

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

Annual report 2017

The Annual General Meeting adopted the annual report on 19.03.2018

Chairman of the General Meeting

Name: Anders Erlandsen

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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: 01.01.2017 - 31.12.2017

Phone: (+45) 43714270
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Board of Directors

Jacob Tolstrup, Chairman
Joao Carlos Nunes Rocha
Christoffer Dahl

Executive Board

Christoffer Dahl, 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 01.01.2017 – 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, 19.03.2018

Executive Board

Christoffer Dahl
Chief Executive Officer

Board of Directors

Jacob Tolstrup
Chairman

Joao Carlos Nunes Rocha

Christoffer Dahl

Independent auditor's reports

To the shareholders of Lundbeck Pharma A/S

Opinion

We have audited the financial statements of Lundbeck Pharma 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, 19.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Andersen
State-Authorised Public Accountant
MNE no 27762

Management commentary

Primary activities

As in previous years, the Entity's primary activities are to market and sell products within CNS (Central Nervous System) on the Danish market.

Development in activities and finances

The Entity's revenue decreased 6% compared to last year. The reason for this decrease is the ongoing decline of the mature products, as patients move over to newer products like Brintellix[®] and Abilify Maintena[®]. However, due to the market conditions in Denmark, the increased market share and sale of Brintellix[®] and Abilify Maintena[®] is not reflected in the Entity, as the products sold in Denmark are parallel imported from other European countries.

The Entity is part of a cluster structure where it operates under one management team. The location of the management team has changed compared to last year. Since March 2017 the management team has been located in Denmark. The cluster is overseeing Denmark, Sweden, Norway, Finland, Iceland, Latvia, Lithuania and Estonia.

The Entity has realized a profit of DKK 693 thousand before tax. The result achieved is according to expectations given by the market conditions in Denmark and the impact of moving the management team from the Netherlands to Denmark.

Outlook

The Entity expects a minor decline in revenue for 2018 due to the continuously decline of the mature products.

Research and development activities

There are no research and development activities in the Entity as these are performed by the Parent.

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.

Cost of sales

Cost of sales comprises cost of goods sold for the financial year measured at cost.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff and Management, 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, 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**

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

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 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 and when the employee obtains the right to buy/receive the shares. The balancing item is recognised directly in equity under retained earnings.

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 2017

	<u>Notes</u>	<u>2017</u> <u>DKK '000</u>	<u>2016</u> <u>DKK '000</u>
Revenue		19,675	20,834
Cost of sales		<u>(18,911)</u>	<u>(18,534)</u>
Gross profit/loss		764	2,300
Distribution costs	1	(21,514)	(18,516)
Administrative expenses	1	(6,626)	(4,136)
Other operating income		<u>28,104</u>	<u>20,893</u>
Operating profit/loss		728	541
Financial income		2	0
Financial expenses	2	<u>(37)</u>	<u>(42)</u>
Profit/loss from ordinary activities before tax		693	499
Tax on profit/loss from ordinary activities	3	<u>(328)</u>	<u>(451)</u>
Profit/loss for the year		<u>365</u>	<u>48</u>
Proposed distribution of profit/loss			
Proposed dividends		365	0
Retained earnings		<u>0</u>	<u>48</u>
		<u>365</u>	<u>48</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK '000</u>	<u>2016</u> <u>DKK '000</u>
Other investments		6,747	2,993
Receivables from group enterprises		0	1,025
Deferred tax assets		16	20
Financial assets		6,763	4,038
 Non-current assets		 6,763	 4,038
Trade receivables		4,634	4,021
Receivables from group enterprises		0	908
Income tax receivable		4,694	0
Other short-term receivables		115	61
Prepayments		224	328
Receivables		9,667	5,318
 Current assets		 9,667	 5,318
 Assets		 16,430	 9,356

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		500	500
Proposed dividends		365	0
Retained earnings		2,450	2,517
Equity		3,315	3,017
Trade payables		3,300	2,232
Debt to group enterprises		4,618	0
Income tax payable		0	447
Other payables		5,197	3,660
Current liabilities		13,115	6,339
Liabilities		13,115	6,339
Equity and liabilities		16,430	9,356
Unrecognised rental and lease commitments	4		
Contingent liabilities	5		
Related parties with control	6		
Consolidation	7		

Notes

1. Average number of employees

The average number of employees in 2017 was 14 employees.

	2017	2016
	DKK '000	DKK '000
2. Financial expenses		
Financial expenses, group enterprises	11	4
Other financial expenses	26	38
	<u>37</u>	<u>42</u>
3. Tax on ordinary profit/loss for the year		
Current tax	327	447
Prior-year adjustment, current tax	(3)	0
Change in deferred tax for the year	4	4
	<u>328</u>	<u>451</u>
4. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>1,347</u>	<u>577</u>

5. 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.

6. Related parties with control

The following shareholder controls the Entity:

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

7. Consolidation

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

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