

LUNDBECKFOND INVEST A/S

ANNUAL REPORT 2020

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 21 85 55 45

APPROVED AT THE ANNUAL GENERAL MEETING 25 MARCH 2021

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

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

EXECUTIVE MANAGEMENT

Lene Skole

AUDITOR

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab, CVR No 33 77 12 31

FIVE-YEAR SUMMARY

DKKm	2020	2019	2018	2017	2016
Dividends from subsidiaries	653	1,678	1,134	357	20
Financial items, net	1,411	2,347	-944	475	1,056
Gross profit from investment activities	2,141	5,661	1,161	735	574
Profit for the year	2,001	5,415	1,158	695	554
Equity	25,230	24,317	18,999	18,190	17,830
Total assets	25,811	25,380	19,619	18,990	18,385
KEY FIGURE					
Return on equity	8.1%	25.0%	6.2%	3.9%	3.2%

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, LFI Silva Investments A/S and DySIS Medical Ltd.

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

FINANCIAL RESULT AND FINANCIAL POSITION

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 investment portfolio of bonds, credits, equities and real assets managed by Invest generated a return of DKK 1,134m (DKK 1,500m) which was considered to be very satisfactory.

Listed equity generated a gain of DKK 1,058m (DKK 1,222m). The investment in FLSmidth & Co. returned a loss of DKK 179m (loss of DKK 99m).

Credits and private equities generated a gain of DKK 74m (gain of DKK 147m) and a loss of DKK 2m (gain of DKK 23m), respectively.

Real assets, bonds, etc. realised a return of DKK 4m (DKK 108m) attributable to gains on real assets.

Lundbeckfonden Ventures recorded a loss of DKK 16m (gain of DKK 1,445m). Investments in new and existing companies amounted to DKK 168m (DKK 301m).

Dividends from subsidiaries amounted to DKK 653m (DKK 1,678m) of which Lundbeck accounted for DKK 563m (DKK 1,648m).

Profit for the year amounted to DKK 2,001m (DKK 5,415m) which was considered to be very satisfactory taking the uncertainties in the financial markets at the beginning of the year into consideration.

The result is positively impacted by a reversal of DKK 369m (DKK 1,000m) regarding previous years impairment of Falck.

At year end the equity amounted to DKK 25,230m (DKK 24,317m).

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 returns provided by the portfolio investments generated by Invest, Lundbeckfonden Ventures and Lundbeckfonden Emerge. Returns provided by Invest largely depends on the overall performance of the financial markets, whereas returns provided by Ventures and Emerge also depend on the development of products and similar factors at the portfolio companies.

For the year 2021, 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, 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 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. An ESG status report is then 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.

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 2020 for Lundbeckfonden on 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. No targets are either set or reported on Executive Management according to the Danish Companies Act, section 139c.



INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKK ^m	Note	2020	2019
Dividends from subsidiaries		653	1,678
Dividends from associates		50	50
Fair value adjustments, associates	7	27	1,586
Financial income	1	2,595	2,741
Financial expenses	2	-1,184	-394
Gross profit from investment activities		2,141	5,661
Other income		-	1
Employee costs	3	-76	-210
Other external costs		-13	-14
Profit before tax		2,052	5,438
Tax on profit for the year	4	-51	-23
Profit for the year	5	2,001	5,415

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2020	2019
Investments in subsidiaries	6	10,031	9,361
Investments in associates	7, 8	433	3,498
Financial assets, Invest	8	13,128	9,310
Financial assets, Lundbeckfonden Ventures and Emerge	8	1,811	2,508
Deferred tax assets	9	17	52
Financial assets		25,420	24,729
Non-current assets		25,420	24,729
Receivables from affiliates		15	14
Income tax receivables		107	172
Other receivables		42	31
Receivables		164	217
Cash and bank balances		227	434
Current assets		391	651
Assets		25,811	25,380

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2020	2019
Share capital	10	450	450
Retained earnings		23,640	22,779
Proposed dividend		1,140	1,088
Equity		25,230	24,317
Other provisions	3	23	81
Other payables		-	156
Non-current liabilities		23	237
Payables to affiliates		282	347
Repo debt		-	345
Other payables		276	134
Current liabilities		558	826
Liabilities		581	1,063
Equity and liabilities		25,811	25,380
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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 2020		450	22,779	1,088	24,317
Paid dividend		-	-	-1,088	-1,088
Profit for the year	5	-	861	1,140	2,001
Equity at 31 December 2020		450	23,640	1,140	25,230

