

LUNDBECKFOND INVEST A/S

ANNUAL REPORT 2022

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 21 85 55 45

APPROVED AT THE ANNUAL GENERAL MEETING 27 MARCH 2023

CHAIR 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, Chair
Peter Schütze, Vice Chair
Gunhild Waldemar
Lars Holmqvist
Michael Kjær
Susanne Krüger Kjær
Svend Andersen
Henrik Sindal Jensen
Katja Barnkob
Mikkel Helmer Nielsen
Morten Egholm Aagaard

EXECUTIVE MANAGEMENT

Lene Skole

AUDITOR

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab, CVR No 33 77 12 31

FIVE-YEAR SUMMARY

| DKKm | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------|--------|--------|--------|--------|
| Dividends from subsidiaries | 1,286 | 343 | 653 | 1,678 | 1,134 |
| Financial items, net | -2,623 | 2,405 | 1,411 | 2,347 | -944 |
| Gross profit from investment activities | -1,149 | 3,105 | 2,141 | 5,661 | 1,161 |
| Profit for the year | -1,018 | 2,917 | 2,001 | 5,415 | 1,158 |
| Equity | 23,797 | 27,007 | 25,230 | 24,317 | 18,999 |
| Total assets | 25,627 | 27,714 | 25,811 | 25,380 | 19,619 |
| Key figure | | | | | |
| Return on equity | -4.0% | 11.2% | 8.1% | 25.0% | 6.2% |

For the definition of the key figure, 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 H. Lundbeck A/S, ALK-Abelló A/S, Falck A/S, LFI Equity A/S, LFI Silva Investments A/S and DySIS Medical Ltd.

Investments are managed by three departments: Strategic Investments, Invest and BioCapital.

FINANCIAL RESULT AND FINANCIAL POSITION

A highlight of 2022 was the acquisition of the medtech company Ferrosan Medical Devices (FeMD) with a total investment of DKK 874m. The acquired ownership of 30% marks an important milestone towards the ambition of being a significant and long term owner of five-to-eight Danish healthcare companies.

However, 2022 was a challenging year, with significant losses across most asset classes. For the first time in decades, inflation in the western hemisphere rose to more than 10% fuelled by too much corporate and consumer demand chasing too little supply on the back of pandemic-led fiscal and monetary stimuli.

Russia's invasion of Ukraine in February spurred an energy shock and, ultimately, almost a complete stop to natural gas flowing from Russia to Europe. In addition, global supply chain disruptions continued to plague companies, and the scarcities from 2021 continued in 2022.

Hence, central banks increased interest rates significantly to slow down the economies. Besides negatively impacting returns on both bonds and, in particular, long-duration equities, this also hurt cyclical assets due to widespread recession fears

The investment portfolio of bonds, credits, equities and real assets managed by Invest generated a loss of DKK 639m (gain of DKK 2,904m). The negative return was driven by listed equities, which generated a loss of DKK 1,068m (gain of DKK 1,981m). The investments in the consumer discretionary sector brought the largest negative return in absolute terms, followed by the IT sector. Industrials delivered a positive return, supported by the investment in FLSmidth.

Real assets and credits generated gains of DKK 102m (DKK 416m) and DKK 2m (DKK 395m), respectively. Private equities realised a gain of DKK 7m (gain of DKK 95m).

Bonds etc. generated gains of DKK 317m (DKK 17m).

BioCapital recorded a net loss of DKK 703m (loss of DKK 142m). The negative result reflected the substantial negative share price development during the year in the US public biotech market and impairment of the investment in DySIS of DKK 229m. Investments in new and existing companies amounted to DKK 224m (DKK 587m).

Dividends from subsidiaries amounted to DKK 1,286m (DKK 343m), which was attributable to Lundbeck and Falck.

Furthermore, the result was negatively impacted by impairment of the investments in Falck of DKK 1,092m.

Net profit for the year was a loss of DKK -1,018m (profit of DKK 2,917m).

At year end the equity amounted to DKK 23,797m (DKK 27,007m).

OUTLOOK

The financial performance of Lundbeckfond Invest A/S depends on the development in the commercial activities and dividend policies of Lundbeck, ALK and Falck as well as returns generated by the investment activities. Returns provided by the investment activities largely depend on the overall performance of the financial markets, whereas returns from the biotech portfolio also depend on the development of products and similar factors at the portfolio companies.

For the year 2023, we expect dividends from the subsidiaries of DKK 546m. In 2023, we also expect market volatility to remain high, as a number of wider uncertainties remain in place, such as inflation levels, interest rates and the risk of an economic recession. The base scenario is, however, that there will be a positive return between 0% - 5% on investment activities.

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 four strategic investments, Lundbeck, ALK, Falck and Ferrosan Medical Devices, are most effectively managed within each business. Consequently, the boards of directors and management teams at each individual company define their own risk management policies and procedures.

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

Reports on business- and risk-related issues associated with the strategic investments are provided monthly to the Board of Directors.

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

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

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) principles. An external consultant monitors portfolio investments for issues related to ESG principles. An ESG status report is reviewed and approved by the CEO and the Investment Committee twice a year. In 2022, no investments were identified as being in violation of the ESG principles.

