Annual Report

H. Lundbeck A/S
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Denmark
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2023

Nicole
Living with migraine

Contents

MANAGEMENT REVIEW

2023 IN BRIEF

OUR BUSINESS

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION (PART OF MANAGEMENT REVIEW)

OTHER REPORTS

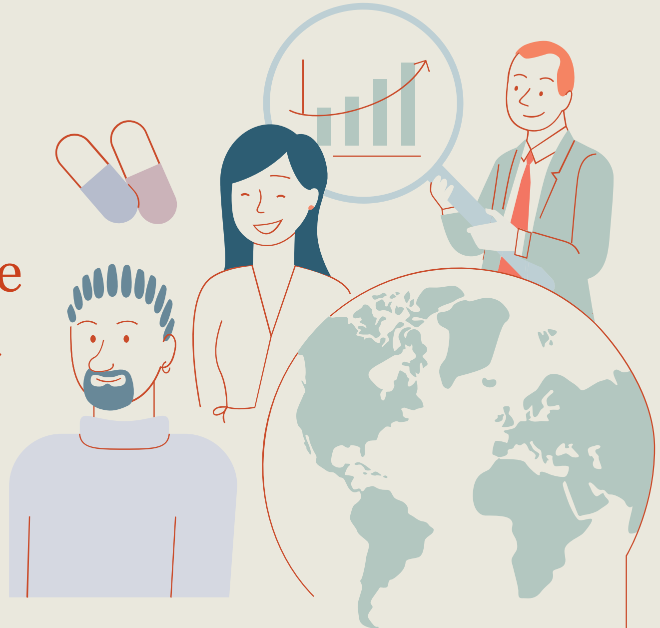
Also find our Sustainability Report, Remuneration Report and Corporate Governance Report on → Lundbeck.com

Cover
Nicole is from the U.S. and was diagnosed with migraine at the age of 15. Read her story on page 4.

Photography: Søren Svendsen and Lundbeck.

OUR BUSINESS MODEL

At Lundbeck, we discover, develop and commercialize treatments that make a difference to people affected by psychiatric and neurological disorders.



We have more than 70 years of experience in neuroscience and in improving the lives of people with brain disorders.

We cover the full value chain:

- We research to build a strong pipeline consisting of promising molecules and antibodies.
- We develop our drug candidates into new medicines.
- We manufacture our medicines at state-of-the-art production sites and continue to supply our drugs to patients in need.
- We make our medicines available through healthcare systems in more than 100 countries.

We are around 5,600 highly specialized employees across +50 countries.

We are one of the few biopharmaceutical companies in the world working exclusively within neuroscience.

We focus our innovation within psychiatry and neurology:

- Psychiatry covers psychotic disorders like schizophrenia, mood and anxiety disorders like depression, bipolar disorder, and post-traumatic stress disorder.
- Neurology covers disorders like migraine, dementia, and movement disorders like Parkinson's disease, epilepsy, and multiple system atrophy (MSA).
- Neuroscience is an exciting growing area with large unmet medical needs. We see growth and rapidly evolving technologies and methodologies.

We work in partnerships to fight stigma and address the large unmet medical needs.

Everywhere we operate, we strive to create long-term value and make a positive contribution to people and societies.

We ensure outcomes to people and societies:

- +8 million patients around the world are helped by our medicines daily.
- We reinvest around 20% of our revenue in R&D to continue our development of new, innovative drugs.
- Throughout our value chain, we incorporate patient insights by talking to and learning from those with lived experiences.
- We create shareholder value ensuring sustainable and profitable growth.

We act to improve health equity for the patients we serve and the communities we are part of.

PATIENT PERSPECTIVE

Navigating the waves

We are sharing the voices of people living with brain diseases, because patients are at the heart of all we do. Read Nicole's full story on → www.lundbeck.com

After three decades of managing migraine, Nicole recently graduated with her degree and landed her dream job. She is proof that with unwavering determination, anyone can reclaim control of their life.

Growing up along the sunny shores of southwest Florida, Nicole and her family looked forward to the arrival of summer. However, what should have been carefree days of sandcastles and seashells took an unexpected turn when Nicole began experiencing migraine. What she used to look forward to, now often culminated in throbbing headaches. The picturesque seaside scenes were overshadowed by the persistence of migraine that impacted Nicole's experience for the next +30 years.

As Nicole transitioned from childhood to adolescence, she began to uncover the threads connecting her migraine attacks. Certain triggers emerged – gym class, chocolate, caffeine, lights and sounds. Seeking answers, Nicole consulted her doctor, who diagnosed her with migraine at the age of 15. Through her late teens and early 20s, migraine persisted, with the frequency increasing from two attacks a month to an alarming 18, accompanied by debilitating symptoms including nausea and aura.

The haze of brain fog that preceded and followed these attacks cast a shadow over her ability to communicate effectively, leaving her grappling with sentence formation and articulation.

A WAVE OF HOPE

Nicole's journey took a transformative turn during her late 20s when she visited a neurologist. The revelation that she had never consulted a specialist for her migraine and then did so set the stage for a new phase in her journey. Over the course of three decades, Nicole would cross paths with ten different neurologists, each contributing to her understanding of her condition. This journey of discovery eventually led to significant progress in the treatment of her migraine over the past five years.

Participation in a clinical trial introduced a new treatment option that helped break the grip migraine had on her life. Gradually, migraine became more manageable, allowing her to return to resume pursuing her degree and, in August 2023, proudly secure her bachelor's in health and human services.

Nicole recently accepted a new job as a case manager working with new mothers to prevent childhood neglect and abuse, rejoining the workforce.

> This is my dream job, and I am thrilled to have the opportunity after all these years.

TIDES OF CHANGE

When reflecting upon her journey spanning three decades, Nicole mentions, in her opinion, the profound transformations in migraine care marked by an expanded array of available treatments and decreased stigma surrounding migraine.

Nicole's valuable experience boils down to practical advice for anyone living with migraine: "Find a neurologist who listens and works with you. Understand your triggers and keep looking until you find the right treatment for you."

Nicole,
living with migraine

2023 in Brief

Christine Utzon
Synthesis Operator

IN THIS SECTION

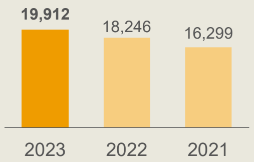
Financial Key Figures[1]

2023 saw exceptional growth of our strategic brands.

TOTAL REVENUE
DKKm

19,912

8% CER[2]

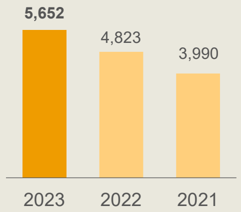


Revenue reached DKK 19,912 million representing a growth of 9% compared to 2022.

ADJUSTED EBITDA[3]
DKKm

5,652

7% CER[2]

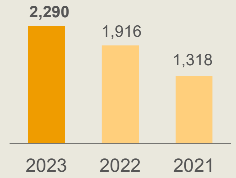


Adjusted EBITDA increased 17%.
Adjusted EBITDA margin increased from 26.4% to 28.4%.

NET PROFIT
DKKm

2,290

20%

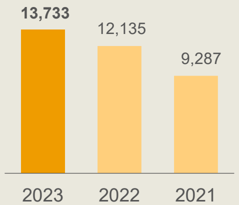


Strong increase in **net profit** from 2022 to 2023.

REVENUE FROM STRATEGIC BRANDS
DKKm

13,733

16% CER[2]

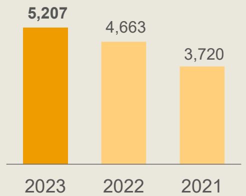


In aggregate, strategic brands grew 13% compared to 2022, representing 69% of total revenue.

EBITDA[4]
DKKm

5,207

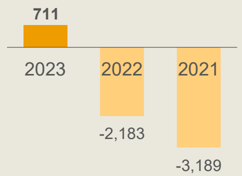
0% CER[2]



EBITDA increased 12%.
EBITDA-margin in 2023 increased from 25.6% to 26.2%.

NET CASH
DKKm

711



Net debt of DKK 2,183 million at year-end 2022 transitioned into **net cash** in 2023.

1 Unless otherwise stated, information is at reported rates.
2 Constant Exchange Rates (CER) previously denominated Local Currencies (LC). Change at CER does not include effects from hedging.
3 For details of the non-IFRS measure 'adjusted EBITDA', see *Adjusted EBITDA Reconciliation*.
4 For definition of the measure "EBITDA", see *Summary for the Group 2019-2023*.

Key Events[1]

In February, Thomas Gibbs joined Lundbeck as Executive Vice President and Head of Lundbeck in the United States based in Lundbeck's U.S. head office in Chicago.

Lundbeck's *HOPE* trial with Lu AG09222 met its primary endpoint in migraine prevention. Patients treated with this monoclonal antibody had a statistically significantly greater reduction in the number of monthly migraine days from baseline to weeks 1 to 4 of treatment compared to placebo.

The U.S. Food and Drug Administration (FDA) approved the New Drug Application (NDA) for Abilify Asimtufii® (aripiprazole) extended-release injectable suspension for intramuscular use, a once-every-two-months injection for the treatment of schizophrenia in adults or for maintenance monotherapy treatment of bipolar I disorder in adults.

Alloy Therapeutics, a biotechnology ecosystem company, announced it is collaborating with Lundbeck in the discovery of novel biologic therapies.

Neuro3 Therapeutics, a biotechnology company, acquired exclusive worldwide rights to develop and commercialize clinical stage KCNQ2 activators from Lundbeck.

The FDA approved the supplemental New Drug Application (sNDA) of Rexulti® (brexpiprazole) for use in the treatment of agitation associated with dementia due to Alzheimer's disease (AADAD). This approval makes Rexulti® the first and only pharmacological treatment approved in the U.S. for AADAD.

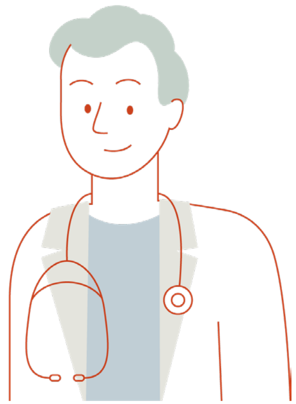
Lundbeck released new data confirming the long-term benefit of treatment with Vyepti® (eptinezumab) in migraine prevention. The findings from the *DELIVER* extension study were presented at the 65th Annual Scientific Meeting of the American Headache Society.

Lundbeck took over as chair of the Danish *Lighthouse Life Science* expanding its focus to include mental health. Through public-private partnerships the purpose is to find new innovative welfare technology solutions, and currently 300 partners are involved including knowledge institutions, municipalities, regions, and small-medium and large companies. Chairing the partnership, Lundbeck's vision is to align the lighthouse with political priorities and develop innovative solutions that assist individuals facing mental challenges, promote mental well-being and inspire global solutions for mental health.

The Board of Directors appointed Charl van Zyl as the new President and CEO of Lundbeck, announcing that Deborah Dunsire had chosen to retire from Lundbeck after having successfully strengthened Lundbeck's position since her appointment in 2018.
Charl van Zyl joined Lundbeck in September.

Lundbeck and Otsuka Pharmaceutical announced topline results from two phase III trials of brexpiprazole as combination therapy with sertraline for the treatment of post-traumatic stress disorder in adults. Overall, the safety and tolerability results were consistent with the profile of brexpiprazole as observed in the clinical trials for schizophrenia, AADAD, and adjunctive treatment of major depressive disorder (MDD). In a flexible dose trial, significant effects were seen on the primary endpoint, while the fixed dose trial missed its primary endpoint. Lundbeck is discussing the results with the FDA.

Lundbeck presented clinical advances in migraine prevention with positive trial results at the International Headache Congress in Seoul, Korea. The data supports Lu AG09222 as a potential preventive treatment of migraine and based on these positive outcomes, Lu AG09222 will progress into further development.



Lundbeck established the 'Lundbeck Biotech Incubator'. The pilot project will give selected biotech companies working in the field of the central nervous system access to Lundbeck's research facilities and experts in drug design and brain disorders. The target group is scientists, innovators, and entrepreneurs in early-stage biotechnology companies.

1 The list of events is ordered chronologically.

Sustainability Key Figures

PATIENTS WE SERVE

+8 million

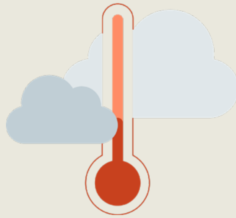
Our portfolio of products reaches more than 8 million people on a daily average[1].

BUSINESS ETHICS COMPLIANCE

99.9%

Of employees completed the annual e-learning on our Code of Conduct.

CLIMATE ACTION



▼34%

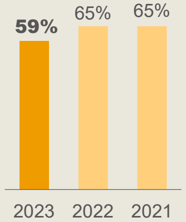
Reduction in scope 1 & 2 carbon emissions vs. 2019 SBTi target baseline.

▲8%

Increase in scope 3 carbon emissions vs. 2019 SBTi target baseline.

CHEMICAL RECYCLING

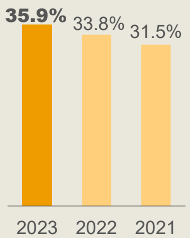
59%



Recovery and reuse of the organic compounds used in chemical production[2].

WOMEN IN SENIOR MANAGEMENT

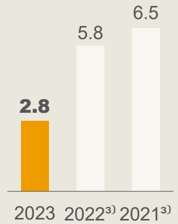
36%



Gender split for senior managers globally of 36% women and 64% men.

HEALTH & SAFETY

2.8



Frequency of lost time accidents per one million working hours for all employees. Scope has been expanded in 2023[3].

1 Estimated patient years, based on 2023 sales data for Lundbeck products, excluding partner products.
2 Targets are set annually based on expected production volume and mix.
3 Scope has been expanded to include all employees globally in 2023. 2022 and 2021 rates cover production sites only.

Read more in our Sustainability Report

Letter to Shareholders

In 2023, Lundbeck continued to deliver solid performance, primarily driven by our strategic brands. We have expanded both our therapeutic and patient reach. We are seeing strong momentum for our business and are committed to investing further in our pipeline.

In 2023, we saw robust sales growth and the launch of Vyepti® in numerous markets, along with the launch of Rexulti® with the additional indication AADAD and the launch of Abilify Asimtufii®. They all provide an additional growth opportunity.

We have expanded our therapeutic reach and have a firm focus on neurology and psychiatry, having made investments in our research and development activities. Over time, our pipeline has been strengthened through internal transformations, strategic acquisitions and in-licensing transactions, establishing a strong foundation for future progress.

RECENT CHANGES

During Q3 2023, Lundbeck smoothly executed the planned transition from Deborah Dunsire to Lundbeck's new CEO, Charl van Zyl.

Now, together with the Executive Management team, we are in the process of strengthening Lundbeck's position as a focused innovator to ensure a sustainable long-term future for our products, innovation, R&D and profitability.

As we are witnessing the results of the 'Expand and Invest to Grow' strategy, implemented in 2019, we are now looking into how we can accelerate our business further.

We are striving to build and develop a rich pipeline through a combination of organic growth and strategic initiatives, such as partnerships, in-licensing and acquisitions. Lundbeck has a proven track record of successfully integrating new molecules and licenses into our portfolio, and we intend to build further on this, embracing our role as innovators.

PROMISING SCIENTIFIC DEVELOPMENTS

In 2023, we continued to rethink and de-risk our pipeline and how clinical trials are carried out.

We have been redirecting our research focus to areas where we have a profound understanding of biology and, importantly, biomarkers that can help us understand and reduce risks during development. More products in the portfolio are developed using biomarkers, allowing for further de-risking of our clinical development.

Life-cycle management activities around our strategic brands are also yielding results. We are pleased that the U.S. Food and Drug Administration (FDA) approved brexpiprazole (Rexulti®/Rxulti®) for the treatment of AADAD.

> Our strategic choices will focus on the R&D environment and embrace our role as innovators

This is the first drug proven to address this indication in a debilitating disease impacting both patients and their caregivers. In addition, with the FDA, we are discussing data from two phase III trials of brexpiprazole as combination therapy with sertraline for the treatment of post-traumatic stress disorder in adults. We concluded the trials in September.

The FDA also approved the two-month, long-acting injectable formulation of aripiprazole as a long-acting injectable for the treatment of schizophrenia in adults and as a maintenance monotherapy treatment of bipolar I disorder in adults.

On migraine prevention, results showed that Lu AG09222 met its primary endpoint in the *HOPE* trial; patients had a statistically significantly greater reduction in the number of monthly migraine days. The data supports this anti-pituitary adenylate cyclase-activating polypeptide (anti-PACAP mAb) as a potential preventive treatment of migraine. We believe this is another promising pathway to addressing migraine and other pain disorders, and we are excited about the potential to help patients who may require a new approach for migraine prevention.

We are also encouraged by the recent results in the phase II study for Lu AF82422 where a trend towards slowing MSA disease progression was observed. Lundbeck plans to initiate a phase III study, following further dialogue with health authorities.

MAINTAINING STEADY GROWTH

We see the strong momentum for our business to continue as stated in our mid-term financial targets issued at the beginning of 2023. Thus, both in the short-term and mid-term, we see very good growth prospects for the company. In the longer term, the emerging scientific developments are promising, and we will invest to realize the full potential of our R&D engine.

RESILIENCE IN UNCERTAIN TIMES

We live in unprecedented times, in which, within a few short years, we have had to navigate our business through a global pandemic, wars in Ukraine and Israel/Gaza, high levels of inflation and other global uncertainties.

To us, it has been of utmost importance to support our employees who are impacted by unfortunate circumstances, but also to ensure that we serve patients in need, regardless of the circumstances. We remain agile, are investing further in our pipeline and technology, and are taking the right decisions to secure the long-term, sustainable future of the business, despite the uncertain times.

> Employees' hard work and dedication are making a real difference in the lives of so many people living with brain diseases.

THANKS TO OUR DEDICATED TEAM

We want to take this opportunity to thank Lundbeck's more than 5,000 employees. Their hard work and dedication are making a real difference in the lives of so many people living with brain diseases.

We believe that an open dialogue and a shared vision powers value creation and growth. We thank everyone for keeping up the outstanding execution of our objectives and for continuing to innovate and serve people who need new medicines to conquer brain diseases.

Together, we will drive positive change and propel our company to new heights.

Charl van Zyl, President and CEO
and
Lars Søren Rasmussen, Chair of the Board

Charl van Zyl
President and CEO

Lars Søren Rasmussen
Chair of the Board

Our Business

Yusuf Tufail
Principal Scientist

IN THIS SECTION

Strategy Update

Our results continued a strong growth trajectory in 2023, supported by our people and commitment to providing innovative treatments for patients suffering from diseases within neuroscience, which are managed by specialists. Our focus for the future is to invest in long-term sustainable growth.

OUR CURRENT STRATEGY IN BRIEF

Over the last couple of years, we have taken significant strides to expand our operating space through the acquisitions of Abide and Alder in 2019 and the 2021 acquisition of the CD40L inhibitor from AprilBio, which gave us the platforms needed to expand our areas of focus in neuroscience. With the 2020 launch of Vyepti® in the U.S. and the global roll-out to many more markets globally through 2021-2023, we are establishing a new frontier in migraine prevention for the patients who need it the most. The expansion into the migraine field also provides a commercial platform for future growth in specialty neurology.

Furthermore, we have strengthened our R&D capabilities to enable us to broaden our focus in four biologies and ensure that we de-risk our internal pipeline compounds in early development.

We utilize an experimental medicine approach to identify the effects of a drug in carefully selected patient populations, to find the most efficient clinical pathway powered by biomarkers and study designs and to advance the most promising drug candidates into full development.

The geographical expansion of Vyepti® and the continuing efforts to grow and expand strategic brands, along with several other life-cycle management projects, are all crucial to our future. We are also committed to pursuing a programmatic approach to M&A deals to boost innovation and growth in the mid-term and to invest further in enhanced R&D productivity to drive the next decade of growth.

We have made choices on where to accelerate and enhance the use of digital solutions within our operations and R&D. We have also taken steps to fortify our winning culture with increased agility, collaboration, diversity and inclusion.

Charl van Zyl,
President and CEO

These are just a few of the many actions that are helping us deliver on the promise of our strategy to yield sustainable, long-term profitable growth.

CREATING VALUE THROUGH OUR UNIQUE POSITION

Our goal continues to be providing innovative treatments for patients suffering from diseases within neuroscience, which are managed by specialists.

Achieving our fullest potential as a mid-size, highly specialized pharmaceutical company requires that we thoughtfully concentrate our efforts where we can make the most difference to patients.

While we maximize the great medicines and brands that we already have, we simultaneously focus on growing our pipeline with treatments for diseases within neuroscience for which there are few, if any, treatment options.

By focusing on diseases within neuroscience, managed by specialists in neurology and psychiatric indications, we can best take advantage of our mid-sized scale and good relationships with key stakeholders to deliver powerful solutions to challenging diseases.

We continue to seek partnerships with both academia and biopharma along the value chain of discovery and development of new innovative molecules and commercialization, with the ambition of being the preferred partner of choice within neuroscience. Leveraging external innovation and technologies is an integral part of being a successful pharma company.

We currently promote medicines in 54 countries and will continue to review our optimal commercial footprint with or without partners to serve as many patients as possible who need our treatments.

Just as important to growing our pipeline and selling our medicines is the manufacturing of our medicines, whether internally or via external contract manufacturing.

We have excellent internal capabilities within small and large molecules to support our R&D pipeline, including monoclonal antibody design, process and formulation development capabilities, as well as end-to-end internal small molecule manufacturing facilities.

Our three priorities across ‘Production, Development & Supply’ remain quality, reliability and cost. We have a robust track record on all three parameters and ambitious goals to continuously improve performance with a determined focus on operational excellence and sustainable sourcing.

We aim to build on what we have achieved and capitalize further on the solid fundamentals that are deeply ingrained in Lundbeck: our rich heritage of developing and producing life-changing treatments for patients, our deep scientific knowledge in psychiatry and neurology, and our patient-centric mindset.

We will focus on embracing new biologies and technologies, adjusting and learning as we forge ahead. In the future, we will work with even more agility, collaboration across geographies and digitalization to simplify our processes and accelerate our ability to test and learn for faster, higher-quality decision-making.

This will fully leverage our diverse talent, knowledge and skillsets so that we can pursue solving some of the biggest brain disease challenges with the greatest patient rewards.

OUR LONG-TERM AMBITION

We aim to establish solutions for patients which provide differentiation over standard of care. This will be our core purpose as a focused innovator in the field of neuroscience, and we continuously evaluate our strategic choices as to where to invest our capital to achieve our long-term goals.

Our ambition is to establish long-term and sustainable growth to the end of this decade and beyond. The long-term success will depend on discovering new treatments for unmet medical needs and a series of potential acquisitions, while an enhanced R&D pipeline and productivity will help contribute to driving the next decade of growth.

We believe in educating influential stakeholders so more people suffering from chronic diseases in neuroscience can get access to the care they need.

Our strengths

We have a premier neuroscience pipeline that will make a difference to our patients.

We have an established commercial footprint around commercially attractive patient segments in diseases within neuroscience, which are managed by specialists.

We are a company leveraging diversity, in which top talents within neuroscience aspire to work.

What we strive for

We strive to serve the people who need new medicines to help them conquer brain diseases.

We strive to continue to deliver long-term sustainable growth in revenue and profitability.

And we strive to be carbon neutral before 2050.

Performance Review and Outlook 2024

In 2023, Lundbeck reached a record revenue of DKK 20 billion. We continue to present sustainable growth and we already see results of the successful R&D transformation. Currently, we are strengthening Lundbeck's position as a focused innovator to ensure a sustainable long-term future for our products, innovation, R&D and profitability.

Overall, 2023 revenue is in line with the guidance provided in February 2023 and updated on 8 November 2023 to reach DKK 19.8 to 20.1 billion. The EBITDA guidance was changed to Adjusted EBITDA in May 2023 and was expected to reach DKK 5.6 to 5.8 billion.

ACCELERATED REVENUE GROWTH

Revenue reached DKK 19,912 million in 2023 compared to DKK 18,246 million in 2022, driven mainly by growth in the U.S. and Europe.

STRATEGIC BRANDS RECORD

The revenue of Lundbeck's strategic brands increased by 13% (+16% CER), reaching DKK 13,733 million, representing 69% of total revenue.

We continue to see strong growth in our strategic brands which include Rexulti®/Rxulti® (depression/schizophrenia), Brintellix®/Trintellix® (depression), Abilify Maintena®/Asimtufii® (schizophrenia) and Vyepti® (prevention of migraine).

EBITDA grew 12% (+0% CER) compared to 2022 and reached DKK 5,207 million.

Adjusted EBITDA grew 17% (+7% CER) compared to 2022 and reached DKK 5,652 million. Adjusted EBITDA margin reached 28.4%.

Earnings per share (EPS) reached DKK 2.31 equivalent to an increase of 20%.

Adjusted earnings per share (EPS) reached DKK 4.22 equivalent to an increase of 13%.

Revenue per region

- United States: DKK 9,829 million (+8%; +11% CER[1])
- Europe: DKK 4,628 million (+9%; +11% CER[1])
- International Markets: DKK 4,991 million (-4%; +2% CER[1])

Revenue strategic brands

- Rexulti®/Rxulti®: DKK 4,525 million (+16%; +20% CER[1])
- Brintellix®/Trintellix®: DKK 4,324 million (+1%; +5% CER[1])
- Abilify Maintena®/Asimtufii®: DKK 3,187 million (+8%; +10% CER[1])
- Vyepti®: DKK 1,697 million (+69%; +74% CER[1])

Key figures

DKKm	2023	2022	Growth	Growth (CER[1])
Revenue	19,912	18,246	9%	8%
EBITDA	5,207	4,663	12%	0%
Adjusted EBITDA	5,652	4,823	17%	7%
EPS (DKK)	2.31	1.93	20%	
Adjusted EPS (DKK)	4.22	3.74	13%	

1 Constant Exchange Rates (CER).

Business Performance

TOTAL REVENUE

DKKm	2023	2022	Growth	Growth (CER)
Rexulti®/Rxulti®	4,525	3,890	16%	20%
Brintellix®/Trintellix®	4,324	4,277	1%	5%
Abilify Maintena®/Asimtufii	3,187	2,964	8%	10%
Vyepti®	1,697	1,004	69%	74%
Strategic brands	**13,733**	**12,135**	**13%**	**16%**
Cipralex®/Lexapro®	2,135	2,360	(10%)	(4%)
Sabril®	336	636	(47%)	(47%)
Other pharmaceuticals	3,244	3,426	(5%)	(2%)
Mature brands	**5,715**	**6,422**	**(11%)**	**(7%)**
Other revenue	327	277	18%	18%
Total revenue before hedging	**19,775**	**18,834**	**5%**	**8%**
Effects from hedging	137	(588)		
Total revenue	**19,912**	**18,246**	**9%**	**8%**

REVENUE BY PRODUCT

Revenue reached DKK 19,912 million representing a growth of 9% (+8% CER). The revenue growth is driven by the strong performance of the strategic brands reaching DKK 13,733 million, representing a growth of 13% (+16% CER) and equivalent to 69% of total revenue. The largest markets for the strategic brands are the U.S., Canada, Spain, Italy and Australia.

STRATEGIC BRANDS

Rexulti® revenue reached DKK 4,525 million representing a growth of 16% (+20% CER) as a result of strong demand and price increases as well as a negative currency impact in the U.S. The revenue distribution by region was 93%, 1% and 6% in the U.S., Europe and International Markets, respectively. The largest markets are the U.S., Canada, Brazil, Australia and Mexico.

Brintellix®/Trintellix® revenue reached DKK 4,324 million representing a growth of 1% (+5% CER) driven by higher demand and sales in Europe and in International Markets such as Japan, Spain, Brazil and Canada. This performance is offset by lower demand in the U.S., and COVID-19 impact as well as access restrictions for the industry in China during 2023. The revenue distribution by region was 33%, 35% and 32% in the U.S., Europe and International Markets, respectively. The largest markets for the product are the U.S., Canada, Spain, Italy and Brazil.

Abilify Maintena® and **Abilify Asimtufii®** revenue reached DKK 3,187 million representing a growth of 8% (+10% CER) driven by higher demand in all regions and a price increase in the U.S. Additionally, the revenue in the U.S. was affected by a negative currency impact. The revenue distribution by region was 37%, 45% and 18% in the U.S., Europe and International Markets, respectively. The largest markets are the U.S., Spain, Canada, Australia and Italy.

Vyepti® delivered significant growth in 2023 and revenue reached DKK 1,697 million following an increase of 69% (+74% CER) mainly driven by a demand uptake in the U.S. as well as continued launches across the world. Vyepti® was initially launched in April 2020 in the U.S. and has since been launched in around 25 markets in total. In October 2023, Vyepti® received public formulary coverage from certain provinces in Canada. Combined, this coverage allows more than 80% of eligible Canadian patients living with migraine to have access to Vyepti®. The revenue distribution by region was 93%, 5% and 2% in the U.S., Europe and International Markets, respectively.

MATURE BRANDS

Cipralex®/Lexapro® revenue reached DKK 2,135 million representing a decline of 10% (-4% CER) mainly due to generic competition in Japan since the loss of exclusivity at end of 2022, partially offset by higher in-market sales in China and price increase in Turkey. The revenue distribution by region was 68% and 32% in International Markets and Europe, respectively. The largest markets are China, South Korea, Italy, Brazil and Canada.

Sabril® revenue reached DKK 336 million representing a decline of 47% (-47% CER) mainly driven by generic erosion and the continued supply outage as a consequence of a third-party manufacturing quality issue.

Revenue from **Other pharmaceuticals**, which comprises the remainder of Lundbeck's products, reached DKK 3,244 million representing a decline of 5% (-2% CER), mainly due to lower sales of certain mature products such as Northera® and Deanxit®. As of 1 January 2023, Onfi® is being reported together with Other pharmaceuticals, comparative figures for 2022 have been adjusted accordingly. The largest markets for Other pharmaceuticals are the U.S, China, France, South Korea and Spain.

