

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

Annual report 2020

The Annual General Meeting adopted the annual report on 19.03.2021

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: 01.01.2020 - 31.12.2020

Phone: (+45) 43714270
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Board of Directors

Jacob Tolstrup, Chairman
Dierk Erwin Schoch
Thomas Bo Bjørn Klee

Executive Board

Thomas Bo Bjørn Klee, Chief Executive Officer

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

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 01.01.2020 – 31.12.2020.

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 31.12.2020 and of the result of its operations for the financial year 01.01.2020 – 31.12.2020.

We believe that the statement on management's review 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, 19.03.2021

Executive Board

Thomas Bo Bjørn Klee
Chief Executive Officer

Board of Directors

Jacob Tolstrup
Chairman

Dierk Erwin Schoch

Thomas Bo Bjørn Klee

Independent auditor's report

To the Shareholder of Lundbeck Pharma A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lundbeck Pharma A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's 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 in Management's Review.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 judgment and maintain professional skepticism 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Hellerup, 19 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

MNE 18651

Statement on Management's review

Primary activities

The Entity's primary activities are to sell and market products within CNS (Central Nervous System) on the Danish market.

Development in activities and finances

The Entity's revenue increased by 11% compared to last year. The increase in revenue is an effect of increasing market share and sale of branded products (Brintellix and Abilify Maintena) and higher demand for generic products.

The Entity is part of a cluster structure where it operates under one management team. Since March 2017 the management team have been located in Denmark. The cluster is overseeing Denmark, Sweden, Norway, Finland, Iceland, Latvia, Lithuania, Estonia, Great Britain and Ireland.

The Entity has realized a loss of DKK (5,144) thousand.

Financial resources

Due to the geopolitical situation in Argentina, an impairment test of the value of the shares held by Lundbeck Pharma in Lundbeck Argentina has been conducted. An impairment loss on the shares has been realized in the amount of DKK 6,295 thousand.

The Entity has as a result of this, lost the share capital of the Entity. The equity has been re-established through a capital contribution from the parent company during March 2021 on DKK 2,500 thousand. The Parent company, H. Lundbeck A/S, has issued letter of support committing to financially support the Entity to the extent necessary so that, at any time, the Entity can meet its obligations as they fall due. The letter of support is valid until 31 December 2021.

It is thus Management's opinion that the Entity's financial resources are adequately secured for the entity to continue as a going concern for the coming financial year. Reference is made to the Notes in the Annual Report - Note 1 Loss of share capital.

Outlook

The Entity expects a decline in revenue by 2-4% in 2021, due to the continuously impact of patients moving from mature products, like CipraleX® to branded products like Brintellix®.

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.

Basis of recognition and measurement

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

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.

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 acquired from H. Lundbeck A/S, for the purpose of further resale of such goods on the local market. Cost of sales for the financial year is 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.

Administrative expenses

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

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 measured at the lower of cost and recoverable amount. When cost exceeds the recoverable amount, write-down is made to this lower value.

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.

Equity*Dividends*

Proposed dividends for the year is recognized as a separate item in equity.

Share-based payments

Share-based incentive programmes 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 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 receivable or payable is recognised in the balance sheet, stated as tax calculated on year's taxable income, adjusted for prepaid tax.

Income statement

	<u>Notes</u>	<u>2020</u> <u>DKK '000</u>	<u>2019</u> <u>DKK '000</u>
Revenue		19,163	17,287
Cost of sales		<u>(17,897)</u>	<u>(16,015)</u>
Gross profit/(loss)		1,266	1,272
Distribution costs		(30,536)	(23,905)
Administrative expenses		(4,252)	(5,116)
Other operating income		<u>35,437</u>	<u>29,397</u>
Operating profit/(loss)		1,915	1,648
Financial income	3	19	0
Financial expenses	4	(6)	(66)
Write-down on other investment		<u>(6,295)</u>	<u>0</u>
Profit/(loss) from ordinary activities before tax		(4,367)	1,582
Tax on profit/(loss) from ordinary activities	5	<u>(777)</u>	<u>(1,085)</u>
Profit/(loss) for the year		<u>(5,144)</u>	<u>497</u>
Proposed distribution of profit/(loss)			
Proposed dividend		0	497
Retained earnings		<u>(5,144)</u>	<u>0</u>
		<u>(5,144)</u>	<u>497</u>

