

# LUNDBECKFOND INVEST A/S

## ANNUAL REPORT 2018

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 21 85 55 45

APPROVED AT THE ANNUAL GENERAL MEETING 28 MARCH 2019

CHAIRMAN OF THE MEETING

  
LENE SKOLE

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## COMPANY INFORMATION

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Business Registration No 21 85 55 45  
Place of residence: Copenhagen

### OWNER

Lundbeckfond Invest A/S is 100% owned by Lundbeckfonden

### BOARD OF DIRECTORS

Jørgen Huno Rasmussen, Chairman  
Steffen Kragh, Vice Chairman  
Gunhild Waldemar  
Lars Holmqvist  
Michael Kjær  
Peter Schütze  
Susanne Krüger Kjær  
Henrik Villsen Andersen  
Ludovic Tranholm Otterbein  
Peter Adler Würtzen  
Vagn Flink Møller Pedersen

### EXECUTIVE MANAGEMENT

Lene Skole

### AUDITOR

Deloitte Statsautoriseret Revisionspartnerselskab

# FIVE-YEAR SUMMARY

DKKm	2018	2017	2016	2015	2014
Dividends from subsidiaries	1,134	357	20	149	401
Financial items, net	-944	475	1,056	1,186	2,024
Gross profit from investment activities	1,161	735	574	1,751	2,723
Profit for the year	1,158	695	554	1,537	2,607
Equity	18,999	18,190	17,830	17,276	16,739
Total assets	19,619	18,990	18,385	17,832	17,174
<b>KEY FIGURE</b>					
Return on equity	6.2%	3.9%	3.2%	9.0%	16.5%

For the definition of the key figure, please see note 17.

# MANAGEMENT REVIEW

## PURPOSE

The purpose of Lundbeckfond Invest A/S is to operate within production, sale and investment businesses, including investments in other companies.

Lundbeckfond Invest A/S manages holding and investment activities for Lundbeckfonden and is the majority shareholder of ALK-Abelló A/S, Falck A/S, H. Lundbeck A/S, LFI Equity A/S and LFI Silva Investments A/S.

Portfolio investments are managed by three departments: Invest, Lundbeckfonden Ventures and Lundbeckfonden Emerge.

## FINANCIAL RESULT AND FINANCIAL POSITION

2018 began strongly for Invest with global equity markets up more than 5% in January. However, this gain was reversed by a sharp correction in February. Risk appetite subsequently returned gradually to the financial markets which were encouraged by strong company earnings releases in Q1 and Q2 until markets saw a further 14% correction during Q4 due to nervousness over the trade war between China and the USA and worries about a potential slowdown in global growth. Rising interest rates and spread-widening negatively impacted bonds and credit returns and few assets delivered positive returns over the full year, making this one of the financially worst performing years since the financial crisis of 2008.

The investment portfolio of bonds, credits, equities and real assets managed by Invest generated a return of DKK -256m (DKK 966m). Given the backdrop of challenging market conditions and the low single-digit negative return on global equities, along with negative returns from major asset classes, the result was deemed to be acceptable, even though a positive return was expected at the beginning of the year.

Listed equity generated a loss of DKK 251m (gain of DKK 515m). The loss can be attributed to the holding of shares in FLSmidth & Co., which returned a loss of DKK 324m (gain of DKK 404m).

Credits and private equities generated a gain of DKK 21m (gain of DKK 212m) and a loss of DKK 60m (gain of DKK 211m), respectively. Real assets, bonds, etc. realised a return of DKK 34m (DKK 28m) attributable to gains on real assets.

Lundbeckfonden Ventures recorded a return of DKK 149m (DKK 753m). Investments in new and existing companies amounted to DKK 194m (DKK 406m).

Dividends from subsidiaries amounted to DKK 1,134m (DKK 357m) of which Lundbeck accounted for DKK 1,099m (DKK 337m).

Profit for the year amounted to DKK 1,158m (DKK 695m). In 2017, the result was negatively impacted by impairment of Falck of DKK 1,369m.

At year end the equity amounted to DKK 18,999m (DKK 18,190m at 31 December 2017).

## OUTLOOK

The financial performance of Lundbeckfond Invest A/S depends on the development in the commercial activities and dividend policies of ALK, Falck and Lundbeck as well as the returns provided by the portfolio investments generated by Invest, Lundbeckfonden Ventures and Lundbeckfonden Emerge. Return provided by Invest depends on trends in the financial markets whereas returns provided by Ventures and Emerge also depend on the development of products, etc. in the portfolio companies.

For the year 2019, we expect continued high market volatility over the year and a positive return on our investment activities. However, this statement is based on current expectations and is by nature subject to a number of uncertainties that could cause actual results and performance to differ materially from the expectations.

## RISK FACTORS

The most important risks relate to the business risks of the company's subsidiaries and its investments.

Business and financial risks associated with the operation and performance of the company's three subsidiaries, ALK, Falck and Lundbeck 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 parent company 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 company's Board of Directors.

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

The company manages the market risk of its portfolio investments by having maximum 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 company's environmental, social and governance (ESG) policy. An external consultant monitors the portfolio investments for issues related to ESG policy. No investments have been identified as being in violation of the ESG policy. An ESG report is approved by the CEO and the Investment Committee twice a year.

## ENVIRONMENTAL CONSIDERATIONS

Please refer to the section below regarding Corporate Social Responsibility.

## CORPORATE SOCIAL RESPONSIBILITY

With respect to our statutory statement on social responsibility in accordance with section 99a of the Danish Financial Statements Act, please refer to the consolidated CSR Report 2018 for Lundbeckfonden on [www.lundbeckfonden.com/csr-report](http://www.lundbeckfonden.com/csr-report).

In accordance with section 99b of the Danish Financial Statements Act, the Board of Directors of Lundbeckfond Invest A/S has obtained equal gender representation; consequently, we have no need to either set or report on a target.



# INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKkm	Note	2018	2017
Dividends from subsidiaries		1,134	357
Fair value adjustments, associates		971	-97
Financial income	1	624	3,629
Financial expenses	2	-1,568	-3,154
Gross profit from investment activities		1,161	735
Other income		1	1
Staff costs	3	-33	-31
Other external costs		-6	-6
Profit before tax		1,123	699
Tax on profit for the year	4	35	-4
<b>Profit for the year</b>	5	<b>1,158</b>	<b>695</b>

# BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2018	2017
Investments in subsidiaries	6	6,881	6,794
Receivables from subsidiaries	6, 8	1,374	1,238
Investments in associates	7, 8	1,912	866
Receivables from associates	7, 8	-	81
Financial assets, Invest	8	7,039	7,347
Financial assets, Lundbeckfonden Ventures and Emerge	8	2,003	2,327
Deferred tax assets	9	66	35
<b>Financial assets</b>		<b>19,275</b>	<b>18,688</b>
<b>Non-current assets</b>		<b>19,275</b>	<b>18,688</b>
Receivables from affiliates		-	1
Income tax receivables		70	90
Other receivables		14	30
<b>Receivables</b>		<b>84</b>	<b>121</b>
<b>Cash and bank balances</b>		<b>260</b>	<b>181</b>
<b>Current assets</b>		<b>344</b>	<b>302</b>
<b>Assets</b>		<b>19,619</b>	<b>18,990</b>

# BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2018	2017
Share capital	10	450	450
Retained earnings		18,452	17,391
Proposed dividend		97	349
<b>Equity</b>		<b>18,999</b>	<b>18,190</b>
Other provisions	3	160	160
<b>Non-current liabilities</b>		<b>160</b>	<b>160</b>
Payables to affiliates		334	268
Repo debt		84	187
Other payables		42	185
<b>Current liabilities</b>		<b>460</b>	<b>640</b>
<b>Liabilities</b>		<b>620</b>	<b>800</b>
<b>Equity and liabilities</b>		<b>19,619</b>	<b>18,990</b>
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# STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKKm	Note	Share capital	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2018		450	17,391	349	18,190
Paid dividend				-349	-349
Profit/(loss) for the year	5		1,061	97	1,158
<b>Equity at 31 December 2018</b>		<b>450</b>	<b>18,452</b>	<b>97</b>	<b>18,999</b>

DKKm	Note	Share capital	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2017		450	17,045	335	17,830
Paid dividend				-335	-335
Profit/(loss) for the year	5		346	349	695
<b>Equity at 31 December 2017</b>		<b>450</b>	<b>17,391</b>	<b>349</b>	<b>18,190</b>



# NOTES

## 1. Financial income

DKKm	2018	2017
Exchange gains	211	19
Interest on financial assets	41	49
Interest on receivables from subsidiaries	131	28
Interest on receivables from associates	5	9
Dividends from portfolio investments	132	108
Gains on financial assets measured at fair value through profit or loss	102	3,416
Other financial income	2	-
<b>Total financial income</b>	<b>624</b>	<b>3,629</b>

Receivables from subsidiaries and associates and financial assets are measured at fair value through profit or loss.

## 2. Financial expenses

DKKm	2018	2017
Exchange losses	10	698
Interest expenses	1	8
Losses on financial assets measured at fair value through profit or loss	1,555	1,077
Impairment of investments in subsidiaries	-	1,369
Other financial expenses	2	2
<b>Total financial expenses</b>	<b>1,568</b>	<b>3,154</b>

## 3. Staff costs

DKKm	2018	2017
Short-term staff benefits	34.2	33.1
Received from subsidiaries	-2.4	-2.8
Pension benefits	0.6	0.6
Other social security costs	0.1	0.1
<b>Total staff costs</b>	<b>32.5</b>	<b>31.0</b>

Average number of full-time employees during the year	16	15
Number of employees at year-end	17	15

Lundbeckfond Invest A/S has an incentive program for Lundbeckfonden Ventures and Lundbeckfonden Emerge. In 2018, there has been no adjustment to the carrying amount of the incentive program (expense of DKK98m in 2017). The cost related to the program will be reclassified from financial items to staff cost when payment takes place, due to uncertainty about the amount and if and when the payment will become payable. The cost in 2017 has been recognised in the income statement under financial items and in the balance sheet as a provision.

Remuneration of the Executive Management and the Board of Directors:

DKKm	2018	2017
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	4.4	3.8
Remuneration of the Board of Directors, including committee fees (excluding remuneration received from subsidiaries)	1.5	1.5

Members of the Executive Management and Board of Directors, who also serve as board members in subsidiaries, receive board remuneration directly from the subsidiaries. For a complete description, see the consolidated financial statements in the annual report 2018 of Lundbeckfonden, note 4.

## 4. Tax on profit/(loss) for the year

DKKm	2018	2017
Current tax	-	23
Prior-year adjustments, current tax	-4	2
Change in deferred tax for the year	-31	-21
<b>Tax on profit for the year</b>	<b>-35</b>	<b>4</b>

Lundbeckfond Invest A/S are jointly taxed with ALK-Abelló A/S, Falck A/S, H. Lundbeck A/S, LFI Silva Investments A/S, and Insusense ApS, and their respective Danish subsidiaries.

## 5. Proposed distribution of profit

DKKm	2018	2017
Dividend	97	349
Retained earnings	1,061	346
Profit for the year	1,158	695

## 6. Investments in and receivables from subsidiaries

DKKm	Investments in subsidiaries		Receivables from subsidiaries	
	2018	2017	2018	2017
Cost at 1 January	8.163	7.116	1.238	554
Additions	87	1.047	136	1.238
Disposals	-	-	-	-554
Cost at 31 December	8.250	8.163	1.374	1.238
Impairment at 1 January	-1.369	-	-	-
Impairment	-	-1.369	-	-
Impairment at 31 December	-1.369	-1.369	-	-
Carrying amount at 31 December	6.881	6.794	1.374	1.238

Subsidiaries, DKKm	Profit for the year 2018	Equity at 31 December	City	Ownership
		2018		
H. Lundbeck A/S (consolidated)	3.907	14.251	Valby	69,0%
ALK-Abelló A/S (consolidated)	-170	3.179	Hørsholm	40,3%
Falck A/S (consolidated)	-915	2.207	Copenhagen	57,4%
LFI Equity A/S	40	1.025	Copenhagen	100,0%
LFI Silva Investments A/S	-	-	Copenhagen	97,0%

The annual report of LFI Silva Investments A/S for the period 12 December 2017 – 31 December 2018 has not been approved.