SUSTAINABILITY

With respect to our statutory statement on social responsibility in accordance with sections 99a and 99d of the Danish Financial Statements Act, refer to the consolidated Sustainability Report 2022 for Lundbeckfonden on <https://www.lundbeckfonden.com/en/sustainability>.

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 set on Management with reference to the number of employees cf. Danish Companies Act, section 139c, paragraph 7.



INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

| DKK ^m | Note | 2022 | 2021 |
|--|------|---------------|--------------|
| Dividends from subsidiaries | | 1,286 | 343 |
| Dividends from associates | | 100 | 25 |
| Fair value adjustments, associates | 7 | 88 | 332 |
| Financial income | 1 | 1,735 | 3,431 |
| Financial expenses | 2 | -4,358 | -1,026 |
| Gross profit/loss from investment activities | | -1,149 | 3,105 |
| Employee costs | 3 | -61 | -38 |
| Other external costs | | -29 | -17 |
| Profit/loss before tax | | -1,239 | 3,050 |
| Tax on profit/loss for the year | 4 | 221 | -133 |
| Profit/loss for the year | 5 | -1,018 | 2,917 |

BALANCE SHEET

AT 31 DECEMBER, ASSETS

| DKKm | Note | 2022 | 2021 |
|------------------------------|------|---------------|---------------|
| Investments in subsidiaries | 6 | 9,002 | 10,093 |
| Investments in associates | 7, 8 | 1,737 | 775 |
| Financial assets, Invest | 8 | 12,485 | 14,023 |
| Financial assets, BioCapital | 8 | 1,394 | 2,150 |
| Deferred tax assets | 9 | 233 | 13 |
| Financial assets | | 24,851 | 27,054 |
| Non-current assets | | 24,851 | 27,054 |
| Receivables from affiliates | | 271 | 188 |
| Income tax receivables | | 59 | 155 |
| Other receivables | | 55 | 97 |
| Receivables | | 385 | 440 |
| Cash and bank balances | | 391 | 220 |
| Current assets | | 776 | 660 |
| Assets | | 25,627 | 27,714 |

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

| DKKm | Note | 2022 | 2021 |
|--|------|---------------|---------------|
| Share capital | 10 | 450 | 450 |
| Retained earnings | | 23,347 | 24,365 |
| Proposed dividend | | - | 2,192 |
| Equity | | 23,797 | 27,007 |
| Other provisions | | - | 22 |
| Non-current liabilities | | - | 22 |
| Payables to affiliates | | 1,812 | 663 |
| Other payables | | 18 | 22 |
| Current liabilities | | 1,830 | 685 |
| Liabilities | | 1,830 | 707 |
| Equity and liabilities | | 25,627 | 27,714 |
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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 2022 | | 450 | 24,365 | 2,192 | 27,007 |
| Paid dividend | | - | - | -2,192 | -2,192 |
| Loss for the year | 5 | - | -1,018 | - | -1,018 |
| Equity at 31 December 2022 | | 450 | 23,347 | - | 23,797 |

| DKKm | Note | Share capital | Retained earnings | Proposed dividend | Equity |
|-----------------------------------|------|---------------|-------------------|-------------------|---------------|
| Equity at 1 January 2021 | | 450 | 23,640 | 1,140 | 25,230 |
| Paid dividend | | - | - | -1,140 | -1,140 |
| Profit for the year | 5 | - | 725 | 2,192 | 2,917 |
| Equity at 31 December 2021 | | 450 | 24,365 | 2,192 | 27,007 |

NOTES

1. Financial income

| DKKm | 2022 | 2021 |
|---|--------------|--------------|
| Exchange gains | 2 | 13 |
| Interest on financial assets | 183 | 187 |
| Interest on receivables from associates | 6 | 6 |
| Dividends from portfolio investments | 243 | 179 |
| Gains on financial assets measured at fair value through profit or loss | 1,277 | 3,044 |
| Other financial income | 24 | 2 |
| Total financial income | 1,735 | 3,431 |

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

2. Financial expenses

| DKKm | 2022 | 2021 |
|--|--------------|--------------|
| Exchange losses | 3 | 8 |
| Interest expenses on payables to affiliates | 8 | - |
| Interest expenses | 2 | 3 |
| Losses on financial assets measured at fair value through profit or loss | 3,022 | 1,007 |
| Impairment of investments in subsidiaries | 1,321 | - |
| Other financial expenses | 2 | 8 |
| Total financial expenses | 4,358 | 1,026 |

3. Employee costs

| DKKm | 2022 | 2021 |
|-----------------------------|-------------|-------------|
| Wages and salaries | 61.5 | 38.7 |
| Received from subsidiaries | -3.0 | -2.9 |
| Pensions | 2.4 | 1.7 |
| Other social security costs | 0.1 | 0.1 |
| Total employee costs | 61.0 | 37.6 |

| | | |
|---|----|----|
| Average number of full-time employees during the year | 18 | 18 |
| Number of employees at year-end | 19 | 20 |

Remuneration of the Executive Management and the Board of Directors:

| DKKm | 2022 | 2021 |
|--|------|------|
| Remuneration of the Executive Management (excluding remuneration received from subsidiaries) | 8.4 | 8.1 |
| Fees to the Board of Directors, including committee fees (excluding remuneration received from subsidiaries) | 2.8 | 2.4 |

Members of the Executive Management and Board of Directors, who also serve as board members in subsidiaries, receive board fees directly from the subsidiaries. For a complete description, see the consolidated financial statements in the annual report 2022 of Lundbeckfonden, note 3.