REVENUE BY GEOGRAPHICAL AREA

Lundbeck's largest markets are the U.S., China, Canada, Spain and Italy.

United States revenue reached DKK 9,829 million representing a growth of 8% (+11% CER). The strategic brands reached DKK 8,398 million increasing by 15% (+18% CER), representing 85% of the revenue in 2023. The revenue growth of Vyepti®, Rexulti® and Abilify Maintena®/Asimtufii is mainly driven by strong demand and price increases as well as a negative currency impact. Sales of Trintellix® continues to be negatively impacted by declining demand and higher gross-to-net following a shift in the payer mix, offset by price increase. Revenue development in the U.S. is furthermore impacted by the erosion of mature brands such as Northera® and Sabril® as well as the continued supply outage of Sabril® as a consequence of a third-party manufacturing quality issue as communicated last year.

Europe revenue reached DKK 4,628 million representing a growth of 9% (+11% CER). The strategic brands reached DKK 3,088 million increasing by 12% (+14% CER), representing 67% of revenue. The revenue growth is driven by higher sales across all strategic brands. Mature brands revenue increased reaching DKK 1,540 million and representing a growth of 2% (+6% CER), mainly driven by price increases. The largest markets in Europe are Spain, Italy, France and Switzerland.

International Markets comprises all Lundbeck's markets outside the U.S. and Europe. Revenue reached DKK 4,991 million representing a decline of 4% (+2% CER). The strategic brands reached DKK 2,247 million increasing by 9% (+15% CER), representing 45% of revenue. The development is mainly driven by higher sales in Canada, Brazil and China, partially offset by the erosion of Lexapro® in Japan following the entry of generic competition since the end of 2022 as well as a negative currency impact in China and Canada. The biggest markets are China, Canada, Brazil, Australia and South Korea. China and Canada constitute approximately 43% of the regional revenue from Other pharmaceuticals.

GROSS PROFIT

Cost of sales reached DKK 4,485 million, increasing by 14% (+17% CER) mainly driven by higher sales, the Vyepti® provision for inventory obsolescence of DKK 312 million, and an increased Vyepti® amortization recognized in 2023 related to the European approval of Vyepti® and environmental provisions.

Gross profit reached DKK 15,427 million, increasing by 8% (+6% CER) in 2023. The gross margin was 77.5% representing a decline of 0.8 percentage points.

Adjusted gross profit is the gross profit excluding depreciation and amortization and other adjustments linked to sales. **The adjusted gross margin** was 88.3% representing a decrease of 0.1 percentage points.

Amortization of product rights was DKK 1,559 million, increasing by 14% (+15% CER) mainly driven by an increase in the Vyepti® amortization.

EBIT AND ADJUSTED EBITDA

Total operating expenses (OPEX) reached DKK 12,232 million corresponding to an increase of 7% (+10% CER) mainly driven by higher sales and distribution costs as well as administrative expenses offset by lower R&D costs. The OPEX-ratio declined by 1.3 percentage points.

Sales and distribution costs reached DKK 7,482 million corresponding to an increase of 13% (+18% CER) mainly driven by higher Rexulti® and Vyepti® sales and promotion activities in the U.S., global roll-out of Vyepti® and restructuring provisions related to commercial structure in certain international markets. Sales and distribution costs corresponded to 37.6% of revenue, representing an increase of 1.4 percentage points.

TOTAL REVENUE

DKKm	2023	2022	Growth	Growth (CER)
United States				
Rexulti®	4,206	3,645	15%	19%
Vyepti®	1,578	982	61%	66%
Trintellix®	1,432	1,650	(13%)	(10%)
Abilify Maintena®/Asimtufii	1,182	1,047	13%	16%
Strategic brands	**8,398**	**7,324**	**15%**	**18%**
Mature brands	1,431	1,778	(20%)	(18%)
Revenue – United States	**9,829**	**9,102**	**8%**	**11%**
Europe				
Brintellix®	1,507	1,311	15%	16%
Abilify Maintena®	1,445	1,382	5%	6%
Vyepti®	77	11	600%	574%
Rexulti®	59	41	44%	43%
Strategic brands	**3,088**	**2,745**	**12%**	**14%**
Mature brands	1,540	1,507	2%	6%
Revenue – Europe	**4,628**	**4,252**	**9%**	**11%**
International Markets				
Brintellix®	1,385	1,316	5%	12%
Abilify Maintena®	560	535	5%	11%
Rexulti®	260	204	27%	34%
Vyepti®	42	11	282%	288%
Strategic brands	**2,247**	**2,066**	**9%**	**15%**
Mature brands	2,744	3,137	(13%)	(7%)
Revenue – International Markets	**4,991**	**5,203**	**(4%)**	**2%**
Other revenue	327	277	18%	18%
Total revenue before hedging	**19,775**	**18,834**	**5%**	**8%**
Effects from hedging	137	(588)		
Total revenue	**19,912**	**18,246**	**9%**	**8%**

Administrative expenses reached DKK 1,293 million, increasing by 20% (+21% CER) and corresponding to 6.5% of total revenue mainly driven by higher legal provisions for ongoing litigations, expenses from digital investments, and the CEO transition.

Research and development costs reached DKK 3,457 million with an R&D ratio of 17.4%. Lower R&D costs of 8% (-7% CER) reflect a reduced late development and phase IV activities in 2023 compared to 2022. The phase IV trials on Brintellix®/Trintellix® were completed and the pivotal trials on Rexulti® were finalized in 2022. Further decreases in 2023 can be attributed to lower costs for the Lu AG09222 phase IIa *HOPE* trial and the Lu AF82422 phase II *AMULET* trial.

EBIT reached DKK 3,195 million, increasing by 12% (-6% CER) reflecting the operating leveraging effect of higher revenue, partially impacted by the higher expenses**.**

Amortization of product rights amounted to DKK 1,559 million corresponding to an increase of 14% (+15% CER). **Total amortization, depreciation and impairment losses** reached DKK 2,012 million representing an increase of 11% (+12% CER) mainly driven by an increase in the Vyepti® amortization.

Adjusted EBITDA reached DKK 5,652 million representing a growth of 17% (+7% CER) reflecting EBIT and EBITDA development in addition to adjustments of DKK 312 million of the Vyepti® inventory obsolescence, DKK 69 million regarding higher legal provisions for ongoing litigations and DKK 64 million of commercial restructuring costs.

NET PROFIT

Net financial expenses reached DKK 202 million equivalent to a decline of 47% due to the positive impact from higher interest rates on underlying positive bank balances. The positive development is offset by losses from currency revaluation. Additionally, 2022 was impacted by the European approval of Vyepti® which triggered a fair value adjustment of contingent consideration of CVR to former Alder shareholders amounting to DKK 278 million.

The **effective tax rate** for 2023 was 23.5% (22.6% for 2022). The tax rate is in line with the full-year expectation, reflecting the reduced deduction benefit from the Danish research & development incentive of 108% (130% in 2022).

Net profit reached DKK 2,290 million corresponding to a growth of 20%.

ADJUSTED NET PROFIT AND EPS

Adjusted net profit is the net profit excluding depreciation and amortization and other adjustments, net of taxes. Adjusted net profit reached DKK 4,192 million, representing an increase of 13%. The adjustments are mainly related to amortization of product rights, provisions for restructuring, legal provisions for ongoing litigations and the Vyepti® provision for obsolescence.

Adjusted EPS was DKK 4.22 corresponding to an increase of 13%.

CASH FLOW

Cash flows from operating activities amounted to an inflow of DKK 4,080 million compared to an inflow of DKK 3,519 million in 2022. The positive development is primarily driven by higher revenue and EBIT, which was partly offset by higher working capital. The net working capital was mainly driven by a decrease in short-term liabilities due to the Rexulti® milestone payment in 2023 combined with a decrease in other short-term liabilities.

Lundbeck's **net cash flows from investing activities** were an outflow of DKK 498 million mainly due to milestone payments in 2023 compared to an outflow of DKK 1,892 million in 2022 related to the CVR payment triggered by the European approval of Vyepti®.

Lundbeck's **net cash flows from financing activities** were an outflow of DKK 2,085 million compared to an outflow of DKK 387 million in 2022. The financing cash flows in 2023 mainly relate to repayment of debt and dividend payment approved at the Annual General Meeting in March 2023. The development of financing cash flow is affected in 2022 by a cash inflow mainly related to the drawing on the RCF used for the milestone payment triggered by the European approval of Vyepti®.

The net cash inflow reached DKK 1,497 million compared to an inflow of DKK 1,240 million in 2022. **Net debt** has decreased from DKK 2,183 million at the end of December 2022 to **net cash** of DKK 711 million at the end of December 2023. Net debt/EBITDA ratio is -0.1x at the end of December 2023 compared to 0.5x at the end of December 2022. **Interest-bearing debt** was DKK 4,299 million at the end of December 2023 compared to DKK 5,731 million at the end of December 2022.

DIVIDEND

The Board of Directors proposes to pay a dividend of approximately 30% of net profit for 2023 in line with Lundbeck's pay-out policy of 30 – 60%. This corresponds to DKK 0.70 per share or a total of DKK 697 million compared to DKK 578 million in 2022. The dividend pay-out is subject to approval at the Annual General Meeting on 20 March 2024.

FINANCIAL GUIDANCE 2024

For the financial guidance 2024 and going forward, Lundbeck will focus on revenue and adjusted EBITDA at constant exchange rates (CER), instead of revenue and adjusted EBITDA at reported rates, to provide a more focused view of the underlying operational performance.

In 2024, revenue is expected to grow 7% to 10% at CER when compared to revenue of the prior year excluding effects from hedging. The growth reflects the continued and sustainable growth driven mainly by the demand of the strategic brands. Assuming the current exchange rates versus DKK, the revenue growth reported in DKK is expected to be around 4 percentage points lower than at CER.

The guidance range reflects continued strong growth of Vyepti® in the U.S. and the continued global roll-out. Additionally, the guidance expects robust growth of Rexulti® following AADAD indication in the U.S. Furthermore, the guidance range comprises growth of Brintellix® in Europe and International Markets as well as slight growth for Abilify Maintena®/Asimtufii in the U.S.

The mature brands are expected to face increased generic erosion, especially Cipralex®/Lexapro®, Deanxit® and Sabril®. Adjusted EBITDA is expected to grow 10% to 16% at CER in 2024 when compared to adjusted EBITDA of the prior year excluding effects from hedging. The financial guidance 2024 reflects higher R&D costs driven by the progression of the pipeline and higher sales and distribution costs due to increased Vyepti® and Rexulti® promotion activities. Assuming the current exchange rates versus DKK, the adjusted EBITDA growth reported in DKK is expected to be around 9 percentage points lower than at CER.

All the above expectations are based on assumptions that the global or regional macroeconomic and political environment will not significantly change business conditions for Lundbeck during 2024, including the impact of any potential material business development activities and the potential implications.

In the table below, the expectations and additional relevant information have been summarized.

DKK	FY 2024 guidance
Total revenue growth at CER	7% to 10%
Adjusted EBITDA growth at CER	10% to 16%

MID-TERM TARGETS

Lundbeck's mid-term targets communicated in February 2023 remain unchanged. Lundbeck is in a period with limited impact from major regional losses of exclusivity and anticipates solid growth of its strategic brands.

In 2024 and 2025, Lundbeck plans targeted investments behind the potential blockbuster opportunity for Rexulti® in the treatment of AADAD. Based on organic growth, we expect revenue to show a mid-single digit compound annual growth rate (CAGR) over the next three years.

At the same time, we remain focused on driving efficiencies and being prudent in our spending. Based on these assumptions, we target an adjusted EBITDA-margin of 30-32% for the current business, excluding any material business development activities, by the end of the mid-term period and despite increased investments in R&D.

OTHER RELEVANT FINANCIAL INFORMATION FOR 2024 AT REPORTED RATES

Total revenue (IFRS) growth[1]	Around 4 percentage points lower than at CER
Adjusted EBITDA growth[1]	Around 9 percentage points lower than at CER
Adjusted gross margin[2]	88% to 89%
R&D costs	DKK 3.9 to 4.1 billion
Depreciation & amortization	DKK 1.8 to 2.0 billion
Net financials, expenses	DKK 50 to 100 million
Effects from hedging	DKK -50 to -75 million
Effective tax rate	22% to 24%
Net cash/(net debt)[3]	DKK 4.0 to 4.5 billion

1 Includes effects from hedging and exchange rate impact.
2 Adjusted gross margin is the gross margin excluding depreciation and amortization and other adjustments linked to sales.
3 Net cash/(net debt) is defined as Interest-bearing debt, cash, bank balances and securities, net.

REVENUE AT CER

DKK million	2023	2022
Total revenue (IFRS)	**19,912**	**18,246**
Effects from hedging	137	(588)
Total revenue (IFRS) before hedging	**19,775**	**18,834**
Effects from exchange rate	(645)	1,364
Total revenue at CER	**20,420**	**17,470**
Increase/(decrease) in total revenue (IFRS)	9%	12%
Increase/(decrease) in total revenue at CER[1]	8%	8%

1 Total revenue at CER for the period divided by total revenue (IFRS) before hedging for the comparative period.

ADJUSTED EBITDA AT CER

DKK million	2023	2022
Adjusted EBITDA	**5,652**	**4,823**
Effects from hedging	137	(588)
Adjusted EBITDA before hedging	**5,515**	**5,411**
Effects from exchange rate	(268)	663
Adjusted EBITDA at CER	**5,783**	**4,748**
Increase/(decrease) in adjusted EBITDA	17%	21%
Increase/(decrease) in adjusted EBITDA at CER[1]	7%	21%

1 Adjusted EBITDA at CER for the period divided by adjusted EBITDA before hedging for the comparative period

Forward looking statements

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.

Science and Innovation

Over the past year, we have consistently demonstrated leadership in the neuroscience field through innovative programs and ways of working. It is an approach rooted in our commitment to deliver impactful medicines for very complex and devastating diseases within neuroscience. This dedication is shaped by our agile mindset and defined by our bold ambition to deliver on unmet medical needs.

Being dedicated to neuroscience, we have the heritage, expertise and passion to translate leading science into transformative treatment outcomes for patients. Opportunities to make a difference are huge; the unmet patient needs are enormous and the number of affected people is rising, while scientific progress in the area opens new possibilities to develop impactful treatments.

EXECUTING THE R&D STRATEGY

The unmet medical needs of the patients we serve guide everything we do in R&D, spanning from early research to support of marketed products.

In 2023, Lundbeck advanced towards becoming a leader in neuroscience. By nurturing a dedicated, flexible and diverse working environment, maintaining focus on programs with a strong biological rationale, integrating patient insights in everything we do, and building close external collaborations, we are successfully progressing our pipeline.

In April 2023, the *HOPE* phase II trial with Lu AG09222 (anti-PACAP mAb) successfully met its primary endpoint in migraine prevention. Patients failing prior therapy and treated with this monoclonal antibody had a statistically significantly greater reduction vs. placebo in the number of monthly migraine days.

In April 2023, the U.S. Food and Drug Administration (FDA) approved the New Drug Application (NDA) for Abilify Asimtufii® (aripiprazole) extended-release injectable suspension for intramuscular use, a once-every-two-months injection for the treatment of schizophrenia in adults or for maintenance monotherapy treatment of bipolar I disorder in adults.

In May 2023, the FDA approved the supplemental New Drug Application (sNDA) of Rexulti® (brexpiprazole) for use in the treatment of agitation associated with dementia due to Alzheimer's disease (AADAD). This approval made Rexulti® the first and only pharmacological treatment approved for AADAD and the first full approval of a new chemical entity within Alzheimer's disease in 20 years in the U.S.

In June 2023, new data confirmed the long-term benefit of treatment with Vyepti® (eptinezumab) in migraine prevention.

In September 2023, the two phase III trials of brexpiprazole as combination therapy with sertraline for the treatment of post-traumatic stress disorder in adults were concluded. Overall, the safety and tolerability results were consistent with the profile of brexpiprazole as observed in the clinical trials for schizophrenia, AADAD and adjunctive treatment of major depressive disorder (MDD). The flexible dose phase III trial met its primary endpoint, while the fixed dose phase III trial missed its primary endpoint. Lundbeck is now discussing the data with the FDA to determine the next steps.

Four biological clusters

Through pursuit of novel targets within four biological clusters, Lundbeck advances innovative solutions to areas of significant unmet medical needs within neuroscience.

The four biology clusters are:

Hormonal / neuropeptide signaling:
Targeting selected pathways of pain signaling, stress and other neurohormonal responses.

Circuitry / neuronal biology:
Targeting neurotransmission / synaptic dysfunction to restore brain circuits and reduce neurological, psychiatric and pain symptoms.

Neuroinflammation / neuroimmunology:
Targeting neuronal loss due to an overactive immune system, relevant across many niche and rare neurological disorders.

Protein aggregation, folding and clearance:
Targeting neurodegenerative proteinopathies involved in a range of neurodegenerative conditions, e.g., Alzheimer's dementia and Parkinson's disease as well as rare diseases characterized by proteinopathy, such as multiple system atrophy (MSA).

Read more on the following pages.

DEVELOPMENT PORTFOLIO

HORMONAL / NEUROPEPTIDE SIGNALING

Eptinezumab - development and regulatory status

In December 2020, Lundbeck initiated a phase III clinical trial investigating the efficacy of eptinezumab in patients with episodic cluster headache (*ALLEVIATE*).

In this trial (NCT04688775), patients received treatment consisting of two infusions of either eptinezumab or placebo in a cross-over manner. The total duration of the trial was 24 weeks, including a safety follow-up period of eight weeks.

During 2021, Lundbeck further initiated a one-year safety and tolerability trial in participants with chronic cluster headache (*CHRONICLE*).

The *CHRONICLE* trial (NCT05064397) has completed recruitment and results show that patients with chronic cluster headache receiving open-label treatment with eptinezumab report reductions in attack frequency, pain severity and improvement on patient global impression.

In the *ALLEVIATE* trial, further recruitment was halted following a planned interim analysis. Full data for eptinezumab in cluster headache will be shared with the scientific community at upcoming meetings.

Lu AG09222 – phase II

Lu AG09222 represents a potential new therapeutic option for the treatment of migraine, which, unlike the recently available calcitonin gene-related peptide (CGRP) migraine treatment drug class, targets pituitary adenylate cyclase-activating polypeptide (anti-PACAP mAb). PACAP and its receptors are broadly expressed in the nervous systems and inflammation cells offering the possibility for the interference of PACAP signaling to affect multiple symptoms of headache disorders.

In November 2021, Lundbeck initiated the *HOPE* trial, a randomized, double-blind, phase II, proof of concept study to assess efficacy, safety and tolerability of Lu AG09222 as a treatment for the prevention of migraine (NCT05133323). This trial recently reported results.

The target population for this trial was defined as patients diagnosed with migraine as outlined in the International Classification of Headache Disorders Third Edition (ICHD-3) and with unsuccessful prior preventive treatments.

A total of 237 patients were randomly allocated to one of three treatment groups: high/low dose of Lu AG09222 or placebo.

The primary analysis concluded that there was a statistically significant difference between Lu AG09222 and placebo in the mean change from baseline in the number of monthly migraine days over weeks 1 to 4. Lu AG09222 was generally well-tolerated.

A phase IIb trial is planned to start in the first half of 2024 with the purpose of establishing the dose range relationship when Lu AG09222 is given after subcutaneous multiple dosing. The trial will be conducted across the world with a target population of patients diagnosed with migraine as outlined in the ICHD-3 and with unsuccessful prior preventive treatment.

Lu AG13909 – phase I

Lundbeck's first neurohormonal clinical development program was initiated in December 2022 with a phase I first-in-human trial (NCT05669950) in patients with Congenital Adrenal Hyperplasia (CAH). The first-in-class monoclonal antibody has the potential to offer a treatment alternative to patients suffering from conditions related to the hypothalamic-pituitary-adrenal (HPA) axis, leading to increased levels of ACTH, adrenocorticotropic hormone.

Plain language summaries

To support a broader understanding of Lundbeck's clinical research, and to make our R&D efforts more accessible to patients and carers, Lundbeck creates plain language summaries of our clinical trial results.

A plain language summary explains what happened during a clinical trial in easy-to-understand language. It includes information about the purpose, results and other facts about the trial. These are made available to all patients who participate in a Lundbeck-sponsored clinical trial in the same language as their signed Informed Consent Form. We post our plain language summaries on Lundbeck.com.

CIRCUITRY / NEURONAL BIOLOGY

Brexpiprazole

Brexpiprazole was discovered by Otsuka and is being co-developed by Otsuka and Lundbeck. The mechanism of action of brexpiprazole is still unknown, however the efficacy of brexpiprazole may be mediated through a combination of partial agonist activity at serotonin 5-HT1A and dopamine D2 receptors, antagonist activity at serotonin 5-HT2A receptors, as well as antagonism of alpha 1B/2C receptors.

Brexpiprazole was approved in the U.S. in 2015 as an adjunctive therapy to antidepressants in adults with major depressive disorder (MDD) and as a treatment for schizophrenia in adults. In May 2023, brexpiprazole was approved in the U.S. for the treatment of AADAD.

Brexpiprazole – phase III in patients with AADAD

Following the FDA approval for the use of brexpiprazole in AADAD, the product has been submitted for review by additional regulatory agencies. A supplemental New Drug Submission (sNDS) was formally accepted by Health Canada for review as of 12 April 2023, with anticipated action in 2024, while a joint application using the Access pathway was submitted on 31 May 2023 for Australia, Singapore and Switzerland with anticipated action during the second quarter of 2024. Furthermore, regulatory applications were submitted for Malaysia in Q3 and Israel in Q4 2023.

The submissions were based on two positive phase III, 12-week, randomized, double-blind, placebo-controlled fixed-dose trials that evaluated the frequency of agitation symptoms in patients with dementia due to Alzheimer's disease based on the Cohen-Mansfield Agitation Inventory (CMAI) total score.

Brexpiprazole – phase III in adolescent patients (13-17 years old) with schizophrenia

The phase III trial 331-10-234 in adolescent patients with schizophrenia (NCT03198078) read out during the second quarter of 2023, with the trial meeting its primary endpoint, and demonstrating a significant improvement for brexpiprazole compared to placebo.

The active reference for the study, aripiprazole, also separated from placebo on the primary efficacy analysis, thus validating the study methodology and patient population.

Brexpiprazole was generally well tolerated in the trial, and the safety profile was similar to that observed in adult patients with schizophrenia.

The trial forms part of the brexpiprazole European Medicines Agency (EMA) Paediatric Investigation Plan (PIP), as well as an FDA Post Marketing Requirement (PMR) following the U.S. approval of brexpiprazole for treatment of schizophrenia in adolescent patients. Results of the study were submitted to the EMA in Q4 2023.

The EMA PIP includes two further studies that are currently ongoing. Firstly, a phase III open-label two-year extension trial 331-10-236 (NCT03238326) enrolling patients completing trial 331-10-234.

Secondly, an extrapolation study 3331-201-00185 assessing the long-term efficacy in adolescents with schizophrenia, by extrapolating data from completed brexpiprazole trials in both adolescents and adult subjects with schizophrenia.

Brexpiprazole – phase III in post-traumatic stress disorder (PTSD)

On 7 September 2023, Lundbeck announced topline results from two phase III trials of brexpiprazole as combination therapy with sertraline for the treatment of PTSD in adults, namely the flexible dose trial 071 (NCT04124614) and the fixed dose trial 072 (NCT04174170).

The flexible dose trial met its primary endpoint, while the fixed dose phase III trial missed its primary endpoint. The safety and tolerability results were consistent with the profile of brexpiprazole as observed in the clinical trials for schizophrenia, AADAD and adjunctive treatment of MDD.

Lundbeck and Otsuka are in continued interactions with FDA to determine the next steps with respect to the brexpiprazole PTSD program.

Dejan Siljanoski,
Operator

Aripiprazole – two-month Injectable (LAI) formulation

Aripiprazole once-every-two-months, ready-to-use (RTU), long-acting injectable (LAI) is provided in a single-chamber, prefilled syringe (PFS) that does not require reconstitution. It is intended for dosing once-every-two-months via intramuscular (IM) injection in the gluteal muscle in the same patient populations as indicated for once-monthly Abilify Maintena®.

Results from the pivotal trial 031-201-00181, that enrolled 266 patients, demonstrated that aripiprazole once-every-two-months LAI 960 mg met the primary endpoint criteria, establishing similarity of aripiprazole plasma concentrations and thus comparable effectiveness to Abilify Maintena® 400 mg over a two-month dosing interval.

Multiple-dose administrations of aripiprazole once-every-two-months LAI 960 mg were generally safe and well-tolerated in subjects with schizophrenia or bipolar I disorder and showed comparable safety to aripiprazole once-monthly 400 mg.

On 27 April 2023, the FDA approved aripiprazole once-every-two-months LAI under the brand name Abilify Asimtufii® as the first once-every-two-months LAI for the treatment of schizophrenia or maintenance monotherapy treatment of bipolar I disorder in adults.

This new two-month formulation is an innovative addition to the LAI franchise and has patent protection until the early part of the next decade.

Lundbeck and Otsuka submitted the Marketing Authorization Application (MAA) for aripiprazole as a once-every-two months RTU LAI for the maintenance treatment of schizophrenia in adult patients stabilized with aripiprazole to the EMA on 26 May 2022.

Due to a Committee for Medicinal Products for Human Use (CHMP) procedural objection, Lundbeck withdrew its MAA under the ‘hybrid’ procedure and re-submitted to the EMA in June 2023, under the ‘line-extension’ procedure. This change is procedural only, and unrelated to product quality or safety. On 25 January 2024, aripiprazole once-every-two-months, long-acting injectable was recommended for approval in the EU by the CHMP for the maintenance treatment of schizophrenia in adult patients stabilized with aripiprazole. A decision by EMA is expected during Q1 2024.

A supplemental New Drug Submission (sNDS) was filed with Health Canada for the treatment of schizophrenia and bipolar I disorder in the third quarter of 2022. In July 2023, Lundbeck received a drug product data-related Notice of Deficiency (NOD) from Health Canada. The NOD related questions will be addressed in further detail with the agency, anticipating a re-submission for a new review cycle.

Lu AF28996 – phase I

The small molecule with agonistic properties towards dopamine D1 and D2 receptors is a potential oral symptomatic treatment for Parkinson's disease patients experiencing motor complications.

The clinical phase I studies (NCT03565094 and NCT04291859) will enable a decision to enter phase II in 2024.

Additionally, the Company has Monoacylglycerol Lipase inhibitor (MAGLi) programs in phase I experimental medicine studies, exploring the potential in neurology indications.

NEUROINFLAMMATION / NEUROIMMUNOLOGY

Lu AG22515 – phase I
In October 2021, Lundbeck acquired an exclusive license for Lu AG22515 (formerly APB-A1) from AprilBio Co. Ltd in South Korea.

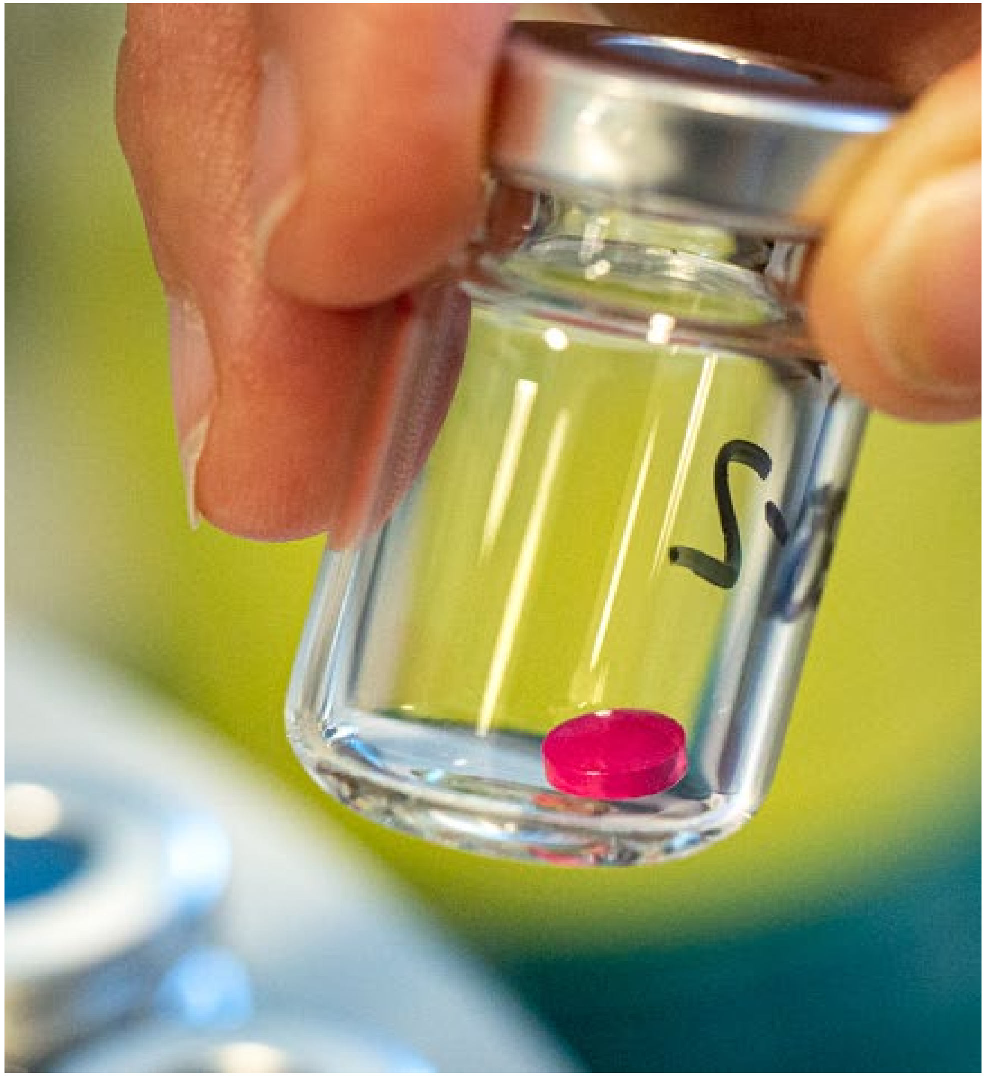
Lu AG22515 holds potential in the treatment of autoimmune-related CNS disorders and neurological diseases which involve so-called lymphocyte immune system cells, that form auto-reactivity (body self-reactions) responses through cellular and antibody reactions.