See note 16 for an overview of all subsidiaries.

## IMPAIRMENT TESTING

The impairment tests of the company's shares in subsidiaries have not identified any impairment or reversal of impairment, suffered in previous years.

In 2017, the tests resulted in an impairment of the investment in Falck of DKK 1,369m.

## 7. Investments in and receivables from associates

DKKm	Investments in associates		Receivables from associates	
	2018	2017	2018	2017
Cost at 1 January	878	878	87	46
Additions	75	-	-	41
Disposals	-	-	-87	-
<b>Cost at 31 December</b>	<b>953</b>	<b>878</b>	<b>-</b>	<b>87</b>
Adjustments at 1 January	-12	85	-6	3
Fair value adjustments	971	-97	6	-9
<b>Adjustments at 31 December</b>	<b>959</b>	<b>-12</b>	<b>-</b>	<b>-6</b>
<b>Carrying amount at 31 December</b>	<b>1,912</b>	<b>866</b>	<b>-</b>	<b>81</b>

  

Associates, DKKm	Profit for the year 2018	Equity at 31 December	City	Ownership
		2018		
Obel-LFI Ejendomme A/S	107	794	Copenhagen	50%
Veloxis Pharmaceuticals A/S	-34	30	Hørsholm	41%

## 8. Financial assets

The financial investments classified as financial assets at fair value through profit or loss primarily relate to investment activities in Invest, Ventures, and Emerge. These investments are made based on an investment strategy and policies approved by the Board of Directors.

Financial assets, Invest, DKKm	2018	2017
Carrying amount at 1 January	7,347	7,429
Additions	1,686	1,529
Disposals	-1,808	-2,096
Value adjustments, year-end	-186	485
<b>Carrying amount at 31 December</b>	<b>7,039</b>	<b>7,347</b>

Financial assets, Ventures and Emerge, DKKm	2018	2017
Carrying amount at 1 January	2,327	1,822
Additions	254	415
Disposals	-55	-852
Value adjustments, year-end	-523	942
<b>Carrying amount at 31 December</b>	<b>2,003</b>	<b>2,327</b>

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 in active markets for identical assets. Level 2 includes financial assets and 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 and liabilities for which the fair value is measured based on valuation methods which include inputs not based on observable market data.

At 31 December 2018, investments in associates included in Lundbeckfonden's investment strategy amount to DKK528m (DKK557m at 31 December 2017). The associates are either not individually material or do not public financial statements. Consequently, financial information about the associates are not disclosed.

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

## 8. Financial assets - continued

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

31 December 2018, DKKm	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Receivables from subsidiaries	-	-	1,374	1,374
Investments in associates	1,548	-	364	1,912
Financial assets, Invest				
Danish mortgage and government bonds	241	-	-	241
Credit bonds	723	-	98	821
Equities	5,674	-	-	5,674
Private equity funds and other unlisted funds	-	35	268	303
<b>Total financial assets, Invest</b>	<b>6,638</b>	<b>35</b>	<b>366</b>	<b>7,039</b>
Lundbeckfonden Ventures and Emerge				
Equities	443	-	994	1,437
Receivables from sale of portfolio companies	-	-	541	541
Other receivables	-	-	25	25
<b>Total Lundbeckfonden Ventures and Emerge</b>	<b>443</b>	<b>-</b>	<b>1,560</b>	<b>2,003</b>
<b>Total financial assets</b>	<b>8,629</b>	<b>35</b>	<b>3,664</b>	<b>12,328</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	31	-	31
<b>Total financial liabilities</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>31</b>

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

31 December 2017, DKKm	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Receivables from subsidiaries	-	-	1,238	1,238
Investments in associates	610	-	256	866
Receivables from associates	-	-	81	81
Financial assets, Invest				
Danish mortgage and government bonds	281	-	-	281
Credit bonds	812	-	121	933
Equities	5,865	-	-	5,865
Private equity funds and other unlisted funds	-	12	256	268
<b>Total financial assets, Invest</b>	<b>6,958</b>	<b>12</b>	<b>377</b>	<b>7,347</b>
Lundbeckfonden Ventures and Emerge				
Equities	486	-	1,176	1,662
Receivables from sale of portfolio companies	-	-	624	624
Other receivables	-	-	41	41
<b>Total Lundbeckfonden Ventures and Emerge</b>	<b>486</b>	<b>-</b>	<b>1,841</b>	<b>2,327</b>
<b>Total financial assets</b>	<b>8,054</b>	<b>12</b>	<b>3,793</b>	<b>11,859</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	172	-	172
<b>Total financial liabilities</b>	<b>-</b>	<b>172</b>	<b>-</b>	<b>172</b>

### Financial assets measured at fair value according to level 3, DKKm

	2018	2017
Carrying amount at 1 January	3,793	3,467
Additions	402	1,781
Disposals	-198	-2,265
Reclassification, from level 3 to level 1 in connection with IPO's	-389	-565
Fair value adjustment	56	1,375
<b>Carrying amount at 31 December</b>	<b>3,664</b>	<b>3,793</b>

## 8. Financial assets - continued

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
Investments in associates (unlisted)	Capitalisation model	Required rates on return 4.25-5.75% or cost if under construction	If required rate of return is reduced by 0.25pp the fair value will be increased by DKK 44m
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, 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%-point the fair value will be increased by DKK 10m
Private equity funds and other unlisted funds	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%-point the fair value will be increased by DKK 3m
Receivables including receivables from sale of portfolio companies	Expected discounted cash flow	Discount rate (WACC of 8.5%)	An increase of 1%-point in discount rate decrease the receivables by DKK 20m
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 primarily based on closing prices according to exchange markets	N/A	N/A

## 9. Deferred tax assets

DKKm	2018	2017
Deferred tax assets at 1 January	35	14
Change in deferred tax for the year	31	21
<b>Deferred tax assets at 31 December</b>	<b>66</b>	<b>35</b>

Deferred tax assets relate to provision regarding incentive programs and tax losses carried forward.

