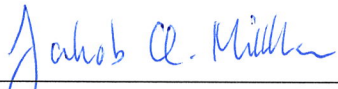


**Lundbeck China Holding A/S**  
**Central Business Registration No**  
**33766939**  
**Ottliavej 9**  
**DK-2500 Valby**

**Annual report 2017**

The Annual General Meeting adopted the annual report on 16.04.2018

**Chairman of the General Meeting**



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Name: Jakob Østergaard Mikkelsen

## Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's reports	3
Management commentary	5
Accounting policies	6
Income statement for 2017	8
Balance sheet at 31.12.2017	9
Notes	11

## **Entity details**

### **Entity**

Lundbeck China Holding A/S  
Ottiliavej 9  
DK-2500 Valby

Central Business Registration No: 33766939  
Registered in: Copenhagen  
Financial year: 01.01.2017 - 31.12.2017

### **Board of Directors**

Jacob Tolstrup, Chairman  
Søren Kjeld Kristensen  
Kim Andersen

### **Executive Board**

Kim Andersen, Chief Executive Officer

### **Entity auditors**

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
DK-0900 København 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 China Holding A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the result of its operations for the financial year 01.01.2017 - 31.12.2017.

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

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 16.04.2018

### Executive Board

Kim Andersen  
Chief Executive Officer

### Board of Directors

Jacob Tolstrup  
Chairman

Søren Kjeld Kristensen

  
Kim Andersen

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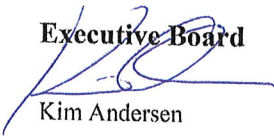
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### Board of Directors

  
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Chairman

Søren Kjeld Kristensen

  
Kim Andersen

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Chief Executive Officer

### Board of Directors

Jacob Tolstrup  
Chairman



Søren Kjeld Kristensen

Kim Andersen

## Independent auditor's reports

### To the shareholders of Lundbeck China Holding A/S

#### Opinion

We have audited the financial statements of Lundbeck China Holding A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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.

#### 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 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, 16.04.2018

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56



Lars Andersen

State-Authorised Public Accountant

MNE no 27762



## Management commentary

### Primary activities

The company's primary activity is to own shares in Chinese subsidiaries and all activities that are considered to be related.

### Development in activities and finances

The income statement for 2017 shows a profit of DKK 5,351 thousand which is in line with Management's expectations.

Lundbeck Pharmaceuticals (Tianjin) Co., Ltd., was liquidated in 2017.

In 2017, Lundbeck China Holding A/S has written down its investment in Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd., in the amount of DKK 555 thousand.

The company's balance sheet at 31 December 2017 shows an equity of DKK 13,236 thousand.

### Events after the balance sheet data

Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd is in the process of being liquidated.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of the annual report.

## Accounting policies

### Reporting class

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

According to section 112(1) of the Danish Financial Statements Act, the Entity has chosen not to prepare consolidated financial statements.

The accounting policies applied for these financial statements are consistent with those applied last year.

### 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.

### Income statement

#### Other external expenses

Other external expenses include expenses relating to the Entity's administration.

#### Income from investments in subsidiaries

Income from investments in subsidiaries includes dividends from subsidiaries, which are recognized in the parent company's income statement when the parent company's right to receive such dividends has been approved, as well as any impairment losses or reversals of impairment losses and gains or losses in connection with dissolution of subsidiaries.

#### Impairment of financial assets

Impairment of financial assets includes impairment of investments in subsidiaries.

**Financial income**

Financial income comprises interest income and currency translation on transactions in foreign currencies.

**Financial expenses**

Financial expenses comprise interest expenses, bank charges and currency translation on transactions in foreign currencies.

**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 all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet****Investments in subsidiaries**

Investments in subsidiaries are measured at cost and are written down to the lower of recoverable amount and carrying amount.

**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.

**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.

**Cash**

Cash comprises cash in hand and bank deposits.