DKKm	Note	Share capital	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2019		450	18,452	97	18,999
Paid dividend		-	-	-97	-97
Profit for the year	5	-	4,327	1,088	5,415
Equity at 31 December 2019		450	22,779	1,088	24,317

NOTES

1. Financial income

DKKm	2020	2019
Exchange gains	5	8
Interest on financial assets	151	102
Interest on receivables from subsidiaries	-	31
Interest on receivables from associates	5	2
Reversal of impairment of investments in subsidiaries	369	1,000
Dividends from portfolio investments	111	168
Gains on financial assets measured at fair value through profit or loss	1,895	1,351
Other financial income	59	79
Total financial income	2,595	2,741

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

2. Financial expenses

DKKm	2020	2019
Exchange losses	6	-
Interest expenses	4	10
Losses on financial assets measured at fair value through profit or loss	1,138	383
Impairment of investments in subsidiaries	10	-
Other financial expenses	26	1
Total financial expenses	1,184	394

3. Employee costs

DKKm	2020	2019
Wages and salaries	78.0	211.4
Received from subsidiaries	-2.8	-2.4
Pensions	1.0	0.8
Other social security costs	0.1	0.2
Total employee costs	76.3	210.0

Average number of full-time employees during the year	17	18
Number of employees at year-end	19	19

Lundbeckfond Invest A/S has incentive programmes for Invest, Lundbeckfonden Ventures and Lundbeckfonden Emerge which are similar to standard incentive programmes for investment management and venture industries. The purpose of the incentive programmes is 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, bonus under Invest programmes amounted to DKK 8m (DKK 7m).

Provision for Lundbeckfonden Ventures programmes amounted to DKK 23m at 31 December 2020 (DKK 81m), resulting in an income in 2020 of DKK 58m (DKK 79m) recognised in the income statement under financial items. In addition, bonuses due according to Ventures incentive programmes of DKK 41m (DKK 175m) were recognised in other payables and expensed as employee costs. The net effect amounted to an income of DKK 17m (expense of DKK 96m).

Remuneration of the Executive Management and the Board of Directors:

DKKm	2020	2019
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	6.2	5.1
Remuneration of the Board of Directors, including committee fees (excluding remuneration received from subsidiaries)	1.6	1.6

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 2020 of Lundbeckfonden, note 3.

4. Tax on profit for the year

DKKm	2020	2019
Current tax	14	11
Change in deferred tax for the year	36	24
Prior-year adjustments	1	-12
Tax on profit for the year	51	23

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	2020	2019
Dividend	1,140	1,088
Retained earnings	861	4,327
Profit for the year	2,001	5,415

6. Investments in subsidiaries

DKKm	2020	2019
Cost at 1 January	9,730	8,250
Transferred from Financial assets, Ventures and Emerge	202	-
Additions	109	1,480
Disposals	-	-
Cost at 31 December	10,041	9,730
Impairment at 1 January	-369	-1,369
Impairment	-10	-
Reversal of impairment	369	1,000
Impairment at 31 December	-10	-369
Carrying amount at 31 December	10,031	9,361

Subsidiaries, DKKm	Registered office	Ownership	Profit for the year 2020	Equity at 31 December 2020
H. Lundbeck A/S (consolidated)	Valby	69.0%	1,581	16,973
ALK-Abelló A/S (consolidated)	Hørsholm	40.3%	25	3,153
Falck A/S (consolidated)	Copenhagen	59.2%	-178	3,754
LFI Equity A/S	Copenhagen	100.0%	76	1,176
LFI Silva Investments A/S	Copenhagen	97.0%	41	246
DySIS Medical Limited	London	83.7%	-116	-321

DySIS Medical Limited figures appear from the financial statements for the period 1 April – 31 December 2018 as the financial statements for 2019 and 2020 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 provided basis for reversing DKK 369m (DKK 1,000m) of the impairment of DKK 1,369m made in 2017 relating to the investment in Falck A/S.

The impairment test of Falck 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 business units. For Ambulance, a slight decrease in 2021 is expected, but then growth is expected to be reestablished. 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 Assistance 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 business units.

