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Generalforsamling: 31.03.2016
Dirigent: Jørgen Kjergaard Madsen

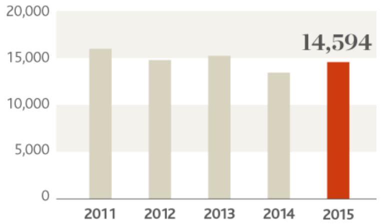
PATIENTS
FOCUSED
DEPRESSION
GLOBAL
PASSIONATE
ALZHEIMER'S
RESPONSIBLE
SCHIZOPHRENIA
PARKINSON'S
INNOVATION
LEADERSHIP
PROFITABILITY
ORGANIZATION

ANNUAL REPORT 2015

Lundbeck

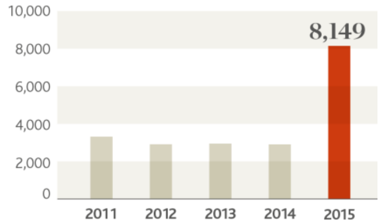
5 YEARS PERFORMANCE

REVENUE
(DKKm)



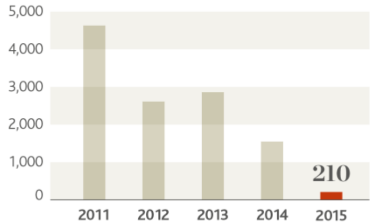
1,957 EURm 2,170 USDm

RESEARCH AND DEVELOPMENT COSTS
(DKKm)



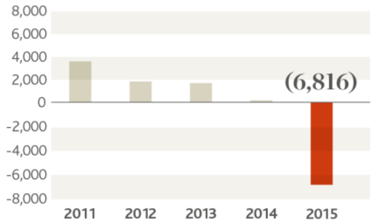
1,092 EURm 1,211 USDm

OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)
(DKKm)



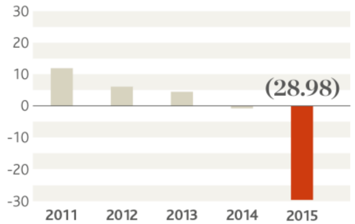
28 EURm 31 USDm

PROFIT FROM OPERATIONS (EBIT)
(DKKm)



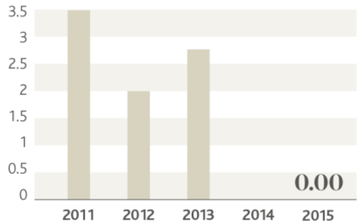
(914) EURm (1,013) USDm

EARNINGS PER SHARE (EPS)
(DKK)



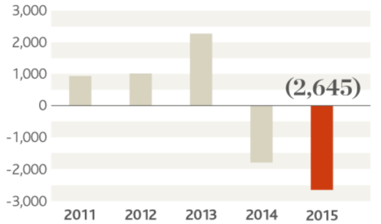
(3.89) EUR (4.31) USD

PROPOSED DIVIDEND PER SHARE
(DKK)



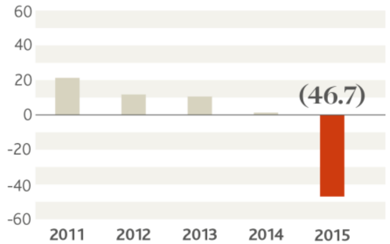
0.00 EUR 0.00 USD

CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES
(DKKm)

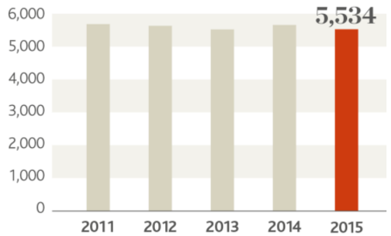


(355) EURm (393) USDm

EBIT MARGIN
(%)



AVERAGE NUMBER OF EMPLOYEES



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MANAGEMENT REVIEW

FINANCIAL STATEMENTS

FOCUSING OUR EFFORTS

2015 has been a year of development for Lundbeck – development of our key products as well as of our key markets. As a result we have seen strong growth in the important US market among others and in the sales of our key products Abilify Maintena®, Brintellix®, Northera®, Onfi® and Rexulti®.

2015 has furthermore been a year of restructuring and focussing. In August, we announced the initiation of a restructuring programme, which is going to reduce our cost base by approximately DKK 3 billion with full effect in 2017. In order to recover our profitability, the programme unfortunately included the reduction of 1,000 employees globally. Furthermore, to strengthen our business and efforts in the area of psychiatry and neurology, we have initiated a number of activities to focus our work. We have decided to focus our early-stage research projects specifically on depression, schizophrenia, Parkinson's disease and Alzheimer's disease. Going forward, we will further increase our profit through independent development and commercialization of future products.

In 2015, we celebrated our 100th anniversary. With a long, unique history of developing our expertise and leadership within neuroscience research and bringing many revolutionizing products to market, we are today able to call ourselves specialists in the treatment of psychiatric and neurological disorders.

We are focused on innovating treatments for depression, schizophrenia, Parkinson's disease and Alzheimer's disease, while creating value for all our stakeholders. We are passionate about helping patients and communities affected by psychiatric and neurological disorders. In addition, we are responsible and overcome challenges by demonstrating respect, open-mindedness and integrity.

On behalf of Lundbeck's Board of Directors, Executive Management and employees, we would like to thank all our shareholders, customers and business partners for the interest and trust they have shown in our company throughout 2015. We are looking forward to continuing our collaboration in 2016, where we will focus our efforts and business even more.

KÅRE SCHULTZ
President & CEO

HÅKAN BJÖRKLUND
Chairman of the Board of Directors

MANAGEMENT REVIEW

Lundbeck is going through an interesting period with strong growth in the important US market and in sales of our key products. At the same time, we are seeing a sharp deterioration of our European franchise through generic competition and timing of market access. Overall, Lundbeck's performance in 2015 is satisfactory and the restructuring programme we initiated in August is progressing as planned.

2015 was for Lundbeck a year of progress, with the growth of our five key products – Abilify Maintena®, Brintellix®, Northera®, Onfi® and Rexulti® – in what has been the continuation of the most extensive launch period in Lundbeck's history.

Together with this ambitious launch programme, we have also made significant progress in our development activities over the past 12 months. One exciting 2015 milestone was the US approval of Rexulti®. We also submitted a supplemental New Drug Application (sNDA) for Brintellix® in the US to include cognition data in the product label.

Overall, we achieved our revised financial expectations in 2015, with revenue reaching DKK 14,594 million and operating loss (EBIT) reaching DKK 6,816 million.

Another important development in 2015 was that Lundbeck's new CEO, Kåre Schultz, joined in May.

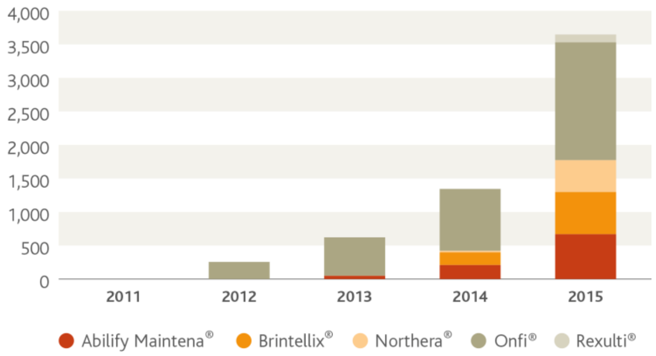
ENHANCING ORGANIZATIONAL EFFICIENCY

In August, Lundbeck initiated a restructuring programme in order to significantly improve profitability and the company's value creation. Lundbeck needs to restore and improve profitability to be able to invest in initiatives with growth and earnings potential in order to secure a competitive return on investment and create shareholder value.

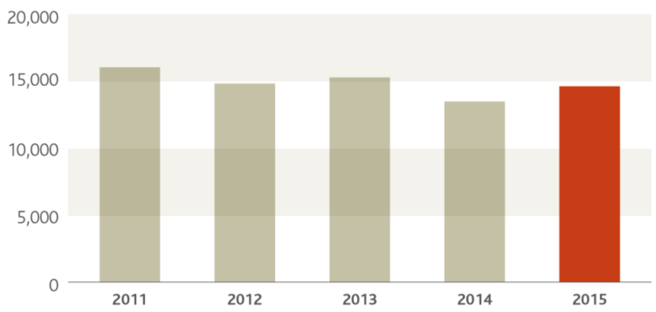
In the past few years, Lundbeck has gone through a major restructuring of its European commercial infrastructure. However, further changes to the commercial set-up were needed. As mentioned, Lundbeck intends to focus on our key products and plans to ensure cost savings by restructuring all head office functions, by further minimizing administrative functions in affiliates, and also by expanding the newly-established Business Service Centre in Krakow in Poland. In research and development, a number of cost reduction initiatives have been identified including closure of selected early-stage projects outside our four focus disease areas: depression, schizophrenia, Parkinson's disease and Alzheimer's disease.

Following the planned restructuring programme, Lundbeck made a provision of some DKK 1.1 billion for severance payments and other restructuring costs. Lundbeck furthermore recognized DKK 0.7 billion in impairment losses due to changed management estimates of certain intangible rights and fixed assets. It is expected that the restructuring programme will reduce the total cost base by approximately DKK 3 billion in 2017. In addition, an impairment loss of DKK 5.0 billion is included as research and development costs for the year. The impairment loss is based on Management's reassessment of certain milestone payments previously capitalized as product rights, and relates mainly to Rexulti®.

TOTAL REVENUE FROM KEY PRODUCTS 2011-2015 (DKKm)



TOTAL REVENUE 2011-2015 (DKKm)



REVENUE (DKK MILLION)

14,594 +8%

REVENUE FOR 2015 REACHED DKK 14,594 MILLION COMPARED TO DKK 13,468 MILLION FOR 2014.

”In order to measure our success Lundbeck's corporate management has defined financial long-term targets to describe what we strive for on the journey to realize our strategy and to govern the company's path towards increased profitability and enhanced cash flow generation.

2015 FINANCIAL PERFORMANCE

Sales performance

Revenue for 2015 reached DKK 14,594 million compared to DKK 13,468 million for 2014. The increase of 8% (0% in local currencies) is driven by a positive development in our key products. Growth from the key products reached 171% (135% in local currencies), and for the year, these key products generated revenue of DKK 3,647 million, corresponding to 25% of total revenue. We expect continued high growth for these products.

Core revenue reached DKK 14,464 million. The difference between reported revenue and core revenue can be explained by the divestiture gain of DKK 130 million from Allergan's acquisition of Naurex Inc.

Lundbeck continued its extensive launch programme in 2015 and we were able to add Rexulti® to our product portfolio following the FDA approval in July in two indications: adjunct treatment for major depressive disorder (MDD) and treatment for schizophrenia. Lundbeck is launching Rexulti® in collaboration with our partner Otsuka Pharmaceutical Co., Ltd. Lundbeck's portfolio of key products now consists of Abilify Maintena®, Brintellix®, Northera®, Onfi® and Rexulti®. Our product portfolio also includes Cipralex®/Lexapro®, Sabril®, Selincro® and Xenazine® as well as several other products where sales are included in the category 'Other pharmaceuticals'.

In early 2014, Lundbeck launched Brintellix® in the US, and later in the year, and during 2015, Brintellix® was launched in several European and International Markets. A number of additional countries are preparing for the launch of Brintellix®, which is still awaiting market access.

US

Revenue reached DKK 6,353 million in 2015, which is an increase of 69% (43% in local currency) over the previous year. Lundbeck US continues its solid growth, thereby confirming the strategic importance of this market for Lundbeck. Revenue in the US contributed 44% of total revenue in 2015 compared to 28% last year.

DKKm	2015	2014	Growth	Growth in local currency
Abilify Maintena®	324	161	101%	69%
Brintellix®	403	179	125%	85%
Northera®	475	24	1,868%	1,552%
Onfi®	1,757	923	90%	63%
Sabril®	985	716	38%	15%
Xenazine®	2,182	1,672	31%	12%
Rexulti®	117	-	-	-
Other pharmaceuticals	110	83	31%	13%
Total revenue	**6,353**	**3,758**	**69%**	**43%**

International Markets

Revenue from International Markets, made up of all Lundbeck's markets outside of Europe and the US, reached DKK 3,827 million in 2015 compared to DKK 4,144 million in 2014 – a decline of 8%, primarily due to the patent expiry of Cipralex® in Canada. In local currencies, revenue decreased by 11% as sales were eroded by generic competition for some of our products. International Markets constituted 26% of total revenue in 2015 compared to 31% in the same period last year.

DKKm	2015	2014	Growth	Growth in local currencies
Abilify Maintena®	64	4	1,546%	1,548%
Azilect®	175	126	40%	39%
Brintellix®	121	5	2,535%	2,465%
Cipralex®	1,698	2,444	(31%)	(31%)
Ebixa®	576	486	19%	9%
Other pharmaceuticals	1,193	1,079	10%	4%
Total revenue	**3,827**	**4,144**	**(8%)**	**(11%)**

Europe
Revenue dropped to DKK 3,896 million in 2015 compared to DKK 5,019 million in 2014. The decline was caused by generic competition and eroding sales of Cipralex® and Ebixa® following the loss of exclusivity. Europe constituted 27% of total revenue in 2015 compared to 37% in 2014.

DKKm	2015	2014	Growth	Growth in local currencies
Abilify Maintena®	281	44	527%	505%
Azilect®	1,282	1,371	(7%)	(6%)
Brintellix®	105	4	2,629%	2,632%
Cipralex®	893	2,203	(59%)	(60%)
Selincro®	184	59	214%	212%
Other pharmaceuticals	1,151	1,338	(14%)	(15%)
Total revenue	**3,896**	**5,019**	**(22%)**	**(23%)**

Total costs for 2015 were DKK 21,410 million compared to DKK 13,369 million for 2014. The increase in total costs can primarily be ascribed to the impairment of product rights, provisions and impairments relating to the restructuring programme.

As a result of the increased costs, **EBIT** for 2015 amounted to a loss of DKK 6,816 million compared to a profit of DKK 99 million in 2014. Core EBIT reached DKK 847 million.

The difference between reported EBIT and core EBIT of DKK 6.8 billion can be explained mainly by adjustments for amortization of intangible assets and impairment of intangible assets and property, plant and equipment in general and costs associated with the impairment of product rights and the restructuring programme.

Lundbeck generated **a net financial expense** of DKK 190 million in 2015 compared to a net financial expense of DKK 155 million in 2014.

Reported loss for 2015 was DKK 5,694 million compared to a loss of DKK 153 million in 2014.

The reported loss in 2015 corresponds to a negative **EPS** of DKK 28.98 per share compared to a negative EPS of DKK 0.78 per share for 2014. Core EPS was DKK 1.56 per share for 2015 compared to a core EPS of DKK 3.20 per share in 2014.

The effective tax for 2015 is a gain of 18.7% due to the deficit caused by the restructuring programme. The tax rate reflects a lower benefit of the negative result compared to the Danish corporate income tax rate, due to:

- Amortization of Northera product rights, which is not deductible for tax purposes and thus creates a permanent difference.
- Lundbeck's increased activity in the US results in an increased profit in the US taxed at a higher tax rate in US, than the Danish tax rate.

In 2015, Lundbeck had a negative **cash flow** from operating and investing activities of DKK 2,645 million compared to a negative cash flow from operating and investing activities of DKK 1,786 million last year.

For details on the financial statements, see page 37.

OUTLOOK 2016

Lundbeck expects revenue to be DKK 13.8-14.2 billion. The outlook is based on unchanged exchange rates and expectations for continued robust performance of our key products which partly offsets the continued erosion of sales of our mature products by generic competitors.

Lundbeck expects EBIT to be DKK 1.0-1.2 billion for 2016, assuming unchanged exchange rates.

For 2016, Lundbeck will not provide any guidance for core revenue and core EBIT, which is a change from 2015. For 2016, the difference between EBIT and Core EBIT is solely expected to be amortizations of product rights, which are expected to amount to approximately DKK 1 billion.

FINANCIAL FORECAST 2016

DKK billion	2015 actual	2016 forecast
Revenue	14.6	13.8-14.2
EBIT	(6.8)	1.0-1.2

LONG-TERM FINANCIAL TARGETS

In order to measure our success, Lundbeck's corporate management has defined a number of financial long-term targets to describe what we strive for on the journey to realize our strategy and to govern the company's path towards increased profitability and enhanced cash flow generation. Management expects that the targets are achievable within three to five years. The long-term financial targets are based on the current visibility of the global economy and our markets.

LONG-TERM FINANCIAL TARGETS

Key figures	Definition	Target
EBIT margin (%)	Profit from operations as a percentage of revenue	25%
ROIC (%)	Profit from operations (EBIT) after tax as a percentage of average invested capital	25%
Cash-to-earnings	Cash flow from operating and investing activities as a percentage of net profit/(loss) for the year.	>90%

Lundbeck has a financial policy which aims to have a net debt to EBITDA less than 2. Lundbeck also has a policy for dividend payout ratio which has been adjusted from a previous range of 25% to 35% to a range between 30% and 40%. The revised range will bring the expected payout ratio more in line with similar sized pharmaceutical companies in Europe. For 2015, the Board of Directors proposes no dividend payout due to the loss for the year.

EBIT margin

Lundbeck's management foresees a significantly increased profitability in the coming years. Lundbeck targets to reach an EBIT margin of 25% during the next three to five years, which will bring us at the level of many other European mid-sized pharmaceutical companies.

ROIC

By increasing earnings and keeping investment and net working capital requirements low, Lundbeck aims to generate a return on invested capital (ROIC) of 25% during the next three to five years. ROIC is a calculation that assesses Lundbeck's efficiency at allocating the capital under its control to profitable investments. Return on invested capital gives a sense of how well Lundbeck is using its money to generate returns.

Cash-to-earnings

The cash-to-earnings ratio illustrates the cash generation ability of our earnings. Lundbeck expects to be able to finance most of its own activities in line with most other companies in the industry. Lundbeck targets a cash-to-earnings ratio of more than 90% during the next three to five years.

DISCLAIMER

Forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. This may cause actual results to differ materially from expectations. Various factors may affect future results, including interest rates and exchange rate fluctuations, delay or failure of development projects, production problems, unexpected contract breaches or terminations, governance-mandated or market-driven price decreases for products, introduction of competing products, Lundbeck's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws, and unexpected growth in expenses.

EVENTS & MILESTONES 2015

January

- Lundbeck joined 35 partners from industry and academia to form a European research initiative for the prevention of Alzheimer's disease (EPAD).

March

- Lundbeck announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive opinion for a Type-II Variation related to the update of the European summary of the product characteristics (SmPC) for Brintellix®.

May

- Lundbeck announced that the Board of Directors of the company had appointed Kåre Schultz as new president and CEO of Lundbeck.

July

- Lundbeck and Otsuka Pharmaceutical Co., Ltd. announced that FDA approved Rexulti® as an adjunctive therapy for the treatment of adults with MDD and as a treatment for adults with schizophrenia.
- Lundbeck announced the membership of the innovative US research initiative - GAP - to take on Alzheimer's disease.

August

- Lundbeck announced a new restructuring programme in order to significantly improve profitability and improve the company's value creation.
- Lundbeck and Takeda Pharmaceutical Company Ltd announced that the FDA has accepted a supplemental New Drug Application (sNDA) for review to add clinical data regarding the effect of Brintellix® on certain aspects of cognitive dysfunction in adults with MDD to the current product label.

October

- Lundbeck announced that Brintellix® received first-line reimbursement in broad MDD (without any restrictions) in South Korea after more than a five-year journey from clinical trials, to registration, to pricing and reimbursement.
- Lundbeck announced that the Brazilian authorities have approved Brintellix® with cognition in the label. With the approval, Lundbeck can launch Brintellix® in Brazil as a drug which can treat cognitive symptoms associated with MDD.
- Lundbeck announced the conclusion by the Gemeinsamer Bundesausschuss (G-BA, Federal Joint Committee) that Brintellix® does not show additional benefit in the treatment of major depressive episodes in adults. G-BA rejected the clinical evidence submitted on purely formal grounds.
- Lundbeck announced that the National Institute for Health and Care Excellence (NICE) in the UK in its final draft guidance has recommended Brintellix® for some adults with MDD. The positive recommendation follows the submission by Lundbeck of further evidence, as required by NICE in its previous draft guidance.

November

- Lundbeck announced that Brintellix® has been launched in four Asian markets: Singapore, Philippines, Malaysia and Thailand. All labels in the region feature the cognition data package.

December

- Lundbeck unveiled the new continuous production facility in Lumsås, Denmark. It is a production evolution that makes Lundbeck able to insource production from India to Denmark. It changes production of one big batch at a time to continuously producing small quantities of a product.

STRATEGY REVIEW

All over the world, psychiatric and neurological disorders are a growing burden, not only for individuals, but for families and societies as well. At Lundbeck, we strive for global leadership in psychiatry and neurology by improving the lives of patients. With Lundbeck's new strategy, we will focus our efforts throughout the value chain in order to create value for patients, society and our shareholders.

How we create value
Lundbeck has developed a new strategy in order to increase the company's performance and value creation. The strategy consists of a simple framework with three elements. Our vision describes what we strive for, our principles guide our actions and our strategic objectives define the strategic focus for decisions and execution of the strategy in the years to come.

VISION

Lundbeck strives for global leadership in psychiatry and neurology by improving the lives of patients.

An estimated 700 million people worldwide are living with psychiatric and neurological disorders.[1] Since the 1950s, we have been at the forefront of research within neuroscience and our development and distribution of pioneering treatments continues to make a difference. Today, we are recognized for having helped hundreds of millions of people. However, there is still a massive need for help. Far too many suffer due to inadequate treatment, discrimination, a reduced number of working days, early retirement and other unnecessary consequences.

OUR PRINCIPLES

Our principles are based on Lundbeck's unique culture and guide the daily decisions and behaviour of people in the company.

We are focused on innovating treatments for depression, schizophrenia, Parkinson's disease and Alzheimer's disease while creating value for all our stakeholders.

We are passionate about helping patients and communities affected by psychiatric and neurological disorders.

We are responsible and overcome challenges by demonstrating respect, open-mindedness and integrity.

STRATEGIC OBJECTIVES

Lundbeck's management has defined five strategic objectives, which describe the focus for decisions and execution of the strategy in the years to come: four disease areas, innovation, globalization, profitability and organization.

1) The Global Burden of Disease Study 2013, Lancet.com, published online June 8, 2015

Four disease areas

We will strive for leadership in the treatment of depression, schizophrenia, Parkinson's disease and Alzheimer's disease.[1]

In the coming years, we have decided to focus our efforts on the four disease areas where we believe Lundbeck can lead the innovation of improved treatments. All four disease areas are characterized as areas with huge unmet medical needs, and where Lundbeck has expertise and competitive advantages throughout the value chain. By focusing our efforts on areas where we have the most expertise, we believe that we will be able to create significant value for patients, society and shareholders.

For other psychiatric and neurological disorders, Lundbeck will have an opportunistic approach if compounds developed to treat the four focus diseases also can help patients with related psychiatric and neurological disorders. However, Lundbeck will not expand the existing commercial portfolio through external opportunities.

Value drivers	Value barriers
• Increased recognition of burden of the four diseases • Economic growth increases ability to invest in healthcare systems and treatments • Strong R&D expertise in the four disease areas	• Pressure on healthcare budgets make societies reluctant to pay for new and better treatments • Insufficient healthcare systems to diagnose and treat patients • Stigma and discrimination

Strategic initiatives

- Be among the leaders in the improvement of pharmaceutical treatments within depression, schizophrenia, Parkinson's disease and Alzheimer's disease
- Develop a strong R&D pipeline based on own research combined with early-stage external opportunities
- Develop and market more efficient and safer treatments for patients living with depression and schizophrenia
- Develop and market innovative disease-modifying and symptomatic treatments for patients living with Parkinson's disease and Alzheimer's disease

Innovation

We will develop innovative treatments that address unmet patient needs.

Lundbeck has during the last 70 years conducted research in psychiatric and neurological disorders and is today among the leading pharmaceutical companies within neuroscience research. The core of the value we create is derived from the better treatments we discover, develop and distribute. Today, treatments for psychiatric and neurological disorders are primarily symptomatic, but we believe that in the future we will be able to discover new pharmaceuticals targeting the underlying mechanisms of these disorders. This approach allows us to treat the symptoms more effectively and also potentially to alter the courses of the disorders.

Value drivers	Value barriers
• Strong pipeline • Strong expertise in neuroscience • New insights to treat underlying biological mechanism • Digitalization provides new approaches to improve value for patients	• Increased cost to invent new treatments • Limited acknowledgement of patient relevant outcomes beyond traditional end points

Strategic initiatives

- Research and develop innovative pharmaceutical treatments utilizing our leading expertise within depression, schizophrenia, Parkinson's disease and Alzheimer's disease
- Better understand the need of the patients through increased partnerships with patient organizations and disease communities
- The unmet need of the patients is the foundation of our research efforts
- Research and develop innovative treatments targeting well-defined patient segments
- Apply innovative approaches to optimize development

1) Read more about our four disease areas on page 14

Globalization

We will expand and optimize our global organization.

Today, we have our own organization in more than 50 countries and have made our pharmaceutical treatments available in more than 100 countries. With a global presence, we are able to increase the value of the pharmaceuticals we commercialize. Our ability to provide treatments to patients in a country is dependent on a robust healthcare system. We expect to create value by working with societies around the world, improving access for patients to better treatments and by balancing and expanding our global organization accordingly.

