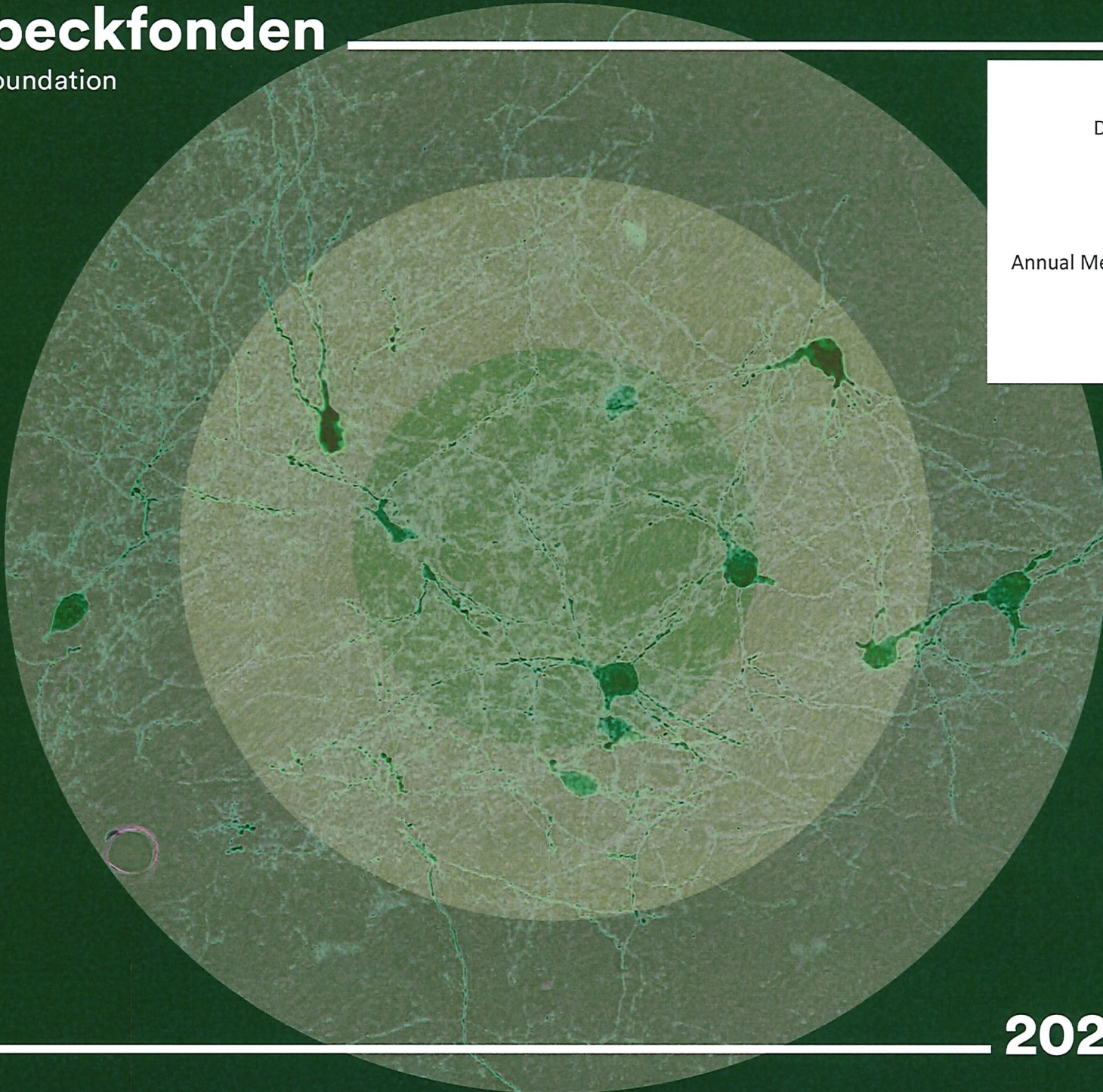


Lundbeckfonden

Lundbeck Foundation

Annual report

LUNDBECKFONDEN



Lundbeckfonden

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

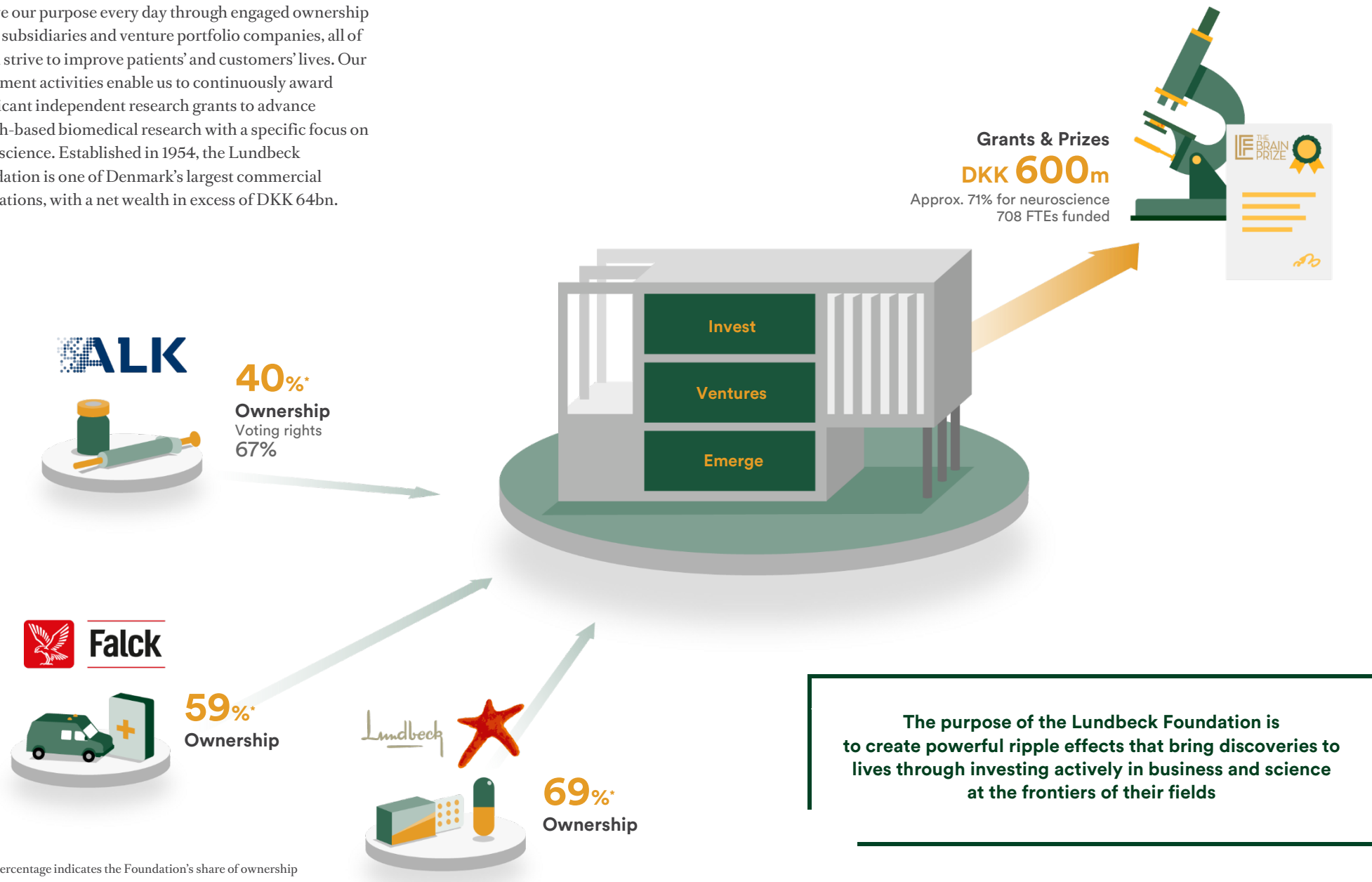
Approved at the
Annual Meeting 25 March 2021

Lene Skole
Chairman

2020

LUNDBECKFONDEN AT A GLANCE

We live our purpose every day through engaged ownership of our subsidiaries and venture 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 in excess of DKK 64bn.



Grants & Prizes
DKK 600m
 Approx. 71% for neuroscience
 708 FTEs funded



ALK



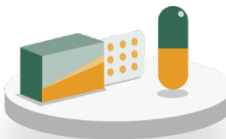
40%*
Ownership
 Voting rights
 67%

Falck



59%*
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

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Cover photo

The front page shows neurons from the brain cortex viewed through a microscope. The picture was taken and edited by Lone Helboe, PhD, who worked as a neuroscientist at H. Lundbeck for 20 years. After having used the microscope strictly as a scientific tool in drug discovery she now takes a more artistic look inside the brain.



Following the annual meeting in April 2020, Steffen Kragh was appointed chairman of the boards of directors of the Lundbeck Foundation and Lundbeckfond Invest A/S. Steffen Kragh first joined the two boards in 2013.

LETTER FROM THE CHAIRMAN AND CEO

Due to the global pandemic, 2020 turned out to be a completely different year than was expected, with many highs and lows. The overall financial results for the full year were, however, satisfactory, and the Foundation remains in a solid position from which to develop in the coming years. To a very large extent, this is thanks to all the employees of both the Foundation and its subsidiaries, who have shown resilience and adaptability, and delivered consistently despite the challenging circumstances.

When the world was closing down in March and it became evident that the financial markets would be severely affected, we defined three top priorities for handling the challenges that the pandemic would bring: Firstly, we needed to provide for the health and well-being of our staff. Secondly, we made sure that we had the necessary means at hand for the potential support of Lundbeck, ALK and Falck, and thirdly, we made sure that we would be able to keep our commitment to support public health research with grant awards of DKK 500m.

Not only did the subsidiaries manage the crisis without needing financial support from the Foundation, we also managed to exceed the targeted level of grant awards by DKK 100m.

Commercial foundations play an important role in society, both as owners of Danish companies, and as philanthropic institutions. Extraordinary incidents call for focused and

responsible efforts from all stakeholders, including from research-funding, commercial foundations such as ourselves. As a direct response to the pandemic, we dedicated funds to corona-related and clinically relevant studies in support of mitigating the immediate impacts of the pandemic. We received and evaluated 250 applications within just a few weeks, resulting in 18 grants totalling DKK 38m.

2020 was also the year where the Foundation developed its first 10-year strategy, spanning and integrating all of our activities. The strategy process was initiated in late-2019 as a natural next step after having identified and implemented our purpose over the previous years. The 2030-strategy, which shares its name with our core purpose, Bringing Discoveries to Lives, is based on five 'value flags' that define and articulate the strategic aspirations, ambitions, and priorities for the Foundation's value creation towards 2030. The strategy was launched in December 2020 and is already being

implemented through a set of strategic priorities led by cross-functional project teams.

As was the case for most companies in 2020, the performance of our subsidiaries, Lundbeck, ALK and Falck, was influenced by the pandemic in different ways.

The launch in the USA in April of Lundbeck's most recent strategic product, the preventative migraine treatment Vyepti, coincided with the lockdown of the country. Though very well received by doctors and patients, the pandemic naturally limited sales of the product, as it must be administered intravenously to patients in health clinics.

Overall, the company remains financially robust and continues the long-term effort to improve its pipeline for the benefit of the millions of patients and their relatives all over the world who suffer from brain disorders.

Again in 2020, ALK delivered steadily on its growth plan driven by the positive development in the company's portfolio of allergy tablets. In addition, ALK's digital journey over the past couple of years took off during the lockdown in 2020 and turned out to be an important means of mitigating some of the challenges created by the pandemic.

Falck was severely influenced by the pandemic, not least with regards to its patient transportation and healthcare services divisions. In December, Falck was named as one of four private suppliers able to carry out antigen tests as part of the Danish public healthcare system's ramping up of testing capacity in the fight against COVID-19. Falck had already offered antigen testing at its own premises and those of various other companies, as a private alternative to the public testing programme.

In late 2019, Falck completed its turnaround, and in 2020, initiated its strategy for 2021-2025. While emergency response serves as a backbone, there are significant opportunities in developing new and innovative healthcare services to complement the public healthcare system.

Perhaps even more in times of crisis, the foundation ownership model demonstrates its strengths. To have an engaged, long-term investor as majority shareholder provides the necessary stability, enabling the companies to focus on strategic value-creation.

The Foundation's investment portfolio delivered a satisfactory result in 2020, regaining the losses seen in March when the financial markets crashed all over the world as a reaction to the pandemic. We stuck to our strategy of balancing risks with maintaining a long-term investment horizon. Extending our focus on climate change by including a range of green energy transition companies in our portfolio provided resilience even in times of a global pandemic.

In 2020, we continued to focus our philanthropic activities on neuroscience with a growing proportion of grants dedicated to the brain and its diseases.

The spearhead of our brain focus is The Brain Prize, which was awarded for the first time in 2011, making 2020 its 10th anniversary. The Prize was awarded to professors Huda Zoghbi and Sir Adrian Bird for their ground-breaking work to

map and understand the epigenetic regulation of the brain, and for identifying the gene that causes Rett syndrome. Thanks to their research, a treatment breakthrough is now a little closer and we have come to understand that neurological developmental disorders are not necessarily irreversible.

Despite not being able to formally quantify their impact, we have long known that brain disorders pose a serious threat, both to individuals and their relatives, and to economies around the world. However, we can now put a figure on the impact – in Denmark – after Aarhus University finalised and published (in BMJ Open, November 2020) a study that was initiated and funded by the Lundbeck Foundation. It revealed that one in five Danes suffers or has suffered from a brain disease and estimated the annual cost to society at more than DKK 100bn. The study also emphasised the importance of boosting research into brain disorders - providing a firm endorsement of our decision to invest DKK 378m in brain research in 2020.

The brain remains an important part of our 2030 strategy. We are committed to playing a role in improving the lives of millions of people living with brain diseases. We do this as a major funder of brain research, we do it as long-term owner of Lundbeck, and we do it by raising our voice in society, emphasising the importance of the brain and helping bring discoveries to the market in order to relieve the growing burden of brain disorders for patients, relatives and society at large.



Steffen Kragh,
Chairman of the Board



Lene Skole,
CEO

GREAT AMBITIONS TOWARDS 2030

The 'Bringing Discoveries to Lives' strategy outlines how the Lundbeck Foundation will create value in the years leading up to 2030. Five 'value flags' mark the route for the strategic journey, while building on the Foundation's achievements in the previous decade, and articulating clear goals and high ambitions.

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.



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.

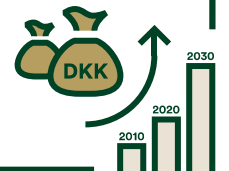
Our ambition is that, by 2030, we will be a long-term and significant owner of a portfolio of 5-8 small or large healthcare companies, preferably in Denmark, that are international market leaders or on their way to becoming leaders.



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'

In 2020, the Foundation finalised its strategy, which builds upon the Foundation's statutes and purpose, and outlines how the Lundbeck Foundation will create value towards 2030.

The Lundbeck Foundation is a commercial foundation with commercial and philanthropic activities and obligations, and its activities and value creation are broad and varied. The 2030 strategy builds upon the achievements of the past decade and articulates five equally important 'value flags', which both define and summarise the focus and objectives for the next decade.

THE FIVE VALUE FLAGS

TOP-TIER NEUROSCIENCE

Today, the world lacks basic knowledge about the brain, and understanding of brain disorders, while the number of patients is growing. Further, as neuroscience is a particularly challenging research discipline, many commercial companies have withdrawn from this market and, as a result, the development of relevant treatments is slow. This means that, the pressure on healthcare systems is mounting in many countries, driven by both an ageing population, and a youth segment that is experiencing a concerning growth in mental disorders. Hence, an important ambition towards 2030 is to generate new insights and knowledge about the brain that can lead to better prevention, diagnosis and treatment of brain disorders.

CLOSE COLLABORATION BETWEEN RESEARCH AND BUSINESS

It should be easy for researchers to make the leap from academic research to business and to return to an academic career after a business experience outside the academic community, as is the case in e.g. the US's most innovative healthcare communities. In Denmark too few talents make the leap from research to business, creating a disconnect between new insights and ideas, and subsequent commercialisation. Hence, the ambition towards 2030 is to strengthen the route from research to business, and to leverage and utilise new

innovation through risk-willing capital and focused talent-development activities.

LEADING HEALTHCARE COMPANIES

Today, the engaged ownership of Lundbeck, ALK and Falck is at the core of the Foundation's value creation. These subsidiaries drive the financial return, enabling the Foundation's investments in science and talent, and underpinning its grant-making activities. Being an owner of Danish healthcare companies gives the Foundation an important societal role in safeguarding jobs and developing Denmark's position as a leading nation in the global healthcare industry. In 2030, it is the ambition to have grown the ownership portfolio to between five and eight healthcare companies.

ATTRACTIVE FINANCIAL RETURNS

The investment activities are split into four categories: Strategic Investments (Lundbeck, ALK and Falck), Invest (financial investments), Ventures (international biotech investments) and Emerge (biotech investments in Denmark).

The ambition towards 2030 is to deliver a financial return above that of market peers, leading to a doubling of the Foundation's net wealth by 2030, thereby also enabling the doubling of its fixed grants to DKK 1 billion annually, while still maintaining the Foundation's long-term financial robustness.

ACTIVE PUBLIC VOICE

As a commercial foundation in Denmark with considerable assets under its management, the Foundation has obligations towards the public, and a role to play in the broader development of Denmark as an international hub for research and business. The Foundation will pursue three main agendas over the coming years: The Importance of Brain Health, Denmark as an Important Research Community in the Global Healthcare Sector, and Commercial Foundations as an Ownership Model. Hence, the ambition towards 2030 is to actively contribute to public awareness and dialogue by providing relevant data and science, and through collaboration with relevant partners and institutions.

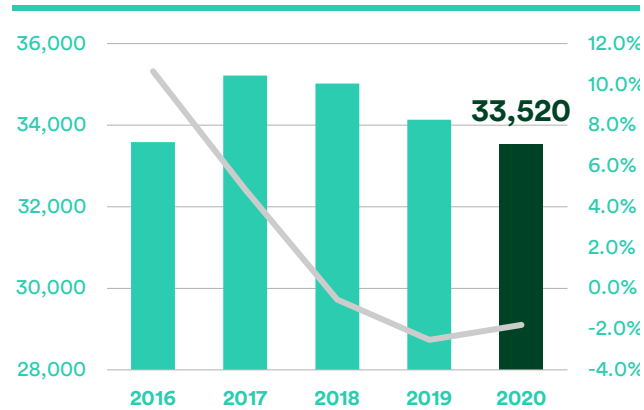
A SCENARIO FOR OUR STRATEGIC DEVELOPMENT

Selected parameters	2010	2020	2030
Net wealth	DKK 26 bn	DKK 64 bn	DKK +130 bn
Annual grants	DKK 384 m	DKK 600 m*	DKK +1,000 m
% of annual grants to brain/neuroscience	54%	~71%	>90%
Number of long-term ownerships	2	3	5-8 within healthcare
Governance model	Arm's length principle	Active ownership	Engaged owner with long-term perspective
Role in society	Quiet existence	Growing voice with focus on transparency	Active voice and contributor to strategic agendas
International scope	Limited	International biotech investor	International biotech investor with strong focus on Danish biotech
The Brain Prize	Leading brain research prize in Europe	The world's largest brain research prize	Global prize reaching all continents and relevant scientific institutions

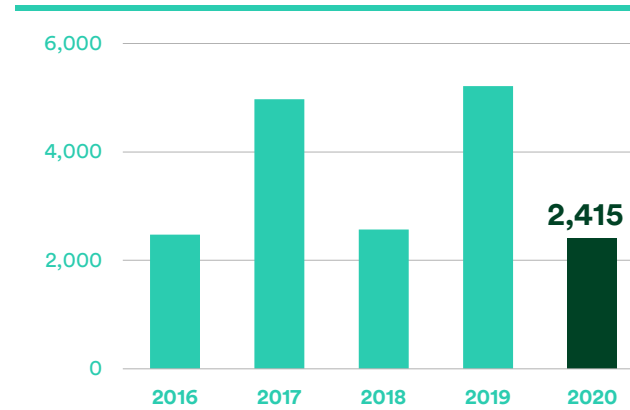
* Fixed grants DKK 500m

FINANCIAL HIGHLIGHTS

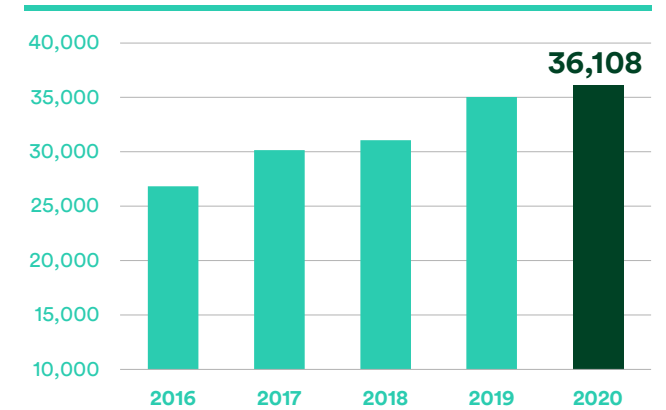
REVENUE (DKK_m) AND REVENUE GROWTH (%)



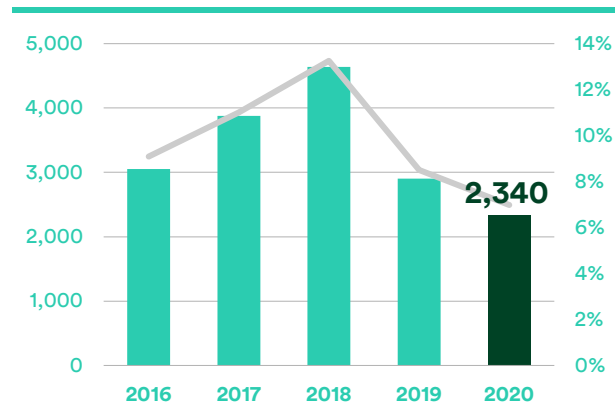
PROFIT FOR THE YEAR (DKK_m)



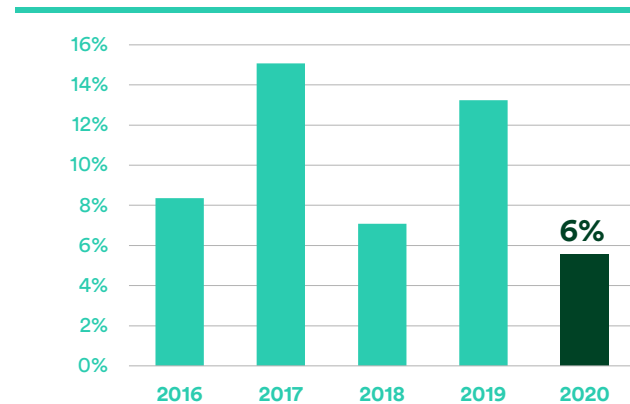
LUNDBECKFONDEN'S SHARE OF EQUITY (DKK_m)



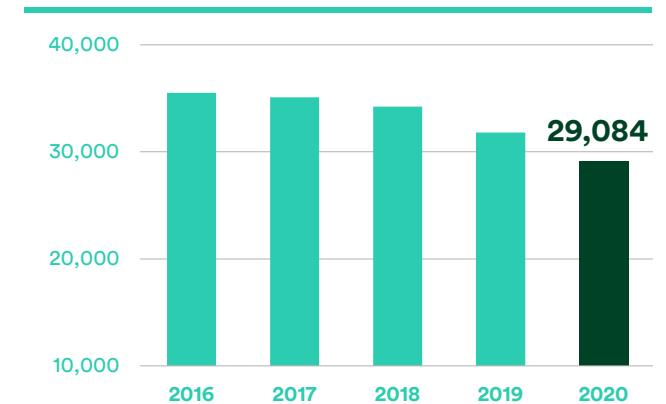
OPERATING PROFIT BEFORE SPECIAL ITEMS (DKK_m) AND OPERATING PROFIT MARGIN (%)



RETURN ON EQUITY



AVERAGE NUMBERS OF EMPLOYEES



FIVE-YEAR SUMMARY

DKKm	2020	2019	2018	2017	2016
Revenue	33,520	34,134	35,020	35,215	33,581
Operating profit before special items	2,340	2,902	4,641	3,878	3,052
Operating profit	2,340	2,902	4,641	5,998	3,052
Profit for the year	2,415	5,214	2,570	4,974	2,474
Lundbeckfondens share of profit	1,998	4,672	1,605	3,733	1,905
Financial items, Invest etc.	1,244	2,187	-325	1,433	1,138
Financial items, Ventures and Emerge	-6	1,452	153	754	-90
Grants awarded	600	666	571	507	493
Dividends from subsidiaries	563	1,648	1,099	357	20
Cash flow from operating activities	5,547	3,659	6,941	4,198	4,444
Cash flow from investing activities	-1,043	-8,757	-3,710	-1,594	134
Cash flow from operating and investing activities (free cash flow)	4,504	-5,098	3,231	2,604	4,578
Cash flow from financing and grant-making activities	-3,494	4,419	-1,880	-2,706	-2,892
Subsidiaries acquisitions	-	10,516	804	503	149
Investments in property, plant, equipment and intangible assets	777	893	1,346	1,441	1,272
Equity	42,852	41,802	36,985	35,668	30,345
Lundbeckfondens share of equity	36,108	35,053	31,076	30,156	26,830
Total assets	74,563	76,502	58,646	57,133	56,172
Debt to financial institutions and others	12,549	15,766	6,332	7,168	8,484
Net wealth	64,411	65,301	62,483	63,591	61,287
Key figures					
Revenue growth	-1.8%	-2.5%	-0.6%	4.9%	10.6%
Operating profit margin before special items	7.0%	8.5%	13.3%	11.0%	9.1%
Operating profit margin	7.0%	8.5%	13.3%	17.0%	9.1%
Return on equity	5.7%	13.2%	7.1%	15.1%	8.4%
Average number of employees (FTE)	29,084	31,818	34,226	35,107	35,524

2016 - 2017 are not adjusted for impact from IFRS 9 and IFRS 15 reporting standards, implemented in 2018. 2017 - 2019 have been restated to reflect Lundbeck's reversal of an impairment loss on the Rexulti® product rights in 2017. See note 1 of the consolidated financial statements for further details. For the definition of key figures, please see note 35.