A first-in-human trial (NCT05136053) testing single ascending doses of Lu AG22515 in healthy volunteers was initiated in the U.S. in March 2022.

Results showed Lu AG22515 to be well-tolerated at all dose levels tested. Furthermore, free soluble serum L showed a sharp, robust and sustained dose-dependent decrease, indicating target engagement when binding to human serum albinum. This program has potential in several neuro-immune indications, and it is planned to progress into PoC studies in Thyroid Eye Disease in 2024.

PROTEIN AGGREGATION, FOLDING, AND CLEARANCE

Lu AF82422 – phase II
Lu AF82422 is a monoclonal antibody (mAb) targeting the pathological form of the protein alpha-synuclein that is believed to play a pivotal role in the development and progression of neurodegenerative diseases such as multiple



system atrophy (MSA), Parkinson's disease (PD) and other synucleinopathies. Lu AF82422 is being developed by Lundbeck under a joint research and licensing agreement between Lundbeck and Genmab A/S.

By targeting pathological alpha-synuclein with an antibody that will inhibit aggregation and potentially clear pathological alpha-synuclein from the brain, the project aims to demonstrate delay of disease progression and therapeutic effect on disease burden and function.

A phase II trial (*AMULET*) testing Lu AF82422 in MSA patients was initiated in November 2021 (NCT05104476) in the U.S and Japan.

In January 2024, Lundbeck announced results of the AMULET PoC trial, a randomized, double-blind, placebo-controlled exploratory proof-of-concept trial. The trial included 61 MSA patients randomized 2:1 (40 on Lu AF82422 versus 21 on placebo) and treated for 48-72 weeks. The primary endpoint in the trial measured slowing of progression of MSA as measured by Unified Multiple System Atrophy Rating Scale (UMSARS) Total Score Part I and II, while the key secondary endpoint was Modified UMSARS Part I. The primary statistical approach consisted of a Bayesian slope analysis. In addition, the trial included several other clinical outcome measures and biomarkers. While the trial did not reach statistical significance on its primary endpoint, a trend towards slowing MSA disease progression was observed in the group exposed to Lu AF82422 compared to the placebo group, and additional signals of efficacy were observed across other clinical and biomarker endpoints. Lu AF82422 was generally well tolerated. Lundbeck plans to initiate a phase III study, following further dialogue with health authorities.

Orphan drug designation for Lu AF82422 in MSA was granted by the EMA in April 2021, and SAKIGAKE pioneering drug designation was granted by the Japanese Health Authorities in March 2023.

OTHER PROJECTS

Lundbeck's long experience and continuous work within diseases of the brain have provided us with a global network in preclinical and clinical neuroscience research. It is essential for us to maintain our strong internal R&D capabilities and to build external alliances to supplement our internal capabilities, taking advantage of the increased opportunities provided by innovative technologies.

With the support from the world-renowned Michael J. Fox Foundation, Lundbeck is combining its biomarker discoveries with leading microfluidic experts at the Danish Technical University (DTU) to develop a state-of-the-art biomarker assay for PD. With a second grant from the Michael J. Fox Foundation, Lundbeck is leading the discovery of a radioligand as a marker of neuroinflammation for PD and other brain diseases in collaboration with experts in positron emission tomography (PET) at Aarhus University.

PATIENTS SHARE THEIR PERSPECTIVES

In 2023, Lundbeck continued its 'Let the patient speak' events focusing on innovative ways of integrating patients' perspectives into our migraine and PD development programs. We invite patients and caregivers to share their perspectives at two events, ultimately helping Lundbeck to incorporate insights into innovation and integrated evidence generation efforts.

Lundbeck's development organization identified and implemented internal frameworks that help the Company operationalize Patient-Focused Drug Development by bringing the patient voice closer to research and development efforts, describing how to seek patient input to trial designs, informing patient-centric outcome assessment strategies, and fostering an integrated, patient-centered approach to evidence development throughout the drug life cycle.

In partnership with the Danish Knowledge Centre for Headache, we aim to explore novel ways of generating real-world evidence directly from patients via digital applications. The purpose of this pilot project is to deliver scientific evidence to improve migraine treatment in Denmark.

Such an initiative enables Lundbeck to learn and strengthen internal capabilities to lead future innovative digital engagement initiatives developing patient-centered, real-world evidence in support of our current and future portfolio.

COOPERATION IN NEUROSCIENCE

Together with the European Health Data and Evidence Network (EHDEN), we began formative stages of neuroscience research with potential partners, including other pharmaceutical companies.

The EHDEN network provides Lundbeck with a unique platform for collaboration with data partners specializing in specific disease areas, ensuring access to real-world data, such as Electronic Health Records from healthcare systems and registries, helping us to gain much deeper insight into disease progression, identifying biomarkers for patient stratification and monitoring treatment responses and disease outcomes, etc. We hope to use this knowledge to advance our drug development.

Data is also core in our different artificial intelligence-related (AI) projects. Lundbeck is implementing AI in different parts of its business. We use AI to e.g., reshape drug discovery, accelerate drug development, and for target qualification and validation, exploring neuropeptides and their connections to specific disorders.

Commitment to diversity in clinical trials

Lundbeck understands that brain diseases wreak havoc without bias. Whether it be genetics, age, race, sex, ethnicity, socioeconomics or access to healthcare, understanding and fully evaluating the multitude of factors that influence a person's health are key to both the development of good medicine and equitable advances in brain health. As part of our ongoing commitment to sustain a diverse clinical trial infrastructure, we have established the below Clinical Trial Diversity Principles and committed to tracking and monitoring progress against them.

Develop and execute a clear strategy to achieve diversity in our trials globally

We aim for each trial to be designed with the intention to ensure participants mirror the full diversity of the patient population in the country or region AND the disease we are studying. This will require a concentrated effort to involve underrepresented populations in our marketed regions through focused patient-inclusion criteria; attention to the diversity of clinical trial sites and investigators, removal of barriers that could impede the participation of certain groups in clinical trials and use of real-world data to inform development efforts and improve understanding of diseases and products.

Collaborate with patient advocacy groups choosing to make diversity a priority

Lundbeck has a long-standing focus on community outreach, and we are committed to expanding partnerships with organizations that possess a like-minded focus on diversity. In collaboration with external partners, we strive to establish trust with diverse patient and caregiver populations, gain deeper insight into unmet patient needs, and build awareness about open clinical trials to further enhance the diversity of our clinical trials.

Implement integrated oversight approach to inform, analyze and act

We aim to continuously inform and evolve our internal thinking and processes by actively monitoring clinical trial diversity targets and utilizing real-world data to ensure we are driving inclusion of underrepresented populations in our clinical trials.

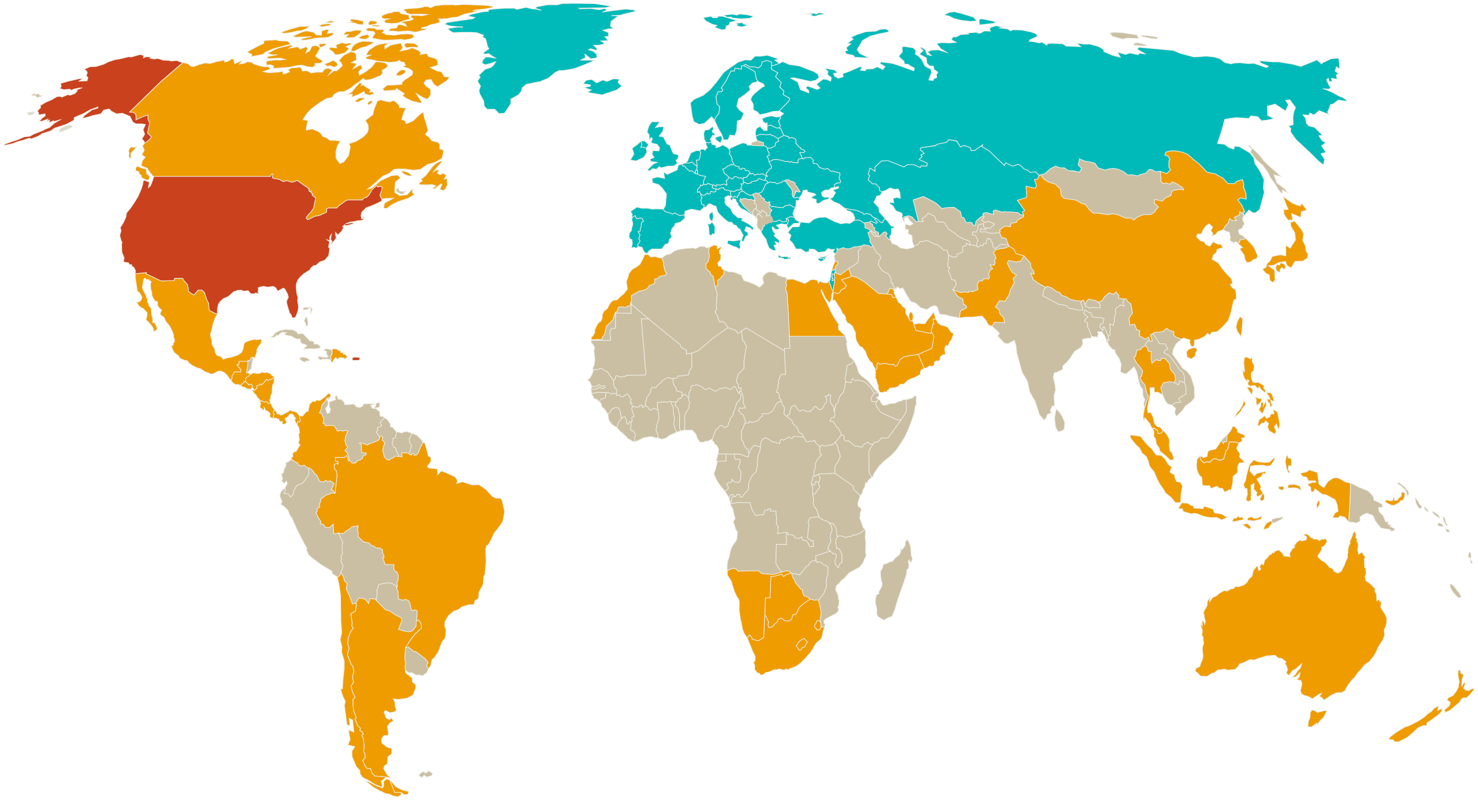
Pipeline

PROJECT	BIOLOGY	AREA	PHASE I	PHASE II	PHASE III	FILING / LAUNCH
Eptinezumab (anti-CGRP mAb)[1]	**Hormonal / neuropeptide signaling**	Migraine prevention[2]				
Eptinezumab (anti-CGRP mAb)[1]		Cluster headache				
Lu AG09222 (anti-PACAP mAb)[3]		Migraine prevention				
Lu AG13909 (anti-ACTH mAb)[4]		Neurohormonal dysfunctions				
Aripiprazole 2-month injectable formulation[5]	**Circuitry / neuronal biology**	Schizophrenia & bipolar I disorder				
Brexpiprazole[6]		Agitation in Alzheimer's disease (AADAD)[7]				
Brexpiprazole[6]		PTSD[8]				
Lu AF28996 (D1/D2 agonist)[9]		Parkinson's disease				
MAGLi programs[10]		Neurology				
Lu AF82422 (anti-α-synuclein mAb)	**Protein aggregation, folding and clearance**	Synucleinopathies (MSA)[11]				
Lu AG22515 (CD40L[12] antagonist)	**Neuroinflammation / neuroimmunology**	Neurology				

1 CGRP: Calcitonin gene-related peptide.
2 Three phase III clinical trials (SUNLIGHT, SUNRISE, and SUNSET) are related to the Asia registration activities.
3 PACAP: Pituitary adenylate cyclase activating peptide.
4 ACTH: Adrenocorticotropic hormone.
5 Life-cycle management in partnership with Otsuka Pharmaceutical. Approved in the U.S.
6 Acts as a partial agonist at 5-HT1A and dopamine D2 receptors at similar potency, and an antagonist at 5-HT2A and noradrenaline alpha1B/2C receptors.
7 AADAD: Agitation Associated with Dementia due to Alzheimer's Disease. Approved in the U.S. and Canada.
8 Post-traumatic stress disorder.
9 Dopamine receptor D1 and D2.
10 MAGLi: Monoacylglycerol lipase ("MAGlipase") inhibitor.
11 Multiple system atrophy.
12 CD40L/serum-albumin bispecific antibody-fragment ((scFv)2-Fab)) based on AprilBio's SAFA™ technology platform.

Markets

Lundbeck's products are registered in more than 100 countries, and we have employees in more than 50 countries. Our largest markets are the U.S., China, Canada, Spain, Italy, France, Brazil Australia, South Korea and Switzerland.



U.S.[1]

REVENUE (DKKm)

9,829

SHARE OF GROUP REVENUE

51%

REVENUE FROM STRATEGIC BRANDS (DKKm)

8,398

STRATEGIC BRANDS

Abilify Maintena®/
Abilify Asimtufii®
Trintellix®
Rexulti®
Vyepti®

EUROPE[1]

REVENUE (DKKm)

4,628

SHARE OF GROUP REVENUE

23%

REVENUE FROM STRATEGIC BRANDS (DKKm)

3,088

STRATEGIC BRANDS

Abilify Maintena®
Brintellix®
Rexulti®/Rxulti®
Vyepti®

INTERNATIONAL MARKETS[1]

REVENUE (DKKm)

4,991

SHARE OF GROUP REVENUE

26%

REVENUE FROM STRATEGIC BRANDS (DKKm)

2,247

STRATEGIC BRANDS

Abilify Maintena®
Brintellix®/Trintellix®
Rexulti®
Vyepti®

1 The figures above are excluding Other revenue of DKK 327 million and positive hedging effects of DKK 137 million.

Products

STRATEGIC BRANDS

Abilify Maintena®/Abilify Asimtufii®

(aripiprazole once monthly/every two months)

Abilify Maintena® has been marketed since 2013 as a monthly intramuscular injection indicated for the treatment of schizophrenia and bipolar I disorder in adults.
In 2023, Lundbeck launched Abilify Asimtufii® as an intramuscular injection every two months. It was launched in the U.S. in collaboration with Otsuka Pharmaceutical and is expected to be approved and launched in Europe and International Markets from 2024 as a maintenance treatment for schizophrenia in adults. Lundbeck will launch Abilify Asimtufii® either alone or in collaboration with Otsuka Pharmaceutical.

REVENUE (DKKm)

3,187 ▲10% CER

% OF TOTAL REVENUE

16%

Brintellix®/Trintellix®

(vortioxetine)

Indicated for the treatment of major depressive disorder (MDD) Lundbeck markets Brintellix®/Trintellix® in Europe and International Markets. In the U.S. and Japan, Takeda is our co-promotion partner. Launched in the first markets in 2014 and now available in approximately 60 countries.

REVENUE (DKKm)

4,324 ▲5% CER

% OF TOTAL REVENUE

22%

Rexulti®/Rxulti®

(brexpiprazole)

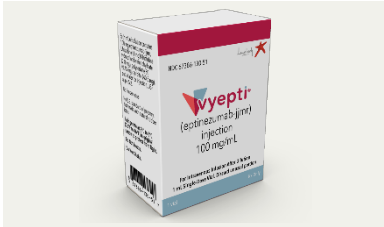
Indicated for adjunctive therapy for the treatment of adults with MDD and as a treatment for adults with schizophrenia. In 2023, further approved for the treatment of agitation associated with dementia due to Alzheimer's disease. Launched in the U.S. in 2015 in collaboration with Otsuka Pharmaceutical, and subsequently in several other countries.

REVENUE (DKKm)

4,525 ▲20% CER

% OF TOTAL REVENUE

23%



Vyepti®

(eptinezumab)

Indicated for the preventive treatment of migraine in adults. Lundbeck markets Vyepti® across all three regions in the U.S., EU and International Markets. Launched in the U.S. at the beginning of 2020, and now available in 24 countries across the world.

REVENUE (DKKm)

1,697 ▲74% CER

% OF TOTAL REVENUE

8%

Products

MATURE BRANDS

Cipralex®/Lexapro®
(escitalopram)

Indicated for the treatment of depression. First launched in 2002 and today available in close to 100 countries around the world.

REVENUE (DKKm)

2,135

▼4% CER

% OF TOTAL REVENUE

11%

Sabril®
(vigabatrin)

Indicated for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS). Launched in the U.S. in 2009.

REVENUE (DKKm)

336

▼47% CER

% OF TOTAL REVENUE

2%

Other pharmaceuticals

Northera® (symptomatic neurogenic orthostatic hypotension (nOH)), Onfi® (epilepsy), Ebixa® (dementia), Azilect® (Parkinson's disease), Xenazine® (chorea), Deanxit® (depression), Cipramil® (depression and anxiety), and Cisordinol® (psychosis) are among the biggest of our other mature brands.

REVENUE (DKKm)

3,244

▼2% CER

% OF TOTAL REVENUE

16%

Xue Bing,
living with depression

Summary for the Group 2019-2023

Statement of profit or loss (DKKm)	2023	2022	2021	2020	2019[1]
Revenue	19,912	18,246	16,299	17,672	17,036
Gross profit	15,427	14,295	12,651	13,506	13,196
Adjusted gross profit[2,3]	17,580	16,133	14,173	15,101	14,505
Research and development costs	3,457	3,754	3,823	4,545	3,116
Profit from operations (EBIT)	3,195	2,852	2,010	1,990	3,153
Operating profit before depreciation and amortization (EBITDA)	5,207	4,663	3,720	4,783	4,823
Adjusted operating profit before depreciation and amortization (Adjusted EBITDA)[2,3]	5,652	4,823	3,990	5,681	5,337
Net financials, expenses	202	378	429	84	127
Profit before tax	2,993	2,474	1,581	1,906	3,026
Profit for the year	2,290	1,916	1,318	1,581	2,313

Assets (DKKm)	2023	2022	2021	2020	2019[1]
Non-current assets	24,118	26,040	26,041	25,924	29,095
Inventories	4,427	4,046	3,031	2,163	2,204
Receivables	3,852	3,818	3,302	4,018	3,822
Cash, bank balances and securities[4]	5,010	3,548	2,279	3,924	3,012
Total assets	**37,407**	**37,452**	**34,653**	**36,029**	**38,133**

Equity and liabilities (DKKm)	2023	2022	2021	2020	2019[1]
Equity	22,045	20,779	18,279	16,973	16,782
Non-current liabilities	7,372	8,474	7,556	9,044	11,071
Current liabilities	7,990	8,199	8,818	10,012	10,280
Total equity and liabilities	**37,407**	**37,452**	**34,653**	**36,029**	**38,133**

Statement of cash flows (DKKm)	2023	2022	2021	2020	2019[1]
Cash flows from operating activities	4,080	3,519	2,272	3,837	2,609
Cash flows from investing activities	(498)	(1,892)	(610)	(467)	(7,755)
Cash flows from operating and investing activities (free cash flow)	3,582	1,627	1,662	3,370	(5,146)
Cash flows from financing activities	(2,085)	(387)	(3,336)	(2,394)	4,548
Interest-bearing debt, cash, bank balances and securities, net, year-end – net cash/(net debt)[4]	711	(2,183)	(3,189)	(4,106)	(6,566)

1 2019 has been restated to reflect the reversal of an impairment loss on the Rexulti® product rights in 2017.
2 For details of the non-IFRS measure 'adjusted EBITDA', see *Adjusted EBITDA Reconciliation*.
3 New key figures were introduced from 2023 and disclosed comparatively for 2022 and 2021. Pro forma calculations have been applied for 2020 and 2019.
4 In 2020-2023, securities amounted to DKK 0 million.

Summary for the Group 2019-2023

Continued

Key figures	2023	2022	2021	2020	2019[1]
Adjusted gross margin (%)[2]	88.3	88.4	87.0	85.5	85.1
EBIT margin (%)	16.0	15.6	12.3	11.3	18.5
EBITDA margin (%)	26.2	25.6	22.8	27.1	28.3
Adjusted EBITDA margin (%)[2]	28.4	26.4	24.5	32.1	31.3
Research and development ratio (%)	17.4	20.6	23.5	25.7	18.3
Return on equity (%)	10.7	9.8	7.5	9.4	13.8
Equity ratio (%)	58.9	55.5	52.7	47.1	44.0
Invested capital (DKKm)	21,334	22,962	21,468	21,079	23,348
Return on invested capital (%)	11.0	9.9	7.9	7.4	14.2
Net debt/EBITDA	(0.1)	0.5	0.9	0.9	1.4
Effective tax rate (%)	23.5	22.6	16.6	17.0	23.6
Purchase of intangible assets, gross (DKKm)	224	449	202	114	88
Purchase of property, plant and equipment, gross (DKKm)	277	371	410	364	356
Purchase of financial assets, gross (DKKm)	-	-	-	17	18
Average number of employees	5,566	5,399	5,488	5,717	5,475

Share data	2023	2022	2021	2020	2019[1]
Earnings per share, basic (EPS) (DKK)[3]	2.31	1.93	1.33	1.59	2.33
Earnings per share, diluted (DEPS) (DKK)[3]	2.31	1.93	1.33	1.59	2.33
Adjusted earnings per share, basic (EPS) (DKK)[2]	4.22	3.74	2.88	4.76	4.07
Number of shares for the calculation of EPS (millions)[3]	999.2	992.9	993.3	993.7	993.5
Cash flow from operating activities per share, diluted (DKK)	4.11	3.54	2.29	3.86	2.63
Proposed dividend per share (DKK)	0.70	0.58	0.40	0.50	0.82
Dividend payout ratio (%)	30	30	30	31	35
Dividend yield (%)	2.2	2.2	1.2	1.2	1.6
Net asset value per share, diluted (DKK)[3]	22.22	20.93	18.40	17.08	16.89
Market capitalization (DKKm)	31,812	25,507	33,626	41,582	50,660

1 2019 has been restated to reflect the reversal of an impairment loss on the Rexulti® product rights in 2017.
2 New key figures were introduced from 2023 and disclosed comparatively for 2022 and 2021. Pro forma calculations have been applied for 2020 and 2019.
3 The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.

Summary for the Group 2019-2023

Continued

Definitions

Interest-bearing debt	Debt and financial instruments (including financial leases) carrying interest.
Interest-bearing net cash	Cash, bank balances and securities less interest-bearing debt.
Adjusted gross profit	Adjusted gross profit is the gross profit excluding depreciation and amortization and other adjustments linked to sales.
Adjusted gross margin	Adjusted gross profit as a percentage of revenue.
EBIT margin[1]	Profit from operations as a percentage of revenue.
EBITDA	Profit before interest, tax, depreciation, amortization and gain on divestment of properties.
EBITDA margin	EBITDA as a percentage of revenue.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA adjusted by certain items[3].
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of revenue.
Research and development ratio	Research and development cost as a percentage of revenue.
Return on equity[1]	Net profit/(loss) for the year as a percentage of shareholders' equity (average).
Equity ratio[1]	Shareholders' equity, year-end, as a percentage of total assets.
Invested capital	Shareholders' equity, year-end, plus net interest-bearing debt.
Return on invested capital	Profit from operations after tax as a percentage of average invested capital.
Net debt	Interest-bearing debt less cash, bank balances and securities.
Net debt/EBITDA	Net interest-bearing debt divided by EBITDA.
Earnings per share, basic (EPS)[1,2]	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares.
Earnings per share, diluted (DEPS)[1,2]	Net profit/(loss) for the year divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted.
Adjusted earnings per share, basic (EPS)	Adjusted earnings per share, basic (EPS) is defined as EPS, basic adjusted by certain items.
Cash flows from operating activities per share, diluted[1]	Cash flows from operating activities divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted.
Dividend payout ratio	Total dividends for the year as a percentage of net profit/(loss).
Dividend yield	Dividend per share as percentage of official price quoted on Nasdaq Copenhagen, year-end.
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[1]	Total number of shares, year-end, multiplied by the official price quoted on Nasdaq Copenhagen, year-end.

1 Definitions according to the Danish Finance Society's *Recommendations & Financial Ratios.*
2 The calculation of EPS is based on a share denomination of DKK 1 as a result of the share split completed on 8 June 2022. Comparative figures have been restated to reflect the change in trading unit from a nominal value of DKK 5 to DKK 1.
3 For the definition of certain items, see *Adjusted EBITDA Reconciliation*

Governance

Annette Villumsen
Head of Medical Education & Lundbeck Institute

IN THIS SECTION

Corporate Governance

Corporate governance concerns the way Lundbeck is managed and controlled, while creating value for both the Company and its stakeholders. More information on the mandatory annual Corporate Governance report is disclosed on www.lundbeck.com[1] in accordance with section 107(b) of the Danish Financial Statements Act.

The supreme governing body of Lundbeck is the general meeting, in which the shareholders of Lundbeck exercise their rights. Some matters are always handled by the general meeting, e.g., adoption and amending of the Company's Articles of Association, approval of the annual report, and election of members of the Board of Directors among other things.

Any shareholder has the right to raise questions and suggestions at general meetings. Resolutions can generally be passed by a simple majority. However, resolutions to amend the Articles of Association require two-thirds of the votes cast and capital represented, unless other adoption requirements are imposed by the Danish Companies Act.

Lundbeck has a two-tier board structure consisting of the Board of Directors and the Executive Management. The two bodies are separated, and no person serves as a member of both.

The Board of Directors has 12 members, of which eight are elected at the Annual General Meeting for a one-year term and four are elected by Lundbeck's employees for a four-year term. The current eight non-employee members of the Board of Directors bring deep industry knowledge and solid top management experience to Lundbeck, which are essential for the Board to perform its tasks.2

Lundbeck's Board of Directors is responsible for approving the corporate strategy and its implementation, setting goals for Executive Management, and for ensuring that members of Executive Management and other senior managers have the right qualifications.

1 https://www.lundbeck.com/content/dam/lundbeck-com/masters/global-site/pdf/corporate-governance/2023/corporate_governance_report.pdf.
2 Detailed description of the Board members and their competencies and qualifications can be found on https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors.

The Board of Directors also evaluates management performance and remuneration.

Furthermore, the Board of Directors has the overall responsibility for ensuring that adequate internal and external controls are in place, and for identifying and addressing any relevant risks. These responsibilities are defined in the Danish Companies Act and stipulated in the rules of procedures for the Board of Directors.

The Board of Directors regularly evaluates Lundbeck's strategy, business, performance, financial strategies, and policies, and ensures that day-to-day management is carried out in accordance with such policies.

Following initial analysis and proposal from Executive Management, the Board of Directors assesses Lundbeck's need for capital on an ongoing basis, and regularly reviews Lundbeck's capital structure.

There is no universal answer to the question of what the optimum capital structure is for a specific company because the relationship between equity and interest-bearing debt relies on the specific characteristics that apply within the particular industry in which the business operates and, by extension, the operating and financial risk.

However, companies in the pharmaceutical industry are often particularly well-funded which may be explained by the extended development projects and risks associated with research activities.

Our dividend policy is currently to pay out 30-60% of the net profits as dividend to the shareholders. The Board of Directors pursues the policy that equity beyond the level which, based on a conservative estimate, would be considered sufficient to support the underlying business should be distributed to the shareholders. The distribution to our shareholders takes place through annual dividends and if appropriate share buyback programs.

The Board of Directors has established a self-evaluation procedure covering, among other things, board composition, contribution and results, board agenda and discussions, cooperation between the Board of Directors and Executive Management, committee work and structure.

The 2023 Board evaluation was rescheduled due to CEO change but will be finalized by February 2024. The evaluation was conducted internally and was an assessment, in which the Board of Directors and Executive Management answered a brief questionnaire and were interviewed individually by the Chair.

More details regarding the work performed by the Board of Directors, the evaluation procedure and results hereof can be found at www.lundbeck.com.[1]

Also, the remuneration of Lundbeck's Executive Management and Board of Directors can be found at www.lundbeck.com.[2]

DISCLOSURE REGARDING CHANGE OF CONTROL

The EU Takeover Bids Directive, as partially implemented in the Danish Financial Statements Act, requires listed companies to disclose information about significant agreements that may be affected in case of a completed takeover bid, particularly in relation to the disclosure of change-of-control provisions.

Lundbeck discloses that the Group has a major partnership agreement in place under which an acquiring entity must divest any competing product according to an agreed process and, in the absence of such divesture, Lundbeck's partner may terminate the agreement.

In case Lundbeckfond Invest A/S holds less than 50% of the share capital or voting rights in H. Lundbeck A/S (change of control), Lundbeck may be met with demands for repayment on any existing debt portfolio.

In the event Lundbeck is acquired or merges, certain Executive Management members may, depending on the impact on their position, be entitled to terminate employment with Lundbeck with three (3) months' notice and receive a compensation of up to eighteen (18) months' remuneration.

Given the ownership structure of Lundbeck the risks are considered remote. For information about the ownership structure of Lundbeck, see pages 45-46.