	Value drivers	Value barriers
US	• Accounts for almost half of the global market • Willingness to reward innovation	• Current infrastructure limits Lundbeck's share of the US market
International Markets	• Economic growth increases focus on investing in healthcare systems • Demographics	• Limited healthcare infrastructure to diagnose and treat psychiatric and neurological disorders
Europe	• Lundbeck has a long heritage in Europe and strong relations with medical community	• Increased focus on reducing healthcare budgets limits access for new treatments

Strategic initiatives

- Expand our organization in the US, China and Japan
- Optimize and drive our business in established markets based on a sustainable and profitable presence
- Continue to expand our organization in key emerging markets in line with the increased demand for the treatment of psychiatric and neurological disorders

Profitability

We will grow our business with a strong focus on profitability created by independent development and commercialization of future products.

The ability to create a growing business and deliver profitable results is what makes Lundbeck able to improve treatments for patients, offer an attractive return to our shareholders and contribute to the societies we operate in.

Value drivers	Value barriers
• Restructuring programme on track • Opportunities to expand globally • Key products with huge potential • Strong pipeline	• Generic competition on mature portfolio • Price pressure and market access restrictions

Strategic drivers

- Reduce cost base by DKK 3 billion in 2017 compared to the expected annualized cost base before the restructuring programme in 2015
- Increase profitability of product portfolio and maximize uptake on key products
- Existing alliances will have high priority in order to maximize the value of our partnered products
- Increase our profit through independent development and commercialization of future products

Organization

Lundbeck will be a specialized company with strong cross-functional collaboration.

Lundbeck is a mid-sized pharmaceutical company constantly optimizing the organization in order to generate value. In order to regain the company's profitability and position the company for future success, Lundbeck announced in 2015 the company-wide restructuring programme.

Value drivers	Value barriers
• Focused on psychiatry and neurology throughout the value chain • Proven track-record in developing and commercializing leading treatments for psychiatric and neurological disorders	• Increased costs for developing and commercializing treatments • Generic competition on mature portfolio puts pressure on Lundbeck's profitability

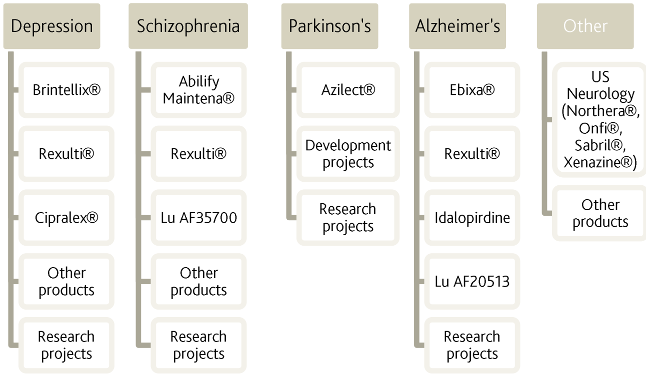
Strategic initiatives

- Restructure to reduce company cost base
- R&D organization focused on four disease areas
- Cost-efficient administration and supply chain
- Commercial organization balanced to capture market potential and increase profitability
- Ensure that the organization has the required level of capabilities to meet business needs
- Continue to be an attractive workplace with engaged employees
- Ensure strong cross-functional collaboration across the organization

KEY DISEASE AREAS

For almost a century, Lundbeck has been discovering, researching, developing and commercializing treatments for psychiatric and neurological disorders. Today, Lundbeck is a fully integrated, global pharmaceutical company with a diversified portfolio of 11 actively promoted drugs and a clinical pipeline of product candidates that are designed to address the unmet medical needs of patients worldwide.

Through its restructuring programme, announced in August 2015, Lundbeck is putting increased emphasis on organic growth and internal development. Lundbeck will now focus on four key therapeutic areas within psychiatry and neurology: depression, schizophrenia, Parkinson's disease and Alzheimer's disease.



DEPRESSION

World market size[1]	USD 15.8bn in 2014 (DKK ~103bn)
Lundbeck treatments for depression	DKK 4.5bn (Brintellix®: DKK 629m; Cipralex®: DKK 2,591m and other products: DKK 1.3bn)

Background

In the early 1960s, Lundbeck launched the antidepressant Saroten®. This marked the start of Lundbeck's interest in antidepressants that would later lead to the discovery of citalopram and the development of Cipramil® which was launched in 1989 and later Cipralex®/Lexapro® which was launched in 2002. Cipralex®/Lexapro® grew to become a major share of Lundbeck's business as well as becoming one of the leading antidepressants in the world with total sales of more than USD 6 billion. In 2014, Brintellix® was launched in the US and in some European and other international markets for the treatment of MDD. In August 2015, together with our partner Otsuka Pharmaceutical Co., Ltd., we launched Rexulti® in the US – for the treatment of adjunct MDD.

Disease description and demographics

Depression is a serious medical condition that is associated with a series of symptoms including melancholy and loss of energy, as well as suicidal thoughts. These symptoms can have a great impact on daily life.

Depression includes a range of symptoms, including cognitive impairment.[2] The cognitive symptoms of depression may go unrecognized by both healthcare providers and patients.[3] Common cognitive complaints include difficulty concentrating, indecisiveness and forgetfulness.[2] These symptoms are common and in many cases they can persist between major depressive episodes.[2,3] According to a three-year prospective study of people treated for depression, cognitive symptoms (defined as diminished ability to think or concentrate and/or indecisiveness) were reported 94% of the time during major depressive episodes and 44% of the time between major depressive episodes (or during periods of partial remission).[3]

Depression is found worldwide in people of all age groups and from all social backgrounds and among both men and women. Depression typically first appears in people aged 20–25 years.[4] Currently, it is estimated that 350 million people worldwide suffer from depression.[5] The World Health Organization (WHO) now lists depression as the leading disability worldwide and a major contributor to the overall global burden of disease.[5] One study found that up to 65% of individuals suffering from depression rated their condition as being severely disabling. Despite this, many people with depression remain untreated.[6]

Current approaches and unmet needs in the treatment of depression

While several pharmacological treatments are available, more than 50%[7] of patients remain symptomatic following first-line treatment. One third of people fail to achieve remission after four rounds of treatment with established compounds.[7]

Both in clinical practice and clinical research, the main focus in depression has been on mood symptoms. Primary measures in clinical trials, for example the MADRS, reflect changes in a range of symptoms with an emphasis on mood symptoms. However, the range of symptoms patients experience includes cognitive symptoms, such as difficulty concentrating, forgetfulness and inability to make decisions.

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2) Diagnostic and Statistical Manual of Mental Disorders (DSM-5). (5th ed., 155-188). America Psychiatric Association, 2013
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5) WHO: http://www.who.int/mediacentre/factsheets/fs369/en/
6) Kessler R, Aguilar-Gaxiola S, Alonso J, et al. The global burden of mental disorders: An update from the WHO World Mental Health (WMH) Surveys. Epidemiol Psychiatr Soc 2009; 18(1): 23–33
7) 2006 Rush et al. Acute and Longer-Term Outcomes in Depressed Outpatients Requiring One or Several Treatment Steps. A STARD Report

The tolerability of antidepressants and patients' concerns about side-effects negatively affect treatment outcomes. Patients with major depression who experience at least one severe side-effect are twice as likely to discontinue treatment prematurely. Additional treatment strategies are therefore needed to prevent and treat the common and debilitating symptoms of depression.

Brintellix® (vortioxetine)
Brintellix® was approved by the Food and Drug Administration (FDA) in the US in October 2013 and by the European Medicines Agency (EMA) in Europe in December 2013. Australian, Brazilian and Canadian authorities have also approved Brintellix®. In Canada, the product is marketed under the name Trintellix®. In early 2014, together with our partner Takeda Pharmaceutical Company Ltd., Lundbeck launched Brintellix® in the US. Later in 2014, Lundbeck launched Brintellix® in a number of additional markets. In 2015, Brintellix® generated revenue of DKK 629 million.

Brintellix® is an inhibitor of serotonin (5-HT) reuptake and is also an agonist at 5-HT1A receptors, a partial agonist at 5-HT1B receptors and an antagonist at 5-HT3, 5-HT1D and 5-HT7 receptors. Brintellix® is considered to be the first and only compound with this combination of pharmacodynamic activity. This is despite the fact that mechanism of the antidepressant effect of Brintellix® is not fully understood and has not been definitively established. Brintellix® was discovered by Lundbeck researchers in Copenhagen, Denmark.

In August 2015, Lundbeck and Takeda Pharmaceutical Company Ltd. announced that the FDA had accepted a supplemental New Drug Application (sNDA) for review, to add clinical data to the current product label regarding the effect of Brintellix® on certain aspects of cognitive dysfunction in adults with MDD. The FDA is expected to take action on this filing by 28 March 2016. In March 2015, the EMA in Europe approved the label update of Brintellix® to reflect its effect on certain aspects of cognitive function.

Rexulti® (brexpiprazole)
Rexulti® was discovered by Otsuka Pharmaceutical Co., Ltd. and co-developed by Otsuka Pharmaceutical Co., Ltd. and Lundbeck. The mechanism of action for Rexulti® is in the treatment of MDD.

However, the efficacy of Rexulti® may be mediated through a combination of partial agonist activity at serotonin 5-HT1A and dopamine D2 receptors, and antagonist activity at serotonin 5-HT2A receptors. In addition, Rexulti® exhibits high affinity for noradrenaline alpha1B/2C receptors.

The drug was approved in the US in July 2015 and launched in August, as adjunctive therapy to antidepressants in adults with depression and as a treatment in adults with schizophrenia. In 2015, Rexulti generated revenue of DKK 117 million for Lundbeck.

The future
Lundbeck's research efforts within the area of depression are geared towards meeting currently unmet needs such as treatment resistance, improved functionality as well as higher efficacy and tolerability. Recent efforts to address treatment resistance have led to an increased attention on a major transmitter in the human brain called glutamate. With this representing a novel area in depression-targeted research, our research programmes actively pursue pharmacological opportunities to interfere with the glutamatergic system in a safe and efficacious way. Moreover, Lundbeck seeks to unravel the neurobiological mechanisms that underlie the role of this transmitter in patients with depression.

To further address and adjust the underlying mechanism of depression, we study networks in the brain that are involved in the interpretation of external stimuli leading to internal processing of emotions. Here, advanced technologies allow us to visualize brain activity during pleasurable as well as adverse experiences, both in humans as well as rodent species. With these tools at hand, our goal is to identify innovative drug targets that are directly involved in such mood-related mechanisms, e.g. reward-related pathways. In addition to developing the pharmaceutical agents, we invest in identifying biological markers that can support the diagnosis, as well as monitor treatment responses and predict treatment outcome.

Bearing in mind that different biological factors, as well as environmental, can lead to the development of depression, it is critical to identify the causative processes of the disorder in order to optimize efficacy rates of each treatment.

SCHIZOPHRENIA

World market size[1]	USD 23.9bn in 2014 (DKK ~155bn)
Lundbeck treatments for schizophrenia	DKK 2bn (Abilify Maintena®: DKK 669m, Saphris®/Sycrest®: DKK 166m, Rexulti®: DKK 117m and other products: DKK 1bn)

Background

In 1959, Lundbeck launched Truxal® – one of the first antipsychotics in the world, which through the 1960s and 1970s became Lundbeck's most sold product. In 1996, Serdolect® was launched for the treatment of schizophrenia. The product is still registered in 37 countries (as of November 2015). In 2011, Lundbeck launched Saphris®/Sycrest® for the treatment of bipolar I disorder in Europe and schizophrenia and/or bipolar I disorder outside of Europe. Saphris®/Sycrest® was licensed from Merck & Co., Inc. in 2010. In February 2013, Abilify Maintena® was approved by the FDA in the US and by the EMA in Europe in November 2013 for the treatment of schizophrenia. We launched the product together with our partner Otsuka Pharmaceutical Co., Ltd. in the US in 2013. In 2015, Lundbeck further strengthened its position in treatments for schizophrenia with the launch of Rexulti® in the US – also together with Otsuka Pharmaceutical Co., Ltd.

Disease description and demographics

Schizophrenia is a chronic, severe and disabling psychiatric disorder. The disease is marked by positive symptoms (hallucinations and delusions) and negative symptoms (depression, blunted emotions and social withdrawal), as well as by disorganized thinking.

Schizophrenia affects people regardless of race, culture or social class. It typically starts in early adulthood (from age 20) but it can develop at any age from late teens onwards. Schizophrenia affects both men and women, although men tend to develop the condition slightly earlier in life. The chance of an individual developing schizophrenia during his or her lifetime is approximately 1%.[2]

The WHO estimates that over 21 million people suffer from schizophrenia, making it one of the top 20 causes of disability worldwide.[3]

Schizophrenia is among the most financially costly illnesses in the world and, together with other psychotic illnesses, has been shown to account for a significant proportion of total national healthcare budgets: 1.5% in the UK, 2% in the Netherlands and France, and 2.5% in the US.[4,5]

Current approaches and unmet needs in the treatment of schizophrenia

Atypical antipsychotics are the predominant drug class for treating schizophrenia. The primary goals of medical treatment of schizophrenia are to reduce the frequency and severity of psychotic episodes, maintain the reduction of these symptoms over the long term, and improve patients' functional capacity, thereby enhancing quality of life for patients and their caregivers.

Studies have demonstrated that as many as 75% of patients with schizophrenia have difficulty in taking their oral medication on a regular basis, which can lead to worsening of symptoms and increased risk of relapse.[6]

Abilify Maintena® (aripiprazole once-monthly)

Abilify Maintena® was approved by the FDA in the US in February 2013 and by the EMA in Europe in November 2013. Lundbeck launched the product together with our partner Otsuka Pharmaceutical Co., Ltd. in the US in 2013. Revenue reached DKK 669 million in 2015. Abilify Maintena® is the first once-monthly injection of a dopamine D2 partial agonist. It is available in Europe, the US and International Markets.

Rexulti® (brexpiprazole)

Rexulti® was discovered by Otsuka Pharmaceutical Co., Ltd. and co-developed by Otsuka Pharmaceutical Co., Ltd. and Lundbeck. The mechanism of action for Rexulti® in the treatment of MDD or schizophrenia is unknown. However, the efficacy of Rexulti® may be mediated through a combination of partial agonist activity at serotonin 5-HT1A and dopamine D2 receptors, and antagonist activity at serotonin 5-HT2A receptors. In addition, Rexulti® exhibits high affinity for noradrenaline alpha1B/2C receptors.

1) IMS Health
2) Tsuang MT, Farone SV. Schizophrenia. Second edition. Oxford University Press Inc., New York: 2005
3) WHO: http://www.who.int/mediacentre/factsheets/fs397/en/
4) Rössler W, Salize HJ, van Os J, Riecher-Rössler A. Size of burden of schizophrenia and psychotic disorders. Eur Neuropsychopharmacol 2005; 15 (4): 399–409
5) Lindström E, Eberhard J, Neovius M, Levander S. Costs of schizophrenia during 5 years. Acta Psychiatr Scand Suppl 2007; 116 (435): 33–40
6) Weiden et al. Psychiatr Serv 1995;46:1049–1054

The drug was approved in the US in July 2015 and launched in August, as adjunctive therapy to antidepressants in adults with depression and as a treatment in adults with schizophrenia. In 2015, Rexulti® generated revenue of DKK 117 million for Lundbeck.

Lu AF35700 to commence phase III in 2016

The clinical phase III programme on Lu AF35700 is planned to start during the first quarter of 2016 for patients with treatment-resistant schizophrenia. The first study is expected to enrol approximately 550 patients. Lu AF35700 has a novel and unique pharmacology that includes high D1 and 5-HT6 receptor affinity in combination with low D2 receptor affinity. The compound represents a potential new option for patients inadequately treated with current medications.

The future

Lundbeck's schizophrenia research programmes focus on key biological mechanisms underlying the disorder, with the aim of addressing patient's current unmet needs. These include deficits in cognition as well as positive and negative symptoms, both of which affect a person's ability to function normally.

The field of genetics has brought novel insights into schizophrenia research over the past decade, as advanced analytical tools have revealed several hereditary risk factors. One of these genetic risk factors are the so-called copy number variants, or CNVs, which represent either a duplication or a deletion of whole regions of DNA that comprise several genes. Lundbeck is committed to understanding the biological mechanisms related to these genes and to using genetically engineered research tools to identify novel treatments with the potential to revert these mechanisms to a healthy state.

Another focus area of our schizophrenia research addresses the communication between different brain regions, also referred to as connectivity. Here, we are especially interested in certain types of cells in the brain, the so-called interneurons. Interneurons play an important role in synchronizing brain activity, thereby allowing signals to be communicated between different brain regions. Evidence hints towards an inter-neuronal dysfunction related to schizophrenia, and reinstating the properties of these cells to a normal status is at the core of several of our research programmes. To monitor such biological processes, we develop and test quantitative laboratory tools that can measure these mechanisms in humans as well as in pre-clinical species.

PARKINSON'S DISEASE

World market size[1]	USD 4.4bn in 2014 (DKK ~28.5bn)
Lundbeck treatments for Parkinson's disease	DKK 1.9bn (Azilect®: DKK 1,457m; Northera®: DKK 475m)

Background

At the beginning of 2005, Lundbeck was given approval to market Azilect® (rasagiline) in Europe for the treatment of Parkinson's disease. Azilect® was licensed from the Israeli company Teva Pharmaceutical Industries Ltd. in November 1999. The sales rights of Azilect® for European markets will be transferred back to Teva Pharmaceutical Industries Ltd. in 2016. Azilect® is currently available in some 40 countries.

Disease description and demographics

Parkinson's disease is a progressive, degenerative disorder characterised by resting tremor, muscular rigidity, bradykinesia and postural instability. The motor symptoms are caused by the degeneration of dopamine-producing cells in the brain. In the late stage of the disease, patients deteriorate strongly and are often confined to a chair or bed.

Many Parkinson's disease patients also suffer from disease-related non-motor symptoms e.g. low blood pressure, sensory problems, sleep disorders, psychiatric problems and dementia. The non-motor symptoms are largely caused by dysfunction of non-dopaminergic neurotransmitter systems.

Parkinson's disease is the second most common of the neurodegenerative disorders. It is estimated to affect approximately 5.9 million patients worldwide[2], with 4 to 20 new cases reported per 100,000 people per year.[3] Parkinson's disease usually develops in people in their late 50s and early 60s, though rarer forms of the disease can develop before the age of 40.[4] One study of five European countries found that 1.6% of the population aged 65 or over had Parkinson's disease.[5]

According to the International Parkinson and Movement Disorder Society, the prevalence of diagnosed patients with the disease will likely double from 2010 to 2040 due to increased life expectancy.[6]

Current approaches and unmet needs in the treatment of Parkinson's disease

Available therapies for Parkinson's disease treat symptoms of the disease. Drugs that enhance brain dopamine levels or stimulate dopamine receptors remain the mainstay of treatment for motor symptoms. These drugs include levodopa, dopamine agonists, monoamine oxidase type B inhibitors, and, less commonly, amantadine.

Northera® (droxidopa)

In 2014, Lundbeck successfully acquired Chelsea Therapeutics International Ltd. for USD 530 million and as a result also acquired Northera®, which was approved in the US by the FDA early in 2014. Lundbeck launched the product in the US in September 2014 and in 2015 sales reached DKK 475 million.

Northera® is indicated for the treatment of orthostatic dizziness, light-headedness, or the "feeling that you are about to black out" in adult patients, with symptomatic neurogenic orthostatic hypotension caused by primary autonomic failure (Parkinson's disease, multiple system atrophy and pure autonomic failure), dopamine beta-hydroxylase deficiency or non-diabetic autonomic neuropathy.

The future

Lundbeck is investigating Lu AE04621 for symptomatic treatment of Parkinson's disease. Lu AE04621 is a prodrug for a dopamine agonist with superior receptor kinetics and balance between dopamine receptor activation relative to current treatments.

The neurodegeneration in Parkinson's disease is predicted to result from spreading of a pathological misfolded protein, -synuclein. Lundbeck is in collaboration with industry-leading partners investigating the disease-modifying potential of antibody therapies to reduce or prevent the spreading of -synuclein.

Several familiar (genetic) forms of Parkinson's disease have been identified. Mutations with elevated kinase activity in the Leucine-Rich Repeat Kinases 2 (LRRK2) increase the risk factors for the development of Parkinson's disease. Inhibition of LRRK2 activity is investigated as a potential neuroprotective for treatment of Parkinson patients with high LRRK2 activity.

1) IMS Health
2) The Global Burden of Disease Study 2013, Lancet.com, published online June 8, 2015
3) de Lau, Lonneke M.L. & Breteler, Monique M.B. Epidemiology of Parkinson's disease. Lancet Neurology, 2006;5(6):525-535.
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5) de Rijk MC, Tzourio C, Breteler MM, et al. Prevalence of parkinsonism and Parkinson's disease in Europe: the EUROPARKINSON Collaborative Study. European Community Concerted Action on the Epidemiology of Parkinson's disease. J Neurol Neurosurg Psychiatry 1997; 62(1):10–15.
6) http://www.movementdisorders.org/MDS/About/Movement-Disorder-Overviews/Parkinsons-Disease--Parkinsonism.htm

ALZHEIMER'S DISEASE

World market size[1]	USD 6.1bn in 2014 (DKK ~40bn)
Lundbeck treatments for Alzheimer's disease	DKK 1bn (Ebixa®: DKK 1,007m)

Background
In 2002, Lundbeck obtained approval for Ebixa® (memantine) for the treatment of moderately severe to severe Alzheimer's disease. In 2005, the label was extended to also cover treatment of moderate Alzheimer's disease. Ebixa® was licensed from the German company Merz Pharma GmbH & Co. KGaA in August 2000.

Disease description and demographics
Alzheimer's disease is the most common cause of dementia and may contribute to 60–70% of cases.[2] The post mortem pathology is characterized by two specific findings: amyloid plaques (extracellular deposits containing a protein called amyloid beta peptide) and neurofibrillary tangles (intracellular, abnormally twisted forms of the protein tau). Both of these abnormal protein deposits have been implicated in the pathogenesis of Alzheimer's disease. The life expectancy from diagnosis to death is seven to nine years.

Over the course of the disease large areas of the brain degenerate, resulting in cellular loss and dysfunction, a gradual loss of memory, problems with reasoning or judgement, disorientation, difficulty in learning, loss of language skills and a decline in the ability to perform routine tasks.

People with Alzheimer's disease can also experience changes in their personalities and behavioural problems, such as agitation, anxiety, delusions and hallucinations. These changes increasingly impact upon the person's daily life, reducing their independence until ultimately they are entirely dependent on others, resulting in an enormous impact on the patient's caregiver. Most caregivers are close relatives who provide care in the home – a demanding and exhausting role that represents a huge emotional and physical burden.

Alzheimer's disease is the most common neurodegenerative disorder and occurs most frequently in people over 65 years.[2] Around 47.5 million people have dementia worldwide and there are 7.7 million new cases every year.[2]

With the demographic shift towards an increasingly elderly population, it is predicted that the number of people affected by dementia will almost double every 20 years. The total number of people with dementia is projected to 75.6 million in 2030 and by the year 2050 it is thought that 135.5 million people will have the condition.[2] Dementia is one of the major causes of disability and dependency among older people worldwide. In 2010, the total global societal costs of dementia were estimated to be USD 604 billion. This corresponds to 1% of the worldwide gross domestic product (GDP).[2]

Current approaches and unmet needs in the treatment of Alzheimer's disease
Acetylcholinesterase inhibitors (AChEls) and memantine are the only approved treatment of Alzheimer's disease, with AChEls approved from diagnosis and memantine from the mild to moderate stage of the disease and onwards.

The most pressing unmet needs in Alzheimer's disease are improved symptom treatment and disease-modifying treatments. The current approaches to disease-modifying treatments rely on reduction of the amyloid beta peptide. As the amyloid deposits appear in the brain a decade before diagnosis of the disease, methods for early diagnosis have become particularly important for disease modifying and the focus for intense investigations.

Idalopirdine – clinical phase III
In October 2013, Lundbeck and Otsuka Pharmaceutical Co., Ltd. initiated the phase III programme in idalopirdine in order to explore the effect of the compound in mild-to-moderate Alzheimer's disease as adjunctive therapy to acetylcholinesterase inhibitors (AChEls). The programme will enrol approximately 2,500 patients worldwide with expected finalization in the first quarter of 2017.

1) IMS Health
2) WHO: http://www.who.int/mediacentre/factsheets/fs362/en/

Brexpiprazole in Alzheimer's disease – clinical phase III
In the second half of 2013, Lundbeck and Otsuka Pharmaceutical Co., Ltd. initiated two pivotal studies with Rexulti® for patients with agitation associated with dementia of the Alzheimer's disease type. The studies are planned to recruit around 650 patients. Enrolment of patients has progressed as planned, and the studies are expected to finalize in the second half of 2017. The FDA has granted fast-track designation for this programme.

Lu AF20513 – clinical phase I
Lu AF20513 is an active vaccine inducing high-affinity polyclonal antibodies that target beta-amyloid peptide, a protein that can exert toxic effects in the brain and is predicted to play a central role in the pathology of Alzheimer's disease. Lu AF20513 will generate a polyclonal response towards Aβ peptides in comparison to monoclonal antibody treatment strategies.