4. Tax on profit/loss for the year

| DKKm | 2022 | 2021 |
|--|-------------|------------|
| Current tax | -64 | 135 |
| Change in deferred tax for the year | -215 | 12 |
| Prior-year adjustments | 58 | -14 |
| Tax on profit/loss for the year | -221 | 133 |

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 | 2022 | 2021 |
|----------------------------|---------------|--------------|
| Dividend | - | 2,192 |
| Retained earnings | -1,018 | 725 |
| Profit for the year | -1,018 | 2,917 |

6. Investments in subsidiaries

| DKKm | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| Cost at 1 January | 10,103 | 10,041 |
| Additions | 230 | 62 |
| Cost at 31 December | 10,333 | 10,103 |
| Impairment at 1 January | -10 | -10 |
| Impairment | -1,321 | - |
| Impairment at 31 December | -1,331 | -10 |
| Carrying amount at 31 December | 9,002 | 10,093 |

| Subsidiaries, DKKm | Registered office | Ownership | Profit for the year 2022 | Equity at 31 December 2022 |
|--------------------------------------|-------------------|-----------|--------------------------|----------------------------|
| H. Lundbeck A/S (consolidated) | Valby | 69% | 1,916 | 20,779 |
| ALK-Abelló A/S (consolidated) | Hørsholm | 40% | 335 | 3,988 |
| Falck A/S (consolidated) | Copenhagen | 58% | 921 | 3,919 |
| LFI Equity A/S | Copenhagen | 100% | -132 | 1,580 |
| LFI Silva Investments A/S | Copenhagen | 97% | 45 | 523 |
| DySIS Medical Limited (consolidated) | London | 89% | -89 | -654 |

DySIS Medical Limited's figures appear from the annual report for the period 1 January – 31 December 2021 as the annual report for 2022 has not been approved.

The investment in Falck and DySIS has been tested for impairment by comparing the value in use in the companies with the carrying value of the investments. The test resulted in an impairment of the investments in Falck and DySIS of DKK 1,092m and DKK 229m, respectively. The impairment test for 2021 identified no need for impairment of investments in subsidiaries.

See note 16 for an overview of all subsidiaries.

7. Investments in associates

| DKKm | 2022 | 2021 |
|---------------------------------------|--------------|------------|
| Cost at 1 January | 321 | 311 |
| Additions | 874 | 10 |
| Cost at 31 December | 1,195 | 321 |
| Adjustments at 1 January | 454 | 122 |
| Fair value adjustments | 88 | 332 |
| Adjustments at 31 December | 542 | 454 |
| Carrying amount at 31 December | 1,737 | 775 |

| Associates, DKKm | Registered office | Ownership | Profit for the year 2022 | Equity at 31 December 2022 |
|--|-------------------|-----------|--------------------------|----------------------------|
| Obel-LFI Ejendomme A/S | Copenhagen | 50% | 240 | 1,716 |
| Moon HoldCo ApS (Ferrosan Medical Devices Group) | Gladsaxe | 30% | - | - |
| Cresco Capital Services A/S | Silkeborg | 25% | 1 | 3 |

Cresco Capital Services A/S' and MoonHoldCo ApS' figures appear from the annual reports for the period 1 January – 31 December 2021 as the annual reports for 2022 has not been approved.

Investments in associates included in BioCapital's portfolio is recognised in financial assets, see note 8.

8. Financial assets

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

| DKKm | Danish mortgage and government bonds | Credit bonds and loans | Equities | Private equity funds and other unlisted funds | Derivative financial instruments | Receivables | Total |
|--|--------------------------------------|------------------------|--------------|---|----------------------------------|-------------|---------------|
| Carrying amount at 1 January 2022 | 190 | 3,061 | 11,983 | 719 | 99 | 121 | 16,173 |
| Additions | 447 | 563 | 711 | 95 | 432 | 27 | 2,275 |
| Disposals | -6 | -442 | -1,690 | -50 | -636 | - | -2,824 |
| Value adjustments, year-end | -2 | -305 | -1,802 | 55 | 320 | -11 | -1,745 |
| Carrying amount at 31 December 2022 | 629 | 2,877 | 9,202 | 819 | 215 | 137 | 13,879 |
| Recognised in: | | | | | | | |
| Financial assets, Invest | 629 | 2,877 | 7,945 | 819 | 215 | - | 12,485 |
| Financial assets, BioCapital | - | - | 1,257 | - | - | 137 | 1,394 |
| | 629 | 2,877 | 9,202 | 819 | 215 | 137 | 13,879 |