FINANCIAL PERFORMANCE

In 2020, the Lundbeck Foundation saw satisfactory and solid financial results and progression, although the year was challenging in many ways.

Revenue (DKKm)

33,520

Operating profit (DKKm)

2,340

Net wealth (DKKm)

64,411

In line with expectations, group revenue amounted to DKK 33,520m which was considered satisfactory.

Group operating profit amounted to DKK 2,340m compared to DKK 2,902m in 2019. Operating profit in 2020 was affected by Lundbeck's impairment relating to the foliglurax product rights of DKK 792m, which was also the main reason for the Foundation's expectation of a lower profit in 2020 than was achieved in 2019.

RESTATEMENT OF PREVIOUS YEARS

In 2020, the Danish Business Authority required Lundbeck to conduct an impairment test for 2017, leading to a reversal of an impairment loss on Rexulti® of DKK 3,766m, net of amortisation, at 31 December 2017. As the value of the calculated reversal on the Group's intangible assets is considered to be significant, it has been corrected retrospectively and comparative figures have been adjusted accordingly.

Furthermore, discounts and rebates, previously recognised in other payables, have been reclassified to provisions. Contingent considerations, previously recognised in provisions, have been reclassified to other payables. Accordingly, the comparative figures have been restated.

See note 1 to the consolidated financial statements for further details.

OPERATING ACTIVITIES

Revenue for the year was DKK 33,520m (DKK 34,134m). Revenue at Falck was DKK 12,348m, corresponding to a decrease of 11% on the DKK 13,824m reported in 2019. The decrease was primarily driven by lower activity levels in the pay-on-use business. Healthcare was particularly affected by government measures to contain COVID-19, which paused physically delivered healthcare services from mid-March onwards. Revenue at Lundbeck increased by DKK 636m, or 4%, and revenue at ALK increased by DKK 217m, or 7%.

Gross profit for 2020 was DKK 18,181m, versus DKK 17,704m in 2019. The increase was primarily attributable to Lundbeck where gross profit increased by DKK 310m. Gross profit at ALK and Falck increased by DKK 136m and DKK 44m, respectively. Group gross margin improved from 52% in 2019 to 54% in 2020.

REVENUE		
DKKm	2020	2019
Lundbeck	17,672	17,036
ALK	3,491	3,274
Falck	12,348	13,824
Other business	9	0
Total	33,520	34,134

Research and development (R&D) costs increased by DKK 1,483m to DKK 5,076m (DKK 3,593m), of which, DKK 869m was attributable to Lundbeck's impairment of the foliglurax product rights and R&D restructuring costs.

Meanwhile, overall sales and distribution costs increased to DKK 7,459m (DKK 7,218m), representing 22% of total revenue in 2020 (21%).

Overall administration costs amounted to DKK 3,088m (DKK 3,156m). The Foundation's own net administration and operational costs amounted to DKK 156m, versus DKK 296m in 2019 which was affected by bonuses payable under Ventures' incentive programmes – primarily as a result of the sale of the Foundation's holding in Veloxis completed in 2020.

Capacity costs in total thus amounted to DKK 15,623m versus DKK 13,967m in 2019. The increase was primarily attributable to an increase in R&D costs of DKK 1,483m, corresponding to an increase of 12% versus 2019.

Other operating items, net, amounted to an expense of DKK 219m (DKK 835m). In 2020, other operating items, net, included restructuring and reorganisation costs for closing down Falck's activities in the USA and general adjustments within the Falck organisation totalling DKK 233m, and DKK 59m relating to integration, retention and transaction costs in

connection with Lundbeck's acquisition of Alder BioPharmaceuticals, Inc. in 2019.

In 2019, other operating items, net, included costs related to acquisition and integration (DKK 514m), costs related to the competition case against Falck (DKK 223m), and impairment to goodwill of Falck's Healthcare business unit (DKK 266m).

Operating profit declined to DKK 2,340m in 2020 (DKK 2,902m). The decrease was mainly attributable to Lundbeck, where profitability declined by DKK 1,163m, driven by the impairment relating to foliglurax, and the valuation adjustment of Vyepti's inventory due to the stabilisation of production after the start-up phase. Meanwhile, Falck and ALK both improved their profitability by DKK 339m and 164m, respectively.

INVESTMENT ACTIVITIES

The Foundation's other investment activities contributed to the 2020 results with a return of DKK 1,245m, versus DKK 3,639m in 2019. Of this contribution, the financial investment portfolio delivered a return of DKK 1,250m, versus DKK 2,187m in 2019. Meanwhile, the Foundation's Ventures portfolio delivered a net loss of DKK 6m (net gain of DKK 1,445m). In 2019, Ventures' return was driven by listed portfolio companies.

TAX

The reported tax rate amounted to 19% in 2020 compared to 17% in 2019.

NET RESULTS AND GRANTS

Overall, 2020 profit for the Lundbeck Foundation Group was DKK 2,415m (DKK 5,214m). The Foundation's share of group profit was DKK 1,998m (DKK 4,672m).

During 2020, the Foundation awarded a total of DKK 600m in grants (DKK 667m).

ASSETS

Total assets at 31 December 2020 amounted to DKK 74,563m,

versus DKK 76,502m at the end of 2019.

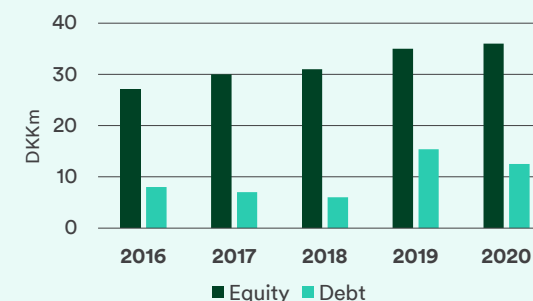
Intangible assets amounted to DKK 28,244m at the end of 2020 (DKK 31,762m), of which, product rights amounted to DKK 17,921m (DKK 20,732m). Amortisation and impairment of product rights amounted to DKK 2,357m (DKK 1,988m). Goodwill at year-end amounted to DKK 9,237m (DKK 9,789m).

Cash and bank balances at 31 December 2020 amounted to DKK 5,885m (DKK 5,027m).

EQUITY AND LIABILITIES

Total equity of the Group at 31 December 2020 amounted to DKK 42,852m (DKK 41,802m), reflecting an increase of 3% during 2020. The Foundation's share of the equity increased to DKK 36,108m (DKK 35,053m).

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



At 31 December 2020, total debt to financial institutions etc., including lease liabilities, decreased to DKK 12,549m (DKK 15,766m).

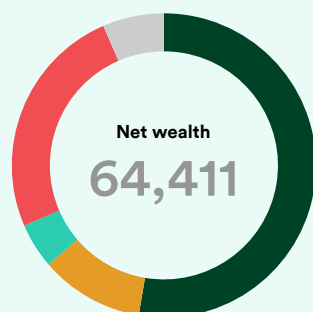
CASH FLOW

Total cash flow from operating activities amounted to DKK 5,547m, versus DKK 3,659m in 2019. The increase was primarily driven by Lundbeck and Falck, each of which

OPERATING PROFIT

DKKm	2020	2019
Lundbeck	1,990	3,153
ALK	150	-14
Falck	394	55
Lundbeckfonden	-156	-294
Other business	-38	2
Total	2,340	2,902

DISTRIBUTION OF NET WEALTH



NET WEALTH

DKKm	Value	Contribution to net wealth 2020
Lundbeck	28,679	-5,700
ALK	11,219	3,882
Falck	3,643	449
Invest	20,535	1,266
Ventures	1,710	-66
Emerge	348	-6
Grants, corporate functions, etc.	-1,723	-715
Net wealth	64,411	-890

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.

realised cash flow from their operating activities of DKK 3,837m (DKK 2,609m) and DKK 1,311m (DKK 764m), respectively.

Cash flow from investment activities, excluding the purchase and sale of financial assets, was an outflow of DKK 788m, versus DKK 10,886m in 2019. The cash flow in 2019 was driven by Lundbeck's acquisitions of Abide Therapeutics, Inc. and Alder BioPharmaceuticals, Inc.

In 2020, the total cash flow from grants paid, and dividends paid to non-controlling interests, amounted to an outflow of DKK 636m (DKK 1,279m). Net proceeds from borrowings amounted to an outflow of DKK 2,718m (inflow of DKK 5,775m).

Net cash flow in 2020 amounted to an inflow of DKK 1,007m (outflow of DKK 632m). At the end of 2020, the Group's cash balance totalled DKK 5,885m, versus DKK 5,027m at the end of 2019.

NET WEALTH

Net wealth decreased by 1% to DKK 64,411m at 31 December 2020 (DKK 65,301m).

Net wealth was negatively affected by a decrease in Lundbeck's share price of 18%. Adjusted for dividend payments, the decrease affected the Group's net wealth negatively by DKK 5,700m. An increase in ALK's share price of 53% and results from the Foundation's investment activities affected net wealth positively by DKK 3,882m and DKK 1,264m, respectively.

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 Ventures and Emerge portfolios. Returns provided by financial investments largely depend on the overall performance of the financial markets, whereas returns from Ventures and Emerge also

depend on the development of products and similar factors at the portfolio companies.

For 2021, revenue is expected to decrease to approximately DKK 32bn. Group operating profit is however expected to be higher than achieved in 2020, primarily due to expected improvements at Falck.

The global COVID-19 pandemic still entails considerable uncertainty for any financial outlook. However, based on the performance in 2020, and strong solidity and cash flow, the Lundbeck Foundation Group is in a position to withstand a crisis including, should it materialise, a temporary recession.

Based on the financial strength of the Foundation the expenditure on grants is expected to be at least DKK 500m.

The expectations are based on the exchange rates prevailing at the end of January 2021.

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 1,113m, versus DKK 583m in 2019. The 2020 result was positively affected by a dividend from Lundbeckfond Invest A/S of DKK 1,088m (DKK 97m).

In total, grants awarded in 2020 amounted to DKK 600m, versus DKK 666m in 2019. Net grants amounted to DKK 576m (DKK 657m) in 2019, as grants of DKK 24m (DKK 9m) were reversed or repaid during the year. Subsequently, the carrying equity at 31 December 2020 amounted to DKK 8,169m (DKK 7,632m).

Figures for 2019 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.

In 2020, Lundbeck made good progress on its Expand and invest to grow strategy and progressed its pipeline. Lundbeck showed resilience during unprecedented times and was able to continue to supply medicines to more than 7 million patients who depend on Lundbeck's therapies.

The strategic products¹ continued to show good growth, both in volume and value, across all regions.

Lundbeck expanded its operating space and therapeutic reach through acquisitions in 2019. Lundbeck is now in the process of building a migraine and specialty pain franchise, with the launch of Vyepti in the USA and with applications for regulatory approvals in additional countries underway. The launch of Vyepti, in April 2020, was significantly impacted by COVID-19 as patients were generally unable to visit healthcare providers to receive an infusion therapy, but Lundbeck saw this gradually improving during the second half of the year.

The product portfolio was generally very resilient even if many physicians still saw significantly fewer patients than before the pandemic. For example, in the USA revenue from products such as Brintellix/Trintellix, for which uptake is dependent on new patient starts, was negatively impacted due to the pandemic.

¹ Abilify Maintena® (schizophrenia), Brintellix®/Trintellix® (depression), Northera® (symptomatic neurogenic orthostatic hypotension), Rexulti®/Rxulti® (depression/schizophrenia) and Vyepti® (migraine prevention)

REBUILDING THE PIPELINE

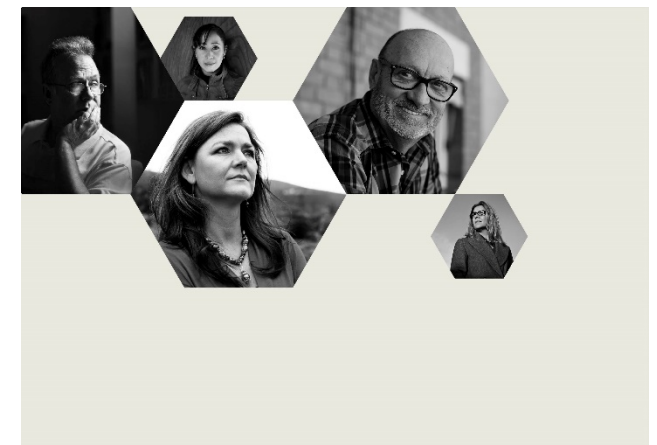
In 2020, Lundbeck transformed the Research & Development organisation in order to execute on the 'Expand and invest to grow' strategy.

Lundbeck has established experimental medicine unit capabilities to detect signals and gain more objective evidence to test efficacy earlier in development, in order to de-risk the path to the market. The programmes that progress to full development must meet stringent criteria, which include a positive clinical proof of concept, and a competitive product profile.

In the earliest phases, Lundbeck has refocused its research into four areas of biology, where the science is the most advanced and which hold the most potential for discovering breakthroughs and differentiated therapies. Lundbeck will continue to shift its research and development towards specialist-treated disease indications, to address high unmet medical needs in niche and rare disease neurology and niche psychiatry, and to deliver impactful neuroscience medicines of the future. The transformation has ensured a more innovative approach to research and development.

Lundbeck intends to complement the rebuild of its pipeline with a blend of external innovation, acquisitions, partnerships and licences for new medicines that fit with its refined focus on niche neuroscience indications.

Lundbeck has a strong, sustainable early clinical pipeline – two new molecules entered Phase I in 2020, offsetting two that exited Phase II. Lundbeck has also initiated studies in new indications to explore the full benefit to patients of its pipeline and marketed molecules.



Revenue (DKK m)

17,672

Operating profit (DKK m)

1,990

Net profit (DKK m)

1,581

Number of employees (FTE)

5,717

FINANCIAL PERFORMANCE

SALES

Revenue in 2020 increased 4% to DKK 17,672m (DKK 17,036m), primarily driven by the strategic products, which grew by 13%.

Revenue from North America constituted 57% of Lundbeck's total revenue¹, compared to 58% in 2019. Overall revenue from North America increased 2% to DKK 9,790m (DKK 9,583m). The COVID-19 pandemic continues to impact business in the region.

Revenue from International Markets, which comprise all of Lundbeck's markets outside of Europe and North America, reached DKK 4,057m (DKK 3,892m). Sales were up 4%, driven by growth in sales of Brintellix/Trintellix, Cipralext/Lexapro, Rexulti, and Abilify Maintena.

International Markets constituted 24% of revenue¹, compared to 23% in 2019.

Revenue from Europe reached DKK 3,329m in 2020 (DKK 3,223m), which was an increase of 3%. Abilify Maintena, Brintellix/Trintellix and Rexulti/Rxulti, grew by 14%, thereby reaching 58% of revenue in Europe. In general, Europe saw solid underlying demand which offset negative price development. The mature portfolio was impacted by continued generic erosion.

Europe constituted 19% of revenue¹, which was on par with 2019.

OPERATING PROFIT

Total costs in 2020 increased 17% to DKK 15,623m (DKK 13,369m).

Cost of sales increased 8% to DKK 4,166m (DKK 3,840m). Cost of sales was impacted by a valuation adjustment to

Vyepti's inventory. This corresponded to 23.6% of total revenue, versus 22.5% in 2019.

Sales and distribution costs increased 8% to DKK 5,946m (DKK 5,514m). The increase was due to investments in the commercial organisations in the USA, China and Japan, to support the continued growth of Brintellix/Trintellix and Vyepti. Sales and distribution costs corresponded to 33.6% of revenue, compared to 32.4% in 2019.

Administrative expenses increased to DKK 966m (DKK 899m), corresponding to 5.5% of total revenue in 2020 (5.3%).

Research and development costs increased 46%, resulting in an R&D ratio of 25.7% in 2020 (18.3%). The increase was partly driven by an impairment of DKK 792m in the first half of 2020 relating to foliglurax product rights, and R&D restructuring costs of DKK 77m.

Costs additionally increased due to amortisations related to Vyepti of approximately DKK 500m.

Operating profit (EBIT) in 2020 reached DKK 1,990m (DKK 3,153m), which was a decrease of 37%. As a result, the EBIT margin decreased to 11.3% in 2020, compared to 18.5% in 2019.

NET PROFIT

The effective tax rate for 2020 was 17.0% and decreased compared to 2019. The tax rate was positively impacted by the increase in Danish research and development incentives.

Net profit in 2020 reached DKK 1,581m (DKK 2,313m).

Figures for 2019 are shown in brackets

¹ Excluding effects from hedging and other revenue

ALK-ABELLÓ A/S

ALK is a global allergy solutions company with a wide range of treatments, products, and services to meet the unique needs of allergy sufferers. The Lundbeck Foundation owns 40% of the share capital and 67% of the votes.

Revenue grew 8% organically in local currencies, fuelled by a further spectacular increase in sales from the tablet portfolio of 42%, with the newly launched ITULAZAX[®] leading the way. Planned portfolio rationalisations reduced growth by around 3 percentage points in 2020. ALK also saw an impact on sales from COVID-19, particularly in the USA, where ALK estimates the total value of missed sales exceeded DKK 100m.

FOCUS AREAS DURING 2021-23

2020 represented the final year of ALK's strategic transformation, which was announced in December 2017. ALK's overall strategy for the coming years remains unchanged and is still anchored in the same four areas of focus, albeit with minor adjustments to some of the names to reflect the necessary steps to achieving sustainable growth profitability.

ALK's four areas of focus for 2021-2023 are:

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

Succeeding in North America – and particularly the USA, which is the world's largest market for pharmaceuticals – continues to be an important priority for ALK, despite the setbacks caused by the COVID-19 pandemic. When COVID-

19 made its first big impact in the USA in March 2020, the timing coincided with the start of the spring allergy season which is the peak season for treatment initiations in the USA. ALK will continue to invest in its strategy for North America, developing and adapting its platform there to mobilise allergy patients and deliver accelerated tablet sales, and securing paediatric and adolescent indications for ACARIZAX[®]/ODACTRA[®] and RAGWITEK[®], as well as introducing other prescription allergy solutions. Central to this approach will be the further evolution of digital engagement tools, first mobilising patients to seek treatment for their allergies, and second, providing a framework that connects them with ever more healthcare professionals who are willing and able to prescribe ALK products.

ALKs work to **Complete and commercialise the tablet portfolio for all relevant ages** continues. The tablet portfolio now covers all five of the allergies that were targeted under this programme – house dust mite, grass, tree, ragweed and Japanese cedar. These tablets remain ALK's core assets and further development will focus on consolidating and expanding the leadership they give ALK in respiratory allergy immunotherapy (AIT). To achieve this, ALK will extend the reach of these products to cover new geographies and new patient groups – such as children and adolescents and strengthen the evidence for their use in allergic asthma.

Over recent years, ALK has developed a suite of digital tools and platforms as part of its klarify-branded ecosystem for

consumers, so that those most suitable for AIT can gain smoother access to a definitive diagnosis and appropriate treatment. In the focus area of **Consumer engagement and new horizons** ALK will leverage these assets to further engage with, and mobilise, people with allergy. In order to establish a broader and more robust presence in the wider allergy segment, ALK is looking to enter the US market with an adrenaline auto-injector that is both affordable and competitive, with a submission to the US FDA planned for no later than 2024. ALK also sees potential in entering the food allergy treatment market, which is an area of significant unmet medical need. Finally, ALK will continue to identify and explore the potential addition of new products and services to its portfolio through an active programme of business development and thorough due diligence.



Revenue (DKK m)

3,491

Operating profit (DKK m)

150

Net profit (DKK m)

25

Number of employees (FTE)

2,419

For the fourth focus area, **Optimise for excellence**, ALK will continue its already-established programme of portfolio rationalisation, manufacturing site specialisation, and other initiatives designed to ensure regulatory compliance, robustness of supply, and to improve overall quality and efficiency.

FINANCIAL PERFORMANCE

SALES

Revenue in 2020 increased 7% to DKK 3,491m (DKK 3,274m) which was driven by the SLIT¹-tablets.

European revenue was up 8% at DKK 2,550m (DKK 2,368m), despite some continuing constraints caused by COVID-19. Planned product discontinuations reduced growth by 4 percentage points, as numerous older SCIT² and SLIT-drops products continued to be phased out in favour of documented, registered products. Revenue growth was largely fuelled by sales of SLIT-tablets, which were up 40% at DKK 1,019m (DKK 735m). Overall revenue increased in most markets, especially Germany, which delivered double-digit growth following a significant increase in tablet sales, with a promising performance by ITULAZAX[®].

Sales in North America declined 14%, which equated to a reported revenue of DKK 573m (DKK 669m). The fallout from the COVID-19 pandemic made market conditions in North America challenging, especially in the USA, and suppressed sales across the portfolio. A major influence on this was patients' ability and willingness to visit allergy clinics, while a further challenge came from the fact that many clinics were running at a reduced capacity.

Revenue from International markets was up 55% in reported revenue at DKK 368m (DKK 237m) as ALK's largest markets in the region, Japan and China, resisted and rebounded from COVID-19, respectively. Revenue in Japan from product

supply and sales royalties grew by 80%. ALK's partner Torii continued to successfully build the market for tablets and MITICURE[™] sales were up strongly, while sales of CEDARCURE[™] were boosted by the conversion of patients from an outgoing legacy product as well as stock-building by Torii.

OPERATING PROFIT

Cost of sales increased 6% to DKK 1,463m (DKK 1,382m). The gross profit of DKK 2,028m (DKK 1,892m) yielded a gross margin of 58% (58%), reflecting changes in the product mix – especially from tablets – but also lower sales of legacy products in Europe and significant costs associated with compliance efforts to secure robustness in product supply, as well as the implementation of the product and site strategy.