6. Investments in subsidiaries - continued

EBITA margin

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

DKKm	Forecasting period		Terminal period		Applied discount rate	
	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	2,5%	6,7%	0,8%	8,4%	6,5%	8,6%
Assistance	1,6%	19,9%	0,6%	21,1%	6,2%	7,8%
Healthcare	4,5%	2,2%	0,6%	3,4%	6,2%	7,4%
Community Healthcare	4,8%	19,2%	4,6%	20,8%	10,4%	12,9%
Fire Services	8,7%	7,6%	0,7%	9,6%	6,9%	8,7%
Portfolio Business	9,3%	1,1%	1,0%	12,8%	6,5%	7,7%

7. Investments in associates

DKKm	2020	2019
Cost at 1 January	953	953
Additions	75	-
Disposals	-717	-
Cost at 31 December	311	953
Adjustments at 1 January	2,545	959
Fair value adjustments	27	1,586
Disposals	-2,450	-
Adjustments at 31 December	122	2,545
Carrying amount at 31 December	433	3,498

Associates, DKKm	Registered office	Ownership	Profit for the year 2020	Equity at 31 December 2020
Obel-LFI Ejendomme A/S	Copenhagen	50%	146	969

In 2020, Veloxis Pharmaceuticals A/S was sold at a value of DKK 3,167m.

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	2020	2019
Carrying amount at 1 January	9,310	7,039
Additions	6,060	4,612
Disposals	-3,130	-3,314
Value adjustments, year-end	888	973
Carrying amount at 31 December	13,128	9,310

Financial assets, Ventures and Emerge, DKKm	2020	2019
Carrying amount at 1 January	2,508	2,003
Additions	257	395
Disposals	-685	-86
Transferred to investments in subsidiaries	-202	-
Value adjustments, year-end	-67	196
Carrying amount at 31 December	1,811	2,508

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 2020, investments in associates included in the company's investment strategy amount to DKK236m (DKK680m). The associates are either not individually material or do not publish 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 2020, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Investments in associates	-	-	433	433
Financial assets, Invest				
Danish mortgage and government bonds	1,404	-	-	1,404
Credit bonds	2,720	-	157	2,877
Equities	8,410	-	-	8,410
Private equity funds and other unlisted funds	-	50	291	341
Derivative financial instruments	-	96	-	96
Total financial assets, Invest	12,534	146	448	13,128
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
Total financial assets	13,192	146	2,034	15,372
Financial liabilities				
Derivative financial instruments	-	45	-	45
Total financial liabilities	-	45	-	45

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				
Investments in associates	3,167	-	331	3,498
Financial assets, Invest				
Danish mortgage and government bonds	632	-	-	632
Credit bonds	2,137	-	-	2,137
Equities	6,209	-	-	6,209
Private equity funds and other unlisted funds	-	44	284	328
Derivative financial instruments	-	4	-	4
Total financial assets, Invest	8,978	48	284	9,310
Lundbeckfonden Ventures and Emerge				
Equities	455	-	1,350	1,805
Receivables from sale of portfolio companies	-	-	653	653
Other receivables	-	-	50	50
Total Lundbeckfonden Ventures and Emerge	455	-	2,053	2,508
Total financial assets	12,600	48	2,668	15,316
Financial liabilities				
Derivative financial instruments	-	100	-	100
Total financial liabilities	-	100	-	100

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

	2020	2019
Carrying amount at 1 January	2,668	3,664
Additions	571	432
Disposals	-783	-1,608
Transfer to investments in subsidiaries	-202	-
Reclassification, from level 3 to level 1 in connection with IPO's	-92	-51
Fair value adjustment	-128	231
Carrying amount at 31 December	2,034	2,668

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 4.25-5.25% or cost if under construction	If required rate of return is reduced by 0.25pp the fair value will be increased by DKK 62m
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 12m
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 and discounted cash flow models	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	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 primarily based on closing prices according to exchange markets	N/A	N/A

9. Deferred tax assets

DKKm	2020	2019
Deferred tax assets at 1 January	52	66
Change in deferred tax	-35	-14
Deferred tax assets at 31 December	17	52

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

The company recognises deferred tax assets including the tax value of tax losses if it is probable that it can be utilized against future taxable income within a foreseeable future (5 years).

10. Share capital

DKKm	2020	2019
Share capital at 31 December	450	450

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 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 decrease/increase profits by DKK 273m and DKK 294m respectively (decrease by DKK 223m and increase by DKK 173m).