Aysel Özel,
Senior Operator

1 Detailed descriptions of the Board of Directors' work, evaluation procedure and results can be found on https://www.lundbeck.com/global/about-us/corporate-governance/board-tasks.
2 Detailed descriptions of the remuneration can be found on https://www.lundbeck.com/global/about-us/corporate-governance/remuneration.

Sustainability

Sustainability is an imperative to Lundbeck and an integral part of our strategy and culture. Lundbeck's sustainability activities aim to mitigate risks and adverse impacts related to our business activities and contribute to solving societal challenges where we can. We remain committed to the UN Global Compact Principles and contribute to addressing seven of the Sustainable Development Goals (SDGs).

OUR APPROACH TO SUSTAINABILITY

Sustainability is an integral part of how we do business at Lundbeck. In our annual Sustainability Report, we present detailed information on our impacts, risks, strategy, activities during the year, progress on our targets, as well as metric and material sustainability information. Our mandatory annual statutory sustainability reporting, complying with 99a, 99d,107d of the Danish Financial Statements Act and the EU Sustainable Finance Taxonomy, can be found in our Sustainability Report.[1]

OUR MOST MATERIAL SUSTAINABILITY MATTERS

Our most material sustainability matters are reflected in the SDGs on which our business model has significant impact. Our biggest contribution to sustainable development is our innovative medicines and the benefits they bring to people living with psychiatric and neurological diseases. Closely related to this is ensuring that we provide high-quality medicinal products, safeguard patient safety and combat counterfeit medicine. We also take a strict stance on anti-corruption in our own operations as well as in our dealings with business partners, healthcare professionals and regulators.

Our strategy includes taking a leading role in climate action, environmental management in general, and promoting an ethical, safe, motivating and inclusive culture in our own operations and full value chain.

In 2024, we will be updating our sustainability strategy to ensure it reflects the disclosure and due diligence requirements set out in the EU Directives related to corporate sustainability conduct and reporting, including the Corporate Sustainability Reporting Directive and the EU Taxonomy for sustainable activities.

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

Since 2022, Lundbeck has had a cross functional working group in place to ensure that Lundbeck is ready to comply with the Corporate Sustainability Reporting Directive (CSRD) requirements starting in 2024. The working group regularly reports on the progress to Executive Management, the Audit Committee, and the Board of Directors. Lundbeck has also established an Environmental, Social, & Governance (ESG) Reporting team that will be responsible for overseeing the sustainability reporting. This ESG Reporting team is working closely together with the Corporate Sustainability team to implement the new requirements.

Lundbeck has also reviewed and updated its governance for the sustainability reporting processes taking effect in 2024 to reflect the responsibilities for the new requirements across the various levels of the company.

GOVERNANCE AND MANAGEMENT OF SUSTAINABILITY

Executive Management defines and owns Lundbeck's sustainability strategy and priorities. A share of their short-term incentive program is linked to performance on targets related to the sustainability strategy.

The CEO has the highest responsibility for the sustainability strategy and presents major decisions to the Board of Directors when relevant.

A dedicated Corporate Sustainability team is responsible for improving, monitoring, and reporting on Lundbeck's sustainability performance in close collaboration with relevant functions in the organization. The approach taken is to integrate and disseminate ownership of sustainability to the relevant line functions.

SUSTAINABILITY TARGETS

We continuously set ambitious targets, report progress on the targets and disclose a set of externally reviewed non-financial metrics across all areas of sustainability.

All in all, eight out of the 10 sustainability targets for 2023 were achieved or are on track as shown in the table on the following page.

GENDER BALANCE

In our sustainability strategy, we have chosen the metric of share of women in senior management as our key performance indicator for gender balance. Senior management is

1 https://www.lundbeck.com/content/dam/lundbeck-com/masters/global-site/pdf/Sustainability_Report_2023.pdf.

comprised of all EVPs, SVPs and VPs. We have annual targets to increase this share of underrepresented gender (currently women) year on year. We are happy to have achieved this annual target for 2023. It is one of our 10 Sustainability targets for 2023. More detail on this can be found in the Sustainability Report.

Lundbeck also has a long-term target for its representation of the underrepresented gender of at least 40% by 2026. This target applies to all management levels in the Company, including the Board of Directors and Upper management, defined as Executive Management and their direct reports with people management responsibilities. This definition aligns with the Danish Company Law.

We have not yet achieved the 2026 target of a 40% representation of the underrepresented gender in any of these groups.

MANAGEMENT GENDER BALANCE

2023	Board of Directors	Upper management[1]	Senior management[2]
Total number	8	55	78
Share of women	25%	38%	36%
Target	40%	40%	40%
Target year	**2026**	**2026**	**2026**

In 2023, we reviewed and updated our DE&I strategy to emphasize that we firmly believe that DE&I are key cornerstones to being a successful company and helping us deliver on our purpose of restoring brain health.

As part of our DE&I policy, we have embedded DE&I in our recruitment process through education and tools to minimize unconscious bias, attract a more diverse talent pool, and ensure fair assessment of all candidates. Subsequently, we have embedded bias blockers in our organizational review process by introducing tools that consider different dimensions of diversity. In 2023, we ran e-learnings on unconscious bias and on cultural awareness bias for all employees. In Q3, we ran a pilot on inclusive leadership training as a part of our leadership development programs to enable us to develop a plan for inclusive leadership training in 2024.These actions taken in 2023 were applied across the organization to ensure a diverse and inclusive culture for all employees including top, upper- and senior managements.

This section on gender balance constitutes our mandatory annual statutory sustainability reporting in accordance with 99b of the Danish Financial Statements Act. In the Sustainability Report, you can read more about the work we do to ensure diversity, equity and inclusion at Lundbeck.

Priorities	2023 Sustainability targets	Status
ACCESS TO HEALTH	Scoping a global approach to measuring the impact of and access to medical education of health care professionals we are funding	Achieved
	Donate treatment for at least 1,500 patients in low and middle income countries through product donation partnership	Achieved
BUSINESS ETHICS	Annual Code of Conduct training completed by all employees at work globally	Achieved
	Increase the share of employees stating in the annual Employer Satisfaction Survey (ESS) that they are confident in raising an ethical or compliance concern	Not achieved
CLIMATE CHANGE & CIRCULARITY	Reduce total carbon footprint across own operations, supply and distribution in line with our 15-year Science-Based Target[3]	On track
	Recycle 64% of the organic compounds used in chemical production	Not achieved
	Recycle 73% of general waste	Achieved
PEOPLE & COMMUNITIES	Increase in share of underrepresented gender at senior management level year on year[2]	Achieved
	Reduce lost time accident frequency ≤ 4	Achieved
	Not more than three high-consequence work-related accidents with absence	Achieved

Achieved Not achieved On track

1 Executive Management (EVP) and their direct reports with people management responsibilities.
2 EVP, SVP and VP.
3 We report progress annually on our 15-year targets in Scope 1 & 2 (own produced energy and purchased energy) and Scope 3 (emissions from supply, services, distribution, and business travel).

Business Ethics and Code of Conduct

At Lundbeck, we pursue our business purpose guided by our Code of Conduct. The Code of Conduct shows us the way if acting with integrity and doing the right thing in everything we do.

As a global pharmacetical company we operate in a constantly changing regulatory landscape. Our business activities and application of technologies also evolve in the pursuit of meeting patient needs and offering efficacious treatment options. These conditions call for a responsive and risk-based Compliance Program that helps our employees globally to operate ethically and in accordance with applicable laws and regulations.

COMMITMENT IN TIMES OF CHANGES

In 2023, our network of regional compliance officers and our global compliance functions evolved, and we now have 18 regional compliance officers present across our global commercial organization.

Together with senior management they help prevent misconduct, detect compliance issues and take prompt corrective and preventive action.

Our priorities remained unchanged. At Lundbeck we are committed to driving a culture of ethics and compliance throughout the organization, as well as safeguarding the Company and our business relations from corruption and bribery in all its forms.

DOING THE RIGHT THING

The annual Code of Conduct training at Lundbeck aims to empower our employees to make informed and ethical decisions. During this training employees are guided through and practice some of the topics from the Code of Conduct, including anti-bribery and corruption, use of social media and personal data protection.

The training is supported by videos and testimonials from the CEO and our colleagues, reminding us that our culture of ethics is firmly grounded in Lundbeck's five beliefs: being patient-driven, courageous, ambitious, passionate and responsible.

COLLABORATING WITH STAKEHOLDERS

We believe our interactions with healthcare professionals, healthcare organizations, patients and patient organizations have a profound and positive influence on the quality of patient care and the value of future research. These interactions are well regulated, and we are committed to enhancing transparency.

At Lundbeck we believe in a consistent and ethical approach to compensate for the work undertaken, and in 2023 we revisited the methodology for how we compensate for work performed as well as the applicable rates we pay.

Our continued improvement efforts are supplemented by our internal audits and monitoring activities that aim to validate the understanding of the requirements, identify risks, and capture suggestions for how we can enhance processes and controls.

OPEN DIALOGUE

We encourage everyone to have an ongoing dialogue on compliance and ethics with their colleagues and manager. However, we realize that some questions, dilemmas, or concerns might not be discussed openly. Our Compliance Hotline[1] is a secure line that is open for everyone to raise concerns about a potential violation of the Code of Conduct or any other misconduct. It is a cornerstone in our Compliance Program that helps protect Lundbeck.

All reports are investigated in line with our global procedure that safeguards individuals who report concerns or otherwise participate in investigations. Our investigations are guided by principles that manifest Lundbeck's beliefs:

- Protection of good-faith reporters against retaliation
- Confidentiality
- Cooperation
- Proportionality
- Communication
- Independence

OVERSIGHT OF BUSINESS ETHICS

Lundbeck's ethical standards are defined by Executive Management, who are also responsible for ensuring the proper roll out and implementation of these ethical standards. This is done via the Compliance Program. Lundbeck's Audit Committee oversees the effectiveness of the Compliance Program.

Our Chief Ethics & Compliance Officer provides regular updates on current developments to relevant stakeholders, such as Executive Management, the Compliance Committee, and the Audit Committee.

1 https://www.lundbeck.com/global/compliance-hotline.

Risk Management

Lundbeck's risk management processes ensure close monitoring, systematic risk assessment and the ability to identify, manage and report internal and external risks in a changing environment.

RISK MANAGEMENT GOVERNANCE STRUCTURE

Lundbeck is exposed to risks throughout the value chain, from the initial stages of developing innovative pharmaceuticals in our in-house facilities to the proven pharmaceuticals reaching the patients. Lundbeck's risk management processes are continually updated and adapted to match internal and external requirements, in which risks related to trends, global economic developments, geopolitics and long-term forecasts are assessed as part of Lundbeck's long-term strategic planning.

With this understanding of the wider context and an accurate and complete overview of Lundbeck's activities and resources, Executive Management has a clear basis for decision-making on our overall risk exposure and mitigating actions.

Dejan Siljanoski, Operator

The Board of Directors is overall responsible for ensuring that Lundbeck has implemented the necessary risk management procedures. The oversight of compliance within the established enterprise risk management framework has been delegated to the Audit Committee.

RISK MANAGEMENT FRAMEWORK

At Lundbeck, enterprise risk management is considered an integral part of doing business, which is reflected in the risk management process.

The process starts in the decentralized teams within each executive management area. The teams have detailed and extensive knowledge of the risks within their areas of responsibility. They systematically identify, quantify, respond to and monitor risks. They are ideally placed to mitigate our risk exposure in the first instance. Each area shares the risks with the central Risk Office when material updates occur, and at least on a semi-annual basis.

The central Risk Office provides the risk framework and conducts interviews with management, risk contributors and risk-responsible individuals. This represents an integral part in the alignment of risks reported to the Risk Office. In cooperation with each executive management area, the Risk Office assesses the likelihood of an event occurring and the potential impact on the Group. The key risk overview is presented to Executive Management for their assessment and approval before it is reported to the Audit Committee and approved by the Board of Directors.

The corporate risk register kept by the Risk Office provides a consolidated overview of Lundbeck's risk exposure by detailing each risk, risk category and type. The risk descriptions provide details on the event, its current status, the status of the response, and the likelihood and potential impact. Our reporting process defines six risk categories:

- Research and Development
- Market, Commercial and Strategy
- Supply, Quality and Product Safety
- IT security
- Legal and Compliance
- Financial

Lundbeck has developed a concise process covering day-to-day risk identification, monitoring, mitigation and reporting within each executive management area all the way to the final reporting to Executive Management. This process enables Executive Management to control Lundbeck's risk appetite when deciding strategy and practice, and when making day-to-day decisions.

Key Risks

RISK AREA	DESCRIPTION	POTENTIAL CONSEQUENCES	MITIGATING ACTIONS
RESEARCH AND DEVELOPMENT	Exposure to delays of regulatory approval or failure in the development of new and innovative medicines. Increased regulatory requirements for clinical trials. Data requirements from production of non-clinical and clinical studies.	Delays or failure of new products could impact patients who cannot benefit from these products and decrease earnings expectations for Lundbeck and its shareholders. Delay in regulatory approval may impact the patient's drug access. Issues with data integrity could lead to delays in studies and production – ultimately leading to withdrawals and failure to gain approval.	Clinical trials are run and evaluated throughout the research and development phase. Ongoing evaluation of the product pipeline, regulatory requirements and product benefit. Robust quality management system is in place to ensure consistent quality, data integrity and the compliance of clinical trials and clinical safety activities.
MARKET, COMMERCIAL AND STRATEGY	Price pressure, new legislation, regulation of reimbursement and healthcare reforms in key markets, etc. Changes in market and economic dynamics derived from geopolitical instability. Effects from mergers and acquisitions.	Market restrictions could impact patients' access to Lundbeck products. Changes in market and economic conditions and healthcare reforms could affect the pricing landscape as well as rebates and discounts. Differences in business performance and WACC vs. assessment at the time of mergers and acquisitions deals can lead to impairment losses. These changes could decrease earnings for Lundbeck and its shareholders.	Understanding the price development in main markets. Working with healthcare authorities around the world to document the value of our pharmaceuticals. Monitor political developments and requirements. Robust merger and acquisitions implementation tracking processes.
SUPPLY, QUALITY AND PRODUCT SAFETY	Disruption of production or supply or unpredictable demand and stock-out. Loss of licenses to manufacture or sell pharmaceuticals. Defects in product quality or safety.	Product shortage, not giving patients needed access to the pharmaceuticals they require.	Systems, policies and procedures are in place to ensure product supply, quality and safety. Dual sourcing strategy and high level of safety stock of key products. Robust pharmacovigilance system.
IT SECURITY	Cyber attacks and cyber fraud. System down-time.	Disruption or compromise of IT security could affect all parts of Lundbeck's operations and product supply to patients. Data loss, including patient-, employee-, proprietary business- and other sensitive data.	IT policies and procedures are in place to safeguard systems and data. Cyber defenses are tested on a regular basis. Annual testing of IT disaster recovery plan.
LEGAL AND COMPLIANCE	Loss, expiration or infringement of intellectual property rights. Non-compliance with laws, industry standards, regulations and our Code of Conduct. Exposure to legal claims or investigations.	Loss, expiration, infringement, or invalidation of intellectual property rights could decrease earnings for Lundbeck and its shareholders. Non-compliance with laws, industry standards, regulations, or our Code of Conduct could affect our 'license to operate', result in litigations or investigations, expose Lundbeck to significant fines, and impact our reputation and earnings for Lundbeck and its shareholders.	Policies and processes are in place to safeguard intellectual property rights. The Code of Conduct, Compliance Program and global compliance organization are pivotal in sustaining our compliance culture. The Code of Conduct Compliance Program includes global activities and ensures key risks are identified and managed, continuous internal reviews and monitoring of compliance with laws and industry standards, and annual training to all employees. Third parties are committed to observing our legal and ethical standards in mutually binding agreements and are subject to due diligence monitoring. Global Compliance Hotline and investigation procedure.
FINANCIAL	Fluctuations in interest rates and exchange rates incl. impact from currency devaluations.	Lundbeck's cash flow and earnings could be impacted in cases of fluctuations in key currencies.	Treasury policy. Monitoring the financial exposure and hedging a significant part of Lundbeck's currency risk up to 18 months in advance.

Board of Directors[1]

LARS SØREN RASMUSSEN
Chair

- Born 1959
- Elected 2013
- Considered independent

Lundbeck Committees
- Audit Committee (M)
- Remuneration & Nomination Committee (C)

Directorships
- Coloplast A/S (C); Danish Industry Committee on Diversity (C); Danish Committee of Corporate Governance (C); Equalis (C); Life Science Council under the Danish Ministry of Industry (C); Business & Financial Affairs (C); Gyldendal A/S (M), Copenhagen University (M)

Holding of A-shares
20,000

Holding of B-shares
80,000

LENE SKOLE-SØRENSEN
Deputy Chair

- Born 1959
- CEO, the Lundbeck Foundation
- Elected 2015
- Considered non-independent

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

Directorships
- ALK-Abelló A/S (DC)[2]
- Falck A/S (DC)[2]
- Ørsted A/S (DC)
- Nordea Bank Abp (DC)
- The Committee on Foundation Governance (DC)

Holding of A-shares
None

Holding of B-shares
61,270

SANTIAGO ARROYO

- Born 1960
- Chief Development Officer, Bicycle Therapeutics
- Elected 2021
- Considered independent

Lundbeck Committees
- Scientific Committee (M)

Directorships
- GlycoEra AG (M)

Holding of A-shares
None

Holding of B-shares
None

JEFFREY BERKOWITZ

- Born 1966
- CEO, Real Endpoints
- Elected 2018
- Considered independent

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

Directorships
- PharmaTwoB (C)
- Click Therapeutics (M)
- Zealand Pharma A/S (M)
- Uniphar PLC (M)

Holding of A-shares
None

Holding of B-shares
None

Per 31 December 2023.
C = Chair, DC = Deputy Chair, M = Member.
1 For more information about the Board of Directors and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors.
2 Board positions included in the position as CEO of the Lundbeck Foundation.

Board of Directors[1]

LARS ERIK HOLMQVIST

- Born 1959
- Elected 2015
- Considered non-independent

Lundbeck Committees
- Audit Committee (M)

Directorships
- Biovica International AB (C)
- The Lundbeck Foundation (M)
- ALK-Abelló A/S (M)
- Vitrolife AB (M)
- Life Healthcare (M)

Holding of A-shares
None

Holding of B-shares
75,000

JEREMY MAX LEVIN

- Born 1953
- CEO, Ovid Therapeutics
- Elected 2017
- Considered independent

Lundbeck Committees
- Scientific Committee (C)

Directorships
- Ovid Therapeutics (C)
- Opthea (C)
- BIO (the Biotechnology Innovation Organization) (M)

Holding of A-shares
None

Holding of B-shares
None

JAKOB RIIS

- Born 1966
- CEO, Falck Danmark A/S and Adelca ApS
- Elected 2023
- Considered non-independent

Lundbeck Committees
- Scientific Committee (M)

Directorships
- Falck Healthcare A/S (C)
- Response A/S (C)
- Danish Chamber of Commerce (M)
- Falck Danmark A/S (M)

Holding of A-shares
None

Holding of B-shares
54,138

ILSE DOROTHEA WENZEL

- Born 1969
- Elected 2021
- Considered independent

Lundbeck Committees
- Audit Committee (C)

Directorships
- Dentsply Sirona Inc. (M)
- Servier Pharmaceuticals (M)

Holding of A-shares
None

Holding of B-shares
None

Per 31 December 2023.
C = Chair, DC = Deputy Chair, M = Member.
1 For more information about the Board of Directors and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors.

Board of Directors[1]

CAMILLA GRAM ANDERSSON

- Born 1972
- Director, Corporate Health, Safety & Environment
- Elected by employees in 2022

Directorships
- Industrial Sectorial Board of Occupational Health and Safety (DI) (M)
- Specialized Committee of Chemistry (DI) (M)
- Environment, Health & Safety Expert Group (EFPIA) (M)

Holding of A-shares
202

Holding of B-shares
808

HOSSEIN ARMANDI

- Born 1962
- Research Technician
- Elected by employees in 2022

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

DORTE CLAUSEN

- Born 1984
- Clinical Trial Manager, Specialist, Psychiatry
- Elected by employees in 2022

Directorships
- Pharmadanmark (M)
- Training & Conference Center Pharmakon (M)

Holding of A-shares
220

Holding of B-shares
880

LASSE SKIBSBYE

- Born 1983
- Principle Scientist
- Elected by employees in 2022

Directorships
- Safety Pharmacology Society (M)

Holding of A-shares
None

Holding of B-shares
None

Per 31 December 2023.
C = Chair, DC = Deputy Chair, M = Member.
1 For more information about the Board of Directors and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/board-of-directors.

Executive Management[1]

CHARL VAN ZYL
President & CEO

- Born 1967
- Joined Lundbeck in 2023

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

LARS BANG
Executive Vice President,
Product Development & Supply

- Born 1962
- Joined Lundbeck in 1988

Directorships
None

Holding of A-shares
69,232

Holding of B-shares
276,928

THOMAS GIBBS[2]
Executive Vice President,
Head of Lundbeck U.S.

- Born 1971
- Joined Lundbeck in 2023

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

ELISE HAUGE[2]
Executive Vice President,
People & Communication

- Born 1967
- Joined Lundbeck in 2019
- Left Lundbeck as of 31 December 2023

Directorships
- CBS Executive Fonden (M)

Holding of A-shares
5,414

Holding of B-shares
12,656

Per 31 December 2023.
C = Chair, DC = Deputy Chair, M = Member.
1 For more information about Executive Management and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/executive-management.
2 Thomas Gibbs (Executive Vice President, Head of Lundbeck U.S.), Elise Hauge (Executive Vice President, People & Communication) and Keld Flintholm Jørgensen (Executive Vice President, Corporate Strategy & Business Development) are part of Executive Management in their respective roles but are not members of Executive Management as registered with the Danish Business Authority.

Executive Management[1]

JOERG HORNSTEIN
CFO & Executive Vice President, Corporate Functions

- Born 1977
- Joined Lundbeck in 2022

Directorships
None

Holding of A-shares
None

Holding of B-shares
None

KELD FLINTHOLM JØRGENSEN[2]
Executive Vice President, Corporate Business Development & Strategy

- Born 1971
- Joined Lundbeck in 2019

Directorships
- Scandion Oncology (M)

Holding of A-shares
12,669

Holding of B-shares
50,676

PER JOHAN LUTHMAN
Executive Vice President, Research & Development

- Born 1959
- Joined Lundbeck in 2019

Directorships
- Brain+ (M)

Holding of A-shares
19,312

Holding of B-shares
85,647

JACOB TOLSTRUP
Executive Vice President, Commercial Operations

- Born 1972
- Joined Lundbeck in 1999

Directorships
- Pharmacosmos A/S (C)

Holding A-shares
None

Holding B-shares
2,144

Per 31 December 2023.
C = Chair, DC = Deputy Chair, M = Member.
1 For more information about Executive Management and their competencies, please visit https://www.lundbeck.com/global/about-us/our-leadership/executive-management.
2 Thomas Gibbs (Executive Vice President, Head of Lundbeck U.S.), Elise Hauge (Executive Vice President, People & Communication) and Keld Flintholm Jørgensen (Executive Vice President, Corporate Strategy & Business Development) are part of Executive Management in their respective roles but are not members of Executive Management as registered with the Danish Business Authority.

The Lundbeck Share

In 2023, Lundbeck experienced yet another year marked by significant achievements, robust financial performance and promising developments in our R&D pipeline. However, it is important to acknowledge that the year also brought increased uncertainties that significantly influenced the global financial markets, and which are outside our control.

At the outset of the year, the Lundbeck share price began at DKK 23.88 for A-shares and DKK 26.05 for B-shares, based on the closing prices at the end of 2022 (ref. Bloomberg). Throughout the year, the B-share price reached its peak at DKK 39.50 [22 May 2023], and its lowest point was recorded at DKK 25.35 [24 January 2023]. By the close of the year, the B-share price ended at DKK 32.76 marking a 26% increase over the course of the year. In contrast, the Danish OMXC25 index experienced an increase of 7%, and the MSCI European Pharmaceutical Index also increased slightly by 3%.

TURNOVER

Total trading in Lundbeck A-shares amounted to DKK 792.5 million in 2023, while the average daily turnover was DKK 3.2 million. Total trading in Lundbeck B-shares amounted to DKK 6.0 billion in 2023, while the average daily turnover was DKK 24.1 million.

SHARE CAPITAL

Lundbeck shares are listed on the Copenhagen Stock Exchange, Nasdaq Copenhagen. The shares are negotiable and there are no restrictions on their transferability. At the end of 2023, Lundbeck's total share capital amounted to DKK 996 million, which is equivalent to 996 million shares.

COMPOSITION OF SHAREHOLDERS

According to the Lundbeck share register, the company had approximately 57,000 shareholders at the end of 2023, representing approximately 99% of the outstanding shares.

The Lundbeck Foundation (Lundbeckfond Invest A/S) is the Company's largest shareholder and holds approximately 80% of the A-shares and approximately 66% of the B-shares. The total share capital held by the foundation is approximately 69% and the total voting rights held by the foundation in Lundbeck is approximately 76%.

Financial calendar 2024

20 March 2024	Annual General Meeting 2024
25 March 2024	Dividends for 2023 at the disposal of shareholders (if approved)
15 May 2024	Financial statements for the first three months of 2024
21 August 2024	Financial statements for the first six months of 2024
13 November 2024	Financial statements for the first nine months of 2024

The Lundbeck Foundation is the only shareholder to report a holding in excess of 5% of the share capital. At the end of 2023, investors in North America held 34% of the free float compared to 34% in 2022; European (excl. Danish) investors held 46% compared to 46% in 2022; Danish investors held 18% compared to 18% in 2022; rest of the world held 2%, compared to 2% in 2022.

In order to fund our long-term share-based incentive programs, Lundbeck has 3,730,140 shares held as treasury shares at the end of 2023. The holding is split in 466.028 A-shares and 3,264,112 B-shares.

At the end of 2023, Lundbeck's Board of Directors and Executive Management held a total of 127,049 Lundbeck A-shares and a total of 700,147 B-shares compared to a total of 116,588 Lundbeck A-shares and a total of 541,342 B-shares at the end of 2022. The total number of shares in 2023 corresponds to 0.06% of the total A-shares outstanding and 0.09% of the total B-shares outstanding.

LUNDBECK AND THE EQUITY MARKET

Within Lundbeck, our Investor Relations (IR) function is dedicated to maintaining transparent and accurate communication with both prospective and existing shareholders, as well as equity analysts. We achieve this through a continuous dialogue, providing insights into our vision, objectives, business segments and financial progress.

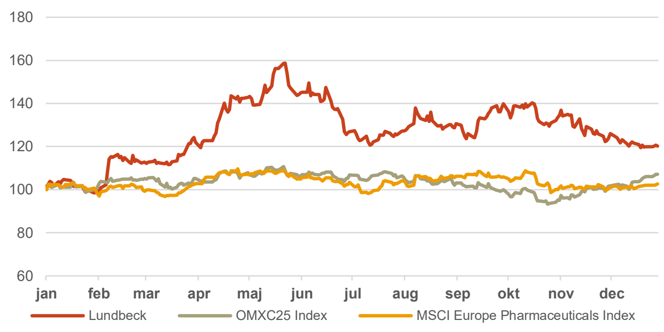
In the year 2023, Lundbeck's Investor Relations team successfully conducted over 250 meetings, with most of these interactions taking place via digital platforms, including Teams and Zoom. Additionally, Lundbeck actively engaged in 12 investor conferences, primarily in person.

Lundbeck is currently covered by 16 sell-side analysts, including leading global investment banks. These analysts regularly publish research reports on Lundbeck, and a comprehensive list of these analysts is accessible on our website at www.lundbeck.com.[1]

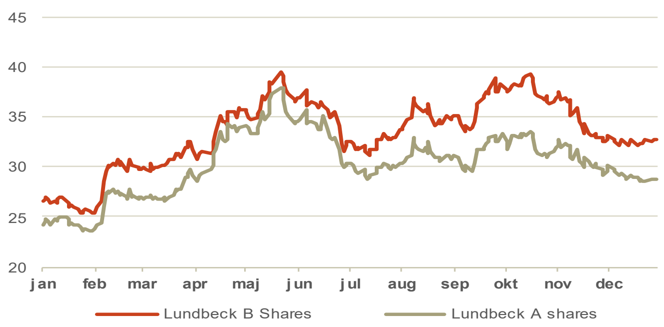
Following the release of our interim and full-year reports, key members of Lundbeck's Executive Management and Investor Relations team embark on roadshows to update investors and analysts on the latest developments within the company. Our investor presentations are available for download at www.lundbeck.com.[2]

1 https://www.lundbeck.com/global/investors/the-share/analyst-coverage.
2 https://www.lundbeck.com/global/investors/reports-and-presentations.