Capacity costs decreased by 2% to DKK 1,877m (DKK 1,922m). R&D expenses increased to DKK 515m (DKK 466m) in support of clinical trials, although this was significantly lower than expected following delays to clinical activities due to the COVID-19 pandemic. Sales and marketing expenses decreased to DKK 1,125m (DKK 1,210m), reflecting savings as a consequence of COVID-19 restricting sales and marketing activities in many markets, and operational leverage of ALK's commercial activities.

Operating profit (EBIT) was DKK 150m (DKK -14m) and reflected revenue development and savings due to COVID-19.

NET PROFIT

Net financials were a loss of DKK 49 m (loss of DKK 17m) mainly related to net interest expenses and currency fluctuations on intercompany loans. Tax on the result for the year totalled DKK 76m (DKK 19m) and net profit was DKK 25m (loss of DKK 50m).

Figures for 2019 are shown in brackets

¹ Sublingual allergy immunotherapy (SLIT)

² Subcutaneous allergy immunotherapy (SCIT)

FALCK A/S

Falck employs 27,000 highly skilled professionals, delivering more than 9 million emergency response and healthcare services every year. The Lundbeck Foundation owns 59% of Falck.

2020 was a challenging year, as COVID-19 decreased demand in a majority of Falck's business units. Despite a decrease in revenue in 2020, the full-year profit margin increased compared to 2019. The financial performance proves that the turnaround completed in 2019 has put Falck in a more stable situation, in which a challenge such as a global pandemic can be managed without compromising the quality of services.

In 2020, Falck continued to divest non-core business activities. In Ambulance, a number of less profitable contracts and businesses were divested or closed down, while new and promising contracts were secured in Germany, Denmark and the USA. Profitability improved as the large contracts started up in 2019 in the USA, UK and Sweden became more profitable after significant start-up costs.

FALCK MET THE CHALLENGE OF COVID-19

The outbreak of COVID-19 in the first quarter was a key event which impacted Falck in several ways. The global pandemic reduced activity levels and, in the second quarter, Falck announced the redundancies of 450 employees across all business units and adjusted its back-office functions. The range of efficiency-enhancing measures implemented had the desired effect and, after a downturn in revenue and profitability in the first and second quarters, profitability was restored in the third and fourth quarters.

Falck continued to deliver high-quality emergency response and healthcare services under the challenging circumstances,

and thereby played an important role in the response to COVID-19. Late in the year, Falck started offering rapid COVID-19 antigen tests to individuals at Falck stations across Denmark and, in December, Danish regions asked Falck to expand its testing capacity to 50,000 people per day, and to make tests available for the public as part of the government's COVID-19 testing strategy. By the end of the year, Falck had tested almost 600,000 people.

OPPORTUNITIES IN NEW AND INNOVATIVE HEALTHCARE SERVICES

The COVID-19 pandemic led to increased demand for online consultations and, in response, Falck stepped up the digitalisation of certain services to deliver more of its healthcare services virtually. An increasing number of treatments from Falck Healthcare in Denmark are now delivered through video consultations, including psychological treatments, consultations with physiotherapists, and digital exercises.



Revenue (DKKm)

12,348

Operating profit (DKKm)

394

Net profit (DKKm)

-178

Number of employees (FTE)

20,870

In Latin America, customer service and medical consultations are now provided via chat, video, or telephone by Falck's Community Healthcare business.

In the fourth quarter, Falck Healthcare launched Falck Pulse, a new digital platform combining large quantities of customer healthcare data with the extensive knowledge of Falck's network of specialists, to the benefit of the individual user. The first customer, AP Pension, is already on board.

Falck sees significant opportunities in developing new and innovative healthcare services to complement the public healthcare system. Falck has therefore started analysing the potential for new and innovative healthcare service concepts, intending to make these a cornerstone of its strategy for 2021-2025, while emergency response serves as a backbone for Falck, with strong ties to the Group's heritage and brand.

FINANCIAL PERFORMANCE

SALES

In 2020, revenue was DKK 12,348m (DKK 13,824m). The divestment and closure of non-core business activities in Ambulance, Fire and the Portfolio Business had a negative impact on revenue of DKK 515m for the year.

OPERATING PROFIT

Cost of services (OPEX) was DKK 9,641m (DKK 11,023m), positively impacted by efficiency measures implemented in the second half of the year. In addition, reduced start-up costs in new Ambulance contracts in the USA, UK and Sweden as well as close-down of loss-making businesses in the US contributed to the improved operating profit. Government grants of DKK 188m received in the USA, Denmark, Sweden and Norway had a positive impact. The OPEX ratio improved to 78.1% (79.7%) despite the decline in revenue.

Sales and administrative expenses decreased to DKK 2,087m (DKK 2,207m). The first half of the year was impacted by bad debt provisions in the USA and investments in the commercial organisation within Ambulance in the USA.

During the second half of the year, expenses were lower due to the adjustment of the organisation announced in the second quarter.

Operating profit (EBIT) increased to DKK 394m (DKK 55m). EBIT was negatively impacted by restructuring and reorganisation costs for closing down Falck's activities in the USA and general adjustments within the Falck organisation totalling DKK 233m.

In 2019, EBIT was impacted by costs related to the competition case against Falck (DKK 223m), and the impairment to goodwill for Falck's Healthcare business unit (DKK 266m).

NET PROFIT

Profit for the year was DKK -178m (DKK -362m) which was an improvement of DKK 184m. The improvement was driven by the higher EBIT, which offset the realised losses of DKK 306m on divestments, of which, DKK 226m related to the recycling of foreign exchange reserves from divested entities.

Figures for 2019 are shown in brackets

FINANCIAL INVESTMENTS (INVEST)

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

Invest delivered a strong result in 2020, despite the negative effects of the COVID-19 pandemic, which overshadowed the investment year. The world entered one of the deepest – albeit shortest – recessions on record in the first half of 2020. This created a 'risk-off' market mood which affected all major asset classes.

Global stock markets dropped by 35% within a month during February and March, which is the most sudden market setback seen in a century, and led to credit spreads widening significantly.

Historically, recessions have typically occurred due to imbalances in the economy. However, this pandemic-led recession was unusual in that it was driven by a 'supply shock' following the implementation of widespread virus containment measures, resulting in reduced demand and a sharp rise in unemployment.

The fact that the recession was short-lived was mostly due to swift stimulus actions by central banks (monetary) and governments (fiscal) so that, by the end of 2020, demand had recovered to a large degree, albeit still at a lower level than before COVID-19.

The Foundation's financial investments generated a return of DKK 1,250m in 2020 (DKK 2,180m) which was considered to be very satisfactory. The return was driven by listed equities.

RETURN ON THE INVESTMENT PORTFOLIO

Listed equities generated the highest return at 18.0% after a very volatile year, with substantial losses during the spring. The exposure to green energy through investments in Vestas, Prysmian and green utility companies, among others, made the greatest contribution to this result. Luxury and affordable luxury names were also large contributors, while the Foundation's investment in FLSmidth & Co. was loss-making at DKK -179m, or -13.3%.

Private equities and credits generated more moderate returns at 4.0% and 3.8%, respectively. Real assets saw a mixed development. While property company Obel-LFI Ejendomme A/S and the woodland investment in LFI Silva Investments A/S performed well, investments in listed property and infrastructure companies suffered a loss, so that the overall return was 14.3%.

In 2020, the expense ratio (including management fees) increased to 0.37% (0.23%) mainly reflecting higher performance fees paid.

INCREASINGLY DEFENSIVE INVESTMENT STRATEGY

Invest entered 2020 with a slightly cautious approach as strong rises in 2019 made both equities and credit expensive to acquire. During spring, a more offensive approach was adopted on the basis that a) the recession was not driven by large economic imbalances and therefore, a recovery should be relatively swift, b) an unprecedented combination of monetary and fiscal

stimuli had been introduced, and, c) there were now attractive valuations within both equities and credit. By the end of 2020, credit spreads had narrowed markedly to their pre-COVID-19 levels, equities had recovered, and part of the equity market had, once again become quite expensive. Invest remains focused on a balanced approach to risk, quality and valuation as it focuses attention on companies with secular growth.

The long-term results for Invest remained strong with returns of 8.1% and 9.2% over three and five years, respectively, both of which are well ahead of 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

Assets	Market value (DKKm)		Return (%)	
	31 Dec 20	31 Dec 19	2020	2019
Bonds and liquid funds	3,939	2,701	0.7%	-0.3%
Credit etc.	3,373	2,631	3.8%	8.0%
Listed equities	10,945	9,210	18.0%	23.0%
Private equities	1,159	965	4.0%	11.8%
Real assets	1,119	1,053	14.3%	18.8%
Total	20,535	16,560	6.4%	15.2%

Figures for 2019 are shown in brackets

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.

2020 was in many ways an eventful year for Ventures, and while COVID-19 had its impact, the fund's portfolio companies worked impressively hard to stay the course. The year began with the completion of the sale of Veloxis and finished with the investment in Lexeo Therapeutics, a promising new clinical-stage, gene therapy company with a solid pipeline and the prospect of becoming a leader in its field.

During the year there was great satisfaction at seeing several drug approvals and filings of new drug applications from the fund's portfolio companies. Each one of the novel drugs addresses a significant unmet medical need, which highlights the impact of work conducted by entrepreneurs, employees, management teams and boards. Just one example of this impact is the impressive journey of Tepezza[®] (teprotumumab) for the treatment of Graves' orbitopathy.

Ventures previously invested in River Vision, which was originally developing teprotumumab. Horizon Pharma acquired River Vision in 2017 and confirmed the very solid therapeutic effect seen in an earlier clinical study conducted by River Vision before filing a Biologics License Application (BLA) with the US Food & Drug Administration (FDA) in mid-2019. Horizon Pharma received an early approval in January 2020 well in advance of the review deadline of 8 March.

Since then, Horizon has successfully launched Tepezza[®] and had its significance acknowledged with several awards,

including being named the winner of the 2020 R&D 100 Award, one of the world's most prestigious innovation awards.

Imara completed an initial public offering on Nasdaq Global Select Market, raising approximately USD 75m which will allow the company to progress into Phase IIb studies with its lead molecule for the serious genetic blood disorders, sickle cell anaemia and beta-thalassemia.

Ventures also supported several portfolio companies in their follow-on financing including Atox, Dysis, Imara and Reneo.

During 2020, Ventures added two new companies to the portfolio by participating in their Series A financings.

VarmX closed a Series A financing of EUR 29m. The company is developing VMX-C001 - a recombinant Factor X - as a universal reversal agent with the potential to safely and effectively restore haemostasis and to reduce bleeding complications induced by Factor Xa Direct Oral Anticoagulants (DOACs). Current reversal agents are complicated to use and only work for certain DOACs, whereas VMX-C001 is intended as a one-time bolus dose for all patients, regardless of the type of DOAC used.

Lexeo Therapeutics closed a competitive Series A financing of USD 85m. The company is focused on gene therapies for rare and non-rare monogenic diseases and has a comprehensive pipeline, including three clinical-stage gene therapy

programmes, and up to 15 additional AAV gene therapy programmes in monogenic and acquired diseases, primarily developed at Weill Cornell Medicine. Co-founder Prof. Crystal has decades of clinical experience in gene therapy and is supported by a very experienced team headed by CEO Nolan Townsend.

The sale of Veloxis was completed in February, following an offer from Asahi Kasei Corporation to acquire Veloxis for DKK 8.9bn in late November 2019.

FINANCIAL RESULTS

Ventures' investments in new and existing companies, amounted to DKK 225m (DKK 301m) during 2020. The net return for the year was DKK -7m (DKK 1,445m). During the year, Ventures monetised most of its deferred payments.

The fair market value of the current portfolio equated to DKK 1,733m at the end of 2020 (DKK 4,563m).

The Ventures portfolio comprises 18 companies of which 5 are listed. The complete portfolio is listed on the following pages.

Figures for 2019 are shown in brackets

PUBLIC PORTFOLIO COMPANIES



Launching two drugs onto the US market: BAREMSIS, for post-operative nausea and vomiting, and ByFavo, for procedural sedation (ACPH Euronext Brussels).



Developing IMR687 as a potentially disease-modifying, oral, chronic treatment for patients with sickle cell disease and beta-thalassemia. Currently conducting Phase IIb clinical trials in both indications (IMRA Nasdaq).



Developing an easy-to-operate, proprietary subcutaneous furosemide for heart failure diuresis, and medicines for bacterial infections that are delivered via an on-body infuser. Has filed an NDA with the FDA for subcutaneous administration of furosemide (SCPH Nasdaq).



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.



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

PRIVATE PORTFOLIO COMPANIES



In Phase II with a novel, broad-spectrum antifungal agent for the treatment of life-threatening invasive fungal and mould infections, and in Phase II with a BK virus treatment.



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 EMA.



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



Incubator vehicle focused on building a portfolio of programmes targeting the treatment of rare diseases with clear unmet medical needs. Imara, Tiburio and Vtesse are all companies spun out from this effort.



Markets a high-resolution digital colposcope 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 is pioneering the development of novel drugs to treat gut microbiome-related diseases. In Phase II studies in Crohn's disease patients and Phase I/II clinical studies in immuno-oncology.



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 is developing gene-based immuno-oncology treatments for solid tumours using their 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.



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



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



Tiburio, a Cydan-created company, is dedicated to advancing novel treatments for serious neuroendocrine disorders. Tiburio is progressing TBR-760 into a global Phase IIb trial for the treatment of non-functioning pituitary adenoma (NFPA).



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.



Develops oral antibody domains engineered to be stable in the gastrointestinal tract to treat gastrointestinal diseases. Is in Phase II development for Crohn's disease with V565.

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 commercial potential.

In 2020, EmERGE continued developing its portfolio of mainly Denmark-based biotechnology companies. The portfolio of companies made substantial progress during the year and several companies initiated or reported important results from clinical trials. In addition, EmERGE announced its long term commitment to continue investing in commercialising Danish innovation.

CLINICAL TRIALS OF PORTFOLIO COMPANY PRODUCTS

With a maturing portfolio, several companies initiated or reported results from clinical trials.

NMD Pharma, which develops innovative medical treatments for rare neuromuscular diseases, initiated its first clinical trial following the company's first seed financing in 2016 and subsequent series A financing in 2018. Meanwhile, Afyx Therapeutics, which develops new treatments for diseases of the oral cavity, announced that its product met the primary endpoint in a clinical Phase IIb study.

Importantly, IO Biotech, which develops disruptive cancer immune therapies, announced best-in-class efficacy data in first-line melanoma patients. This provided the basis for the US Food & Drug Administration (FDA) to grant so-called 'breakthrough therapy' designation for a combination of the developmental IO Biotech therapy with anti-PD-1 therapy for patients with unresectable/metastatic melanoma, which represented a significant milestone for the company.

With the Foundation's long term 2030 strategy, under which efforts and investments in Danish innovation will continue, EmERGE is well placed to develop more strong companies based on Danish research, and to continue attracting further investments in order to bring more discoveries to patients and physicians.

It is a testament to the success of this approach that EmERGE's portfolio companies have, to date, been able to attract investment from international investors and to execute their business plans, while simultaneously recruiting high-calibre individuals with diverse backgrounds at both management and board levels.

FINANCIAL RESULTS

The net return for the year was DKK 1m (DKK -9m) and the fair market value of the current portfolio was DKK 348m (DKK 247m) at the end of 2020.

SELECTED EVENTS IN 2020



Received 'breakthrough therapy' designation from the US Food and Drug Administration (FDA)



Initiated its first clinical trial



Met the primary endpoint in a clinical phase IIb study

Figures for 2019 are shown in brackets



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 targets oral lichen planus (OLP), for which there is currently no approved treatment. In 2020, the company announced that the patch met the primary endpoints in a Phase IIb study in patients with OLP, which was the largest randomised, double-blind, placebo-controlled study ever conducted in OLP patients.

CYTO'KI

CytoKi Pharma is a discovery-stage biotech company which, based on an exploratory investment from Emerge, was founded in 2019. The company successfully expanded the scientific characterisation of its lead candidate during 2020 as the foundation for additional financing of the company. This will allow the company to advance a pipeline based on the interleukin-22 biology into clinical development, and catering to a significant unmet medical need.



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.



The company develops innovative medical treatments based on the sortilin biology. In 2020, it continued to make significant scientific progress in new indication areas.



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. In 2020, the company announced best-in-class efficacy data in first line melanoma patients for its cancer immune therapy, in combination with the anti-PD1 antibody drug, nivolumab. In addition, the company announced that the US Food & Drug Administration (FDA) had granted 'breakthrough therapy' designation for a combination of the potential IO Biotech therapy with anti-PD-1 monoclonal antibodies for patients with unresectable/metastatic melanoma.



Based on world-leading electrophysiology science from the University of Aarhus, NMD Pharma develops innovative medical treatments for rare neuromuscular diseases such as myasthenia gravis. During the year, the company initiated its first clinical trial with its neuromuscular clinical candidate in a combined Phase I/IIa trial for the treatment of symptoms of myasthenia gravis. The company also further expanded its organisation and relocated from the Aarhus University campus to the INCUBA science park near Aarhus University Hospital.



SNIPR Biome is developing new therapies based on CRISPR gene technology, that allows 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. During 2020, the company further strengthened its organisation and leadership, while taking important new steps in fully developing its technology and first preclinical candidate. In addition, it significantly expanded the issued patent estate around CRISPR applications.

“With a clear 2030 strategy, Emerge is well placed to invest actively in Danish innovation, bringing new discoveries to patients and physicians”



CHRISTIAN ELLING
Managing Partner, Emerge

GRANTS & PRIZES

The Lundbeck Foundation awards grants and prizes in leading biomedical, health and clinical sciences, and supports the most talented scientists at all career levels with the aim of developing Denmark into one of the world's leading brain research nations.

Total grants (DKKm)

600

Number of grants

179

Support for brain research (DKKm)

378

Number of full time employees funded

708

In 2020, the Foundation continued its support for outstanding biomedical research with an even stronger commitment to neuroscience.

The total grant sum amounted to DKK 600m compared to DKK 666m in 2019. The reduction was mainly driven by lower than expected funding for collaborative grants.

THE GRANTS

The 2020 awards were distributed across three main groups: People, Projects and Prizes.

PEOPLE

People focuses on talent and career advancement. The aim is to identify the best scientists with the most innovative ideas. The People programme comprises four funding instruments:

- **LF Postdocs** applies to post-doctoral research projects with a biomedical or health-related focus. The grants support postdoc programmes where a change in research topic or environment is required as a part of the talent development process that can lead to an independent research career. DKK 68m was awarded to 33 scientists in 2020.
- **LF Fellows** are talented young researchers who wish to establish or expand their own independent research groups in Denmark. DKK 90m was awarded to nine scientists in 2020.
- **LF Ascending Investigators** are talented and independent researchers with neuroscience projects or projects which

may benefit neuroscience research. DKK 90m was awarded in 18 grants in 2020.

- **LF Professors** focuses on supporting the very best neuroscience researchers and thereby building excellent research environments and programmes in Denmark. The grant is awarded every second year and the next round will take place in 2021.

PROJECTS

The 2020 **Projects** programme comprised two recurring funding instruments and an extraordinary programme to support research into COVID-19:

- **LF Collaborative Projects** focuses on complex basic or clinical neuroscience projects that require collaborative efforts from different disciplines. DKK 120m was awarded to three projects in 2020.

GRANTS IN 2020

DKKm	
250	Personal research and travel grants
286	Project grants
13	Prizes
50	Science teaching and communication grants
1	Other purposes
600	Total

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

- **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 60m was awarded in 2020.
- **COVID-19 projects:** The Lundbeck Foundation launched an extraordinary call to support clinically-relevant studies that could benefit COVID-19 patients in the short term. Within a month, more than 250 applications were evaluated, with DKK 38m subsequently awarded to 18 projects.

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 2020, of DKK 10m, was awarded to Professor Huda Zoghbi and Professor Sir Adrian Bird for their ground-breaking work *“to map and understand epigenetic regulation of the brain and for identifying the gene that causes Rett syndrome. Thanks to their research, we're also closer to a treatment breakthrough and we've come to understand that neurological developmental disorders are not necessarily irreversible.”* As a consequence of the COVID-19 restrictions, the celebration of the winners has been postponed to 2021.

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 COVID-19 pandemic hampered most of the planned activities in 2020, including the Brain Prize conference, which has been postponed to 2021. However, Brain Prize winners gave virtual presentations as follows:

- A Brain Prize Lecture at the annual meeting of the European College of Neuropsychopharmacology
- A Brain Prize Lecture at the annual meeting of Japan Neuroscience

- A Brain Prize Lecture at the annual meeting of 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, Denmark-based young scientists who have conducted outstanding research in the field of biomedical science.

The Young Investigator Prize of DKK 1m was awarded to Søren Dinesen Østergaard, Professor, Department of Affective Disorders, Department of Clinical Medicine Aarhus University.

Three talent prizes of DKK 500,000 each, for promising young researchers under the age of 30, were awarded to Christian Sandøe Musaeus, MD and PhD-student, Rigshospitalet; to Christopher Rohde, MD and PhD-student, Aarhus University; and to Peter Marstrand, MD and PhD-student, Herlev-Gentofte Hospital.

SCIENCE EDUCATION AND SCIENCE COMMUNICATION

In 2020, the Foundation granted DKK 35m for projects that communicate science and its results to the broader public in the form of, e.g., books, meetings and documentaries, and to projects aimed at inspiring pupils and students in science- and technology-related school subjects, as well as research projects on science education and the education of science teachers.

The Foundation provides five scholarships for medical students to study for one year at Stanford University or the University of California, San Francisco, USA.

The Foundation also supports pre-graduate scholarships through seven administered scientific societies. In 2020, DKK 7m was awarded to more than 30 scholarships.

A NEW NEUROSCIENCE MASTER'S EDUCATION

To strengthen neuroscience competence and talent development, the Foundation supported Copenhagen University with DKK 15m to start the first neuroscience master's degree programme in Denmark.

INCIDENCE, MORTALITY AND COST OF BRAIN DISORDERS IN DENMARK

An epidemiological study (Vestergaard SV et al., BMJ Open 2020) to gain information on the impact of brain disorders in Denmark, which was supported by the Foundation, emphasised the need for improvements in treating brain disorders.

The study identified a 'rule of five' for brain disorders in Denmark, revealing that:

- Every fifth person has been hospitalised with a brain disorder
- The direct yearly cost is approximately EUR 5bn, while the yearly indirect cost is more than double that
- The mortality rate for people with a brain disorder is five-times higher in the year after diagnosis than is the norm for people of the same age.

“2020 has been a year where the importance of profound scientific insights and the ability to use that knowledge showed its value in fighting COVID-19. Through our support for outstanding neuroscience research, we want to help fight the devastating brain diseases”



JAN EGEBJERG

Senior Vice President, Grants & Prizes,
Director of Science

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. The risk management framework consists of a 'top-down' as well as a 'bottom-up' risk mapping approach 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 that are 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, and by balancing its different activities, 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. Diversification across the different subsidiaries and activities are a central part of the risk management. Likewise, the size and the risk level of the 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 Group 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

COVID-19

In 2020, the COVID-19 pandemic caused major disruption to society worldwide. This was not identified as a current risk during the Foundation's 2019 risk assessment process, even though it was recognised as a potential, but very unlikely risk. This is a good example that not all risks or unforeseen events - sometimes referred to as 'black swans' - are easily identified during a risk assessment exercise and that risk management and governance frameworks need to be agile and prepared for unforeseen events.

During February and early March, until the initial wave of lockdowns, the spread of the COVID-19 was closely monitored. Each subsidiary took its own actions with the involvement of the Foundation's representatives on their boards, and practical information was shared throughout the Foundation. Within the Foundation, a Corona taskforce was established to safeguard employees and day-to-day operations. A liquidity buffer was established in Invest to support the Foundation's subsidiaries should this be necessary - which was never the case. The budget for the Foundation was revised to reflect the crisis and to save costs, while a special initiative for COVID-19 related grants was initiated to support society in overcoming the pandemic. Ventures and Emerge, with direct investments in younger life science companies, were closely involved in securing the continued operation, research, clinical trials and financial stability of their portfolio companies.

