

Lundbeck Export A/S

Central Business Registration No

26256275

Ottiliavej 9

DK-2500 Valby

Annual Report 2019

The Annual General Meeting approved the annual report on 21.04.2020

Chairman of the General Meeting

DocuSigned by:

Jakob Mikkelsen

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Name: Jakob Østergaard Mikkelsen

Lundbeck Export A/S

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Entity details

Entity

Lundbeck Export A/S

Ottiliavej 9

DK-2500 Valby

Central Business Registration No: 26256275

Registered in: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

Phone: +45 36301311

Board of Directors

Jacob Tolstrup, Chairman

Morten Bryde Hansen, Deputy Chairman

Dierk Erwin Schoch

Søren Kjeld Kristensen

Henrik Agerbæk-Larsen

Executive Board

Søren Kjeld Kristensen, Chief Executive Officer

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

DK-0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Lundbeck Export A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

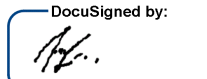
Copenhagen, 21.04.2020

Executive Board

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 Søren Kjeld Kristensen
 Chief Executive Officer

Board of Directors


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 Jacob Tolstrup
 Chairman

DocuSigned by:

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 Morten Bryde Hansen
 Deputy Chairman

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 Dierk Erwin Schoch

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 Søren Kjeld Kristensen

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 Henrik Agerbæk-Larsen

Independent auditor's report

To the shareholder of Lundbeck Export A/S

Opinion

We have audited the financial statements of Lundbeck Export A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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, individual-

ly 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 21.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

DocuSigned by:
Sumit Sudan
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Sumit Sudan
State-Authorised Public Accountant
MNE no 33716

DocuSigned by:
Lars Andersen
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Lars Andersen
State-Authorised Public Accountant
MNE no 27762

Management commentary

	2019	2018	2017	2016¹	2015¹
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key Figures					
Revenue	1,626,082	1,549,297	1,405,921	1,392,026	1,498,397
Gross profit	130,578	117,199	158,182	96,733	51,944
Operating profit/(loss)	49,946	46,183	95,395	37,388	(33,142)
Net financials	21,153	(3,142)	(54,768)	(2,295)	61,524
Profit for the year	50,930	25,953	28,507	25,357	17,703
Total assets	784,559	687,112	692,923	765,842	779,102
Investments in property, plant and equipment	1,764	1,288	1,944	1,082	3,472
Equity	359,665	334,532	337,213	355,423	330,392
Ratio					
Return on Equity (%)	14.7	7.7	8.2	7.4	5.3
Equity ratio (%)	45.8	48.7	48.7	46.4	42.4
Profit margin (%)	3.1	1.7	2.0	1.8	1.2
Gross Margin (%)	8.0	7.6	11.3	6.9	3.5

For definitions of ratios please refer to accounting policies.

Primary activity

The Entity's primary activity is to sell finished medicinal products and bulk goods to markets in the Middle East, the Indian subcontinent (with the exception of Pakistan and India), Africa (with the exception of South Africa), South America, Asia and Europe.

Development in activities and finances

The Entity's revenue totalled DKK 1,626,082 thousand in 2019 compared with DKK 1,549,297 thousand in 2018. For 2019 revenue increased 5% compared to 2018 which is in line with expectations.

¹ Comparative figures for 2016 and 2015 for Revenue and Net financials have not been restated to reflect the change in presentation of foreign currency translation.

Operating profit amounts to DKK 49,946 thousand in 2019 compared to DKK 46,183 thousand in 2018. The slight increase in operating profit is result of higher sales in 2019. The result is in line with expectations.

Outlook

The Entity expects revenue and result before tax for 2020 to be on par with 2019. This means revenue ranging between DKK 1.4 billion and DKK 1.8 billion and a profit before tax between DKK 35 million and DKK 55 million. The impact of COVID-19 is still uncertain, however at this point in time it is not expected to have a material impact on the revenue ranges provided above for 2020.

Particular risks

The Entity only sells H. Lundbeck A/S' products and products licenced to H. Lundbeck, for which reason particular risks are consistent with those described in H. Lundbeck A/S' 2019 Annual Report.

Research and Development activities

The Research and Development activities of the Lundbeck Group are performed by the Parent. Therefore the Entity has no Research and Development activities.

Sustainability

The Entity is covered by the policies of the Parent, H. Lundbeck A/S. Management has chosen to disclose the mandatory annual statutory report on sustainability in the form of a Communication on Progress report to the UN Global Compact on its homepage <http://www.lundbeck.com>².

Gender diversity of management

The Entity is covered by the policies of the Parent, H. Lundbeck A/S. Management has chosen to disclose the mandatory annual statutory report on the gender diversity of management in the form of a Communication on Progress report to the UN Global Compact on its homepage <http://www.lundbeck.com>³.