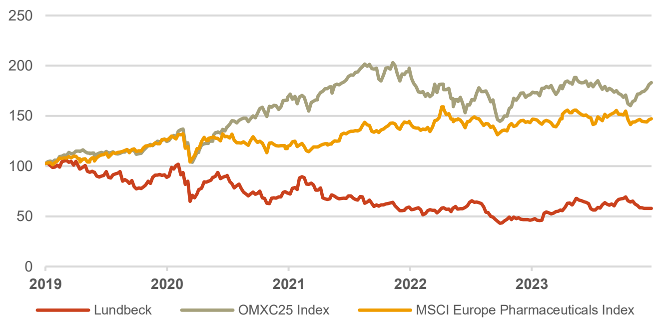
STOCK PERFORMANCE 2023



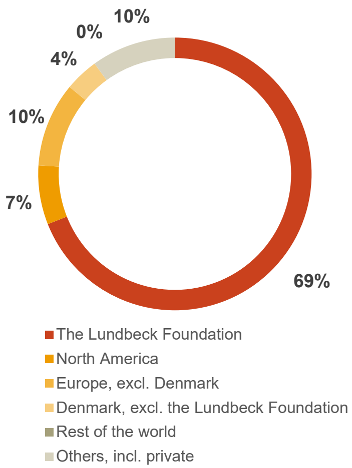
STOCK PERFORMANCE A- AND B-SHARES 2023



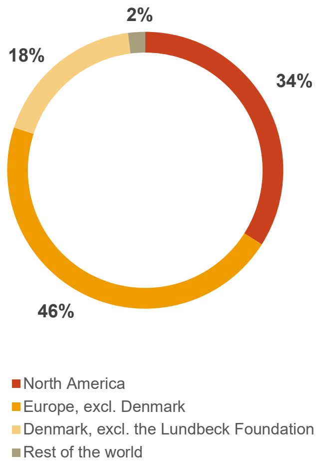
STOCK PERFORMANCE 2019-2023



COMPOSITION OF OWNERSHIP, END 2023



COMPOSITION OF FREE FLOAT, END 2023



LUNDBECK'S TOTAL NUMBER OF VOTING RIGHTS AND TOTAL SHARE CAPITAL

	Number of shares (nominal value of DKK 1 each)	Nominal value (DKK)	Number of votes
A-shares	199,148,222	199,148,222	1,991,482,220
B-shares	796,592,888	796,592,888	796,592,888
Total	995,741,110	995,741,110	2,788,075,108

Share Data

	2023	2022	2021	2020	2019
Share price (A-shares), year-end (DKK)	28.70	23.88	-	-	-
Share price (A-shares), high (DKK)	37.90	37.70	-	-	-
Share price (A-shares), low (DKK)	23.52	22.49	-	-	-
Share price (B-shares), year-end (DKK)	32.76	26.05	-	-	-
Share price (B-shares), high (DKK)	39.50	37.86	-	-	-
Share price (B-shares), low (DKK)	25.35	24.24	-	-	-
Share price (old share structure), year-end (DKK)	-	-	168.85	208.80	254.40
Share price (old share structure), high (DKK)	-	-	258.10	302.40	306.90
Share price (old share structure), low (DKK)	-	-	152.45	178.15	217.20

Share Facts

Number of A-shares, year-end	199,148,222
Number of B-shares, year-end	796,592,888
Total	995,741,110
Share capital, year-end (DKK)	995,741,110
Nominal value per share (DKK)	1
Number of treasury A-shares	466,028
Number of treasury B-shares	3,264,112
Total number of treasury shares	3,730,140 (0.37%)
Free float (%)	31%
IPO	18 June 1999
Stock exchange	Nasdaq Copenhagen
ISIN code	DK0061804697 (A), DK0061804770 (B)
Ticker	HLUNa / HLUNb (Reuters), HLUNA DC / HLUNB DC (Bloomberg)

Financial Statements

Aki Mizukoshi
Director, People & Communication
Michelle Wilson
Vice President, People & Communication

IN THIS SECTION

Consolidated Financial Statements

CONTENTS

NOTES

Statement of profit or loss

1 January – 31 December

	Notes	2023 DKKm	2022 DKKm
Revenue	2	19,912	18,246
Cost of sales	3	4,485	3,951
Gross profit		**15,427**	**14,295**
Sales and distribution costs	3	7,482	6,610
Administrative expenses	3	1,293	1,079
Research and development costs	3	3,457	3,754
Profit from operations (EBIT)		**3,195**	**2,852**
Financial income	4	94	124
Financial expenses	4	296	502
Profit before tax		**2,993**	**2,474**
Tax on profit for the year	5	703	558
Profit for the year		**2,290**	**1,916**
Earnings per share, basic (EPS) (DKK)	12	2.31	1.93
Earnings per share, diluted (DEPS) (DKK)	12	2.31	1.93

Statement of comprehensive income

1 January – 31 December

	Notes	2023 DKKm	2022 DKKm
Profit for the year		**2,290**	**1,916**
Actuarial gains/losses	13	(24)	134
Tax	12	4	(19)
Items that will not be reclassified subsequently to profit or loss		**(20)**	**115**
Exchange rate gains/losses on investments in foreign subsidiaries		(336)	670
Exchange rate gains/losses on additions to net investments in foreign subsidiaries		(7)	25
Hedging of net investments in foreign subsidiaries	19	17	(163)
Deferred gains/losses on cash flow hedge, exchange rate	19	117	(347)
Deferred gains/losses on cash flow hedge, interest rate	19	(21)	39
Deferred gains/losses on cash flow hedge, price	19	(78)	128
Exchange gains/losses, hedging (transferred to revenue)	19	(137)	588
Tax	12	23	(58)
Items that may be reclassified subsequently to profit or loss		**(422)**	**882**
Other comprehensive income		**(442)**	**997**
Total comprehensive income		**1,848**	**2,913**

Statement of financial position – assets

At 31 December

	Notes	2023 DKKm	2022 DKKm
Intangible assets	6	**20,692**	**22,500**
Property, plant and equipment	7	**2,499**	**2,515**
Right-of-use assets	8	**382**	**427**
Other financial assets		99	173
Other receivables		208	195
Deferred tax assets	5	238	230
Financial and other assets		**545**	**598**
Non-current assets		**24,118**	**26,040**
Inventories	9	**4,427**	**4,046**
Trade receivables	10	2,965	2,709
Income taxes receivable		73	98
Other receivables		588	756
Prepayments		226	255
Receivables		**3,852**	**3,818**
Cash and bank balances	11	**5,010**	**3,548**
Current assets		**13,289**	**11,412**
Assets		**37,407**	**37,452**

Statement of financial position – equity and liabilities

At 31 December

	Notes	2023 DKKm	2022 DKKm
Share capital	12	996	996
Foreign currency translation reserve		1,109	1,438
Hedging reserve	19	63	156
Retained earnings		19,877	18,189
Equity		**22,045**	**20,779**
Retirement benefit obligations	13	216	213
Deferred tax liabilities	5	2,283	2,152
Provisions	15	388	190
Bank debt and bond debt	17	3,714	5,096
Lease liabilities	8	351	395
Other payables	18	420	428
Non-current liabilities		**7,372**	**8,474**
Retirement benefit obligations	13	1	1
Provisions	15	934	1,132
Trade payables		4,410	4,251
Lease liabilities	8	86	88
Income taxes payable		571	535
Other payables	18	1,988	2,192
Current liabilities		**7,990**	**8,199**
Liabilities		**15,362**	**16,673**
Equity and liabilities		**37,407**	**37,452**

Statement of changes in equity

At 31 December

	Notes	Share capital DKKm	Foreign currency translation reserve DKKm	Hedging reserve DKKm	Retained earnings DKKm	Total equity DKKm
2023						
Equity at 1 January		**996**	**1,438**	**156**	**18,189**	**20,779**
Profit for the year		-	-	-	2,290	2,290
Other comprehensive income	12	-	(329)	(93)	(20)	(442)
Comprehensive income		**-**	**(329)**	**(93)**	**2,270**	**1,848**
Distributed dividends, gross	12	-	-	-	(578)	(578)
Dividends received, treasury shares	12	-	-	-	2	2
Buyback of treasury shares	12	-	-	-	(43)	(43)
Incentive programs	14	-	-	-	38	38
Tax on other transactions in equity	5	-	-	-	(1)	(1)
Other transactions		**-**	**-**	**-**	**(582)**	**(582)**
Equity at 31 December		**996**	**1,109**	**63**	**19,877**	**22,045**
2022						
Equity at 1 January		**996**	**874**	**(162)**	**16,571**	**18,279**
Profit for the year		-	-	-	1,916	1,916
Other comprehensive income	12	-	564	318	115	997
Comprehensive income		**-**	**564**	**318**	**2,031**	**2,913**
Distributed dividends, gross		-	-	-	(398)	(398)
Dividends received, treasury shares		-	-	-	1	1
Buyback of treasury shares	12	-	-	-	(45)	(45)
Incentive programs	14	-	-	-	29	29
Other transactions		**-**	**-**	**-**	**(413)**	**(413)**
Equity at 31 December		**996**	**1,438**	**156**	**18,189**	**20,779**

Statement of cash flows

At 31 December

	Notes	2023 DKKm	2022 DKKm
Profit from operations (EBIT)		**3,195**	**2,852**
Adjustment for non-cash items:			
Amortization, depreciation and impairment losses		2,012	1,811
Incentive programs		38	30
Change in provisions		37	(244)
Other adjustments		265	18
Change in working capital:			
Change in inventories		(760)	(979)
Change in receivables		(167)	(504)
Change in short-term debt		(2)	1,078
Cash flows from operations before financial receipts and payments		**4,618**	**4,062**
Financial receipts		84	29
Financial payments		(156)	(643)
Cash flows from ordinary activities		**4,546**	**3,448**
Income taxes paid		(466)	71
Cash flows from operating activities		**4,080**	**3,519**
Contingent consideration payment from acquisition of company		-	(1,076)
Purchase of intangible assets	6	(224)	(449)
Purchase of property, plant and equipment	7	(277)	(371)
Sale of property, plant and equipment		3	4
Cash flows from investing activities		**(498)**	**(1,892)**
Cash flows from operating and investing activities (free cash flow)		**3,582**	**1,627**

	Notes	2023 DKKm	2022 DKKm
Proceeds from loans and issue of bonds	17	-	1,234
Repayment of bank loans and borrowings	17	(1,377)	(1,086)
Repayment of lease liabilities	8	(89)	(93)
Buyback of treasury shares	12	(43)	(45)
Dividends paid in the financial year, net		(576)	(397)
Cash flows from financing activities		**(2,085)**	**(387)**
Net cash flows for the year		**1,497**	**1,240**
Cash and bank balances at 1 January		3,548	2,279
Unrealized exchange gains/losses on cash and bank balances		(35)	29
Net cash flows for the year		1,497	1,240
Cash and bank balances at 31 December		**5,010**	**3,548**
Interest-bearing debt, cash and bank balances, net, is composed as follows:			
Cash and bank balances	11	5,010	3,548
Interest-bearing debt		(4,299)	(5,731)
Interest-bearing debt, cash and bank balances, net, at 31 December – net cash/(net debt)		**711**	**(2,183)**

Note 1

1 BASIS OF PREPARATION

1.1 Reporting entity
H. Lundbeck A/S (herein denominated the “Parent Company” or “Company”) is domiciled in Denmark. The Company’s registered office is at Ottiliavej 9, 2500 Valby. These consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the “Group” or “Lundbeck”). The Group is engaged in research, development, production and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders. See note 2 *Revenue and segment information*.

1.2 Basis of accounting
The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The consolidated financial statements was approved by the Board of Directors and authorized for issue on 7 February 2024.

The statement of financial position is also referred to as the “balance sheet”.

Details of the Group’s accounting policies are included in note 25 *Material accounting policy information* and in note 1.7 *Changes in material accounting policy information*.

1.3 Functional and presentation currency
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The consolidated financial statements are presented in Danish kroner (DKK), which is also the functional and presentation currency of the Parent Company. All amounts have been rounded to the nearest DKK million, unless otherwise indicated.

1.4 Principal accounting policies
The consolidated financial statements have been prepared to give a true and fair view of the Group’s financial position at 31 December 2023 and financial performance for the year. The material accounting policies are described in note 25 *Material accounting policy information*. Management believes that the accounting policies listed in note 1.5 *Use of judgments and estimates* are principal to the financial statements.

1.5 Use of judgments and estimates
In preparing the consolidated financial statements, Management has made estimates and judgments that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

Management believes that the following accounting estimates, assumptions and judgments are significant to the consolidated financial statements.

Principal accounting policies	Key accounting estimates, assumptions and judgments	Notes
Provision for discounts and rebates	Estimate of discounts and rebates in the U.S.	15
Income taxes and deferred income taxes	Judgment and estimate of deferred tax assets and liabilities and provision for uncertain tax positions	5
Impairment of product rights	Estimate of the value-in-use methodology for impairment of product rights	6
Inventory obsolescence	Judgment and estimate of the provision for obsolescence	9
Provisions and contingent assets and liabilities	Estimate of ongoing legal disputes, environmental provisions, litigations and investigations	15, 16
Other payables - contingent consideration	Assumptions and estimates used in the calculation of the fair value related to contingent consideration from the businesses acquired in 2019	18

1.6 Measurement of fair values
Some of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair values of quoted investments are based on current bid prices at the end of the reporting period. Financial assets for which no active market exists are carried at fair value based on a valuation methodology.

The fair value of derivative financial instruments is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, the fair value is based on the most recently observed market price at the end of the reporting period. If a financial instrument is quoted in a market that is not active, the Group bases its valuation on the most recent transaction price.

If an active market does not exist, the fair value of standard and simple financial instruments, such as foreign exchange forward contracts, interest rate swaps, currency swaps and unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used to measure the fair value.

Note 1

1 BASIS OF PREPARATION - CONTINUED

When measuring the fair value of an asset or a liability, the Group uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3:	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.7 Changes in material accounting policy information
New and amended standards adopted by the Group
Effective 1 January 2023, a number of amendments to the accounting standards were implemented.

None of the amendments have a material impact on the accounting policies and/or on the consolidated financial statements. Consequently, no material changes to the accounting policies or retrospective adjustments have been made as a result of adopting these standards and/or amendments. For details, see below.

Global minimum top-up tax (Pillar II)
The Group has adopted the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about Pillar Two exposure, see note 5 *Income taxes*.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2023, in any jurisdiction in which the Group operates and no related deferred tax was recognized at that date, the retrospective application has no impact on the Group's consolidated financial statements.

Material accounting policy information
The Group adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.
The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in note 25 *Material accounting policy information* (2022: Significant accounting policies) in certain instances in line with the amendments.

In addition, the following amendments did not have a material impact on the amounts recognized in prior periods and are not expected to significantly affect current or future periods, the accounting policies and/or the consolidated financial statements.

- Definition of Accounting Estimate – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 *Income Taxes*

Note 1

1 BASIS OF PREPARATION - CONTINUED

1.8 New standards and amendments issued but not yet effective
A number of new standards and amendments are effective for annual periods beginning after 1 January 2023 though not mandatory for annual reporting periods ending on 31 December 2023. Earlier application is permitted; however, the new or amended standards have not been early adopted by the Group.
The amended standards are as follows:

- Classification of liabilities as current or non-current and non-current liabilities with covenants (Amendments to IAS 1 *Presentation of Financial Statements*)
- Supplier finance arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)
- Lease liability in a sale and leaseback (Amendments to IFRS 16 *Leases*)
- Lack of exchangeability (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*)

The Group expects to adopt the new standards, improvements, amendments and interpretations when they become mandatory.

None of the amended standards are expected to significantly impact the accounting policies and/or on the consolidated financial statements.

1.9 European Single Electronic Format (ESEF)
The Annual Report is prepared in XHTML format, and the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named HLUNDBECK-2023-12-31-en.zip.

Note 2

2 REVENUE AND 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 single business (operating) segment. The business segment reflects the way in which Management makes decisions and assesses the business performance.

The Group is organized in geographical regions. The tables below show the Group's revenue from external customers broken down by key products and geographical regions.

2023	Europe DKKm	United States DKKm	International Markets DKKm	Group DKKm
Abilify Maintena®/Asimtufii	1,445	1,182	560	3,187
Brintellix®/Trintellix®	1,507	1,432	1,385	4,324
Cipralex®/Lexapro®	687	-	1,448	2,135
Rexulti®/Rxulti®	59	4,206	260	4,525
Sabril®	-	336	-	336
Vyepti®	77	1,578	42	1,697
Other pharmaceuticals	853	1,095	1,296	3,244
Revenue by product	**4,628**	**9,829**	**4,991**	**19,448**
Other revenue				327
Effects from hedging				137
Total revenue				**19,912**
Of this amount:				
Royalty				694
Down payments and milestone received				7

As of 1 January 2023, Onfi® is being reported together with Other pharmaceuticals, comparative figures for 2022 have been adjusted accordingly.

2022	Europe DKKm	United States DKKm	International Markets DKKm	Group DKKm
Abilify Maintena®	1,382	1,047	535	2,964
Brintellix®/Trintellix®	1,311	1,650	1,316	4,277
Cipralex®/Lexapro®	662	-	1,698	2,360
Rexulti®/Rxulti®	41	3,645	204	3,890
Sabril®	-	636	-	636
Vyepti®	11	982	11	1,004
Other pharmaceuticals	845	1,142	1,439	3,426
Revenue by product	**4,252**	**9,102**	**5,203**	**18,557**
Other revenue				277
Effects from hedging				(588)
Total revenue				**18,246**
Of this amount:				
Royalty				881
Down payments and milestone received				2

In 2023, Denmark generated revenue from external customers in the amount of DKK 13,752 million (DKK 12,159 million in 2022) of which DKK 14 million (DKK 15 million in 2022) is generated from customers in the country of domicile. The U.S. generated revenue from external customers located in the U.S. in the amount of DKK 3,603 million (DKK 3,629 million in 2022).

The U.S. and Denmark are the only countries where sales contribute 10% or more of the total revenue.

In 2023 and 2022, no single customer contributed 10% or more of the total revenue.

Intangible assets and property, plant and equipment by geographic region	2023 DKKm	2022 DKKm
Denmark	10,021	10,782
United States	12,026	13,108
Other countries	1,526	1,552
Total	**23,573**	**25,442**

Note 3

3 EMPLOYEE COSTS

Breakdown of employee costs	2023 DKKm	2022 DKKm
Short-term employee benefits	4,588	4,170
Retirement benefits	278	265
Social security costs	372	348
Equity- and cash-settled incentive programs	41	32
Severance and restructuring costs	59	-
Total	**5,338**	**4,815**

For details on payments related to share-based incentive programs, see note *14 Incentive programs*.

Employee costs for the year are included in the following functions in the statement of profit or loss:

Employee costs	2023 DKKm	2022 DKKm
Cost of sales	828	758
Sales and distribution costs	2,755	2,445
Administrative expenses	750	603
Research and development costs	1,005	1,009
Total	**5,338**	**4,815**

Information on employees

	2023 Number	2022 Number
Average number of full-time employees in the financial year	**5,566**	**5,399**
Number of full-time employees at 31 December		
In Denmark	1,897	1,790
In other countries	3,784	3,660
Total	**5,681**	**5,450**

Remuneration of registered Executive Management and key management personnel

	Registered Executive Management		Key management personnel[1)]	
	2023 DKKm	2022 DKKm	2023 DKKm	2022 DKKm
Short-term staff benefits	62	39	157	129
Retirement benefits	4	4	13	14
Other social security costs	-	-	1	1
Equity- and cash-settled incentive programs	12	10	24	-
Severance and other costs	36	-	40	21
Total	**114**	**53**	**235**	**165**

1) Key management personnel are defined as Registered Executive Management and people who report directly to the Registered Executive Management.

Severance and other costs includes severance payment of DKK 33.6 million to former President and CEO Deborah Dunsire who left Lundbeck by the end of August 2023 and an extraordinary sign-on compensation of DKK 2.5 million to Charl Van Zyl, who joined Lundbeck in September 2023 as new CEO, for lost incentives from his previous employer. The compensation is earned over the period 2024-2026 up to a total of DKK 22.2 million before taxes and subject to certain conditions. In addition, a severance payment to another former member of Executive Management (not part of the Registered Executive Management) was paid in the amount of DKK 4.1 million.

Remuneration of the Board of Directors

The total remuneration of the Board of Directors for 2023 amounted to DKK 9.6 million (DKK 9.0 million in 2022). The amount includes fees for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2022), the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2022), the Scientific Committee of DKK 1.1 million (DKK 0.9 million in 2022) and travel allowances of DKK 1.2 million (DKK 1.2 million in 2022) for board members with permanent residence outside of Europe. The total remuneration of the chair of the Board of Directors amounted to DKK 1.7 million (DKK 1.7 million in 2022). The total remuneration of the deputy chair of the Board of Directors amounted to DKK 1.2 million (DKK 1.2 million in 2022). These amounts include fees for participation in Board committees. The remuneration for 2023 is consistent with the remuneration presented at the Annual General Meeting held on 21 March 2023.

The members of the Board of Directors held a total of 292,518 Lundbeck shares at 31 December 2023 (238,380 shares at 31 December 2022).

Notes 4-5

4 FINANCIAL INCOME AND EXPENSES

	2023 DKKm	2022 DKKm
Interest income from financial assets measured at amortized cost	86	22
Gain on other financial assets, measured at fair value through profit or loss	4	31
Fair value adjustment of contingent consideration	4	71
Financial income	**94**	**124**
Interest expenses from financial liabilities measured at amortized cost	43	96
Interest expenses relating to lease liabilities	11	7
Loss on other financial assets, measured at fair value through profit or loss	25	7
Fair value adjustment of contingent consideration	10	300
Exchange losses (net)	164	30
Other financial expenses	43	62
Financial expenses	**296**	**502**
Net financials, expenses	**202**	**378**

Fair value adjustment of contingent consideration for 2022 comprises DKK 278 million related to the increase of the probability of success of milestone payments from 83.2% to 100% which occurred in the first quarter of 2022 following EMA approval.

5 INCOME TAXES

Tax on profit for the year

	2023 DKKm	2022 DKKm
Current tax	520	356
Prior-year adjustments, current tax[1)]	7	(311)
Prior-year adjustments, deferred tax[1)]	(23)	307
Change in deferred tax for the year	172	278
Change in deferred tax as a result of changed income tax rates	1	5
Total tax for the year	**677**	**635**
Tax for the year is composed of:		
Tax on profit for the year	703	558
Tax on other comprehensive income	(27)	77
Tax on other transactions in equity	1	-
Total tax for the year	**677**	**635**

1) For 2022, movements from prior-year adjustments, deferred tax to prior-year adjustments, current tax, primarily relate to the utilization of tax losses from prior years by jointly taxed companies not controlled by the Parent Company.

For a specification of tax on comprehensive income, see note 12 *Equity*.

Uncertain tax positions

The Group operates in a multinational tax environment. Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear or may change over time. In addition, transfer pricing disputes with tax authorities may occur. Management's judgments are applied when estimating the expected outcome of disputes or interpretational uncertainties. Provisions for uncertain tax positions are determined by using the 'most probable outcome' or 'single best estimate'-method depending on the type of uncertainty.

In 2023, uncertain tax positions comprise a liability of DKK 521 million and an asset of DKK 52 million (a liability of DKK 535 million and an asset of DKK 57 million in 2022). Management believes that the provision is adequate. However, the actual obligation may differ from the provision made and depends on the outcome of litigations and settlements with the relevant tax authorities.

Note 5

5 INCOME TAXES – CONTINUED

Explanation of the Group's effective tax rate

	DKKm	%
2023		
Profit before tax	**2,993**	
Calculated tax, 22%	658	22.0
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	70	2.3
Non-deductible expenses/non-taxable income and other permanent differences	56	1.8
Research and development incentives	(52)	(1.7)
Foreign-derived intangible income benefit	(31)	(1.0)
Change in valuation of net tax assets	17	0.6
Change in deferred tax as a result of changed income tax rates	1	0.0
Prior-year tax adjustments etc., total effect on operations	(16)	(0.5)
Effective tax/tax rate for the year	**703**	**23.5**

	DKKm	%
2022		
Profit before tax	**2,474**	
Calculated tax, 22%	544	22.0
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	47	1.9
Non-deductible expenses/non-taxable income and other permanent differences	107	4.3
Research and development incentives	(82)	(3.3)
Foreign-derived intangible income benefit	(33)	(1.3)
Change in valuation of net tax assets	(26)	(1.0)
Change in deferred tax as a result of changed income tax rates	5	0.2
Prior-year tax adjustments etc., total effect on operations	(4)	(0.2)
Effective tax/tax rate for the year	**558**	**22.6**

Note 5

5 INCOME TAXES – CONTINUED

Deferred tax balances

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 exchange differences** DKKm	**Adjustment of deferred tax at beginning of year** DKKm	**Movements during the year** DKKm	**Balance at 31 December** DKKm
2023					
Intangible assets	13,902	(254)	3	(57)	13,594
Property, plant and equipment	679	(7)	(2)	(10)	660
Inventories	(70)	14	8	44	(4)
Provisions	(1,772)	43	(217)	(629)	(2,575)
Other items[1]	(402)	40	55	(74)	(381)
Tax loss carryforwards etc.	(3,543)	34	53	1,505	(1,951)
Total temporary differences	**8,794**	**(130)**	**(100)**	**779**	**9,343**
Deferred (tax assets)/tax liabilities	2,059	(32)	(23)	174	2,178
Research and development incentives	(137)	5	-	(1)	(133)
Deferred (tax assets)/tax liabilities	**1,922**	**(27)**	**(23)**	**173**	**2,045**
2022					
Intangible assets	12,999	495	2	406	13,902
Property, plant and equipment	780	7	(5)	(103)	679
Inventories	(131)	(2)	3	60	(70)
Provisions	(1,606)	(45)	(141)	20	(1,772)
Other items[1]	(634)	(6)	33	205	(402)
Tax loss carryforwards etc.	(5,838)	(109)	1,482	922	(3,543)
Total temporary differences	**5,570**	**340**	**1,374**	**1,510**	**8,794**
Deferred (tax assets)/tax liabilities	1,342	86	307	324	2,059
Research and development incentives	(87)	(9)	-	(41)	(137)
Deferred (tax assets)/tax liabilities	**1,255**	**77**	**307**	**283**	**1,922**

1) Movements during the year include DKK 15 million (DKK 28 million in 2022) recognized in other comprehensive income.

Note 5

5 INCOME TAXES – CONTINUED

Deferred (tax assets)/tax liabilities	2023 Deferred tax assets DKKm	2023 Deferred tax liabilities DKKm	2023 Net DKKm	2022 Deferred tax assets DKKm	2022 Deferred tax liabilities DKKm	2022 Net DKKm
Intangible assets	(95)	3,274	3,179	(99)	3,364	3,265
Property, plant and equipment	(8)	159	151	(6)	163	157
Inventories	(89)	76	(13)	(86)	58	(28)
Provisions	(613)	-	(613)	(423)	-	(423)
Other items	(164)	61	(103)	(186)	71	(115)
Tax loss carryforwards etc.	(423)	-	(423)	(797)	-	(797)
Research and development incentives	(133)	-	(133)	(137)	-	(137)
Deferred (tax assets)/tax liabilities	**(1,525)**	**3,570**	**2,045**	**(1,734)**	**3,656**	**1,922**
Offset within legal tax entities and jurisdictions	1,287	(1,287)	-	1,504	(1,504)	-
Total net deferred (tax assets)/tax liabilities	**(238)**	**2,283**	**2,045**	**(230)**	**2,152**	**1,922**

Management estimates future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years supporting the recognition of deferred tax assets. When forecasting the utilization of tax assets, the Group applies the same assumptions as for impairment testing. See note 6 *Intangible assets*.

Accordingly, at 31 December 2023, all deferred tax assets relating to tax losses carried forward in Denmark from 2016, 2018 and 2021 were capitalized in the amount of DKK 314 million (DKK 509 million at 31 December 2022).

U.S. tax losses and tax credits stemming from acquisitions have been recognized at an amount of DKK 242 million (DKK 424 million in 2022), equaling the expected utilization within a foreseeable future, whereas an amount of DKK 15 million (DKK 15 million in 2022) has not been recognized in the balance sheet.

Global minimum top-up tax (Pillar II)

The Group operates in Denmark, which has enacted new legislation to implement the global minimum top-up tax. The Group expects to be subject to the top-up tax in relation to its operations in Hong Kong, where a two-tiered tax rate regime results in an effective tax rate of approximately 12.5%, and in Panama, where income from foreign jurisdictions is not subject to tax, thus reducing the effective tax rate to below 15%.

However, since the newly enacted tax legislation in Denmark is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a tax payable when incurred, see note 1.7 *Changes in material accounting policy information*. If the top-up tax had been applied in 2023, the tax on profits relating to the Group's operations in the countries subject to top-up tax would have had an insignificant impact.

Unrecognized deferred tax assets

	2023 DKKm	2022 DKKm
Unrecognized deferred tax assets at 1 January	76	102
Additions	20	18
Recognized	(3)	(44)
Unrecognized deferred tax assets at 31 December	**93**	**76**

Unrecognized deferred tax assets primarily relate to net operating losses and tax credits not expected to be utilized within the foreseeable future.

Note 6

6 INTANGIBLE ASSETS

Intangible assets	Goodwill DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Total intangible assets DKKm
2023					
Cost at 1 January	5,667	32,719	1,836	131	40,353
Effect of foreign exchange differences	(160)	(499)	(3)	-	(662)
Transfers	-	-	39	(39)	-
Additions	-	112	6	106	224
Disposals	-	-	(20)	-	(20)
Cost at 31 December	**5,507**	**32,332**	**1,858**	**198**	**39,895**
Amortization and impairment losses at 1 January	-	16,130	1,723	-	17,853
Effect of foreign exchange differences	-	(260)	(4)	-	(264)
Amortization	-	1,559	60	-	1,619
Disposals	-	-	(5)	-	(5)
Amortization and impairment losses at 31 December	**-**	**17,429**	**1,774**	**-**	**19,203**
Carrying amount at 31 December	**5,507**	**14,903**	**84**	**198**	**20,692**

1) In 2023, product rights not yet commercialized amounted to DKK 1,973 million (DKK 1,973 million in 2022).

2) Other rights and projects in progress include items such as the IT system SAP.

In 2023, Abilify Maintena® achieved a sales milestone of EUR 300 million triggering the recognition of an addition in the product rights of Abilify Maintena® of DKK 112 million (EUR 15 million). The milestone has been paid in 2023.

