

LFI EQUITY A/S

ANNUAL REPORT 2017

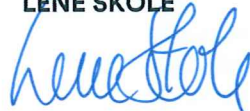
SCHERFIGSVEJ 7, DK-2100 COPENHAGEN

CVR NO. 37 31 12 51

APPROVED AT THE ANNUAL GENERAL MEETING 17 APRIL 2018

CHAIRMAN OF THE MEETING

LENE SKOLE



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Company information

LFI Equity A/S
 Scherfigsvej 7
 2100 Copenhagen Ø

Phone +45 39 12 80 00
 Homepage: www.lundbeckfonden.com
 E-mail: mail@lundbeckfonden.com
 Business Registration No 37 31 12 51
 Place of residence: Copenhagen

OWNER

LFI Equity A/S is 100% owned by Lundbeckfond Invest A/S

BOARD OF DIRECTORS

Lene Skole, Chairman
 Bertil From
 Morten Mølskov Jarlstrup

EXECUTIVE MANAGEMENT

Bertil From

AUDITOR

Deloitte Statsautoriseret Revisionspartnerselskab

MANAGEMENT REVIEW

PURPOSE

The purpose of LFI Equity A/S is to operate investment business activities by investment in securities.

FINANCIAL RESULT AND FINANCIAL POSITION

The company was established on 16 December 2015. The first accounting year comprised the period 16 December 2015 - 31 December 2016 (2015/16).

The profit for the year amounted to a loss of DKK 9.0m (profit of DKK 45.8m in 2015/16) and the equity at 31 December 2017 amounted to DKK 1,019.6m (DKK 860.1m at 31 December 2016).

INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER



DKKm	Note	2017	2015/16
Financial income	1	55.2	68.9
Financial expenses	2	-61.6	-5.8
Gross profit from investment activities		-6.4	63.1
Other external costs		-0.2	-0.1
Profit/(loss) before tax		-6.6	63.0
Withholding taxes, etc.		-2.4	-17.2
Profit/(loss) for year	3	-9.0	45.8

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKKm	Note	2017	2016
Financial assets	4	700.3	724.9
Non-current assets		700.3	724.9
Receivables from affiliates		186.7	43.6
Other receivables		0.4	-
Receivables		187.1	43.6
Cash and bank balances		132.2	91.6
Current assets		319.3	135.2
Assets		1,019.6	860.1

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKKm	Note	2017	2016
Share capital	5	11.0	10.0
Retained earnings		973.6	850.1
Proposed dividend		35.0	-
Equity		1,019.6	860.1
Equity and liabilities		1,019.6	860.1
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STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY - 31 DECEMBER

DKKm	Note	Share capital	Share pre-mium	Retained earnings	Proposed dividend	Equity
Equity at 1 January 2017		10.0	-	850.1	-	860.1
Capital increase		1.0	167.5	-	-	168.5
Profit for the year	3	-	-	-44.0	35.0	-9.0
Reclassified to retained earnings		-	-167.5	167.5	-	-
Equity at 31 December 2017		11.0	-	973.6	35.0	1,019.6

DKKm	Note	Share capital	Share pre-mium	Retained earnings	Proposed dividend	Equity
Transferred at 16 December 2015		10.0	804.3	-	-	814.3
Profit for the year	3	-	-	45.8	-	45.8
Reclassified to retained earnings		-	-804.3	804.3	-	-
Equity at 31 December 2016		10.0	-	850.1	-	860.1

NOTE 1-5

1. Financial income

DKKm	2017	2015/16
Exchange gains	1.3	3.3
Interest income	1.7	0.1
Gains on financial assets measured at fair value	52.2	65.5
Total financial income	55.2	68.9

2. Financial expenses

DKKm	2017	2015/16
Exchange losses	17.7	0.7
Interest expenses	0.3	0.1
Losses on financial assets measured at fair value	43.6	5.0
Total financial expenses	61.6	5.8

3. Proposed distribution of profit

DKKm	2017	2015/16
Dividend	35.0	-
Retained earnings	-44.0	45.8
Profit for the year	-9.0	45.8

4. Financial assets

DKKm	2017	2015/16
Carrying amount at 1 January	724.9	-
Transferred at 16 December 2015	-	814.3
Additions	291.0	34.3
Disposals	-321.8	-166.9
Value adjustments, year-end	6.2	43.2
Carrying amount at 31 December	700.3	724.9

The financial investments classified as financial assets at fair value through profit or loss relate to the company's portfolio investments, primarily through private equity funds.

The determination of fair value of unlisted investment funds are performed by general managers in capital accounts based on observable input, when available or International Private Equity and Venture Capital Valuation Guidelines, e.g. trading multiples of peer groups or expected discounted cash flow. The various factors applied by general managers include discounted interest rates, growth rates, etc., and depend on the industry and location of the unlisted investments.