Events after the balance sheet date

No events that could influence the financial statements for 2019 have taken place after the balance sheet date.

² https://www.lundbeck.com/upload/global/files/pdf/sustainability/COP/COP_2019.pdf

³ https://www.lundbeck.com/upload/global/files/pdf/sustainability/COP/COP_2019.pdf

Accounting policies

Reporting Class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Except for the change describe below, the accounting policies applied for these financial statements are consistent with those applied last year.

Changes in accounting policies

To achieve a fair presentation of Lundbeck Export's assets, liabilities and results, from 1 January 2019, lease agreements are recognized in accordance with the principles in IFRS 16 *Leases*. Under the Danish Financial Statements Act Lundbeck Export is allowed to use IFRS 16 *Leases*.

Lundbeck Export has adopted the modified retrospective approach for the implementation of IFRS 16 *Leases*, and therefore comparative information has not been restated. As a consequence, on adoption of IFRS 16 *Leases*, Lundbeck Export recognizes material lease liabilities and right-of-use assets in relation to these leases, which had previously been classified as operating leases. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet at 1 January 2019. The new accounting policies are disclosed below.

The implementation of the principles of IFRS 16 *Leases* impacts Lundbeck Export as a lessee, as material lease agreements are recognized in the balance sheet as right-of-use assets, respectively lease liabilities which are measured at the present value of future lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. Right-of-use assets are depreciated over the lease term like other assets such as property, plant and equipment, and interest is calculated on the lease liabilities.

In applying the principles of IFRS 16 *Leases* for the first time, Lundbeck Export has used the following practical expedients:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The implementation of IFRS 16 *Leases* has resulted in depreciation including gain and losses and interest being recognized in the income statement in the amount of DKK 2,231 thousand and DKK 6 thousand, respectively, in 2019, whereas leasing costs in the amount of DKK 2,187 thousand have not been recognized as operating expenses. The impact on profit from operations and net profit is DKK 44 thousand and DKK 50 thou-

Accounting policies

sand, respectively. In addition, the implementation has resulted in right-of-use assets and lease liabilities being recognized in the balance sheet at 31 December 2019 in the amount of DKK 4,555 thousand and DKK 3,971 thousand, respectively. The impact on equity is equal to the impact on net profit. These obligations were previously disclosed in the notes to the financial statements.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has been transferred to the buyer. Revenue is recognised net of VAT, revenue-based taxes and sales discounts.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of goods sold

Cost of goods sold comprises costs of goods sold for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff. This item also includes costs of share-based incentive programmes based on the Parent's shares.

Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment. Residual values are assessed annually. Depreciation relating to right-of-use assets is calculated on the basis of the lease term according to the lease agreement.

Financial income

Financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, as well as net realised and unrealised gains and losses on receivables and payables denominated in foreign currencies.

Financial expenses

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and interest expenses relating to lease liabilities, as well as net realised and unrealised gains and losses on receivables and payables denominated in foreign currencies.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with Lundbeckfond Invest A/S and its Danish subsidiaries. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balances calculated pursuant to the interest deduction limitation rule of the Danish Corporation Tax Act have been allocated among the jointly taxed companies that are subject to limitation of deductibility based on 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 they qualify for recognition as deferred tax assets.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement together with depreciation and impairment losses.

Accounting policies

Right-of-use assets are recognized at the present value of future payments in accordance with the lease agreements, reduced by lease incentives and increased by upfront payments. Right-of-use assets are depreciated over the lease term and depreciation is recognized in the income statement. Right-of-use assets are presented as part of property, plant and equipment. See further information on the recognition of lease agreements in the section Lease liabilities.

Inventories

Goods for resale are measured at the latest known cost at the balance sheet date, which is equivalent to cost computed according to the FIFO method.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments include investments in affiliated companies. These are recognised at cost.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments recognised in assets comprise incurred costs relating to subsequent financial years, for example insurance. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

Share-based payments

Share-based incentive programmes in which employees may opt to buy shares in the Parent and in which shares are granted to employees (equity-settled programmes) are measured at the equity instruments' fair value at the date of grant and recognised under staff costs as or when the employee obtains the right to buy/receive the shares. The offsetting item is recognised directly in equity under retained earnings.

Lease liabilities

Lease liabilities are recognized at the present value of future payments in accordance with the lease agreements and include the present value of future payments relating to reasonably certain extensions. Interest on the lease liabilities is calculated using the incremental borrowing rate and recognized under net financials. The lease liabilities are reduced by any instalments paid to the lessor.

