accounting policies above under *Financial assets*. The fair value of Lundbeckfonden's shares in H. Lundbeck A/S and ALK-Abelló A/S is based on market prices. The fair value of Lundbeckfonden's shares in Falck A/S is an estimated value based on a trading multiple model using historical accounting numbers for Falck A/S and a peer group.

36. Events after the balance sheet date

In January 2022, Lundbeck announced that the European Commission has granted marketing authorisation for Vyepti® in the European Union (EU) for the prophylactic treatment of migraine in adults who have at least four migraine days per month. The approval follows the positive opinion on 11 November 2021 from the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP). The marketing authorisation is valid in all EU Member States, Iceland, Norway, and Liechtenstein.

The approval will result in an increase in the fair value of the contingent consideration payable of approximately DKK 300m, which will be expensed as financial items in 2022.

Following the balance sheet date the Group has observed significant volatility in the valuation of financial assets measured at fair value, which primarily can be attributed to the Russian invasion of Ukraine. Given the continued market volatility, the precise impact has not been determined, though a loss on financial items for the year is likely. Please refer to page 13 in the Management Review for outlook considerations for the Group, including the impact of the invasion.

Parent financial statements

OF LUNDBECKFONDEN

FINANCIAL STATEMENTS

OF THE PARENT FOUNDATION

Contents

Notes

INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2021	2020
Dividend from Lundbeckfond Invest A/S		1,140	1,088
Financial income	2	1,231	651
Financial expenses	2	-101	-555
Profit from investment activities		**2,270**	**1,184**
Employee costs	3	-35	-30
Other external costs	4-5	-28	-32
Depreciations and amortisations		-5	-5
Profit before tax		**2,202**	**1,117**
Tax on profit for the year	6	-7	-11
Profit for the year	7	**2,195**	**1,106**

BALANCE SHEET

AT 31 DECEMBER

Assets, DKKm	Note	2021	2020
Other intangible assets		2	3
Intangible assets	8	**2**	**3**
Property and equipment		69	73
Tangible assets	9	**69**	**73**
Investments in subsidiaries	10	4,048	4,048
Receivables from subsidiaries		26	11
Other securities and investments	11, 14	6,684	5,190
Financial assets		**10,758**	**9,249**
Non-current assets		**10,829**	**9,325**
Receivables from subsidiaries		404	191
Income tax		1	-
Other receivables		10	13
Receivables		**415**	**204**
Cash and bank balances		**198**	**238**
Current assets		**613**	**442**
Assets		**11,442**	**9,767**

Equity and liabilities, DKKm	Note	2021	2020
Capital base	12	3,901	3,461
Reserve for future grants		1,500	1,250
Retained earnings		4,164	3,451
Equity		**9,565**	**8,162**
Pension obligations etc.	13	4	7
Provisions		**4**	**7**
Payable grants, long-term		1,245	554
Non-current liabilities		**1,245**	**554**
Payable grants, short-term		618	1,029
Other payables	14	10	15
Current liabilities		**628**	**1,044**
Liabilities		**1,873**	**1,598**
Equity and liabilities		**11,442**	**9,767**

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	Capital base	Reserve for future grants	Retained earnings	Total
Equity at 1 January 2021		3,461	1,250	3,451	8,162
Grants, net	15	-	-792	-	-792
Profit for the year	7	440	1,042	713	2,195
Equity at 31 December 2021		**3,901**	**1,500**	**4,164**	**9,565**

Equity at 1 January 2020		3,236	1,250	3,146	7,632
Grants, net	15	-	-576	-	-576
Profit for the year	7	225	576	305	1,106
Equity at 31 December 2020		**3,461**	**1,250**	**3,451**	**8,162**

NOTES

1. Accounting policies

The financial statements for Lundbeckfonden (the parent foundation) for 2021 have been prepared in accordance with the Danish Financial Statements Act for large reporting enterprises class C.

Other securities and investments are accounted for using the fair value through the income statement and accounted for in accordance with IFRS 9.

The financial statements are presented in Danish kroner (DKK), which is also the functional currency of Lundbeckfonden. All amounts have been rounded to millions, unless otherwise indicated.

The accounting policies are unchanged from the previous year.

DIFFERENCES RELATIVE TO THE ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The parent foundation's accounting policies for recognition and measurement are consistent with the policies for the consolidated financial statements with the exceptions stated below.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are measured at cost less impairment losses. Dividends are recognised in the income statement.

CASH FLOW STATEMENT

With reference to section 86(4) of the Danish Financial Statements Act and the consolidated financial statements of Lundbeckfonden, the parent has not prepared a Cash Flow Statement.