5. Share capital

DKKm	2017	2015/16
Share capital at 1 January	10.0	-
Establishment at 16 December 2015	-	10.0
Capital increase	1.0	-
Share capital at 31 December	11.0	10.0

The share capital consists of 11,000,000 shares of DKK 1. The shares are not divided in classes.

NOTE 6-9

6. Contractual obligations

The company has contractual capital contribution obligations amounting to DKK 284m at 31 December 2017 (DKK 102m at 31 December 2016).

7. Staff conditions

The company has no employees besides the executive management who is remunerated from Lundbeckfond Invest A/S.

8. Related parties

Related parties exercising controlling interest on LFI Equity A/S:

- Lundbeckfond Invest A/S, Scherfigsvej 7, 2100 Copenhagen Ø, Denmark

The ultimate owner is Lundbeckfonden, Scherfigsvej 7, 2100 Copenhagen Ø, Denmark.

Related parties exercising significant influence on LFI Equity A/S:

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

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

CONSOLIDATED FINANCIAL STATEMENTS

LFI Equity A/S is included in the consolidated financial statements for Lundbeckfonden, Copenhagen, Denmark, Business Registration No. 11 81 49 13.

9. Accounting policies

The annual report for LFI Equity A/S for 2017 has been prepared in accordance with the Danish Financial Statements Act for enterprises of reporting class B with selection of certain options from class C.

The annual report is presented in Danish kroner (DKK), which also is the functional currency of LFI Equity A/S. Amounts in DKK are rounded to DKK millions by one decimal place.

The accounting policies are unchanged from last year.

TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions denominated in foreign currencies are translated at standard rates which approximate 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.

INCOME STATEMENT

Financial items

Financial income and financial expenses comprise:

- Interest income and expenses
- Dividend from portfolio investments
- 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
- Exchange gains and losses
- Other financial income and expenses

NOTE 9-10

9. Accounting policies (continued)

Other external costs

Other external costs comprise expenses for administration and investment activities.

Tax

LFI Equity A/S applies section 19 of the Danish Share Premium Tax Act ("Aktieavancebeskatningsloven") and is therefore not an independent entity liable to pay Danish corporate income tax and consequently, no provision for tax on profit for the year has been made.

However, taxes withheld on the payment of dividends by the portfolio investments are recognised in the income statement.

BALANCE SHEET

Financial assets

Securities that are included in the company's investment strategy are recognised on the basis of the settlement date fair value and are subsequently measured at market price or estimated fair value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

The calculation of fair value of unlisted investments is made in accordance with the International Private Equity and Venture Capital Valuation Guidelines, i.e. on the basis of relevant valuation methods based on comparable transactions on market conditions, capital increases and the like. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost less any impairment. At each balance sheet date, it is assessed whether there is objective evidence that an investment or a group of investments is impaired. Assessments of investments in unlisted equity instruments and securities include an assessment of whether the companies live up to the defined business plans and the impact of any non-compliance on the calculation of fair value.

Receivables

On initial recognition, receivables are measured at fair value and subsequently at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Equity

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

Financial liabilities

Financial liabilities are measured at amortised cost.

10. Events after the balance sheet date

No events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the annual report of LFI Equity A/S for the financial year ended 31 December 2017.

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

We consider the accounting policies used to be appropriate. Accordingly, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017, and of the company's activities for the financial year 1 January - 31 December 2017.

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

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

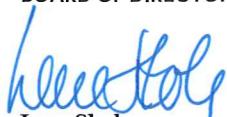
Copenhagen, 17 April 2018

EXECUTIVE MANAGEMENT




Bertil From

BOARD OF DIRECTORS



Lene Skole
Chairman



Bertil From



Morten Mølskov Jarlstrup

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LFI EQUITY A/S

Opinion

We have audited the financial statements of LFI Equity A/S for the financial year 1 January – 31 December 2017, which comprise the income statement, balance sheet, equity statement, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of LFI Equity A/S' financial position at 31 December 2017 and of the results of its operations for the financial year 1 January – 31 December 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 LFI Equity A/S' ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate LFI Equity A/S or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LFI Equity A/S internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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 LFI equity A/S ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LFI Equity A/S to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management review

Management is responsible for the management review.

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

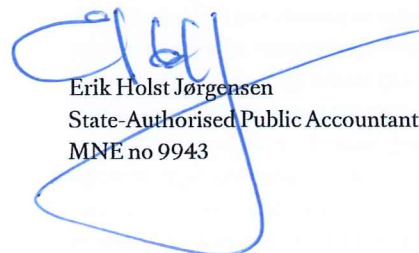
In connection with our audit of the financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially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

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

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

Copenhagen, 17 April 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Erik Holst Jørgensen
State-Authorised Public Accountant
MNE no 9943