Intangible assets	Goodwill DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Total intangible assets DKKm
2022					
Cost at 1 January	5,377	31,474	1,839	133	38,823
Effect of foreign exchange differences	290	886	7	1	1,184
Transfers	-	-	57	(57)	-
Additions	-	359	16	74	449
Disposals	-	-	(83)	(20)	(103)
Cost at 31 December	**5,667**	**32,719**	**1,836**	**131**	**40,353**
Amortization and impairment losses at 1 January	-	14,377	1,696	-	16,073
Effect of foreign exchange differences	-	382	7	-	389
Amortization	-	1,371	63	-	1,434
Disposals	-	-	(43)	-	(43)
Amortization and impairment losses at 31 December	**-**	**16,130**	**1,723**	**-**	**17,853**
Carrying amount at 31 December	**5,667**	**16,589**	**113**	**131**	**22,500**

In November 2022, Rexulti® achieved a sales milestone of USD 1 billion triggering the recognition of an addition in the product rights of Rexulti® of DKK 359 million (USD 50 million). The milestone was paid in the first quarter of 2023.

Note 6

6 INTANGIBLE ASSETS - CONTINUED

Description of material product rights

Vyepti®

The eptinezumab product rights (Vyepti®), which is an investigational monoclonal antibody (mAb) for migraine prevention targeting the calcitonin gene-related peptide (CGRP), were acquired in 2019. The value of the product rights was DKK 13,421 million at the time of acquisition. At 31 December 2023, the carrying amount, net of amortization, was DKK 10,667 million (DKK 11,840 million at 31 December 2022). The remaining amortization period of the Vyepti® product rights is around 12 years.

Rexulti®

Rexulti® is a prescription medication used as an adjunctive therapy to antidepressants for the treatment of MDD and as a treatment for adults with schizophrenia in certain markets. Rexulti® is co-marketed in a partnership collaboration with Otsuka Pharmaceuticals Co., Ltd. The total carrying amount of the Rexulti® product rights amounted to DKK 2,143 million, net of amortization, at 31 December 2023 (DKK 2,524 million at 31 December 2022). The remaining amortization period of the Rexulti® product rights is around six years.

Family of MAGLi compounds

A family of compounds; a first-in-class, small-molecule inhibitor of monoacylglycerol lipase (MAGLi/MGLL) currently being investigated in clinical trials for the treatment of neurological disorders, and various compounds in the pre-clinical phase, was acquired in 2019. The value of the family of compounds recognized as product rights was DKK 1,853 million at the time of acquisition. At 31 December 2023, the carrying amount was DKK 1,871 million (DKK 1,871 million at 31 December 2022). The family of compounds is not yet commercialized, consequently amortization has not commenced.

Amortization and impairment losses

Amortization and impairment losses for the year are included in the following functions in the statement of profit or loss:

Amortization and impairment losses	2023 DKKm	2022 DKKm
Cost of sales	1,593	1,395
Sales and distribution costs	14	16
Administrative expenses	5	3
Research and development costs	23	33
Total	**1,635**	**1,447**

Impairment testing

Goodwill

The Group is considered a single cash-generating unit (CGU) as this is how Management makes decisions and assesses business performance. All subsidiaries are considered fully integrated into the Group as no entity has a significant independent or separately identifiable inflow of cash. Most cash inflows are based on the output from research and development activities performed by headquarters on behalf of the entire Group. Accordingly, an impairment test is performed annually based on Lundbeck being one single CGU.

Product rights

In addition to the impairment test for goodwill (based on the CGU), the Group performs impairment tests of product rights not yet commercialized and for product rights available for use, in case a significant indication of impairment is identified.

Methodology

Goodwill

In the impairment test of the CGU, based on the fair value less cost of disposal, the market price of Lundbeck is compared with its carrying amount.

Product rights

In the impairment tests of product rights, based on the value-in-use, the discounted expected future cash flows for the specific asset tested are compared with the carrying amount of the intangible asset. The expected future cash flows are based on a forecast period, which is the period used by Management for decision-making, with due consideration of patent expiry.

The assumptions used in the impairment test are based on benchmarked external data and historical trends. The key parameters in the calculation of the value-in-use are revenue, earnings, working capital, discount rate and the preconditions for the cash flow period.

Significant assumptions and estimates are applied to the discounted expected future cash flows from the product rights.

Notes 6-7

6 INTANGIBLE ASSETS - CONTINUED

The four category elements in the table below are considered when determining the key parameters for the value-in-use calculation.

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

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

The assumptions are based on experience, external source of information and industry-relevant observations for each product right.

The calculation of the value-in-use for product rights is based on a weighted average discount rate pre-tax of 8.64% (9.36% in 2022).

2023 testing outcome
The impairment tests performed in 2023 did not result in the recognition of any impairment loss.

2022 testing outcome
The impairment tests performed in 2022 did not result in the recognition of any impairment loss.

Impact of possible changes in key assumptions (product rights not yet commercialized)
If the budgeted revenue had been 5% lower than Management's estimates, the headroom would have continued to be positive. If the discount rate after tax applied to cash flows had been 0.5% higher, the headroom would have continued to be positive.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the prior period. The potential changes in key assumptions are considered within historic variations experienced by the Group and thus considered reasonably possible.

7 PROPERTY, PLANT AND EQUIPMENT

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	Total property, plant and equipment DKKm
2023					
Cost at 1 January	3,685	2,049	849	706	7,289
Effect of foreign exchange differences	1	-	(5)	-	(4)
Transfers	130	60	59	(249)	-
Additions	13	54	32	178	277
Disposals	-	(28)	(23)	-	(51)
Cost at 31 December	**3,829**	**2,135**	**912**	**635**	**7,511**
Depreciation and impairment losses at 1 January	2,449	1,614	711	-	4,774
Effect of foreign exchange differences	1	-	(3)	-	(2)
Depreciation	120	108	61	-	289
Disposals	-	(28)	(21)	-	(49)
Depreciation and impairment losses at 31 December	**2,570**	**1,694**	**748**	**-**	**5,012**
Carrying amount at 31 December	**1,259**	**441**	**164**	**635**	**2,499**

1) No land and buildings were mortgaged at 31 December 2023 and at 31 December 2022.

Notes 7-8

7 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Total property, plant and equipment DKKm
2022					
Cost at 1 January	3,537	2,050	844	612	7,043
Effect of foreign exchange differences	-	2	2	-	4
Transfers	159	46	20	(225)	-
Additions	9	28	11	323	371
Disposals	(20)	(77)	(28)	(4)	(129)
Cost at 31 December	**3,685**	**2,049**	**849**	**706**	**7,289**
Depreciation and impairment losses at 1 January	2,358	1,583	679	-	4,620
Effect of foreign exchange differences	(1)	1	-	-	-
Depreciation	108	105	57	-	270
Impairment losses	3	1	-	-	4
Disposals	(19)	(76)	(25)	-	(120)
Depreciation and impairment losses at 31 December	**2,449**	**1,614**	**711**	**-**	**4,774**
Carrying amount at 31 December	**1,236**	**435**	**138**	**706**	**2,515**

Depreciation and impairment losses

Depreciation and impairment losses for the year are included in the following functions in the statement of profit or loss:

Depreciation and impairment losses	2023 DKKm	2022 DKKm
Cost of sales	212	194
Sales and distribution costs	23	27
Administrative expenses	11	10
Research and development costs	41	44
Total	**287**	**275**

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Land and buildings	2023 DKKm	2022 DKKm
Cost at 1 January	731	705
Effect of foreign exchange differences	(12)	6
Additions	15	13
Disposals	(15)	(9)
Adjustment to right-of-use assets during the year[1)]	37	16
Cost at 31 December	**756**	**731**
Depreciation and impairment losses at 1 January	304	221
Effect of foreign exchange differences	(7)	1
Depreciation	90	89
Disposals	(13)	(7)
Depreciation and impairment losses at 31 December	**374**	**304**
Carrying amount at 31 December	**382**	**427**

1) Comprises reassessment of lease terms and renewal of lease agreements.

Amounts recognized in profit or loss	2023 DKKm	2022 DKKm
Expenses relating to short-term leases, not capitalized	1	2
Depreciation of right-of-use assets, land and buildings	90	89
Interest expenses relating to lease liabilities	11	7
Total recognized in profit or loss	**102**	**98**

Notes 8-10

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES - CONTINUED

Development in lease liabilities	Balance at 1 January DKKm	Cash outflow DKKm	Non-cash flow DKKm	Balance at 31 December DKKm
2023				
Lease liabilities	483	(89)	43	437
Total lease liabilities	**483**	**(89)**	**43**	**437**
2022				
Lease liabilities	539	(93)	37	483
Total lease liabilities	**539**	**(93)**	**37**	**483**

	2023 DKKm	2022 DKKm
Current lease liabilities	86	88
Non-current lease liabilities	351	395
Total lease liabilities	**437**	**483**

The total cash outflow from recognized lease agreements amounted to DKK 100 million (DKK 100 million in 2022) and includes repayment of lease liabilities and interest.

The maturity analysis of lease liabilities is provided in the table 'Classification of and contractual maturity dates for financial assets and financial liabilities' in note 19 *Financial instruments*.

9 INVENTORIES

	2023 DKKm	2022 DKKm
Raw materials and consumables	214	209
Work in progress	2,580	2,207
Finished goods and goods for resale	1,633	1,557
Prepayments	-	73
Total	**4,427**	**4,046**

Inventories recognized as cost of sales amounted to DKK 2,919 million (DKK 2,581 million in 2022).

Inventories have been reduced by DKK 470 million (DKK 236 million in 2022) as a result of the write-down to net realizable value in the year. Out of the total, DKK 312 million (DKK 228 million in 2022) relates to a Vyepti provision for obsolescence recognized in Cost of sales in the year as a consequence of a fixed batch quantity supply agreement effective for five years up to 30 June 2023, which was acquired as part of the acquisition of Alder BioPharmaceuticals Inc. in 2019, a planned transition of the antibody cell line, higher than originally expected production yields and a slower launch ramp-up as a consequence of the pandemic. Management's estimate takes into consideration assumptions on inventory-estimated usage, approval dates, expected shelf life, etc. Total balance of Vyepti provision for obsolescence is DKK 540 million (DKK 228 million in 2022).

Inventories of DKK 2,277 million (DKK 1,651 million in 2022) are expected to be recovered after more than 12 months, mostly due to the Vyepti fixed batch quantity supply agreement.

10 TRADE RECEIVABLES

	2023 DKKm	2022 DKKm
Trade receivables	2,990	2,733
Write-downs	(25)	(24)
Trade receivables, net	**2,965**	**2,709**

Credit risks

Lundbeck's products are sold primarily to distributors of pharmaceuticals, pharmacies and hospitals. The payment conditions for the customers, including credit periods and any payment of interest in case of non-payment, vary, but are always based on industry practice in the relevant market. Due to special trading conditions in specific markets, the credit period may be up to about 200 days and for one customer 360 days. The weighted average credit period is approximately 50 days.

Changes to the Group's customer portfolio are limited. When collaboration is established with a new customer, credit assessment is done either by Lundbeck or an external credit rating agency. At the time of revenue recognition, Lundbeck assesses the full lifetime-expected credit losses. In addition, undue and due receivables are analyzed in an ongoing process. Based on the credit assessment, receivables analysis, historical and industry experience, it is estimated whether the receivables are recoverable, or write-downs are needed. Historically, losses on debtors have been insignificant.

Notes 10-11

10 TRADE RECEIVABLES - CONTINUED

Fluctuations in foreign exchange rates, including the impact from currency devaluations, represent an inherent risk as Lundbeck also operates in volatile economies. Lundbeck monitors and takes action to mitigate risks associated with receivables.

Market risks
The pharmaceutical market is characterized by authorities aiming to reduce or cap healthcare costs in general. Market changes, such as price reductions and the ever-earlier launch of generics, may have a considerable impact on the earnings potential of pharmaceuticals.

11 CASH RESOURCES

	2023 DKKm	2022[1)] DKKm
Cash and bank balances	**5,010**	**3,548**

1) In 2022, cash and bank balances included DKK 127 million which was held as restricted cash.

Liquidity risk and capital structure
The credit risk on cash and bank balances and derivatives (forward exchange contracts, currency options and interest rate swaps) is limited as Lundbeck only deals with banks with a solid credit rating. The counterparty risk towards banks with a short-term credit rating lower than A-1 (Standard & Poor's) is kept to a minimum, only allowing balances necessary for operating needs within the immediate future. To further limit the risk of loss, internal limits have been defined for the credit exposure accepted towards the banks with whom Lundbeck collaborates. Credit lines are part of the Treasury Policy.

The Treasury Policy covers financial resources, foreign currency exposure, interest rate risk, securities, loan and bond portfolios as well as capitalization of subsidiaries. The Treasury Policy is presented to the Audit Committee annually for subsequent approval by the Board of Directors. In addition, the Board of Directors approves the framework for selecting financial collaboration partners and the credit lines and types of transactions allowed.

Pursuant to its Treasury Policy, Lundbeck must ensure that a minimum of DKK 1.0 billion is held in cash or cash equivalents. If this amount is not available in cash, fixed-term deposits or bonds, Lundbeck will enter into committed credit facilities with its banking partners.

In 2019, Lundbeck entered into a revolving credit facility (RCF) of EUR 1.5 billion with its strategic banks. The RCF expires in 2026. The flexible structure of the RCF enables Lundbeck to repay the debt in full at short notice, normally not more than three months, and still maintain the facility until expiration of the credit commitment. The RCF is subject to covenants, and no breaches were encountered during the year.

At 31 December 2023, Lundbeck had unutilized committed credit facilities of DKK 11.2 billion.
In addition, Lundbeck has a number of uncommitted credit facilities to cover its day-to-day operations. At 31 December 2023 and 31 December 2022, these credit facilities were unutilized.

In October 2020, Lundbeck issued a seven-year eurobond in the amount of EUR 500 million with a fixed coupon of 0.875%. The bond was issued under Lundbeck´s euro medium-term note (EMTN) program of EUR 2 billion.

When managing the capital structure, Lundbeck's main objective is to support the 'Expand and Invest to Grow' strategy; use capital resources for required research and development and for investments to realize the strategy; and to generate long-term attractive return for the shareholders. Lundbeck also wishes to be a strong financial counterparty to debt providers and other stakeholders by maintaining an investment grade credit rating (BBB-).

To maintain or adjust the capital structure, Lundbeck may adjust dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or increase debt. To minimize the refinancing risk, Lundbeck strives to have diversified funding, both in terms of duration and source.

Lundbeck defines capital as total equity and net interest-bearing debt (see notes *17 Bank debt, bond debt and borrowings* and 8 *Right-of-use assets and lease liabilities*) and after deducting cash resources. At 31 December 2023, total equity amounted to DKK 22,045 million (DKK 20,779 million at 31 December 2022).

As of 31 December 2023, the net cash position was DKK 711 million, compared to a net debt position of DKK 2,183 million at 31 December 2022.

Note 12

12 EQUITY

Share capital

On 8 June 2022, a share split of Lundbeck's existing shares was approved at an extraordinary general meeting. The approval entailed that each existing Lundbeck share with a nominal value of DKK 5 was split into one A-share with a nominal value of DKK 1 and four B-shares, each with a nominal value of DKK 1. The A-share is carrying ten votes, and the B-share is carrying one vote. The A-shares and the B-shares are ordinary, fully paid shares carrying equal economic rights in all respects.

Share capital

Share capital	2023 DKKm	2022 DKKm
At 1 January	996	996
At 31 December	**996**	**996**

Issued shares	A-shares Number	B-shares Number	Total issued shares Number
At 1 January 2022	199,148,222	796,592,888	995,741,110
At 31 December 2022	**199,148,222**	**796,592,888**	**995,741,110**
At 31 December 2023	**199,148,222**	**796,592,888**	**995,741,110**

Treasury shares

Treasury shares	A-shares of DKK 1 nom. Number	B-shares of DKK 1 nom. Number	Nominal value DKKm	Proportion of share capital %	Cost DKKm
2023					
Shareholding at 1 January	580,280	2,321,120	3	0.29	120
Share buyback	-	1,400,000	1	0.14	43
Shares used for funding incentive programs	(114,252)	(457,008)	(1)	(0.06)	(30)
Shareholding at 31 December	**466,028**	**3,264,112**	**3**	**0.37**	**133**
2022					
Shareholding at 1 January	502,115	2,008,460	3	0.25	138
Share buyback	282,000	1,128,000	1	0.14	45
Shares used for funding incentive programs	(203,835)	(815,340)	(1)	(0.10)	(63)
Shareholding at 31 December	**580,280**	**2,321,120**	**3**	**0.29**	**120**

In 2023, the Parent Company acquired treasury shares at a value of DKK 43 million (DKK 45 million in 2022), corresponding to 1,400,000 B-shares (282,000 A-shares and 1,128,000 B-shares in 2022). The shares were acquired to fund Lundbeck's long-term share-based incentive programs. A total of 114,252 A-shares and 457,008 B-shares were used for this purpose in 2023 (203,835 A-shares and 815,340 B-shares in 2022).

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 following the capital requirements of the Danish Companies Act and the rules of Nasdaq Copenhagen.

Distribution of profit

The Board of Directors is proposing distribution of dividends for 2023 of 30% (30% in 2022) of the net profit for the year allocated to the shareholders, equivalent to DKK 0.70 per share (DKK 0.58 per share in 2022) or DKK 697 million (DKK 578 million in 2022), inclusive of dividends on treasury shares. Total dividends are based on the current share capital.

Earnings per share

	2023	2022
Profit for the year (DKKm)	**2,290**	**1,916**
Average number of shares ('000 shares)	995,741	995,741
Average number of treasury shares ('000 shares)	(3,506)	(2,874)
Average number of shares, excl. treasury shares ('000 shares)	**992,235**	**992,867**
Earnings per share, basic (EPS) (DKK)	**2.31**	**1.93**
Earnings per share, diluted (DEPS) (DKK)	**2.31**	**1.93**

Note 12

12 EQUITY - CONTINUED

Tax on other comprehensive income

	Before tax DKKm	Tax DKKm	After tax DKKm
2023			
Other comprehensive income recognized under foreign currency translation reserve in the statement of changes in equity			
Exchange rate gains/losses on investments in foreign subsidiaries	(336)	-	(336)
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	(7)	1	(6)
Hedging of net investments in foreign subsidiaries	17	(4)	13
Total	**(326)**	**(3)**	**(329)**
Other comprehensive income recognized under hedging reserve in the statement of changes in equity			
Deferred gains/losses on cash flow hedge, exchange rate	117	(26)	91
Deferred gains/losses on cash flow hedge, interest rate	(21)	5	(16)
Deferred gains/losses on cash flow hedge, price	(78)	17	(61)
Exchange gains/losses, hedging (transferred to revenue)	(137)	30	(107)
Total	**(119)**	**26**	**(93)**
Other comprehensive income recognized under retained earnings in the statement of changes in equity			
Actuarial gains/losses	(24)	4	(20)
Total	**(24)**	**4**	**(20)**
Recognized in other comprehensive income	**(469)**	**27**	**(442)**

	Before tax DKKm	Tax DKKm	After tax DKKm
2022			
Other comprehensive income recognized under foreign currency translation reserve in the statement of changes in equity			
Exchange rate gains/losses on investments in foreign subsidiaries	670	-	670
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	25	(4)	21
Hedging of net investments in foreign subsidiaries	(163)	36	(127)
Total	**532**	**32**	**564**
Other comprehensive income recognized under hedging reserve in the statement of changes in equity			
Deferred gains/losses on cash flow hedge, exchange rate	(347)	76	(271)
Deferred gains/losses on cash flow hedge, interest rate	39	(9)	30
Deferred gains/losses on cash flow hedge, price	128	(28)	100
Exchange gains/losses, hedging (transferred to revenue)	588	(129)	459
Total	**408**	**(90)**	**318**
Other comprehensive income recognized under retained earnings in the statement of changes in equity			
Actuarial gains/losses	134	(19)	115
Total	**134**	**(19)**	**115**
Recognized in other comprehensive income	**1,074**	**(77)**	**997**

Exchange rate gains/losses on investments in foreign subsidiaries, a loss of DKK 336 million (gain of DKK 670 million in 2022), and exchange rate gains/losses on additions to net investments in foreign subsidiaries, a loss of DKK 7 million (gain of DKK 25 million in 2022), are primarily driven by developments in USD/DKK and GBP/DKK exchange rates.

Note 13

13 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

Defined contribution plans

The major defined contribution plans cover employees in Australia, Canada, China, Denmark, Finland, South Korea, Sweden, the UK and the U.S. The cost of defined contribution plans, representing contributions to the plans, amounted to DKK 269 million in 2023 (DKK 253 million in 2022).

Defined benefit plans

The Group has defined benefit plans in a few countries. The most significant plans comprise current and former 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 the Group. Both plans entitle the employees to an annual pension on retirement based on the service and salary level until retirement.

Retirement benefit obligations and similar obligations	2023 DKKm	2022 DKKm
Present value of defined benefit plans	425	392
Fair value of plan assets	(293)	(277)
Limitations due to asset ceiling	-	3
Defined benefit plans at 31 December	**132**	**118**
Other obligations of a retirement benefit nature	31	38
Retirement benefit obligations and similar obligations at 31 December	**163**	**156**
Retirement benefit obligations and similar obligations break down as follows:		
Non-current assets	(54)	(58)
Non-current obligations	216	213
Current obligations	1	1
Net retirement benefit obligations and similar obligations at 31 December	**163**	**156**

Actuarial assumptions

The following were the key actuarial assumptions at the reporting date.

Key assumptions for the most significant plans	2023 %	2022 %
Discount rate	3.30-4.50	3.70-5.20
Inflation rate	2.25-3.05	2.35-3.65

Assumptions regarding future longevity are set based on actuarial advice in accordance with published statistics and experience in each country. The longevities underlying the values of the defined benefit obligation for the most significant plans were as follows:

Longevity at age 65 for current pensioners	2023 Years	2022 Years
Female	23.90-24.20	24.00-24.20
Male	20.80-21.40	21.00-21.80
Longevity at age 65 for current members aged 45		
Female	25.30-26.40	25.60-26.00
Male	22.60-23.50	23.00-23.10

Sensitivity analysis

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate, inflation rate and mortality. The sensitivity of the defined benefit obligation to changes in the most significant assumptions is shown below:

	2023		2022	
Effect in DKKm	Increase[1]	Decrease[1]	Increase[1]	Decrease[1]
Discount rate (0.25% movement)	12	(13)	11	(12)
Inflation rate (0.25% movement)	(5)	5	(4)	4
Life expectancy (1 year movement)	(15)	14	(14)	13

1) Positive amounts indicate a decrease in the actuarial obligations. Negative amounts indicate an increase in the actuarial obligations

The sensitivity analysis indicates how a change in the individual assumptions would change the obligation. However, the assumptions will most likely be correlated and consequently result in a different obligation.

Note 13

13 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

Fair value of plan assets	2023 DKKm	2022 DKKm
Shares	100	99
Bonds	55	48
Property	38	35
Insurance contracts	65	67
Other assets	35	28
Total	**293**	**277**

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

The amounts recognized in the balance sheet and the movements in the net defined benefit obligation over the year are as follows.

Change in present value of defined benefit plans	2023 DKKm	2022 DKKm
Present value of defined benefit plans at 1 January	392	539
Effect of foreign exchange differences	9	(7)
Pension expenses	5	8
Interest expenses relating to the obligations	17	8
Experience adjustments	(2)	22
Adjustments relating to financial assumptions	25	(166)
Adjustments relating to demographic assumptions	(2)	-
Benefits paid	(20)	(14)
Employee contributions	1	1
Other	-	1
Present value of defined benefit plans at 31 December	**425**	**392**

Change in fair value of plan assets	2023 DKKm	2022 DKKm
Fair value of plan assets at 1 January	277	285
Effect of foreign exchange differences	11	(8)
Interest income on plan assets	14	5
Experience adjustments	(6)	(7)
Administration fees	(1)	(1)
Contributions	8	8
Benefits paid	(11)	(6)
Employee contributions	1	1
Fair value of plan assets at 31 December	**293**	**277**

Net expense recognized in profit or loss	2023 DKKm	2022 DKKm
Pension expenses	5	8
Finance costs	3	3
Administrative fees	1	1
Total	**9**	**12**

Amount recognized in other comprehensive income	2023 DKKm	2022 DKKm
Actuarial (gains)/losses	24	(134)

	2023 DKKm	2022 DKKm
Realized return on plan assets	8	(2)

The benefit under unfunded defined benefit plans is paid directly by the Group. In some countries, the future contribution to funded defined benefit plans depends on the development in salaries, administrative fees and regular premiums, and in other countries on the surplus/deficit according to local requirements. The weighted average duration of the obligation is 12 years (12 years in 2022). The expected contribution to defined benefit plans for 2024 is DKK 16 million (DKK 15 million for 2023).

Other obligations of a retirement benefit nature

In 2023, an obligation of DKK 31 million (DKK 38 million in 2022) was recognized to cover other obligations of a retirement benefit nature, which primarily include post-employment benefits in a number of subsidiaries. These benefit payments are conditional upon specified requirements being met.

Note 14

14 INCENTIVE PROGRAMS

To attract, retain and motivate key employees and align their interests with those of its shareholders, Lundbeck has established a number of long-term incentive programs. Lundbeck uses equity- and cash-settled programs.

Equity-settled programs
As from 2023, the Group has established a performance share units (PSU) program in substitution for the previous restricted share units (RSU) program for Lundbeck's Registered Executive Management and key employees, as part of Lundbeck's recurring long-term incentive program. The general terms and conditions for the PSU program are similar to those applying to the RSU program. In 2023, five of the members of the Registered Executive Management and some key employees employed with the Group were granted PSUs. The total number of options granted to the above-mentioned employees are disclosed below. The participants were selected based on job level. All the PSUs and RSUs vest three years after grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The fair value of PSUs and RSUs has been calculated based on the share price reduced by an expected dividend yield of 2.00% p.a. The fair value is disclosed below for each date of grant.

PSU and RSU programs[1)]	2023	2022	2021	2020	2019
Number of people included in the program	166	176	139	135	139
Total number of PSUs/RSUs granted	1,738,514	1,592,060	801,365	695,595	639,495
Number of PSUs/RSUs granted to the Registered Executive Management	407,514	385,659	173,905	149,615	140,640
Vesting date	01.02.26	01.02.25	01.02.24	01.02.23	01.02.22
Fair value at the date of grant, DKK	28.29	28.43	47.24	51.68	53.94

1) The Group introduced a performance share units (PSU) program in 2023. Consequently, information for 2023 comprises details on PSUs and information for 2019-2022 comprises details on RSUs.

Comparative figures for 2019 to 2021 have been restated to reflect the result of the share split completed on 8 June 2022.

Cash-settled programs
In 2023, the cash-settled programs consisted of performance cash units (PCUs) and restricted cash units (RCUs). The cash-settled programs cannot be converted into shares as this program is settled in cash.

As from 2023, the Group has established a PCU program in substitution for the RCU program for a few key employees in the subsidiaries. The general terms and conditions for the PCU program are similar to those applying to the RCU program. At 31 December 2023, the PCUs granted to key employees totaled 39,152 PCUs (14,205 RCU for the 2022 program). All PCUs and RCUs will vest three years after the grant. Vesting is subject to the Board of Directors' decision on vesting, to Lundbeck achieving certain strategic and financial targets specified by the Board of Directors and to continuing employment with the Group during the vesting period. The size of the amount depends on the value of the Lundbeck share on the vesting date. The fair value at the time of the initial grant was DKK 28.29 per PCU (DKK 28.43 per RCU for the 2022 program).

Fair value, liability and expense recognized in the statement of profit or loss
The PSUs/RSUs granted are recognized in profit or loss for 2023 and 2022 at an expense corresponding to the fair value at the time of grant for the part of the vesting period attributable to each one. The total expense recognized in respect of equity-settled programs amounted to DKK 36 million (DKK 30 million in 2022). At 31 December 2023, the fair value of the remaining equity-settled programs was DKK 120 million (DKK 84 million at 31 December 2022).

The PCUs/RCUs granted are recognized in the statement of profit or loss 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 cash-settled programs amounted to DKK 5 million (DKK 4 million in 2022) and covers all cash-settled programs in force at 31 December 2023. At 31 December 2023, the total liability in respect of cash-settled programs was DKK 1 million (DKK 10 million at 31 December 2022).

The total expense recognized in profit or loss for all incentive programs amounted to DKK 41 million in 2023 (DKK 34 million in 2022).

Notes 15-16

15 PROVISIONS

	Discounts and rebates[1] DKKm	Product returns[2] DKKm	Other provisions[3] DKKm	Total DKKm
2023				
Provisions at 1 January	890	146	286	1,322
Effect of foreign exchange differences	(24)	(6)	(4)	(34)
Additional provisions recognized	1,629	86	309	2,024
Provisions used during the year	(1,877)	(20)	(83)	(1,980)
Reversal of unused provisions	-	-	(10)	(10)
Provisions at 31 December	**618**	**206**	**498**	**1,322**
Provisions break down as follows:				
Non-current provisions	-	113	275	388
Current provisions	618	93	223	934
Provisions at 31 December	**618**	**206**	**498**	**1,322**

1) For discounts and rebates, the most significant sales deductions are in the U.S. and comprise discounts and rebates given in connection with sales under the U.S. Federal and State Government Healthcare programs, primarily Medicaid.
2) For product returns, the Group has product return obligations normal for the industry. Management does not expect any major losses from these obligations apart from the amount already recognized.
3) Other provisions comprise provisions relating to legal disputes, environmental provisions, obligations in relation to employee benefits, restructuring provision, etc.

Discounts and rebates

Management's estimate of discounts and rebates is based on a calculation which includes a combination of historical product/population utilization mix, price increases, program/market growth and state-specific information. Further, the calculation of rebates involves legal interpretation of relevant regulations and is subject to changes in interpretive guidance from governmental authorities. The obligations for discounts and rebates are incurred at the time the sale is recorded; however, the actual rebate related to a specific sale may be invoiced by the authorities six to nine months later. In addition to this billing time lag, there is no statute of limitations for states to submit rebate claims; thus, rebate adjustments in any particular period may relate to sales from a prior period. Moreover, when a product loses exclusivity, shifts in payer mix may cause Medicaid claims/estimates to be more volatile.