| DKKm | Danish mortgage and government bonds | Credit bonds and loans | Equities | Private equity funds and other unlisted funds | Derivative financial instruments | Receivables | Total |
|--|--------------------------------------|------------------------|---------------|---|----------------------------------|-------------|---------------|
| Carrying amount at 1 January 2021 | 1,404 | 2,877 | 10,139 | 341 | 50 | 82 | 14,893 |
| Additions | 28 | 1,008 | 2,890 | 301 | 390 | 6 | 4,623 |
| Disposals | -1,232 | -968 | -2,344 | -81 | -729 | -26 | -5,380 |
| Value adjustments, year-end | -10 | 144 | 1,298 | 158 | 388 | 59 | 2,037 |
| Carrying amount at 31 December 2021 | 190 | 3,061 | 11,983 | 719 | 99 | 121 | 16,173 |
| Recognised in: | | | | | | | |
| Financial assets, Invest | 190 | 3,061 | 9,954 | 719 | 99 | - | 14,023 |
| Financial assets, BioCapital | - | - | 2,029 | - | - | 121 | 2,150 |
| | 190 | 3,061 | 11,983 | 719 | 99 | 121 | 16,173 |

8. Financial assets – continued

At 31 December 2022, investments in associates included in BioCapital's portfolio recognised in equities amount to DKK 460m (DKK 487m). The associates are either not individually material or do not publish financial statements. Consequently, financial information about the associates are not disclosed.

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.

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.

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

| 31 December 2022, DKKm | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|------------|--------------|---------------|
| Financial assets | | | | |
| Investments in associates | - | - | 1,737 | 1,737 |
| Financial assets, Invest | | | | |
| Danish mortgage and government bonds | 629 | - | - | 629 |
| Credit bonds and loans | 2,673 | - | 204 | 2,877 |
| Equities | 7,945 | - | - | 7,945 |
| Private equity funds and other unlisted funds | - | 54 | 765 | 819 |
| Derivative financial instruments | - | 215 | - | 215 |
| Total financial assets, Invest | 11,247 | 269 | 969 | 12,485 |
| Financial assets, BioCapital | | | | |
| Equities | 504 | - | 753 | 1,257 |
| Receivables from sale of portfolio companies | - | - | 59 | 59 |
| Other receivables | - | - | 78 | 78 |
| Total financial assets, BioCapital | 504 | - | 890 | 1,394 |
| Total financial assets | 11,751 | 269 | 3,596 | 15,616 |

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

| 31 December 2021, DKKm | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|------------|--------------|---------------|
| Financial assets | | | | |
| Investments in associates | - | - | 775 | 775 |
| Financial assets, Invest | | | | |
| Danish mortgage and government bonds | 190 | - | - | 190 |
| Credit bonds and loans | 2,874 | - | 187 | 3,061 |
| Equities | 9,954 | - | - | 9,954 |
| Private equity funds and other unlisted funds | - | 51 | 668 | 719 |
| Derivative financial instruments | - | 99 | - | 99 |
| Total financial assets, Invest | 13,018 | 150 | 855 | 14,023 |
| Financial assets, BioCapital | | | | |
| Equities | 938 | - | 1,091 | 2,029 |
| Receivables from sale of portfolio companies | - | - | 70 | 70 |
| Other receivables | - | - | 51 | 51 |
| Total financial assets, BioCapital | 938 | - | 1,212 | 2,150 |
| Total financial assets | 13,956 | 150 | 2,842 | 16,948 |

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

| | 2022 | 2021 |
|--|--------------|--------------|
| Carrying amount at 1 January | 2,842 | 2,034 |
| Additions | 1,088 | 606 |
| Disposals | -260 | -184 |
| Reclassification, from level 3 to level 1 in connection with IPO's | - | -562 |
| Fair value adjustment | -74 | 948 |
| Carrying amount at 31 December | 3,596 | 2,842 |

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), real assets | Capitalisation model | Required rates on return 3.5-4.5% or cost if under construction | If required rate of return is reduced by 0.25%-point the fair value will be increased by DKK 108m |
| Other investments in associates (unlisted) | Trading multiples | Trading multiples | If investments increase by 1% the fair value will be increased by DKK 9m |
| 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, BioCapital (unlisted) | Trading multiples, relative adjustment based on predefined value triggers/business plans, cost at recent transaction and price at financing round | Trading multiples, value trigger assumptions, cost at recent transaction and price at financing round | If group of investments increase by 1% the fair value will be increased by DKK 8m |
| Private equity funds and other unlisted funds | Adjusted reported net asset value (NAV) | Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant) | Data not accessible |
| Receivables including receivables from sale of portfolio companies | Expected discounted cash flow | N/A | N/A |
| 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 | 2022 | 2021 |
|---|------------|-----------|
| Deferred tax assets at 1 January | 13 | 17 |
| Change in deferred tax | 220 | -4 |
| Deferred tax assets at 31 December | 233 | 13 |

Deferred tax assets relate to 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.

10. Share capital

| DKKm | 2022 | 2021 |
|-------------------------------------|------------|------------|
| 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 663m and DKK 730m respectively (decrease by DKK 1,076m and increase by DKK 1,149m).