In March 2015, Lundbeck initiated a first-in-man, open label, dose-escalation, multiple-immunization study with Lu AF20513.

The future
Lundbeck's late discovery projects are focused on reducing the impact of the two main pathological mechanisms in Alzheimer's disease; amyloid Aβ and Tau tangles. The therapeutic approaches involve small-molecule drugs and antibody-based therapies.

Methods and technologies to improve early diagnosis and optimize trial design for future clinical combination treatments in Alzheimer's disease are investigated in public-private partnerships involving several pharmaceutical industries.

KEY PRODUCTS

PRODUCT	TOTAL REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
Abilify Maintena® (aripiprazole once-monthly)	669	5%	220%	Once-monthly intramuscular injection indicated for the treatment of schizophrenia. Lundbeck markets Abilify Maintena® in Europe and the US in collaboration with Otsuka Pharmaceutical Co., Ltd. Launched in the US in 2013.
Brintellix® (vortioxetine)	629	4%	235%	Indicated for the treatment of major depressive disorder. Lundbeck markets Brintellix® in Europe and International Markets and the US in collaboration with Takeda Pharmaceutical Company Ltd as our co-promotion partner. Launched in the first markets in 2014.
Northera® (droxidopa)	475	3%	1,868%	Indicated for the treatment of symptomatic neurogenic orthostatic hypotension in adult patients. Northera® is the only FDA-approved therapy for this condition. Lundbeck markets Northera® in the US and launched the product in September 2014.
Onfi® (clobazam)	1,757	12%	90%	Indicated as adjunctive treatment of Lennox-Gastaut syndrome for people aged two years or older. Launched in the US in 2012.
Rexulti® (brexpiprazole)	117	1%	-	Indicated for adjunctive therapy for the treatment of adults with major depressive disorder and as a treatment for adults with schizophrenia. Launched in the US in 2015.

OTHER ACTIVELY PROMOTED PRODUCTS

PRODUCT	TOTAL REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
Azilect® (rasagiline)	1,457	10%	(3%)	Indicated for the treatment of Parkinson's disease. Lundbeck has the commercial rights to Azilect® in Europe (Lundbeck co-promotes the product with Teva Pharmaceutical Industries Inc. in France and the UK) and in some markets outside Europe, including six Asian countries.
Cipralex® (escitalopram)	2,591	18%	(44%)	Indicated for the treatment of major depressive disorder and anxiety. Cipralex® in Japan (Lexapro®) is marketed by Mochida Pharmaceutical Co. Ltd. and Mitsubishi Tanabe Pharma Corporation. Lundbeck markets Cipralex® in the rest of the world.
Ebixa® (memantine)	1,007	7%	(5%)	Indicated for the treatment of Alzheimer's disease. Lundbeck markets Ebixa® in most parts of the world with the exception of Japan and the US.
Sabril® (vigabatrin)	985	7%	38%	Indicated for the treatment of refractory complex partial seizures in adults and children 10 years of age and up and for infantile spasms (IS). Launched in the US in 2009.
Selincro® (nalmefene)	188	1%	219%	Indicated for the treatment of alcohol dependence. Launched in the first European markets in 2013.
Xenazine® (tetrabenazine)	2,201	15%	30%	Indicated for the treatment of chorea associated with Huntington's disease. Launched in the US in 2008.

RISK MANAGEMENT

Close monitoring, a systematic risk assessment and the ability to respond to a changing environment are essential for an effective risk management process at Lundbeck.

The principal aim of Lundbeck's risk management is to strike the right balance between risk exposure and value creation. Our risk management processes are continually updated and adapted to match internal and external requirements. This gives our Corporate Management Group an accurate and complete overview of activities and resources, and a clear basis for decision-making on Lundbeck's overall risk exposure.

Although Lundbeck's risk management team reports to a central Risk Office, we believe that risks are best managed by decentralized units, which are coordinated and monitored centrally. The decentralized units have detailed and extensive knowledge of the risks within their area of responsibility. They systematically identify, quantify, respond to and monitor risks, and they are ideally placed to mitigate our exposure in the first instance.

Lundbeck assesses the likelihood of an event occurring and the potential impact on the company in terms of financial loss or reputational damage. Risk identification, evaluation, qualification, recording and reporting are carried out by our decentralized units and are continually reviewed by the risk management team through clearly-defined reporting, decision-making and follow-up procedures. The overall risk exposure is then evaluated by our central Risk Office.

RISK REPORTING AND ASSESSMENT

Risk reporting is an integral part of Lundbeck's overall reporting process. Our corporate risk register provides a consolidated picture of our risk exposure by detailing each risk, risk category and type. The risk descriptions give details of the event, its current status, the status of the response, an assessment of likelihood and potential impact, and the name of the person responsible for managing the risk. Our reporting process defines six risk categories, which are defined as belonging to three risk types: 'external', 'actionable' and 'strategic'. Using this information, the Risk Office assesses the overall risk exposure and reviews it with the Corporate Management Group. After this review, the Corporate Management Group presents a two-dimensional risk 'heat map' for review by Lundbeck's Audit Committee, which is shared with the Board of Directors annually.

RESEARCH AND DEVELOPMENT RISKS

R&D in Lundbeck is focused on developing innovative pharmaceuticals. However, there are risks involved in developing new pharmaceuticals and treatments for known diseases. During the R&D process, there is the risk that new products will be delayed or do not materialize. In each of our late-stage pipeline projects, we consider whether starting new clinical studies or giving additional support to ongoing studies could lead to more successful outcomes. Understanding and mitigating the strategic risks associated with the development of new products is a crucial element of Lundbeck's overall risk management strategy.

MARKET RISKS

The pharmaceutical market, especially in Europe, has been and will most likely continue to be characterized by attempts by authorities to cap or reduce increasing healthcare costs. These cost containment measures are structured in several ways, such as regulation of prices or reimbursement, or by having to engage in lengthy and resource-consuming market access processes in each country.

In recent years, we have seen patents and data exclusivity on some of our established products running out, while at the same time we are launching several new products. Lundbeck is in a transition phase, where it is important to strike a successful balance between efforts to optimise our current and established product portfolio while simultaneously obtaining approval and market access for new products. We are working with healthcare authorities around the world to document the value of our pharmaceuticals, through health-economic assessments and other initiatives. And we are constantly looking for ways to adapt to the changing market conditions.

INFRASTRUCTURE, INFORMATION TECHNOLOGY AND RESOURCE RISKS

It is crucial for patients to always have access to the pharmaceuticals they require. As a pharmaceutical manufacturer, we must ensure reliability of supply. We monitor supply carefully and maintain an inventory in order to respond to any interruption in production. To reduce production risks, we have production and packaging facilities at five independent sites: Lumsås and Valby (Denmark), Tianjin (China), Nice (France) and Padova (Italy). Having a number of alternative facilities increases our production flexibility so we can respond to volatile market demand.

In rare cases, pharmaceutical companies are forced to recall a product from the market due to safety or quality issues. At Lundbeck, we have systems, policies and procedures in place to ensure a swift and effective response should such a situation arise.

It is also crucial that we are able to protect the proprietary knowledge that underpins our success. We have increased our focus on information security to protect our intellectual property rights and to avoid infringing third-party rights. We have developed secure internal information systems and procedures to ensure smooth and safe flow of information and critical data around our global network.

Lundbeck continually evaluates the risks associated with the use, ownership, operation, involvement, influence and adoption of IT. Sensitive information and data are key elements of Lundbeck's business and require a sufficient and solid security strategy. The responsible department ensures that updated processes are in place to mitigate IT risks and that partners comply with the required standards when handling sensitive information on behalf of Lundbeck.

As a knowledge-based company, Lundbeck's success depends on having the right employees with the right competencies. We seek to motivate, engage and retain our employees through competitive remuneration and employee benefits as well as through individual recognition and development opportunities. Monitoring employee satisfaction and evaluation of performance help us to improve our ways of working.

REPUTATIONAL RISKS

As a leading pharmaceutical company, we know that coverage of new clinical studies in publications, or even letters to editors, can influence the perception of products and manufacturers. To build confidence and trust in our capabilities, we invest in creating factual and scientific information resources for the benefit of healthcare professionals and patients.

Strong corporate governance is an essential part of the way we manage our business and is also integral to protecting our reputation. We have the right systems and processes in place to ensure proactive risk management, and we deliver fast and accurate reports on the risk profile of marketed products as well as on operational, tactical and strategic financial planning.

Our Code of Conduct is pivotal to Lundbeck's approach to compliance. It helps ensure that we comply with international laws and regulations, pharmaceutical industry association standards and corporate reporting requirements. We conduct regular audits of our business against our Code of Conduct. We revise our procedures to meet changing regulations, to implement best practice and to respond to audit observations.

Marketing of pharmaceutical products is strictly regulated and we are committed to comply with these regulations. Our employees and third parties involved in the marketing of our products are trained to comply with all relevant laws and regulations. We have systems in place to provide fair, accurate and comprehensive information on our products.

At Lundbeck, we are committed to having an open and honest dialogue about ethical dilemmas. We have set up a Compliance Hotline to allow people to report any legal or other concerns they have so that the company can quickly address them. The hotline can be used by both internal and external stakeholders and is a part of our efforts to continually improve our approach to compliance.

LEGAL RISKS

Lundbeck relies on its ability to protect its intellectual rights for new pharmaceuticals. We must also operate our business without infringing the rights of others. For pharmaceutical companies, patenting and the patent application process are extremely complex, both legally and scientifically. We take great care to develop and retain competencies in this high-risk, highly technical area. We believe that our intellectual property (IP) rights are valid and enforceable, and we defend these rights wherever they may be violated.

The Group is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of management, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain.

In June 2013, the European Commission issued a decision in which it found that, by entering into a few selected patent settlement agreements in 2002, Lundbeck had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, Lundbeck appealed against this decision to the General Court, and in November 2015 Lundbeck presented its case at a hearing before the General Court. Lundbeck expects a judgment from the General Court during 2016. If either party appeals against the judgment to the European Court of Justice, it may take several years before the matter reaches its final conclusion. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

In December 2011, the Brazilian antitrust authorities (Secretariat of Economic Law – SDE) initiated administrative proceedings to investigate whether Lundbeck's enforcement of data protection rights could be viewed as anticompetitive conduct. In January 2012, Lundbeck submitted a response to the authorities. Due to a change in the Brazilian Antitrust Law, handling of the case has shifted from SDE to CADE (the Administrative Council for Economic Defense) and remains pending.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in two product liability class-action law suits in Canada. The cases are in the preliminary stages and as such associated with significant uncertainties. Lundbeck strongly disagrees with the claims raised.

In late January 2016, Lundbeck LLC received a subpoena from the US Attorney's Office for the District of Rhode Island relating to an investigation of Xenazine sales, marketing and related practices. Lundbeck LLC is cooperating with this investigation.

FINANCIAL RISKS

Most of Lundbeck's commercial transactions are settled in foreign currencies. The main currency risk at the moment concerns fluctuations of the US dollar (USD), Japanese yen (JPY) and the Canadian dollar (CAD). Lundbeck's treasury policy allows the hedging of income in these currencies for up to 12 months.

Interest rate risks arise in connection with our debt portfolio and cash reserves. We reduce these risks by seeking short duration on both assets and liabilities. There are also credit risks associated with the sale of goods and cash reserves. To reduce these risks we avoid concentrating our credit risk and we diversify receivables from a large number of creditworthy trading partners. In addition, we only deal with banks that have an 'investment grade' credit rating.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

CORPORATE SOCIAL RESPONSIBILITY

Lundbeck's corporate social responsibility (CSR) activities are driven by understanding our stakeholders' expectations while seizing new opportunities and making a positive difference in the societies within which we operate.

Lundbeck has chosen to disclose the mandatory annual statutory report on CSR in the form of a Communication on Progress report to the UN Global Compact on www.lundbeck.com.[1]

1) http://www.lundbeck.com/upload/global/files/pdf/corporate-responsibility/COP/COP_2015.pdf (2014: http://www.lundbeck.com/upload/global/files/pdf/corporate-responsibility/COP/COP_2014.pdf)

CORPORATE GOVERNANCE

Corporate governance at Lundbeck concerns the way in which our company is managed and controlled, while creating value for our company and stakeholders.

Lundbeck has chosen to disclose the mandatory annual corporate governance report on www.lundbeck.com.[2]

2)www.lundbeck.com/upload/global/files/pdf/corporate_governance/2015/corporate_governance_report.pdf (2014:www.lundbeck.com/upload/global/files/pdf/corporate_governance/2014/corporate_governance_report.pdf)

EXECUTIVE MANAGEMENT*

KÅRE SCHULTZ
President & CEO

- Born 1961
- Joined Lundbeck in 2015

Directorships
- Royal Unibrew A/S (C)
- LEGO A/S (M)

Holding of shares
- 30,000

ANDERS GÖTZSCHE
Executive Vice President, CFO

- Born 1967
- Joined Lundbeck in 2007

Directorships
- Veloxis Pharmaceuticals A/S (M)
- Rosborg Møbler A/S (C)

Holding of shares
- 56,193

ANDERS GERSEL PEDERSEN
Executive Vice President, R&D

- Born 1951
- Joined Lundbeck in 2000

Directorships
- ALK-Abelló A/S (M)
- Bavarian Nordic A/S (DC)
- Genmab A/S (DC)

Holding of shares
- 34,727

* Information at 31 December 2015. For more information about Executive Management and their competencies, please visit www.lundbeck.com. C = Chairman, DC = Deputy Chairman, M = Member.

BOARD OF DIRECTORS*

HÅKAN BJÖRKLUND
Chairman

- Born 1956
- Industry Executive, Avista Capital Partners
- Elected at the 2011 AGM
- Considered independent

Lundbeck Committees
- Remuneration Committee (C)
- Scientific Committee (M)

Directorships
- Acino Holding AG (C)
- Trimb Healthcare AB (C)
- Kibion AB (M)
- Alere Inc. (M)
- Atos Medical AB (M)
- Coloplast A/S (M)

Holding of shares
- 1,662

LENE SKOLE
Deputy Chairman

- Born 1959
- CEO, Lundbeck Foundation and directorships in two subsidiaries
- Elected at the 2015 AGM
- Considered dependent

Lundbeck Committees
- Remuneration Committee (M)
- Scientific Committee (M)

Directorships
- DONG Energy A/S (DC)
- Falck Holding A/S (DC)
- ALK-Abelló A/S (DC)
- Tryg A/S (M)
- Tryg Forsikring A/S (M)

Holding of shares
- 6,976

JESPER OVESEN

- Born 1957
- Elected at the 2015 AGM
- Considered independent

Lundbeck Committees
- Audit Committee (C)

Directorships
- Scandinaviska Enskilda Banken AB (DC)
- Sunrise Communications AG (M)

Holding of shares
- None

LARS RASMUSSEN

- Born 1959
- CEO, Coloplast A/S
- Elected at the 2013 AGM
- Considered independent

Lundbeck Committees
- Audit Committee (M)

Directorships
- Axcel (M)

Holding of shares
- 20,000

* Information at 31 December 2015. For more information about the Board members and their competencies, please visit www.lundbeck.com. AGM = Annual General Meeting, C = Chairman, DC = Deputy Chairman, M = Member.

LARS HOLMQVIST

- Born 1959
- Senior Advisor within healthcare at Bain Capital
- Elected at the 2015 AGM
- Considered dependent

Lundbeck Committees
- Audit Committee (M)

Directorships
- Lundbeckfonden (M)
- ALK Abello A/S (M)
- Tecan AG (M)
- BPL Ltd (M)

Holding of shares
- None

TERRIE CURRAN

- Born 1969
- VP, Celgene
- Elected at the 2014 AGM
- Considered independent

Lundbeck Committees
- Remuneration Committee (M)

Directorships
- None

Holding of shares
- None

JØRN MAYNTZHUSEN

- Born 1966
- Project Director
- Elected by employees in 2008

Holding of shares
- 822

HENRIK SINDAL JENSEN

- Born 1969
- Principal Scientist
- Elected by employees in 2014

Holding of Lundbeck shares
- None

MONA ELSTER

- Born 1962
- Senior Laboratory Technician
- Elected by employees in 2010

Holding of Lundbeck shares
- None

THE LUNDBECK SHARE

2015 was an eventful year for Lundbeck with a strong and mostly positive flow of news. 2015 was also a very positive year for the Lundbeck share with the share price increasing by 92% and ending the year at DKK 235.40.

In 2015, the share price increased 92%, peaking at DKK 235.40, and ending the year at DKK 235.40. In comparison, the Danish capped index, OMXC20 CAP, increased by 28%, and the MSCI European Pharmaceutical Index increased by 3%.

Turnover

Total trading in Lundbeck shares amounted to DKK 11 billion in 2015, while the average daily turnover was DKK 44.2 million, which represents an increase of 55.1% compared to last year. A total of 65,233,195 million shares were traded in 2015, equivalent to 261.981 shares per day or a decrease of 27.3% compared to 2014.

Share capital

The Lundbeck share is listed on the Copenhagen Stock Exchange, NASDAQ Copenhagen. All shares belong to the same class and rank equally. The shares are negotiable and there are no restrictions on their transferability. Each share has a nominal value of DKK 5 and carries one vote. At the end of 2015, Lundbeck's total share capital amounted to DKK 986,506,405 which is the equivalent of 197,301,281 shares.

Until June 2015, Lundbeck saw a healthy increase in the ADR volume to a level around 4.7 million. In the second half, the volume declined. At the end of 2015, 1.9 million American Depositary Receipts (ADRs) were outstanding, representing 1% of the total shares or 7% of the free float.

Composition of shareholders

According to the Lundbeck share register, the company had approximately 21.606 shareholders at the end of 2015, representing approximately 99.4% of the outstanding shares. The Lundbeck Foundation (LFI A/S) is the company's largest shareholder, holding 137,351,918 shares at the end of the year. This equals 69.6% of the share capital and voting rights of Lundbeck. The Lundbeck Foundation is the only shareholder to report a holding in excess of 5% of the share capital.

At the end of 2015, institutional investors in North America held 55% of the free float compared to 51% in 2014; European (excluding Danish) institutional investors' share was 23% compared to 26% in 2014 – UK constitutes 11%. Danish institutional investors held unchanged 5% of the free float. The share of the free float held by private Danish investors was 14% compared to 15% in 2014.

At year-end, Lundbeck's Board of Directors and Executive Management held a total of 149,558 Lundbeck shares, corresponding to 0.08% of the total shares outstanding.

Lundbeck and the equity market

Through the Investor Relations function, Lundbeck's Board of Directors aspires to provide a fair and accurate view of its activities by providing ongoing communications with prospective and existing shareholders and equity analysts. Through regular meetings and dialogue, we convey relevant information about our vision and goals, business areas and financial development. In 2015, Lundbeck's Investor Relations team held more than 200 meetings, primarily in Europe, Canada and the US and presented at more than 10 investor conferences.

Lundbeck is currently covered by 16 sell-side analysts, including the major global investment banks that regularly produce research reports on Lundbeck. A list of analysts covering Lundbeck can be found on www.lundbeck.com.[1]

Each year, as Lundbeck's interim and full-year reports are announced, we conduct roadshows at which members of our Corporate Management Group and Investor Relations team inform investors and analysts about the company's latest developments. Our investor presentations are available for download on www.lundbeck.com.[2]

1) http://investor.lundbeck.com/analysts.cfm
2) http://investor.lundbeck.com

FINANCIAL CALENDAR 2016

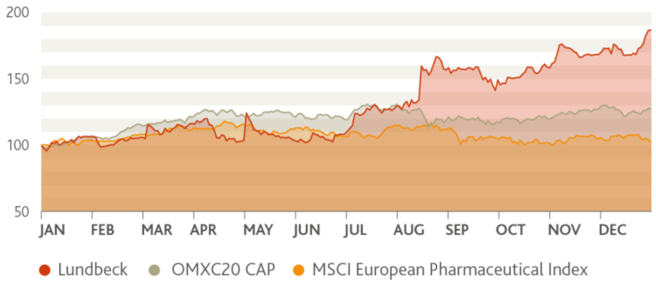
31 March 2016	Annual General Meeting
11 May 2016	First quarter report 2016
24 August 2016	Second quarter report 2016
2 November 2016	Third quarter report 2016
February 2017	Q4 financial report and Annual report 2016

CONTACT INVESTOR RELATIONS

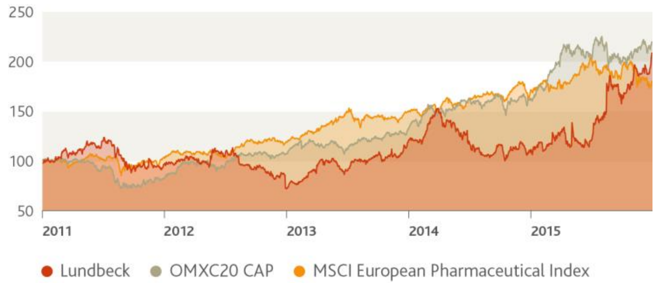
Palle Holm Olesen
Vice President,
Investor Relations

Tel. +45 36 43 24 26
palo@lundbeck.com

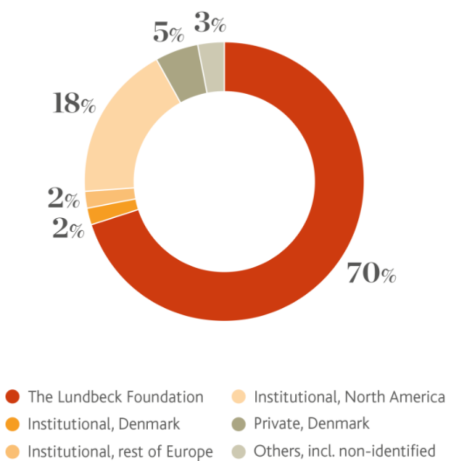
STOCK PERFORMANCE 2015



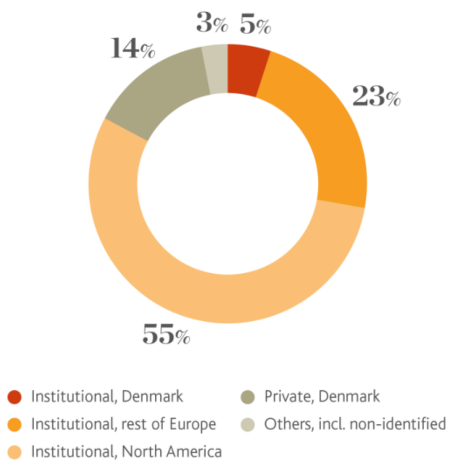
STOCK PERFORMANCE 2011-2015



COMPOSITION OF OWNERSHIP, END 2015



COMPOSITION OF FREE FLOAT, END 2015



SHARE RATIOS

	2015	2014	2013	2012
Earnings per share, basic (EPS) (DKK)	(28.98)	(0.78)	4.35	5.93
Earnings per share, diluted (DEPS) (DKK)	(28.98)	(0.78)	4.35	5.93
Cash flow per share, diluted (DKK)	1.00	8.18	19.13	10.74
Net asset value per share, diluted (DKK)	44.47	68.73	68.54	67.15
Proposed dividend (DKK)	0.00	0.00	2.77	2.00
Dividend payout ratio (%)	0	0	64	35
Dividend yield (%)	0.0	0.0	2.0	2.4
Share price, year-end (DKK)	235.4	122.8	137.0	82.9
Share price, high (DKK)	235.4	173.6	141.7	128.0
Share price, low (DKK)	120.4	111.5	85.1	81.7
Price/Earnings, diluted (DKK)	-	-	31.50	13.98
Price/Cash flow, diluted (DKK)	235.40	15.01	7.16	7.72
Price/Net asset value, diluted (DKK)	5.29	1.79	2.00	1.23
Market capitalization, year-end (DKKbn)	46.45	24.12	26.88	16.26
Annual trading, million shares	65.2	51.0	60.6	65.9
Average trading per trading day, thousands of shares	262.0	205.8	244.3	264.6

SHARE FACTS

Number of shares, end 2015	197,301,281
Share capital, end 2015 (DKK)	986,506,405
Nominal value (DKK)	5
Holding of treasury shares	0
Free float (%)	30
IPO	18 June 1999
Stock exchange	NASDAQ Copenhagen
ISIN code	DK0010287234
Ticker	LUN.CO (Reuters), LUN DC (Bloomberg)
ADR programme	Sponsored level 1 programme
ADR trading code	HLUYY
Large indices	Dow Jones STOXX 600, FTSE4Good Europe

SUMMARY FOR THE GROUP 2011-2015

Income statement (DKKm)	2015	2014	2013	2012	2011
Revenue	14,594	13,468	15,258	14,802	16,007
Research and development costs[1]	8,149	2,911	2,951	2,919	3,319
Operating profit before depreciation and amortization (EBITDA)	210	1,552	2,861	2,614	4,630
Profit/(loss) from operations (EBIT)	(6,816)	99	1,599	1,726	3,395
Net financials	(190)	(155)	(127)	(65)	(96)
Profit/(loss) before tax	(7,006)	(56)	1,472	1,661	3,299
Profit/(loss) for the year	(5,694)	(153)	855	1,165	2,283

Assets (DKKm)					
Non-current assets	13,665	16,251	12,286	12,382	11,731
Inventories	2,217	1,991	1,893	1,730	1,634
Receivables	3,922	3,726	3,611	3,649	3,226
Cash, bank balances and securities	1,521	3,669	5,859	3,802	3,943
Total assets	**21,325**	**25,637**	**23,649**	**21,563**	**20,534**

Equity and liabilities (DKKm)					
Equity	8,785	13,526	13,481	13,198	12,776
Non-current liabilities	4,792	4,909	3,650	3,384	3,062
Current liabilities	7,748	7,202	6,518	4,981	4,696
Total equity and liabilities	**21,325**	**25,637**	**23,649**	**21,563**	**20,534**

Cash flow statement (DKKm)					
Cash flows from operating activities	197	1,610	3,760	2,112	3,624
Cash flows from investing activities	(2,842)	(3,396)	(1,500)	(1,105)	(2,695)
Cash flows from operating and investing activities (free cash flow)	(2,645)	(1,786)	2,260	1,007	929
Cash flows from financing activities	501	589	(141)	(719)	(746)
Interest-bearing debt, cash, bank balances and securities, net at year-end	(2,249)	326	3,699	1,893	2,023

1) Comparative figures for 2012 and 2011 for research and development have not been restated to reflect the reclassification to sales and distribution costs and to research and development costs of costs previously recognized in administrative expenses.