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	2020	2019
CHF	46	101
EUR	5,783	4,167
GBP	393	439
JPY	243	153
USD	2,430	2,894

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
2020				
Profit	2	20	12	122
Equity	2	20	12	122
2019				
Profit	5	22	8	145
Equity	5	22	8	145

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 income or expenses in the income statement.

The portfolio of bonds has a duration of 0.1 year (-0.7 year). Other things being equal, an increase of 1 %-point in interest rates would increase the company's profit by DKK 17m (DKK 27m).

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

NET OUTSTANDING INTEREST RATE SWAPS, OPTIONS AND FUTURES

Share contracts and indices, 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	145	63	62	Dec 2021
Futures on indices	-1,987	-25	-28	Mar 2021
Total	-790	-46	68	
2019				
Options on indices	-3,474	-186	-100	Jan 2020
Options on shares	210	27	4	Feb 2020
Total	-3,264	-159	-96	

Interest rate swap, DKKm	Contractual value	Gains/losses recognised in the income statement	Market value 31 December	Fixed interest rate	Expiry
2020					
Fixed to floating	600	-21	-17	0.2%	Jul 2029
2019					
Fixed to floating	600	-42	-	0.2%	Jul 2029

11. Financial risks and financial instruments - continued

11.5 CATEGORIES AND MATURITY DATES FOR FINANCIAL ASSETS AND LIABILITIES

31 December 2020, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest rate
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	-	406	999	1,405	1,404	-1-1%
Credit bonds	395	947	2,354	3,696	2,877	0-22%
Derivatives included in the trading portfolio	96	-	-	96	96	-
Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	12	-	-	12	12	-
Other receivables	70	-	-	70	70	8-15%
Financial assets at fair value through profit or loss	573	1,353	3,353	5,279	4,459	
Receivables including receivables from affiliates	164	-	-	164	164	0-2%
Cash and bank balances	227	-	-	227	227	-1-0%
Financial assets measured at amortised cost	391	-	-	391	391	
Total financial assets	964	1,353	3,353	5,670	4,850	
Financial liabilities						
Derivatives included in the trading portfolio	45	-	-	45	45	-
Financial liabilities at fair value through profit or loss	45	-	-	45	45	
Other payables including payables to affiliates	513	-	-	513	513	-
Financial liabilities measured at amortised cost	513	-	-	513	513	
Total financial liabilities	558	-	-	558	558	

31 December 2019, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest rate
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	94	487	49	630	632	-1-3%
Credit bonds	138	1,008	1,316	2,462	2,137	0-37%
Derivatives included in the trading portfolio	4	-	-	4	4	-
Lundbeckfonden Ventures and Emerge						
Receivables from sale of portfolio companies	231	308	114	653	653	-
Other receivables	52	-	-	52	50	8%
Financial assets at fair value through profit or loss	519	1,803	1,479	3,801	3,476	
Receivables including receivables from affiliates	217	-	-	217	217	0-1%
Cash and bank balances	434	-	-	434	434	-1-3%
Financial assets measured at amortised cost	651	-	-	651	651	
Total financial assets	1,170	1,803	1,479	4,452	4,127	
Financial liabilities						
Derivatives included in the trading portfolio	100	-	-	100	100	-
Financial liabilities at fair value through profit or loss	100	-	-	100	100	
Repo debt	345	-	-	345	345	-
Other payables including payables to affiliates	381	-	-	381	381	-
Financial liabilities measured at amortised cost	726	-	-	726	726	
Total financial liabilities	826	-	-	826	826	

The amounts in the tables are including interests.

12. Lease obligations

DKKm	2020	2019
Due within one year	3	3
Total	3	3

13. Contractual obligations

Lundbeckfond Invest A/S has contractual capital contribution obligations amounting to DKK 104m at 31 December 2020 (DKK 133m).

14. Guarantees, contingent liabilities and collaterals

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 2020 amounted to DKK 0 (DKK 423m).