## 10. Share capital

DKKm	2018	2017
<b>Share capital at 31 December</b>	<b>450</b>	<b>450</b>

The share capital consists of 450,000 shares of DKK 1,000. The shares are not divided in classes.

The share capital has remained unchanged within the last 5 years.

## 11. Financial risks and financial instruments

The company's business activities imply that the income statement and the balance sheet may be affected by various financial risks. The management of these risks is based on the investment strategy, policies and guidelines approved by the Board of Directors and the Investment Committee.

The policies applicable to Invest aim for an appropriate diversification of investments on different asset classes and geographical markets in order to achieve an appropriate diversification of interest rate, exchange rate, credit and equity risks on the financial investments. The purpose of the policies is to reduce the risk of losses but also to retain the prospect of gaining a long-term return on the investments.

### 11.1 CREDIT RISKS

Credit risks primarily relate to investment in bonds and unlisted funds investing in loans to businesses.

In order to limit the credit risk, a large proportion of this asset class has been invested in Danish government and mortgage bonds with a high credit rating. To achieve a higher return, the company has also invested in corporate bonds.

### 11.2 EQUITY RISKS

Equity risks relate to the company's holding of listed and unlisted shares, including private equity funds as part of the company'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 on different geographical regions and sectors in accordance with the applicable investment policy. Derivative financial instruments are used to manage the equity risk.

Other things being equal, a 10% decrease/increase in equity prices would reduce/increase profits by DKK 695m and DKK 691m respectively (reduce by DKK 525m and increase by DKK 418m at 31 December 2017).

### 11.3 EXCHANGE RATE RISKS

Exchange rate risks arise because the company's expenses and income in different currencies do not match and because the company's assets and liabilities denominated in foreign currency do not balance. Therefore, risk management is focused on risk mitigation.

The company applies various derivative financial instruments to manage these risks. The hedging contracts are classified as trading contracts, and changes in the fair value are recognised as financial items as they arise.

Monetary assets for the principal currencies at 31 December, DKKm	2018	2017
CHF	126	44
EUR	1,572	1,447
GBP	319	606
JPY	82	141
USD	3,711	4,162

## 11. Financial risks and financial instruments - continued

### 11.3 EXCHANGE RATE RISKS - CONTINUED

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

DKKm	CHF	GBP	JPY	USD
<b>2018</b>				
Profit	6	16	4	186
Equity	6	16	4	186
<b>2017</b>				
Profit	2	30	7	208
Equity	2	30	7	208

The profit impact is included in the impact on equity.

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

### 11.4 INTEREST RATE RISKS

The duration of the investments when selecting financing and investment instruments is used to manage the interest rate risk. In addition, the company 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 items in the income statement.

The portfolio of bonds has a duration of -1.2 year (-0.4 year at 31 December 2017). Other things being equal, an increase of 1 %-point in interest rates would increase the company's profit by DKK 27m (DKK 14m at 31 December 2017).

The company has an interest rate swap for managing interest rate exposure on portfolio investments.

### NET OUTSTANDING INTEREST RATE SWAPS AND OPTIONS

Share contracts, DKKm	Contractual value	Gains/losses recognised in the income statement	Market value 31 December	Expiry
<b>2018</b>				
Options on indices	83	-89	1	Jun 2019
Options on shares	113	18	-14	Jun 2019
<b>Share contracts</b>	<b>196</b>	<b>-71</b>	<b>-13</b>	
<b>2017</b>				
Options on indices	-2,794	-360	-151	Mar 2018
Options on shares	-	5	-	
<b>Share contracts</b>	<b>-2,794</b>	<b>-355</b>	<b>-151</b>	

Interest rate swap, DKKm	Contractual value	Gains/losses recognised in the income statement	Fixed interest rate	Expiry
<b>2018</b>				
Fixed to floating	600	-18	1.1%	Jan 2028
<b>2017</b>				
Fixed to floating	600	-4	1.1%	May 2025

## 11. Financial risks and financial instruments - continued

### 11.5 CATEGORIES AND MATURITY DATES FOR FINANCIAL ASSETS AND LIABILITIES

31 December 2018, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest rate
<b>Financial assets</b>						
Receivables from subsidiaries	1,408	-	-	1,408	1,374	10%
Financial assets, Invest						
Danish mortgage and government bonds	98	91	54	243	241	0 - 4%
Credit bonds	106	245	804	1,155	821	1 - 14%
Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	32	412	97	541	541	
Other receivables	26	-	-	26	25	8%
<b>Financial assets at fair value through profit or loss</b>	<b>1,670</b>	<b>748</b>	<b>955</b>	<b>3,373</b>	<b>3,002</b>	
Receivables	84	-	-	84	84	-
Cash and bank balances	260	-	-	260	260	-1 - 2%
<b>Financial assets measured at amortised cost</b>	<b>344</b>	<b>-</b>	<b>-</b>	<b>344</b>	<b>344</b>	
<b>Total financial assets</b>	<b>2,014</b>	<b>748</b>	<b>955</b>	<b>3,717</b>	<b>3,346</b>	
<b>Financial liabilities</b>						
Derivatives included in the trading portfolio	31	-	-	31	31	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>31</b>	
Mortgage, bank, leasing and repo debt	84	-	-	84	84	-
Other payables including payables to affiliates	345	-	-	345	345	-
<b>Financial liabilities measured at amortised cost</b>	<b>429</b>	<b>-</b>	<b>-</b>	<b>429</b>	<b>429</b>	
<b>Total financial liabilities</b>	<b>460</b>	<b>-</b>	<b>-</b>	<b>460</b>	<b>460</b>	