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Pending legal proceedings

Lundbeck is involved in a number of legal proceedings, including patent disputes and environmental matters, the most significant of which are described below. Some of these involve significant amounts and are subject to considerable uncertainty. Management continuously assesses the risks associated with the legal proceedings, and their likely outcome. Management is of the opinion that, apart from items recognized in the financial statements, the outcome of these legal proceedings and disputes are not probable or cannot be reliably estimated in terms of amount or timing. Such proceedings may, however, develop over time, and new proceedings may occur, in a way which could have a material impact on the Group's financial position and/or cash flows.

In June 2013, Lundbeck received the European Commission's decision that agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining Lundbeck EUR 93.8 million (approximately DKK 700 million). Lundbeck paid and expensed the fine in the third quarter of 2013. In March 2021, the European Court of Justice rejected Lundbeck's final appeal of the European Commission's decision. So-called 'follow-on claims' for reimbursement of alleged losses, resulting from violation of competition law, often arise when decisions and fines issued by the European Commission are upheld by the European Court of Justice. The below mentioned 'follow-on claims' are ongoing or threatened. Lundbeck disagrees with all claims and intends to defend itself against them.

At the end of first quarter 2023, the UK health authorities served their claim form on Lundbeck and several generic companies, and Lundbeck filed its defense in the third quarter of 2023. In September 2023, a Case Management Conference was held, at which the Competition Appeal Tribunal approved an application for a preliminary issue hearing on whether the claim is time-barred. The preliminary issue hearing is expected to be held in the second quarter of 2024 and a ruling on time-barring is expected in 2024.

In late October 2021, Lundbeck received a writ of summons from a German health-care company claiming compensation for an alleged loss of profit plus interest payments, allegedly resulting from Lundbeck's conclusion of agreements with two of the four generic competitors, which were comprised by the EU Court of Justice ruling. Lundbeck filed its first defense in May 2022, and the parties have subsequently exchanged additional pleadings. The first instance court hearing has been postponed to the first quarter of 2024. It may take several years before a final conclusion is reached by the German courts.

Lundbeck has been informed about potential claims in a number of other European countries, however, it is still uncertain whether the potential claims will be actively pursued.

Note 16

16 CONTINGENT ASSETS AND CONTINGENT LIABILITIES - CONTINUED

In Canada, Lundbeck is involved in three product liability class-action lawsuits relating to Cipralex®/Celexa® (two cases alleging various Celexa-induced birth defects and one case against several SSRI manufacturers (incl. Lundbeck) alleging that SSRI (Celexa®/Lexapro®) induces autism birth defect), three relating to Abilify Maintena® (alleging i.a. failure to warn about compulsive behavior side effects) and one relating to Rexulti® (also alleging i.a. failure to warn about compulsive behavior side effects). The cases are in the preliminary stages and as such there is significant uncertainty as to how these lawsuits will be resolved. Lundbeck strongly disagrees with the claims.

In 2018, Lundbeck entered into settlements with three of four generic companies involved in an Australian federal court case, in which Lundbeck was pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck received AUD 51.7 million (DKK 242 million) in 2018. Lundbeck's case against the last of the four generic companies, Sandoz Pty Ltd, went up to the High Court of Australia, who has now decided that Sandoz Pty Ltd infringed Lundbeck's escitalopram patent between 2009 and 2012. The High Court has now sent the case back to the first instance court for recalculation of the damages awarded to Lundbeck in first instance which amounted to AUD 26.3 million (DKK 121 million). In the meantime, Lundbeck's appeal of the Australian Patent Office's decision to grant Sandoz a license will be heard on 24 August 2024, and if a license is maintained in any form, the first instance court will have to decide if such a license can have impact on the damage awarded by the High Court.

Together with Takeda, Lundbeck instituted patent infringement proceedings against 16 generic companies in response to their filing of Abbreviated New Drug Applications ("ANDAs") with the FDA seeking to obtain marketing approval for generic versions of Trintellix® in the U.S. Two opponents have since withdrawn and Lundbeck has settled with eight opponents. As communicated by Lundbeck in company release no. 706 dated 1 October 2021, the cases against the six remaining opponents (the "ANDA Filers") have been decided by the U.S. District Court for the District of Delaware (the 'Court'). The Court found that Lundbeck's compound patent (U.S. Patent No. 7,144,884) is valid. The compound patent expires 17 December 2026. Assuming the ruling is confirmed at appeal, final approval will not be granted to the relevant ANDA Filers until after expiration of the compound patent, including any extension or additional periods of exclusivity. A total of seven other patents asserted at trial were found by the Court to be valid, or their validity was not challenged during the trial. The Court decided that none of the seven other patents was infringed by the relevant ANDA Filers, except that Lupin was found to infringe a patent covering Lundbeck's process for manufacturing Trintellix. The patents found not infringed by a particular ANDA Filer will not prevent that ANDA Filer from receiving final approval. For details on each of the patents comprised by the case, please see company release no. 706. The U.S. Court of Appeals for the Federal Circuit has affirmed the District Court decision on 7 December 2023, which is now final.

Lundbeck and Otsuka have received a Paragraph IV certification from Mylan Pharmaceuticals with respect to certain of the patent listed for Abilify Maintena® in the U.S., and Lundbeck and Otsuka have instituted patent infringement proceedings against Mylan and Viatris Inc. The FDA cannot grant marketing authorization in the U.S. to Mylan or Viatris Inc. before the patents expire unless they receive a decision in their favor. The trial has been re-scheduled to start on 17 June 2024 and a District Court decision is currently expected by October 2024. Abilify Maintena® is covered by several U.S. patents relating to specific forms of the active ingredient, formulations, processes, devices, indications and methods of use, which will expire in different years, with the latest patent expiry date in the U.S. being in 2034.

Lundbeck received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") in March 2020. The CID seeks information regarding the sales, marketing, and promotion (including the promotional speaker program) of Trintellix®. Lundbeck is cooperating with the DOJ.[1)]

In June 2022 in the U.S., several entities, created for the purpose of receiving assignment of claims from payors providing health insurance coverage pursuant to Medicare Parts C and D and Medicaid, filed a complaint against Lundbeck and others. The complaint alleges that Lundbeck and the other defendants conspired to increase the unit price and quantity dispensed of Xenazine®. The case was dismissed with prejudice earlier in 2023 and is currently under appeal.[1)]

In June 2023 in the U.S., Humana Inc., an insurer, filed a complaint against Lundbeck U.S. legal entities. The complaint alleges that Lundbeck engaged in an illegal kickback scheme to increase the sales and sale price of Lundbeck's Xenazine®. The complaint alleges that Lundbeck's activities targeted Humana Inc. and other private Medicare insurers who were forced to bear the costs of the alleged illegally subsidized drug sales. Lundbeck denies the allegations in the complaint and intends to defend itself.[1)]

1) Legal case not related to the Parent Company.

Joint taxation

H. Lundbeck A/S and Danish subsidiaries are part of a Danish joint taxation scheme with Lundbeckfonden (Lundbeckfond Invest A/S including subsidiaries of Lundbeckfond Invest A/S), according to which the Company partly has a joint and several liability and partly a secondary liability with respect to corporate income taxes etc. for the jointly taxed companies. In addition, H. Lundbeck A/S partly has 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. The total tax obligation under the joint taxation scheme is shown in the financial statements of Lundbeckfond Invest A/S.

Notes 17-18

17 BANK DEBT, BOND DEBT AND BORROWINGS

Bank debt and bond debt maturing within below periods from the balance sheet date	2023 DKKm	2022 DKKm
Between one and five years	3,714	5,096
Bank debt and bond debt at 31 December	**3,714**	**5,096**

Bank debt and bond debt break down as follows:	2023	2022
Non-current bank debt and bond debt	3,714	5,096
Bank debt and bond debt at 31 December	**3,714**	**5,096**

For maturity analysis of loans, see *note 19 Financial instruments*.

	Currency	Expiry of commitment	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2023							
Issued bonds	EUR	Oct 2027	Fixed	0.88	3,714	3,727	3,385
Total					**3,714**	**3,727**	**3,385**
2022							
Bank loan	USD	Jun 2026	Floating	5.09	1,393	1,393	1,393
Issued bonds	EUR	Oct 2027	Fixed	0.88	3,703	3,718	3,155
Total					**5,096**	**5,111**	**4,548**

The eurobond is issued with a fixed coupon until October 2027.

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

Development in bank debt, bond debt and borrowings

Development in bank debt, bond debt and borrowings	Balance at 1 January DKKm	Cash inflow DKKm	Cash outflow DKKm	Non-cash flow[1] DKKm	Balance at 31 December DKKm
2023					
Bank loans	1,393	-	(1,377)	(16)	-
Issued bonds	3,703	-	-	11	3,714
Total bank debt and bond debt	**5,096**	**-**	**(1,377)**	**(5)**	**3,714**
2022					
Bank loans	1,083	1,234	(1,086)	162	1,393
Issued bonds	3,700	-	-	3	3,703
Total bank debt and bond debt	**4,783**	**1,234**	**(1,086)**	**165**	**5,096**

1) Non-cash flow comprises development in the exchange rates and amortizations.

18 OTHER PAYABLES

	2023 DKKm	2022 DKKm
Contingent consideration	338	344
Other payables	82	84
Non-current payables	**420**	**428**
Employee costs payable	985	855
Milestone payable	-	359
Debt with public authorities	236	185
Financial instruments	51	204
Other	716	589
Current payables	**1,988**	**2,192**

Notes 18-19

18 OTHER PAYABLES - CONTINUED

Contingent consideration recognized through acquisitions
As part of the acquisition of Alder BioPharmaceuticals, Inc. (subsequently renamed Lundbeck Seattle BioPharmaceuticals, Inc.), Lundbeck has recognized a sales milestone dependent on predefined milestones being reached. At 31 December 2023, the fair value of the sales milestone amounted to DKK 306 million (DKK 306 million at 31 December 2022).

As part of the acquisition of Abide Therapeutics, Inc., (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck has recognized a payable related to sales milestones dependent on predefined milestones being reached. At 31 December 2023, the fair value of the contingent consideration amounted to DKK 32 million (DKK 38 million at 31 December 2022).

Contingent considerations are recognized at fair value. The calculation of the fair value is based on the discounted cash flow method (DCF method) which comprises significant assumptions and estimates. Expected timing of payment (using a specific discount rate) and probability of success are key inputs to the fair value of the contingent considerations.

The fair value adjustment of all contingent considerations amounted to a net loss of DKK 6 million, being DKK 10 million of financial expenses and DKK 4 million of financial income.

19 FINANCIAL INSTRUMENTS

Market risks
Credit risks
Credit risks are predominantly associated with Trade receivables and Cash and bank balances. The structure, policies and the approach established by the Group to manage and monitor those risks are disclosed in notes 10 Trade receivables and 11 Cash resources.

Foreign currency risks
Foreign currency management is handled centrally by the Parent Company. Currency management focuses on risk mitigation and is carried out in conformity with the Group's Treasury Policy, as approved by the Board of Directors. The overall objective is to assess and mitigate foreign currency risks to protect Lundbeck against impacts from changing conditions in the foreign exchange markets. Foreign currency risks managed by derivatives and loans in 2023 comprise cash flow risk in several currencies and USD translation risk emanating from net investments in foreign subsidiaries.

The Parent Company hedges part of the Group's anticipated revenue in selected currencies for a period of 12-18 months, using forward exchange contracts and currency options. The majority of foreign currency risk arises from USD, CAD, CNY and KRW. Hedging is performed on a rolling basis each month. The forward exchange contracts and currency options are classified as hedging instruments when meeting the accounting criteria for hedge accounting according to IFRS 9 *Financial Instruments*. Unhedged cash flows are sold spot. Changes in the fair value of all instruments meeting the criteria for hedge accounting are recognized in the statement of comprehensive income as they arise, together with the forward points and option premiums. At maturity of the hedge contracts, the final effect is transferred from other comprehensive income and recognized in the profit or loss or balance sheet together with the hedged item.

Forward exchange contracts and currency options that do not meet the hedge accounting criteria are classified as trading contracts, and changes in the fair value are recognized under financial income or financial expenses as they arise.

Cash flow timing and changes to the forecasted amounts are the main sources for evaluating the risk of hedge ineffectiveness. When concluding a hedge transaction, and each time presenting the financial statements thereafter, it is assessed whether the hedged exposure and the hedging instrument are still financially correlated. If the hedged cash flows are no longer expected to be realized, the accumulated value change is transferred to financial income or financial expenses.

Lundbeck did not have any hedge ineffectiveness in 2023 or 2022.

Net foreign exchange contracts, trading
There were no outstanding forward exchange contracts relating to trading at 31 December 2023 and no material impact from trading contracts was recognized in financial income or financial expenses in 2023.

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

The Group's hedge position at the end of the reporting period was as follows:

Forward exchange contracts (against DKK)	Contract amount according to hedge accounting	Fair value at year-end recognized in the statement of comprehensive income/ other receivables	Fair value at year-end recognized in the statement of comprehensive income/ other payables	Realized exchange gains/losses for the year recognized in the statement of profit or loss/ statement of financial position	Average hedge prices of existing forward exchange contracts	Maturity
	DKKm	DKKm	DKKm	DKKm	DKK	
2023						
CAD (sell position)	550	1	(3)	6	502.33	Nov. 2024
CNY (sell position)	364	12	(1)	43	98.04	Oct. 2024
KRW (sell position)	230	3	(2)	4	0.53	Dec. 2024
USD (sell position)	4,009	52	(4)	120	676.06	Nov. 2024
Other currencies	1,123	9	(28)	(34)		Dec. 2024
Total		**77**	**(38)**	**139**		
2022						
CAD (sell position)	237	9	-	(36)	526.29	Nov. 2023
CNY (sell position)	584	12	(1)	(55)	102.83	Nov. 2023
KRW (sell position)	227	3	(7)	28	0.56	Dec. 2023
USD (sell position)	3,895	116	(35)	(343)	711.45	Dec. 2023
Other currencies	1,057	14	(26)	(87)		Dec. 2023
Total		**154**	**(69)**	**(493)**		

Currency option contracts (against DKK)	Contract amount according to hedge accounting	Fair value at year-end recognized in the statement of comprehensive income/ other receivables	Fair value at year-end recognized in the statement of comprehensive income/ other payables	Realized exchange gains/losses for the year recognized in the statement of profit or loss /statement of financial position	Average hedge price range of existing option contracts[1]	Maturity
	DKKm	DKKm	DKKm	DKKm	DKK	
2023						
CAD (sell position)	137	-	(3)	8	482.97 - 495.64	Apr. 2024
USD (sell position)	1,855	7	(10)	(11)	654.31 - 708.61	Nov. 2024
Other	204	-	-	1		
		7	**(13)**	**(2)**		

1) Lundbeck's option structures for 2023 and 2022 all consist of a (1) purchased put option and a sold call option which protect against downside movements in currency and limits the upside or a (2) purchased put option which protects against downside movements. The hedge price range is shown net of premium.

Currency option contracts (against DKK)	Contract amount according to hedge accounting	Fair value at year-end recognized in the statement of comprehensive income/ other receivables	Fair value at year-end recognized in the statement of comprehensive income/ other payables	Realized exchange gains/losses for the year recognized in the statement of profit or loss /statement of financial position	Average hedge price range of existing option contracts[1]	Maturity
	DKKm	DKKm	DKKm	DKKm	DKK	
2022						
CAD (sell position)	214	7	(6)	(9)	525.87 - 567.14	Nov. 2023
USD (sell position)	1,028	6	(37)	(84)	665.42 - 728.74	Sep. 2023
Other	-	-	-	(2)		
		13	**(43)**	**(95)**		

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

Estimated impact from financial instruments on profit for the year and equity from a 5% increase in year-end exchange rates of the major currencies

	CAD[1)] DKKm	CNY[1)] DKKm	USD[1)] DKKm
2023			
Profit for the year	1	-	37
Equity	(22)	(29)	(207)
2022			
Profit for the year	-	(2)	28
Equity	(21)	(37)	(366)

1) An immediate 5% decrease would have the opposite impact of the above.

The sensitivities shown only comprise impact from Lundbeck's financial instruments and reflect a relative change of the exchange rates at 31 December 2023 and 2022. The sensitivity analysis includes derivatives, bank loans, trade receivable, trade payables, intercompany lending and borrowing as those are the financial instruments to which the Group has the most currency exposure.

The profit impact comprises financial instruments that remained open at the balance sheet date and which have an impact on profit in the current financial year. It includes foreign exchange differences relating to intra-group balances that are not eliminated in the consolidated financial statements. The calculation of the estimated impact is based on the functional currency of the entities in which the financial instruments are located.

The profit impact is limited as the largest liabilities are the exchange rate adjusted in other comprehensive income, being part of Lundbeck's hedging structure.

The equity impact includes financial instruments that remained open at the balance sheet date and which are exchange rate adjusted in other comprehensive income. The equity effect in 2023 and 2022 primarily consists of exchange rate adjustments on bank loans in USD designated as hedges of net investments and foreign exchange differences on outstanding cash flow hedging contracts.

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

Interest rate risks

Lundbeck ensures that the interest rate risk is managed according to the Treasury Policy. Interest rate risk relates mainly to outstanding interest-bearing debt with floating interest rates. 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. Only a limited part of the total loan portfolio is allowed to have floating interest rates, and to hedge the interest rate risk on loans, the Board of Directors has approved the use of Interest Rate Swaps (IRS), Caps, Floors and Forward Rate Agreements (FRAs).

Lundbeck's exposure to interest rate risk is low, as the EUR 500 million bond has a fixed coupon. For more information see note 17 *Bank debt, bond debt and borrowings*.

See note 18 *Other payables* for details on the obligations relating to contingent consideration and note 17 *Bank debt, bond debt and borrowings* for details on the bank debt and bond debt.

The table below includes undiscounted cash flows, including interest payments, and assumes liabilities to be repaid at their contractual maturity dates.

Note 19

19 FINANCIAL INSTRUMENTS - CONTINUED

Classification of and contractual maturity dates for financial assets and financial liabilities

2023	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
Financial assets					
Derivatives to hedge future cash flows – exchange rate	85	-	-	85	-
Derivatives to hedge future cash flows - price	10	39	-	49	-
Financial assets measured at FVTOCI[1]	**95**	**39**	**-**	**134**	
Other financial assets	-	-	60	60	-
Other financial assets measured at FVTPL[2]	**-**	**-**	**60**	**60**	
Receivables[3]	3,037	154	-	3,191	-
Cash and bank balances	5,010	-	-	5,010	0-10
Financial assets measured at amortized cost	**8,047**	**154**	**-**	**8,201**	
Total financial assets	**8,142**	**193**	**60**	**8,395**	
Financial liabilities					
Derivatives to hedge future cash flows – exchange rate	51	-	-	51	-
Financial liabilities measured at FVTOCI[1]	**51**	**-**	**-**	**51**	
Contingent consideration[4]	-	-	338	338	
Other financial liabilities measured at FVTPL[2]	**-**	**-**	**338**	**338**	
Bank and bond debt	33	3,824	-	3,857	0-1
Lease liabilities	86	203	148	437	0-13
Trade and other payables	5,037	82	-	5,119	-
Financial liabilities measured at amortized cost	**5,156**	**4,109**	**148**	**9,413**	
Total financial liabilities	**5,207**	**4,109**	**486**	**9,802**	

1) Fair value through other comprehensive income.
2) Fair value through profit or loss.
3) Including other receivables recognized in non-current assets. Excluding financial instruments measured at fair value or designated as hedge.
4) See note 18 *Other payables*.

2022	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
Financial assets					
Derivatives to hedge future cash flows – exchange rate	167	-	-	167	-
Derivatives to hedge future cash flows – interest rate	30	-	-	30	4-6
Derivatives to hedge future cash flows - price	36	76	16	128	-
Financial assets measured at FVTOCI[1]	**233**	**76**	**16**	**325**	
Other financial assets	-	-	81	81	-
Other financial assets measured at FVTPL[2]	**-**	**-**	**81**	**81**	
Receivables[3]	2,795	137	-	2,932	-
Cash and bank balances	3,548	-	-	3,548	0-10
Financial assets measured at amortized cost	**6,343**	**137**	**-**	**6,480**	
Total financial assets	**6,576**	**213**	**97**	**6,886**	
Financial liabilities					
Derivatives to hedge future cash flows – exchange rate	114	-	-	114	-
Derivatives to hedge future cash flows – interest rate	9	-	-	9	0-2
Financial liabilities measured at FVTOCI[1]	**123**	**-**	**-**	**123**	
Contingent consideration[4]	-	-	344	344	
Other financial liabilities measured at FVTPL[2]	**-**	**-**	**344**	**344**	
Bank and bond debt	114	5,428	-	5,542	1-6
Lease liabilities	88	234	161	483	1-8
Trade and other payables	5,112	78	-	5,190	-
Financial liabilities measured at amortized cost	**5,314**	**5,740**	**161**	**11,216**	
Total financial liabilities	**5,437**	**5,740**	**505**	**11,682**	

1) Fair value through other comprehensive income.
2) Fair value through profit or loss.
3) Including other receivables recognized in non-current assets. Excluding financial instruments measured at fair value or designated as hedge.
4) See note 18 *Other payables*.

Notes 19-20

19 FINANCIAL INSTRUMENTS - CONTINUED

Financial assets and financial liabilities measured or disclosed at fair value	**Level 1** DKKm	**Level 2** DKKm	**Level 3** DKKm
2023			
Financial assets			
Other financial assets[1]	33	-	27
Derivatives[1]	-	84	49
Total	**33**	**84**	**76**
Financial liabilities			
Contingent consideration[1]	-	-	338
Derivatives[1]	-	51	-
Bond debt[2]	3,380	-	-
Total	**3,380**	**51**	**338**
2022			
Financial assets			
Other financial assets[1]	54	-	27
Derivatives[1]	-	277	128
Total	**54**	**277**	**155**
Financial liabilities			
Contingent consideration[1]	-	-	344
Derivatives[1]	-	204	-
Bank debt[2]	-	1,393	-
Bond debt[2]	3,155	-	-
Total	**3,155**	**1,597**	**344**

1) Measured at fair value.

2) Disclosed at fair value.

The fair value of listed securities is based on publicly quoted prices of the invested assets.

The fair value of derivatives is calculated by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date.

The fair value of contingent consideration is calculated as the discounted cash outflows (DCF method) from future milestone payments, taking probability of success into consideration. The fair value of other financial assets is calculated through the financial performance of the market inputs and other market conditions prevailing at the balance sheet date. For more details regarding contingent consideration see note 18 *Other payables*.

The carrying amount of other receivables, trade receivables, prepayments, bank debt, other debt, trade payables and other payables is believed to be equal to or close to fair value.

There are no changes in the valuation techniques to determine the fair values of assets recognized and disclosed.

20 AUDIT FEES

	2023 DKKm	**2022** DKKm
Statutory audit	11	11
Assurance engagements other than audit	1	1
Tax advisory	2	2
Other services	1	5
Fee to PricewaterhouseCoopers	**15**	**19**

The fee for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1 million (DKK 5 million in 2022) and consisted of other assurance services and other accounting and tax advisory services.

Certain subsidiaries of the Group are not subject to audit by PricewaterhouseCoopers.

Notes 21-22

21 CONTRACTUAL OBLIGATIONS

Research and development milestones and collaborations
The Group has entered into a number of agreements relating to research and development of new products and intellectual property rights from acquisitions, as well as other collaborations. According to these agreements, Lundbeck is committed to pay certain milestones.

At 31 December 2023, potential future milestone payments amounted to DKK 1,106 million (DKK 1,095 million at 31 December 2022).

Sales milestones, royalties and other payments
Lundbeck is committed to paying certain commercial sales milestones, royalties or other payments based on a percentage of sales generated from the sale of goods following marketing approval. These amounts are excluded from the contractual obligations because of their contingent nature, being dependent on future sales.

Other purchase obligations
The Group has undertaken purchase obligations relating to property, plant and equipment in the amount of DKK 692 million (DKK 32 million in 2022).

22 RELATED PARTIES

Lundbeck's related parties
- The Parent Company's principal shareholder, Lundbeckfonden (Lundbeckfond Invest A/S), Scherfigsvej 7, 2100 Copenhagen, Denmark.
- Companies in which Lundbeckfonden exercises controlling influence, including ALK-Abelló A/S and Falck A/S.
- Members of the Parent Company's Registered Executive Management and Board of Directors as well as close relatives of these people.
- Companies in which members of the Parent Company's Registered Executive Management and Board of Directors as well as close relatives of these people exercise controlling influence.

Transactions and balances with Lundbeckfonden
There have been the following transactions and balances with Lundbeckfonden:
- Payment of dividends of DKK 398 million in 2023 (DKK 275 million in 2022).
- Payment of on account tax of DKK 140 million in 2023 (DKK 46 million in 2022) for the Parent Company and Danish subsidiaries.
- Refund of residual tax of DKK 14 million in 2023 (DKK 292 million in 2022) for the Parent Company and Danish subsidiaries.
- Interest expenses of DKK 0 million in 2023 (interest income of DKK 4 million in 2022).

Lundbeckfonden 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 the Registered Executive Management and the Board of Directors
In addition to the transactions with members of the Registered Executive Management and the Board of Directors outlined in notes 3 *Employee costs* and 14 *Incentive programs*, the Parent Company has paid dividends on shares held by members of the Registered Executive Management and the Board of Directors in H. Lundbeck A/S.

Transactions and balances with other related parties
Other than the above, there have been no material transactions or balances with other related parties.

Note 23

23 LIST OF SUBSIDIARIES

The list below shows the subsidiaries in the Group.

	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	Sale services	100
Lundbeck Czech Republic s.r.o., Czech Republic	Sales and distribution	100
Lundbeck Export A/S, Denmark	Sales and distribution	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 SAS, France, including	Other	100
- Elaiapharm SAS, France	Production	100
Lundbeck GmbH, Germany	Sales and distribution	100
Lundbeck Hellas S.A., Greece	Sales and distribution	100
Lundbeck HK Limited, Hong Kong	Sales and distribution	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
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	Sale services	100

	Purpose	Share of voting rights and ownership %
UAB Lundbeck Lietuva, Lithuania	Sale services	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
Prexton Therapeutics B.V., The Netherlands, including	Other	100
- Prexton Therapeutics S.A., Switzerland	Other	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 Philippines Inc., Philippines	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 LLC, 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, including	Sales and distribution	100
- H. Lundbeck (Proprietary) Limited, South Africa	Other	100
Lundbeck España S.A., Spain	Sales and distribution	100
H. Lundbeck AB, Sweden	Sales and distribution	100
Lundbeck (Schweiz) AG, Switzerland	Sales and distribution	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
- Lundbeck Pharmaceuticals Ltd., UK	Other	100
- Lifehealth Limited, UK	Other	100
- Lundbeck UK LLP, UK[1)]	Other	100

Notes 23-25

23 LIST OF SUBSIDIARIES – CONTINUED

	Purpose	Share of voting rights and ownership %
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., USA	Other	100
- Lundbeck Pharmaceuticals LLC, USA	Other	100
- Lundbeck Research USA, Inc., USA	Other	100
- Lundbeck La Jolla Research Center, Inc., USA, including	Research and development	100
- Abide Therapeutics (UK) Limited, UK	Other	100
- Lundbeck Seattle BioPharmaceuticals, Inc., USA, including	Research and development	100
- Alder Biopharmaceuticals Pty., Ltd., Australia	Other	100
- Alderbio Holdings LLC ("ANEV"), USA	Other	100
Lundbeck de Venezuela, C.A., Venezuela	Sales and distribution	100

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

24 SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the consolidated financial statements.

25 MATERIAL ACCOUNTING POLICY INFORMATION

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise mentioned (see note 1.8 *New standards and amendments issued but not yet effective*).

Basis of consolidation
The consolidated financial statements comprise the Parent Company H. Lundbeck A/S and entities controlled by the Parent Company.

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 profit or loss under financial income or financial expenses.

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 of recognition or settlement are recognized in profit or loss under financial income or financial expenses.

On recognition of foreign subsidiaries having a functional currency different from the one used by the Parent Company, items in the profit or loss are translated at monthly average exchange rates, and non-monetary and monetary balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising when translating the profit or loss and the balance sheet of foreign subsidiaries, are recognized in other comprehensive income.

Exchange gains/losses on translation of receivables from and payables to subsidiaries that are considered part of the Parent Company's overall net investment in subsidiaries are recognized in other comprehensive income.

Exchange gains/losses on that part of the bank debt in foreign currency which is used for hedging of the net investments in subsidiaries, and which provides an effective hedging of the exchange gains/losses of the net investments are recognized in other comprehensive income.

Statement of cash flows
The consolidated statement of cash flows is presented in accordance with the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities, and cash and bank balances at the beginning and end of the year.

Cash comprises cash and bank balances.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates for the year as 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 is shown as a separate line item in the statement of cash flows.

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments
Forward exchange contracts and other derivatives are initially recognized in the balance sheet at fair value on the contract date and subsequently remeasured at fair value at the balance sheet date. The fair value of derivatives is determined by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing 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 hedge accounting are recognized in other comprehensive income. On recognition of hedged items, income and expenses relating to such hedging transactions are transferred from other comprehensive income and recognized in the same line item as the hedged item.

Changes in the fair value of derivatives not qualifying for hedge accounting are recognized in the statement of profit or loss under financial income or financial expenses as they arise.

Securities, equity investments recognized in other financial assets, derivatives and contingent consideration measured at fair value are classified according to the fair value hierarchy as belonging to levels 1-3 depending on the valuation method applied.