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
Subsidiaries of Lundbeckfond Invest A/S			Subsidiaries of Lundbeckfond Invest A/S		
H. Lundbeck A/S	Denmark	69%	Lundbeck Pharma A/S	Denmark	100%
ALK-Abelló A/S	Denmark	40% (67% of the votes)	Lundbeck Eesti A/S	Estonia	100%
Falck A/S	Denmark	59%	OY H. Lundbeck AB	Finland	100%
LFI Equity A/S	Denmark	100%	Lundbeck SAS	France	100%
LFI Silva Investments A/S	Denmark	97%	Sofipharm SA, including	France	100%
- LFI Silva Investments Ltd.	United Kingdom	100%	- Laboratoire Elaiapharm SA	France	100%
epVIR ApS	Denmark	100%	Lundbeck GmbH	Germany	100%
DySIS Medical Ltd., including	United Kingdom	84%	Lundbeck Hellas S.A.	Greece	100%
- Forth Photonics Trustees Limited	United Kingdom	100%	Lundbeck HK Limited	Hong Kong	100%
- Forth Photonics Limited	United Kingdom	100%	Lundbeck Hungária KFT	Hungary	100%
- DYSIS Medical INC	United States	100%	Lundbeck India Private Limited	India	100%
- Forth Photonics Hellas S.A	Greece	100%	Lundbeck (Ireland) Ltd.	Ireland	100%
			Lundbeck Israel Ltd.	Israel	100%
			Lundbeck Italia S.p.A.	Italy	100%
			Lundbeck Pharmaceuticals, Italy S.p.A., including	Italy	100%
			- Archid S.a.	Luxembourg	100%
			Lundbeck Japan K.K.	Japan	100%
			Lundbeck Korea Co., Ltd.	Republic of Korea	100%
			SIA Lundbeck Latvia	Latvia	100%
			UAB Lundbeck Lietuva	Lithuania	100%
			Lundbeck Malaysia SDN. BHD.	Malaysia	100%
			Lundbeck México, SA de CV	Mexico	100%
			Lundbeck B.V.	Netherlands	100%
			Prexton Therapeutics B.V., including	Netherlands	100%
			- Prexton Therapeutics S.A.	Switzerland	100%
			Lundbeck New Zealand Limited	New Zealand	100%
			H. Lundbeck AS	Norway	100%
			Lundbeck Pakistan (Private) Limited	Pakistan	100%
			Lundbeck America Central S.A.	Panama	100%
			Lundbeck Peru S.A.C.	Peru	100%
			Lundbeck Philippines Inc.	Philippines	100%
			Lundbeck Business Service Centre Sp.z.o.o.	Poland	100%
			Lundbeck Poland Sp.z.o.o.	Poland	100%
			Lundbeck Portugal - Produtos Farmacêuticos		
			Unipessoal Lda	Portugal	100%
			Lundbeck Romania SRL	Romania	100%
			Lundbeck RUS OOO	Russia	100%
			Lundbeck Singapore PTE. LTD.	Singapore	100%
			Lundbeck Slovensko s.r.o.	Slovakia	100%
			Lundbeck Pharma d.o.o.	Slovenia	100%
			Lundbeck South Africa (Pty) Limited, including	South Africa	100%
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%			
VHsqared 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%			
Lundbeck Export A/S	Denmark	100%			

16. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
- H. Lundbeck (Proprietary) Limited	South Africa	100%	ALK-Abelló Pharmaceuticals, Inc.	Canada	100%
Lundbeck España S.A.	Spain	100%	ALK Medical Consulting Services Company Limited	China	100%
H. Lundbeck AB	Sweden	100%	ALK Slovakia s.r.o.	Slovakia	100%
Lundbeck (Schweiz) AG	Switzerland	100%			
Lundbeck İlaç Ticaret Limited Şirketi	Turkey	100%	Subsidiaries of Falck A/S		
Lundbeck Group Ltd. (Holding), including	United Kingdom	100%	Ambulance		
- Lundbeck Limited	United Kingdom	100%	Falck (Victoria) Pty. Ltd.	Australia	100%
- Lundbeck Pharmaceuticals Ltd.	United Kingdom	100%	Falck Pty. Ltd.	Australia	100%
- Lifehealth Limited	United Kingdom	100%	Falck Emergency a.s.	Czech Republic	100%
- Lundbeck UK LLP ²⁾	United Kingdom	100%	Falck Danmark A/S	Denmark	100%
Lundbeck USA Holding LLC, including	United States	100%	Falck Fire Services A/S	Denmark	100%
- Lundbeck LLC, including	United States	100%	Falck Global A/S	Denmark	100%
- Chelsea Therapeutics International, Ltd., including	United States	100%	Global Life Care A/S	Denmark	100%
- Lundbeck NA Ltd.	United States	100%	Life Care One A/S	Denmark	100%
- Lundbeck Pharmaceuticals LLC	United States	100%	Responce A/S	Denmark	100%
- Lundbeck Research USA, Inc.	United States	100%	Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	100%
- Lundbeck La Jolla Research Center, Inc., including	United States	100%	Falck Notfallrettung und Krankentransport Cuxhaven GmbH	Germany	100%
- Abide Therapeutics (UK) Limited	United Kingdom	100%	Falck Notfallrettung und Krankentransport Dortmund GmbH	Germany	100%
- Lundbeck Seattle BioPharmaceuticals, Inc., including	United States	100%	Falck Notfallrettung und Krankentransport GmbH	Germany	100%
- Alder Biopharmaceuticals Pty., Ltd.	Australia	100%	Falck Notfallrettung und Krankentransport Spree-Nei.e GmbH	Germany	100%
- Alder Biopharmaceuticals Limited	Ireland	100%	Falck Rettungsdienst GmbH	Germany	100%
- Alderbio Holdings LLC ("ANEV")	United States	100%	Falck Rettungsdienst Hanse GmbH	Germany	100%
Lundbeck de Venezuela, C.A.	Venezuela	100%	G.A.R.D. Gemeinnützige Ambulanz und Rettungsdienst GmbH	Germany	100%
			G.A.R.D. Verwaltungsgesellschaft für Ambulanz und Rettungsdienst mbH	Germany	100%
Subsidiaries of ALK-Abelló A/S			Promedica Rettungsdienst GmbH	Germany	100%
ALK-Abelló Nordic A/S	Denmark	100%	Falck Services Limited	Mauritius	100%
ALK e-com A/S	Denmark	100%	Falck Eurasia B.V.	Netherlands	100%
ALK-Abelló Ltd.	United Kingdom	100%	Falck Holding B.V.	Netherlands	100%
ALK-Abelló S.A.	France	100%	Falck Medycyna Sp. z.o.o.	Poland	100%
ALK-Abelló Arzneimittel GmbH	Germany	100%	Falck Emergency AS	Slovakia	100%
ALK-Abelló Allergie-Service GmbH	Austria	100%	Falck SK a.s.	Slovakia	100%
ALK-Abelló AG	Switzerland	100%	Falck Záchraná a.s.	Slovakia	100%
ALK AG (in liquidation)	Switzerland	100%	Falck VL Servicios Sanitarios, S.L.	Spain	75%
ALK ilaç ve Alerji Ürünleri Ticaret Anonim Şirketi	Turkey	100%	Falck Lanka (Pvt) Ltd.	Sri Lanka	50%
ALK-Abelló B.V.	Netherlands	100%	Falck Ambulans AB	Sweden	100%
ALK-Abelló S.A.	Spain	100%	Falck Services AB	Sweden	100%
ALK-Abelló S.p.A.	Italy	100%	Falck Sverige Holding AB	Sweden	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%			

