

Lundbeck Pharma A/S
Central Business Registration No
56750215
Ottiliavej 9
DK-2500 Valby

Annual report 2015

The Annual General Meeting adopted the annual report on 18.04.2016

Chairman



Name: Jakob Østergaard Mikkelsen

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Entity details

Entity

Lundbeck Pharma A/S
Ottiliavej 9
DK-2500 Valby

Central Business Registration No: 56750215

Registered in: Copenhagen

Financial year: 01.01.2015 - 31.12.2015

Phone: (+45)43714270

Fax: (+45)43714274

Internet: www.lundbeckpharma.dk

Board of Directors

Joao Carlos Nunes Rocha, Chairman

Adrianus Marinus van der Vliet

Christoffer Dahl

Executive Board

Adrianus Marinus van der Vliet, Chief Executive Officer

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 Pharma A/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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, 18.04.2016

Executive Board

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Vliet
Chief Executive Officer

Board of Directors

Joao Carlos Nunes Rocha
Chairman



Adrianus Marinus van der Vliet

Christoffer Dahl

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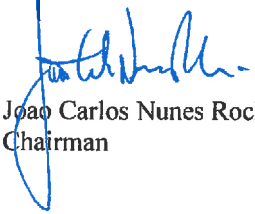
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Copenhagen, 18.04.2016

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Chairman

Adrianus Marinus van der Vliet

Christoffer Dahl

Independent auditor's reports

To the owner of Lundbeck Pharma A/S

Report on the financial statements

We have audited the financial statements of Lundbeck Pharma A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

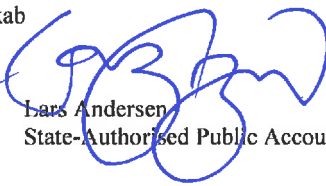
Copenhagen, 18.04.2016

Deloitte

Statsautoriseret Revisionspartnerselskab



Martin Faarborg
State-Authorised Public Accountant



Lars Andersen
State-Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

As in previous years, the Company's primary activities are to sell and market products within CNS (The central nervous system) on the Danish market.

Development in activities and finances

The company's revenue decreased by 2.4% compared to last year. Same as last year, the reason for this decrease is again a decrease in sales of our main products, Cipralext and Ebixa. This is expected since we know that generics will take more market share after introduction. However our new product, Brintellix, is starting to compensate for the loss of sales of our main products.

The Company has realised a profit of DKK 709 thousand before tax. The result achieved is according to our expectations due to the development in sales of our new product and the effects of the restructuring programme which started in 2015. Due to the uptake of sales for the new products, less cost are recharged to the Parent as part of the marketing agreement.

The Company is part of a cluster structure where it operates under one management team. The cluster structure has changed compared to last year and is now overseeing the Netherlands, Denmark, Sweden, Norway, Finland, Iceland, Latvia, Lithuania and Estonia.

Outlook

The Company expects a decrease in revenue for 2016 since we stopped selling Azilect and a further decrease in sales of Cipralext and Ebixa.

This will partly be compensated by the fact that Iceland sales will be marketed by the Company in 2016 and a further uptake of our new product, Brintellix.

Research and development activities

The research and development activities of the Lundbeck Group are performed by the Parent. This is the reason for the Company not having any research and development activities.

Events after the balance sheet date

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

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

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 passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation.

Other operating income

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

Other financial income

Other financial income comprises dividends etc received on other investments and interest income.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and other financial expenses.

Income taxes

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

Other investments

On initial recognition, other investment assets that comprise listed securities are measured at cost consisting of the acquisition price of the securities plus any directly related acquisition costs.

Accounting policies

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based 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 comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Share-based payments

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

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

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

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Revenue		27.047	27.725
Production costs		<u>(22.144)</u>	<u>(24.396)</u>
Gross profit/loss		4.903	3.329
Distribution costs		(25.772)	(25.229)
Administrative costs		(4.009)	(6.465)
Other operating income		<u>25.602</u>	<u>29.983</u>
Operating profit/loss		724	1.618
Other financial income	1	2	0
Other financial expenses	2	<u>(17)</u>	<u>(14)</u>
Profit/loss from ordinary activities before tax		709	1.604
Tax on profit/loss from ordinary activities	3	<u>(838)</u>	<u>(1.420)</u>
Profit/loss for the year		<u>(129)</u>	<u>184</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(129)</u>	<u>184</u>
		<u>(129)</u>	<u>184</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Other investments		2.583	2.083
Fixed asset investments		<u>2.583</u>	<u>2.083</u>
Fixed assets		<u>2.583</u>	<u>2.083</u>
Trade receivables		5.531	6.122
Receivables from group enterprises		17.086	27.447
Deferred tax assets		24	44
Other short-term receivables		256	0
Prepayments		216	324
Receivables		<u>23.113</u>	<u>33.937</u>
Current assets		<u>23.113</u>	<u>33.937</u>
Assets		<u>25.696</u>	<u>36.020</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital	4	500	500
Retained earnings		2.469	2.639
Equity		<u>2.969</u>	<u>3.139</u>
Trade payables		875	1.235
Debt to group enterprises		17.530	24.476
Income tax payable		775	1.132
Other payables		3.547	6.038
Current liabilities other than provisions		<u>22.727</u>	<u>32.881</u>
Liabilities other than provisions		<u>22.727</u>	<u>32.881</u>
Equity and liabilities		<u>25.696</u>	<u>36.020</u>
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		
Related parties with control	7		
Consolidation	8		

Statement of changes in equity for 2015

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	2.639	3.139
Other adjustments	0	(41)	(41)
Profit/loss for the year	0	(129)	(129)
Equity end of year	500	2.469	2.969

Other adjustments are share-based payments

Notes

	<u>2015</u> <u>DKK'000</u>	<u>2014</u> <u>DKK'000</u>	
1. Other financial income			
Other financial income	2	0	
	<u>2</u>	<u>0</u>	
	<u>2015</u> <u>DKK'000</u>	<u>2014</u> <u>DKK'000</u>	
2. Other financial expenses			
Financial expenses from group enterprises	5	8	
Other financial expenses	12	6	
	<u>17</u>	<u>14</u>	
	<u>2015</u> <u>DKK'000</u>	<u>2014</u> <u>DKK'000</u>	
3. Tax on ordinary profit/loss for the year			
Current tax	775	1.348	
Change in deferred tax for the year	20	(8)	
Adjustment relating to previous years	43	80	
	<u>838</u>	<u>1.420</u>	
	<u>Number</u>	<u>Par value</u> <u>DKK</u>	<u>Nominal</u> <u>value</u> <u>DKK'000</u>
4. Contributed capital			
Ordinary shares	500	1.000,00	500
	<u>500</u>		<u>500</u>
	<u>2015</u> <u>DKK'000</u>	<u>2014</u> <u>DKK'000</u>	
5. Unrecognised rental and lease commitments			
Commitments under rental agreements or leases until expiry	752	629	

Notes

6. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement with Lundbeckfond Invest A/S. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity therefore has partial joint and secondary liability from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also partial joint and secondary liability for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. However, the secondary liability may maximum total an amount corresponding to the share of capital of the Entity which is owned directly or indirectly by the ultimate parent.

7. Related parties with control

The following shareholder controls the Company:

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

8. Consolidation

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

Lundbeck Foundation, Scherfigsvej 7, DK-2100 Copenhagen

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

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