31 December 2017, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest rate
<b>Financial assets</b>						
Receivables from subsidiaries	-	1,408	-	1,408	1,238	10%
Receivables from associates	82	-	-	82	81	9%
Financial assets, Invest						
Danish mortgage and government bonds	26	200	58	284	281	0 - 4%
Credit bonds	55	170	992	1,217	933	4 - 12%
Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	86	442	96	624	624	
Other receivables	41	-	-	41	41	9%
<b>Financial assets at fair value through profit or loss</b>	<b>290</b>	<b>2,220</b>	<b>1,146</b>	<b>3,656</b>	<b>3,198</b>	
Receivables	121	-	-	121	121	-
Cash and bank balances	181	-	-	181	181	-1 - 2%
<b>Financial assets measured at amortised cost</b>	<b>302</b>	<b>-</b>	<b>-</b>	<b>302</b>	<b>302</b>	
<b>Total financial assets</b>	<b>592</b>	<b>2,220</b>	<b>1,146</b>	<b>3,958</b>	<b>3,500</b>	
<b>Financial liabilities</b>						
Derivatives included in the trading portfolio	172	-	-	172	172	-
<b>Financial liabilities at fair value through profit or loss</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>172</b>	<b>172</b>	
Mortgage, bank, leasing and repo debt	187	-	-	187	187	-
Other payables including payables to affiliates	281	-	-	281	281	-
<b>Financial liabilities measured at amortised cost</b>	<b>468</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>468</b>	
<b>Total financial liabilities</b>	<b>640</b>	<b>-</b>	<b>-</b>	<b>640</b>	<b>640</b>	

The amounts in the tables are including interests.



## 12. Lease obligations

DKKm	2018	2017
Due within one year	3	3
<b>Total</b>	<b>3</b>	<b>3</b>

## 13. Contractual obligations

Lundbeckfond Invest A/S has contractual capital contribution obligations amounting to DKK 144m at 31 December 2018 (DKK 176m at 31 December 2017).

## 14. Guarantees, contingent liabilities and collaterals

Lundbeckfond Invest A/S has placed pro rata guarantee of payment as collateral for selected loan facilities at Obel-LFI Ejendomme A/S. The collateral amounted to DKK 210m at 31 December 2018 (DKK 260m at 31 December 2017).

Bonds in repo business have been provided as collateral for repo debt, and other bonds and bank balances have been provided as collateral for hedging transactions. The value of bonds and bank balances provided as collateral at 31 December 2018 amounted to DKK 116m (DKK 386m at 31 December 2017).

### JOINT TAXATION

Lundbeckfond Invest A/S are jointly taxed with ALK-Abelló A/S, Falck A/S, H. Lundbeck A/S, LFI Silva Investments A/S, and Insusense ApS, and their respective Danish subsidiaries. The companies have partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. The companies in the tax pool have partly a joint and several liability and partly a secondary liability with respect to any obligations to withholding tax on interests, royalties and dividends for the jointly-taxed companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the companies directly or indirectly owned by Lundbeckfond Invest A/S.

## 15. Related parties

Related parties exercising controlling interest on Lundbeckfond Invest A/S:

- Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen Ø

Related parties exercising significant influence on Lundbeckfond Invest A/S:

- The Board of Directors and Executive Management
- Companies in which the company's Executive Management and Board of Directors exercise controlling interest

Lundbeckfond Invest A/S has not entered into any transactions with related parties that were not on an arm's length basis.

### CONSOLIDATED FINANCIAL STATEMENTS

Lundbeckfond Invest A/S is included in the consolidated financial statements of Lundbeckfonden, Copenhagen, Denmark, Business Registration No. 11 81 49 13.

## 16. Group overview

Company name	Country	Ownership	Company name	Country	Ownership
<b>Subsidiaries</b>			<b>Subsidiaries</b>		
H. Lundbeck A/S	Denmark	69%	Lundbeck SAS	France	100%
ALK-Abelló A/S	Denmark	40% (67% of the votes)	Sofipharm SA, including - Laboratoire Elaiapharm SA	France	100%
Falck A/S	Denmark	57%	Lundbeck GmbH	Germany	100%
LFI Equity A/S	Denmark	100%	Lundbeck Hellas S.A.	Greece	100%
LFI Silva Investments A/S	Denmark	97%	Lundbeck HK Limited	Hong Kong	100%
- LFI Silva Investments Ltd.	United Kingdom	100%	Lundbeck Hungária KFT	Hungary	100%
epVIR ApS	Denmark	100%	Lundbeck India Private Limited	India	100%
DySIS Medical Ltd.	United Kingdom	70%	Lundbeck (Ireland) Ltd.	Ireland	100%
<b>Associates of Lundbeckfond Invest A/S (1)</b>			Lundbeck Israel Ltd.	Israel	100%
Acacia Pharma Ltd.	United Kingdom	23%	Lundbeck Italia S.p.A.	Italy	100%
IO Biotech ApS	Denmark	33%	Lundbeck Pharmaceuticals, Italy S.p.A., including - Archid S.a.	Italy	100%
NMD Pharma A/S	Denmark	30%	- Archid S.a.	Luxembourg	100%
Obel-LFI Ejendomme A/S	Denmark	50%	Lundbeck Japan K. K.	Japan	100%
SNIPR Holdings ApS	Denmark	22%	Lundbeck Korea Co., Ltd.	Republic of Korea	100%
- SNIPR Biome ApS	Denmark	100%	SIA Lundbeck Latvia	Latvia	100%
- SNIPR Technologies Ltd.	United Kingdom	100%	UAB Lundbeck Lietuva	Lithuania	100%
- Folium Food Science Ltd.	United Kingdom	75%	Lundbeck Malaysia SDN. BHD.	Malaysia	100%
Veloxis Pharmaceuticals A/S	Denmark	41%	Lundbeck México, SA de CV	Mexico	100%
VHsquared Ltd.	United Kingdom	30%	Lundbeck B.V.	Netherlands	100%
<b>Subsidiaries of H. Lundbeck A/S</b>			Prexton Therapeutics B.V., including - Prexton Therapeutics S.A	Netherlands	100%
Lundbeck Argentina S.A.	Argentina	100%	- Prexton Therapeutics S.A	Switzerland	100%
Lundbeck Australia Pty Ltd, including - CNS Pharma Pty Ltd	Australia	100%	Lundbeck New Zealand Limited	New Zealand	100%
Lundbeck Austria GmbH	Austria	100%	H. Lundbeck AS	Norway	100%
Lundbeck S.A.	Belgium	100%	Lundbeck Pakistan (Private) Limited	Pakistan	100%
Lundbeck Brasil Ltda.	Brazil	100%	Lundbeck America Central S.A.	Panama	100%
Lundbeck Canada Inc.	Canada	100%	Lundbeck Peru S.A.C.	Peru	100%
Lundbeck Chile Farmacéutica Ltda.	Chile	100%	Lundbeck Philippines Inc.	Philippines	100%
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd	China	100%	Lundbeck Business Service Centre Sp.z.o.o.	Poland	100%
Lundbeck Colombia S.A.S.	Colombia	100%	Lundbeck Poland Sp.z.o.o.	Poland	100%
Lundbeck Croatia d.o.o.	Croatia	100%	Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda	Portugal	100%
Lundbeck Czech Republic s.r.o.	Czech Republic	100%	Lundbeck Romania SRL	Romania	100%
Lundbeck China Holding A/S	Denmark	100%	Lundbeck RUS OOO	Russia	100%
Lundbeck Export A/S	Denmark	100%	Lundbeck Singapore PTE. LTD.	Singapore	100%
Lundbeck Insurance A/S	Denmark	100%	Lundbeck Slovensko s.r.o.	Slovakia	100%
Lundbeck Pharma A/S	Denmark	100%	Lundbeck Pharma d.o.o.	Slovenia	100%
Lundbeck Eesti A/S	Estonia	100%	Lundbeck South Africa (Pty) Limited, including - H. Lundbeck (Proprietary) Limited	South Africa	100%
OY H. Lundbeck AB	Finland	100%	Lundbeck España S.A.	Spain	100%
			H. Lundbeck AB	Sweden	100%
			Lundbeck (Schweiz) AG	Switzerland	100%