SUMMARY FOR THE GROUP 2011-2015

CONTINUED

Key figures	2015	2014	2013	2012	2011
EBIT margin (%)	(46.7)	0.7	10.5	11.7	21.2
Research and development ratio[1] (%)	55.8	21.6	19.3	19.7	20.7
Return on equity (%)	(51.1)	(1.1)	6.4	9.0	19.1
Equity ratio (%)	41.2	52.8	57.0	61.2	62.2
Invested capital (DKKm)	11,034	13,200	9,782	11,306	10,753
Return on invested capital (ROIC) (%)	(45.4)	0.0	9.3	11.2	22.2
Net debt/EBITDA	10.7	(0.2)	(1.3)	(0.7)	(0.4)
Cash-to-earnings (%)	na	na	264.4	86.4	40.7
Effective tax rate (%)	18.7	(171.5)	41.9	29.9	30.8
Purchase of intangible assets, gross (DKKm)	2,719	4,225	1,204	1,349	1,193
Purchase of property, plant and equipment, gross (DKKm)	237	240	311	301	419
Purchase of financial assets, gross (DKKm)	9	62	7	68	2,400
Average number of employees	5,534	5,665	5,530	5,639	5,690

Share data [2,3]					
Number of shares for the calculation of EPS (millions)	196.5	196.3	196.1	196.1	196.1
Earnings per share, basic (EPS) (DKK)	(28.98)	(0.78)	4.35	5.93	11.62
Earnings per share, diluted (DEPS) (DKK)	(28.98)	(0.78)	4.35	5.93	11.61
Proposed dividend per share (DKK)	0.00	0.00	2.77	2.00	3.49
Cash flow per share, diluted (DKK)	1.00	8.18	19.13	10.74	18.44
Net asset value per share, diluted (DKK)	44.47	68.73	68.54	67.15	65.00
Market capitalization (DKKm)	46,445	24,117	26,879	16,260	21,183
Price/Earnings, diluted (DKK)	-	-	31.50	13.98	9.30
Price/Cash flow, diluted (DKK)	235.40	15.01	7.16	7.72	5.86
Price/Net asset value, diluted (DKK)	5.29	1.79	2.00	1.23	1.66

1) Comparative figures for 2012 and 2011 for research and development have not been restated to reflect the reclassification to sales and distribution costs and to research and development costs of costs previously recognized in administrative expenses.

2) The calculation is based on a share denomination of DKK 5.

3) Comparative figures including number of shares have been restated using a factor 0.9982 for the effect of employees' exercise of warrants.

SUMMARY FOR THE GROUP 2011-2015

CONTINUED

Definitions	
Interest-bearing net cash	Cash, bank balances and securities less interest-bearing debt
EBIT margin	Profit from operations as a percentage of revenue
Return on equity	Net profit/(loss) for the year as a percentage of shareholders' equity (average)
Equity ratio	Shareholder's equity, year-end, as a percentage of total assets
Invested capital	Shareholder's equity plus net interest bearing debt
Return on invested capital (ROIC) incl. goodwill	Profit from operations after tax as a percentage of average invested capital
Net debt/EBITDA	Net interest bearing debt as a percentage of EBITDA
Cash-to-earnings	Cash flow from operating and investing activities as a percentage of net profit/(loss) for the year
Earnings per share, basic (EPS)	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares
Earnings per share, diluted (DEPS)	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Cash flow per share, diluted	Cash flow from operating activities divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Net asset value per share, diluted	Shareholder's equity, year-end, divided by number of shares, year-end, excl. treasury shares, incl. warrants, fully diluted
Market capitalization	Total number of shares, year-end, multiplied by the official price quoted on NASDAQ Copenhagen, year-end
Price/Earnings, diluted	The official price quoted on NASDAQ Copenhagen, year-end, divided by earnings per share, diluted
Price/Cash flow, diluted	The official price quoted on NASDAQ Copenhagen, year-end, divided by cash flow per share, diluted
Price/Net asset value, diluted	The official price quoted on NASDAQ Copenhagen, year-end, divided by net asset value per share, diluted

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

PRIMARY NOTES

SECONDARY NOTES

OTHER NOTES

INCOME STATEMENT

1 January – 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Revenue	3	14,594	13,468
Cost of sales	4, 7, 22	5,395	4,160
Gross profit		**9,199**	**9,308**
Sales and distribution costs	4, 7	6,706	5,164
Administrative expenses	4, 7, 18	1,160	1,134
Research and development costs	4, 7	8,149	2,911
Profit/(loss) from operations (EBIT)		**(6,816)**	**99**
Financial income	19	288	310
Financial expenses	19	478	465
Profit/(loss) before tax		**(7,006)**	**(56)**
Tax on profit/(loss) for the year	12	(1,312)	97
Profit/(loss) for the year	13	**(5,694)**	**(153)**
Earnings per share, basic (EPS) (DKK)	20	(28.98)	(0.78)
Earnings per share, diluted (DEPS) (DKK)	20	(28.98)	(0.78)

STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Profit/(loss) for the year		**(5,694)**	**(153)**
Actuarial gains/losses	24	16	(50)
Tax	12	(4)	14
Items that will not be reclassified subsequently to profit or loss		**12**	**(36)**
Exchange rate adjustments of investments in foreign subsidiaries		341	332
Exchange rate adjustments of additions to net investments in foreign subsidiaries		555	664
Adjustments, deferred exchange gains/losses, hedging	26	(93)	(102)
Exchange gains/losses, hedging (transferred to the hedged items)	26	80	85
Exchange gains/losses, trading (transferred from hedging to financial items)	26	5	-
Fair value adjustment of available-for-sale financial assets		79	(38)
Tax	12	(140)	(156)
Items that may be reclassified subsequently to profit or loss		**827**	**785**
Other comprehensive income	21	**839**	**749**
Comprehensive income		**(4,855)**	**596**

BALANCE SHEET – ASSETS

At 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Goodwill	5	4,475	4,076
Patent rights		2	5
Product rights		5,134	8,335
Other rights		81	127
Projects in progress		102	127
Intangible assets	6	**9,794**	**12,670**
Land and buildings		1,491	1,846
Plant and machinery		502	509
Other fixtures and fittings, tools and equipment		109	173
Prepayments and assets under construction		144	196
Property, plant and equipment	6	**2,246**	**2,724**
Available-for-sale financial assets		68	71
Other receivables		56	50
Deferred tax assets	14	1,501	736
Financial assets		**1,625**	**857**
Non-current assets		**13,665**	**16,251**
Inventories	22	**2,217**	**1,991**
Trade receivables	15	3,046	2,877
Income taxes receivable		310	253
Other receivables	15	406	391
Prepayments		160	205
Receivables		**3,922**	**3,726**
Securities	16	**17**	**18**
Cash and bank balances	16	**1,504**	**3,651**
Current assets		**7,660**	**9,386**
Assets		**21,325**	**25,637**

BALANCE SHEET – EQUITY AND LIABILITIES

At 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Share capital	23	987	982
Share premium	23	349	252
Foreign currency translation reserve		1,157	392
Currency hedging reserve		(4)	2
Retained earnings		6,296	11,898
Equity		**8,785**	**13,526**
Retirement benefit obligations	24	313	326
Deferred tax liabilities	14	492	1,193
Other provisions	9	300	131
Mortgage debt	25	2,059	2,139
Bank debt	25	1,619	1,117
Other debt		9	3
Non-current liabilities		**4,792**	**4,909**
Retirement benefit obligations	24	2	5
Other provisions	9	984	347
Mortgage debt	25	83	-
Bank debt	25	-	76
Employee bonds		-	8
Trade payables		4,349	4,930
Income taxes payable		71	49
Other payables		2,259	1,787
Current liabilities		**7,748**	**7,202**
Liabilities		**12,540**	**12,111**
Equity and liabilities		**21,325**	**25,637**

STATEMENT OF CHANGES IN EQUITY

At 31 December 2015

	Notes	Share capital DKKm	Share premium DKKm	Foreign currency translation reserve DKKm	Currency hedging reserve DKKm	Retained earnings DKKm	Equity DKKm
2015							
Equity at 1 January		**982**	**252**	**392**	**2**	**11,898**	**13,526**
Profit/(loss) for the year		-	-	-	-	(5,694)	(5,694)
Other comprehensive income	21	-	-	765	(6)	80	839
Comprehensive income		**-**	**-**	**765**	**(6)**	**(5,614)**	**(4,855)**
Capital increase through exercise of warrants	23	5	97	-	-	-	102
Buyback of treasury shares	23	-	-	-	-	(22)	(22)
Incentive programmes	11	-	-	-	-	34	34
Other transactions		**5**	**97**	**-**	**-**	**12**	**114**
Equity at 31 December		**987**	**349**	**1,157**	**(4)**	**6,296**	**8,785**
2014							
Equity at 1 January		**981**	**232**	**(441)**	**15**	**12,694**	**13,481**
Profit/(loss) for the year		-	-	-	-	(153)	(153)
Other comprehensive income	21	-	-	833	(13)	(71)	749
Comprehensive income		**-**	**-**	**833**	**(13)**	**(224)**	**596**
Dividends paid		-	-	-	-	(544)	(544)
Capital increase through exercise of warrants	23	1	20	-	-	-	21
Buyback of treasury shares	23	-	-	-	-	(70)	(70)
Incentive programmes	11	-	-	-	-	42	42
Other transactions		**1**	**20**	**-**	**-**	**(572)**	**(551)**
Equity at 31 December		**982**	**252**	**392**	**2**	**11,898**	**13,526**

CASH FLOW STATEMENT

1 January – 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Profit/(loss) from operations (EBIT)		(6,816)	99
Adjustment for non-cash operating items etc.	8	7,878	1,499
Change in working capital		(534)	440
Cash flows from operations before financial receipts and payments		**528**	**2,038**
Financial receipts		232	115
Financial payments		(331)	(176)
Cash flows from ordinary activities		**429**	**1,977**
Income taxes paid		(232)	(367)
Cash flows from operating activities		**197**	**1,610**
Acquisition of subsidiary[1]	6	-	(2,831)
Purchase of intangible assets	6	(2,719)	(1,309)
Proceeds from sale of intangible assets		107	-
Purchase of property, plant and equipment	6	(237)	(240)
Proceeds from sale of property, plant and equipment		12	8
Purchase of financial assets		(9)	(62)
Proceeds from sale of financial assets		4	1,038
Cash flows from investing activities		**(2,842)**	**(3,396)**
Cash flows from operating and investing activities (free cash flow)		**(2,645)**	**(1,786)**
Proceeds from borrowings	25	429	1,200
Buyback of treasury shares	23	(22)	(70)
Employee bonds		(8)	(18)
Capital contributions	23	102	21
Dividends paid		-	(544)
Cash flows from financing activities		**501**	**589**
Net cash flow for the year		**(2,144)**	**(1,197)**
Cash and bank balances at 1 January		3,651	4,817
Unrealized exchange gains/losses on cash and bank balances		(3)	31
Net cash flow for the year		(2,144)	(1,197)
Cash and bank balances at 31 December	16	**1,504**	**3,651**

	Notes	2015 DKKm	2014 DKKm
Interest-bearing debt, cash, bank balances and securities, net is composed as follows:			
Cash and bank balances	16	1,504	3,651
Securities	16	17	18
Interest-bearing debt		(3,770)	(3,343)
Interest-bearing debt, cash, bank balances and securities, net at 31 December		**(2,249)**	**326**

1) The acquisition of Chelsea Therapeutics International, Ltd. in 2014, which is considered a purchase of assets, consists of the Northera® product rights valued at DKK 2,600 million, tax assets of DKK 272 million and net liabilities totalling DKK 41 million. A cash balance of DKK 145 million was also acquired and this amount is included in net cash flow for the year.

NOTE 1

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of H. Lundbeck A/S have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2015. Executive Management believes that the following accounting policies are significant to the financial statements. The general accounting policies are described in note 30.

Licensing income and income from research collaborations
Licensing income and royalties from out-licensed products are recognized in the income statement under revenue when the following criteria have been met:
• The most significant risks and benefits associated with the asset sold are transferred to the buyer.
• Lundbeck surrenders management control of the asset sold.
• Revenue from the individual payments in an overall agreement can be clearly separated and calculated reliably at fair value.
• It is probable that Lundbeck will receive payment for the asset sold.
• Lundbeck has no further delivery obligations in respect of the asset sold.

Non-refundable downpayments and milestone payments relating to research collaborations are recognized in the income statement under revenue when the following criteria have been met:
• The payment relates to research results already obtained.
• The buyer has gained access to and possession of the research results.
• The revenue from the individual payments in an overall agreement can be clearly separated and calculated reliably at fair value.
• It is probable that Lundbeck will receive payment.

Development costs
Development costs are recognized in the income statement as they are incurred unless the criteria for capitalization are deemed to have been met and it is found to be probable that future earnings will cover the development costs. Due to a very long development period and significant uncertainty connected with the development of new products, in the opinion of Lundbeck, development costs should not normally be capitalized.

NOTE 2

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements of H. Lundbeck A/S involves the use of accounting estimates and judgements.

Application of materiality and relevance
In the preparation of the consolidated financial statements, Lundbeck aims to focus on information which is considered to be material and thus relevant to the users of the consolidated financial statements. This applies both to the accounting policies and to the information given in the notes in general.

Based upon events which have taken place during the year and the financial position at year-end, Executive Management has assessed which information is material to the users. For this purpose, Lundbeck operates with internal guidelines for the application of materiality and relevance which have been agreed with the Audit Committee and the external auditors.

When assessing materiality and relevance, due consideration is given to ensuring adherence to the International Financial Reporting Standards as endorsed by the EU and to Danish disclosure requirements for listed companies and to ensuring that the consolidated financial statements give a true and fair view of the Group's financial position at the balance sheet date and the operations and cash flows for the financial year.

Executive Management believes that the following accounting estimates and judgements are significant to the financial statements.

From reclassification of product rights to impairment testing
In the second quarter of 2015, Lundbeck made a reclassification of certain product rights of DKK 4.8 billion, mainly relating to Rexulti® and Abilify Maintena®, which was recognized in research and development costs. This was based on Management's assessment of changes in accounting estimates at 30 June 2015.

Previously, all material milestone payments triggered by an event were treated as an addition to the purchase price for the product rights. They were therefore capitalized, and when the products are launched, amortized over the product's life cycle. Prior to receiving final market registration approval, there is significant uncertainty as to whether the product will be approved and launched, i.e. whether a product right exists at this stage. Consequently, Management decided at 30 June 2015 to adopt a more conservative approach when these milestone payments predominantly are triggered by or relate to research and development or pre-registration efforts.

Based on dialogue with the Danish Business Authority ("Erhvervsstyrelsen") and the uncertainty mentioned above, Lundbeck has reversed the reclassification and instead performed impairment testing of these product rights.

The total impairment loss for 2015 in respect of these product rights, mainly related to Rexulti®, amounts to DKK 5.0 billion, which has been recognized under research and development costs. The Abilify Maintena® product rights are not impaired at 31 December 2015. For further information, please see note 7 *Amortization, depreciation and impairment losses*.

Provision for restructuring
In 2015, Lundbeck initiated a restructuring programme in order to significantly improve profitability and the company's value creation. The restructuring programme has affected approximately 1,000 employees, and a provision for severance payments of DKK 1.0 billion has been recognized. As a consequence of the dismissal of employees, an additional provision of DKK 0.1 billion has been made to cover onerous contracts relating to vacation of premises and termination of leasing contracts.

The calculation of the provision is based on a detailed analysis of the terms of termination and estimated termination costs per employee in headquarters and the individual subsidiaries affected by the restructuring plan.

Valuation of intangible assets
Goodwill and product rights represent a significant part of the Group's total assets. The majority of the value of these items arose through the acquisition of businesses or the acquisition of rights. On acquisition, the individual assets and liabilities are re-assessed to ensure that both recognized and unrecognized values are measured at fair value. Especially for intangible assets, for which there is often no active market, the calculation of fair value may involve uncertainty. Goodwill and intangible assets are tested for impairment at least once a year or if there is evidence of impairment. The value in use of the assets is calculated by discounting the estimate made by Management of the expected cash flows during a budget period of at least five years with due consideration to patent expiry. For the calculation of the value in use of the assets, the Group uses its discount rate and Management's expectations for growth and terminal value in the period over and above the five years. These factors are crucial for the assessment of any impairment and thus for the final calculation of the fair value of intangible assets.

It is a precondition for the retention of the value of the Group's rights that such rights are respected. It is Lundbeck's policy to defend these rights wherever they may be violated.

NOTE 2

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

Impairment testing
Goodwill is written down through the income statement in those cases where the carrying amount exceeds the future net income expected from the cash-generating unit (CGU) to which the goodwill relates (recoverable amount). In the impairment test, the discounted expected future cash flows (value in use) for the CGU are compared with the carrying amounts of goodwill and other net assets. Lundbeck has only identified one CGU as all the assets of the Group and the related cash inflows from its activities, including cash inflows from alliances with partners, are in all material aspects considered to be for the benefit of the Lundbeck Group.

The carrying amount of intangible assets and property, plant and equipment is analyzed in connection with the preparation of the consolidated financial statements or if there are indications that the carrying amount of an asset may exceed the expectations of future income from the asset (recoverable amount). If the analysis concludes that the future expected net income from the asset will be lower than the carrying amount, the carrying amount will be reduced to the higher of fair value less cost to sell and value in use.

Impairment losses are recognized in the income statement under the same items as the associated depreciation or amortization.

As a consequence of the restructuring plan, there was indication of impairment of Selincro® and other assets. These assets were tested separately from the CGU in accordance with IAS 36 *Impairment of assets*, and an impairment loss of DKK 0.7 billion was recognized in 2015.

The impairment test performed in 2015 fully supports the value of goodwill and remaining intangible assets of DKK 9.8 billion at 31 December 2015.

Deferred tax assets
Due to the restructuring costs as well as the high investment level in product launches and research and development efforts, a significant net operating loss (NOL) was realized in 2015. Deferred tax assets relating to NOLs are capitalized in the consolidated financial statements if it is probable that the benefits will be realized within a foreseeable future.

As a consequence of the impairment of product rights, a deferred tax asset has been capitalized. Previously, the initial immediate tax deduction of milestone payments created a deferred tax liability.

Due to the non-recurring nature of both the restructuring costs and impairment of product rights and as Management's estimate of future income according to budgets, forecasts, business plans and planned initiatives for the coming years supports the utilization of the deferred tax assets within a foreseeable future, the full value at 31 December 2015 of deferred tax assets relating to NOLs and product rights in Denmark has been capitalized in the amount of DKK 624 million.

NOTE 3

3. SEGMENT INFORMATION

The Group is engaged in research, development, production and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders, which is the Group's reporting segment. The business segment reflects the internal management reporting.

In the table below, the Group's revenue is broken down by key products and geographical regions.

2015	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Abilify Maintena®	281	324	64	669
Azilect®	1,282	-	175	1,457
Brintellix®	105	403	121	629
Cipralex®	893	-	1,698	2,591
Northera®	-	475	-	475
Onfi®	-	1,757	-	1,757
Rexulti®	-	117	-	117
Sabril®	-	985	-	985
Xenazine®	19	2,182	-	2,201
Other pharmaceuticals	1,316	110	1,769	3,195
Other revenue				518
Total revenue	**3,896**	**6,353**	**3,827**	**14,594**

Of this amount:

Downpayments and milestone payments	32
Royalty	286
Income from divestment of ownership interests in Naurex Inc.	130

Of total revenue, DKK 27 million derives from sales in Denmark.

2014	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Abilify Maintena®	44	161	4	209
Azilect®	1,371	-	126	1,497
Brintellix®	4	179	5	188
Cipralex®	2,203	-	2,444	4,647
Northera®	-	24	-	24
Onfi®	-	923	-	923
Sabril®	-	716	-	716
Xenazine®	23	1,672	-	1,695
Other pharmaceuticals	1,374	83	1,565	3,022
Other revenue				547
Total revenue	**5,019**	**3,758**	**4,144**	**13,468**

Of this amount:

Downpayments and milestone payments	71
Royalty	167

Of total revenue, DKK 28 million derives from sales in Denmark.

Non-current assets[1]	2015 DKKm	2014 DKKm
Denmark	3,620	6,819
USA	4,579	4,469
Other countries	3,904	4,149
Total	**12,103**	**15,437**

1) Exclusive of deferred tax, financial instruments and post-employment benefit assets.

NOTE 4

4. STAFF COSTS

Wages and salaries, etc.

	2015 DKKm	2014 DKKm
Cost of sales	513	472
Sales and distribution costs	2,769	1,952
Administrative expenses	704	514
Research and development costs	1,389	1,133
Total	**5,375**	**4,071**

Executives[1]

	2015 DKKm	2014 DKKm
Short-term staff benefits	51	53
Retirement benefits	8	8
Other social security costs	1	-
Share-based incentive programmes	12	12
Total	**72**	**73**

1) Executives are persons who report directly to Executive Management.

	Salary DKKm	Cash bonus DKKm	Pension DKKm	Other benefits DKKm	Share-based incentive programmes DKKm	Severance package DKKm	Total DKKm
2015							
Kåre Schultz[1], President and CEO	4.6	3.5	1.2	0.2	-	-	9.5
Anders Götzsche, Executive Vice President, CFO	3.7	1.6	1.0	0.2	4.9	-	11.4
Anders Gersel Pedersen, Executive Vice President, R&D	4.1	1.7	1.0	0.2	5.3	-	12.3
Total	**12.4**	**6.8**	**3.2**	**0.6**	**10.2**	**-**	**33.2**
2014							
Ulf Wiinberg[2], President and CEO	5.7	3.3	1.5	0.2	(6.4)	17.7	22.0
Anders Götzsche, Executive Vice President, CFO	3.7	1.9	1.0	0.1	4.6	-	11.3
Anders Gersel Pedersen, Executive Vice President, R&D	4.0	2.0	1.0	0.2	4.9	-	12.1
Total	**13.4**	**7.2**	**3.5**	**0.5**	**3.1**	**17.7**	**45.4**

1) Kåre Schultz joined H. Lundbeck A/S in May 2015.
2) Ulf Wiinberg resigned from H. Lundbeck A/S in November 2014.

Executive Management

The members of Executive Management participate in a short-term incentive programme that provides an annual bonus for the achievement of pre-determined targets of the preceding financial year. The CEO may receive up to nine months' base salary as a bonus on condition of achievement of exceptional results. The other members of Executive Management may receive up to six months' base salary as a bonus on condition of achievement of exceptional results.

Board of Directors

The total remuneration of the Board of Directors for 2015 amounted to DKK 8.9 million (DKK 5.6 million in 2014). The amount includes fees for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2014), the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2014) and in the Scientific Committee of DKK 0.4 million (DKK 0.6 million in 2014). The total remuneration includes a fee of DKK 3.5 million paid to the chairman of the Board of Directors due to increased operational duties. The remuneration for 2015 is consistent with the remuneration presented at the Annual General Meeting held on 25 March 2015.

The members of the Board of Directors held a total of 29,460 Lundbeck shares at 31 December 2015 (4,057 shares in 2014).

The total remuneration of the chairman of the Board of Directors amounted to DKK 4.9 million (DKK 1.4 million in 2014). The remuneration for 2015 included a fee for increased operational duties. The total remuneration of the deputy chairman of the Board of Directors amounted to DKK 1.0 million (DKK 0.9 million in 2014). The amounts include fees for participation in Board committees.

NOTES 4-5

4. STAFF COSTS – CONTINUED

Number of employees

	2015	2014
Average number of full-time employees in the financial year	**5,534**	**5,665**
Number of full-time employees at 31 December		
In Denmark	1,609	1,915
In other countries	3,648	3,896
Total	**5,257**	**5,811**

5. GOODWILL IMPAIRMENT TEST

The carrying amount of goodwill amounted to DKK 4,475 million (DKK 4,076 million in 2014). The annual impairment test is submitted to the Audit Committee for subsequent approval by the Board of Directors. Based on the impairment test performed in 2015, it was concluded that there is no need for writing down goodwill.

CGU definition

All subsidiaries are considered to be fully integrated in the Group. Consequently goodwill is tested at an aggregated Group level.