2. Financial income and expenses

DKKm	2021	2020
Financial income		
Exchange gains	7	8
Interest on financial assets	20	26
Interest on receivables from subsidiaries	2	-
Dividends from portfolio investments	54	57
Gains from derivative financial instruments	17	26
Fair value adjustments on financial assets	1,131	534
Total financial income	**1,231**	**651**
Financial expenses		
Exchange losses	3	41
Interest expenses	1	1
Losses on derivative financial instruments	4	2
Fair value adjustments on financial assets	91	509
Other financial expenses	2	2
Total financial expenses	**101**	**555**

3. Employee costs

DKKm	2021	2020
Wages and salaries	31.3	28.0
Pensions	3.2	2.0
Other social security costs	0.1	0.1
Total employee costs	**34.6**	**30.1**

Average number of employees during the year	22	19
Number of employees at year-end	28	22

DKKm	2021	2020
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	5.4	5.2
Fees to the Board of Directors, including committee fees (excluding fees received from subsidiaries)	3.9	4.6

Members of Executive Management and the Board of Directors, who also serve as board members in subsidiaries also receive board remuneration directly from such subsidiaries. For a complete description hereof, see note 3 to the consolidated financial statements.

4. Total operating costs of Lundbeckfonden and Lundbeckfond Invest A/S

DKKm	2021	2020
Lundbeckfonden - Employee costs, other external costs and depreciations	68	67
Lundbeckfond Invest A/S - Employee costs and other external costs	55	89
Total costs	**123**	**156**
The costs can be allocated to Lundbeckfonden's activities as follows:		
Grants and prizes	22	24
Invest	24	23
LundbeckfondenVentures	8	50
Lundbeckfonden Emerge	6	7
Corporate functions	63	52
Total costs	**123**	**156**

5. Fees to auditors appointed at the annual meeting

Other external costs include fees to auditors appointed by the Board of Directors.

DKKm	2021	2020
Statutory audit	0.3	0.3
Total fees	**0.3**	**0.3**

6. Tax on profit for the year

DKKm	2021	2020
Current tax	9	11
Prior-year adjustments	-2	-
Tax on profit for the year	**7**	**11**

When calculating the taxable income, Lundbeckfonden has deducted grants and tax provisions for future grants. No deferred taxes are recognised for accounting purposes concerning tax provisions for future grants as these are not expected to materialise. Deferred tax not recognised amounted to DKK 1,034m (DKK 506m at 31 December 2020).

7. Proposed distribution of profit

DKKm	2021	2020
Capital base	440	225
Reserve for future grants	1,042	576
Retained earnings	713	305
Profit for the year	**2,195**	**1,106**

8. Intangible assets

Other intangible assets, DKKm	2021	2020
Cost at 1 January	7	5
Additions	-	2
Cost at 31 December	**7**	**7**
Amortisation at 1 January	-4	-3
Amortisation	-1	-1
Amortisation at 31 December	**-5**	**-4**
Carrying amount at 31 December	**2**	**3**

9. Tangible assets

Property and equipment, DKKm	2021	2020
Cost at 1 January	100	91
Additions	-	9
Cost at 31 December	**100**	**100**
Depreciation at 1 January	-27	-23
Depreciation	-4	-4
Depreciation at 31 December	**-31**	**-27**
Carrying amount at 31 December	**69**	**73**

10. Investments in subsidiaries

DKKm	Lundbeckfond Invest A/S	Insusense ApS	Total
Cost at 1 January 2021	4,046	29	4,075
Cost at 31 December 2021	**4,046**	**29**	**4,075**
Impairment at 1 January 2021	-	-27	-27
Impairment at 31 December 2021	**-**	**-27**	**-27**
Carrying amount at 31 December 2021	**4,046**	**2**	**4,048**
Dividend received in 2021	**1,140**	**-**	**1,140**

Subsidiaries, DKKm	Registered office	Ownership	Profit for the year 2021	Equity at 31 December 2021
Lundbeckfond Invest A/S	Copenhagen	100%	2,917	27,007
Insusense ApS	Copenhagen	75%	-16	-23

DKKm	Lundbeckfond Invest A/S	Insusense ApS	Total
Cost at 1 January 2020	4,046	29	4,075
Cost at 31 December 2020	**4,046**	**29**	**4,075**
Impairment at 1 January 2020	-	-27	-27
Impairment at 31 December 2020	**-**	**-27**	**-27**
Carrying amount at 31 December 2020	**4,046**	**2**	**4,048**
Dividend received in 2020	**1,088**	**-**	**1,088**