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 28, 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 their approaches to risk management are outlined 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) policy. An external consultant monitors the portfolio investments for issues related to ESG policy. 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 policy.

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 68% of the Foundation's total net wealth	Poor performance by subsidiaries, ultimately resulting in value destruction of the Foundation's shareholdings in the companies	<ul style="list-style-type: none"> ■ Engaged ownership with a focus on: <ul style="list-style-type: none"> ○ 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 at 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	<ul style="list-style-type: none"> ■ High quality research and development with a focus on: <ul style="list-style-type: none"> ○ New, innovative drugs in areas with unmet medical needs ○ Ongoing evaluation of the product pipelines, regulatory requirements and product benefits ■ Active involvement through: <ul style="list-style-type: none"> ○ 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 25% of the Foundation's total net wealth	Financial losses due to financial turmoil and possible economic recession	<ul style="list-style-type: none"> ■ Diversified portfolio ■ Close monitoring of risks in portfolio ■ 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 3% of the Foundation's total net wealth	Unsuccessful development and/or commercial failure of portfolio companies	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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 37% of total revenue	Exposure to the USA through subsidiaries and portfolio investments	<ul style="list-style-type: none"> ■ Ongoing monitoring of exposure to the USA ■ 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 66% of the Foundation's total net wealth	Regulation or market dynamic that lowers the prices for drugs	<ul style="list-style-type: none"> ■ Limit on exposure to pharmaceutical companies in the Foundation's investment portfolio ■ Focus in pharmaceutical subsidiaries on: <ul style="list-style-type: none"> ○ 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	<ul style="list-style-type: none"> ■ IT policies and procedures are in place to safeguard processes and data ■ Cyber-attack testing is being performed on a regular basis

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) at the Lundbeck Foundation is guided by the Foundation's clear commitment to making a positive and sustainable impact on society through its investments in business and science at the frontiers of their fields.

As an international player with a broad range of investment and grant activities, the Lundbeck Foundation has significant influence on society. The Foundation acknowledges the responsibilities that this entails and works to ensure that it is recognised as a trustworthy organisation, setting high standards for transparency, commitment and integrity.

COVID-19 RELIEF SUPPORT

Extraordinary incidents call for focused and responsible efforts from all social stakeholders, including from research-funding, commercial foundations such as the Lundbeck Foundation. As a direct response to the COVID-19 pandemic, an amount of DKK 38m was pledged to Corona-related and clinically relevant studies in support of mitigating the immediate impacts of the pandemic. 250 applications were received, of which, 18 were successful.

UN GLOBAL COMPACT

The Compact's 10 principles are deeply integrated into the Foundation's work, and form the general framework upon which the Foundation's approach to CSR is based.

The Foundation opposes any form of corruption, including extortion and bribery. Furthermore, the Foundation follows the UN Global Compact guidelines for environmental and labour market policies, human rights, and sustainable development.

The Foundation is an engaged owner of Lundbeck, ALK and Falck. Through its two seats on the boards of directors of each of the subsidiaries – one of which as the deputy chairperson – the Foundation drives the companies towards higher sustainability standards. The Foundation expects the three companies to adhere to the UN Global Compact's principles, and to act responsibly and sustainably in all aspects. The three companies have all signed up to the UN Global Compact; Lundbeck in 2009, and Falck and ALK in 2019, after having adhered to the principles for many years.

The board of directors at each of the three companies also defines its own, specific CSR policies, including on human rights, climate change, environmental impact and codes of conduct.

THE UN SUSTAINABLE DEVELOPMENT GOALS

The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all UN member states to address global challenges. The goals aim to set the world on course for a more sustainable future by 2030, leaving no one behind.

The Foundation strives to play a part in achieving these goals, primarily through the business practices of Lundbeck, ALK and Falck. Each of the three companies has an SDG strategy related to its areas of interest.

There is an obvious and direct connection between the Foundation's purpose and the SDG activities that are related

to health, education, and gender equality. However, goal number 3, which focuses on good health and well-being, remains the pre-eminent goal, underscored by both the Foundation's investments and holdings in healthcare and life science companies, and by its grants activities (DKK 600m in 2020) for neuroscience and health research.

NATIONAL BASELINE

One of the Foundation's direct actions in support of the SDGs was taken in 2019, when the Foundation granted support for the development of a set of Danish indicators as a supplement to the 231 global indicators. The purpose was to provide Denmark and its government with a means by which to measure the nation's progress towards reaching the goals and to help prioritise the efforts.

Despite the pandemic, a range of both physical and online workshops and events were held all over Denmark in the first half of 2020, in order to involve civil society, academia, the private sector, government agencies, schools, and the population in general, in a democratic process to develop the Danish indicators and measuring points.

The final report, including 197 national indicators, was officially launched and presented to the Danish government and parliament at a parliamentary conference on sustainability in September 2020, and will be used as the basis for the government's review of its political action plan in support of the UN SDGs.

In 2020, the Foundation made a grant for an extensive communications campaign to ensure that the Danish indicators become instrumental in maintaining public awareness and a sense of urgency around the SDGs in the coming years.

SUSTAINABLE ASSET MANAGEMENT

By the end of 2020, the net wealth of the Foundation amounted to approx. DKK 64bn. The largest part of this is invested in Lundbeck, ALK and Falck. Around DKK 20bn makes up the Foundation's financial investments (Invest) with the dual purpose of acting as 'war chest' so that, in times of crisis, the Foundation will be able to support its subsidiaries, and to ensure funding for annual fixed grants of at least DKK 500m.

With this in mind, there is a clear need to create returns while, at the same time, ensuring that investment activities are based on a responsible and sustainable approach. The primary guidance for this is the Foundation's investment policy, which integrates environmental, social and governance (ESG) factors. Companies that act responsibly and ethically are often also the ones that create the most value in the long term. Therefore, returns and sustainability go hand in hand.

The investment portfolio balances risk with long-term value creation. All investments must comply with the Foundation's ESG principles. An external consultant monitors the portfolio investments for issues related to the ESG policy and an ESG status report is reviewed and approved by the CEO and the Investment Committee twice a year. In 2020, no investments were identified as being in violation of the ESG policy.

In 2020, the Foundation extended its investment focus on climate change by adding a range of green energy transition companies to the portfolio and gradually exiting investments in energy companies not truly committed to transitioning from oil and coal, to wind, hydrogen and other renewable energies.

The Foundation continues to invest in forest land as a long-term investment with a positive CO2 footprint.

DIVERSITY AND INCLUSION

As part of its commitment to human rights, in 2019, the Foundation launched a diversity policy in connection with its grants and prizes activities.

The policy strives to ensure inclusive and unbiased processes, including in the calls for applications and nominations, as well as the evaluation, and subsequent selection of grant nominees and recipients.

In 2020, this was further developed with a particular focus on gender diversity, as Denmark has seen a significant decline in women pursuing a research career the further up they get on the career ladder. The Foundation receives fewer applications from female researchers and fewer nominations for female researchers for its prizes. The latter is also the case even when the nominator is female. It is a prerequisite for the success of the ambition of the Foundation – Denmark becoming a world-leading neuroscience nation – that talents of all gender, nationality, cultural and social background are attracted to, and have equal opportunities.

In 2020, and as a concrete step to promote diversity and inclusiveness in neuroscience in a broader sense, the Foundation decided to award a three-year grant to the ALBA network, which aims to promote equality and diversity in neuroscience all over the world. This global network provides a platform for sharing best practices and provides visibility, networking, and mentorship to neuroscientists from under-represented groups. The ALBA network raises awareness by organising events and awards at major conferences. The support from the Lundbeck Foundation will enable the network to increase its visibility, launch new initiatives, and increase its membership.

While it is pleasing that The Brain Prize was awarded to a female researcher (Huda Zoghbi) in 2020, there were regrettably no

women among the recipients of the Foundation's talent prizes, and contrary to the previous two years, nor were there for the Young Investigator Prize. Therefore, a range of initiatives to further promote equal opportunities are being developed and are expected to be launched in 2021.

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 gender balance 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.

The Foundation has also ensured that the subsidiaries have set gender-balance targets for their top management teams. Furthermore, Lundbeck, ALK and Falck have reported on their individual targets in their own annual reports, as well as on their individual policies concerning gender balance at other management levels, if applicable.

Learn more about CSR at the Lundbeck Foundation Group

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

For the Lundbeck Foundation's statutory statement on CSR in accordance with section 99a of the Danish Financial Statements Act, please refer to:

[CSR Report 2020](#)

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. Any exception will be considered carefully. One exception is a shorter election period for board members than is recommended by the Committee. 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. 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 - 2020](#)

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 board 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, who cannot become a member of the Board of the Foundation.

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 BOARD OF DIRECTORS

The Lundbeck Foundation is managed by a Board of Directors in collaboration with the CEO. 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 make sure the Foundation is managed appropriately, in accordance with applicable laws and the Foundation's statutes
- 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 performance 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.

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, the majority of whom must be unconnected to the Foundation. The Lundbeck Foundation has set up two permanent evaluation committees – the previously mentioned Research and Prize Committee, and the Selection Committee, to oversee The Brain Prize (see page 34) – as well as three permanent evaluation panels: the Grants and Prizes Panel, the Talent Panel and the Internationalisation Panel. 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 committee, formed by the Board, to implement the Board's grant decisions. This only applies to smaller grants that can be assessed according to specific, standardised criteria.

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. This includes implementation of the grant strategy.

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 establishes 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 26. In addition, the Investment Committee guides the Foundation's management on day-to-day investments.

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

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 follows:

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 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 grant strategy

THE SELECTION COMMITTEE FOR THE BRAIN PRIZE

The selection committee for the Brain Prize reviews the nominations for The Brain Prize, and 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 travel grants, meetings, visiting professorships and senior researcher sabbaticals. The panel makes decisions on grants according to a grant mandate issued by the Board of Directors.

COVID-19 GRANTS

The COVID-19 grants were evaluated by those board members who are also members of the Grants and Prizes Panel.

GENERAL TERMS AND CONDITIONS FOR RESEARCH GRANTS

All grant holders 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, Nordea Bank-fonden, SimCorp A/S and Falck A/S. Chairman of the Investment Committee at the Danish SDG Investment Fund K/S
- Member of the Industrial Board of Axcel and Axcel Future
- Member of The Systemic Risk Council
- Chairman of Dronning Margrethe II's Arkæologiske Fond
- Member of the board of Gösta Enboms 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-Elect of the board of the 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), Tecan AG (Switzerland), 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

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 and Marketing & Organisation
- Executive Vice President & President, Consumer Self-Care International, Perrigo
- Executive Member of the Association of the European Self-Care Industry (AESGP)

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.


SUSANNE KRÜGER KJÆR

Born 1955, elected to the Board in 2014

- Member of the Research and Prize Committee
- Professor, MD, DMSc. Copenhagen University Hospital, Copenhagen University
- 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
- 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.

**HENRIK VILLSSEN ANDERSEN**

Born 1969, elected to the Board in 2018

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

EMPLOYEE-ELECTED

Elected by the employees of Falck A/S

**LUDOVIC TRANHOLM OTTERBEIN**

Born 1973, elected to the Board in 2018

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

EMPLOYEE-ELECTED

Elected by the employees of H. Lundbeck A/S

**PETER ADLER WÜRTZEN**

Born 1968, elected to the Board in 2008

- Senior Specialist, PhD

Holds 331 shares in H. Lundbeck A/S and 96 shares in ALK-Abelló A/S

EMPLOYEE-ELECTED

Elected by the employees of ALK-Abelló 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 TEAM



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 8,808 shares in H. Lundbeck A/S and 1,150 shares in ALK-Abelló A/S



BERTIL FROM

Chief Financial Officer

Member of the boards of Aage V. Jensen Naturfond, Nordic Corporate Investments A/S and Obel-LFI Ejendomme A/S



CHRISTIAN ELLING

Managing Partner, Emerge

Chairman of the board of SNIPR Holdings ApS. Member of the boards of Afyx Therapeutics A/S, IO Biotech ApS, 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

Chairman of the board of Klifo Holding A/S. Member of the boards of C.W. Obel A/S, Symbion Fonden, Cydan LLC, Imara Inc., Lexeo Therapeutics, PsiOxus Therapeutics Ltd., scPharmaceuticals Inc. and Tiburio Therapeutics, Inc.

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Consolidated financial statements

OF LUNDBECKFONDEN

FINANCIAL STATEMENTS

LUNDBECKFONDEN GROUP

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INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2020	2019
Revenue	2	33,520	34,134
Cost of sales	3-5	-15,339	-16,430
Gross profit		18,181	17,704
Research and development costs	3-5	-5,076	-3,593
Sales and distribution costs	3-5	-7,459	-7,218
Administrative expenses	3-6	-3,088	-3,156
Other operating items, net	7	-218	-835
Operating profit		2,340	2,902
Financial income	8	3,392	4,269
Financial expenses	8	-2,739	-962
Income/loss from investments in associates		-	1
Profit before tax		2,993	6,210
Tax on profit for the year	9	-578	-996
Profit for the year		2,415	5,214

DKKm	Note	2020	2019
Profit attributable to:			
Lundbeckfonden		1,998	4,672
Non-controlling interests	23	417	542
Profit for the year		2,415	5,214
Grants authorised, gross	10	600	666

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2020	2019
Profit for the year		2,415	5,214
Actuarial gains/losses	24	-3	-97
Tax	9	2	17
Items that will not subsequently be reclassified to the income statement		-1	-80
Currency translation, foreign subsidiaries		-1,029	190
Currency translation concerning additions to net investments in foreign subsidiaries		-21	-136
Hedging of net investments in foreign subsidiaries		356	62
Adjustment, deferred exchange gains/losses, hedging		313	-333
Exchange gains/losses, hedging (transferred to the hedged items)		-	-17
Exchange gains/losses, hedging (transferred to revenue)		-5	322
Value adjustment of interest hedging instruments		-90	17
Tax on other comprehensive income	9	-108	7
Items that may subsequently be reclassified to the income statement		-584	112
Other comprehensive income for the year, net of tax		-585	32
Total comprehensive income for the year		1,830	5,246
Attributable to:			
Lundbeckfonden		1,608	4,696
Non-controlling interests	23	222	550
Total comprehensive income for the year		1,830	5,246

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2020	2019
Goodwill		9,237	9,789
Product rights		17,921	20,732
Brands and customer contracts		540	589
Other intangible assets		546	652
Intangible assets	11	28,244	31,762
Property, plant and equipment	12	4,818	4,901
Right-of-use assets	13	1,805	2,250
Biological assets	14	117	141
Tangible assets		6,740	7,292
Financial assets, Invest	15	19,277	15,618
Financial assets, Lundbeckfonden Ventures and Emerge	15	1,811	4,808
Investments in associates		1	9
Deferred tax	16	1,059	755
Income tax		168	160
Other financial assets	15	291	255
Other non-current assets		22,606	21,596
Non-current assets		57,590	60,650

DKKm	Note	2020	2019
Inventories	17	3,316	3,286
Trade receivables and other receivables, etc.	18	6,452	5,962
Contract assets	19	506	396
Income tax		305	663
Receivables		7,263	7,021
Securities, Invest		509	514
Securities, subsidiaries		-	4
Securities	20	509	518
Cash and bank balances, Invest		528	630
Cash and bank balances, subsidiaries		5,357	4,397
Cash and bank balances	20	5,885	5,027
Current assets		16,973	15,852
Assets		74,563	76,502

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2020	2019
Capital base	21	3,461	3,236
Other reserves	22	1,106	1,690
Retained earnings		31,541	30,127
Lundbeckfondens share of equity		36,108	35,053
Non-controlling interests' share of equity	23	6,744	6,749
Total equity		42,852	41,802
Payable grants		554	470
Provisions	24	873	1,013
Deferred tax	16	1,866	2,047
Income tax		143	143
Debt to financial institutions and bond debt	25	8,673	11,121
Lease liabilities	25	1,444	1,756
Contract liabilities	26	36	72
Other payables	27	1,192	1,470
Non-current liabilities		14,781	18,092

DKKm	Note	2020	2019
Payable grants		1,029	921
Provisions	24	1,872	2,154
Income tax		731	641
Debt to financial institutions	25	2,034	2,411
Lease liabilities	25	398	478
Contract liabilities	26	1,159	1,192
Other payables	27	9,707	8,811
Current liabilities		16,930	16,608
Liabilities		31,711	34,700
Equity and liabilities		74,563	76,502

CASH FLOW STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKk	Note	2020	2019
Operating profit		2,340	2,902
Adjustment for non-cash operating items	28	3,611	2,574
Working capital changes	29	309	-949
Cash flows from operating activities before financial receipts and payments and tax		6,260	4,527
Financial receipts		551	504
Financial payments		-733	-366
Income tax paid		-531	-1,006
Cash flows from operating activities		5,547	3,659
Acquisition of businesses	30	3	-10,516
Divestment of businesses	30	16	135
Investments in associates		-75	-
Divestment of associates		3,158	-
Investments in intangible assets	11	-171	-158
Investments in property, plant and equipment	12	-606	-677
Investments in biological assets	14	-	-58
Disposal of intangible assets and property, plant and equipment		45	388
Investments in other financial assets		-23	-
Investments in financial assets measured at fair value through profit or loss		-8,902	-8,627
Sale of financial assets measured at fair value through profit or loss		5,512	10,756
Cash flows from investing activities		-1,043	-8,757
Cash flows from operating and investing activities (free cash flow)		4,504	-5,098

DKKk	Note	2020	2019
Proceeds from loans and issue of bonds	25	4,253	11,245
Repayment of loans and lease liabilities	25	-6,971	-5,470
Buyback of shares from non-controlling interests		-32	-20
Capital injections from non-controlling interests		-	3
Sale of treasury shares		11	11
Capital increase through exercise of warrants		1	4
Settlement of exercised share options and warrants		-24	-24
Dividends paid to non-controlling interests		-252	-744
Other transactions with non-controlling interests		-96	-51
Authorised grants paid		-384	-535
Cash flows from financing and grant-making activities		-3,494	4,419
Cash flows from continuing operations		1,010	-679
Cash flows from discontinued operations		-	47
Net cash flow for the year		1,010	-632
Cash at 1 January	20	5,027	5,658
Unrealised exchange rate adjustments for the year		-152	1
Less change in cash and cash equivalents related to assets classified as held for sale		-	-
Cash at 31 December	20	5,885	5,027

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Capital base	Other reserves	Retained earnings	Lundbeck-fonden'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	-	-	-
Addition through acquisition			-50	-50	50	-
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			36	36	-67	-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

DKKm	Capital base	Other reserves	Retained earnings	Lundbeck-fonden's share of equity	Non-controlling interests' share of equity	Total equity
Equity at 31 December 2018 as disclosed in the annual report	3,114	1,578	24,599	29,291	5,112	34,403
Correction of previous years			1,785	1,785	797	2,582
Equity at 1 January 2019	3,114	1,578	26,384	31,076	5,909	36,985
Profit for the year			4,672	4,672	542	5,214
Other comprehensive income	-	112	-88	24	8	32
Comprehensive income	-	112	4,584	4,696	550	5,246
Grants for the year, net		-657	-	-657	-	-657
Provision for future grants		657	-657	-	-	-
Non-controlling interests' share of dividends			-	-	-744	-744
Buyback of shares from non-controlling interests			-14	-14	-6	-20
Sale of treasury shares			5	5	6	11
Change in non-controlling interests			-39	-39	169	130
Adjustment of provision for acquisition of non-controlling interests			-56	-56	-39	-95
Incentive programmes			32	32	20	52
Capital increase			-	-	868	868
Tax related to items recognised directly on equity	-	-	10	10	16	26
Other transactions	-	-	-719	-719	290	-429
Increase of capital base	122	-	-122	-	-	-
Equity at 31 December 2019	3,236	1,690	30,127	35,053	6,749	41,802

Capital increase in 2019 of DKK 868m relates to Falck.

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 25 March 2021.

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 millions, 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 2020 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 U.S.	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
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

Effective 1 January 2020, 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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments are effective for annual reporting periods beginning after 1 January 2020 though not mandatory for annual reporting periods ending on 31 December 2020. Earlier application is permitted, however the new or amended standards have not been early adopted by the Group.

1. Basis of preparation - continued

The amended standards are as follows:

- Classification of Liabilities as Current or Non-current (amendments to IAS 1 Presentation of Financial Statements)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures)

The amended standards are not mandatory for 31 December 2020 reporting periods. 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 a significant impact on the accounting policies and/or on the consolidated financial statements.

RESTATEMENT OF PREVIOUS YEARS

Reclassifications

Discounts and rebates, previously recognised in other payables, have been reclassified to provisions. Contingent considerations, previously recognised in provisions, have been reclassified to other payables.

See note 36 *Restatement of comparative figures* for more information about the reclassifications.

Corrections

In 2020, the Danish Business Authority required Lundbeck to conduct an impairment test for 2017, leading to a reversal of an impairment loss on Rexulti® of DKK 3,766m, net of amortisation, at 31 December 2017.

The value of the calculated reversal on the Group's intangible assets was considered significant. Consequently, the reversal and the tax effect hereof have been corrected by adjusting each of the affected financial statement line items for the financial year 2019 as presented in note 36 *Restatement of comparative figures*.

Furthermore, the five-year summary has been corrected by adjusting each of the line items affected in the five-year summary for the financial years 2017 - 2019.

The corrections resulted in a decrease in profit for the year 2019 of DKK 354m, as well as an increase in total assets of DKK 2,376m and an increase in equity of DKK 2,228m at 31 December 2019.

2. Revenue

DKKm	2020	2019
Europe	15,886	16,435
North America	12,345	12,602
Rest of the world	5,289	5,097
Total	33,520	34,134
Brain diseases (Lundbeck)	17,672	17,036
Allergy treatment (ALK)	3,491	3,274
Ambulance, Assistance, Healthcare, Community Healthcare, Fire Services and Portfolio Businesses (Falck)	12,348	13,824
Other	9	-
Total	33,520	34,134
Revenue includes:		
Sale of goods	20,449	19,410
Rendering of services	12,229	13,728
Downpayments and milestone payments	32	74
Royalties	810	922
Total	33,520	34,134
Revenue in Denmark	5,052	5,495

3. Employee costs

DKKm	2020	2019
Wages and salaries	12,468	12,747
Share-based payment	62	70
Pensions	703	718
Other social security costs	1,324	1,381
Total	14,557	14,916
The year's employee costs are specified as follows:		
Cost of sales	8,068	8,548
Research and development costs	1,248	1,194
Sales and distribution costs	3,295	3,181
Administrative expenses	1,808	1,950
Other operating items, net	83	-
Included in the cost of assets	55	43
Total	14,557	14,916
Average number of full-time employees during the year	29,084	31,818
Number of employees at year-end	35,500	41,543

DKKm	2020	2019
Remuneration in the Group including management remuneration for board positions in subsidiaries:		
Total remuneration in the Group for the Executive Management of Lundbeckfonden amounts to	13.9	12.9
Total remuneration in the Group for the Board of Directors of Lundbeckfonden amounts to	9.2	8.4
Lene Skole, CEO:		
Salary	10.9	10.6
Cash bonus	2.5	2.3
Pension	0.5	-
	13.9	12.9
Furthermore, non-cash benefits such as company car and telephone amounted to DKK 0.3m (DKK 0.3m in 2019).		
Board of Directors:		
Steffen Kragh, Chairman of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	0.9	0.7
Peter Schütze, Vice-Chairman of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	1.7	1.6
Gunhild Waldemar, Chairman of the Research Committee	0.7	0.7
Lars Holmqvist, Chairman of the Investment Committee	1.4	1.3
Michael Kjær, member of the Research Committee	0.5	0.5
Susanne Krüger Kjær, member of the Research Committee	0.5	0.5
Svend Andersen, member of the Investment Committee, from 23 April 2020	0.3	-
Henrik Villsen Andersen, employee representative from Falck A/S	0.6	0.6
Ludovic Tranholm Otterbein, employee representative from H. Lundbeck A/S	0.7	0.6
Peter Adler Würtzen, employee representative from ALK-Abelló A/S	0.3	0.3
Vagn Flink Møller Pedersen, employee representative from Falck A/S	0.6	0.6
Jørgen Huno Rasmussen stepped down on 23 April 2020	1.0	1.0
Total	9.2	8.4

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 2.5m in 2020 (DKK 2.3m in 2019), which is equivalent to 93% of the maximum, and will be paid out with a delay of 12 months.