Methodology

In the impairment test, the discounted expected future cash flows (value in use) for the CGU are compared with the carrying amounts of goodwill and other net assets. The future cash flows are based on a forecast for the next six years with due consideration to patent expiry. The assumptions of the forecast are based on benchmarked external data and historic trends. The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the terminal period. Negative growth of five percent is projected in the terminal period due to patent expiry. In addition, the four category elements in the table below are considered when determining the key parameters.

Financial elements	Market elements
Prices	Healthcare reforms
Rebates	Price reforms
Quantities	Market access
Patient population	Pharma restrictions in some markets
Market shares	Launch success
Competition	Product positioning
Fill rates	Competing pharmaceuticals
Prescription rates	Generics on the market
Lundbeck costs	

R&D elements	Other elements
R&D spend	Supply chain effectiveness
Collaborations	Reputation
Pipeline success rate	Strength and abilities of partners
Product labelling	
Liaison with regulatory bodies	

The calculation of the value in use for the Group is based on a discount rate of 9.8% (11.9% in 2014). The discount rate [WACC/(1 – tax rate)] and the applied cash flows are pre-tax figures. The calculation of the discount rate includes a market adjustment premium.

NOTE 6

6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets	Goodwill DKKm	Patent rights DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Intangible assets DKKm
2015						
Cost at 1 January	4,076	525	12,311	1,217	127	18,256
Effect of foreign currency exchange differences	399	1	696	7	1	1,104
Transfers	-	-	-	55	(55)	-
Additions	-	-	2,615	17	87	2,719
Disposals	-	(20)	(232)	(120)	-	(372)
Cost at 31 December	**4,475**	**506**	**15,390**	**1,176**	**160**	**21,707**
Amortization and impairment losses at 1 January	-	520	3,976	1,090	-	5,586
Effect of foreign currency exchange differences	-	-	280	4	-	284
Transfers	-	-	-	-	-	-
Amortization	-	1	1,123	62	-	1,186
Impairment losses[3]	-	3	5,109	56	58	5,226
Disposals	-	(20)	(232)	(117)	-	(369)
Amortization and impairment losses at 31 December	**-**	**504**	**10,256**	**1,095**	**58**	**11,913**
Carrying amount at 31 December	**4,475**	**2**	**5,134**	**81**	**102**	**9,794**

Intangible assets	Goodwill DKKm	Patent rights DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Intangible assets DKKm
2014						
Cost at 1 January	3,680	525	7,856	1,211	84	13,356
Effect of foreign currency exchange differences	396	-	359	1	1	757
Transfers	-	-	3	48	(51)	-
Additions	-	-	4,103	29	93	4,225
Disposals	-	-	(10)	(72)	-	(82)
Cost at 31 December	**4,076**	**525**	**12,311**	**1,217**	**127**	**18,256**
Amortization and impairment losses at 1 January	-	520	2,668	1,091	-	4,279
Effect of foreign currency exchange differences	-	-	236	1	-	237
Transfers	-	-	2	(2)	-	-
Amortization	-	-	848	70	-	918
Impairment losses	-	-	222	-	-	222
Disposals	-	-	-	(70)	-	(70)
Amortization and impairment losses at 31 December	**-**	**520**	**3,976**	**1,090**	**-**	**5,586**
Carrying amount at 31 December	**4,076**	**5**	**8,335**	**127**	**127**	**12,670**

1) In 2015, product rights not yet commercialized amounted to DKK 130 million (DKK 2,531 million in 2014). In 2014, the Rexulti® product rights in various territories amounted to DKK 2,278 million.
2) Other rights and projects in progress include items such as the IT system SAP. The amounts include directly attributable internal expenses.
3) For details on impairment losses, see note 7 *Amortization, depreciation and impairment losses*.

In 2014, Lundbeck purchased the Northera® product rights by acquiring all shares in Chelsea Therapeutics International, Ltd. The purchase is considered a purchase of assets (i.e. not a business combination). The value of the product rights amounted to DKK 2,600 million at the time of purchase. The carrying amount at 31 December 2015 was DKK 2,589 million (DKK 2,770 million in 2014) due to the development in the USD/DKK exchange rate. The remaining amortization period is five years (six years in 2014).

NOTES 6-7

6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment	Land and buildings[1] DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Property, plant and equipment DKKm
2015					
Cost at 1 January	4,019	1,660	981	196	6,856
Effect of foreign currency exchange differences	47	11	3	-	61
Transfers	69	74	19	(162)	-
Additions	23	65	27	122	237
Disposals	(79)	(139)	(70)	-	(288)
Cost at 31 December	**4,079**	**1,671**	**960**	**156**	**6,866**
Depreciation and impairment losses at 1 January	2,173	1,151	808	-	4,132
Effect of foreign currency exchange differences	36	8	2	-	46
Depreciation	123	104	60	-	287
Impairment losses[2]	332	44	46	12	434
Disposals	(76)	(138)	(65)	-	(279)
Depreciation and impairment losses at 31 December	**2,588**	**1,169**	**851**	**12**	**4,620**
Carrying amount at 31 December	**1,491**	**502**	**109**	**144**	**2,246**

1) At 31 December 2015, the carrying amount of mortgaged land and buildings was DKK 1,303 million (DKK 1,595 million in 2014).
2) For details on impairment losses, see note 7 *Amortization, depreciation and impairment losses*.

Property, plant and equipment	Land and buildings[1] DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Property, plant and equipment DKKm
2014					
Cost at 1 January	3,933	1,563	1,001	179	6,676
Effect of foreign currency exchange differences	49	8	5	-	62
Transfers	30	59	13	(102)	-
Additions	11	74	36	119	240
Disposals	(4)	(44)	(74)	-	(122)
Cost at 31 December	**4,019**	**1,660**	**981**	**196**	**6,856**
Depreciation and impairment losses at 1 January	2,005	1,091	802	-	3,898
Effect of foreign currency exchange differences	37	7	3	-	47
Depreciation	134	97	67	-	298
Disposals	(3)	(44)	(64)	-	(111)
Depreciation and impairment losses at 31 December	**2,173**	**1,151**	**808**	**-**	**4,132**
Carrying amount at 31 December	**1,846**	**509**	**173**	**196**	**2,724**

7. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

	2015 DKKm	2014 DKKm
Amortization, depreciation and impairment losses are specified as follows:		
Cost of sales	1,561	985
Sales and distribution costs	101	34
Administrative expenses	103	68
Research and development costs	5,261	366
Total	**7,026**	**1,453**

NOTES 7-9

7. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES – CONTINUED

In reference to note 2, where the case with the Danish Business Authority ("Erhvervsstyrelsen") is described, Lundbeck has impaired a number of product rights totalling DKK 4,988 million. The impairment loss was recognized in amortization, depreciation and impairment under research and development costs in 2015. The majority of the product rights pertain to Rexulti®, DKK 4,847 million. As of 31 December 2015, the total remaining value of the Rexulti® product rights represents DKK 0. The remaining impairment amount, DKK 141 million, relates to a small research and development portfolio of various product rights. The recoverable amounts were calculated on the basis of Management's reassessed estimate of the value in use of the assets. The reassessment was based on contractual circumstances and generally eroded market conditions, mainly in Europe, affecting the outlook for market access and pricing conditions. The pre-tax discount rate used was 8.4%.

In addition and as a consequence of the restructuring programme initiated in the third quarter of 2015, the product rights to Selincro® were written down and an impairment loss was recognized in costs of sales in the amount of DKK 50 million and in research and development costs in the amount of DKK 79 million.

In addition, an impairment loss of DKK 51 million concerning other rights and DKK 58 million concerning projects in progress was recognized. The impairment loss was recognized in cost of sales in the amount of DKK 36 million, in sales and distribution costs in the amount of DKK 29 million, in administrative expenses in the amount of DKK 27 million and in research and development costs in the amount of DKK 17 million.

Furthermore, an impairment loss concerning property, plant and equipment of DKK 434 million was recognized in cost of sales in the amount of DKK 285 million, in sales and distribution costs in the amount of DKK 11 million, in administrative expenses in the amount of DKK 37 million and in research and development costs in the amount of DKK 101 million. The majority of these assets were valued at fair value less costs of disposal, which for buildings, in their current condition, were based on market values including the use of external appraisers.

In 2014, the decision to cease the development of desmoteplase resulted in an impairment loss of DKK 222 million in respect of the desmoteplase product rights. The impairment loss was recognized in amortization, depreciation and impairment losses under research and development costs. Consequently, the carrying amount of the product rights is DKK 0. In addition, the decision resulted in a DKK 87 million writedown of research and development materials previously recognized under prepayments. This writedown was recognized in research and development costs. The total impairment loss and writedown for desmoteplase recognized in research and development costs was DKK 309 million.

8. ADJUSTMENT FOR NON-CASH OPERATING ITEMS ETC.

	2015 DKKm	2014 DKKm
Amortization, depreciation and impairment losses	7,026	1,453
Incentive programmes	34	42
Change in retirement benefit obligations	(8)	(5)
Change in other provisions	790	7
Income from sale of ownership interest in Naurex Inc.	48	-
Other adjustments	(12)	2
Total	**7,878**	**1,499**

9. OTHER PROVISIONS

	Returns DKKm	Other provisions DKKm	Total DKKm
2015			
Provisions at 1 January	102	376	478
Effect of foreign currency exchange differences	9	12	21
Provisions charged	64	1,252	1,316
Provisions used	(33)	(425)	(458)
Unused provisions reversed	(1)	(72)	(73)
Provisions at 31 December	**141**	**1,143**	**1,284**
Provisions break down as follows:			
Non-current provisions	62	238	300
Current provisions	79	905	984
Provisions at 31 December	**141**	**1,143**	**1,284**

As a consequence of the restructuring programme initiated in 2015, a provision of DKK 1,134 million was recognized for severance payments and other restructuring costs. In addition, provisions comprise expenses for e.g. legal disputes and returns as well as for restructuring of the administrative processes in Europe initiated in 2013 and restructuring of the commercial organization in Europe initiated in 2012.

Of the total provisions at 31 December 2015, DKK 7 million (DKK 5 million in 2014) related to share price-based incentive programmes (debt programmes). Further details about the incentive programmes are provided in note 11 *Incentive programmes*.

NOTES 9-10

9. OTHER PROVISIONS – CONTINUED

	Returns DKKm	Other provisions DKKm	Total DKKm
2014			
Provisions at 1 January	43	417	460
Effect of foreign currency exchange differences	7	8	15
Provisions charged	72	169	241
Provisions used	(19)	(203)	(222)
Unused provisions reversed	(1)	(15)	(16)
Provisions at 31 December	**102**	**376**	**478**
Provisions break down as follows:			
Non-current provisions	39	92	131
Current provisions	63	284	347
Provisions at 31 December	**102**	**376**	**478**

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Acquisition of Chelsea Therapeutics International, Ltd.

In the second quarter of 2014, Lundbeck completed the purchase of all shares in Chelsea Therapeutics International, Ltd. for USD 6.44 per share in cash and non-transferable contingent value rights (CVRs) that may pay up to an additional USD 1.50 per share upon achievement of certain sales milestones. The CVR for 2015 was not achieved, which decreases the potential additional payment by USD 0.50 to USD 1.00 per share.

Joint taxation

H. Lundbeck A/S is part of a Danish joint taxation scheme with the Lundbeck Foundation. As from the 2013 financial year, 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. As from 1 July 2012, it 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.

Pending legal proceedings

The Group is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of Management, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain. See *Risk management*, p. 23, for more details.

In June 2013, the European Commission issued a decision in which it found that, by entering into a few selected patent settlement agreements in 2002, Lundbeck had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, this decision was appealed by Lundbeck to the General Court and in November 2015, Lundbeck presented its case at a hearing before the General Court. Lundbeck expects a judgement from the General Court during 2016. If the judgement is appealed by either party to the European Court of Justice, it may take several years before the matter will reach its final conclusion. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

In December 2011, the Brazilian antitrust authorities (Secretariat of Economic Law – SDE) initiated administrative proceedings to investigate whether Lundbeck's enforcement of data protection rights could be viewed as anticompetitive conduct. In January 2012, Lundbeck submitted a response to the authorities. Due to a change in the Brazilian Antitrust Law, handling of the case has shifted from SDE to CADE (the Administrative Council for Economic Defense) and remains pending.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in two product liability class-action lawsuits in Canada. The cases are in the preliminary stages and as such associated with significant uncertainties. Lundbeck strongly disagrees with the claims raised.

In late January 2016, Lundbeck LLC, USA received a subpoena from the US Attorney's Office for the District of Rhode Island relating to an investigation of Xenazine® sales, marketing and related practices. Lundbeck LLC, USA is cooperating with this investigation.

Industry obligations

The Group has return obligations normal for the industry. Management does not expect any major loss from these obligations.

NOTE 11

11. INCENTIVE PROGRAMMES

Incentive programmes
In order to attract, retain and motivate key employees and align their interests with those of the shareholders, Lundbeck has established a number of incentive programmes. Lundbeck uses equity-based as well as debt-based programmes.

Equity-based programmes
In the 2015 financial year, equity-based incentive programmes consisted of warrants, shares and restricted share units (RSUs) granted in the years 2008-2015.

In December 2015, Lundbeck established an RSU programme for key employees. 129 employees were granted 130,777 RSUs in H. Lundbeck A/S. All of the RSUs will vest in 2018, three years after grant, subject to the financial targets for vesting being achieved and subject to continuing employment with the Lundbeck Group. The market value of the RSUs is calculated using the Black-Scholes method and is based on a volatility of 31.44%, a dividend yield of 2.00%, a risk free interest rate of 0.50%, a vesting period of three years and a share price of DKK 215.32. The fair value at the time of grant was DKK 202.78 per RSU.

In May 2014, Lundbeck established a warrant programme for Executive Management. Executive Management was granted 1,355,000 warrants in H. Lundbeck A/S. All of the warrants will vest three years after grant, subject to the Board of Directors' decision on vesting (taking into account e.g. the financial situation of the Lundbeck Group) and subject to the Executive Management members' continuing employment with the Lundbeck Group during the vesting period. The warrants are exercisable during certain windows from the vesting date and up to three years after vesting. The market value of the warrants is calculated using the Black-Scholes method and is based on a volatility of 23.68%, a dividend yield of 2.00%, a risk free interest rate of 0.50%, a vesting period of three years and a share price of DKK 157.30. This translates into a fair value per warrant of DKK 26.06. The warrants granted to the former CEO Ulf Wiinberg who resigned in November 2014, a total of 600,000, were cancelled.

In June 2014, Lundbeck established an RSU programme for key employees. 106 key employees were granted 204,985 RSUs in H. Lundbeck A/S. All of the RSUs will vest in 2017, three years after grant, subject to the financial targets for vesting being achieved and subject to continuing employment with the Lundbeck Group. The market value of the RSUs is calculated using the Black-Scholes method and is based on a volatility of 26.08%, a dividend yield of 2.00%, a risk free interest rate of 0.19%, a vesting period of three years and a share price of DKK 147.40. The fair value at the time of grant was DKK 138.81 per RSU.

In December 2014, one key employee was granted 717 RSUs on terms and conditions similar to those that apply to the RSU programme granted to key employees in June 2014.

Warrants and shares granted to key employees in 2012 vested in 2015, and 20% of the warrants granted to Executive Management in 2012 vested in 2015. Warrants and shares granted to key employees in 2011 vested in 2014. In 2015, the following number of warrants were exercised: 82,886 from the 2008 grant (26,952 in 2014), 100,293 from the 2009 grant (35,685 in 2014), 110,683 from the 2010 grant (52,754 in 2014), 218,305 from the 2011 grant (76,448 in 2014) and 400,239 from the 2012 grant. The weighted average share price of exercised warrants was DKK 184.44 (DKK 147.35 in 2014).

NOTE 11

11. INCENTIVE PROGRAMMES – CONTINUED

Warrant programmes	2008	2009	2010	2010	2011	2012[1] 20%	2012[1] 30%	2012[1] 50%	2012	2014[2]
Number of persons covered by the programmes	87	98	101	16	112	4	4	4	102	3
Total number of warrants granted	405,234	534,058	765,979	24,971	849,085	155,750	233,629	389,380	692,003	1,355,000
Number of warrants granted to Executive Management	219,618	333,811	507,885	-	381,224	155,750	233,629	389,380	-	1,355,000
Vesting date	06.05.11	16.03.12	16.03.13	16.03.13	31.03.14	31.03.15	31.03.16	31.03.17	31.03.15	30.04.17
Exercise period begins	06.05.11	16.03.12	16.03.13	16.03.13	01.04.14	01.04.15	01.04.16	01.04.17	01.04.15	01.05.17
Exercise period ends	05.05.16	15.03.17	15.03.18	15.03.18	31.03.19	31.12.18	31.12.18	31.12.18	31.03.20	30.04.20
Exercise price, DKK	115.00	102.00	97.00	97.00	121.00	113.00	113.00	113.00	113.00	141.00
Fair value at the date of grant, DKK	35.55	40.37	29.86	24.30	30.10	21.05	22.40	21.99	24.11	26.06

1) As from 2012, the exercise price of DKK 113.00 is revalued by 4.00% per year adjusted for the dividend payout ratio.
2) As from 2014, the exercise price of DKK 141.00 is revalued by 4.00% per year adjusted for the dividend payout ratio.

Share and RSU programmes	2011	2011	2012	2012	2013	2014	2015
Number of persons covered by the programmes	112	30	104	5	113	107	129
Total number of shares/RSUs granted	156,360	383,602	230,503	15,178	540,562	205,702	130,777
Number of shares/RSUs granted to Executive Management	35,762	-	101,107	-	98,629	-	-
Vesting date	31.03.14	30.06.14	31.03.15	31.03.15	31.05.16	31.05.17	01.12.18
Fair value at the date of grant, DKK	121.20	114.29	113.20	99.05	110.70	138.81	202.78

NOTE 11

11. INCENTIVE PROGRAMMES – CONTINUED

Warrants	Executive Management Number	Executives Number	Other Number	Total Number	Average exercise price DKK
2015					
1 January	1,038,184	366,713	1,041,840	2,446,737	121.14
Transfers	-	(63,338)	63,338	-	-
Exercises	-	(215,105)	(697,301)	(912,406)	111.95
31 December	**1,038,184**	**88,270**	**407,877**	**1,534,331**	134.79
2014					
1 January	637,167	462,082	1,144,659	2,243,908	112.92
Grants	1,355,000	-	-	1,355,000	141.00
Transfers	-	(76,691)	76,691	-	-
Exercises	-	(12,329)	(179,510)	(191,839)	110.02
Cancellations	(953,983)	(6,349)	-	(960,332)	131.43
31 December	**1,038,184**	**366,713**	**1,041,840**	**2,446,737**	121.14

Debt-based programmes

The debt-based programmes consist of stock appreciation rights (SARs) and restricted cash units (RCUs) granted during the years 2011-2015.

A few key employees in the US subsidiaries were granted 9,314 RCUs in December 2015, (10,543 RCUs in June 2014) on terms and conditions similar to those that apply to the restricted share unit programme granted in December 2015 (June 2014 for the grant made in 2014) to key employees of the parent company and its non-US subsidiaries. The RCUs will vest on 1 December 2018 (31 May 2017 for the grant made in 2014) subject to continuing employment with Lundbeck and Lundbeck achieving its financial targets, after which time they are settled. The size of the amount depends on the value of the Lundbeck share on the vesting date. The fair value per RCU at the time of grant was calculated at DKK 202.78 (DKK 138.81 for the grant made in 2014).

The share price-based programme for employees of the Group's US subsidiaries cannot be converted into shares because the value of the programme is distributed as a cash amount.

The SARs granted in 2012 vested in 2015. The RCUs granted in 2012 vested in 2015, after which time the programme was settled. The SARs granted in 2011 vested in 2014. The RCUs granted in 2011 vested in 2014, after which time the programme was settled.

Fair value, liability and expense recognized in the income statement

The warrants, shares and restricted share units granted are recognized in the income statement for 2015 at an expense corresponding to the fair value at the time of grant calculated according to the Black-Scholes method for the part of the vesting period that concerns 2015. The total expense recognized in respect of equity-based programmes amounted to DKK 34 million (DKK 42 million in 2014; the amount includes an income of DKK 14 million regarding grants which were cancelled as the vesting conditions were not met). At 31 December 2015, the fair value of equity-based programmes amounted to DKK 317 million (DKK 134 million in 2014).

The SARs granted are recognized in the income statement at an expense corresponding to the value adjustment for the year based on the Black-Scholes method, and the RCUs granted are recognized in the income statement at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share. The total expense recognized in respect of debt-based programmes amounted to DKK 12 million (DKK 3 million in 2014). The expense covers all debt-based programmes in force in 2015. At 31 December 2015, the total liability in respect of debt-based programmes amounted to DKK 7 million (DKK 5 million in 2014). The liability covers all debt-based programmes in force at 31 December 2015.

The total expense recognized in the income statement for all incentive programmes amounted to DKK 46 million for 2015 (DKK 45 million in 2014).

NOTES 12-13

12. TAX ON PROFIT/(LOSS) FOR THE YEAR

	2015 DKKm	2014 DKKm
Current tax	208	278
Prior-year adjustments, current tax	(14)	36
Prior-year adjustments, deferred tax	20	(41)
Change in deferred tax for the year	(1,499)	(41)
Change in deferred tax as a result of changed income tax rates	117	7
Total tax for the year	**(1,168)**	**239**
Tax for the year is composed of:		
Tax on profit/(loss) for the year	(1,312)	97
Tax on other comprehensive income	144	142
Total tax for the year	**(1,168)**	**239**

Explanation of the Group's effective tax rate relative to the Danish corporate income tax rate	DKKm	%
2015		
Profit/(loss) before tax	**(7,006)**	
Calculated tax, 23.5%	(1,646)	23.5
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	161	(2.3)
Non-deductible expenses/non-taxable income and other permanent differences	66	(0.9)
Research and development incentives	(43)	0.6
Non-deductible amortization of product rights	172	(2.4)
Change in valuation of net tax assets	(106)	1.5
Change in deferred tax as a result of changed income tax rates	117	(1.7)
Prior-year tax adjustments etc., total effect on operations	5	(0.1)
Non-deductible losses/non-taxable gains on shares and other equity investments	(38)	0.5
Effective tax/tax rate for the year	**(1,312)**	**18.7**

Explanation of the Group's effective tax rate relative to the Danish corporate income tax rate	DKKm	%
2014		
Profit/(loss) before tax	**(56)**	
Calculated tax, 24.5%	(14)	24.5
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	32	(56.6)
Non-deductible expenses/non-taxable income and other permanent differences	106	(189.2)
Research and development incentives	(28)	49.3
Change in valuation of net tax assets	(1)	2.8
Change in deferred tax as a result of changed income tax rates	7	(12.8)
Prior-year tax adjustments etc., total effect on operations	(5)	10.5
Effective tax/tax rate for the year	**97**	**(171.5)**

13. DISTRIBUTION OF PROFIT

The Board of Directors proposes distribution of dividends for 2015 of 0% (0% in 2014) of the net profit for the year allocated to the shareholders, equivalent to DKK 0 (DKK 0 in 2014), or DKK 0.00 per share (DKK 0.00 per share in 2014).

NOTE 14

14. DEFERRED TAX

Temporary differences between assets and liabilities as stated in the consolidated financial statements and in the tax base	Balance at 1 January DKKm	Effect of foreign currency exchange differences DKKm	Adjustment of deferred tax at beginning of year DKKm	Movements during the year DKKm	Balance at 31 December DKKm
2015					
Intangible assets	5,002	100	(10)	(5,039)	53
Property, plant and equipment	289	(24)	83	(387)	(39)
Inventories	(21)	1	(48)	7	(61)
Other items	(640)	(7)	98	(119)	(668)
Provisions in subsidiaries	(120)	(5)	17	(48)	(156)
Tax loss carry-forwards etc.	(1,375)	(247)	(34)	(1,015)	(2,671)
Total temporary differences	**3,135**	**(182)**	**106**	**(6,601)**	**(3,542)**
Deferred (tax assets)/tax liabilities[1]	602	(70)	20	(1,480)	(928)
Research and development incentives	(145)	(34)	-	98	(81)
Deferred (tax assets)/tax liabilities	**457**	**(104)**	**20**	**(1,382)**	**(1,009)**
2014					
Intangible assets	5,190	118	56	(362)	5,002
Property, plant and equipment	449	(25)	(6)	(129)	289
Inventories	(60)	(11)	54	(4)	(21)
Other items	(917)	(163)	33	407	(640)
Provisions in subsidiaries	(107)	26	(70)	31	(120)
Tax loss carry-forwards etc.[2]	(531)	(1)	(164)	(679)	(1,375)
Total temporary differences	**4,024**	**(56)**	**(97)**	**(736)**	**3,135**
Deferred (tax assets)/tax liabilities[1]	942	(17)	(41)	(282)	602
Research and development incentives[2]	(99)	(22)	-	(24)	(145)
Deferred (tax assets)/tax liabilities	**843**	**(39)**	**(41)**	**(306)**	**457**

1) Movements during the year include an increase in deferred tax of DKK 117 million (DKK 7 million in 2014) as a result of changed income tax rates.
2) Movements during the year include additions from the acquisition of Chelsea Therapeutics International, Ltd. of DKK 272 million not recognized in the income statement.