## 16. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Lundbeck İlaç Ticaret Limited Şirketi	Turkey	100%	Falck Investments NV	Belgium	88%
Lundbeck Group Ltd. (Holding), including	United Kingdom	100%	Falck Brasil AVD Participações Ltda.	Brazil	100%
- Lundbeck Limited	United Kingdom	100%	Falck Brasil 747 Participações Ltda.	Brazil	100%
- Lundbeck Pharmaceuticals Ltd.	United Kingdom	100%	Falck Chile Holding S.A.	Chile	100%
- Lifehealth Limited, including	United Kingdom	100%	Falck Safety Services Limitada	Chile	100%
- Lundbeck UK LLP (2)	United Kingdom	100%	Falck Capacitacion Limitada	Chile	100%
Lundbeck USA Holding LLC, including	United States	100%	BHM Solutions Integrales de Logistica en Salud S.A.S.	Colombia	100%
- Lundbeck LLC, including	United States	100%	Haces Inversiones y Servicio S.A.S.	Colombia	100%
- Chelsea Therapeutics International, Ltd., including	United States	100%	Empresa de Medicina Integral EMI S.A. Servicio de		
- Lundbeck NA Ltd	United States	100%	Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100%
- Lundbeck Pharmaceuticals, LLC	United States	100%	Falck CZ a.s.	Czech Republic	100%
- Lundbeck Research USA, Inc.	United States	100%	Falck Emergency a.s.	Czech Republic	100%
Lundbeck de Venezuela, C.A.	Venezuela	100%	Falck Global A/S	Denmark	100%
			Falck Fire Services A/S	Denmark	100%
			Falck Danmark A/S	Denmark	100%
			Falck Luftambulance A/S	Denmark	100%
			Falck Air Ambulance A/S	Denmark	50%
			Traffilog Nordic ApS (3)	Denmark	49%
			Global Life Care A/S (3)	Denmark	100%
			Life Care One A/S	Denmark	100%
			KPC Ejendomme af 6. juni 2002 A/S (3)	Denmark	25%
			Responce A/S	Denmark	100%
			EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100%
			EMI El Salvador S.A. de C.V.	El Salvador	80%
			Falck Rettungsdienst GmbH	Germany	97%
			G.A.R.D. Verwaltungsgesellschaft für Ambulanz und		
			Rettungsdienst GmbH	Germany	97%
			G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst		
			Cuxhaven GmbH	Germany	97%
			GUARD Hospital Service GmbH	Germany	97%
			G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst		
			Bremen mbH	Germany	97%
			G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst		
			Hamburg-Ost GmbH	Germany	97%
			G.A.R.D ArGe Rettungsdienst Dresden GmbH & Co.		
			oHG	Germany	97%
			G.A.R.D. Gemeinnützige Ambulanz und Rettungsdienst		
			GmbH	Germany	97%
			GUARD Gesellschaft für unabhängige ambulante		
			Rettungsdienstleistungen GmbH	Germany	97%
			K&G Taxi-Krankentransporte und Dienstleitungen		
			GmbH	Germany	77%
			G.A.R.D. Beteiligungsgesellschaft für Ambulanz und		
			Rettungsdienst GmbH	Germany	97%
<b>Subsidiaries of ALK-Abelló A/S</b>					
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%			
ALK-Abelló, Source Materials, Inc.	United States	100%			
OKC Allergy Suppliers Inc.	United States	100%			
OKC Crystal Laboratory Inc.	United States	100%			
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%			
ALK Medical Consulting Services Company Limited	China	100%			
ALK Slovakia s.r.o.	Slovakia	100%			
<b>Subsidiaries of Falck A/S</b>					
Ambulance					
Falck Pty. Ltd.	Australia	55%			
Falck (Victoria) Pty. Ltd.	Australia	55%			
Falck Benelux NV	Belgium	49%			