Employees of Invest, Lundbeckfonden Ventures and Lundbeckfonden Emerge participate in incentive programmes which are similar to standard incentive programmes for investment management and venture industries. The purpose of the incentive programmes is for Lundbeckfonden 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.

In 2020, bonuses under Invest programmes amounted to DKK 8m (DKK 7m in 2019).

Provision for Lundbeckfonden Ventures programmes amounted to DKK 23m at 31 December 2020 (DKK 81m at 31 December 2019), resulting in an income in 2020 of DKK 58m recognised in the income statement under financial items. In addition, bonuses due according to Ventures incentive programmes of DKK 41m (DKK 175m in 2019) were recognised in other payables and expensed as employee costs. The net effect amounted to an income of DKK 17m (expense of DKK 96m in 2019).

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 2020, equity-settled incentive programmes consisted of restricted share units (RSUs) and warrants.

In February 2020, as part of Lundbeck's recurring long-term incentive programme, Lundbeck established an RSU programme for Lundbeck's registered Executive Management and key employees. Four of the members of the registered Executive Management and 131 key employees employed with H. Lundbeck A/S or a Lundbeck subsidiary were granted RSUs. The participants were selected on the basis of job level. All the RSUs vest three years after grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain 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 274.56 reduced by an expected dividend yield of 2.00% p.a. The fair value at the time of the grant was DKK 258.41 per RSU.

In February 2019, as part of Lundbeck's recurring long-term incentive programme, Lundbeck established an RSU programme for Lundbeck's registered Executive Management and key employees. Four members of the registered Executive Management and 135 key employees employed with H. Lundbeck A/S or a Lundbeck subsidiary were granted RSUs. The participants were selected on the basis of job level. All the RSUs vest three years after grant. Vesting is subject to the Board of Directors' decision, to Lundbeck achieving certain financial targets specified by the Board of Directors, and to continuing employment with the Group during the vesting period. The calculation of the fair value of the RSUs is based on a share price of DKK 286.56, reduced by an expected dividend yield of 2.00% p.a. The fair value at the time of the grant was DKK 269.71 per RSU.

The RSUs granted to the registered Executive Management and key employees in 2016 vested in 2020. No RSUs vested in 2019.

RSU programmes	2020	2019	2018	2017	2016
Number of persons included in the programme	135	139	133	127	126
Total number of RSUs granted	139,119	127,899	107,321	131,516	120,549
Number of RSUs granted to the registered Executive Management	29,923	28,128	24,783	47,911	20,484
Vesting date	01.02.2023	01.02.2022	01.02.2022	01.02.2021	01.02.2020
Fair value at the date of grant, DKK	258.41	269.71	291.03	268.65	237.56

At 31 December 2020, no warrants were outstanding (26,985 warrants in 2019).

4. Incentive programmes - continued

In 2020, 11,497 warrants from the 2012 grant were exercised (27,934 in 2019). In 2019, 3,795 warrants from the 2011 grant were exercised, and at 31 December 2019, no warrants from the 2011 grant were outstanding. The weighted average share price of the warrants exercised was DKK 284.52 (DKK 271.77 in 2019).

Warrant programmes	2012	2011
Number of persons included in the programme	102	112
Total number of warrants granted	692,003	849,085
Number of warrants granted to the registered Executive Management	-	381,224
Vesting date	31.03.2015	31.03.2014
Exercise period begins	01.04.2015	01.04.2014
Exercise period ends	31.03.2020	31.03.2019
Exercise price, DKK	113.00	121.00
Fair value at the date of grant, DKK	24.11	30.10

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	-	-	-	-	
1 January 2019	23,741	3,458	37,324	64,523	114.19
Exercised	-23,741	-	-7,988	-31,729	113.96
Expired	-	-	-5,809	-5,809	121.00
31 December 2019	-	3,458	23,527	26,985	113.00

CASH-SETTLED PROGRAMMES

In 2020, 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 February 2020, Lundbeck established an RCU programme for the 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 2020. The RCUs granted to the CEO, a

total of 30,012, and the RCUs granted to the key employees, a total of 1,526, will vest three years after grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain 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 258.41 per RCU.

In February 2019, Lundbeck established an RCU programme for the CEO and a few key employees in the US subsidiaries. The terms and conditions are similar to those applying to the RSU programme granted in February 2019. The RCUs granted to the CEO, a total of 27,917, and the RCUs granted to the key employees, a total of 1,323, will vest three years after grant. Vesting is subject to the Board of Directors' decision, to Lundbeck achieving certain financial targets specified by the Board of Directors, and to continuing employment with the Lundbeck 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 grant was DKK 269.71 per RCU.

The RCUs granted in 2016 vested in 2020, after which time the programme was settled. No RCUs vested in 2019.

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

The RSUs granted are recognised in profit or loss for 2020 at an expense corresponding to the fair value at the time of grant for the part of the vesting period that concerns 2020. The total expense recognised in respect of equity-settled programmes amounted to DKK 30m (DKK 33m in 2019). At 31 December 2020, the fair value of the remaining equity-settled programmes was DKK 89m (DKK 103m in 2019).

The RCUs granted are recognised in the profit or loss 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 3m in 2019) and covers all cash-settled programmes in force in 2020. At 31 December 2020, the total liability in respect of cash-settled programmes was DKK 7m (DKK 4m in 2019) and covers all cash-settled programmes in force at 31 December 2020.

The total expense recognised in profit or loss for all incentive programmes amounted to DKK 34m in 2020 (DKK 36m in 2019).

4. Incentive programmes - continued

ALK

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%.

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 is a one-time scheme designed to implement ALK's growth strategy and consists of both share options and performance share units with a vesting period of three years. The value of the plan did not exceed 50% of the Executive's 2018 annual base salary on the grant/allocation date. The special incentive plan is conditional upon strategic key performance indicators being attained, with a threshold value below which the plan will not pay out. If the result exceeds the threshold, a defined multiplier may increase the grant/allocation in ALK's special incentive plan by up to 300%. However, the overall payout of the plan on the vesting date for the performance share units 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. The special incentive plan was adopted at the annual general meeting in March 2018.

For both the ordinary incentive plan 2018 and the special incentive plan 2018, for a limited number of share options (45,441) and performance share units (11,458), the vesting can be increased by up to 300%.

SIGN ON PLAN, CEO

In connection with the employment of the CEO in 2017, a CEO sign-on plan was launched. No KPIs were linked to the plan, which vested in January 2018 with an expiration date on 1 January 2024.

Share options and performance share units are considered sufficiently covered by treasury shares.

OUTSTANDING SHARE OPTIONS AND PERFORMANCE SHARE UNITS

The Board of Directors decided for two trading windows in 2020 to settle share options by cash and a total of 24,945 share options (41,125 in 2019) were exercised and total cash payments amounted to DKK 24m (DKK 24m in 2019). For two (three in 2019) trading windows the Board of Directors decided to settle share options by shares and a total of 11,898 (18,100 in 2019) share options were exercised.

4. Incentive programmes - continued

Units	Share options				Performance share units		
	Board of Management	Other key personnel	Total	Weighted average exercise price, DKK	Board of Management	Other key personnel	Total
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
Exercises	-21,758	-15,085	-36,843	954	-3,149	-12,774	-15,923
Cancellations	-	-	-	-	-	-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				
1 January 2019	104,020	94,869	198,889	841	11,301	30,546	41,847
Additions	14,898	10,509	25,407	1,120	3,200	10,797	13,997
Exercises	-20,655	-38,570	-59,225	818	-932	-3,377	-4,309
Expired	-	-1,350	-1,350	474	-	-	-
Cancellations	-	-3,165	-3,165	852	-	-1,709	-1,709
31 December 2019	98,263	62,293	160,556	904	13,569	36,257	49,826
Total number of vested share options			42,513				
Average remaining life at year end (years)			3.1				
Exercise prices at year end (DKK)			487-1,183				

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

Plan	Share options				Performance share units		
	Units	Exercise price, DKK	Vested as per	Exercise period begins	Exercise period (years)	Units	Vested as per
2014 Plan	100	795	01.03.2017	01.03.2017	4		
2015 Plan	4,025	856	01.03.2018	01.03.2018	4		
2016 Plan	5,050	1,100	01.03.2019	01.03.2019	4		
2017 Sign-on plan, CEO	17,068	924	01.01.2018	01.01.2018	6		
2017 Plan	6,224	1,025	01.03.2020	01.03.2020	2		
2018 Plan	30,873	793	01.03.2021	01.03.2021	2	15,607	01.03.2021
2018 Plan - one-time	43,341	793	01.03.2021	01.03.2021	2	8,708	01.03.2021
2019 Plan	23,738	1,127	01.03.2022	01.03.2022	2	13,241	01.03.2022
2019 Plan	18,677	1,442	01.03.2023	01.03.2023	2	11,314	01.03.2023
31 December 2020	149,096					48,870	

4. Incentive programmes - continued

EXPENSED IN THE INCOME STATEMENT

In 2020, the total cost of share-based payments of DKK 29m (DKK 39m in 2019) included a financial expense of DKK 1m (DKK 5m in 2019) due to the exercise and cash settlement of share options plans and DKK 5m (DKK 13m in 2019) related to adjustment in the share options and performance share units expected to vest.

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:

	2020 Plan	2019 Plan
Average share price (DKK)	1,372	1,072
Expected exercise price (DKK) ¹	1,477	1,154
Expected volatility rate ²	34% p.a.	32% p.a.
Expected option life	4 years	4 years
Expected dividend per share	-	-
Risk-free interest rate	-0.01% p.a.	-0.44% p.a.
Calculated fair value of granted share options (DKK)	328	233

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

2) The expected volatility rate is based on the historical volatility.

PERFORMANCE SHARE UNITS

Performance share units have been granted at the average market price of the share for the five trading days immediately preceding the date of grant at DKK 1,372 per share (DKK 1,072 per share).

Falck

The remuneration of the members of the Executive Committee consists of a short-term incentive plan and a long-term incentive plan.

The short-term incentive programme is a variable one-year cash-based incentive, subject to the achievement of annual targets. Its role is to drive and reward exceptional performance of Falck.

The long-term incentive programme is a cash-based incentive designed to drive and reward the creation of long-term shareholder value at Falck. The long-term incentive will have up to a three-year performance period.

Group

Recognised expenses, DKKm	2020	2019
Recognised expenses concerning equity-based schemes	59	72
Recognised expenses concerning debt-based schemes	4	3
Total recognised expenses	63	75

5. Depreciation, amortisation and impairment

DKKm	2020	2019
Depreciation, amortisation and impairment are specified as follows:		
Cost of sales	2,457	2,386
Research and development costs	898	83
Sales and distribution costs	157	144
Administrative expenses	173	141
Other operating items, net	51	271
Total	3,736	3,025

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

6. Fees to auditors appointed at the annual meeting

DKKm	2020	2019
Administrative expenses include fees to the Group auditors appointed at the annual meeting in the amount of:		
Statutory audit	22	22
Other opinions	-	2
Tax advisory services	4	4
Other services	2	17
Total	28	45

At the annual meeting held on 23 April 2020, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was elected as Lundbeckfonden's auditor. Deloitte Statsautoriseret Revisionspartnerselskab was Lundbeckfonden's auditor in 2019.

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 tax services relating to expatriates and transfer pricing, advisory services relating to cyber risk, other auditor reports on various statements to public authorities, and other accounting and tax advisory services.

7. Other operating items, net

DKKm	2020	2019
Integration, retention and transaction costs (Lundbeck)	-59	-514
Redundancy and restructuring costs, etc. (Falck)	-181	-
Impairment non-current assets	-52	-
Gain on sales of assets, net	23	114
Change in value of biological assets and related land	11	15
Other operating income	40	39
Settlement cost, legal fees and fine (Falck)	-	-223
Impairment of goodwill (Falck)	-	-266
Total	-218	-835

Change in value of biological assets and related land includes reversal of impairment of property, plant and equipment of DKK 5m (impairment of DKK 5m in 2019).

8. Financial items

DKKm	Lundbeck, ALK and Falck		Lundbeckfonden Ventures and Emerge		Invest etc.		Group	
	2020	2019	2020	2019	2020	2019	2020	2019
Financial income								
Interest on financial assets measured at amortised cost	13	78	-	-	-	-	13	78
Interest on financial assets measured at fair value through profit or loss ¹	-	-	-	-	178	237	178	206
Interest on receivables from associates	-	-	5	2	-	-	5	2
Dividends from associates	-	-	-	-	50	50	50	50
Dividends from portfolio investments	-	-	-	-	168	168	168	168
Gains on financial assets at fair value through profit or loss	92	20	304	1,507	2,282	2,092	2,678	3,619
Fair value adjustment of contingent consideration	102	-	-	-	-	-	102	-
Exchange gains	123	36	-	-	15	14	138	50
Other financial income	1	17	58	79	1	-	60	96
Total financial income	331	151	367	1,588	2,694	2,561	3,392	4,269
Financial expenses								
Interest on financial liabilities measured at amortised cost ¹	295	256	-	-	5	13	300	238
Interest component, discounted liabilities	29	36	-	-	-	-	29	36
Losses on financial assets at fair value through profit or loss	12	25	371	136	1,360	355	1,743	516
Fair value adjustment of contingent consideration	99	20	-	-	-	-	99	20
Exchange losses	90	85	-	-	58	5	148	90
Losses from divestment of enterprises	306	30	-	-	-	-	306	30
Other financial expenses	85	31	2	-	27	1	114	32
Total financial expenses	916	483	373	136	1,450	374	2,739	962
Net financials	-585	-332	-6	1,452	1,244	2,187	653	3,307

1) Including interest on shareholder loans of DKK 31m in 2019

9. Tax on profit for the year

DKKm	2020	2019
Current tax	1,008	680
Prior-year adjustment, current tax	29	374
Prior-year adjustment, deferred tax	-69	-359
Change of deferred tax for the year	-364	249
Change of deferred tax as a result of changed income tax rates	36	2
Total tax for the year	640	946
Tax for the year is composed of:		
Tax on profit for the year	578	996
Tax on other comprehensive income	106	-24
Tax on other transactions in equity	-44	-26
Total tax for the year	640	946

Tax on other comprehensive income, DKKm	2020	2019
Actuarial gains/losses	2	17
Currency translation, foreign subsidiaries	24	17
Currency translation on additions to net investments in foreign subsidiaries	-79	-13
Value adjustment of interest hedging instruments	15	-4
Adjustment, deferred exchange gains/losses, hedging	-69	74
Exchange gains/losses, hedging (transferred to the hedged items)	1	-67
Total tax on other comprehensive income	-106	24

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 528m (DKK 464m at 31 December 2019). 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 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

Explanation of the Group's effective tax rate relative to the Danish tax rate 2019	DKKm	%
Profit before tax	6,210	
Calculated tax, 22%	1,366	22
Tax effect of:		
Differences in income tax rates of foreign subsidiaries from Danish corporate income tax rate	131	2
Non-deductible/non-taxable items and other permanent differences	-214	-3
Non-capitalised tax losses etc. for the year	-	-
Research and development activities (tax credits)	-13	-
Non-deductible amortisation of intangibles	103	2
Foreign-derived intangible income benefit	-140	-2
Impairment of goodwill	57	1
Prior-year tax adjustments etc., total effect on operations	15	-
Change in valuation of net tax assets	-84	-1
Deduction for grants	-251	-4
Other taxes and adjustments	24	-
Change of deferred tax as a result of changed income tax rates	2	-
Effective tax for the year	996	17

10. Grants

DKKm	2020	2019
LF Professorships	-	232
LF Ascending Investigators	90	100
LF Fellowships	80	100
LF Postdocs	68	87
LF Pre-Graduate Scholarships	7	24
LF Stipends for Travels, Sabbatical Leave, Visiting Professorships & larger international meetings and conferences	5	12
People	250	555
LF Experiments	55	-
LF Strategic projects	75	80
LF Collaborative projects	120	-
LF Corona projects	33	-
LF & NIH Brain Initiative	3	6
Projects	286	86
The Brain Prize	10	8
LF Young Investigator Prize and LF Talent Prizes	3	2
Prizes	13	10
Science Education & Communication	50	11
Other purposes	1	4
Grants authorised, gross	600	666
Descendants	-	-
Reversed grants/repayments	-24	-9
Grants for the year, net	576	657

Donations to descendants amount to DKK 196,200 (DKK 196,200 in 2019).

11. Intangible assets

DKKm	Goodwill	Product rights	Brands and customer contracts	Patent and licence rights	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2020	11,669	31,610	3,509	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	3,383	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	540	17	358	171	28,244

Product rights at 31 December 2020 includes 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, Inc. (subsequently renamed 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 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

DKKm	Goodwill	Product rights	Brands and customer contracts	Patent and licence rights	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2019	10,736	16,239	3,503	287	3,396	136	34,297
Currency translation	93	97	11	4	8	-	213
Reclassifications/transfers	-	-	-	-	58	-58	-
Additions on acquisitions	909	15,274	1	-	-	-	16,184
Additions	-	-	-	-	85	73	158
Disposals	-	-	-4	-30	-49	-17	-100
Disposals on divestments	-69	-	-2	-21	-3	-	-95
Cost at 31 December 2019	11,669	31,610	3,509	240	3,495	134	50,657
Amortisation and impairment at 1 January 2019	-1,604	-9,432	-2,731	-216	-2,849	-20	-16,852
Currency translation	-12	-137	-10	-3	-4	-	-166
Amortisation	-	-1,309	-185	-26	-173	-	-1,693
Impairment	-266	-	-	-	-29	-	-295
Amortisation and impairment on disposals	-	-	4	20	46	17	87
Disposals on divestments	2	-	2	17	3	-	24
Amortisation and impairment at 31 December 2019	-1,880	-10,878	-2,920	-208	-3,006	-3	-18,895
Carrying amount at 31 December 2019	9,789	20,732	589	32	489	131	31,762

Product rights at 31 December 2019 includes product rights not yet commercialised amounting to DKK 15,956m.

Description of material product rights

In October 2019, as part of the acquisition of Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.), Lundbeck acquired the eptinezumab product rights, which is an investigational monoclonal antibody (mAb) for migraine prevention targeting the calcitonin gene-related peptide (CGRP). The value of the product rights was DKK 13,421m at the time of acquisition. The carrying amount of DKK 12,076m at 31 December 2020 (DKK 13,340m at 31 December 2019) was affected by developments in the USD/DKK exchange rate.

In May 2019, as part of the acquisition of Abide Therapeutics, Inc. (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck acquired 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. The value of the portfolio of compounds recognised as product rights was DKK 1,853m at the time of acquisition. The carrying amount of DKK 1,871m at 31 December 2020 (DKK 1,840m at 31 December 2019) was affected by developments in the USD/DKK exchange rate.

11. Intangible assets - continued

Except for goodwill and the Falck trademark in the amount of DKK 514m (DKK 514m at 31 December 2019), recognised in brands and customer contracts, 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; Lundbeck (DKK 4,845m), ALK (DKK 550m) and Falck (DKK 3,842m).

The recoverable amounts for the cash-generating units (CGUs) are determined on the basis of the value-in-use. In the impairment tests, the discounted values of the future net cash flows of each of the CGUs value-in-use are compared with their carrying amounts.

The impairment tests for 2020 did not result in recognition of any impairment losses on goodwill.

The impairment tests for 2019 identified a need for impairment on goodwill of DKK 266m related to Falck's Healthcare business unit.

Methodology used for Lundbeck

The Group is considered a single cash-generating unit (CGU) as this is how management makes decisions and assesses business performance. All subsidiaries are considered fully integrated into the Group as no entity has significant independent or separately identifiable inflow of cash. Most cash inflows are based on the output from research and development activities performed by headquarters on behalf of the entire Group. Accordingly, an impairment test was performed based on Lundbeck having one single 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

Goodwill has been tested at an aggregated level. The ALK Group is considered as one cash-generating unit as the individual companies and business units in the ALK Group cannot be evaluated separately due to the value-adding processes are generated across corporations and entities.

In the calculation of the value in use of the cash-generating unit, future free net cash flow is estimated based on Board of Directors-approved financial forecast in line with the ALK Group's strategy.

The budget and the strategy plans are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value. Estimates are based on historical data and expectations on future changes in the markets and products.

These expectations are based on a number of assumptions including expected product launches, volume forecasts, price information and profitability of both the ALK Group's business as well as geographical expansions.

For financial years after the five year forecast period (2021-2025), the cash flows in the most recent period have been extrapolated adjusted for a growth factor of 1.5% (2019: 1.5%) during the terminal period.

The calculated value in use shows that future earnings and cash flows fully support the carrying amount of total net assets, including goodwill.

The discount rate used is 10% pre-tax and 7.5% after tax (2019: 10% pre-tax and 7.5% after tax).

Methodology used for Falck

Impairment tests are generally carried out per business segment which is the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles, i.e., goodwill, customer contracts and brands, can be allocated and monitored with any reasonable certainty.

Impairment tests are carried out on the business segments Ambulance, Assistance, Healthcare, Community Healthcare, Fire Services and Portfolio business following the changes in the segment structure in 2020. The goodwill has been reallocated in 2020 to the new business segments.

The carrying amounts and the key assumptions are not directly comparable with 2019.

11. Intangible assets - continued

The value in use is calculated using certain key assumptions for the expected future cash flows and applied discount factor. 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 premium. 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.

Value-in-use cash flow projections are based on financial forecasts and business plans approved by the management.

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

Revenue growth

Revenue growth projections in the financial forecast for 2021 are estimated on the basis of current operations and the expected market development for the individual CGUs. For Ambulance, a slight decrease in 2021 is expected, but then growth is expected to be re-established. Assistance is expecting to maintain the revenue at the 2020 level, with a minor growth rate. The revenue growth rate has been positively impacted by the PTS business, which was reallocated to the Assistance CGU in 2020. Healthcare is expecting a slight increase in the revenue from 2021 to 2025. Based on the expected number of subscribers, Community Healthcare expects revenue in 2021 to be at the 2020 level, and then it is expected that revenue will increase. Fire Services and Portfolio Business expect overall growth in the forecasting period. Revenue growth projections in the financial forecast for 2020 are estimated on the basis of current operations and the expected market development for the individual CGUs.

EBITA margin

When estimating the CGU's EBITA margin in the financial forecast for 2021, past experience is taken into consideration. EBITA margin in both Ambulance and Assistance improved in 2020, compared to last year, and it is expected to maintain the level in the forecast period. In 2020 Healthcare was severely impacted by COVID-19, but it is expected that the business will get back to a positive margin in 2021 and beyond. Community Healthcare expects to maintain the 2020 EBITA margin throughout the forecast period. Fire Services expects a minor improvement in the margin compared to 2020. Portfolio Business forecasts a low but positive EBITA margin in the forecasting period.

Discount rates and terminal growth

The discount rates applied are generally based on the cost of capital applicable for Falck, but interest 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. 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, customer contracts and brands, and the key assumptions used in the impairment testing at 31 December are presented below for each CGU:

2020, DKKm	Carrying amount				Forecasting period		Terminal period	Applied discount rate		
	Goodwill	Customer contracts	Brands	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	804	25	514	1,343	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	514	4,382						

2019, DKKm	Carrying amount				Forecasting period		Terminal period	Applied discount rate		
	Goodwill	Customer contracts	Brands	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	1,539	74	514	2,127	1.8%	4.8%	1.8%	4.8%	7.7%	10.6%
Assistance	1,517	-	-	1,517	-5.0%	17.7%	0.5%	17.7%	7.0%	9.3%
Healthcare	590	1	-	591	0.2%	2.5%	1.9%	3.2%	7.2%	9.2%
Industrial Fire Services	249	-	-	249	1.9%	7.1%	1.9%	7.8%	8.2%	10.8%
Global Assistance	57	-	-	57	2.1%	5.4%	2.1%	5.4%	7.5%	9.6%
Total	3,952	75	514	4,541						

11. Intangible assets - continued

Sensitivity test

A sensitivity analysis covering the key assumptions in the impairment testing is presented in the table for 2019.