11. Other securities and investments

DKKm	Bonds and corporate loans	Equities	Unlisted investment funds	Total
Carrying amount at 1 January 2021	2,302	2,878	10	5,190
Additions	2,243	190	48	2,481
Disposals	-1,777	-249	-1	-2,027
Value adjustments	-40	1,070	10	1,040
Carrying amount at 31 December 2021	**2,728**	**3,889**	**67**	**6,684**
Carrying amount at 1 January 2020	2,083	2,709	9	4,801
Additions	1,726	555	-	2,281
Disposals	-1,488	-429	-	-1,917
Value adjustments	-19	43	1	25
Carrying amount at 31 December 2020	**2,302**	**2,878**	**10**	**5,190**

12. Capital base

DKKm	2021	2020	2019	2018	2017
Capital base at 1 January	3,461	3,236	3,114	3,109	2,965
Increase in capital base	440	225	122	5	144
Capital base at 31 December	**3,901**	**3,461**	**3,236**	**3,114**	**3,109**

13. Pension obligations

DKKm	2021	2020
Obligations at 1 January	7	13
Adjustment for the year	-3	-6
Obligations at 31 December	**4**	**7**

14. Financial instruments

Equity contracts, DKKm	Contractual value	Share option gains/losses recognised in the income statement	Market value 31 December	Expiry
2020				
Options on shares	-169	23	-1	Jan 2021
Equity contracts	**-169**	**23**	**-1**	

15. Grants, net

DKKm	2021	2020
Grants for the year	803	600
Reversed grants/repayments	-11	-24
Net grants for the year	**792**	**576**

16. Contractual obligations

Lundbeckfonden has contractual capital contribution obligations amounting to DKK 117m at 31 December 2021 (DKK 154m at 31 December 2020).

17. Related parties

Lundbeckfonden defines related parties as Lundbeckfonden's Board of Directors 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 A/S, LFI Equity A/S, LFI Silva Investments A/S, epVIR ApS, DySIS Medical Ltd., and Insusense ApS, including their subsidiaries and associates.

Lundbeckfond Invest A/S shares the same address as Lundbeckfonden, and there is duality of membership between the Executive Management, administration (partly) and boards of directors. Lundbeckfonden receives dividends from Lundbeckfond Invest A/S, which are recognised in the income statement.

Lundbeckfonden received payment for administration costs, net amount DKK 6m in 2021 (DKK 7m in 2020) from Lundbeckfond Invest A/S. At 31 December 2021 Lundbeckfonden has a receivable from Lundbeckfond Invest A/S of DKK 404m (DKK 191m at 31 December 2020) and a receivable from Insusense ApS of DKK 28m (DKK 11m at 31 December 2020).

For information on remuneration paid to the members of the Executive Management and Board of Directors, see note 3 to the consolidated financial statements.

Other than the above, there have only been few transactions of immaterial importance with related parties.

The Foundation has not entered into any transactions with related parties that were not on an arm's length basis.

18. Events after the balance sheet date

No events of importance to the annual report have occurred during the period from the balance sheet date until the presentation of the financial statements.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the annual report of Lundbeckfonden for the financial year ended 31 December 2021.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional requirements of the Danish Financial Statements Act, and the parent financial statements have been prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Foundation's assets, liabilities and financial position at 31 December 2021, and of the results of the Group's and the Foundation's activities and the Group's cash flows for the financial year 1 January – 31 December 2021.

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.

Copenhagen, 22 March 2022

EXECUTIVE MANAGEMENT

Lene Skole

BOARD OF DIRECTORS

Steffen Kragh
Chairman

Peter Schütze
Deputy Chairman

Gunhild Waldemar

Lars Holmqvist

Michael Kjær

Susanne Krüger Kjær

Svend Andersen

Kristian Funding Andersen
Elected by the employees

Ludovic Tranholm Otterbein
Elected by the employees

Vagn Flink Møller Pedersen
Elected by the employees

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lundbeckfonden

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Foundation Financial Statements give a true and fair view of the Parent Foundation's financial position at 31 December 2021 and of the results of the Parent Foundation's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Foundation Financial Statements of Lundbeckfonden for the financial year 1 January - 31 December 2021, which comprise in-come statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Foundation, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Account-ants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Review

Management is responsible for Management Review.

Our opinion on the financial statements does not cover Management Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management Review and, in doing so, consider whether Management Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management Review is in accordance with the Consolidated Financial Statements and the Parent Foundation Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management Review.

Management's Responsibilities for the 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 further requirements in the Danish Financial Statements Act and for the preparation of Parent Foundation Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Copenhagen, 22 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard	Torben Jensen
State-Authorised Public Accountant	State-Authorised Public Accountant
mne23331	mne18651

Lundbeckfonden
Scherfigsvej 7
DK-2100 København Ø

CVR-no. 11814913

Phone +45 39 12 80 00
Email mail@lundbeckfonden.com
Web www.lundbeckfonden.com

LUNDBECK
FOUNDATION