Deferred (tax assets)/tax liabilities	2015 Deferred tax assets DKKm	2015 Deferred tax liabilities DKKm	2015 Net DKKm	2014 Deferred tax assets DKKm	2014 Deferred tax liabilities DKKm	2014 Net DKKm
Intangible assets	(252)	408	156	(3)	1,279	1,276
Property, plant and equipment	(142)	73	(69)	(89)	119	30
Inventories	(88)	51	(37)	(86)	68	(18)
Other items	(612)	384	(228)	(454)	313	(141)
Provisions in subsidiaries	(46)	-	(46)	(39)	-	(39)
Tax loss carry-forwards etc.	(704)	-	(704)	(507)	-	(507)
Research and development incentives	(81)	-	(81)	(144)	-	(144)
Deferred (tax assets)/tax liabilities	**(1,925)**	**916**	**(1,009)**	**(1,322)**	**1,779**	**457**
Set off within legal tax entities and jurisdictions	424	(424)	-	586	(586)	-
Total net deferred (tax assets)/tax liabilities	**(1,501)**	**492**	**(1,009)**	**(736)**	**1,193**	**457**

Of the recognized deferred tax assets, DKK 785 million (DKK 651 million in 2014) related to tax losses etc. and research and development incentives to be carried forward. The utilization of tax loss carry-forwards is subject to Lundbeck generating future positive taxable income against which the losses may be offset.

The recognition of tax losses is based on estimates of the expected taxable income in loss-making entities, supported by reports by external analysts, when available.

Unrecognized deferred tax assets	2015 DKKm	2014 DKKm
Unrecognized deferred tax assets at 1 January	462	265
Prior-year adjustments	-	(22)
Additions	1	232
Utilized	(118)	(13)
Unrecognized deferred tax assets at 31 December	**345**	**462**

Unrecognized deferred tax assets primarily relate to net operating losses, deferred interest deductions and research and development incentives.

NOTE 15

15. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables

	2015 DKKm	2014 DKKm
Receivables	3,111	2,966
Writedowns	(65)	(89)
Total	**3,046**	**2,877**
Due dates of trade receivables not written down		
Not due	2,472	2,537
Overdue by up to three months	252	283
Overdue by between three months and up to six months	166	16
Overdue by between six months and up to twelve months	89	28
Overdue by more than twelve months	67	13
Total	**3,046**	**2,877**

Other receivables

Other receivables amounted to DKK 406 million (DKK 391 million in 2014), the greater part of which was not yet due. No writedowns were made as no losses are expected on other receivables.

Credit risks

Lundbeck's products are sold primarily to distributors of pharmaceuticals and hospitals. Historically, losses sustained on debtors have been insignificant. This was also the case in 2015. In 2015, writedowns decreased compared with 2014. Despite an increase in overdue trade receivables, an internal assessment has confirmed that there is no material risk on the overdue balances.

The Group has no particular customer concentration and no significant reliance on specific customers. Internal procedures for evaluating specific credit risks from new customer relationships and changes to the risk profile of existing relationships ensure that the risk of losses is reduced to acceptable levels.

Lundbeck is monitoring developments in the global economies and trade receivables in order to minimize the risk of losses to the best possible extent.

Market risks

The pharmaceutical market is characterized by the aim of the authorities to reduce or cap healthcare costs.

Market changes such as price reductions and ever-earlier launch of generics may have a considerable impact on the earnings potential of pharmaceuticals.

Moreover, the growing number of market access hurdles set up by local authorities is impairing the earnings potential of Lundbeck's new generation of pharmaceuticals in the finite period of exclusivity. Lundbeck expects that these conditions will continue in 2016 and 2017.

NOTE 16

16. CASH RESOURCES

	2015 DKKm	2014 DKKm
Fixed-term deposits	-	2,189
Other cash resources	1,504	1,462
Cash and bank balances at 31 December	**1,504**	**3,651**
Securities with a maturity of less than three months[1]	13	-
Securities with a maturity of more than three months[1]	4	18
Securities at 31 December	**17**	**18**
Cash, bank balances and securities at 31 December	**1,521**	**3,669**

1) The securities portfolio is classified as financial assets measured at fair value through profit or loss.

Liquidity risks and capital structure

The credit risk of cash and derivatives (forward exchange contracts and currency options) is limited because Lundbeck deals only with banks with a high credit rating. To further limit the risk of losses, internal limits have been defined for the credit exposure accepted towards the banks with which Lundbeck collaborates. The credit lines are presented to the Board of Directors for approval pursuant to the Group's Treasury Policy.

The Treasury Policy covers financial resources, foreign currency exposure, securities portfolio and loan portfolio and is presented once every year to the Audit Committee for subsequent approval by the Board of Directors. In addition, the Board of Directors approves the framework for selecting financial collaboration partners, commitment lines and types of business.

Pursuant to its Treasury Policy, Lundbeck must be capable of raising a minimum of DKK 1 billion at two weeks' notice. If this amount is not available in cash, fixed-term deposits or bonds, Lundbeck will enter into committed credit facilities with its banking partners.

The securities portfolio consists of Danish government and mortgage bonds with a limited credit risk.

In 2015, Lundbeck obtained a two-year revolving credit facility of DKK 2.0 billion with a group of Danish banks. At 31 December 2015, DKK 500 million of this facility was utilized. A committed credit facility of EUR 150 million with the EIB (European Investment Bank) obtained in 2013 was fully drawn at 31 December 2015 and 31 December 2014. In addition, Lundbeck has a number of uncommitted credit facilities to cover its day-to-day operations. Lundbeck manages its capital structure based on a wish to carry an investment grade rating.

Liquidity exceeding the requirement for business development and general business purposes is primarily distributed as dividends. Until and including 2015, Lundbeck has pursued a policy of distributing between 25% and 35% of the profit for the year as dividends, but has deviated from this policy in exceptional cases. For 2015, the Board of Directors proposes no dividend payout due to the loss for the year. From 2016, the dividend policy has been adjusted to a pay-out ratio of 30% to 40%.

Other than minor operational changes, no changes were made to the Group's Treasury Policy compared with 2014.

NOTE 17

17. CONTRACTUAL OBLIGATIONS

Rental and lease obligations

The Group has obligations amounting to DKK 372 million (DKK 411 million in 2014) in the form of rentals and leasing of operating equipment.

Future rental and lease payments	Land and buildings DKKm	Operating equipment DKKm	Total DKKm
2015			
Within one year	64	44	108
Between one and five years	118	60	178
After five years	86	-	86
Total	**268**	**104**	**372**
2014			
Within one year	91	46	137
Between one and five years	179	70	249
After five years	25	-	25
Total	**295**	**116**	**411**

Rental and lease payments recognized in the income statement amounted to DKK 282 million (DKK 168 million in 2014).

Other purchase obligations

The Group has undertaken purchase obligations in the amount of DKK 200 million (DKK 353 million in 2014).

Research and development milestones and collaborations

Research and development milestone obligations amounted to DKK 683 million (DKK 2,485 million in 2014). The total amount of the milestone obligations may increase in line with the development of the projects.

In addition, the Group is part of multi-year research and development collaboration projects comprising minimum collaboration obligations in the order of DKK 33 million (DKK 37 million in 2014).

Other contractual obligations

The Group has entered into various service agreements amounting to DKK 120 million (DKK 92 million in 2014).

At 31 December 2015, the Group's capital contribution obligations amounted to DKK 7 million (DKK 6 million in 2014).

NOTES 18-20

18. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2015 DKKm	2014 DKKm
Statutory audit	8	8
Tax consulting	1	1
Other services	3	18
Total	**12**	**27**

In 2014, other services included one-off advisory services provided by Deloitte, which in the opinion of the Audit Committee do not impair the independence of the external audit services provided.

A few minor foreign subsidiaries are not audited by the parent company's auditors, a foreign business partner of the auditors, or by a recognized, international auditing firm.

19. NET FINANCIALS

	2015 DKKm	2014 DKKm
Net interest gains/(losses) on financial assets and financial liabilities measured at amortized cost	(99)	(79)
Net gains/(losses) on available-for-sale financial assets, incl. dividends	(39)	-
Net exchange gains/(losses)	(36)	(65)
Net gains/(losses) on financial assets measured at fair value through profit or loss	-	1
Net gains/(losses) on other financial items	(16)	(12)
Net financials	**(190)**	**(155)**

Interest income from financial assets measured at amortized cost amounted to DKK 9 million (DKK 14 million in 2014), and interest expenses on financial liabilities measured at amortized cost amounted to DKK 108 million (DKK 93 million in 2014).

20. EARNINGS PER SHARE

	2015	2014
Profit/(loss) for the year (DKKm)	**(5,694)**	**(153)**
Average number of shares ('000 shares)	196,495	193,309
Average number of treasury shares ('000 shares)	(23)	(55)
Average number of shares excl. treasury shares ('000 shares)	**196,472**	**196,254**
Average number of warrants, fully diluted ('000 warrants)	238	135
Average number of shares, fully diluted ('000 shares)	**196,710**	**196,389**
Earnings per share, basic (EPS) (DKK)	**(28.98)**	**(0.78)**
Earnings per share, diluted (DEPS) (DKK)	**(28.98)**	**(0.78)**

All warrants granted in 2008, 2009, 2010 and 2011 have vested. The warrants granted to key employees in 2012 and 20% of the warrants granted to Executive Management in 2012 have vested. At 31 December 2015, 552,783 warrants were exercisable, and the weighted average exercise price of these warrants was DKK 113.23. At 31 December 2014, a total of 766,032 warrants relating to the 2008, 2009, 2010 and 2011 grants were exercisable. The weighted average exercise price of these warrants was DKK 111.40.

Warrants which are not in-the-money are not included in the calculation of earnings per share, diluted (DEPS). Longer term, the warrants may have a dilutive effect on earnings per share, basic and earnings per shares, diluted.

See note 11 *Incentive programmes* for additional information on incentive programmes.

NOTE 21

21. OTHER COMPREHENSIVE INCOME

	Before tax DKKm	Tax DKKm	After tax DKKm
2015			
Other comprehensive income recognized under foreign currency translation reserve in equity			
Exchange rate adjustments of investments in foreign subsidiaries	341	-	341
Exchange rate adjustments of additions to net investments in foreign subsidiaries	555	(131)	424
Total	**896**	**(131)**	**765**
Other comprehensive income recognized under currency hedging reserve in equity			
Adjustments, deferred exchange gains/losses, hedging	(93)	22	(71)
Exchange gains/losses, hedging (transferred to revenue)	167	(39)	128
Exchange gains/losses, hedging (transferred to research and development costs)	(10)	2	(8)
Exchange gains/losses, hedging (transferred to intangible assets)	(77)	18	(59)
Exchange gains/losses, trading (transferred from hedging to financial items)	5	(1)	4
Total	**(8)**	**2**	**(6)**
Other comprehensive income recognized under retained earnings in equity			
Fair value adjustment of available-for-sale financial assets	79	(11)	68
Actuarial gains/losses	16	(4)	12
Total	**95**	**(15)**	**80**
Recognized in other comprehensive income	**983**	**(144)**	**839**

	Before tax DKKm	Tax DKKm	After tax DKKm
2014			
Other comprehensive income recognized under foreign currency translation reserve in equity			
Exchange rate adjustments of investments in foreign subsidiaries	332	-	332
Exchange rate adjustments of additions to net investments in foreign subsidiaries	664	(163)	501
Total	**996**	**(163)**	**833**
Other comprehensive income recognized under currency hedging reserve in equity			
Adjustments, deferred exchange gains/losses, hedging	(102)	25	(77)
Exchange gains/losses, hedging (transferred to revenue)	30	(7)	23
Exchange gains/losses, hedging (transferred to intangible assets)	55	(14)	41
Total	**(17)**	**4**	**(13)**
Other comprehensive income recognized under retained earnings in equity			
Fair value adjustment of available-for-sale financial assets	(38)	3	(35)
Actuarial gains/losses	(50)	14	(36)
Total	**(88)**	**17**	**(71)**
Recognized in other comprehensive income	**891**	**(142)**	**749**

Exchange rate adjustments of investments in foreign subsidiaries, a gain of DKK 341 million (a gain of DKK 332 million in 2014), and exchange rate adjustments of additions to net investments in foreign subsidiaries, a gain of DKK 555 million (a gain of DKK 664 million in 2014), are primarily driven by the development in the USD/DKK exchange rate.

NOTES 22-23

22. INVENTORIES

	2015 DKKm	2014 DKKm
Raw materials and consumables	254	225
Work in progress	414	455
Finished goods and goods for resale	1,549	1,311
Total	**2,217**	**1,991**
Indirect costs of production	**365**	**335**
Writedown for the year	**101**	**19**
Inventories calculated at net realizable value	**5**	**4**

The total cost of goods sold included in cost of sales amounted to DKK 3,050 million (DKK 2,609 million in 2014).

23. SHARE CAPITAL

The share capital of DKK 987 million at 31 December 2015 is divided into 197,301,281 shares of a nominal value of DKK 5 each.

Share capital	2015 DKKm	2014 DKKm	2013 DKKm	2012 DKKm	2011 DKKm
At 1 January	982	981	980	980	980
Exercise of warrants	5	1	1	-	-
At 31 December	**987**	**982**	**981**	**980**	**980**

Issued shares	2015 Number	2014 Number
At 1 January	196,388,875	196,197,036
Increase of share capital	912,406	191,839
At 31 December	**197,301,281**	**196,388,875**

Treasury shares	Shares of DKK 5 nom. Number	Nominal value DKKm	Proportion of share capital %	Cost DKKm
2015				
Shareholding at 1 January	-	-	-	-
Share buyback	177,364	1	0.09	22
Shares used for funding incentive programmes	(177,364)	(1)	(0.09)	(22)
Shareholding at 31 December	-	-	-	-
2014				
Shareholding at 1 January	-	-	-	-
Share buyback	459,072	2	0.23	70
Shares used for funding incentive programmes	(459,072)	(2)	(0.23)	(70)
Shareholding at 31 December	-	-	-	-

The parent company has only one class of shares, and all shares rank equally. The shares are negotiable instruments with no restrictions on their transferability. The Board of Directors is authorized to issue new shares and raise the share capital of the parent company, as set out in article 4 of the parent company's Articles of Association.
The share capital is in compliance with the capital requirements of the Danish Companies Act and the rules of NASDAQ Copenhagen.

In 2015, the parent company acquired treasury shares at a value of DKK 22 million (DKK 70 million in 2014), corresponding to 177,364 shares (459,072 shares in 2014). The shares were acquired to fund Lundbeck's long-term share-based incentive programmes established in 2012. A total of 177,364 shares were used for this purpose in 2015. In 2014, 459,072 shares were used for funding Lundbeck's long-term share-based incentive programme established in 2011. At 31 December 2015, the portfolio of treasury shares counted 0 shares (0 shares in 2014).

Lundbeck has decided to bring forward the purchase of shares needed to cover the obligation with regard to new restricted share unit programmes granted in 2015 and onwards to the first 'open window' after the grant. The shares will be purchased in compliance with the Danish Securities Trading Act, the Danish Companies Act, the Danish Financial Statements Act, the NASDAQ Copenhagen rules and Lundbeck's internal rules on trading with shares in H. Lundbeck A/S

In 2015, employees exercised warrants totalling DKK 102 million (DKK 21 million in 2014).The share premium in this connection was DKK 97 million (DKK 20 million in 2014). The total share premium relates to the exercise of warrants in 2015 and earlier and amounted to DKK 349 million at 31 December 2015 (DKK 252 million in 2014).

NOTE 24

24. RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

Defined contribution plans

The major defined contribution plans cover employees in Australia, Belgium, Canada, Denmark, Finland, Germany, Sweden, the UK and the US. The cost of defined contribution plans, representing contributions to the plans, amounted to DKK 260 million in 2015 (DKK 216 million in 2014).

Defined benefit plans

The Group has defined benefit plans in a few countries. The most important plans comprise employees in Germany and the UK.

The defined benefit plan in Germany is unfunded and administered by Lundbeck Germany. The defined benefit plan in the UK is funded and constituted under a trust, whose assets are legally separated from those of the Group. Both plans entitle the employees to annual pensions on retirement based on the service and salary level until retirement.

Retirement benefit obligations and similar obligations	2015 DKKm	2014 DKKm
Present value of funded defined benefit plans	406	394
Fair value of plan assets	(320)	(291)
Funded defined benefit plans, net	**86**	**103**
Present value of unfunded defined benefit plans	199	183
Defined benefit plans at 31 December	**285**	**286**
Other obligations of retirement benefit nature	30	45
Retirement benefit obligations and similar obligations at 31 December	**315**	**331**
Retirement benefit obligations and similar obligations break down as follows:		
Non-current obligations	313	326
Current obligations	2	5
Retirement benefit obligations and similar obligations at 31 December	**315**	**331**

Assumptions for the most important plans	2015 %	2014 %
Discount rate	2.20-3.85	2.20-3.70
Inflation rate	1.90	2.10-2.20
Pay rate increase	2.40-4.00	2.40-4.10
Pension increase	1.90-3.00	2.20-3.00
Age-weighted staff resignation rate	0-8	0-8
Expected return on plan assets	3.85	3.70

Discount rate and inflation rate are the most significant assumptions used in the calculation of the obligation for defined benefit plans. An increase in the discount rate of 0.25 of a percentage point would result in a decrease in the obligation of approximately DKK 23 million (DKK 23 million in 2014) and vice versa. An increase in the inflation rate of 0.25 of a percentage point would result in an increase in the obligation of approximately DKK 8 million (DKK 7 million in 2014) and vice versa. The sensitivity analysis indicates how the development in the obligation would be as a result of a change in the individual assumptions. However, the assumptions will most likely be correlated and consequently result in a different obligation.

	2015 DKKm	2014 DKKm
The fair value of the plan assets breaks down as follows:		
Shares	46	35
Bonds	42	39
Property	17	12
Insurance contracts	207	199
Other assets	8	6
Total	**320**	**291**

Shares and bonds are measured at fair value based on quoted prices in an active market. Property, insurance contracts and other assets are not based on quoted prices in an active market.

NOTE 24

24. RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

	2015 DKKm	2014 DKKm
Change in present value of funded defined benefit plans		
Present value of funded defined benefit plans at 1 January	394	340
Effect of foreign currency exchange differences	26	16
Past service costs	-	1
Pension expenses	7	7
Interest expenses relating to the obligations	13	13
Experience adjustments	(7)	(6)
Adjustments relating to financial assumptions	(3)	33
Benefits paid	(15)	(12)
Employee contributions	2	2
Settlements	(6)	-
Curtailments	(5)	-
Present value of funded defined benefit plans at 31 December	**406**	**394**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	291	251
Effect of foreign currency exchange differences	19	11
Interest income on plan assets	10	10
Experience adjustments	-	11
Administration fees	(1)	(1)
Contributions	20	19
Benefits paid	(15)	(12)
Employee contributions	2	2
Settlements	(6)	-
Fair value of plan assets at 31 December	**320**	**291**

	2015 DKKm	2014 DKKm
Change in present value of unfunded defined benefit plans		
Present value of unfunded defined benefit plans at 1 January	183	144
Transferred from other plans	15	-
Effect of foreign currency exchange differences	1	-
Pension expenses	6	4
Interest expenses relating to the obligations	5	5
Experience adjustments	1	3
Adjustments relating to financial assumptions	(7)	31
Benefits paid	(5)	(4)
Present value of unfunded defined benefit plans at 31 December	**199**	**183**
Specification of expenses recognized in the income statement		
Pension expenses	8	12
Finance costs	8	8
Administration fees	1	1
Total	**17**	**21**
Specification of amount recognized in the statement of comprehensive income		
Actuarial (gains)/losses	(16)	50
Total	**(16)**	**50**
Realized return on plan assets	**10**	**21**

For the unfunded defined benefit plans, the benefit is paid directly by the company. For funded defined benefit plans, the future contribution in some countries depends upon the development in salaries, administrative fees and regular premiums, and in other countries upon the surplus/deficit according to local requirements. The weighted average duration of the obligation is 16 years (17 years in 2014). The expected contribution for 2016 for the defined benefit plans is DKK 20 million (DKK 24 million for 2015).

Other obligations of a retirement benefit nature

An obligation of DKK 30 million (DKK 45 million in 2014) was recognized in the Group to cover other obligations of a retirement benefit nature, including primarily termination benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

NOTE 25

25. MORTGAGE AND BANK DEBT

Mortgage debt

	2015 DKKm	2014 DKKm
Mortgage debt maturing within the following periods from the balance sheet date:		
Within one year	83	-
Between one and two years	87	62
Between two and three years	99	71
Between three and four years	99	98
Between four and five years	100	99
After more than five years	1,674	1,809
Mortgage debt at 31 December	**2,142**	**2,139**
Mortgage debt breaks down as follows:		
Non-current liabilities	2,059	2,139
Current liabilities	83	-
Mortgage debt at 31 December	**2,142**	**2,139**

	Currency	Expiry of com-mitment	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2015							
Mortgage debt, bond loan	DKK	2035	Fixed	1.48	1,418	1,450	1,451
Mortgage debt, bond loan	DKK	2037	Fixed	1.09	436	422	428
Mortgage debt, bond loan	DKK	2037	Floating	0.54	276	283	276
Mortgage debt, bond loan	DKK	2034	Floating	0.83	12	12	12
Total					**2,142**	**2,167**	**2,167**
2014							
Mortgage debt, bond loan	DKK	2035	Fixed	1.50	1,416	1,450	1,474
Mortgage debt, bond loan	DKK	2037	Floating	1.10	439	440	428
Mortgage debt, bond loan	DKK	2037	Floating	1.10	272	283	275
Mortgage debt, bond loan	DKK	2034	Floating	0.83	12	12	12
Total					**2,139**	**2,185**	**2,189**

Amortized cost is calculated as the proceeds received less instalments paid, plus or minus amortization of capital losses or gains. Fair value is calculated by applying the market value at 31 December of the underlying bonds.

Bank debt

	2015 DKKm	2014 DKKm
Bank debt maturing within the following periods from the balance sheet date:		
Within one year	-	76
Between one and two years	500	-
Between three and four years	1,119	-
Between four and five years	-	1,117
Bank debt at 31 December	**1,619**	**1,193**
Bank debt breaks down as follows:		
Non-current liabilities	1,619	1,117
Current liabilities	-	76
Bank debt at 31 December	**1,619**	**1,193**

	Currency	Expiry of com-mitment	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2015							
Bank loan	EUR	2019	Floating	2.31	1,119	1,119	1,119
Bank loan	DKK	2017	Floating	1.35	500	500	500
Total					**1,619**	**1,619**	**1,619**
2014							
Bank loan	EUR	2019	Floating	1.23	1,117	1,117	1,117
Overdraft facilities	Various	-	Floating	0.86	76	76	76
Total					**1,193**	**1,193**	**1,193**

Amortized cost is calculated as the proceeds received less instalments paid, plus or minus amortization of capital losses or gains.

NOTE 26

26. FINANCIAL INSTRUMENTS

Foreign currency risks

Foreign currency management is handled centrally by the parent company. Currency management focuses on risk minimization and is carried out in conformity with the Group's Treasury Policy as approved by the Board of Directors.

The parent company hedges a significant part of the Group's anticipated cash flows for a period of up to 12 months.

The hedging consists partly of a fixed minimum hedge and partly of a variable part. The fixed part is hedged by forward exchange contracts and in some cases currency options classified as hedging instruments and meeting the accounting criteria for hedging future cash flows. Changes in the fair value of these contracts are recognized in other comprehensive income as they arise and – on invoicing of the hedged cash flow – transferred from other comprehensive income for recognition in the same item as the hedged cash flow.

Hedging contracts that do not meet the hedge criteria are classified as trading contracts, and changes in the fair value are recognized as financial items as they arise.

Net forward exchange contracts outstanding, hedging

Forward exchange contracts (against DKK)	Contract value according to hedge accounting DKKm	Exchange gains/losses recognized in other comprehensive income DKKm	Exchange gains/losses recognized in the income statement/ balance sheet DKKm	Fair value at year-end DKKm	Average hedge prices of existing forward exchange contracts DKK	Maturity period
2015						
CAD	378	17	2	21	517.43	Dec. 2016
GBP	73	(2)	(21)	(3)	1,042.87	Oct. 2016
JPY	339	(9)	(9)	(12)	5.46	Aug. 2016
USD	2,996	(15)	(22)	(26)	673.27	Nov. 2016
Other currencies	625	5	(30)	10	-	Dec. 2016
Total		**(4)**	**(80)**	**(10)**		
2014						
CAD	174	(2)	27	(3)	513.14	Nov. 2015
GBP	231	(3)	(19)	(6)	924.12	Dec. 2015
JPY	218	13	15	18	5.57	Aug. 2015
USD	304	(4)	(98)	(20)	573.87	Dec. 2015
Other currencies	660	-	(10)	(1)	-	Dec. 2015
Total		**4**	**(85)**	**(12)**		

Of the net loss of the fair value at year-end of DKK 10 million (DKK 12 million in 2014), a loss of DKK 7 million (DKK 17 million in 2014) was recognized in the income statement.

NOTE 26

26. FINANCIAL INSTRUMENTS – CONTINUED

Monetary assets and monetary liabilities for the major currencies at 31 December

	2015 DKKm	2014 DKKm
Monetary assets		
CAD	142	317
EUR	1,272	1,258
GBP	312	178
JPY	103	40
USD	2,871	2,141
Monetary liabilities		
CAD	80	214
EUR	2,089	2,721
GBP	484	159
JPY	6	80
USD	3,965	1,981

Monetary assets and monetary liabilities include trade receivables, other receivables, securities, cash, mortgage debt, bank debt, employee bonds, trade payables, other payables, deferred tax and income taxes.