The allowed change represents the percentage points by which the value assigned to the key assumption may change, all other things being equal, before the CGUs recoverable amount equals its carrying amount.

	Forecasting period				Terminal period				Discount rate (after tax)	
	Growth		Margin		Growth		Margin		Applied rate	Allowed increase
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term	Allowed decrease		
2019										
Ambulance	1.8%	8.0%	4.8%	1.9%	1.8%	4.7%	4.8%	2.3%	7.7%	3.1%
Roadside Assistance	-5.0%	11.5%	17.7%	8.5%	0.5%	14.8%	17.7%	12.0%	7.0%	7.3%
Healthcare	0.2%	-	2.5%	-	1.9%	-	3.2%	-	7.2%	-
Industrial Fire Services	1.9%	0.3%	7.1%	2.1%	1.9%	3.0%	7.8%	2.6%	8.2%	2.2%
Global Assistance	2.1%	10.6%	5.4%	4.0%	2.1%	27.0%	5.4%	4.8%	7.5%	10.8%

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

Lundbeck's Phase IIa AMBLED study of foliglurax for the treatment of Parkinson's disease did not meet the primary study endpoint. Consequently, the development programme of foliglurax was terminated, and Lundbeck recognised an impairment loss of DKK 792m relating to the foliglurax product rights.

An updated impairment test was performed for the product rights of Rexulti[®] as indications of impairment were identified.

In the impairment test of the product rights of Rexulti[®], 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 of nine years, 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.

In the impairment test of the product rights of Rexulti[®], based on value in use, significant assumptions and estimates are applied to the discounted expected future cash flows from the product rights. The value-in-use calculation is compared with the carrying amount of the relevant asset.

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 7.3% (7.93% at 31 December 2019).

Lundbeck's impairment test performed in 2020 did not result in the recognition of other impairment losses.

ALK

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. Furthermore, impairment of DKK 12m related to a planning system within Ambulance.

Falck

In 2019, impairment of DKK 29m relates 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	2020	2019
Goodwill	-	266
Products rights	792	-
Other intangibles assets	34	29
Impairment loss total	826	295

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

Impairment loss recognised in the income statement, DKKm	2020	2019
Research and development costs	811	-
Cost of sales	5	-
Administrative expenses	-	29
Other operating items, net	10	266
Impairment loss total	826	295

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 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.

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 2019	6,025	2,668	3,788	269	699	13,449
Currency translation	15	4	17	-1	2	37
Reclassifications/transfers	65	139	25	-	-229	-
Additions on acquisitions	-	17	32	4	-	53
Additions	59	62	168	7	381	677
Disposals	-34	-173	-227	-14	-11	-459
Disposals on divestments	-	-4	-46	-19	-	-69
Transferred to right-of-use assets	-572	-	-401	-	-	-973
Cost at 31 December 2019	5,558	2,713	3,356	246	842	12,715
Depreciation and impairment at 1 January 2019	-2,711	-1,922	-2,977	-170	-102	-7,882
Currency translation	-4	-3	-11	1	1	-16
Depreciation	-175	-154	-227	-19	-	-575
Impairment	-25	-11	-	-	-	-36
Depreciation and impairment on disposals	41	139	205	13	10	408
Disposals on divestments	-	1	41	11	-	53
Transferred to right-of-use assets	32	-	202	-	-	234
Depreciation and impairment at 31 December 2019	-2,842	-1,950	-2,767	-164	-91	-7,814
Carrying amount at 31 December 2019	2,716	763	589	82	751	4,901
Carrying amount of property, plant and equipment provided as loan collateral	791	-	-	-	-	791

Impairment amounted to DKK 36m, of which DKK 30m related to divestment of ALK's part-share of a formulation production line for tablets to its production partner.

13. Right-of-use assets

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

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	2,344	564	2,908
Currency translation	3	5	8
Re-measurement	-61	-	-61
Additions on acquisitions	76	-	76
Additions	144	143	287
Disposals	-384	-11	-395
Cost at 31 December 2019	2,122	701	2,823
Depreciation and impairment at 1 January 2019	-32	-149	-181
Depreciation	-307	-117	-424
Depreciation and impairment on disposals	32	-	32
Depreciation and impairment at 31 December 2019	-307	-266	-573
Carrying amount at 31 December 2019	1,815	435	2,250

Amounts recognised in the income statement, DKKm	2020	2019
Expenses relating to short-term leases, not capitalised	64	67
Expenses related to low value leases, not capitalised	166	170
Interest expenses relating to lease liabilities	45	51
Depreciation	491	424

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

14. Biological assets

DKKm	2020	2019
Fair value at 1 January	141	59
Currency translation	-8	4
Reclassifications/transfers	-11	-
Additions	-	58
Disposals	-11	-
Change in fair value	6	20
Fair value at 31 December	117	141

At 31 December 2020, the Group owned 1,427 hectares of forest farming land being managed actively.

The valuation of biological assets is made by calculating the present value of future expected cash flows from the forests. Fair value measurement is based on measurement level 3. This calculation of cash flows is made for the next 15 - 40 years. The cash flows are calculated on the basis of harvesting volumes according to the Group's current plan and assessments of future price and cost changes. The cash flows are discounted using a real interest rate of 2.50 - 2.95%.

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 3,897m at 31 December 2020 (DKK 3,834m at 31 December 2019).

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.

Management estimates the fair value of unlisted investments in accordance with International Private Equity and Venture Capital Valuation Guidelines i.e., based on relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment. At each balance sheet date, it is assessed whether there is indication that an investment or a group of investments must be impaired. An impairment loss is recorded if it is assessed that lack of compliance with business plans affect the calculation of fair value or if subsequent capital injections are made at lower prices.

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 1,147m and DKK 1,221m respectively (decrease by DKK 947m and increase by DKK 769m in 2019).

For further information on risks relating to the Group's financial investments, see note 20 *Cash resources* 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 2020, investments in associates included in Lundbeckfonden's investment strategy amount to DKK 669m (DKK 4,178m at 31 December 2019). The associates are not individually material. Consequently, financial information about the associates are not disclosed.

15. Financial assets - continued

DKKm	Invest	Lundbeckfonden Ventures and Emerge	Total	Other financial assets at fair value through profit or loss	Other receivables	Other financial assets, total	Receivables from associates
Carrying amount at 1 January 2020	16,132	4,808	20,940	60	186	246	-
Reclassification to securities, current assets, 1 January 2020	-514	-	-514	-	-	-	-
Carrying amount at 1 January 2020, adjusted	15,618	4,808	20,426	60	186	246	-
Additions	8,756	257	9,013	-	42	42	-
Disposals	-6,012	-2,985	-8,997	-2	-43	-45	-
Value adjustments, year-end	910	-67	843	58	-7	51	-
Transferred	-	-202	-202	-	-4	-4	-
Reclassification to securities, current assets	5	-	5	-	-	-	-
Carrying amount at 31 December 2020	19,277	1,811	21,088	116	174	290	-

DKKm	Invest	Lundbeckfonden Ventures and Emerge	Total	Other financial assets at fair value through profit or loss	Other receivables	Other financial assets, total	Receivables from associates
Carrying amount at 1 January 2019	13,131	3,125	16,256	70	143	213	2
Reclassification to securities, current assets, 1 January 2019	-347	-	-347	-	-	-	-
Carrying amount at 1 January 2019, adjusted	12,784	3,125	15,909	70	143	213	2
Additions	8,211	397	8,608	-	57	57	-
Disposals	-7,143	-86	-7,229	-1	-14	-15	-2
Value adjustments, year-end	1,933	1,372	3,305	-9	-	-9	-
Reclassification to securities, current assets	-167	-	-167	-	-	-	-
Carrying amount at 31 December 2019	15,618	4,808	20,426	60	186	246	-

16. Deferred tax

Temporary differences between the carrying amount and the tax base:

DKKm	Balance at 1 January	Currency translation	Adjustment of deferred tax 1 January	Addition on acquisition of businesses etc.	Movements during the year	Balance at 31 December
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
2019						
Non-current assets	5,569	-337	186	15,372	-3,439	17,351
Current assets	-896	-3	8	668	66	-157
Other	1,438	-121	-2,002	-51	-661	-1,397
Provisions in subsidiaries	-1,452	-57	-61	-462	387	-1,645
Tax loss carry-forwards etc.	-6,192	47	185	-7,206	4,352	-8,814
Total	-1,533	-471	-1,684	8,321	705	5,338
Deferred (tax assets)/tax liabilities	-423	-17	-359	1,915	180	1,296
Research and development activities (tax credits)	-73	-2	-	-	71	-4
Deferred (tax assets)/tax liabilities	-496	-19	-359	1,915	251	1,292

16. Deferred tax – continued

DKKm	2020	2019
Deferred tax assets relate to the following items:		
Non-current assets	3	-41
Current assets	437	281
Provisions and payables	180	195
Other	195	200
Provisions in subsidiaries	339	396
Tax value of tax loss carry-forwards etc.	1,767	2,163
Research and development activities (tax credits)	4	4
Offset within legal tax entities and jurisdictions	-1,866	-2,443
Total	1,059	755
Deferred tax liabilities relate to the following items:		
Non-current assets	3,611	4,230
Current assets	68	207
Other	53	53
Offset within legal tax entities and jurisdictions	-1,866	-2,443
Total	1,866	2,047
Deferred tax, net	-807	-1,292

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 2020, all deferred tax assets relating to tax losses carried forward in Denmark going back to 2015 were capitalised in the amount of DKK 1,186m (DKK 1,217m at 31 December 2019).

US tax losses and tax credits stemming from Lundbeck's acquisitions have been recognised in the amount of DKK 553m (DKK 775m at 31 December 2019) equalling the expected utilisation within a foreseeable future, whereas an amount of DKK 132m (DKK 454m at 31 December 2019) has not been recognised in the balance sheet.

DKKm	2020	2019
Unrecognised deferred tax assets:		
Unrecognised deferred tax assets at 1 January	975	377
Prior-year adjustments	-89	-24
Additions through acquisitions	-	454
Additions	29	171
Disposals	-200	-
Utilised	-287	-3
Unrecognised deferred tax assets at 31 December	428	975

Unrecognised deferred tax assets primarily relate to net operating losses and research and development incentives.

17. Inventories

DKKm	2020	2019
Raw materials and consumables	422	447
Work-in-progress	1,593	1,531
Manufactured goods and goods for resale	1,301	1,308
Total	3,316	3,286
Indirect costs of production	951	942
Impairment loss for the year	43	57
Inventories calculated at net realisable value	230	270
The total cost of goods sold is included in cost of sales in the amount of	3,061	2,934

Inventories at 31 December 2020 of DKK 1,007m (DKK 1,038m at 31 December 2019) are expected to be utilised after more than 12 months.

18. Trade receivables and other receivables, etc.

DKKm	2020	2019
Trade receivables and other receivables:		
Trade receivables	4,340	4,709
Other receivables	984	756
Derivative financial instruments	483	84
Prepayments	645	413
Total	6,452	5,962
Trade receivables:		
Receivables	4,503	5,010
Loss allowance	-163	-301
Total	4,340	4,709

Trade receivables, DKKm	Expected loss rate %	Receivables, gross	Loss allowance	2020 Total	2019 Total
Days past due					
Not due	0%	3,662	15	3,647	3,705
1 months to 6 months	6%	645	41	604	873
6 months to 12 months	51%	116	59	57	49
More than 12 months	60%	80	48	32	82
Total		4,503	163	4,340	4,709

DKKm	2020	2019
Allowance for doubtful trade receivables:		
Allowance at 1 January	301	262
Losses recognised	-81	-143
Adjustment for the year	-24	179
Currency translation	-19	5
Reversal	-14	-2
Allowance at 31 December	163	301

OTHER RECEIVABLES

No write-downs were made as no losses are expected on other receivables.

DKKm	2020	2019
Specification of other receivables by due date:		
Not due	981	753
Overdue by up to 12 months	1	3
Overdue by more than 12 months	2	-
Total	984	756

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.

Fluctuations in foreign exchange rates, including the impact from currency devaluations, represent an inherent risk as the Group also operates in volatile economies. The Group monitors and takes action to mitigate risks associated with receivables.

19. Contract assets

DKKm	2020	2019
Contract assets (not invoiced)	521	415
Contract assets impairments	-15	-19
Total	506	396
Expected loss rate	3%	5%

20. Cash resources

DKKm	2020	2019
Fixed-term deposits	-	62
Other cash resources	5,885	4,965
Cash and bank balances at 31 December	5,885	5,027
Securities with a maturity of less than 3 months	205	259
Securities with a maturity of more than 3 months	304	259
Securities at 31 December	509	518
Cash, bank balances and securities at 31 December	6,394	5,545

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

20. Cash resources - continued

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.

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 board 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., ISDA and GRMA) and exchange of collateral with counterparties with which the Group has hedging business.

21. Capital base

Lundbeckfonden's capital base is DKK 3,461m. The present statutes of Lundbeckfonden were approved by the Board of Directors on 23 April 2020. 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	2020	2019	2018	2017	2016
Capital base at 1 January	3,236	3,114	3,109	2,965	2,888
Increase in capital base	225	122	5	144	77
Capital base at 31 December	3,461	3,236	3,114	3,109	2,965

22. Other reserves

DKKm	2020	2019
Reserve for future grants:		
Balance at 1 January	1,250	1,250
Grants for the year	-576	-657
Transferred to provision for future grants	576	657
Balance at 31 December	1,250	1,250
Currency translation reserve:		
Balance at 1 January	515	394
Currency translation for the year concerning foreign subsidiaries and additions to net investments in foreign subsidiaries	-694	116
Tax in relation hereto	-60	5
Balance at 31 December	-239	515
Hedging reserve:		
Balance at 1 January	-75	-66
Adjustment, deferred exchange gains/losses, hedging, recognised in other comprehensive income	313	-333
Deferred fair value of interest rate swaps	-90	8
Exchange gains/losses, hedging, transferred to revenue	-5	322
Exchange gains/losses, hedging, transferred to the balance sheet	-	-17
Value adjustment of interest hedging instruments	-	9
Tax in relation hereto	-48	2
Balance at 31 December	95	-75
Other reserves at 31 December	1,106	1,690

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 loss of DKK 754m (net gain of DKK 120m in 2019), 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 gain of DKK 170m (net loss of DKK 8m in 2019).

23. Non-controlling interests

DKKm	2020	2019
Non-controlling interests at 1 January	6,749	5,112
Correction of errors and changes in accounting policies	-	797
Share of profit/loss for the year	417	542
Share of other comprehensive income for the year	-195	8
Addition through acquisitions	50	-
Incentive programmes	12	20
Dividend	-252	-744
Buyback of shares from non-controlling interests	-9	-6
Sale of treasury shares	6	6
Change in non-controlling interests	-67	169
Adjustment of provision for acquisition of non-controlling interests	8	-39
Capital increase	-	868
Tax on other transactions in equity	25	16
Non-controlling interests at 31 December	6,744	6,749

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

	Non-controlling interests	Percentage of votes	Registered office
H. Lundbeck A/S	30.9%	69.0%	Copenhagen
ALK-Abelló A/S	58.8%	67.2%	Hørsholm
Falck A/S	40.8%	59.2%	Copenhagen

Capital increase in 2019 of DKK 868m relates to Falck.

The minority shareholder's share of goodwill in Falck is partly recognised in the consolidated financial statements. Thus, goodwill of DKK 1,971m at 31 December 2020 (DKK 1,971m at 31 December 2019) is not recognised in the consolidated financial statements.

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

DKKm	Lundbeck		ALK		Falck	
	2020	2019	2020	2019	2020	2019
Income statement:						
Revenue	17,672	17,036	3,491	3,274	12,348	13,824
Profit (loss) for the year	1,581	2,313	25	-50	-178	-362
Total comprehensive income	1,003	2,317	-82	-56	-64	-335
Profit (loss) for the year attributable to non-controlling interests	488	714	15	-29	-79	-143
Balance sheet:						
Non-current assets	25,924	29,095	3,223	3,247	6,678	7,454
Current assets	10,105	9,038	2,340	2,248	3,382	3,351
Non-current liabilities	9,044	11,071	1,381	1,385	3,572	4,775
Current liabilities	10,012	10,280	1,029	934	4,705	4,119
Equity	16,973	16,782	3,153	3,176	1,783	1,911
Carrying amount of non-controlling interests of equity	5,240	5,182	1,858	1,868	-402	-307
Statement of cash flows:						
Cash flows from operating activities	3,837	2,609	301	132	1,311	772
Cash flows from investing activities	-467	-7,755	-245	-157	-20	372
Cash flows from financing activities	-2,394	4,548	-62	-57	-1,211	-1,187
Net cash flow for the year	976	-598	-6	-82	80	4
Dividends paid to the non-controlling interests during the year	252	736	-	-	-	8

24. Provisions

DKKm	Note	2020	2019
Provisions can be specified as follows:			
Pensions and similar obligations	24.1	646	593
Liabilities relating to acquisitions and non-controlling interests	24.2	7	22
Other provisions	24.3	2,092	2,552
Total		2,745	3,167
Provisions break down as follows:			
Non-current		873	1,013
Current		1,872	2,154
Total		2,745	3,167

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 669m in 2020 (DKK 684m in 2019).

DEFINED BENEFIT PLANS

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

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

DKKm	2020	2019
Retirement benefit obligations and similar obligations:		
Present value of defined benefit plans	822	821
Fair value of plan assets	-288	-288
Defined benefit plans at 31 December	534	533
Other pension-like obligations	112	60
Retirement benefit obligations and similar obligations at 31 December	646	593
Retirement benefit obligations and similar obligations break down as follows:		
Non-current liabilities	644	593
Current liabilities	2	-
Retirement benefit obligations and similar obligations at 31 December	646	593

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

Percentage	2020	2019
Discount rate	0.70-2.00	0.65-2.00
Inflation rate	1.75-2.85	1.75-2.00
Pay rate increase	0.00-2.50	0.00-3.00
Pension increase	1.75-5.00	1.75-2.80
Age-weighted staff resignation rate	0.00-8.00	0.00-8.00
Expected return on plan assets	1.70-2.90	2.00-2.80

24. Provisions - continued

24.1 Pensions and similar obligations - continued

Discount rate and inflation rate are the most significant assumptions used in the calculation of the obligation for defined benefit plans. An increase in the discount rate of 0.25 %-point would result in a decrease in the obligation of approximately DKK 36m (DKK 36m at 31 December 2019) and vice versa. An increase in the inflation rate of 0.25 %-point would result in an increase in the obligation of approximately DKK 11m (DKK 10m at 31 December 2019) and vice versa. The sensitivity analysis indicates how the development in the obligation would be as a result of a change in the individual assumptions. However, the assumptions will most likely be correlated and consequently result in a different obligation.

% distribution	2020	2019
The fair value of the plan assets breaks down as follows:		
Shares	18	17
Bonds	21	23
Property	5	5
Insurance contracts	46	46
Other assets	10	9
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.

DKK m	2020	2019
Change in present value of defined benefit plans:		
Present value of defined benefit plans at 1 January	821	692
Effect of foreign exchange differences	-16	14
Past service costs	10	12
Pension expenses	7	6
Interest expenses relating to the obligations	9	13
Experience and assumptions adjustments	17	107
Benefits paid	-25	-19
Unused provisions, reversed	-2	-1
Dividends paid and other adjustments	-	-1
Employee contributions	1	1
Curtailments	-	-3
Present value of funded pension obligations at 31 December	822	821
Change in fair value of plan assets:		
Fair value of plan assets at 1 January	288	258
Effect of foreign exchange differences	-13	13
Interest income on plan assets	5	7
Experience adjustments	12	10
Contributions	8	9
Disbursements	-12	-9
Employee contributions	1	1
Administration fee	-1	-1
Fair value of plan assets at 31 December	288	288
Realised return on plan assets	17	17

24. Provisions - continued

24.1 Pensions and similar obligations - continued

DKKm	2020	2019
Specification of expenses recognised in the income statement:		
Pension expenses	7	6
Interest expenses relating to the obligations	4	6
Curtailments	-	-3
Actuarial (gains)/losses	1	1
Total expenses recognised	12	10
Specification of amount recognised in the statement of comprehensive income:		
Actuarial (gains)/losses	3	97
Total expenses recognised	3	97

The expected contribution for 2021 for the defined benefit plans was DKK 26m (DKK 24m in 2020).

Other obligations of a retirement benefit nature

An obligation at 31 December 2020 of DKK 112m (DKK 60m at 31 December 2019) was recognised to cover other obligations of a retirement benefit nature, which primarily include termination benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

24.2 Outstanding consideration and earn-outs

DKKm	2020	2019
Liabilities at 1 January	22	108
Currency translation	-	1
Provisions charged	-	14
Provisions used during the year	-	-96
Unused provisions reversed	-	-5
Reclassifications/transfers	-15	-
Outstanding considerations and earn-outs at 31 December	7	22
Classification of outstanding consideration and earn-outs by expected maturity:		
Within 1 year	-	15
Between 1 and 5 years	7	7
Liabilities concerning acquisition of non-controlling interests at 31 December	7	22

24.3 Other provisions

DKKm	2020	2019
Other provisions at 1 January	2,552	2,593
Currency translation	-171	41
Addition on acquisitions	-	463
Provisions charged	2,610	2,976
Provisions used during the year	-2,604	-2,865
Unused provisions reversed	-252	-509
Reclassified to and from other balance sheet accounts	-43	-147
Other provisions at 31 December	2,092	2,552
Other provisions at 31 December can be specified as follows:		
Non-current provisions	222	413
Current provisions	1,870	2,139
Total	2,092	2,552

Discounts and rebates

Discounts and rebates at 31 December 2020 amounted to DKK 1,002m (DKK 1,040m at 31 December 2019).

24. Provisions - continued

24.3 Other provisions - continued

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 are no statutes of limitation 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 2020, DKK 179m (DKK 246m at 31 December 2019) related to provision regarding returns and DKK 161m (DKK 337m at 31 December 2019) related to restructuring programmes in Lundbeck.

Furthermore, other provisions at 31 December 2020 comprised liability regarding Lundbeckfonden Ventures' incentive programmes of DKK 23m (DKK 81m at 31 December 2019) and liabilities for e.g., legal disputes.

25. Bank debt, bond debt and borrowings

DKKm	Note	2020	2019
Debt to financial institutions and others can be specified as follows:			
Debt to financial institutions etc.		10,707	13,532
Lease liabilities		1,842	2,234
Total		12,549	15,766
Can be specified as follows:			
Non-current liabilities			
Mortgage debt	25.1	659	699
Bank debt and bond debt	25.2	8,014	10,422
Lease liabilities	25.3	1,444	1,756
Total		10,117	12,877
Current liabilities			
Mortgage debt	25.1	31	33
Bank debt etc.	25.2	2,003	2,033
Lease liabilities	25.3	398	478
Repo debt	25.5	-	345
Total		2,432	2,889
Total debt		12,549	15,766

25. Bank debt, bond debt and borrowings - continued

25.1 Mortgage debt

DKKm	2020	2019
Mortgage debt by maturity:		
Within 1 year	31	33
Between 1 and 5 years	351	403
More than 5 years	308	296
Mortgage debt at 31 December	690	732

DKKm	Currency/ expiry	Fixed/floating	Weighted average effective interest rates	Amortised cost	Nominal value	Fair value
2020						
Bond loan, Falck	DKK/2045	Floating	-0.1%	279	279	279
Bond loan, Falck	DKK/2042	Fixed/floating	0.5%	153	153	153
Bond loan, ALK	DKK/2035	Floating	0.2%	258	258	263
Total				690	690	695
2019						
Bond loan, Falck	DKK/2045	Fixed	1.2%	281	281	282
Bond loan, Falck	DKK/2044	Fixed/floating	2.9%	174	174	177
Bond loan, ALK	DKK/2035	Floating	1.2%	277	277	281
Total				732	732	740

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

25.2 Bank debt and bond debt etc.

DKKm	2020	2019
Bank debt and bond debt by maturity:		
Within 1 year	2,003	2,033
Between 1 and 5 years	4,315	10,421
More than 5 years	3,699	1
Total	10,017	12,455

Falck

Falck's primary debt financing was a syndicated bank loan facility of DKK 2,164m (DKK 2,898m) which expires in June 2023. The syndicated bank loan facility was refinanced in 2018 and extended 2 years in May 2020 to new maturity in 2023.