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 | 2022 | 2021 |
|---|-------|-------|
| CHF | 51 | 79 |
| EUR | 5,030 | 5,494 |
| GBP | 100 | 9 |
| JPY | 111 | 232 |
| USD | 2,739 | 2,494 |

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 |
|-------------|-----|-----|-----|-----|
| 2022 | | | | |
| Profit | 3 | 5 | 6 | 137 |
| Equity | 3 | 5 | 6 | 137 |
| 2021 | | | | |
| Profit | 4 | - | 12 | 125 |
| Equity | 4 | - | 12 | 125 |

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 -2.0 year (1.0 year). Other things being equal, an increase of 1%-point in interest rates would increase profit by DKK 71m (decrease profit by DKK 8m).

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

NET OUTSTANDING INTEREST RATE SWAPS, OPTIONS AND FUTURES

| Options, DKKm | Contractual value | Gains/losses recognised in the income statement | Market value 31 December | Expiry |
|--------------------|-------------------|---|--------------------------|-----------------------|
| 2022 | | | | |
| Options on indices | 91 | 11 | 69 | Apr/May 2023 |
| Options on shares | 593 | -17 | - | May 2023/ Dec 2024 |
| Total | 684 | -6 | 69 | |
| 2021 | | | | |
| Options on indices | 5,570 | 23 | 60 | Mar 2022 |
| Options on shares | 2,123 | -15 | 34 | Dec 2024 |
| Total | 7,693 | 8 | 94 | |

| Interest rate swap, DKKm | Contractual value | Gains/losses recognised in the income statement | Market value 31 December | Fixed interest rate | Expiry |
|--------------------------|-------------------|---|--------------------------|---------------------|----------|
| 2022 | | | | | |
| Fixed to floating | 400 | 65 | 65 | 1.8% | May 2052 |
| Fixed to floating | 250 | - | - | 2.6% | Nov 2052 |
| Total | 650 | 65 | 65 | | |
| 2021 | | | | | |
| Fixed to floating | 600 | 22 | 5 | 0.2% | Jul 2029 |
| Total | 600 | 22 | 5 | | |

| Forward contracts, DKKm | Contractual value | Gains/losses recognised in the income statement | Market value 31 December | Expiry |
|-------------------------|-------------------|---|--------------------------|----------|
| 2022 | | | | |
| USD (sell position) | 1,001 | 80 | 80 | Oct 2023 |
| Total | 1,001 | 80 | 80 | |

11. Financial risks and financial instruments - continued

11.5 CATEGORIES AND MATURITY DATES FOR FINANCIAL ASSETS AND LIABILITIES

| 31 December 2022, 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 | 213 | 401 | 48 | 662 | 629 | -2-3% |
| Credit bonds | 279 | 969 | 2,063 | 3,311 | 2,877 | 3-13% |
| Derivatives included in the trading portfolio | 215 | - | - | 215 | 215 | - |
| Financial assets, BioCapital | | | | | | |
| Receivables from sale of portfolio companies | - | 47 | 12 | 59 | 59 | |
| Other receivables | 85 | 20 | 1 | 106 | 78 | 8-16% |
| Financial assets at fair value through profit or loss | 792 | 1,437 | 2,124 | 4,353 | 3,858 | |
| Receivables including receivables from affiliates | 385 | - | - | 385 | 385 | 0-1% |
| Cash and bank balances | 391 | - | - | 391 | 391 | 1-5% |
| Financial assets measured at amortised cost | 776 | - | - | 776 | 776 | |
| Total financial assets | 1,568 | 1,437 | 2,124 | 5,129 | 4,634 | |
| Financial liabilities | | | | | | |
| Other payables including payables to affiliates | 1,876 | - | - | 1,876 | 1,830 | 2-3% |
| Financial liabilities measured at amortised cost | 1,876 | - | - | 1,876 | 1,830 | |
| Total financial liabilities | 1,876 | - | - | 1,876 | 1,830 | |

| 31 December 2021, 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 | 1 | 147 | 42 | 190 | 190 | -2-3% |
| Credit bonds | 230 | 1,169 | 2,129 | 3,528 | 3,061 | 0-14% |
| Derivatives included in the trading portfolio | 99 | - | - | 99 | 99 | - |
| Financial assets, BioCapital | | | | | | |
| Receivables from sale of portfolio companies | 12 | 33 | 25 | 70 | 70 | - |
| Other receivables | 51 | - | - | 51 | 51 | 8-16% |
| Financial assets at fair value through profit or loss | 393 | 1,349 | 2,196 | 3,938 | 3,471 | |
| Receivables including receivables from affiliates | 440 | - | - | 440 | 440 | 0-1% |
| Cash and bank balances | 220 | - | - | 220 | 220 | -1-0% |
| Financial assets measured at amortised cost | 660 | - | - | 660 | 660 | |
| Total financial assets | 1,053 | 1,349 | 2,196 | 4,598 | 4,131 | |
| Financial liabilities | | | | | | |
| Other payables including payables to affiliates | 685 | - | - | 685 | 685 | - |
| Financial liabilities measured at amortised cost | 685 | - | - | 685 | 685 | |
| Total financial liabilities | 685 | - | - | 685 | 685 | |

The amounts in the tables are including interests.