Lundbeck Export uses the same incremental borrowing rate for lease agreements with similar characteristics.

Changes to lease agreements after initial recognition are accounted for either as a modification to an existing agreement, a separate agreement or a partial disposal depending on the nature of the change. Changes will result in changes to both the lease liability and the right-of-use asset.

Lundbeck Export recognizes lease agreements under Land and buildings in accordance with IFRS 16 *Leases*. Other lease agreements are considered immaterial. Short-term, low-value and immaterial lease agreements are recognized as operating expenses on a straight-line basis over the lease term.

Provisions

Provisions consist of different types of provisions, including provisions for pending lawsuits. Provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the services agreed.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Cash flow statement

According to section 86(4) of the Danish Financial Statements Act, the Entity has omitted to prepare a cash flow statement.

Financial highlights

Financial highlights are defined and calculated according to the Danish Finance Society's *Recommendations & Financial Ratios*.

Ratios		Calculation formula	Ratios reflect
Return on equity (%)	=	$\frac{\text{Profit/(loss) for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the enterprise by the owners.
Equity ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.
Profit margin (%)	=	$\frac{\text{Profit/(loss) for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Gross margin (%)	=	$\frac{\text{Gross profit/(loss)} \times 100}{\text{Revenue}}$	The Entity's operating gearing.

Income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue	1	1,626,082	1,549,297
Other operating income		193	218
Cost of goods sold		(922,877)	(995,803)
Other external expenses		(572,820)	(436,513)
Gross profit		130,578	117,199
Staff costs	2	(76,897)	(69,348)
Depreciation and impairment losses	3, 4	(3,735)	(1,668)
Operating profit		49,946	46,183
Financial income	5	22,843	968
Financial expenses	6	(1,690)	(4,110)
Profit before tax		71,099	43,041
Tax on profit	7	(20,169)	(17,088)
Profit for the year	8	50,930	25,953

Balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Other fixtures and fittings, tools and equipment	9	3,205	3,000
Leasehold improvements	9	56	262
Right-of-use assets	4	4,555	0
Property, plant and equipment		7,816	3,262
Receivables from group enterprises		224,984	80,440
Deposits		694	575
Deferred tax	10	25,323	457
Financial assets		251,001	81,472
Non-current assets		258,817	84,734
Inventories		20,405	0
Trade receivables		404,543	448,587
Receivables from group enterprises		107	252
Income tax receivable		0	5,488
Other short-term receivables		28,123	36,533
Prepayments		15,673	13,725
Receivables		448,446	504,585
Cash		56,891	97,793
Current asset		525,742	602,378
Assets		784,559	687,112

Balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Share capital		600	600
Proposed dividends	8	50,000	25,900
Retained earnings		<u>309,065</u>	<u>308,032</u>
Equity		<u>359,665</u>	<u>334,532</u>
Lease liabilities	4	<u>2,851</u>	<u>0</u>
Non-current liabilities		<u>2,851</u>	<u>0</u>
Provisions		360	7,198
Prepayments received from customers		1,860	20,376
Trade payables		43,706	48,835
Debt to group enterprises		244,794	242,293
Income tax payable		25,020	0
Lease liabilities	4	1,120	0
Other short-term payables	11	<u>105,183</u>	<u>33,878</u>
Current liabilities		<u>422,043</u>	<u>352,580</u>
Liabilities		<u>424,894</u>	<u>352,580</u>
Equity and liabilities		<u>784,559</u>	<u>687,112</u>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Related parties	14		
Consolidation	15		

Statement of changes in equity for 2019

	Share capital	Proposed dividends	Retained earnings	Total
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Equity at 01.01.2019	600	25,900	308,032	334,532
Distributed dividends	-	(25,900)	-	(25,900)
Other adjustments	-	-	103	103
Profit/(loss) for the year	-	50,000	930	50,930
Equity at 31.12.2019	<u>600</u>	<u>50,000</u>	<u>309,065</u>	<u>359,665</u>

Other adjustments relates to share-based incentive programmes.

Notes

	2019	2018
	DKK'000	DKK'000
1. Revenue		
EU countries	75,935	72,529
Other countries	1,550,147	1,476,768
	1,626,082	1,549,297

	2019	2018
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	46,773	43,066
Pension costs	588	575
Other social security costs	3,534	2,789
Other staff costs	26,002	22,918
	76,897	69,348

Average number of employees in the financial year	148	151
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	2019	2018
	DKK'000	DKK'000
3. Depreciation and impairment losses		
Depreciation of property, plant and equipment	3,908	1,682
Profit/loss from disposal of property, plant and equipment	(173)	(14)
	3,735	1,668

The table above include depreciation and profit/loss on all assets recognized within property, plant and equipment, i.e. also right-of-use assets.