16. Group overview - continued

Company name	Country	Ownership	Company name	Country	Ownership
Svensk Sjöambulans AB	Sweden	50%	Community Healthcare		
Falck EMS UK Limited	United Kingdom	100%	Falck Brasil 747 Participações Ltda.	Brazil	100%
Falck India Limited	United Kingdom	100%	BHM Soluciones Integrales de Logistica en Salud S.A.S.	Colombia	100%
Falck UK Ambulance Service Limited	United Kingdom	100%	Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100%
Falck UK Limited	United Kingdom	100%	Haces Inversiones y Servicios S.A.S.	Colombia	100%
Hospital & Healthcare Cars Ltd.	United Kingdom	100%	EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100%
Falck Mobile Health Corp.	United States	100%	EMI El Salvador S.A. de C.V.	El Salvador	100%
Falck Northern California Corp.	United States	100%	EMI Central America Holding S.A.	Panama	80%
Falck Northwest Corp.	United States	100%	EMI Holdings Management S.A.	Panama	100%
Falck Rocky Mountain, Inc.	United States	100%	EMI Panama S.A.	Panama	100%
Falck Southeast II Corp.	United States	100%	Luvtel S.A.	Uruguay	100%
Falck USA Inc.	United States	100%	Portovenus S.A.	Uruguay	16%
FCA Corp.	United States	90%	UCM Uruguay S.A.	Uruguay	100%
Lifestar Response Corporation	United States	100%	Fire Services		
Lifestar Response of Alabama, Inc.	United States	100%	Falck Fire Services BE NV	Belgium	100%
Lifestar Response of Maryland, Inc.	United States	100%	Falck Fire & Safety do Brasil S.A.	Brazil	65%
			Falck France SAS	France	65%
Assistance			Falck Fire Services DE GmbH	Germany	100%
Falck Assistance A/S	Denmark	100%	Falck Operations Services DE GmbH	Germany	100%
Falck Autoabi OÜ	Estonia	100%	Falck Servizi Industriali di Emergenza S.r.l.	Italy	65%
Falck Oy	Finland	100%	Falck Brann og Redningstjeneste AS	Norway	100%
UAB Falck Lietuva	Lithuania	100%	Falck Fire Services Polska Sp. z.o.o.	Poland	100%
Falck Redning AS	Norway	100%	Falck SCI Portugal - Segurança Contra Incêndios, SA.	Portugal	100%
Falck Försäkringsaktiebolag	Sweden	100%	Falck Fire Services S.R.L.	Romania	100%
Falck Investment Sverige AB	Sweden	100%	Falck Fire Services a.s.	Slovakia	100%
Falck Räddningskår AB	Sweden	100%	Falck Emergency Spain, S.L.	Spain	65%
			Falck SCI, S.A.	Spain	65%
Healthcare			Falck Räddningstjänst AB	Sweden	100%
ActivCare A/S	Denmark	100%	Falck Fire Consulting Limited	United Kingdom	100%
ActivCare Privat A/S	Denmark	100%	Falck Fire Services UK Limited	United Kingdom	100%
Falck Health Care Holding A/S	Denmark	52%	Falck Global Assistance (China) Limited	China	100%
Falck Healthcare A/S	Denmark	100%	Falck Global Assistance A/S	Denmark	100%
Falck Helse AS	Norway	100%	Falck Global Assistance Oy	Finland	100%
AB Previa	Sweden	100%	Falck India Pvt. Ltd. (India)	India	100%
Alviva AB	Sweden	100%	Falck Services Pvt. Ltd. (India)	India	100%
Doc Care AB	Sweden	100%	Falck Global Assistance Norway AS	Norway	100%
Falck Hälsopartner AB	Sweden	100%	Falck Global Assistance Singapore Pte. Ltd.	Singapore	100%
Falck Health Care Holding AB	Sweden	100%	Falck Global Assistance Spain S.L.	Spain	100%
Falck Healthcare AB	Sweden	100%	Falck Global Assistance AB	Sweden	100%
Ofelia Vård AB	Sweden	100%	Falck Global Assistance (Thailand) Ltd.	Thailand	49%
Skandinavisk Hälsovård AB	Sweden	100%	Falck Global Assistance Ltd.	Thailand	100%
Svensk Närsjukvård AB	Sweden	100%			

16. Group overview - continued

Company name	Country	Ownership
Falck Saglik AS	Turkey	100%
Falck Transition Services, Inc.	United States	100%
Falck Global Assistance, LLC	United States	100%
Group		
Falck Properties A/S	Denmark	100%
Falck Treasury A/S	Denmark	100%

- (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 their direct or ultimate parent company

17. Accounting policies

The annual report for Lundbeckfond Invest A/S for 2020 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. All amounts have been rounded to millions, unless otherwise indicated

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 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
- 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.

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

17. Accounting policies - continued

Other income

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

Employee costs

Employee 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.

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 cost. 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.

17. Accounting policies - continued

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).

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 2020.

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 2020, and of the company's activities for the financial year 1 January – 31 December 2020.

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, 25 March 2021

EXECUTIVE MANAGEMENT

Lene Skole

BOARD OF DIRECTORS

Steffen Kragh
Chairman

Peter Schütze
Vice 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 Shareholder of Lundbeckfond invest A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of Lundbeckfond Invest A/S' financial position at 31 December 2020, and of the results of its operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lundbeckfond Invest A/S 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 ("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 Entity 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements 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 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 Lundbeckfond Invest A/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 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 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 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 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.

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

CVR No 33 77 12 31

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