Lundbeck

The DKK 2bn bank loan has been swapped into USD using cross-currency swaps expiring in October 2021. The total nominal value of the cross-currency swaps amounts to USD -295m and DKK +2bn. At 31 December 2020, the interest rates were 0.94% (floating) for the USD leg and 0% (fixed) for the DKK leg. The cross-currency swaps as well as the USD bank loan are designated as hedging of net investments.

25. Bank debt, bond debt and borrowings - continued

25.2 Bank debt and bond debt etc. - continued

A large part of the USD funding, including bank loan and cross-currency swaps, 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 2020 was USD 290m, and the average interest rate was 1.56% for the fixed legs and 0.22% for the floating legs.

In 2019, the DKK loan was swapped into USD using cross-currency swaps, expiring in October 2020 and with an average fixed interest rate of 2.58% for the USD leg and 0% for DKK leg. USD 450m of the USD loan (totalling USD 500m) was swapped into fixed interest by interest rate swaps with a four-year tenor and an average fixed interest rate of 1.56%.

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

DKKm	Currency	Expiry	Fixed/floating	Weighted average effective interest rates	Carrying amount	Fair value
2020						
Bank debt, Falck	DKK	2023	Floating	1.49%	678	678
Bank debt, Falck	EUR	2023	Floating	1.49%	1,496	1,496
Bank debt, Lundbeck	DKK	2021	Floating	0.80%	2,000	2,000
Bank debt, Lundbeck	USD	2024	Floating	1.11%	1,698	1,698
Issued bonds, Lundbeck	EUR	2027	Fixed	0.88%	3,699	3,781
Other bank and finance loans, ALK	EUR	2022	Fixed	1.80%	446	446
Total					10,017	10,099
2019						
Bank debt, Falck	DKK	2021	Floating	1.30%	1,396	1,400
Bank debt, Falck	EUR	2021	Floating	1.30%	1,549	1,549
Bank debt, Lundbeck	DKK	2020	Floating	0.65%	2,000	2,000
Bank debt, Lundbeck	USD	2023	Floating	2.80%	3,326	3,326
Bank debt, Lundbeck	EUR	2023	Floating	0.55%	3,736	3,736
Other bank and finance loans, ALK	EUR	2022	Fixed	1.80%	448	448
Total					12,455	12,459

Fair value of issued bonds was calculated by level 1 input while bank and other loans were calculated by level 3 input.

25. Bank debt, bond debt and borrowings – continued

25.3 Lease liabilities

DKKm	2020	2019
Leasing liabilities by maturity:		
Within 1 year	398	478
Between 1 and 5 years	738	1,427
More than 5 years	706	329
Total	1,842	2,234

In 2020, the Group paid DKK 511m (DKK 749m in 2019) for lease agreements, of which, interest expenses amounted to DKK 45m (DKK 51m in 2019).

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
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
2019					
Long-term borrowings	5,419	-	6,582	-880	11,121
Short-term borrowings	104	2,053	-109	18	2,066
Lease liabilities	610	-	-698	2,322	2,234
Total	6,133	2,053	5,775	1,460	15,421

In 2019, conversion of subordinated shareholder loans of DKK 846m (excluding interest) was included in non-cash changes of long-term borrowings.

Furthermore in 2019, non-cash changes of lease liabilities, DKK 2,322m, included lease liabilities of DKK 1,980m related to the right-of-use assets according to IFRS 16 implemented from 1 January 2019.

25.5 Repo debt

At 31 December 2019, repo debt totalling DKK 345m fell due in January 2020. The debt carried a fixed rate of interest from the date of conclusion at negative 0.55%.

26. Contract liabilities

DKKm	2020	2019
Stepped-pricing contracts	54	72
Prepayments	1,141	1,192
Total	1,195	1,264
Within 1 year	1,159	1,192
More than 1 year	36	72
Total	1,195	1,264
Revenue recognised from amounts included in contract liabilities at the beginning of the year	1,021	966
Revenue recognised from performance obligations satisfied in previous years	-16	-31

27. Other payables

DKKm	2020	2019
Trade payables	4,608	4,699
Contingent consideration	1,108	1,128
Derivative financial instruments	197	216
Other payables	4,986	4,238
Total	10,899	10,281
Provisions break down as follows:		
Non-current	1,192	1,470
Current	9,707	8,811
Total	10,899	10,281

At 31 December 2020, the value of put options included in other payables amounted to DKK 173m (DKK 215m at 31 December 2019).

Contingent consideration recognised in acquisition of businesses in 2019

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 236m. At 31 December 2020, the fair value of the CVR amounted to DKK 1,059m (DKK 1,080m at 31 December 2019).

The CVR was recognised as a contingent consideration at fair value at the acquisition date.

27. Other payables – continued

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). The probability of success used for calculating the fair value of the CVR is based on the BIO/MedTracker 2016 publication.

As part of the acquisition of Abide Therapeutics, Inc. (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck is required to pay up to USD 150m in future development and sales milestones dependent on predefined milestones being reached. At 31 December 2020, the fair value of the contingent consideration amounted to DKK 49m (DKK 144m at 31 December 2019).

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 the expected timing of payment (using a specific discount rate) and probability of success.

28. Adjustment for non-cash operating items

DKKm	2020	2019
Depreciation, amortisation and impairment	3,736	3,025
Incentive programmes	59	227
Change in other provisions	-193	-486
Gain on disposals of biological assets and related land	-10	-
Change in valuation of biological assets	-6	-20
Gain on divestment from sale of non-currents assets	-	-111
Other adjustments	25	-61
Total	3,611	2,574

29. Working capital changes

DKKm	2020	2019
Change in inventories	-359	166
Change in contract assets	-120	80
Change in receivables	-576	-434
Change in contract liabilities	-69	66
Change in liabilities	1,433	-827
Total	309	-949

30. Acquisitions and divestments

30.1 Acquisitions of businesses etc.

DKKm	2020	2019
Assets:		
Product rights	306	15,274
Other intangible assets	-	1
Property, plant and equipment, including right-of-use assets	2	98
Inventories	9	668
Other receivables	15	64
Securities	-	152
Cash and bank balances	30	2,430
Equity and liabilities:		
Non-controlling interests share of equity	-50	-
Deferred tax	-67	-1,910
Lease liabilities, non-current	-	-37
Provisions	-	-463
Borrowings	-8	-2,053
Lease liabilities, current	-	-14
Trade payables	-1	-292
Other payables	-7	-688
Net assets acquired	229	13,230
Goodwill	-	909
Purchase price	229	14,139
Adjustment for cash and bank balances acquired	-30	-2,430
Transferred from financial assets, Lundbeckfonden Ventures	-202	-
Contingent considerations and deferred payments	-	-1,213
Consideration relating to prior-year acquisitions	-	20
Cash consideration for acquisitions	-3	10,516

The amounts in the table represent the purchase price allocation to the identifiable assets, liabilities and contingent consideration, and consequently also to goodwill at the acquisition date.

ACQUISITIONS IN 2020

Until the capital increase in DySIS Medical Ltd. (Dysis) at 29 April 2020 of DKK 27m, Lundbeckfonden Ventures' investment in Dysis was recognised at fair value in financial assets, Lundbeckfonden Ventures.

Dysis is a medical device company that designs, develops, manufactures and markets imaging systems focusing on the non-invasive, in-vivo detection of cancerous and pre-cancerous

30. Acquisitions and divestments – continued

30.1 Acquisitions of businesses etc. - continued

lesions. The company has developed a proprietary technology that has the potential to address a number of diseases that affect millions of people worldwide. The acquisition is consequently considered a business combination in accordance with IFRS 3 Business Combinations.

The acquisition price exceeds the fair value of the acquired identifiable assets and liabilities, and accordingly the positive difference has been recognised as product rights of DKK 306m and deferred tax liability of DKK 67m. The product rights, which are not tax-deductible, are amortised over 12 years.

Dysis' revenue in the consolidated eight months amounted to DKK 9m and the company was recognised at a loss of DKK 45m in the consolidated financial statements for 2020.

Had the company been consolidated at 1 January 2020, the Group's consolidated revenue and net profit for 2020 would have been DKK 33,523m and DKK 2,389m, respectively.

ACQUISITION IN 2019

In 2019, Lundbeck acquired Abide Therapeutics, Inc. (subsequently renamed Lundbeck La Jolla Research Center, Inc.) and Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.).

30.2 Divestment of businesses

Divestment of businesses include divestment of subsidiaries and operations.

DKKm	2020	2019
Assets		
Goodwill	4	67
Other intangible assets	8	4
Property, plant and equipment	6	15
Deferred tax	-	5
Other non-current assets	-	33
Other current assets	93	44
Cash and bank balances	6	20
Equity and liabilities		
Current liabilities	-15	-23
Net assets divested	102	165
Recirculation of exchange rate adjustments form divestments	226	-
Gain and losses on divestment of business, net	-298	1
Sales price	30	166
Adjustment for cash and bank balances transferred	-6	-20
Sales price receivable	-	5
Transaction costs	-8	-16
Cash flows from divestment of subsidiaries and operations	16	135

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.

In 2019, Falck divested its shares in Falck Centra Medyczne SP Z.O.O, Falck Consulting & Technology B.V., Falck Emergency Norway A/S and Falck Chile Holding S.A. Furthermore, ALK has sold its North American Veterinary Business Unit to Spectrum Veterinary LLC. A net loss on the divestments of DKK 15m was recognised in the income statement.

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* and note 20 *Cash resources* for a description of risks and the management thereof.

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.

Monetary assets and monetary liabilities for the principal currencies at 31 December, DKKm

	2020	2019
Monetary assets		
CAD	55	78
CHF	46	101
CNY	65	111
EUR	6,694	4,899
GBP	399	483
JPY	243	153
USD	6,382	6,713
Monetary liabilities		
CNY	15	-
EUR	6,386	6,787
GBP	2	117
USD	3,766	5,534

Monetary assets and monetary liabilities include trade receivables, other receivables, financial assets, cash, bank debt (including interest rate swaps), lease liabilities, trade payables, other payables, deferred taxes and income taxes. The balances exclude all intra-group balances and monetary assets and monetary liabilities in entities where the currency of the assets/liabilities and the functional currency are identical.

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

DKKm	CAD	CHF	CNY	GBP	JPY	USD
2020						
Profit	6	1	-2	21	12	299
Equity	-18	2	-25	20	12	-43
2019						
Profit	5	4	-	13	8	428
Equity	-11	5	-15	5	8	-92

The shown sensitivities only comprise impact from Lundbeck's financial instruments and reflect a relative change of the exchange rates at 31 December 2020 and 2019.

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 monetary assets and liabilities 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 2020 and 2019 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. Financial risks and financial instruments - continued

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 2020, the Group's portfolio of bonds had a duration of 1.2 years (0.6 year at 31 December 2019). Other things being equal, an increase of 1 %-point in interest rates would decrease the Group's profit after tax by DKK 36m (decrease of DKK 6m at 31 December 2019).

At 31 December 2020, 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 3,245m (DKK 1,993m at 31 December 2019). Other than this, there were no derivatives at 31 December 2020 and 31 December 2019 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 considered limited due to the EUR 500m bond being issued with a fixed coupon until 2027 and the USD funding to a large extent being swapped into fixed interest through interest rate swaps. See note 25.2 for further details.

Falck's exposure to interest rate risk relates to the part of the mortgage loans which carry floating interest rate. The syndicated loan of DKK 2,164m carries variable interest.

An interest rate change on bank debt and bond debt, including interest rate swaps, of +/-1 %-point would decrease/increase profit for the year after tax by DKK 28m (DKK 54m in 2019) and increase/decrease equity by DKK 60m in 2020 (DKK 73m at 31 December 2019) 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 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 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	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	-	-	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

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

31 December 2019, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets, Invest				
Danish mortgage and government bonds	1,993	-	-	1,993
Credit bonds	2,181	-	-	2,181
Equities	9,789	-	331	10,120
Private equity funds and other unlisted funds	-	271	1,053	1,324
Derivative financial instruments	-	4	-	4
Total financial assets, Invest	13,963	275	1,384	15,622
Lundbeckfonden Ventures and Emerge				
Equities	2,753	-	1,350	4,103
Receivables from sale of portfolio companies	-	-	653	653
Other receivables	-	-	52	52
Total Lundbeckfonden Ventures and Emerge	2,753	-	2,055	4,808
Other financial assets	20	-	40	60
Securities (current assets)	518	-	-	518
Total financial assets	17,254	275	3,479	21,008
Financial liabilities				
Derivative financial instruments	-	103	-	103
Contingent consideration	-	-	1,224	1,224
Total financial liabilities	-	103	1,224	1,327

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

31 December 2019, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	80	-	80
Financial liabilities				
Derivative financial instruments	-	113	-	113

31. Financial risks and financial instruments - continued

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

Financial assets measured at fair value according to level 3, DKKm	2020	2019
Carrying amount at 1 January	3,479	2,914
Additions	813	655
Disposals	-832	-283
Reclassification, from level 3 to level 1 in connection with IPOs	-99	-51
Transferred	-202	-
Fair value adjustment	-110	244
Carrying amount at 31 December	3,049	3,479

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 4.25-5.25% or cost if under construction	If required rate of return is reduced by 0.25pp the fair value will be increased by DKK 62m
Equities, Ventures and Emerge (unlisted)	Valuation methods based on International Private Equity and Venture Capital Valuation Guidance and price of recent transactions for level 3	Capital injections made at different prices	If group of investments increase by 1% the fair value will be increased by DKK 12m
Private equity funds and other unlisted funds	Closing prices according to exchange markets and valuation methods based on International Private Equity and Venture Capital Valuation Guidance applied by fund managers	Trading multiples	If group of investments increase by 1% the fair value will be increased by DKK 14m
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 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	-	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	
Other cash resources	5,885	-	-	5,885	5,885	
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

31.4 Maturity dates for financial assets and financial liabilities - continued

31 December 2019, 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	-	784	1,593	2,377	1,993	-1-3%
Credit bonds	-	1,089	1,316	2,405	2,181	0-37%
Derivative financial instruments	4	-	-	4	4	
Financial assets, Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	231	308	114	653	653	
Other receivables	54	-	-	54	52	8%
Securities (current assets)	638	-	-	638	518	-1-37%
Financial assets at fair value through profit or loss	927	2,181	3,023	6,131	5,401	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries						
	80	-	-	80	80	
Financial assets at fair value through other comprehensive income	80	-	-	80	80	
Receivables	6,132	346	-	6,478	6,478	
Fixed-term deposits	62	-	-	62	62	0-3%
Other cash resources	4,965	-	-	4,965	4,965	-1-10%
Financial assets measured at amortised cost	11,159	346	-	11,505	11,505	
Total financial assets	12,166	2,527	3,023	17,716	16,986	

31 December 2019, 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						
	103	-	-	103	103	
Contingent consideration	96	1,081	47	1,224	1,224	
Financial liabilities at fair value through profit or loss	199	1,081	47	1,327	1,327	
Derivatives to hedge future cash flows and net investment in foreign subsidiaries						
	113	-	-	113	113	
Financial liabilities at fair value through other comprehensive income	113	-	-	113	113	
Debt to financial institutions etc.						
	2,577	10,851	605	14,033	13,532	0-3%
Leasing liabilities	517	1,351	507	2,375	2,234	1-4%
Liabilities relating to acquisitions and non-controlling interests	215	-	-	215	215	
Other payables and non-disbursed grants	10,021	780	-	10,801	10,801	
Financial liabilities measured at amortised cost	13,330	12,982	1,112	27,424	26,782	
Total financial liabilities	13,642	14,063	1,159	28,864	28,222	

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.

	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	Expiry
Forward contracts, DKKm					
2020					
CAD	383	1	7	475.46	Dec 2021
CNY	458	-2	-	91.71	Oct 2021
JPY	294	8	5	6.04	Oct 2021
USD	3,337	225	-55	648.01	Oct 2021
Other currencies	1,172	-27	48	-	Dec 2021
Forward contracts	5,644	205	5		
2019					
CAD	300	-9	-17	492.68	Oct 2020
CNY	289	-2	-25	93.79	Oct 2020
JPY	344	2	-17	6.15	Nov 2020
USD	2,594	-72	-210	640.47	Oct 2020
Other currencies	1,364	-22	-31	-	Dec 2020
Forward contracts	4,891	-103	-300		

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
2020					
USD interest rate swap	-1,785	22	22	0.00	Oct 2021
USD interest rate swap	1,755	-104	-112	1.56	Jul 2023
DKK interest rate swap	600	-17	-21	0.25	Jul 2029
Interest rate collar/interest rate swap		-99	-111		
2019					
DKK interest rate swap	-	-	4	-	-
EUR interest rate swap	-	-	5	-	-
USD interest rate swap	3,004	8	8	1.56	Jul 2023
DKK interest rate swap	600	-	-42	0.25	Jul 2029
Interest rate collar/interest rate swap		8	-25		

Please refer to note 25.2 for information about interest rate swaps.

TRADING PART

Equity contracts, DKKm	Contractual value	Gains/losses recognised in the income statement	Market value 31 December	Expiry
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	
2019				
Options on indices	-3,474	-186	-100	Jan 2020
Options on shares	154	31	1	Feb 2020
Total	-3,320	-155	-99	

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

OTHER CONTRACTUAL OBLIGATIONS

DKKm	2020	2019
Purchase obligations	1,228	1,966
Collaterals and repo	-	423
Research and development milestone obligations	300	1,750
Research and development collaborations	1	10
Capital contribution obligations	1,384	818
Other contractual obligations, including service agreements	227	290

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. In the opinion of Management, the outcome of these proceedings will not 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 DKK700m). Lundbeck paid and expensed the fine in the third quarter of 2013. In September 2016, Lundbeck announced that the General Court of the European Union had delivered its judgement concerning Lundbeck's appeal against the European Commission's 2013 decision. Lundbeck's appeal was rejected by the General Court. Lundbeck has appealed the judgement to the European Court of Justice. An oral hearing was conducted by the European Court of Justice in January 2019. The Advocate General delivered her opinion to the European Court of Justice on 4 June 2020. In the opinion, the Advocate General proposes that the European Court of Justice should uphold the fine of EUR 93.8m imposed on Lundbeck. The final judgement will be delivered on 25 March 2021. 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 the Netherlands 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. Lundbeck expects no further material development in these matters until after the European Court of Justice has issued its final judgement.

In Canada, Lundbeck is involved in three product liability class-action lawsuits relating to Ciprallex[®]/Celexa[®] (two cases alleging various Celexa[®]-induced birth defects and one case against several SSRI manufacturers (incl. Lundbeck) alleging that 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 in August 2020 allowed Sandoz' appeal and decided that Sandoz is not liable for damages. Lundbeck appealed the decision from the Full Federal Court and in February 2021, the Australian High Court granted Lundbeck leave to appeal.

Together with Takeda, Lundbeck has instituted patent infringement proceedings against 16 generic companies that have applied for marketing authorisation for generic versions of Trintellix[®] in the USA. Two opponents have withdrawn and Lundbeck has now settled with eight opponents. The cases against the six remaining opponents continue. The trial with the six opponents was in late January 2021 and decision is currently expected within seven months after the trial. Lundbeck has strong confidence in its vortioxetine patents. The FDA cannot grant marketing authorisation to the generic companies unless they receive a decision in their favour. The compound patent, including patent term extensions, will expire in the USA on 17 December 2026. Lundbeck has other patents relating to vortioxetine with expiries in the period until 2032.

Together with Otsuka, Lundbeck has instituted patent infringement proceedings against several generic companies that have applied for marketing authorisation for generic versions of Rexulti[®] in the USA. Lundbeck has strong confidence in the Rexulti[®] patents. The 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.

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

In February 2019, Alder BioPharmaceuticals, Inc. (now a wholly owned subsidiary of Lundbeck LLC and subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.) terminated a Development and Manufacturing Services Agreement (DMSA) with Lonza Ltd. (Lonza), based on material breaches of that agreement by Lonza. In April 2019, Lonza filed a claim for arbitration with the American Arbitration Association (AAA), asserting claims for breach of contract and declaratory judgement arising from the termination. The case was settled in January 2021 with no significant impact on the financial position at 31 December 2020.

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.

Product return obligations

The Group has product return obligations 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 balance sheet.

Collaterals

Land and buildings provided as security for mortgage debt amounted to DKK 490m (DKK 791m at 31 December 2019) out of mortgage debt of DKK 690m (DKK 732m at 31 December 2019).

The shares in the subsidiaries Falck Danmark A/S, Falck Global A/S, Falck Assistance A/S, Falck Global Assistance A/S and Falck Health Care Holding A/S have been pledged as collateral for Falck's debt. The debt amounted to DKK 2,164m at 31 December 2020 (DKK 2,898m at 31 December 2019).

At 31 December 2019, the value of bonds in repo business provided as collateral for repo debt, and other bonds provided as collateral for hedging transactions, amounted to DKK 392m.

33. Related parties

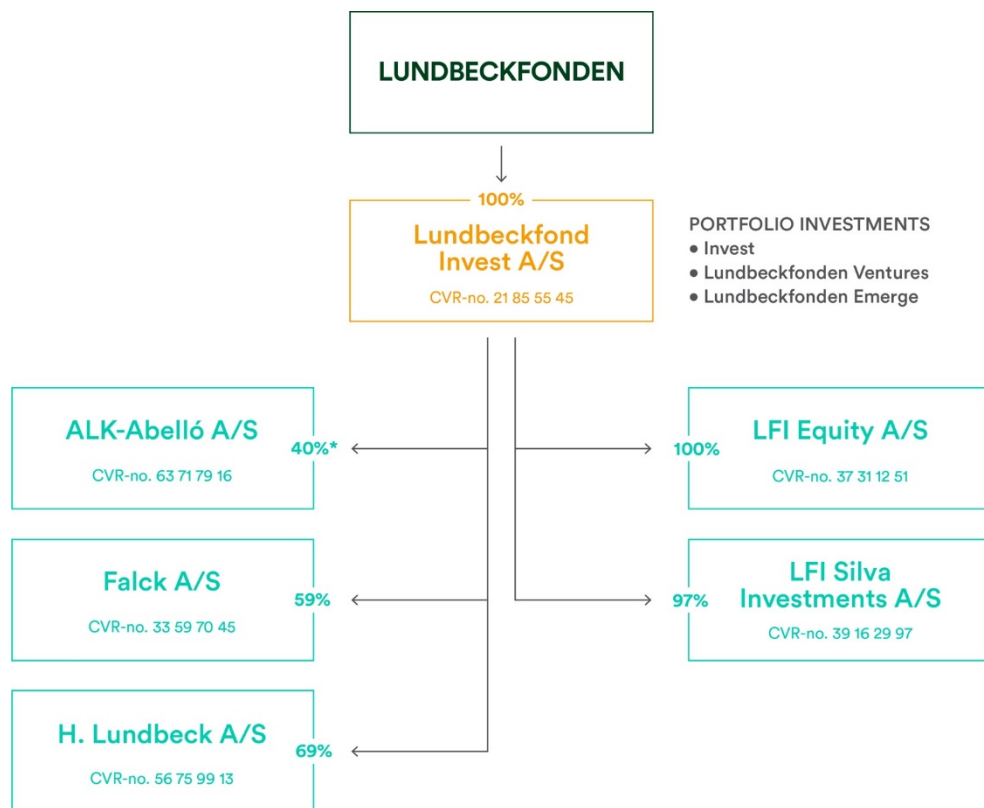
Lundbeckfonden is a commercial foundation established by Grete Lundbeck in 1954. As a foundation, no party controls Lundbeckfonden.