Notes

4. Right-of-use assets and lease liabilities

Amounts recognized in the income statement	2019
	DKK '000
Expense relating to short-term leases, not capitalized	81
Depreciation of right-of-use assets, land and buildings, including profit/loss	2,231
Interest expenses relating to lease liabilities	6
	Land and buildings
	DKK '000
2019	
Implementation of IFRS16 <i>Leases</i>	4,353
Additions	2,605
Adjustments	(119)
Cost at 31.12.2019	6,839
Depreciation for the year	2,284
Depreciation at 31.12.2019	2,284
Carrying amount at 31.12.2019	4,555
	Lease liabilities
	DKK '000
2019	
Within 1 year	1,120
Between 1 year and 5 years	2,851
Lease liabilities at 31.12.2019	3,971

Notes

	2019	2018
	DKK'000	DKK'000
5. Financial income		
Financial income from group enterprises	315	470
Interest income	544	498
Exchange rate adjustments	21,984	0
	22,843	968
	2019	2018
	DKK'000	DKK'000
6. Financial expenses		
Financial expenses from group enterprises	13	10
Interest expenses	292	606
Exchange rate adjustments	0	2,047
Interest expenses relating to lease liabilities	6	0
Other financial expenses	1,379	1,447
	1,690	4,110
	2019	2018
	DKK'000	DKK'000
7. Tax on profit		
Current tax	45,020	13,064
Adjustments relating to previous years, current tax	59	4,014
Adjustments relating to previous years, deferred tax	(20)	0
Change in deferred tax for the year	(24,846)	33
Total tax for the year	20,213	17,111
Tax for the year is composed of:		
Tax on profit for the year	20,169	17,088
Tax on transactions in equity	44	23
Total tax for the year	20,213	17,111

Notes

	2019	2018
	DKK'000	DKK'000
8. Distribution of profit		
Proposed distribution of profit/loss		
Dividends for the financial year	50,000	25,900
Retained earnings	930	53
	50,930	25,953
	Other fixtures and fittings, tools and equipment	Leasehold im- provements
	DKK'000	DKK'000
9. Property, plant and equipment		
Cost at 01.01.2019	11,019	5,223
Additions	1,764	0
Disposals	(5,621)	0
Cost at 31.12.2019	7,162	5,223
Depreciation and impairment losses at 01.01.2019	8,019	4,961
Depreciation for the year	1,418	206
Depreciation on disposals	(5,480)	0
Depreciation and impairment losses at 31.12.2019	3,957	5,167
Carrying amount at 31.12.2019	3,205	56
		2019
		DKK'000
10. Deferred tax		
Deferred tax 01.01.2019		457
Adjustment relating to previous years, recognized in the income statement		20
Movements relating to profit for the year		24,890
Movements relating to transactions in equity		(44)
Deferred tax 31.12.2019		25,323

Deferred tax assets relates mainly to accrued discounts and deferred income and are expected to be utilized within a foreseeable future.

Notes

	2019	2018
	DKK'000	DKK'000
11. Other short-term payables		
Wages and salaries, personal income taxes, social security costs, etc.	32,892	23,912
Holiday pay obligation	44	44
Other payables	72,247	9,922
	105,183	33,878

Other payables relates mainly to VAT payable to authorities and deferred income.

12. Unrecognised rental and lease commitments

From 1 January 2019, Lundbeck Export recognizes material lease agreements in accordance with the principles in IFRS 16 *Leases* and office leases and similar are considered material lease agreements and are recognized as leases. For further details, see note 4 *Right-of-use assets and lease liabilities*.

In 2018, contractual obligations comprised rental and lease commitments totaling DKK 1,794 thousand.

13. Contingent liabilities

Bank guarantees and letter of intent

The Entity's banks have issued bank guarantees worth DKK 1.5 million in favour of third parties.

Joint taxation

The Entity is part of a Danish joint taxation scheme with Lundbeckfond Invest A/S, according to which the Entity has partly a joint and several liability and partly a secondary liability with respect to corporate income taxes etc. for the jointly-taxed companies. In addition, the Entity has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the Entity directly or indirectly owned by the ultimate parent company.

Notes

14. Related parties

The following shareholder holds all the shares and controls the entity:

- H. Lundbeck A/S, Ottoliavej 9, DK-2500 Valby, Denmark
- Lundbeckfond Invest A/S, Scherfigsvej 7, DK-2100 Copenhagen, Denmark
- Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen, Denmark

There has been no transactions with related parties that were not on an arm's length basis.

15. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen, Denmark

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

H. Lundbeck A/S, Ottoliavej 9, DK-2500 Valby, Denmark