Estimated impact on profit/(loss) for the year and equity from a 5% increase in year-end exchange rates of the major currencies

	CAD DKKm	GBP DKKm	JPY DKKm	USD DKKm
2015				
Profit/(loss) for the year	2	(8)	5	1
Equity	(12)	(18)	(13)	235
2014				
Profit/(loss) for the year	2	(13)	(2)	(40)
Equity	(3)	(22)	(12)	258

The profit impact includes foreign currency exchange differences which relate to intra-group balances, and which are not eliminated in the consolidated financial statements.

The equity impact primarily includes exchange rate adjustments of balance sheet items in foreign subsidiaries, exchange rate adjustments of additions to net investments in foreign subsidiaries, foreign currency exchange differences on outstanding hedging contracts and the total profit impact.

Due to Denmark's long-standing fixed exchange rate policy against the euro and the expected continuation of this policy, the foreign currency exchange rate risk for the euro is considered immaterial, and euro is therefore not included in the table above.

Interest rate risks

Interest rate risk management is handled centrally by the parent company. Through the Group's Treasury Policy, the Board of Directors has approved the limits for borrowing and investment. Loans secured by property must be approved by the Board of Directors. To hedge the interest rate risk on loans, the Board of Directors has approved the use of interest rate swaps, Caps, Floors and Forward Rate Agreements (FRAs).

For mortgage and bank debt, an interest rate change of one percentage point would reduce/increase profit for the year and equity before tax by up to DKK 19 million in 2016 (up to DKK 19 million in 2015) on an annual basis.

In the bond market, investments may only be made in Danish government and mortgage bonds, money market funds consisting of Danish government and mortgage bonds and in bonds issued by Danish banks guaranteed by the Danish state. For managing the interest rate risk on the securities portfolio (the securities portfolio consists of bonds and money market deposits), Lundbeck applies a duration target capped at five years for the entire portfolio. At 31 December 2015, the securities portfolio had a duration of six months (one year at 31 December 2014), which translates into a gain/loss of DKK 0 million (DKK 0 million in 2014) if interest rates should fall/rise by one percentage point.

There were no derivatives related to interest rate risks during 2015 and 2014 because the distribution of debt carrying floating and fixed interest at the given times was deemed to be satisfactory.

NOTE 26

26. FINANCIAL INSTRUMENTS – CONTINUED

Classification of and maturity dates for financial assets and financial liabilities

	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
2015					
Financial assets					
Securities[1]	17	-	-	17	0-1
Financial assets measured at fair value through profit or loss	**17**	**-**	**-**	**17**	
Derivatives to hedge future cash flows	48	-	-	48	0
Financial assets used as hedging instruments	**48**	**-**	**-**	**48**	
Receivables[2]	3,714	56	-	3,770	0
Other cash resources	1,504	-	-	1,504	(1)-10
Loans and receivables	**5,218**	**56**	**-**	**5,274**	
Available-for-sale financial assets	**-**	**68**	**-**	**68**	0
Total financial assets	**5,283**	**124**	**-**	**5,407**	
Financial liabilities					
Derivatives to hedge future cash flows	59	-	-	59	0
Financial liabilities used as hedging instruments	**59**	**-**	**-**	**59**	
Mortgage debt[3]	83	385	1,674	2,142	0-2
Bank debt	-	1,619	-	1,619	1-3
Other payables	6,620	9	-	6,629	0
Financial liabilities measured at amortized cost	**6,703**	**2,013**	**1,674**	**10,390**	
Total financial liabilities	**6,762**	**2,013**	**1,674**	**10,449**	

1) The securities are classified as financial assets measured at fair value through profit or loss.
2) Including other receivables recognized in non-current assets.
3) The nominal value of mortgage debt totalled DKK 2,167 million in 2015 (DKK 2,185 million in 2014).

The amounts in the tables are exclusive of interest. At 31 December 2015, the expected interest expenses on mortgage and bank debt for the following 12 months totalled DKK 59 million (DKK 87 million in 2014).

	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
2014					
Financial assets					
Securities[1]	18	-	-	18	0-1
Financial assets measured at fair value through profit or loss	**18**	**-**	**-**	**18**	
Derivatives to hedge future cash flows	66	-	-	66	0
Financial assets used as hedging instruments	**66**	**-**	**-**	**66**	
Receivables[2]	3,455	50	-	3,505	0
Fixed-term deposits	2,189	-	-	2,189	0-1
Other cash resources	1,462	-	-	1,462	0-10
Loans and receivables	**7,106**	**50**	**-**	**7,156**	
Available-for-sale financial assets	**-**	**71**	**-**	**71**	0
Total financial assets	**7,190**	**121**	**-**	**7,311**	
Financial liabilities					
Derivatives to hedge future cash flows	78	-	-	78	0
Financial liabilities used as hedging instruments	**78**	**-**	**-**	**78**	
Mortgage debt[3]	-	330	1,809	2,139	0-2
Bank debt	76	1,117	-	1,193	0-8
Employee bonds	8	-	-	8	4
Other payables	6,688	3	-	6,691	0
Financial liabilities measured at amortized cost	**6,772**	**1,450**	**1,809**	**10,031**	
Total financial liabilities	**6,850**	**1,450**	**1,809**	**10,109**	

NOTES 26-27

26. FINANCIAL INSTRUMENTS – CONTINUED

Financial assets and financial liabilities measured or disclosed at fair value

	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
2015			
Financial assets			
Securities[1]	17	-	-
Available-for-sale financial assets[1]	24	-	44
Derivatives[1]	-	48	-
Total	**41**	**48**	**44**
Financial liabilities			
Mortgage debt[2]	2,167	-	-
Bank debt[2]	-	1,619	-
Derivatives[1]	-	59	-
Total	**2,167**	**1,678**	**-**
2014			
Financial assets			
Securities[1]	18	-	-
Available-for-sale financial assets[1]	29	-	42
Derivatives[1]	-	66	-
Total	**47**	**66**	**42**
Financial liabilities			
Mortgage debt[2]	2,189	-	-
Bank debt[2]	76	1,117	-
Derivatives[1]	-	78	-
Total	**2,265**	**1,195**	**-**

1) Measured at fair value.
2) Disclosed at fair value.

27. RELATED PARTIES

Lundbeck's related parties:

- The parent company's principal shareholder, Lundbeck Foundation, Scherfigsvej 7, 2100 Copenhagen, Denmark.
- Companies in which the principal shareholder exercises controlling influence, i.e. ALK-Abelló A/S and Falck A/S.
- Members of the parent company's Executive Management and Board of Directors as well as close relatives of these persons.
- Companies in which members of the parent company's Executive Management and Board of Directors as well as close relatives of these persons exercise controlling influence.

Transactions and balances with the parent company's principal shareholder the Lundbeck Foundation

There have been the following transactions and balances with the parent company's principal shareholder:

- Payment of provisional tax of DKK 0 million in 2015 regarding 2015 (DKK 113 million in 2014 regarding 2014) for the parent company and Danish subsidiaries.
- Refund of residual tax of DKK 183 million in 2015 regarding 2014 (DKK 49 million in 2014 regarding 2013) for the parent company and Danish subsidiaries.
- Interest income of DKK 1 million in 2015 (DKK 0 million in 2014).

The Lundbeck Foundation exercises controlling influence on H. Lundbeck A/S.

Transactions and balances with the ALK group

There have been no transactions or balances with the ALK group.

Transactions and balances with the Falck group

There have been no material transactions or balances with the Falck group.

Transactions and balances with Executive Management and the Board of Directors

In 2015, there have been no transactions with members of Executive Management and the Board of Directors other than those outlined in note 4 *Staff costs* and note 11 *Incentive programmes*. At 31 December 2015 and 31 December 2014, there were no balances with Executive Management and the Board of Directors.

Transactions and balances with other related parties

In 2015, Lundbeck paid a consultancy fee of DKK 2 million (DKK 5 million in 2014) to Lundbeck International Neuroscience Foundation, an independent commercial foundation established by H. Lundbeck A/S in 1997. Other than this, there have been no material transactions or balances with other related parties.

NOTE 28

28. SUBSIDIARIES

	Purpose	Share of voting rights and ownership %
Lundbeck Argentina S.A., Argentina	Sales and distribution	100
Lundbeck Australia Pty Ltd, Australia, including	Sales and distribution	100
- CNS Pharma Pty Ltd, Australia	Sales and distribution	100
Lundbeck Austria GmbH, Austria	Sales and distribution	100
Lundbeck S.A., Belgium	Sales and distribution	100
Lundbeck Brasil Ltda., Brazil	Sales and distribution	100
Lundbeck Canada Inc., Canada	Sales and distribution	100
Lundbeck Chile Farmacéutica Ltda., Chile	Sales and distribution	100
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd., China	Sale services	100
Lundbeck Colombia S.A.S., Colombia	Sales and distribution	100
Lundbeck Croatia d.o.o., Croatia	Sales and distribution	100
Lundbeck Czech Republic s.r.o., Czech Republic	Sales and distribution	100
Lundbeck China Holding A/S[1], Denmark, including	Other	67
- Lundbeck Pharmaceuticals (Tianjin) Co., Ltd., China	Production	100
- Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd., China	Research and development	100
Lundbeck Export A/S, Denmark	Sales and distribution	100
Lundbeck Insurance A/S, Denmark	Other	100
Lundbeck Pharma A/S, Denmark	Sales and distribution	100
Lundbeck Eesti A/S, Estonia	Sales and distribution	100
OY H. Lundbeck AB, Finland	Sales and distribution	100
Lundbeck SAS, France	Sales and distribution	100
Sofipharm SA, France, including	Other	100
- Laboratoire Elaiapharm SA, France	Production	100
Lundbeck GmbH, Germany	Sales and distribution	100
Lundbeck Hellas S.A., Greece	Sales and distribution	100
Lundbeck HK Limited, Hong Kong	Sale services	100
Lundbeck Hungária KFT, Hungary	Sales and distribution	100
Lundbeck India Private Limited, India	Sales and distribution	100
Lundbeck (Ireland) Ltd., Ireland	Sales and distribution	100
Lundbeck Israel Ltd., Israel	Sales and distribution	100

1) In subsidiaries in which Lundbeck does not hold 100% of the share capital but has a put option to buy the remaining capital at a fixed price after a pre-arranged number of years, a debt obligation is recognized instead of recognition of non-controlling interests.

	Purpose	Share of voting rights and ownership %
Lundbeck Italia S.p.A., Italy	Sales and distribution	100
Lundbeck Pharmaceuticals, Italy S.p.A., Italy, including	Production	100
- Archid S.a., Luxembourg	Sales and distribution	100
Lundbeck Japan K. K., Japan	Sale services	100
Lundbeck Korea Co., Ltd., Republic of Korea	Sales and distribution	100
SIA Lundbeck Latvia, Latvia	Sales and distribution	100
UAB Lundbeck Lietuva, Lithuania	Sales and distribution	100
Lundbeck Malaysia SDN. BHD., Malaysia	Sales and distribution	100
Lundbeck México, SA de CV, Mexico	Sales and distribution	100
Lundbeck B.V., The Netherlands	Sales and distribution	100
Lundbeck New Zealand Limited, New Zealand	Other	100
H. Lundbeck AS, Norway	Sales and distribution	100
Lundbeck Pakistan (Private) Limited, Pakistan	Sales and distribution	100
Lundbeck America Central S.A., Panama	Sales and distribution	100
Lundbeck Peru S.A.C., Peru	Sales and distribution	100
Lundbeck Business Service Centre Sp.z.o.o., Poland	Other	100
Lundbeck Poland Sp.z.o.o., Poland	Sales and distribution	100
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda, Portugal	Sales and distribution	100
Lundbeck Romania SRL, Romania	Sales and distribution	100
Lundbeck RUS OOO, Russian Federation	Sale services	100
Lundbeck Singapore PTE. LTD., Singapore	Sales and distribution	100
Lundbeck Slovensko s.r.o., Slovakia	Sales and distribution	100
Lundbeck Pharma d.o.o., Slovenia	Sales and distribution	100
Lundbeck South Africa (Pty) Limited, South Africa	Sales and distribution	100
Lundbeck España S.A., Spain	Sales and distribution	100
H. Lundbeck AB, Sweden, including	Sales and distribution	100
- CNS Pharma AB, Sweden	Sales and distribution	100
Lundbeck (Schweiz) AG, Switzerland	Sales and distribution	100
Lundbeck Pharmaceutical GmbH, Switzerland	Other	100
Lundbeck İlaç Ticaret Limited Şirketi, Turkey	Sales and distribution	100
Lundbeck Group Ltd. (Holding), UK, including	Other	100
- Lundbeck Limited, UK	Sales and distribution	100

NOTES 28-29

28. SUBSIDIARIES – CONTINUED

	Purpose	Share of voting rights and ownership %
- Lundbeck Pharmaceuticals Ltd., UK	Other	100
- Lifehealth Limited, UK	Other	100
- Lundbeck UK LLP, UK[2]	Other	100
Lundbeck USA Holding LLC, USA, including	Other	100
- Lundbeck LLC, USA, including	Sales and distribution	100
- Chelsea Therapeutics International, Ltd., USA, including	Other	100
- Lundbeck NA Ltd f/k/a Chelsea Therapeutics Inc., USA	Other	100
- Lundbeck Pharmaceuticals Ireland Limited, Ireland	Sales and distribution	100
- Lundbeck Pharmaceuticals Services, LLC, USA	Sales and distribution	100
- Lundbeck Research USA, Inc., USA	Research and development	100
Lundbeck de Venezuela, C.A., Venezuela	Sales and distribution	100

2) Lundbeck UK LLP is owned by Lundbeck Group Ltd. (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H. Lundbeck A/S as the direct or ultimate parent company.

In 2015, two new subsidiaries were established: Lundbeck HK Limited, Hong Kong and Lundbeck Romania SRL, Romania, and Chelsea Therapeutics Limited, UK (a subsidiary of Chelsea Therapeutics International, Ltd., USA) was dissolved.

29. RESTATEMENT OF COMPARATIVE FIGURES

As from January 2015, certain costs previously recognized in administrative expenses were reclassified to sales and distribution costs and to research and development costs. The effect on the profit/(loss) for the year is DKK 0. The purpose of the reclassification is to align with comparative peers. Comparative figures have been restated.

Income statement	**After adjustment** DKKm	**Adjustment** DKKm	**Before adjustment** DKKm
2014			
Revenue	13,468	-	13,468
Cost of sales	4,160	-	4,160
Gross profit	**9,308**	**-**	**9,308**
Sales and distribution costs	5,164	(296)	4,868
Administrative expenses	1,134	405	1,539
Research and development costs	2,911	(109)	2,802
Profit/(loss) from operations (EBIT)	**99**	**-**	**99**
Financial income	310	-	310
Financial expenses	465	-	465
Profit/(loss) before tax	**(56)**	**-**	**(56)**
Tax on profit/(loss) for the year	97	-	97
Profit/(loss) for the year	**(153)**	**-**	**(153)**

NOTE 30

30. GENERAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU and Danish disclosure requirements for annual reports of listed companies, including the Danish Statutory Order on Adoption of IFRS.

The consolidated financial statements are presented in Danish kroner (DKK), which also is the functional currency of the parent company.

The consolidated financial statements have been prepared in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply to the financial year. The implementation of new and revised standards has not resulted in any changes in accounting policies that have affected recognition and measurement in the current year and previous years.

Please also see note 1 *Significant accounting policies* and note 2 *Significant accounting estimates and judgements*.

Future IFRS changes
At the date of the publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been endorsed by the EU. Consequently they are not incorporated in the consolidated financial statements.

IASB has issued IFRS 9 *Financial Instruments*, which awaits EU endorsement. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 9 *Financial Instruments* is part of IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. Lundbeck is assessing the impact of the standard, but it is not expected to have any material impact on future consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard has not yet been endorsed by the EU. Entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Before implementation of the standard, Lundbeck will assess how the standard will impact current and new agreements. The new standard may have an effect on the timing of recognizing revenue from collaborations and licensing arrangements. It is, however, not possible to give a reasonable estimate of the effect before a detailed assessment has been made. In addition, the implementation will result in additional disclosures.

IFRS 16 *Leases* was issued in January 2016. The standard will replace IAS 17 *Leases* currently in force and is effective for annual periods beginning on or after 1 January 2019. The standard has not yet been endorsed by the EU. The new standard is expected to have an impact on Lundbeck as a lessee, as all leases (except for short-term leases and leases of low-value assets) shall be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 *Leases*. Consequently, the change will also impact the presentation of the income statement and cash flow statement. As the standard has only recently been issued, Lundbeck has not yet assessed the impact on future financial statements. It is thus not possible to give an estimate of the effect of the implementation of the standard.

RECOGNITION AND MEASUREMENT

Consolidated financial statements
The consolidated financial statements comprise the parent company H. Lundbeck A/S and entities controlled by the parent company.

Acquisitions
Acquisitions are evaluated to determine whether they constitute a business combination in accordance with IFRS 3 *Business Combinations*.

Acquired assets and liabilities that do not constitute a business combination are recognized at cost, i.e. no goodwill or bargain purchase gain is recognized.

The consideration paid, including any tax assets associated with tax losses and tax credits carried forward, are allocated among the acquired assets and liabilities. Transaction costs are capitalized as part of the consideration paid.

Deferred tax assets or liabilities arising from temporary differences at initial recognition are not recognized.

Contingent considerations are classified as financial instruments and included in the cost price if it is more likely than not that they will occur.

NOTE 30

30. GENERAL ACCOUNTING POLICIES – CONTINUED

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 recognized in the income statement under net financials except in case of hedge accounting. In case of hedge accounting, such differences are recognized 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 balance sheet date and the rates at the time the receivable or payable is created or recognized in the latest consolidated financial statements are recognized in the income statement under net financials in respect of unhedged items and under the same item for hedged items.

On recognition of foreign subsidiaries having a functional currency different from that used by the parent company, non-monetary and monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising on translating the balance sheet and the income statement of the foreign subsidiaries are recognized in other comprehensive income.

Exchange gains/losses on translation of receivables from or debt to subsidiaries that are considered part of the parent company's overall investment in the subsidiary in question are recognized in other comprehensive income.

Financial instruments

Forward exchange contracts and other derivatives are initially recognized in the balance sheet at fair value on the contract date and subsequently re-measured at fair value at the balance sheet date. Positive and negative fair values are included in other receivables and other payables respectively.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging future cash flows are recognized in other comprehensive income. On invoicing of the hedged item, income and expenses relating to such hedging transactions are transferred from other comprehensive income and recognized in the same item as the hedged item.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognized in the income statement under net financials as they arise.

Changes in the fair value of derivatives that are used for hedging net investments in foreign subsidiaries and that otherwise meet the relevant criteria are recognized in other comprehensive income.

Securities, available-for-sale financial assets and derivatives measured at fair value are classified according to the fair value hierarchy as belonging to levels 1-3 depending on the pricing method applied.

INCOME STATEMENT

Revenue

Revenue comprises invoiced sales for the year less returned goods, discounts and revenue-based taxes consisting mainly of value added taxes and revenue-based drug taxes. Moreover, revenue includes licensing income and royalties from out-licensed products as well as non-refundable downpayments and milestone payments relating to research and development collaborations and collaborations on commercialization of products.

In addition, income from the reduction of investments in research enterprises considered to represent sale of research results is recognized as revenue.

See note 1 *Significant accounting policies*, p. 42, for a description of the accounting treatment of licensing income and income from research collaborations.

Cost of sales

Cost of sales comprises the cost of goods sold. Cost includes the cost of raw materials, transport costs, consumables and goods for resale, direct labour and indirect costs of production, including operating costs, amortization/depreciation and impairment losses relating to product rights and manufacturing facilities. Moreover, cost of sales includes royalty payments for in-licensed products. Also included are expenses for quality assurance of products and any writedown to net realizable value of unsaleable and slow-moving items.

NOTE 30

30. GENERAL ACCOUNTING POLICIES – CONTINUED

Sales and distribution costs
Sales and distribution costs comprise costs incurred for the sale and distribution of the Group's products sold during the year. This includes costs incurred for sales campaigns, training and administration of the sales force and direct distribution, marketing and promotion. Also included are salaries and other costs for the sales, distribution and marketing functions, as well as amortization/depreciation and impairment losses and other indirect costs.

Administrative expenses
Administrative expenses comprise expenses incurred for the management and administration of the Group, i.e. salaries and other expenses relating to management, HR, IT and finance functions as well as amortization/depreciation, impairment losses and other indirect costs.

Research and development costs
Research and development costs comprise costs incurred for the Group's research and development functions, i.e. salaries, amortization/depreciation, impairment losses and other indirect costs as well as costs relating to research and development collaborations.

Research costs are always recognized in the income statement as they are incurred.

Development costs are recognized in the income statement as they are incurred. Development costs are capitalized only if a number of specific criteria are deemed to have been met.

See note 1 *Significant accounting policies*, p. 42, for a description of the conditions for capitalizing development costs.

Net financials
Net financials comprise:
- Interest income and expenses for the year.
- Realized and unrealized market value adjustments of financial assets, including short-term securities that are included in the Group's documented investment strategy.
- Realized and unrealized gains and losses on unhedged items denominated in foreign currencies, forward exchange contracts and other derivatives not used for hedge accounting.
- Realized fair value adjustments and prolonged impairment losses on and dividends from available-for-sale financial assets.
- Other financial income and expenses.

Tax
The Group's Danish subsidiaries are jointly taxed with the principal shareholder the Lundbeck Foundation and its Danish subsidiaries. The current Danish corporate income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognized in the income statement as regards the amount that can be attributed to the net profit or loss for the year and in other comprehensive income as regards the amount that can be attributed to items in other comprehensive income. The effect of foreign currency exchange differences on deferred tax is recognized in the balance sheet as part of the movements in deferred tax.

Current tax for the year is calculated based on the income tax rates and rules applicable at the balance sheet date.

BALANCE SHEET

Intangible assets
Goodwill
On initial recognition, goodwill is measured and recognized as the excess of the cost or fair value of the acquired business over the fair value of the acquired assets, liabilities and contingent liabilities. On recognition, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash-generating units).

Goodwill is not amortized but is tested for impairment at least once a year, or if there is evidence of impairment.

Development projects
Development costs are recognized in the income statement as they are incurred unless the conditions for capitalization have been met. Development costs are capitalized only if the development projects are clearly defined and identifiable and where the technical rate of utilization of the project, the availability of adequate resources and a potential future market or development opportunity can be demonstrated. Furthermore, such costs are only capitalized where the intention is to manufacture, market or use the project, where the cost can be measured reliably and when it is probable that the future earnings can cover production, sales and distribution costs, administrative expenses and development costs.

NOTE 30

30. GENERAL ACCOUNTING POLICIES – CONTINUED

After completion of the development work, development costs are amortized over the estimated useful life. For development projects protected by intellectual property rights, the maximum amortization period is the remaining term of the rights concerned. Ongoing development projects are tested for impairment at least once a year, or if there is evidence of impairment.

Product rights and other intangible assets
Acquired intellectual property rights in the form of product rights, patents, licences, customer relationships and software are measured at cost less accumulated amortization and impairment losses. The cost of software comprises the cost of planning, labour and costs directly attributable to the project.

Product rights are amortized over the economic lives of the underlying products, which in all material aspects are currently between six and twelve years. Licences are amortized over the period of agreement. Amortization commences when the asset is ready to be brought into use, i.e. at the time of commercialization.

Amortization is recognized in the income statement under cost of sales and research and development costs respectively. Borrowing costs to finance the manufacture of intangible assets are recognized in the cost price if they relate to the production period. Other borrowing costs are expensed.

Gains and losses on the disposal of development projects, patents and licences are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale.

See note 2 *Significant accounting estimates and judgements*, pp. 43 and 44, for a description of the calculation of the recoverable amount of intangible assets and impairment testing.

Property, plant and equipment
Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. The cost of self-constructed assets includes costs directly attributable to the construction of the asset.

Borrowing costs to finance the construction of property, plant and equipment are recognized in the cost price if such borrowing costs relate to the production period. Other borrowing costs are expensed.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	30 years
Installations	10 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements max.	10 years

Depreciation methods, useful lives and residual values are re-assessed annually.

Costs incurred that increase the recoverable amount of an asset are added to the asset's cost as an improvement and are depreciated over the estimated useful life of the improvement.

Gains or losses on the sale or retirement of items of property, plant and equipment are calculated as the difference between the carrying amount and the selling price less cost to sell or discontinuance costs. Gains and losses are recognized in the income statement in the same line items as the associated depreciation.

Available-for-sale financial assets
Available-for-sale financial assets are financial assets that are not derivative financial instruments and that are either classified as available for sale or cannot be classified as loans or receivables, financial assets measured at fair value through profit or loss, or as held-to-maturity financial assets.

On initial recognition, available-for-sale financial assets are measured at fair value with the addition of costs directly attributable to the acquisition. The assets are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognized in other comprehensive income with the exception of dividends and prolonged impairment losses, which are taken to the income statement. When the assets are sold or settled, the accumulated fair value adjustments recognized in other comprehensive income are recycled to net financials or to revenue if the fair value adjustment concerns investments in research enterprises.