## 16. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Ostsee-Ambulanz-Kiel GmbH	Germany	97%	Falck Services AB	Sweden	100%
promedica Rettungsdienst GmbH	Germany	97%	Svensk Sjöambulans AB	Sweden	50%
ASG Ambulanz Leipzig GmbH	Germany	97%	Falck Medical Services LLC	UAE	43%
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	97%	Falck UK Ltd.	United Kingdom	100%
promedica Rettungsdienst Bremehaven/Bremen GmbH	Germany	97%	Falck EMS UK Ltd.	United Kingdom	100%
promedica Rettungsdienst Waldeck-Frankenberg GmbH & Co. KG	Germany	68%	Falck UK Ambulance Service Ltd. Hospital & Healthcare Cars Ltd.	United Kingdom	100%
Falck Notfallrettung und Krankentransport GmbH	Germany	97%	Falck India Ltd.	United Kingdom	100%
KS-Medi-Service GmbH	Germany	97%	Luvtel S.A.	Uruguay	100%
Brava Holding GmbH	Germany	100%	UCM Uruguay S.A.	Uruguay	100%
Falck Services Ltd.	Mauritius	100%	Portovenus S.A.	Uruguay	16%
Falck Holding B.V.	Netherlands	100%	Falck USA Inc.	United States	100%
Inprevo B.V.	Netherlands	49%	FCA Corp.	United States	89%
Falck Eurasia B.V.	Netherlands	100%	Care Ambulance Service, Inc.	United States	89%
Falck Russia Holding B.V. (3)	Netherlands	49%	Falck EMS Corp.	United States	99%
Falck Emergency Norway AS	Norway	100%	Lifestar Response Corporation	United States	99%
Falck Brann og Redningstjeneste A	Norway	100%	Lifestar Response of Alabama, Inc.	United States	99%
EMI Holdings Management S.A.	Panama	100%	Lifestar Response of Maryland, Inc.	United States	99%
EMI Foreign Holdings 1 S.A.	Panama	100%	Falck Southeast Corp.	United States	99%
EMI Foreign Holdings 2 S.A.	Panama	100%	Falck Southeast II Corp.	United States	99%
EMI Foreign Holdings 3 S.A.	Panama	100%	Cape Cod Medical Enterprises, Inc.	United States	99%
EMI Foreign Holdings 4 S.A.	Panama	100%	American Ambulance, Inc.	United States	99%
EMI Central America Holding S.A.	Panama	80%	Transitional Health Solutions, Inc.	United States	99%
EMI Panama S.A.	Panama	80%	Falck Northern California Corp.	United States	100%
Falck Medycyna Sp. z o.o.	Poland	100%	Falck Northwest Corp.	United States	100%
Falck Centra Medyczne Sp. z o.o.	Poland	100%	Falck Rocky Mountain, Inc.	United States	100%
Starowka Sp. z o.o.	Poland	76%	Rapid Response Emergency Services, LLC	United States	100%
Falck SCI Portugal - Segurança Contra Incêndios S.A	Portugal	65%	Pulse EMS, LLC (3)	United States	50%
Falck Medical Vladivostok LLC	Russia	49%	Emergencia Medica Integral EMI Centro S.A.	Venezuela	100%
Falck SK a.s.	Slovakia	100%	Centro Medico Intergal CEMICA S.A.	Venezuela	100%
Falck Emergency AS	Slovakia	51%	Assistance		
Falck Záchraná a.s.	Slovakia	51%	Falck Assistance A/S	Denmark	100%
Falck Academy s.r.o	Slovakia	51%	S Reg Holding A/S	Denmark	100%
Falck Healthcare a.s.	Slovakia	51%	Falck Autoabi OÜ	Estonia	100%
Falck South Africa Holding (PTY) Ltd.	South Africa	100%	Falck Investments Finland Oy Ab	Finland	100%
Falck VL Servicios Sanitarios S.L.	Spain	49%	Falck Oy	Finland	100%
Sauper S.A.	Spain	49%	UAB Falck Lietuva	Lithuania	100%
Falck Lanka (Pvt) Ltd. (3)	Sri Lanka	50%	Falck Redning AS	Norway	100%
Falck Sverige Holding AB	Sweden	100%			
Falck Ambulans AB	Sweden	100%			

## 16. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Falck Investment Sverige AB	Sweden	100%	Falck Saglik AS	Turkey	100%
S Reg AB	Sweden	100%	Access Transport Services Holding, Inc.	United States	99%
Falck Secure AB	Sweden	100%	Falck Global Assistance, LLC	United States	99%
Falck Räddningskår AB	Sweden	100%	Falck Risk Solutions, LLC	United States	60%
Falck Försäkringsaktiebolag	Sweden	100%	AccessOnTime Language Services, LLC	United States	99%
Healthcare			Industrial Firefighting		
Falck Health Care Holding A/S	Denmark	59%	Falck Fire Services BE NV	Belgium	100%
Falck Healthcare A/S	Denmark	59%	Falck Fire & Safety do Brasil S.A.	Brazil	65%
ActivCare Privat A/S	Denmark	59%	Falck France SAS	France	65%
ActivCare A/S	Denmark	100%	Falck Fire Services DE GmbH	Germany	100%
Falck Helse AS	Norway	59%	Falck Operations Services DE GmbH	Germany	100%
Falck Centra Medyczne Sp. z o.o.	Poland	100%	Falck Servizi Industriali di Emergenza S.r.l.	Italy	65%
Falck Health Care Holding AB	Sweden	59%	Falck Consulting & Technology B.V.	Netherlands	100%
Falck Aktiv Arbetsmedicin AB	Sweden	59%	Falck Fire Services NL B.V.	Netherlands	100%
Falck Healthcare AB	Sweden	59%	Falck Fire Services Polska Sp. z o.o.	Poland	100%
Skandinavisk Hälsovård AB	Sweden	59%	Falck Fire Services S.R.L.	Romania	100%
Svensk Närsjukvård AB	Sweden	59%	Falck Fire Services a.s.	Slovakia	51%
Doc Care AB	Sweden	59%	Falck Security Services s.r.o.	Slovakia	51%
Ofelia Vård AB	Sweden	59%	Falck Emergency Spain, S.L.	Spain	65%
AB Previa	Sweden	59%	Falck SCI, S.A.	Spain	65%
Silverhälsan AB	Sweden	59%	Falck Räddningstjänst AB	Sweden	100%
Inlandshälsan AB	Sweden	59%	Falck Fire Consulting Ltd.	United Kingdom	93%
Previa Sjukvård AB	Sweden	59%	Falck Fire Services UK Ltd.	United Kingdom	100%
Galleriva Husläkarmottagning AB	Sweden	59%			
Falck Hälsopartner AB	Sweden	59%	Group		
			Falck Treasury A/S	Denmark	100%
Global assistance					
Falck Global Assistance (China) Ltd.	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%			
Falck Global Assistance Singapore Pte. Ltd.	Singapore	100%			
Falck Global Assistance Spain S.L.	Spain	100%			
Falck Global Assistance AB	Sweden	100%			
Falck Global Assistance (Thailand) Ltd.	Thailand	49%			
Falck Global Assistance Ltd.	Thailand	49%			

(1) Associates recognised in *Financial assets - Lundbeckfonden Ventures and Emerge*

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

(3) Associates and joint ventures

## 17. Accounting policies

The annual report for Lundbeckfond Invest A/S for 2018 has been prepared in accordance with the Danish Financial Statements Act for large enterprises of reporting class C.