**Other financial liabilities**

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

**Income statement for 2017**

	<u>Notes</u>	<u>2017</u> <u>DKK '000</u>	<u>2016</u> <u>DKK '000</u>
Other external expenses		(20)	(24)
<b>Operating profit/(loss)</b>		<b>(20)</b>	<b>(24)</b>
Income from subsidiaries		5,927	0
Impairment of financial assets		(555)	(31,875)
Financial income		2	0
Financial expenses		(9)	(4)
<b>Profit/(loss) from ordinary activities before tax</b>		<b>5,345</b>	<b>(31,903)</b>
Tax on profit/(loss) from ordinary activities	1	6	6
<b>Profit/(loss) for the year</b>		<b>5,351</b>	<b>(31,897)</b>
<b>Proposed distribution of profit/(loss)</b>			
Retained earnings		5,351	(31,897)
		<b>5,351</b>	<b>(31,897)</b>

**Balance sheet at 31.12.2017**

	<u>Notes</u>	<u>2017</u> <u>DKK '000</u>	<u>2016</u> <u>DKK '000</u>
Investments in subsidiaries	2	561	7,556
Deferred tax assets		14	14
<b>Financial assets</b>		<u>575</u>	<u>7,570</u>
<b>Non-current assets</b>		<u>575</u>	<u>7,570</u>
Receivables from group enterprises		11,370	0
Income tax receivable		6	0
<b>Receivables</b>		<u>11,376</u>	<u>0</u>
<b>Cash</b>		<u>1,310</u>	<u>398</u>
<b>Current assets</b>		<u>12,686</u>	<u>398</u>
<b>Assets</b>		<u>13,261</u>	<u>7,968</u>

**Balance sheet at 31.12.2017**

	<u>Notes</u>	<u>2017</u> <u>DKK '000</u>	<u>2016</u> <u>DKK '000</u>
Contributed capital		30,000	30,000
Retained earnings		(16,764)	(22,115)
<b>Equity</b>		<u><b>13,236</b></u>	<u><b>7,885</b></u>
Other payables		25	83
<b>Current liabilities</b>		<u><b>25</b></u>	<u><b>83</b></u>
<b>Liabilities</b>		<u><b>25</b></u>	<u><b>83</b></u>
<b>Equity and liabilities</b>		<u><u><b>13,261</b></u></u>	<u><u><b>7,968</b></u></u>
Contingent liabilities	3		
Related parties with control	4		
Consolidation	5		

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK '000</b>	<b>DKK '000</b>
<b>1. Tax on ordinary profit/(loss) for the year</b>		
Current tax	6	0
Change in deferred tax for the year	0	6
Prior-year adjustments, current tax	0	(8)
Prior-year adjustments, deferred tax	0	8
	<u>6</u>	<u>6</u>
<b>2. Investments in subsidiaries</b>		
Cost at 1 January	39,431	39,431
Income from subsidiaries	<u>(38,315)</u>	<u>0</u>
<b>Cost at 31 December</b>	<b><u>1,116</u></b>	<b><u>39,431</u></b>
Impairment at 1 January	(31,875)	0
Impairment of investments in subsidiaries	(555)	(31,875)
Income from subsidiaries	<u>31,875</u>	<u>0</u>
<b>Impairment at 31 December</b>	<b><u>(555)</u></b>	<b><u>(31,875)</u></b>
<b>Carrying amount at 31 December</b>	<b><u>561</u></b>	<b><u>7,556</u></b>
	<b>Registered in</b>	<b>Equity interest</b>
Subsidiaries:		<b>%</b>
Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd	China	100%

Lundbeck Pharmaceuticals (Tianjin) Co., Ltd., was liquidated in 2017.

### 3. Contingent liabilities

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.

### 4. Related parties with control

The following shareholder controls the Entity:

H. Lundbeck A/S, Ottiliavej 9, DK-2500 Valby, Danmark

**5. Consolidation**

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

H. Lundbeck A/S, Ottiliavej 9, DK-2500 Valby, Danmark