

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

Annual Report 2021

The Annual General Meeting adopted the Annual Report on 18 March 2022

Chairman of the General Meeting

Name: Anders Erlandsen

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Company details

Lundbeck Pharma A/S
Ottiliavej 9
DK-2500 Valby

Central Business Registration No: 56750215
Registered in: Copenhagen
Financial period: 1 January - 31 December 2021

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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

Auditor

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 1 January – 31 December 2021.

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 financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

We believe that the Management's Review contains a fair review of the affairs and conditions referred to therein.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 18 March 2022

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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, which comprise income statement, balance sheet, statement of changes in equity 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 18 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne 18651

Management's Review

Primary activity

The Company's primary activity is to sell and market products within the Central Nervous System (CNS) on the Danish market.

Development in activities and finances

The Company's revenue decreased by 14% compared to last year. The revenue decrease is due to the ongoing decline of mature products, as patients move to the newer products Brintellix® and Abilify Maintena®. However, due to the market conditions in Denmark, the increased market share and sale of Brintellix® and Abilify Maintena® are not reflected in the Company, as most products sold in Denmark are parallel imported from other European countries.

The Company is part of a cluster structure where all entities in the cluster operate under one management team. Since March 2017 the management team has been located in Denmark. The cluster is overseeing Denmark, Sweden, Norway, Finland, Iceland, Latvia, Lithuania, Estonia, Great Britain and Ireland.

The Company has realised a profit of DKK 1,242 thousand. The result achieved is according to our expectations given the market conditions in Denmark.

Events after the balance sheet date

No significant events have occurred after the Balance Sheet date to this date which would influence the evaluation of the Annual Report.

Income statement for the period 1 January - 31 December 2021

		2021	2020
	<u>Notes</u>	<u>DKK '000</u>	<u>DKK '000</u>
Revenue		16,497	19,163
Cost of sales		<u>(13,282)</u>	<u>(17,897)</u>
Gross profit		3,215	1,266
Distribution costs		(31,553)	(30,536)
Administrative expenses		(5,197)	(4,252)
Other operating income		<u>35,681</u>	<u>35,437</u>
Operating profit/(loss)		2,146	1,915
Financial income	3	3	19
Financial expenses	4	(47)	(6)
Write-down on other investment		<u>0</u>	<u>(6,295)</u>
Profit/(loss) from ordinary activities before tax		2,102	(4,367)
Tax on profit/(loss) from ordinary activities	5	<u>(860)</u>	<u>(777)</u>
Profit/(loss) for the year		1,242	(5,144)
Proposed distribution of profit/(loss)			
Proposed dividend		1,242	0
Retained earnings		<u>0</u>	<u>(5,144)</u>
		1,242	(5,144)

Balance sheet

	<u>Notes</u>	<u>2021</u> <u>DKK '000</u>	<u>2020</u> <u>DKK '000</u>
Other investments		452	452
Deferred tax assets		193	141
Financial assets		<u>645</u>	<u>593</u>
Non-current assets		<u>645</u>	<u>593</u>
Trade receivables		3,722	3,700
Receivables from group enterprises		10,565	8,464
Corporation tax receivable from group enterprises		87	163
Other receivables		65	73
Prepayments		897	1,085
Receivables		<u>15,336</u>	<u>13,485</u>
Current assets		<u>15,336</u>	<u>13,485</u>
Total assets		<u>15,981</u>	<u>14,078</u>

Balance sheet

	<u>Notes</u>	<u>2021</u> <u>DKK '000</u>	<u>2020</u> <u>DKK '000</u>
Share capital		500	500
Proposed dividends		1,242	0
Retained earnings		661	(2,100)
Equity		<u>2,403</u>	<u>(1,600)</u>
Other payables	6	2,141	0
Non-current liabilities		<u>2,141</u>	<u>0</u>
Trade payables		2,518	2,878
Other payables		8,919	12,800
Current liabilities		<u>11,437</u>	<u>15,678</u>
Liabilities		<u>13,578</u>	<u>15,678</u>
Total equity and liabilities		<u>15,981</u>	<u>14,078</u>
Contractual obligations	7		
Contingent liabilities	8		
Related parties	9		

Statement of changes in equity

	Share capital	Proposed dividends	Retained earnings	Total equity
	DKK '000	DKK '000	DKK '000	DKK '000
1 January 2021	500	0	(2,100)	(1,600)
Profit/(loss)	0	1,242	0	1,242
Contribution from Parent	0	0	2,500	2,500
Incentive programs	0	0	261	261
31 December 2021	500	1,242	661	2,403

Notes

1. Accounting policies

This Annual Report of Lundbeck Pharma A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises, as well as selected rules applying to reporting class C.

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 the 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 Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, 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. Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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 that the Company is entitled to.

Cost of sales

Cost of sales comprise the cost of goods acquired from H. Lundbeck A/S consumed to achieve revenue for the year.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Company'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 Company's administrative functions, including wages and salaries for administrative staff, stationary and office supplies.

1. Accounting policies - Continued

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities, including intercompany recharges, which relates mainly to cluster costs and marketing and promotion costs.

Financial income

Financial income comprises dividends, etc. received on other investments and interest income on receivables from group enterprises and other financial income. Received dividend from other investments are recognised at the time of declaration.

Financial expenses

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 Company 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 is 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 doubtful accounts.

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 carry forwards, 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.

1. Accounting policies - Continued**Equity***Dividends*

Proposed dividends for the year is recognised 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 distribution costs offset against equity as and when the employee obtains the right to receive the shares.

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 the year's taxable income, adjusted for prepaid tax.

2. Average number of employees

The average number of employees in 2021 was 20 employees.

	2021	2020
	DKK '000	DKK '000
	<u> </u>	<u> </u>
3. Financial income		
Financial income, group enterprises	2	19
Other financial income	<u>1</u>	<u>0</u>
	<u>3</u>	<u>19</u>
4. Financial expenses		
Financial expenses, group enterprises	39	0
Other financial expenses	<u>8</u>	<u>6</u>
	<u>47</u>	<u>6</u>
5. Tax on ordinary profit/(loss) for the year		
Current tax	913	838
Prior-year adjustment, current tax	(1)	1
Tax on transactions in equity	0	11
Change in deferred tax for the year	<u>(52)</u>	<u>(73)</u>
	<u>860</u>	<u>777</u>

6. Non-current liabilities – Other payables

Other payables comprise frozen holiday debt in the amount of DKK 2,141 thousand, out of which DKK 2,042 thousand will be due after 5 years.

Lundbeck Pharma A/S

7. Contractual obligations

Commitments under rental agreements or leases until expiry, less than one year	501	722
Commitments under rental agreements or leases until expiry, between one & five years	595	947
	<u>1,096</u>	<u>1,669</u>

8. Contingent liabilities

The Company is part of a Danish joint taxation scheme with Lundbeckfond Invest A/S, according to which the Company 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 Company 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 Company directly or indirectly owned by the ultimate parent company.

9. 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.

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 H. Lundbeck A/S at the above address.