12. Lease obligations

| DKKm | 2022 | 2021 |
|---------------------|----------|----------|
| Due within one year | 3 | 3 |
| Total | 3 | 3 |

13. Contractual obligations

Lundbeckfond Invest A/S has contractual capital contribution obligations amounting to DKK 164m at 31 December 2022 (DKK 79m).

14. Guarantees, contingent liabilities and collaterals

The company has provided guarantee for a third party's debt of DKK 112m.

JOINT TAXATION

Lundbeckfond Invest A/S is 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 | | | | | |
| H. Lundbeck A/S | Denmark | 69% (76% of the votes) | Lundbeck Austria GmbH | Austria | 100% |
| ALK-Abelló A/S | Denmark | 40% (67% of the votes) | Lundbeck S.A. | Belgium | 100% |
| Falck A/S | Denmark | 58% | Lundbeck Brasil Ltda. | Brazil | 100% |
| LFI Equity A/S | Denmark | 100% | Lundbeck Canada Inc. | Canada | 100% |
| LFI Silva Investments A/S | Denmark | 97% | Lundbeck Chile Farmacéutica Ltda. | Chile | 100% |
| - LFI Silva Investments Ltd. | United Kingdom | 100% | Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd. | China | 100% |
| epVIR ApS | Denmark | 100% | Lundbeck Colombia S.A.S. | Colombia | 100% |
| DYSIS Medical Litimited, including | United Kingdom | 89% | Lundbeck Croatia d.o.o. | Croatia | 100% |
| - Forth Photonics Trustees Limited | United Kingdom | 100% | Lundbeck Czech Republic s.r.o. | Czech Republic | 100% |
| - Forth Photonics Limited | United Kingdom | 100% | Lundbeck Export A/S | Denmark | 100% |
| - DYSIS Medical, Inc. | United States | 100% | Lundbeck Pharma A/S | Denmark | 100% |
| - Forth Photonics Hellas S.A | Greece | 100% | Lundbeck Eesti A/S | Estonia | 100% |
| Associates of Lundbeckfond Invest A/S | | | OY H. Lundbeck AB | Finland | 100% |
| Moon HoldCo ApS, including | Denmark | 30% | Lundbeck SAS | France | 100% |
| - Moon MidCo ApS, including | Denmark | 98% | Sofipharm SAS, including | France | 100% |
| - Moon BidCo ApS, including | Denmark | 100% | - Elaiapharm SAS | France | 100% |
| - Ferrosan Medical Devices Group A/S, including | Denmark | 100% | Lundbeck GmbH | Germany | 100% |
| - ApS FMD III, including | Denmark | 100% | Lundbeck Hellas S.A. | Greece | 100% |
| - Ferrosan Medical Devices Holding A/S, including | Denmark | 100% | Lundbeck HK Limited | Hong Kong | 100% |
| - Ferrosan Medical Devices A/S | Denmark | 100% | Lundbeck Hungária KFT | Hungary | 100% |
| - Ferrosan Medical Devices SP.z.o.o. | Poland | 100% | Lundbeck India Private Limited | India | 100% |
| Obel-LFI Ejendomme A/S | Denmark | 50% | Lundbeck (Ireland) Ltd. | Ireland | 100% |
| Cresco Capital Services A/S | Denmark | 25% | Lundbeck Israel Ltd. | Israel | 100% |
| NMD Pharma A/S | Denmark | 20% | Lundbeck Italia S.p.A. | Italy | 100% |
| CytoKi Pharma ApS | Denmark | 30% | Lundbeck Pharmaceuticals, Italy S.p.A., including | Italy | 100% |
| IO Biotech, Inc., including | United States | 21% | - Archid S.A. | Luxembourg | 100% |
| - IO Biotech ApS, including | Denmark | 100% | Lundbeck Japan K.K. | Japan | 100% |
| - IO Bio US, Inc. | United States | 100% | Lundbeck Korea Co., Ltd. | Republic of Korea | 100% |
| - IO Biotech Limited | United Kingdom | 100% | SIA Lundbeck Latvia | Latvia | 100% |
| SNIPR Holdings ApS, including | Denmark | 17% | UAB Lundbeck Lietuva | Lithuania | 100% |
| - SNIPR Technologies Ltd. | United Kingdom | 100% | Lundbeck Malaysia SDN. BHD. | Malaysia | 100% |
| - Folium Food Science Ltd. | United Kingdom | 75% | Lundbeck México, SA de CV | Mexico | 100% |
| SNIPR Biome ApS ⁰ , including | Denmark | 31% | Lundbeck B.V. | Netherlands | 100% |
| - SNIPR Biome UK Ltd. | United Kingdom | 100% | Prexton Therapeutics B.V., including | Netherlands | 100% |
| Subsidiaries of H. Lundbeck A/S | | | - Prexton Therapeutics S.A. | Switzerland | 100% |
| Lundbeck Argentina S.A. | Argentina | 100% | Lundbeck New Zealand Limited | New Zealand | 100% |
| Lundbeck Australia Pty Ltd, including | Australia | 100% | H. Lundbeck AS | Norway | 100% |
| - CNS Pharma Pty Ltd | Australia | 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% |