Related parties to Lundbeckfonden:

- The foundation's Executive Management and Board of Directors
- Companies in which the company'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



PORTFOLIO INVESTMENTS

- Invest
- Lundbeckfonden Ventures
- Lundbeckfonden Emerge

* 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	59%
- 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/S¹⁾		
IO Biotech ApS	Denmark	35%
NMD Pharma A/S	Denmark	25%
Obel-LFI Ejendomme A/S	Denmark	50%
SNIPR Holdings ApS, including	Denmark	18%
- SNIPR Biome ApS	Denmark	33%
- SNIPR Technologies Ltd.	United Kingdom	100%
- Folium Food Science Ltd.	United Kingdom	75%
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%
Lundbeck Czech Republic s.r.o.	Czech Republic	100%

34. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Lundbeck Export A/S	Denmark	100%	Lundbeck Pharma d.o.o.	Slovenia	100%
Lundbeck Pharma A/S	Denmark	100%	Lundbeck South Africa (Pty) Limited, including - H. Lundbeck (Proprietary) Limited	South Africa	100%
Lundbeck Eesti A/S	Estonia	100%	Lundbeck España S.A.	Spain	100%
OY H. Lundbeck AB	Finland	100%	H. Lundbeck AB	Sweden	100%
Lundbeck SAS	France	100%	Lundbeck (Schweiz) AG	Switzerland	100%
Sofipharm SA, including - Laboratoire Elaiapharm SA	France	100%	Lundbeck İlaç Ticaret Limited Şirketi	Turkey	100%
Lundbeck GmbH	Germany	100%	Lundbeck Group Ltd. (Holding), including - Lundbeck Limited	United Kingdom	100%
Lundbeck Hellas S.A.	Greece	100%	- Lundbeck Pharmaceuticals Ltd.	United Kingdom	100%
Lundbeck HK Limited	Hong Kong	100%	- Lifehealth Limited	United Kingdom	100%
Lundbeck Hungária KFT	Hungary	100%	- Lundbeck UK LLP ²⁾	United Kingdom	100%
Lundbeck India Private Limited	India	100%	Lundbeck USA Holding LLC, including - Lundbeck LLC, including - Chelsea Therapeutics International, Ltd., including - Lundbeck NA Ltd.	United States	100%
Lundbeck (Ireland) Ltd.	Ireland	100%	- Lundbeck Pharmaceuticals LLC	United States	100%
Lundbeck Israel Ltd.	Israel	100%	- Lundbeck Research USA, Inc.	United States	100%
Lundbeck Italia S.p.A.	Italy	100%	- Lundbeck La Jolla Research Center, Inc., including - Abide Therapeutics (UK) Limited	United States	100%
Lundbeck Pharmaceuticals, Italy S.p.A., including - Archid S.a.	Italy	100%	- Lundbeck Seattle BioPharmaceuticals, Inc., including - Alder Biopharmaceuticals Pty., Ltd.	United States	100%
Lundbeck Japan K.K.	Luxembourg	100%	- Alder Biopharmaceuticals Limited	Australia	100%
Lundbeck Korea Co., Ltd.	Japan	100%	- Alderbio Holdings LLC ("ANEV")	Ireland	100%
SIA Lundbeck Latvia	Republic of Korea	100%	Lundbeck de Venezuela, C.A.	United States	100%
UAB Lundbeck Lietuva	Latvia	100%		Venezuela	100%
Lundbeck Malaysia SDN. BHD.	Lithuania	100%			
Lundbeck México, SA de CV	Malaysia	100%			
Lundbeck B.V.	Mexico	100%			
Prexton Therapeutics B.V., including - Prexton Therapeutics S.A.	Netherlands	100%			
Lundbeck New Zealand Limited	Netherlands	100%			
H. Lundbeck AS	Switzerland	100%			
Lundbeck Pakistan (Private) Limited	New Zealand	100%			
Lundbeck America Central S.A.	Norway	100%			
Lundbeck Peru S.A.C.	Pakistan	100%			
Lundbeck Philippines Inc.	Panama	100%			
Lundbeck Business Service Centre Sp.z.o.o.	Peru	100%			
Lundbeck Poland Sp.z.o.o.	Philippines	100%			
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda	Poland	100%			
Lundbeck Romania SRL	Poland	100%			
Lundbeck RUS OOO	Portugal	100%			
Lundbeck Singapore PTE. LTD.	Romania	100%			
Lundbeck Slovensko s.r.o.	Russia	100%			
	Singapore	100%			
	Slovakia	100%			

Subsidiaries of ALK-Abelló A/S					
ALK-Abelló Nordic A/S	Denmark	100%			
ALK e-com A/S	Denmark	100%			
ALK-Abelló Ltd.	United Kingdom	100%			
ALK-Abelló S.A.	France	100%			
ALK-Abelló Arzneimittel GmbH	Germany	100%			
ALK-Abelló Allergie-Service GmbH	Austria	100%			
ALK-Abelló AG	Switzerland	100%			
ALK AG (in liquidation)	Switzerland	100%			
ALK ilaç ve Alerji Ürünleri Ticaret Anonim Şirketi	Turkey	100%			
ALK-Abelló B.V.	Netherlands	100%			
ALK-Abelló S.A.	Spain	100%			
ALK-Abelló S.p.A.	Italy	100%			
ALK-Abelló sp. z.o.o.	Poland	100%			
ALK-Abelló, Inc.	United States	100%			

34. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
ALK-Abelló, Source Materials, Inc.	United States	100%	Falck Ambulans AB	Sweden	100%
OKC Allergy Suppliers Inc.	United States	100%	Falck Services AB	Sweden	100%
OKC Crystal Laboratory Inc.	United States	100%	Falck Sverige Holding AB	Sweden	100%
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%	Svensk Sjöambulans AB	Sweden	50%
ALK Medical Consulting Services Company Limited	China	100%	Falck EMS UK Limited	United Kingdom	100%
ALK Slovakia s.r.o.	Slovakia	100%	Falck India Limited	United Kingdom	100%
			Falck UK Ambulance Service Limited	United Kingdom	100%
			Falck UK Limited	United Kingdom	100%
			Hospital & Healthcare Cars Ltd.	United Kingdom	100%
			Falck Mobile Health Corp.	United States	100%
			Falck Northern California Corp.	United States	100%
			Falck Northwest Corp.	United States	100%
			Falck Rocky Mountain, Inc.	United States	100%
			Falck Southeast II Corp.	United States	100%
			Falck USA Inc.	United States	100%
			FCA Corp.	United States	90%
			Lifestar Response Corporation	United States	100%
			Lifestar Response of Alabama, Inc.	United States	100%
			Lifestar Response of Maryland, Inc.	United States	100%
			Assistance		
			Falck Assistance A/S	Denmark	100%
			Falck Autoabi OÜ	Estonia	100%
			Falck Oy	Finland	100%
			UAB Falck Lietuva	Lithuania	100%
			Falck Redning AS	Norway	100%
			Falck Försäkringsaktiebolag	Sweden	100%
			Falck Investment Sverige AB	Sweden	100%
			Falck Räddningskår AB	Sweden	100%
			Healthcare		
			ActivCare A/S	Denmark	100%
			ActivCare Privat A/S	Denmark	100%
			Falck Health Care Holding A/S	Denmark	52%
			Falck Healthcare A/S	Denmark	100%
			Falck Helse AS	Norway	100%
			AB Previa	Sweden	100%
			Alviva AB	Sweden	100%
			Doc Care AB	Sweden	100%
			Falck Hälsopartner AB	Sweden	100%
			Falck Health Care Holding AB	Sweden	100%
			Falck Healthcare AB	Sweden	100%
			Ofelia Vård AB	Sweden	100%
Subsidiaries of Falck A/S					
Ambulance					
Falck (Victoria) Pty. Ltd.	Australia	100%			
Falck Pty. Ltd.	Australia	100%			
Falck Emergency a.s.	Czech Republic	100%			
Falck Danmark A/S	Denmark	100%			
Falck Fire Services A/S	Denmark	100%			
Falck Global A/S	Denmark	100%			
Global Life Care A/S	Denmark	100%			
Life Care One A/S	Denmark	100%			
Responce A/S	Denmark	100%			
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	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-Nei.e GmbH	Germany	100%			
Falck Rettungsdienst GmbH	Germany	100%			
Falck Rettungsdienst Hanse GmbH	Germany	100%			
G.A.R.D. Gemeinnützige Ambulanz und Rettungsdienst GmbH	Germany	100%			
G.A.R.D. Verwaltungsgesellschaft für Ambulanz und Rettungsdienst mbH	Germany	100%			
Promedica Rettungsdienst GmbH	Germany	100%			
Falck Services Limited	Mauritius	100%			
Falck Eurasia B.V.	Netherlands	100%			
Falck Holding B.V.	Netherlands	100%			
Falck Medycyna Sp. z.o.o.	Poland	100%			
Falck Emergency AS	Slovakia	100%			
Falck SK a.s.	Slovakia	100%			
Falck Záchraná a.s.	Slovakia	100%			
Falck VL Servicios Sanitarios, S.L.	Spain	75%			
Falck Lanka (Pvt) Ltd.	Sri Lanka	50%			

34. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Skandinavisk Hälsovård AB	Sweden	100%	Falck Global Assistance Singapore Pte. Ltd.	Singapore	100%
Svensk Närsjukvård AB	Sweden	100%	Falck Global Assistance Spain S.L.	Spain	100%
Community Healthcare			Falck Global Assistance AB	Sweden	100%
Falck Brasil 747 Participações Ltda.	Brazil	100%	Falck Global Assistance (Thailand) Ltd.	Thailand	49%
BHM Soluciones Integrales de Logistica en Salud S.A.S.	Colombia	100%	Falck Global Assistance Ltd.	Thailand	100%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100%	Falck Saglik AS	Turkey	100%
Haces Inversiones y Servicios S.A.S.	Colombia	100%	Falck Transition Services, Inc.	United States	100%
EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100%	Falck Global Assistance, LLC	United States	100%
EMI El Salvador S.A. de C.V.	El Salvador	100%	Group		
EMI Central America Holding S.A.	Panama	80%	Falck Properties A/S	Denmark	100%
EMI Holdings Management S.A.	Panama	100%	Falck Treasury A/S	Denmark	100%
EMI Panama S.A.	Panama	100%			
Luvtel S.A.	Uruguay	100%	(1) Associates recognised in <i>Financial assets - Lundbeckfonden Ventures and Emerge</i>		
Portovenus S.A.	Uruguay	16%	(2) Lundbeck UK LLP is owned by Lundbeck Group Ltd. (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H. Lundbeck A/S as their direct or ultimate parent company		
UCM Uruguay S.A.	Uruguay	100%			
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 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 Emergency Spain, S.L.	Spain	65%			
Falck SCI, S.A.	Spain	65%			
Falck Räddningstjänst AB	Sweden	100%			
Falck Fire Consulting Limited	United Kingdom	100%			
Falck Fire Services UK Limited	United Kingdom	100%			
Falck Global Assistance (China) Limited	China	100%			
Falck Global Assistance A/S	Denmark	100%			
Falck Global Assistance Oy	Finland	100%			
Falck India Pvt. Ltd. (India)	India	100%			
Falck Services Pvt. Ltd. (India)	India	100%			
Falck Global Assistance Norway AS	Norway	100%			

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.

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.

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.

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.

35. Significant accounting policies - continued

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.

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.

35. Significant accounting policies - continued

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.

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.

Moreover, revenue includes licence income and royalties from out-licenced 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-licenced 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, the 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 products rights and manufacturing facilities. Moreover, cost of sales includes royalty payments for in-licenced 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.

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

35. Significant accounting policies - continued

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, 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 from financial assets and financial liabilities measured at amortised cost
- Interest expenses relating to lease liabilities
- Net gain or loss on financial assets measured at fair value through profit or loss, 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 classified as a financial liability
- 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 on financial assets and financial liabilities
- 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 on which method provides a better prediction of the resolution of the uncertainty.

35. Significant accounting policies - continued

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 5 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 3-to-10 years. Software is amortised over the expected economic life, estimated to be 3-to-5 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.

35. Significant accounting policies - continued

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
- 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 Lundbeckfondens'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 Lundbeckfondens'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 life science investments, is made in accordance with the International Private Equity and Venture Capital Valuation Guidelines, i.e., on the basis of relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment. Assessments of investments in unlisted equity instruments and securities, including life science investments, include an assessment of whether the companies live up to the defined business plans and the impact of any non-compliance on the calculation of fair value.

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.

35. Significant accounting policies - continued

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.

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. A provision matrix is 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 Lundbeckfondens 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.

35. Significant accounting policies - continued

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, ALK-Abelló A/S and Falck 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.

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

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

The present value of the Group's liabilities relating to future pension payments 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 time 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.

35. Significant accounting policies - continued

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.

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. Restatement of comparative figures

Income statement 2019, DKKm	Before adjustment etc.	Reclassified	Correction	After adjustment
Revenue	34,134	-	-	34,134
Cost of sales	-15,975	-	-455	-16,430
Gross profit	18,159	-	-455	17,704
Research and development costs	-3,593	-	-	-3,593
Sales and distribution costs	-7,218	-	-	-7,218
Administrative expenses	-3,156	-	-	-3,156
Other operating items, net	-835	-	-	-835
Operating profit	3,357	-	-455	2,902
Financial income	4,265	-	-	4,265
Financial expenses	-958	-	-	-958
Income/loss from investments in associates	1	-	-	1
Profit before tax	6,665	-	-455	6,210
Tax on profit for the year	-1,097	-	101	-996
Profit for the year	5,568	-	-354	5,214
Profit attributable to:				
Lundbeckfonden	4,917		-245	4,672
Non-controlling interests	651		-109	542
Profit for the year	5,568	-	-354	5,214

Cash flow statement 2019, DKKm	Before adjustment etc.	Reclassified	Correction	After adjustment
Operating profit	3,357	-	-455	2,902
Adjustment for non-cash operating items	2,578	-	-4	2,574
Working capital changes	-1,408	-	459	-949
Cash flows from operating activities	3,659	-	-	3,659
Cash flows from investing activities	-8,757	-	-	-8,757
Cash flows from financing activities	4,419	-	-	4,419
Cash consideration from divestment of discontinued operations	47	-	-	47
Net cash flow for the year	-632	-	-	-632

Balance sheet at 31 December 2019, DKKm	Before adjustment etc.	Reclassified	Correction	After adjustment
Assets:				
Product rights	17,876	-	2,856	20,732
Intangible assets	28,906	-	2,856	31,762
Deferred tax	1,235	-	-480	755
Non-current assets	58,274	-	2,376	60,650
Total assets	74,126	-	2,376	76,502
Lundbeckfondens share of equity	33,513		1,540	35,053
Non-controlling interests share of equity	6,061	-	688	6,749
Total equity	39,574	-	2,228	41,802
Liabilities:				
Provisions	2,141	-1,128	-	1,013
Deferred tax	1,899	-	148	2,047
Other payables	342	1,128	-	1,470
Non-current liabilities	17,944	-	148	18,092
Provisions	1,425	729	-	2,154
Other payables	9,540	-729	-	8,811
Current liabilities	16,608	-	-	16,608
Total liabilities	34,552	-	148	34,700
Equity and liabilities	74,126	-	2,376	76,502

36. Restatement of comparative figures – continued

Balance sheet at 31 December 2018, DKKm	Before adjustment etc.	Correction	After adjustment
Assets:			
Product rights	3,496	3,311	6,807
Intangible assets	14,134	3,311	17,445
Deferred tax	1,949	-729	1,220
Non-current assets	37,880	2,582	40,462
Total assets	56,064	2,582	58,646
Lundbeckfondens share of equity	29,291	1,785	31,076
Non-controlling interests share of equity	5,112	797	5,909
Total equity	34,403	2,582	36,985
Equity and liabilities	56,064	2,582	58,646

Please refer to note 1 *Basis for information* for information about the correction and reclassifications.

37. 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 consolidated financial statements.

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Parent financial statements

OF LUNDBECKFONDEN

FINANCIAL STATEMENTS

OF THE PARENT FOUNDATION

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INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	2020	2019
Dividend from Lundbeckfond Invest A/S		1,088	97
Financial income	2	651	689
Financial expenses	2	-555	-122
Profit from investment activities		1,184	664
Other income		-	1
Employee costs	3	-30	-34
Other external costs	4-5	-32	-35
Depreciations and amortisations		-5	-3
Profit before tax		1,117	593
Tax on profit for the year	6	-11	-10
Profit for the year	7	1,106	583

BALANCE SHEET

AT 31 DECEMBER

Assets, DKKm	Note	2020	2019
Other intangible assets		3	2
Intangible assets	8	3	2
Property and equipment		73	68
Tangible assets	9	73	68
Investments in subsidiaries	10	4,048	4,048
Receivables from subsidiaries		11	-
Other securities and investments	11	5,190	4,801
Financial assets		9,249	8,849
Non-current assets		9,325	8,919
Receivables from subsidiaries		191	3
Income tax		-	1
Other receivables		13	11
Receivables		204	15
Cash and bank balances		238	115
Current assets		442	130
Assets		9,767	9,049

Equity and liabilities, DKKm	Note	2020	2019
Capital base	12	3,461	3,236
Reserve for future grants		1,250	1,250
Retained earnings		3,451	3,146
Equity		8,162	7,632
Pension obligations etc.	13	7	13
Provisions		7	13
Payable grants, long-term		554	470
Non-current liabilities		554	470
Payable grants, short-term		1,029	921
Other payables	14	15	13
Current liabilities		1,044	934
Liabilities		1,598	1,404
Equity and liabilities		9,767	9,049

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKK m	Note	Capital base	Reserve for future grants	Retained earnings	Total
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
Equity at 1 January 2019		3,114	1,250	3,342	7,706
Grants, net	15	-	-657	-	-657
Profit for the year	7	122	657	-196	583
Equity at 31 December 2019		3,236	1,250	3,146	7,632

NOTES

1. Accounting policies

The financial statements for Lundbeckfonden (the parent foundation) for 2020 have been prepared in accordance with the Danish Financial Statements Act for large reporting enterprises class C.

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 last 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	2020	2019
Financial income		
Exchange gains	8	4
Interest on financial assets	26	45
Dividends from portfolio investments	57	53
Gains from derivative financial instruments	26	6
Gains on financial assets measured at fair value through profit or loss	534	581
Total financial income	651	689
Financial expenses		
Exchange losses	41	1
Interest expenses	1	-
Losses on derivative financial instruments	2	2
Losses on financial assets measured at fair value through profit or loss	509	102
Impairment of investments in subsidiaries	-	15
Other financial expenses	2	2
Total financial expenses	555	122

3. Employee costs

DKKm	2020	2019
Wages and salaries	28.0	32.6
Pensions	2.0	1.4
Other social security costs	0.1	0.2
Total employee costs	30.1	34.2
Average number of employees during the year	19	20
Number of employees at year-end	22	21

DKKm	2020	2019
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	4.9	5.4
Remuneration of the Board of Directors, including committee fees (excluding remuneration received from subsidiaries)	4.6	3.9

Furthermore, Executive Management's non-cash benefits such as company car and telephone amounted to DKK 0.3m (DKK 0.3m in 2019).

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	2020	2019
Lundbeckfonden - Employee costs, other external costs and depreciations	67	72
Lundbeckfond Invest A/S - Employee costs and other external costs	89	224
Total costs	156	296
The costs can be allocated to Lundbeckfondens activities as follows:		
Grants and prizes	24	27
Invest	23	22
Lundbeckfonden Ventures	50	184
Lundbeckfonden Emerge	7	8
Corporate functions	52	55
Total costs	156	296

5. Fees to auditors appointed at the annual meeting

Other external costs include fees to auditors appointed by the Board of Directors.

DKKm	2020	2019
Statutory audit	0.3	0.3
Other services	-	0.1
Total fees	0.3	0.4

6. Tax on profit for the year

DKKm	2020	2019
Current tax	11	10
Total tax for the year	11	10

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 506m (DKK 395m at 31 December 2019).

7. Proposed distribution of profit

DKKm	2020	2019
Capital base	225	122
Reserve for future grants	576	657
Retained earnings	305	-196
Profit for the year	1,106	583

8. Intangible assets

Other intangible assets, DKKm	2020	2019
Cost at 1 January	5	4
Additions	2	1
Cost at 31 December	7	5
Amortisation at 1 January	-3	-3
Amortisation	-1	-
Amortisation at 31 December	-4	-3
Carrying amount at 31 December	3	2

9. Tangible assets

Property and equipment, DKKm	2020	2019
Cost at 1 January	91	89
Reclassification/transfer	-	2
Additions	9	-
Cost at 31 December	100	91
Depreciation at 1 January	-23	-18
Reclassification/transfer	-	-2
Depreciation	-4	-3
Depreciation at 31 December	-27	-23
Carrying amount at 31 December	73	68

10. Investments in subsidiaries

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

Subsidiaries, DKKm	Registered office	Ownership	Profit for the year 2020	Equity at 31 December 2020
Lundbeckfond Invest A/S	Copenhagen	100%	2,001	25,230
Insusense ApS	Copenhagen	75%	-8	-6

DKKm	Lundbeckfond Invest A/S	Insusense ApS	Total
Cost at 1 January 2019	4,046	29	4,075
Cost at 31 December 2019	4,046	29	4,075
Impairment at 1 January 2019	-	-12	-12
Impairment	-	-15	-15
Impairment at 31 December 2019	-	-27	-27
Carrying amount at 31 December 2019	4,046	2	4,048
Dividend received in 2019	97	-	97

11. Other securities and investments

DKKm	Bonds and corporate loans	Equities	Unlisted investment funds	Total
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
Carrying amount at 1 January 2019	2,802	1,873	9	4,684
Additions	1,328	2,017	-	3,345
Disposals	-2,052	-1,654	-1	-3,707
Value adjustments	5	473	1	479
Carrying amount at 31 December 2019	2,083	2,709	9	4,801

Valuation methods used for determination of fair value of unlisted investment funds are based on International Private Equity and Venture Capital Valuation Guidance applied by the general managers in capital accounts, e.g., trading multiples of peer group or expected discounted cash flow.

12. Capital base

DKKm	2020	2019	2018	2017	2016
Capital base at 1 January	3,236	3,114	3,109	2,965	2,888
Increase in capital base	225	122	5	144	77
Capital base at 31 December	3,461	3,236	3,114	3,109	2,965

13. Pension obligations

DKKm	2020	2019
Obligations at 1 January	13	14
Adjustment for the year	-6	-1
Obligations at 31 December	7	13

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	
2019				
Options on shares	56	4	-3	Jan 2020
Equity contracts	56	4	-3	

15. Grants, net

DKKm	2020	2019
Grants for the year	600	666
Reversed grants/repayments	-24	-9
Net grants for the year	576	657

16. Contractual obligations

Lundbeckfonden has contractual capital contribution obligations amounting to DKK 154m at 31 December 2020 (DKK 3m at 31 December 2019).

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 7m in 2020 (DKK 7m in 2019) from Lundbeckfond Invest A/S. At 31 December 2020 Lundbeckfonden has a receivable from Lundbeckfond Invest A/S of DKK 191m (DKK 3m at 31 December 2019) and a receivable from Insusense ApS of DKK 11m.

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 2020.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and 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 2020, and of the Group's and the Foundation's activities and the Group's cash flows for the financial year 1 January – 31 December 2020.

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, 25 March 2021

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

Henrik Villsen Andersen
Elected by the employees

Ludovic Tranholm Otterbein
Elected by the employees

Peter Adler Würtzen
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 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 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 2020 and of the results of the Parent Foundation's operations for the financial year 1 January to 31 December 2020 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 2020, which comprise income 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financial 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, 25 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
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