NOTE 30

30. GENERAL ACCOUNTING POLICIES – CONTINUED

Inventories

Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which equals cost computed according to the FIFO method. Work in progress and finished goods manufactured by Lundbeck are measured at cost, i.e. the cost of raw materials, consumables, direct labour and indirect costs of production. Indirect costs of production include materials and labour as well as maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory administration and management. Indirect costs of production are allocated based on the normal capacity of the production plant.

Inventories are written down to net realizable value if it is lower than the cost price. The net realizable value of inventories is calculated as the selling price less costs of completion and costs incurred to execute the sale. The net realizable value is determined having regard to marketability, obsolescence and expected selling price developments.

Receivables

Current receivables comprise trade receivables and other receivables arising in the Group's normal course of business. Other receivables recognized in financial assets are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments. On initial recognition, receivables are measured at fair value and subsequently at amortized cost, which usually corresponds to the nominal value less writedowns to counter the risk of loss calculated on the basis of an individual assessment. A provision account is used for this purpose.

Securities

On initial recognition, securities, including the bond portfolio, that are included in the Group's documented investment strategy for excess liquidity and recognized under current assets are measured at fair value at the value date. The securities are subsequently measured at fair value at the balance sheet date, corresponding to the market value at the balance sheet date. Both realized and unrealized gains and losses are recognized in the income statement under net financials.

Equity

Dividends

Proposed dividends are recognized as a liability at the time of adoption of the dividend resolution at the annual general meeting (the time of declaration). Dividends expected to be paid in respect of the year are included in the line item *Profit/(loss) for the year* in the statement of changes in equity.

Treasury shares

Cost and selling prices of treasury shares as well as dividends are recognized directly in equity under retained earnings.

Share-based payments

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

Share price-based incentive programmes in which employees have the difference between the agreed price and the actual share price settled in cash (debt programmes) are measured at fair value at the date of grant and recognized under staff costs when or as the employees obtain the right to such difference settlement. The incentive programmes are subsequently re-measured on each balance sheet date and upon final settlement, and any changes in the fair value of the programmes are recognized under staff costs. The balancing item is recognized under provisions until the time of the final settlement.

Retirement benefit obligations

Periodical payments to defined contribution plans are recognized in the income statement at the due date, and any contributions payable are recognized in the balance sheet under current liabilities.

The present value of the Group's liabilities relating to future pension payments according to defined benefit plans is measured on an actuarial basis once a year on the basis of the pensionable period of employment up to the time of the actuarial valuation. The present value is calculated based on assumptions of the future developments of salary, interest, inflation, mortality and disability rates and other factors. Present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with Lundbeck. Pension expenses, finance costs and administration fees are recognized in the income statement under staff costs. Actuarial gains and losses are recognized in the statement of comprehensive income as they are calculated and cannot subsequently be recycled through profit or loss.

The present value of the defined benefit plan liability is measured less the fair value of the plan assets, and any net obligation is recognized in the balance sheet under non-current liabilities. Any net asset is recognized in the balance sheet as a financial asset.

NOTE 30

30. GENERAL ACCOUNTING POLICIES – CONTINUED

Corporate income tax and deferred tax

Current tax payables and receivables are recognized in the balance sheet, computed as tax calculated on the taxable income for the year adjusted for provisional tax paid.

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their tax bases, except for temporary differences arising either on initial recognition of goodwill or from a transaction that is not a business combination and with the temporary difference ascertained at the time of the initial recognition affecting neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax is measured on the basis of the income tax rates and tax rules in force in the respective countries on the balance sheet date. Changes in deferred tax as a result of changed income tax rates or tax rules are recognized in the income statement.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the balance sheet at the value at which the assets are expected to be realized, either through a set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income.

Changes in deferred tax concerning the cost of share-based payments are generally recognized in the income statement.

Deferred tax in respect of recaptured losses previously deducted in foreign subsidiaries is recognized on the basis of a specific assessment of the intention with each individual subsidiary.

Balances calculated according to the provisions of the Danish Corporate Tax Act on interest deductibility limitations are allocated between the jointly-taxed companies according to a joint taxation agreement and are allocated between the companies that are subjected to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognized in the balance sheet, whereas deferred tax assets are recognized only if the criteria for recognition of deferred tax assets are met.

See note 2 *Significant accounting estimates and judgements*, p. 44, for a description of accounting estimates and judgements related to deferred tax.

Other provisions

Other provisions consist of different types of provisions, including provisions for pending lawsuits. Management assesses provisions and contingent items, including the probable outcome of pending and possible future lawsuits, which are inherently subject to uncertain future events. When Management determines the probable outcome of lawsuits and similar factors, it relies on assessments made by external advisers who are familiar with the specific cases and the existing legal practice in the area.

In connection with a restructuring of the Group, provisions are only made for liabilities set out in a specific restructuring plan on the basis of which the parties affected can reasonably expect that the Group will carry out the restructuring, either by starting to implement the plan or announcing its main components. See note 2 *Significant accounting estimates and judgements*, p. 43, for a description of accounting estimates and judgements made in connection with this year's restructuring costs.

Other provisions are recognized when the Group has a legal or constructive obligation that arises from past events and it is probable that an outflow of financial resources will be required to settle the obligation.

Other provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

Return obligations imposed on the industry are recognized in the balance sheet under other provisions.

Debt

Mortgage debt, bank debt and debt to credit institutions are recognized at the time of the raising of the loan at proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, equivalent to the capitalized value when the effective rate of interest is used. The difference between the proceeds and the nominal value is recognized in the income statement under net financials over the loan period.

Debt included in the short-term financial liquidity is measured at amortized cost in subsequent periods.

Other payables, which include trade payables and debt to public authorities etc., are measured at amortized cost.

NOTES 30-32

30. GENERAL ACCOUNTING POLICIES – CONTINUED

CASH FLOW STATEMENT

The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities respectively, and cash and cash equivalents at the beginning and at the end of the year.

Cash comprises cash and bank balances less any drawings on credit facilities that are an integral part of the cash management.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates during the year because they approximate the actual exchange rates at the date of payment. Cash and bank balances at year-end are translated at the exchange rates at the balance sheet date, and the effect of exchange gains/losses on cash and bank balances are shown as a separate line item in the cash flow statement.

SEGMENT INFORMATION

Lundbeck is engaged in research, development, production and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders.

Business segments are identified based on internal management reporting. In Lundbeck, the internal management reporting follows the Group's accounting policies. In accordance with the internal management reporting, on the basis of which Management evaluates and allocates resources, the Group's activities are in the business segment of pharmaceuticals for the treatment of psychiatric and neurological disorders.

The Group's senior operational management is the Corporate Management Group, which consists of the Group's Executive Management registered with the authorities and persons in charge of the functional areas: R&D, supply operations, marketing & sales, finance and other corporate functions. Corporate Management Group makes decisions in respect of the future strategy, draws up action plans and defines targets for the Group's future operations.

The geographic distribution is shown for revenue and is based on the external customers' geographical location.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 4 February 2016, H. Lundbeck A/S together with its Japanese partner Takeda Pharmaceutical Company Limited announced that the U.S. Food and Drug Administration's (FDA) Psychopharmacologic Drugs Advisory Committee (PDAC) voted 8 to 2 that the companies had presented substantial evidence to support the effectiveness of Brintellix® (vortioxetine) for treating certain aspects of cognitive dysfunction in adults with Major Depressive Disorder (MDD). The Advisory Committee provides the FDA with independent expert advice and recommendations. The committee's input will be considered by the Agency in its review of the Brintellix® sNDA, which was accepted for review in August 2015. The FDA is expected to make a decision by 28 March 2016. The FDA is not bound by the committee's guidance.

On 8 February 2016, H. Lundbeck A/S together with its Japanese partner Otsuka Pharmaceutical Co., Ltd. announced that the U.S. Food and Drug Administration (FDA) has accepted for review a supplemental New Drug Application (sNDA) for the proposed labeling update of Rexulti® (brexpiprazole) for the maintenance treatment of adults with schizophrenia.

Other than the above no events have occurred in the period from the balance sheet date until the presentation of the financial statements which may change the evaluation of the annual report.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 10 February 2016.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTES

INCOME STATEMENT

1 January – 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Revenue		6,438	6,615
Cost of sales	2	3,426	2,499
Gross profit		**3,012**	**4,116**
Sales and distribution costs	2	3,321	1,697
Administrative expenses	2, 3	744	828
Research and development costs	2	7,756	2,718
Profit/(loss) from operations (EBIT)		**(8,809)**	**(1,127)**
Income from investments in subsidiaries	4	297	166
Financial income		761	588
Financial expenses		485	358
Profit/(loss) before tax		**(8,236)**	**(731)**
Tax on profit/(loss) for the year	5	(1,918)	(194)
Profit/(loss) for the year		**(6,318)**	**(537)**
Proposed distribution of profit/allocation of loss for the year			
Proposed dividends for the year		-	-
Transferred to distributable reserves		(6,318)	(537)
Total profit/(loss) for the year		**(6,318)**	**(537)**
Proposed dividend per share (DKK)		**0.00**	**0.00**

BALANCE SHEET – ASSETS

At 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Patent rights		-	3
Product rights		1,752	4,517
Other rights		39	82
Projects in progress		79	110
Intangible assets	6	**1,870**	**4,712**
Land and buildings		1,304	1,599
Plant and machinery		266	285
Other fixtures and fittings, tools and equipment		38	64
Prepayments and assets under construction		119	151
Property, plant and equipment	6	**1,727**	**2,099**
Investments in subsidiaries	4	4,896	4,871
Receivables from subsidiaries		8,032	7,495
Other investments		66	70
Other receivables		6	5
Deferred tax assets	8	773	-
Financial assets		**13,773**	**12,441**
Non-current assets		**17,370**	**19,252**
Inventories	7	**727**	**938**
Trade receivables		571	704
Receivables from subsidiaries		980	949
Joint taxation contribution	5	259	172
Other receivables		97	193
Prepayments		90	101
Receivables		**1,997**	**2,119**
Cash and bank balances		**906**	**3,048**
Current assets		**3,630**	**6,105**
Assets		**21,000**	**25,357**

BALANCE SHEET – EQUITY AND LIABILITIES

At 31 December 2015

	Notes	2015 DKKm	2014 DKKm
Share capital		987	982
Share premium		349	252
Retained earnings		6,639	12,488
Equity		**7,975**	**13,722**
Deferred tax liabilities	8	-	765
Other provisions	9	766	151
Provisions		**766**	**916**
Mortgage debt	10	2,059	2,139
Bank debt	10	1,619	1,117
Other debt		-	1
Payables to subsidiaries		4,883	1,347
Non-current liabilities		**8,561**	**4,604**
Mortgage debt		83	-
Bank debt	10	-	76
Employee bonds		-	8
Trade payables		1,777	2,979
Payables to subsidiaries		1,458	2,609
Other payables		380	443
Current liabilities		**3,698**	**6,115**
Liabilities		**12,259**	**10,719**
Equity and liabilities		**21,000**	**25,357**

STATEMENT OF CHANGES IN EQUITY

At 31 December 2015

	Notes	Share capital DKKm	Share premium DKKm	Retained earnings DKKm	Equity DKKm
Equity at 1 January		**982**	**252**	**12,488**	**13,722**
Profit/(loss) for the year		-	-	(6,318)	(6,318)
Exchange rate adjustments of additions to net investments in foreign subsidiaries		-	-	570	570
Adjustments, deferred exchange gains/losses, hedging		-	-	(82)	(82)
Exchange gains/losses, hedging (transferred to the hedged items)		-	-	80	80
Exchange gains/losses, trading (transferred from hedging to financial items)		-	-	5	5
Tax on equity entries	5	-	-	(135)	(135)
Comprehensive income		**-**	**-**	**(5,880)**	**(5,880)**
Capital increase through exercise of warrants		5	97	-	102
Buyback of treasury shares	15	-	-	(22)	(22)
Incentive programmes		-	-	53	53
Other transactions		**5**	**97**	**31**	**133**
Equity at 31 December		**987**	**349**	**6,639**	**7,975**

For further details, see note 23 *Share capital* in the consolidated financial statements.

NOTE 1

1. ACCOUNTING POLICIES

The annual report of the parent company H. Lundbeck A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for class D enterprises. The annual report is presented in Danish kroner (DKK). The accounting policies remain unchanged from the previous year.

Differences relative to the Group's accounting policies
The parent company's accounting policies for recognition and measurement are in accordance with the Group's policies with the exceptions stated below.

Income statement
Income from investments in subsidiaries
Dividends from subsidiaries are recognized in the parent company's income statement when the parent company's right to receive such dividends has been approved, less any writedowns of the equity investments.

Balance sheet
Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. In addition, cost is written down to the extent that dividends distributed exceed the accumulated earnings in the subsidiary since the acquisition date.

Other financial assets
On initial recognition, securities and investments are measured at cost, corresponding to fair value plus directly attributable costs. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognized under net financials in the income statement.

Statement of changes in equity
Pursuant to the Danish Financial Statements Act, entries recognized in the statement of comprehensive income in the consolidated financial statements are recognized directly in the statement of changes in equity in the parent company's financial statements except for entries concerning other financial assets.

Cash flow statement
As allowed under section 86(4) of the Danish Financial Statements Act, no cash flow statement is presented as this is included in the consolidated cash flow statement.

NOTE 2

2. STAFF COSTS

Wages and salaries, etc.

	2015 DKKm	2014 DKKm
Short-term staff benefits	1,513	1,289
Retirement benefits	139	119
Other social security costs	22	22
Share-based incentive programmes	28	28
Total	**1,702**	**1,458**
The year's staff costs are specified as follows:		
Cost of sales	355	320
Sales and distribution costs	136	155
Administrative expenses	375	287
Research and development costs	836	696
Total	**1,702**	**1,458**

Executives[1]

	2015 DKKm	2014 DKKm
Short-term staff benefits	41	43
Retirement benefits	7	7
Share-based incentive programmes	4	10
Total	**52**	**60**

1) Executives are persons who report directly to Executive Management.

Executive Management

See note 4 *Staff costs* and note 11 *Incentive programmes* in the consolidated financial statements.

Board of Directors

See note 4 *Staff costs* in the consolidated financial statements.

Number of employees

	2015	2014
Average number of full-time employees in the financial year	1,742	1,895
Number of full-time employees at 31 December	1,592	1,891

Incentive programmes

See note 11 *Incentive programmes* in the consolidated financial statements.

NOTES 3-5

3. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2015 DKKm	2014 DKKm
Statutory audit	2	2
Other services	3	17
Total	**5**	**19**

In 2014, other services included one-off advisory services provided by Deloitte, which in the opinion of the Audit Committee do not impair the independence of the external audit services provided.

A few minor foreign subsidiaries are not audited by the parent company's auditors, a foreign business partner of the auditors, or by a recognized, international auditing firm.

4. INVESTMENTS IN SUBSIDIARIES

	2015 DKKm
Cost at 1 January	4,871
Capital contributions to subsidiaries	25
Cost at 31 December	**4,896**

Income from investments in subsidiaries is dividends, which amounted to DKK 297 million (DKK 166 million in 2014).

See note 28 *Subsidiaries* in the consolidated financial statements for an overview of all subsidiaries.

5. TAX ON PROFIT/(LOSS) FOR THE YEAR

	2015 DKKm	2014 DKKm
Current tax, joint taxation contribution	(229)	(43)
Prior-year adjustments, current tax	(16)	(13)
Prior-year adjustments, deferred tax	14	9
Change in deferred tax for the year	(1,667)	4
Change in deferred tax as a result of a change in the Danish corporate income tax rate	115	12
Total tax for the year	**(1,783)**	**(31)**
Tax for the year is composed of:		
Tax on profit/(loss) for the year	(1,918)	(194)
Tax on equity entries	135	163
Total tax for the year	**(1,783)**	**(31)**

NOTE 6

6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets	Patent rights DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Intangible assets DKKm
Cost at 1 January	663	5,820	984	110	7,577
Transfers	-	-	41	(41)	-
Additions	-	2,614	13	68	2,695
Disposals	(20)	(171)	(14)	-	(205)
Cost at 31 December	**643**	**8,263**	**1,024**	**137**	**10,067**
Amortization and impairment losses at 1 January	660	1,303	902	-	2,865
Amortization	-	270	41	-	311
Impairment losses	3	5,109	56	58	5,226
Disposals	(20)	(171)	(14)	-	(205)
Amortization and impairment losses at 31 December	**643**	**6,511**	**985**	**58**	**8,197**
Carrying amount at 31 December	**-**	**1,752**	**39**	**79**	**1,870**

1) In 2015, product rights not yet commercialized amounted to DKK 130 million (DKK 2,500 million in 2014). In 2014, the Rexulti® product rights in various territories amounted to DKK 2,278 million.
2) Other rights and projects in progress primarily include items such as the IT system SAP. The amounts include directly attributable internal expenses.

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment[1] DKKm	Prepayments and assets under construction DKKm	Property, plant and equipment DKKm
Cost at 1 January	3,382	1,027	688	151	5,248
Transfers	63	40	15	(118)	-
Additions	15	18	6	98	137
Disposals	(79)	(48)	(40)	-	(167)
Cost at 31 December	**3,381**	**1,037**	**669**	**131**	**5,218**
Depreciation and impairment losses at 1 January	1,783	742	624	-	3,149
Depreciation	109	61	26	-	196
Impairment losses	261	16	21	12	310
Disposals	(76)	(48)	(40)	-	(164)
Depreciation and impairment losses at 31 December	**2,077**	**771**	**631**	**12**	**3,491**
Carrying amount at 31 December	**1,304**	**266**	**38**	**119**	**1,727**

1) Including leasehold improvements.

Impairment of intangible assets and property, plant and equipment

For details concerning impairment losses see note 7 *Amortization, depreciation and impairment losses* in the consolidated financial statements. For all material purposes, the amounts for the parent company are equal to the amounts recognized in the consolidated financial statements.

In 2014, the decision to cease the development of desmoteplase resulted in an impairment loss of DKK 222 million in respect of the desmoteplase product rights. The impairment loss was recognized in amortization, depreciation and impairment losses under research and development costs. Consequently, the carrying amount of the product rights is DKK 0. In addition, the decision resulted in a DKK 87 million writedown of research and development materials previously recognized under prepayments. This writedown was recognized in research and development costs. The total impairment loss and writedown for desmoteplase recognized in research and development costs was DKK 309 million.

Pledged assets

The carrying amount of mortgaged land and buildings at 31 December 2015 was DKK 1,303 million (DKK 1,595 million in 2014). No other assets have been pledged.

NOTES 7-10

7. INVENTORIES

	2015 DKKm	2014 DKKm
Raw materials and consumables	203	183
Work in progress	305	341
Finished goods and goods for resale	219	414
Total	**727**	**938**
Indirect costs of production	**284**	**246**
Writedown for the year	**82**	**10**

8. DEFERRED TAX

Temporary differences between assets and liabilities as stated in the financial statements and in the tax base	Balance at 1 January DKKm	Adjustment of deferred tax at beginning of year DKKm	Movements during the year DKKm	Balance at 31 December DKKm
Intangible assets	3,550	(12)	(4,634)	(1,096)
Property, plant and equipment	562	77	(368)	271
Inventories	246	(67)	104	283
Other items	(843)	67	(459)	(1,235)
Tax loss carry-forwards etc.	-	-	(1,738)	(1,738)
Total temporary differences	**3,515**	**65**	**(7,095)**	**(3,515)**
Deferred (tax assets)/tax liabilities[1]	**765**	**14**	**(1,552)**	**(773)**

1) Movements during the year includes an increase in deferred tax of DKK 115 million (DKK 12 million in 2014) as a result of a change in the corporate income tax rate.

9. OTHER PROVISIONS

	2015 DKKm
Provisions at 1 January	151
Provisions charged	933
Provisions used	(268)
Unused provisions reversed	(50)
Provisions at 31 December	**766**
Provisions break down as follows:	
Non-current provisions	126
Current provisions	640
Provisions at 31 December	**766**

As a consequence of the restructuring programme initiated in 2015, a provision of DKK 930 million was recognized for severance payments and other restructuring costs. Further, the parent company has entered into agreements with individual subsidiaries under which the parent company will cover expected losses and obligations concerning the restructuring programme initiated in 2015, restructuring of the administrative processes in Europe initiated in 2013 and restructuring of the commercial organization in Europe initiated in 2012. The parent company has therefore made provisions to cover such losses and obligations.

10. MORTGAGE AND BANK DEBT

Mortgage debt falling due after more than five years from the balance sheet date amounts to DKK 1,674 million (DKK 1,809 million in 2014). At 31 December 2015 and 2014, all bank debt fell due within five years from the balance sheet date.

NOTES 11-13

11. FINANCIAL INSTRUMENTS

See note 26 *Financial instruments* in the consolidated financial statements.

12. CONTRACTUAL OBLIGATIONS

Rental and lease obligations
The parent company has obligations amounting to DKK 63 million (DKK 63 million in 2014) in the form of rentals and leasing of operating equipment. Of this amount, DKK 39 million (DKK 40 million in 2014) falls due after more than one year. Rental and lease payments recognized in the income statement amounted to DKK 41 million (DKK 33 million in 2014).

Other purchase obligations
The parent company has undertaken purchase obligations in the amount of DKK 115 million (DKK 238 million in 2014).

Research and development milestones and collaborations
Research and development milestone obligations amounted to DKK 683 million (DKK 2,485 million in 2014). The total amount of the milestone obligations may increase in line with the development of the projects.

In addition, the parent company is part of multi-year research and development collaboration projects comprising minimum collaboration obligations in the order of DKK 33 million (DKK 37 million in 2014).

Other contractual obligations
The parent company has entered into various service agreements amounting to DKK 93 million (DKK 83 million in 2014).

At 31 December 2015, the parent company's capital contribution obligations amounted to DKK 7 million (DKK 6 million in 2014).

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Letters of intent
The parent company has entered into agreements to cover operating losses in certain subsidiaries.

As collateral for bank guarantees, the parent company has issued letters of intent to the banks in the amount of DKK 19 million (DKK 17 million in 2014) on behalf of subsidiaries.

Joint taxation
H. Lundbeck A/S is part of a Danish joint taxation scheme with the Lundbeck Foundation. As from the 2013 financial year, 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. As from 1 July 2012, it 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.

Pending legal proceedings
H. Lundbeck A/S is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of Management, the outcome of these proceedings will not have a material impact on the financial position, results of operations or cash flows of H. Lundbeck A/S beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain. See *Risk management*, p. 23, for more details.

In June 2013, the European Commission issued a decision in which it found that, by entering into a few selected patent settlement agreements in 2002, Lundbeck had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, this decision was appealed by Lundbeck to the General Court and in November 2015, Lundbeck presented its case at a hearing before the General Court. Lundbeck expects a judgement from the General Court during 2016. If the judgement is appealed by either party to the European Court of Justice it may take several years before the matter will reach its final conclusion. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

NOTES 13-16

In December 2011, the Brazilian antitrust authorities (Secretariat of Economic Law – SDE) initiated administrative proceedings to investigate whether Lundbeck's enforcement of data protection rights could be viewed as anticompetitive conduct. In January 2012, Lundbeck submitted a response to the authorities. Due to a change in the Brazilian Antitrust Law, handling of the case has shifted from SDE to CADE (the Administrative Council for Economic Defense) and remains pending.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in two product liability class-action lawsuits in Canada. The cases are in the preliminary stages and as such associated with significant uncertainties. Lundbeck strongly disagrees with the claims raised.

Industry obligations
H. Lundbeck A/S has return obligations normal for the industry. Management does not expect any major loss from these obligations.

14. RELATED PARTIES

For information on related parties exercising controlling influence on H. Lundbeck A/S, see note 27 *Related parties* in the consolidated financial statements.

H. Lundbeck A/S is included in the consolidated financial statements for the Lundbeck Foundation.

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

15. TREASURY SHARES

See note 23 *Share capital* in the consolidated financial statements.

16. EVENTS AFTER THE BALANCE SHEET DATE

See note 31 *Events after the balance sheet date* in the consolidated financial statements.

MANAGEMENT STATEMENT

Today, we considered and approved the annual report of H. Lundbeck A/S for the period 1 January – 31 December 2015.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies used to be appropriate. Accordingly, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2015, and of the Group's and the parent company's activities and the Group's cash flows for the financial year 1 January – 31 December 2015.

We believe that the Management's review includes a fair review of developments in the Group's and the parent company's activities and finances, results for the year and the Group's and the parent company's financial position in general as well as a fair description of the principal risks and uncertainties to which the Group and the parent company are exposed.

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

Copenhagen, 10 February 2016

EXECUTIVE MANAGEMENT

Kåre Schultz
President and CEO

Anders Götzsche
Executive Vice President, CFO

Anders Gersel Pedersen
Executive Vice President, Research & Development

BOARD OF DIRECTORS

Håkan Björklund
Chairman

Lene Skole
Deputy Chairman

Terrie Curran

Mona Elisabeth Elster

Lars Holmqvist

Henrik Sindal Jensen

Jørn Mayntzhusen

Jesper Ovesen

Lars Rasmussen

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of H. Lundbeck A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of H. Lundbeck A/S for the financial year 1 January – 31 December 2015, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation of parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements and parent 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 consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2015, and of the results of its operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2015, and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

INDEPENDENT AUDITOR'S REPORTS

Statement on the management review

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

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 10 February 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

Erik Holst Jørgensen
State Authorized
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