The annual report is presented in Danish kroner (DKK), which is also the functional currency of Lundbeckfond Invest A/S. Amounts in DKK are rounded to the nearest DKK million.

According to section 37(5) of the Danish Financial Statements Act other financial assets are recognised and measured in accordance with International Financial Reporting Standards (IFRS). The implementation of IFRS 9 Financial Instruments has not affected recognition and measurement of other financial assets.

The accounting policies are unchanged from last year.

### CONSOLIDATED FINANCIAL STATEMENTS

With reference to section 112(1) of the Danish Financial Statements Act and the consolidated financial statements of Lundbeckfonden, Lundbeckfond Invest A/S has not prepared consolidated financial statements.

### TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions denominated in foreign currencies are translated at 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 except in case of hedge accounting. In case of hedge accounting, such differences are recognised in the same item as the hedged item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The differences between the exchange rates at the time of recognition and the exchange rates at the balance sheet date or settlement are recognised in the income statement under financial items in respect of unhedged items and under the same item in respect of hedged items.

### FINANCIAL INSTRUMENTS

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

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging 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 not qualifying for hedge accounting are recognised in the income statement under financial items as they arise.

### INCOME STATEMENT

#### Financial items

Financial income and financial expenses comprise:

- Interest income and expenses
- Realised and unrealised fair value adjustments of financial assets and liabilities including short-term securities that are included in the company's documented investment strategy
- Realised and unrealised gains and losses on unhedged financial items denominated in foreign currencies, forward contracts and other financial derivatives not used for hedge accounting
- Exchange gains and losses
- Other financial income and expenses

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

Dividends from subsidiaries are recognised in the income statement when the right to receive such dividends has been approved.

#### Other income

Other income comprise items of a secondary nature to the main investment activities of the company, including service fees.

#### Staff cost

Staff costs comprise salaries, pension and other social expenses and received remuneration from subsidiaries.

#### Other external costs

Other external costs comprise expenses for administration and investment activities including expenses for premises and depreciations.

## 17. Accounting policies - continued

With reference to section 96(3) of the Danish Financial Statements Act and the consolidated financial statements of Lundbeckfonden, Lundbeckfond Invest A/S has not disclosed fees to statutory auditors.

### Tax

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.

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.

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

### BALANCE SHEET

#### Investments in subsidiaries

Investments in subsidiaries are recognised at cost. Costs include the consideration at fair value plus direct acquisition costs.

Subsequently, investments in subsidiaries that suffered an impairment are reviewed for possible reversal of the impairment at the end of each balance sheet date. Reversal of impairment are recognised in financial income.

If there is an indication of impairment, an impairment test is performed. Where the carrying amount exceeds the recoverable amount, the investments are written down to this lower value. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

#### Investments in associates

Investments in associates that are included in the company's investment strategy are recognised at fair value. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

#### Other financial assets

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

Subsequently, other financial assets 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 costless 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.

#### Receivables

Current receivables comprise other receivables arising in the company's normal course of business.

Other receivables recognised in financial assets are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less writedowns to counter the risk of loss calculated on the basis of an individual assessment. A provision account is used for this purpose.

#### Equity

Dividends are recognised as a liability at the time of adoption of the dividend resolution at the Annual General Meeting (time of declaration).

## 17. Accounting policies - continued

### Corporate income tax and deferred tax

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

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities and their tax base. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax assets 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.

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

### Other provisions

Other provisions including provision regarding incentive schemes are recognised when the company has a legal or constructive obligation that arise from past events and it is probable that an outflow of financial resources will be required to settle the obligation. Other provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

### Debt

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

Other payables are measured at amortised cost.

### CASH FLOW STATEMENT

With reference to section 86(4) of the Danish Financial Statements Act and the consolidated financial statements of Lundbeckfonden, Lundbeckfond Invest A/S has not prepared a Cash Flow Statement.

### KEY FIGURES

The key figures are calculated according to Danish Finance Society's Recommendations & Financial Ratios.

Return on equity:  $\text{Profit for the year} \times 100 / \text{Average equity}$

## 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 Lundbeckfond Invest A/S for the financial year ended 31 December 2018.

The financial statements of Lundbeckfond Invest A/S have been prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018, and of the company's activities for the financial year 1 January – 31 December 2018.

We believe that the Management's review includes a fair review of developments in the company's activities and finances, result for the year and the company's financial position in general.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 28 March 2019

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## EXECUTIVE MANAGEMENT

Lene Skole

## BOARD OF DIRECTORS

**Jørgen Huno Rasmussen**  
Chairman

**Steffen Kragh**  
Vice Chairman

**Gunhild Waldemar**

**Lars Holmqvist**

**Michael Kjær**

**Peter Schütze**

**Susanne Krüger Kjær**

**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 shareholders of Lundbeckfond invest A/S

### Opinion

We have audited the financial statements of Lundbeckfond Invest A/S for the financial year 1 January – 31 December 2018, which comprise the income statement, balance sheet, equity statement, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of Lundbeckfond Invest A/S' financial position at 31 december 2018 and of the results of its operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 Lundbeckfond Invest A/S ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate Lundbeckfond Invest A/S 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 judgement and maintain professional scepticism 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 Lundbeckfond Invest A/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 Lundbeckfond Invest A/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 Lundbeckfond Invest A/S to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 control that we identify during our audit.

#### **Statement on the management review**

Management is responsible for the management review.

Our opinion on the financial statements does not cover the 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 the management review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Copenhagen, 28 March 2019

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Erik Holst Jørgensen  
State-Authorised Public Accountant  
MNE no 9943