16. Group overview - continued

| Company name | Country | Ownership | Company name | Country | Ownership |
|---|----------------|-----------|---|----------------|-----------|
| Lundbeck Business Service Centre Sp.z.o.o. | Poland | 100% | ALK-Abelló S.A., including | Spain | 100% |
| Lundbeck Poland Sp.z.o.o. | Poland | 100% | - ALK-Abelló S.p.A. | Italy | 100% |
| Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda | Portugal | 100% | ALK AG (in liquidation) | Switzerland | 100% |
| Lundbeck Romania SRL | Romania | 100% | ALK-Abelló AG | Switzerland | 100% |
| Lundbeck RUS LLC | Russia | 100% | ALK-Abelló Ltd. | United Kingdom | 100% |
| Lundbeck Singapore PTE. LTD. | Singapore | 100% | North America | | |
| Lundbeck Slovensko s.r.o. | Slovakia | 100% | ALK-Abelló Pharmaceuticals, Inc. | Canada | 100% |
| Lundbeck Pharma d.o.o. | South Africa | 100% | ALK-Abelló, Inc., including | United States | 100% |
| Lundbeck South Africa (Pty) Limited, including | South Africa | 100% | - OKC Allergy Supplies, Inc. | United States | 100% |
| - H. Lundbeck (Proprietary) Limited | Spain | 100% | ALK-Abelló, Source Materials, Inc., including | United States | 100% |
| Lundbeck España S.A. | Sweden | 100% | - OKC Crystal Laboratory, Inc. | United States | 100% |
| H. Lundbeck AB | Switzerland | 100% | International markets | | |
| Lundbeck (Schweiz) AG | Turkey | 100% | ALK (Shanghai) Medical Technology Co., Ltd., including | China | 100% |
| Lundbeck İlaç Ticaret Limited Şirketi | United Kingdom | 100% | - ALK (Guangzhou) Medical Technology Co., Ltd. | China | 100% |
| Lundbeck Group Ltd. (Holding), including | United Kingdom | 100% | Tasfiye Halinde ALK İlaç ve Alerji Ürünleri Ticaret Anonim Şirketi (in liquidation) | Turkey | 100% |
| - Lundbeck Limited | United Kingdom | 100% | | | |
| - Lundbeck Pharmaceuticals Ltd. | United Kingdom | 100% | Subsidiaries of Falck A/S | | |
| - Lifehealth Limited | United Kingdom | 100% | Falck (Victoria) Pty. Ltd. | Australia | 100% |
| - Lundbeck UK LLP ²⁾ | United States | 100% | Falck Pty. Ltd. | Australia | 100% |
| Lundbeck USA Holding LLC, including | United States | 100% | Falck Fire Services BE NV | Belgium | 100% |
| - Lundbeck LLC, including | United States | 100% | Falck Brasil 747 Participações Ltda. | Brazil | 100% |
| - Chelsea Therapeutics International, Ltd., including | United States | 100% | Falck Fire & Safety do Brasil S.A. | Brazil | 100% |
| - Lundbeck NA Ltd. | United States | 100% | Falck Global Assistance (China) Limited | China | 100% |
| - Lundbeck Pharmaceuticals LLC | United States | 100% | Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A. | Colombia | 100% |
| - Lundbeck Research USA, Inc. | United States | 100% | Falck Servicios Logísticos S.A.S. | Colombia | 100% |
| - Lundbeck La Jolla Research Center, Inc., including | United Kingdom | 100% | Haces Inversiones y Servicios S.A.S | Colombia | 100% |
| - Abide Therapeutics (UK) Limited | United States | 100% | Falck Danmark A/S | Denmark | 100% |
| - Lundbeck Seattle BioPharmaceuticals, Inc., including | Australia | 100% | Falck Global Assistance A/S | Denmark | 100% |
| - Alder Biopharmaceuticals Pty., Ltd. | Ireland | 100% | Falck Healthcare A/S | Denmark | 100% |
| - Alderbio Holdings LLC ("ANEV") | United States | 100% | EMI Ecuador S.A.- Emergencia Medica Integral | Ecuador | 100% |
| Lundbeck de Venezuela, C.A. | Venezuela | 100% | EMI El Salvador S.A. de C.V. | El Salvador | 100% |
| Subsidiaries of ALK-Abelló A/S | | | Falck Global Assistance Oy | Finland | 100% |
| Europe | | | Falck France SAS | France | 100% |
| ALK-Abelló Allergie-Service GmbH | Austria | 100% | Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. HG | Germany | 100% |
| ALK-Abelló Nordic A/S | Denmark | 100% | Falck Fire Services DE GmbH | Germany | 100% |
| ALK-Abelló S.A.S. | France | 100% | Falck Notfallrettung und Katastrophenschutz GmbH | Germany | 100% |
| ALK-Abelló Arzneimittel GmbH | Germany | 100% | Falck Notfallrettung und Krankentransport Cuxhaven GmbH | Germany | 100% |
| ALK-Abelló B.V. | Netherlands | 100% | | | |
| ALK-Abelló Sp. z.o.o. | Poland | 100% | | | |
| ALK Slovakia s.r.o. | Slovakia | 100% | | | |