Balance sheet

	<u>Notes</u>	<u>2020</u> <u>DKK '000</u>	<u>2019</u> <u>DKK '000</u>
Other investments		452	6,747
Deferred tax assets		141	69
Financial assets		593	6,816
Non-current assets		593	6,816
Trade receivables		3,700	3,210
Receivables from group enterprises		8,464	2,735
Income tax receivable		163	50
Other short-term receivables		73	220
Prepayments		1,085	934
Receivables		13,485	7,149
Current assets		13,485	7,149
Total assets		14,078	13,965

Balance sheet

	<u>Notes</u>	<u>2020</u> <u>DKK '000</u>	<u>2019</u> <u>DKK '000</u>
Share capital		500	500
Proposed dividends		0	497
Retained earnings		<u>(2,100)</u>	<u>2,744</u>
Equity	1	<u>(1,600)</u>	<u>3,741</u>
Trade payables		2,878	2,098
Other payables		<u>12,800</u>	<u>8,126</u>
Current liabilities		<u>15,678</u>	<u>10,224</u>
Liabilities		<u>15,678</u>	<u>10,224</u>
Total equity and liabilities		<u><u>14,078</u></u>	<u><u>13,965</u></u>
Contractual obligations	6		
Contingent liabilities	7		
Related parties	8		

Statement of changes in Equity

	Share capital	Proposed dividends	Retained earnings	Total equity
	DKK	DKK	DKK	DKK
	'000	'000	'000	'000
1 January 2020	500	497	2,744	3,741
Profit/(loss)	0	0	(5,144)	(5,144)
Dividends distributed	0	(497)	0	(497)
Incentive programs	0	0	289	289
Tax on transactions in equity	0	0	11	11
31 December 2020	500	0	(2,100)	(1,600)

Notes

1. Loss of share capital

In the financial year, the Entity has lost its share capital and is therefore subject to the provisions on capital loss under the Danish Companies Act.

The equity has been re-established through a capital contribution from the parent company during March 2021 on DKK 2,500 thousand. The Entity's shareholder, H. Lundbeck A/S, has furthermore issued a letter of support committing the shareholder to financially support the entity to the extent necessary so that, at any time, the Entity can meet its obligations as they fall due. The letter of support is valid until 31 December 2021. It is thus Management's opinion that the Entity's financial resources are adequately secured for the Entity to continue as a going concern for the coming financial year.

2. Average number of employees

The average number of employees in 2020 was 20 employees.

	2020	2019
	DKK '000	DKK '000
3. Financial income		
Financial income, group enterprises	19	0
	19	0
4. Financial expenses		
Financial expenses, group enterprises	0	29
Other financial expenses	6	37
	6	66
5. Tax on ordinary profit/loss for the year		
Current tax	838	950
Prior-year adjustment, current tax	1	181
Tax on transactions in equity	11	(11)
Change in deferred tax for the year	(73)	(35)
	777	1,085
6. Contractual obligations		
Commitments under rental agreements or leases until expiry	1,669	1,666

7. 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.

8. Related parties

Lundbeck Pharma A/S' related parties comprise the following:

Control:

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

H. Lundbeck A/S holds the majority of the contributed capital in the Company/Entity.

Lundbeck Pharma A/S is part of the consolidated financial statements of H. Lundbeck A/S, which is the smallest group, in which the Company is included as a subsidiary.

The consolidated financial statements of H. Lundbeck A/S can be obtained by contacting the company at the above address.