16. Group overview - continued

| Company name | Country | Ownership | Company name | Country | Ownership |
|--|-----------|-----------|---------------------------------|-----------------|-----------|
| Falck Notfallrettung und Krankentransport Dortmund GmbH | Germany | 100% | Falck Eurasia B.V. | The Netherlands | 100% |
| Falck Notfallrettung und Krankentransport GmbH | Germany | 100% | Falck Holding B.V. | The Netherlands | 100% |
| Falck Notfallrettung und Krankentransport Spree-Neiße GmbH | Germany | 100% | Falck Sağlık AŞ | Turkey | 100% |
| Falck Operations Services DE GmbH | Germany | 100% | Falck Fire Services UK Limited | United Kingdom | 100% |
| Falck Rettungsdienst GmbH | Germany | 100% | Luvtel S.A. | Uruguay | 100% |
| Falck Rettungsdienst Hanse GmbH | Germany | 100% | Portovenus S.A. | Uruguay | 16% |
| Falck Rettungsdienst Holding GmbH | Germany | 100% | UCM Uruguay S.A. | Uruguay | 100% |
| Falck Rettungsdienst Nord GmbH | Germany | 100% | Falck Global Assistance, LLC | United States | 100% |
| Falck India Pvt. Ltd. (India) | India | 100% | Falck Mobile Health Corp. | United States | 100% |
| Falck Servizi Industriali di Emergenza S.r.l. | Italy | 100% | Falck Northern California Corp. | United States | 100% |
| Falck Brann og Redningstjeneste AS | Norway | 100% | Falck Northwest Corp. | United States | 100% |
| Falck Global Assistance Norway AS | Norway | 100% | Falck Rocky Mountain, Inc. | United States | 100% |
| Falck Helseformidling AS | Norway | 100% | Falck USA, Inc. | United States | 100% |
| Falck Norge AS | Norway | 100% | | | |
| EMI Holdings Management S.A. | Panama | 100% | | | |
| EMI Panama S.A. | Panama | 100% | | | |
| Falck Fire Services Polska Sp. z.o.o. | Poland | 100% | | | |
| Falck IT Poland Spółka Z Ograniczoną Odpowiedzialnością | Poland | 100% | | | |
| Falck Medycyna Sp. z.o.o. | Poland | 100% | | | |
| Falck SCI Portugal – Segurança Contra Incêndios, SA. | Portugal | 100% | | | |
| Falck Fire Services S.R.L | Romania | 100% | | | |
| Falck Global Assistance Singapore Pte. Ltd. | Singapore | 100% | | | |
| Falck Emergency AS | Slovakia | 100% | | | |
| Falck Fire Services a.s. | Slovakia | 100% | | | |
| Falck SK a.s. | Slovakia | 100% | | | |
| Falck Záchraná a.s. | Slovakia | 100% | | | |
| Falck Global Assistance Spain S.L. | Spain | 100% | | | |
| Falck SCI, S.A. | Spain | 100% | | | |
| Falck Servicios Sanitarios, S.L. | Spain | 100% | | | |
| AB Previa | Sweden | 100% | | | |
| Alviva AB | Sweden | 100% | | | |
| Falck Ambulans AB | Sweden | 100% | | | |
| Falck Global Assistance AB | Sweden | 100% | | | |
| Falck Healthcare AB | Sweden | 100% | | | |
| Falck Hälsopartner AB | Sweden | 100% | | | |
| Falck Räddningstjänst AB | Sweden | 100% | | | |
| Falck Services AB | Sweden | 100% | | | |
| Falck Global Assistance (Thailand) Ltd. | Thailand | 49% | | | |
| Falck Global Assistance Ltd. | Thailand | 100% | | | |

(1) SNIPR Biome ApS is owned by Lundbeckfond Invest A/S and SNIPR Holdings ApS

(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 2022 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 investments in associates and 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 and associate are recognised in the income statement when the right to receive such dividends has been approved. An impairment test is made if more than the comprehensive income of a subsidiary is distributed.

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.

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 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 biotech investments, is made on the basis of relevant valuation methods based on discounted cash flows or trading multiples. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost at recent transaction or price at financing round taking into account whether or not the companies live up to predefined value triggers/business plans.

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 FIGURE

The key figure are calculated as follows:

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 Executive Management and the Board of Directors have today considered and adopted the annual report of Lundbeckfond Invest A/S for the financial year 1 January - 31 December 2022.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position at 31 December 2022 of the company and of the results of the company's operations for 2022.

In our opinion, 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 adopted at the Annual General Meeting.

Copenhagen, 27 March 2023

EXECUTIVE MANAGEMENT

Lene Skole

BOARD OF DIRECTORS

Steffen Kragh
Chair

Peter Schütze
Vice Chair

Gunhild Waldemar

Lars Holmqvist

Michael Kjær

Susanne Krüger Kjær

Svend Andersen

Henrik Sindal Jensen
Elected by the employees

Katja Barnkob
Elected by the employees

Mikkel Helmer Nielsen
Elected by the employees

Morten Egholm Aagaard
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 the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Review

Management is responsible for Management Review.

Our opinion on the financial statements does not cover Management Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management Review and, in doing so, consider whether Management Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Review provides the information required under the Danish 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 control that we identify during our audit.

Copenhagen, 27 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No.33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Torben Jensen
State Authorised Public Accountant
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