Statement of profit or loss
Revenue
Revenue comprises invoiced sales less expected return of goods for the year, discounts, rebates and revenue-based taxes. Revenue is recognized when the goods are released from the Group's warehouse, meaning that control of products has transferred to the buyer, and it is probable that the Group will collect the consideration to which it is entitled for transferring the products.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the products. Revenue is recognized net of sales deductions, including product returns as well as discounts, rebates and revenue-based taxes.

Moreover, revenue includes licensing income and royalties from out-licensed products, non-refundable down payments and milestone payments relating to research and development collaborations, and income from collaborations on commercialization of products.

Sales-based licensing income and royalties from out-licensed products are recognized in profit or loss under revenue, when the Group provides access to its product rights as they exist throughout the license period.

Revenue from sales-based licensing income is recognized when the performance obligation is satisfied, i.e., when transferred to the customer. For royalties, revenue is recognized when the subsequent sale occurs. As the performance obligations are satisfied over time, revenue is also recognized over time.

When the Group provides a customer the right to use the product rights as they exist at the point in time at which the license is granted, revenue is recognized at a point in time when control is transferred to the licensee and the license period begins when the customer's right to the intellectual property is transferred.

Non-refundable down payments and milestone payments received relating to research collaborations are recognized in profit or loss under revenue as other revenue.

Cost of sales
Cost of sales comprises cost of goods sold, which includes the cost of raw materials, transportation costs, consumables and goods for resale, direct labor and indirect costs of production, including operating costs, and amortization/depreciation and impairment losses relating to product rights and manufacturing facilities.

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 for direct distribution, marketing and promotion. Sales and distribution also include salaries and other costs for the sales, distribution and marketing functions, amortization/depreciation and impairment losses and other indirect costs.

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

Research costs are always recognized in profit or loss as they incur.

Due to a very long development period and the significant uncertainties inherent in the development of new products, development costs are expensed as incurred in line with industry practice. Consequently, the

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

development costs do not qualify for capitalization as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Other operating expenses
Other operating expenses comprise other income and expenses relating to operating activities of a secondary nature to the Group. Other operating expenses include integration and transaction costs relating to material acquisitions, income and expenses relating to legal settlements and material gains and losses on the sale or retirement of items of property, plant and equipment.

Financial income and financial expenses
Financial income and financial expenses include interest income and expenses, net gain or loss on securities and other financial assets, including dividends, fair value adjustment of contingent consideration, fair value adjustment of other financial liabilities, foreign currency gains or losses and other financial income and expenses. Interest income or expenses are recognized using the effective interest method.

Income tax
The Parent Company and Danish subsidiaries are jointly taxed with the principal shareholder, Lundbeckfonden (Lundbeckfond Invest A/S), 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). At the time of the preparation of the financial statements, the allocation of the reimbursement from jointly taxed companies not controlled by the Parent Company is not finalized. Consequently, adjustments to the initial estimates made, if any, will be included as adjustments to prior years in the following financial year.

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

The Group has determined that the global minimum top-up tax, which it is required to pay under Pillar Two legislation, is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as a current tax when it incur.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

Current tax payables and receivables, including contributions payable and receivable under the Danish joint taxation scheme, are recognized in the balance sheet, computed as tax calculated on the taxable income for the year adjusted for provisional tax paid.

On initial recognition, the amendments to IAS 12 require companies to recognize deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences.

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

Deferred tax is measured based on the income tax rates and tax rules in force in the respective countries at the balance sheet date. Changes in deferred tax resulting from changed income tax rates or tax rules are recognized in profit or loss.

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

Changes in deferred tax concerning expenses for share-based payments are generally recognized in profit or loss. However, if the amount of the tax deduction exceeds the related cumulative expense, it indicates that the tax deduction relates not only to an operating expense, but also to an equity item. In such a case, the excess of the associated current or deferred tax is recognized directly in equity.

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

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Balances on interest deductibility limitations calculated according to the provisions of the Danish Corporation Tax Act are allocated between the jointly taxed companies according to a joint taxation agreement and are allocated between the companies that are subject to limitation of deductibility 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.

Statement of financial position

Intangible assets

Goodwill

On initial recognition, goodwill is measured and recognized as the excess of the cost over the fair value of the acquired assets, liabilities and contingent liabilities.

Development projects

Development costs are recognized in profit or loss as they incur 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 capitalized only where the intention is to manufacture, market or use the project, when the cost can be measured reliably and when it is probable that future earnings can cover production, sales and distribution costs, administrative expenses and development costs.

After completion of the development work, development costs are amortized over the estimated useful life. The maximum amortization period for development projects protected by intellectual property rights is consistent with the remaining patent protection period of the rights concerned. Ongoing development projects are tested for impairment at least annually or when there is indication of impairment.

Product rights and other intangible assets

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

Product rights are amortized over the economic lives of the underlying products, which in all material aspects follow the patent terms, which are currently between five and fifteen years. Other rights are amortized over the period of agreement. Amortization commences when the asset is ready to be brought into use.

Amortization is recognized in profit or loss 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 such borrowing costs relate to the production period. Other borrowing costs are expensed.

Gains and losses on the disposal of development projects, patents and licenses are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale. Gains and losses are recognized in profit or loss; normally in a separate line item or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated amortization. In general, amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes the costs of acquisition and expenses directly attributable to the acquisition 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.

Items of property, plant and equipment are 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 reassessed annually and adjusted if appropriate. Costs incurred that increase the recoverable amount of an asset are added to the value of the asset 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

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

and losses are recognized in profit or loss; normally in a separate line item or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated depreciation.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. Depreciation is recognized in profit or loss. Right-of-use assets are presented as part of property, plant and equipment.

Impairment
Intangible assets with indefinite useful lives and intangible assets not yet commercialized are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. The annual impairment test is performed irrespective of whether there is any indication of impairment.

Intangible assets and property, plant and equipment in use with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment losses are reversed only if the assumptions and estimates underlying the impairment calculation have changed. Indications of impairment or reversal of impairment include the following:
- Research and development results for a product
- Changes in expected cash flows due to lower sales expectations
- Changes in technology
- Changes in assumptions about future use
- Changes in market and legal risks
- Changes in cost structure

Other financial assets
Equity investments that are not investments in associates are classified as other financial assets.

On initial recognition, equity investments are measured at fair value. Subsequently, they are measured at fair value at the balance sheet date, and changes to the fair value are recognized under financial income or financial expenses or in other comprehensive income according to an individual decision for each equity investment.

Inventories
Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which is equivalent to 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 labor and indirect costs of production. Indirect costs of production include materials, labor, maintenance of and depreciation on 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 cash flows 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 write-downs to counter the risk of losses. Write-downs are calculated using the 'full lifetime-expected credit losses' method, whereby the likelihood of non-fulfilment throughout the lifetime of the financial instrument is taken into consideration. A provision account is used for this purpose.

Securities
On initial recognition, securities (including the bond portfolio), which are included in the Group's documented investment strategy for excess liquidity and recognized under current assets, are measured at fair value. Subsequently, the securities are measured at fair value at the balance sheet date. The fair value is based on

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

publicly quoted prices of the invested assets. Both realized and unrealized gains and losses are recognized in profit or loss under financial income or financial expenses.

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 for the year* in the statement of changes in equity.

Treasury shares

Acquisition and sale of treasury shares as well as dividends are recognized directly in equity under retained earnings.

Share-based payments

Share-based incentive programs in which shares are granted to employees and in which employees may opt to buy shares in the Parent Company (equity-settled programs) are measured at the equity instruments' fair value at the date of grant and recognized under employee costs as and when the employees obtain the right to receive/buy the shares. The offsetting item is recognized directly in equity under retained earnings.

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

Retirement benefit obligations and similar obligations

Defined contribution plans

Payments to defined contribution plans are recognized in profit or loss at the due date, and any contributions payable are recognized in the balance sheet under current liabilities.

Defined benefit plans

The present value of the Group's liabilities relating to future pension payments under defined benefit plans is measured on an actuarial basis once a year based on the pensionable period of employment up to the time of the actuarial valuation. The calculation of present value is based on assumptions of 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 profit or loss under employee costs. Actuarial gains and losses are recognized in other 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 recognized 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, considering, where relevant, the provisions of IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

Provisions

Provisions mainly consist of provisions for discounts and rebates, product returns, pending lawsuits and restructuring. A provision is a liability of uncertain timing or amount.

Unsettled discounts and rebates are recognized as provisions, when the timing or amount is uncertain. Where absolute amounts are known, the discounts and rebates are recognized as trade payables.

Return obligations imposed on the Group are recognized as provisions in the balance sheet.
Amounts relating to pending lawsuits are recognized when the outflow is probable and the amount is measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

In connection with restructurings in the Group, provisions are made only for liabilities set out in a specific restructuring plan based on 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.

Debt

Bank debt and bond debt are recognized at the time of the raising of a loan/issuing of bonds at the fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, which is 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 profit or loss under financial income or financial expenses over the loan period.

Other payables

Other payables include employee costs payables, contingent consideration, derivative financial instruments, debt to public authorities, payables to shareholders, etc.

Contingent consideration is recognized as part of the business combination and is recognized at fair value considering the passage of time and changes in the applied probability of success. The fair value is assessed

Note 25

25 MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

at each reporting date and the effect of any adjustments relating to the timing of payment and the probability of success is recognized under financial income or financial expenses.

Payables to shareholders and other payables are measured at amortized cost.

Lease liabilities
Lease liabilities are recognized at the present value of future payments in accordance with the lease agreements and include the present value of future payments relating to reasonably certain extensions. Interest on the lease liabilities is calculated using Lundbeck's incremental borrowing rate and recognized under financial income or financial expenses. The lease liabilities are reduced by any instalments paid to the lessor.

Lundbeck uses the same incremental borrowing rate for lease agreements with similar characteristics.

Changes to lease agreements after initial recognition are accounted for either as a modification to an existing agreement, a separate agreement or a partial disposal depending on the nature of the change. Changes will result in changes to both the lease liability and the right-of-use asset.

Financial Statements of the Parent Company

CONTENTS

NOTES

Statement of profit or loss

1 January – 31 December

	Notes	2023 DKKm	2022 DKKm
Revenue	1	14,117	12,722
Cost of sales	2	3,633	3,005
Gross profit		**10,484**	**9,717**
Sales and distribution costs	2	4,313	3,598
Administrative expenses	2	941	789
Research and development costs	2	3,066	3,428
Profit from operations (EBIT)		**2,164**	**1,902**
Income from investments in subsidiaries	3	2,155	345
Financial income	4	564	415
Financial expenses	4	736	461
Profit before tax		**4,147**	**2,201**
Tax on profit for the year	5	456	345
Profit for the year	6	**3,691**	**1,856**

Statement of financial position – assets

At 31 December

	Notes	2023 DKKm	2022 DKKm
Intangible assets	7	**8,493**	**9,233**
Property, plant and equipment	8	**1,720**	**1,724**
Right-of-use assets	9	**157**	**174**
Investments in subsidiaries	3	10,468	10,508
Receivables from subsidiaries		5,918	6,028
Other financial assets		98	172
Other receivables		4	3
Financial assets		**16,488**	**16,711**
Non-current assets		**26,858**	**27,842**
Inventories	10	**3,226**	**2,671**
Trade receivables		776	787
Receivables from subsidiaries		3,810	4,647
Other receivables		349	531
Prepayments		120	24
Receivables		**5,055**	**5,989**
Cash and bank balances		**4,341**	**2,626**
Current assets		**12,622**	**11,286**
Assets		**39,480**	**39,128**

Statement of financial position – equity and liabilities

At 31 December

	Notes	2023 DKKm	2022 DKKm
Share capital		996	996
Proposed dividends		697	578
Hedging reserve		144	237
Retained earnings		16,744	13,826
Equity		**18,581**	**15,637**
Deferred tax liabilities	5	1,182	923
Provisions	11	219	70
Bank debt and bond debt	13	3,714	5,096
Lease liabilities	9	147	161
Payables to subsidiaries	14	8,827	9,402
Other payables		12	20
Non-current liabilities		**14,101**	**15,672**
Provisions	11	77	20
Trade payables		1,796	1,790
Lease liabilities	9	12	14
Payables to subsidiaries		4,112	4,860
Income tax payables		74	6
Other payables		727	1,129
Current liabilities		**6,798**	**7,819**
Liabilities		**20,899**	**23,491**
Equity and liabilities		**39,480**	**39,128**

Statement of changes in equity

At 31 December

	Notes	Share capital DKKm	Proposed dividends DKKm	Hedging reserve DKKm	Retained earnings DKKm	Equity DKKm
Equity at 1 January		**996**	**578**	**237**	**13,826**	**15,637**
Profit for the year	6	-	697	-	2,994	3,691
Distributed dividends, gross		-	(578)	-	-	(578)
Dividends received, treasury shares		-	-	-	2	2
Deferred gains/losses on cash flow hedge, exchange rate		-	-	117	-	117
Deferred gains/losses on cash flow hedge, interest rate		-	-	(21)	-	(21)
Deferred gains/losses on cash flow hedge, price		-	-	(137)	-	(137)
Exchange gains/losses, hedging (transferred to revenue)		-	-	(78)	-	(78)
Buyback of treasury shares		-	-	-	(43)	(43)
Incentive programs		-	-	-	33	33
Tax on transactions in equity	5	-	-	26	1	27
Other transactions on equity		-	-	-	(69)	(69)
Equity at 31 December		**996**	**697**	**144**	**16,744**	**18,581**

See note 12 *Equity* in the consolidated financial statements.

Notes 1-3

1 REVENUE

Revenue by region	2023 DKKm	2022 DKKm
Europe	4,759	4,423
United States	7,028	6,454
International markets	2,090	2,347
Total	**13,877**	**13,224**
Other revenue	103	86
Effects from hedging	137	(588)
Total revenue	**14,117**	**12,722**

2 EMPLOYEE COSTS

Breakdown of employee costs	2023 DKKm	2022 DKKm
Short-term employee benefits	1,594	1,447
Retirement benefits	133	129
Social security costs	18	17
Equity- and cash-settled incentive programs	33	24
Severance and other costs from restructuring activities	59	-
Total	**1,837**	**1,617**

Employee costs for the year are included in the following functions in the statement of profit or loss:

Employee costs	2023 DKKm	2022 DKKm
Cost of sales	512	448
Sales and distribution costs	126	99
Administrative expenses	450	318
Research and development costs	749	752
Total	**1,837**	**1,617**

Information on employees

	2023 Number	2022 Number
Average number of full-time employees in the financial year	**1,822**	**1,751**
Number of full-time employees at 31 December	**1,875**	**1,769**

Remuneration of the Registered Executive Management

See notes 3 *Employee costs* and 14 *Incentive programs* in the consolidated financial statements.

Remuneration of the Board of Directors

See note 3 *Employee costs* in the consolidated financial statements.

Incentive programs

See note 14 *Incentive programs* in the consolidated financial statements.

3 INVESTMENTS IN SUBSIDIARIES

	2023 DKKm
Cost at 1 January	10,772
Capital reduction in subsidiaries	(40)
Cost at 31 December	**10,732**
Impairment at 1 January	264
Impairment at 31 December	**264**
Carrying amount at 31 December	**10,468**

In 2023, income from investments in subsidiaries relates to dividends of DKK 2,155 million. In 2022, income from investments in subsidiaries related to dividends received, and impairment losses amounted to DKK 345 million.

See note 23 *List of subsidiaries* in the consolidated financial statements for an overview of subsidiaries.

Notes 4-6

4 FINANCIAL INCOME AND EXPENSES

	2023 DKKm	2022 DKKm
Financial income	564	415
Financial expenses	736	461
Net financials, expenses/(income)	**172**	**46**

In 2023, out of total financial income and financial expenses, DKK 483 million (DKK 369 million in 2022) and DKK 616 million (DKK 173 million in 2022) relate to intra-group interest income and expenses, respectively.

In 2023, financial income and financial expenses are impacted by a net exchange loss of DKK 4 million (gain of DKK 20 million in 2022) relating to translation of receivables from and payables to subsidiaries that are considered part of the overall investment in subsidiaries.

Further, in 2023, financial income and financial expenses are impacted by a gain of DKK 17 million (loss of DKK 163 million in 2022) relating to the translation of external loans used for hedging net investments in foreign operations in the U.S.

5 INCOME TAXES

Tax on profit for the year

	2023 DKKm	2022 DKKm
Current tax, joint taxation contribution	164	27
Prior-year adjustments, current tax[1)]	6	(276)
Prior-year adjustments, deferred tax[1)]	(4)	266
Change in deferred tax for the year	263	418
Total tax for the year	**429**	**435**
Tax for the year is composed of:		
Tax on profit for the year	456	345
Tax on transactions in equity	(27)	90
Total tax for the year	**429**	**435**

1) For 2022, movements from prior-year adjustments, deferred tax to prior-year adjustments, current tax, primarily relate to the utilization of tax losses from prior years by jointly taxed companies not controlled by the Parent Company.

Deferred tax balances

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	5,836	-	569	6,405
Property, plant and equipment	429	-	9	438
Inventories	412	-	69	481
Other items	(166)	(70)	(290)	(526)
Tax loss carryforwards etc.	(2,314)	53	836	(1,425)
Total temporary differences	**4,197**	**(17)**	**1,193**	**5,373**
Deferred (tax assets)/tax liabilities	**923**	**(4)**	**263**	**1,182**

The major assumptions relating to the recognition and measurement of tax assets are described in note 5 *Income taxes* in the consolidated financial statements.

Movements in deferred tax	2023 DKKm	2022 DKKm
Balance at 1 January	923	239
Movements related to transactions recognized in profit or loss	276	656
Movements related to transactions recognized in equity	(17)	28
Balance at 31 December	**1,182**	**923**

6 DISTRIBUTION OF PROFIT

Proposed distribution of profit for the year	2023 DKKm	2022 DKKm
Proposed dividends for the year	697	578
Transferred to/from distributable reserves	2,994	1,278
Total profit for the year	**3,691**	**1,856**
Proposed dividend per share (DKK)	**0.70**	**0.58**

See note 12 *Equity* in the consolidated financial statements for details on treasury shares.

Notes 7-8

7 INTANGIBLE ASSETS

Intangible assets	**Product rights[1)]** DKKm	**Other rights[2)]** DKKm	**Projects in progress[2)]** DKKm	**Total intangible assets** DKKm
Cost at 1 January	16,813	1,753	103	18,669
Transfers	-	20	(20)	-
Additions	111	4	90	205
Cost at 31 December	**16,924**	**1,777**	**173**	**18,874**
Amortization and impairment losses at 1 January	7,785	1,651	-	9,436
Amortization	891	54	-	945
Amortization and impairment losses at 31 December	**8,676**	**1,705**	**-**	**10,381**
Carrying amount at 31 December	**8,248**	**72**	**173**	**8,493**

1) In 2023, product rights not yet commercialized amounted to DKK 2,322 million (DKK 2,322 million in 2022).
2) Other rights and projects in progress primarily include items such as the IT system SAP.

For details on material product rights and impairment testing, see *note 6 Intangible assets* in the consolidated financial statements.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	**Land and buildings** DKKm	**Plant and machinery** DKKm	**Other fixtures and fittings, tools and equipment** DKKm	**Prepayments and assets under construction** DKKm	**Total property, plant and equipment** DKKm
Cost at 1 January	3,338	1,055	504	445	5,342
Transfers	88	30	57	(175)	-
Additions	6	8	3	146	163
Disposals	-	(26)	-	-	(26)
Cost at 31 December	**3,432**	**1,067**	**564**	**416**	**5,479**
Depreciation and impairment losses at 1 January	2,278	877	463	-	3,618
Depreciation	103	40	24	-	167
Disposals	-	(26)	-	-	(26)
Depreciation and impairment losses at 31 December	**2,381**	**891**	**487**	**-**	**3,759**
Carrying amount at 31 December	**1,051**	**176**	**77**	**416**	**1,720**

Pledged assets

No land and buildings were mortgaged at 31 December 2023. No other assets have been pledged.

Notes 9-12

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Land and buildings	2023 DKKm	2022 DKKm
Cost at 1 January	227	227
Additions	2	-
Disposals during the year	(1)	-
Adjustment to right-of-use assets during the year[1)]	(6)	-
Cost at 31 December	**222**	**227**
Depreciation and impairment losses at 1 January	53	39
Depreciation	13	14
Depreciation and impairment on disposals	(1)	-
Depreciation and impairment losses at 31 December	**65**	**53**
Carrying amount at 31 December	**157**	**174**

1) Comprises reassessment of lease term and renewal of lease agreements.

Amounts recognized in profit or loss	2023 DKKm	2022 DKKm
Expense relating to short-term leases, not capitalized	1	1
Depreciation of right-of-use assets, land and buildings	13	14
Interest expense relating to lease liabilities	3	-
Total recognized in profit or loss	**17**	**15**

Maturity analysis of lease liabilities	2023 DKKm	2022 DKKm
Within one year	12	14
Between one year and five years	50	54
After five years	97	107
Lease liabilities at 31 December	**159**	**175**

10 INVENTORIES

	2023 DKKm	2022 DKKm
Raw materials and consumables	192	185
Work in progress	2,540	2,066
Finished goods and goods for resale	494	420
Total	**3,226**	**2,671**

11 PROVISIONS

	2023 DKKm
Provisions at 1 January	90
Additional provisions recognized	216
Provisions used during the year	(10)
Provisions at 31 December	**296**

The Parent Company has entered into agreements with individual subsidiaries, under which it will cover expected losses and obligations concerning restructuring programs. The provisions in the Parent Company therefore cover such losses and obligations.

At 31 December 2023, the total restructuring provision amounted to DKK 59 million (DKK 20 million at 31 December 2022). In 2023, DKK 10 million of the restructuring provision was used and DKK 49 million was recognized.

In addition, provisions comprise liabilities relating to items such as legal disputes and environmental provisions.

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Pending legal proceedings

See note 16 *Contingent assets and contingent liabilities* in the consolidated financial statements for details on pending legal proceedings.

Notes 12-17

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES - CONTINUED

Joint taxation
The Parent Company is part of a Danish joint taxation scheme with Lundbeckfonden (Lundbeckfond Invest A/S including subsidiaries), according to which the Parent Company partly has a joint and several liability and partly a secondary liability with respect to corporate income taxes, etc. for the jointly taxed companies. In addition, the Parent Company partly has 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. The total tax obligation under the joint taxation scheme is shown in the financial statements of Lundbeckfond Invest A/S.

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 4 million (DKK 7 million in 2022) on behalf of subsidiaries.

13 BANK DEBT AND BOND DEBT

There is no bank debt or bond debt falling due after more than five years from the balance sheet date at 31 December 2023 and 2022, respectively.

14 PAYABLES TO SUBSIDIARIES

Payables to subsidiaries falling due after more than five years from the balance sheet date amounted to DKK 8,827 million at 31 December 2023 (DKK 9,402 million at 31 December 2022).

15 FINANCIAL INSTRUMENTS

Foreign currency management is handled by the Parent Company. See note 19 *Financial instruments* in the consolidated financial statements.

The fair value of derivatives at year-end is disclosed in note 19 *Financial instruments* in the consolidated financial statements. The fair value adjustment recognized in equity is disclosed in the statement of changes in equity in the financial statements of the Parent Company. All fair value adjustments are initially recognized in equity.

16 AUDIT FEES

	2023 DKKm	2022 DKKm
Statutory audit	4	4
Assurance engagements other than audit	1	1
Other services	1	4
Fee to PricewaterhouseCoopers	**6**	**9**

The fee for non-audit services provided to the Parent Company by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1 million (DKK 5 million in 2022) and consisted of other assurance services and other accounting and tax advisory services.

17 CONTRACTUAL OBLIGATIONS

Research and development milestones and collaborations
The Parent Company has entered into a number of agreements relating to research and development of new products and intellectual property rights from acquisitions, as well as other collaborations. According to the agreements, Lundbeck is committed to paying certain milestones.

At 31 December 2023, potential future milestone payments totaled DKK 1,106 million (DKK 1,095 million at 31 December 2022).

Sales milestones
The Parent Company is committed to paying certain commercial sales milestones, royalties or other payments based on a percentage of sales generated from the sale of goods following marketing approval. These amounts are excluded from the contractual obligations because of their contingent nature, being dependent on future sales.

Other purchase obligations
The Parent Company has undertaken purchase obligations relating to property, plant and equipment in the amount of DKK 688 million (DKK 24 million in 2022).

Notes 18-20

18 RELATED PARTIES

For information on related parties exercising controlling influence on the Parent Company, see note 22 *Related parties* in the consolidated financial statements.
The Parent Company is included in the consolidated financial statements of Lundbeckfonden.

The Parent Company had transactions with subsidiaries during 2023. The Parent Company's share of ownership of all subsidiaries is 100%. The Parent Company did not enter into any transactions with other related parties that were not on an arm's length basis.

19 SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the financial statements of the Parent Company.

20 MATERIAL ACCOUNTING POLICY INFORMATION

The financial statements of the Parent Company H. Lundbeck A/S have been prepared in accordance with the Danish Financial Statements Act applying to enterprises in reporting class D. The financial statements are presented in Danish kroner (DKK). All amounts have been rounded to the nearest DKK million, unless otherwise indicated.

Assets and liabilities are presented in the balance sheet according to a current/non-current classification.

The accounting policies for the financial statements of the Parent Company remain unchanged from the previous financial year.

Differences relative to the accounting policies for the consolidated financial statements
The Parent Company's accounting policies for recognition and measurement are consistent with the accounting policies for the consolidated financial statements with the exceptions stated below. For a description of the accounting policies of the Group, please refer to the consolidated financial statements.

Statement of profit or loss
Income from investments in subsidiaries
Income from investments in subsidiaries includes dividends from subsidiaries, which are recognized in the Parent Company's statement of profit or loss when the Parent Company's right to receive such dividends has been approved. Further, income from investments in subsidiaries includes proceeds from liquidation of subsidiaries and any impairment losses or reversals of impairment losses on investments in subsidiaries.

Exchange gains/losses
Exchange gains/losses on translation of receivables from and payables to subsidiaries that are considered part of the overall investment in subsidiaries are recognized in profit or loss under financial income or financial expenses.

Exchange gains/losses on that part of the bank debt in foreign currency which is used for hedging of the net investments in subsidiaries and which provides an effective hedging of the exchange gains/losses of the net investments are recognized in profit or loss under financial income or financial expenses.

Statement of financial position
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, investments are measured at cost, corresponding to fair value plus directly attributable costs. Subsequently, they are measured at fair value at the balance sheet date. Any fair value adjustments on equity investments recognized in other comprehensive income in the consolidated financial statements are recognized under financial income or financial expenses in the Parent Company's statement of profit or loss.

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 exchange gains/losses on translation of receivables from and payables to subsidiaries, entries providing an effective hedge against foreign exchange gains/losses on the net investment and entries concerning other financial assets.

Statement of cash flows
In accordance with the exemption clause in section 86(4) of the Danish Financial Statements Act, no separate statement of cash flows has been prepared for the Parent Company as it is included in the consolidated statement of cash flows.

Management Statement

The Board of Directors and the Registered Executive Management have today considered and adopted the Annual Report of H. Lundbeck A/S for the financial year 1 January to 31 December 2023.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. The Management Review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January to 31 December 2023.

In our opinion, the Management Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the Annual Report of H. Lundbeck A/S for the financial year 1 January to 31 December 2023 with the file name HLUNDBECK-2023-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 7 February 2024

REGISTERED EXECUTIVE MANAGEMENT

Charl Gerhard Van Zyl
President and CEO

Lars Bang
Executive Vice President, Product, Development & Supply

Joerg Hornstein
Executive Vice President, CFO

Per Johan Luthman
Executive Vice President, Research & Development

Jacob Tolstrup
Executive Vice President, Commercial Operations

BOARD OF DIRECTORS

Lars Søren Rasmussen
Chair of the Board

Lene Skole-Sørensen
Deputy Chair

Santiago Arroyo

Jeffrey Berkowitz

Lars Erik Holmqvist

Jeremy Max Levin

Jakob Riis

Ilse Dorothea Wenzel

Hossein Armandi
Employee representative

Lasse Skibsbye
Employee representative

Dorte Clausen
Employee representative

Camilla Gram Andersson
Employee representative

Independent Auditor's Reports

TO THE SHAREHOLDERS OF H. LUNDBECK A/S

Report on the audit of the financial statements

Our opinion

In our opinion, the Consolidated Financial Statements (pages 50-91) give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements (pages 92-101) give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of H. Lundbeck A/S for the financial year 1 January to 31 December 2023 comprise the consolidated statement of profit or loss and statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, including summary of material accounting policy information.

The Parent Company Financial Statements of H. Lundbeck A/S for the financial year 1 January to 31 December 2023 comprise the statement of profit or loss, the statement of financial position, the statement of changes in equity, and the notes, including summary of material accounting policy information.

Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of H. Lundbeck A/S on 24 March 2020 for the financial year 2020. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 4 years including the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor’s Reports

Continued

Key audit matter	How our audit addressed the key audit matter
Sales deductions in the U.S. The Group provides rebates and discounts to customers in the U.S. that fall under certain government mandated reimbursement arrangements, of which the most significant is Medicaid. These arrangements result in deductions to gross sales in arriving at net revenue. The period passing between the sales to distributors and payment of the related rebates under the U.S. Federal and State Government Healthcare programs may be several months and requires the unsettled amounts to be recognized as a provision. The provision for rebates and discounts is based on several significant assumptions, including estimated rebate percentages and estimation of time from sale of the individual products to receipt of invoice under the U.S. Federal and State Government Healthcare programs. We focused on these arrangements because they are complex and require significant estimation by Management in establishing an appropriate provision for the unsettled amounts. This included estimation of sales volumes subject to the rebates, estimation of applicable rebate rates, and estimation of the lag time described above. We refer to note 1.5, 15 and 25 in the Consolidated Financial Statements.	We performed risk assessment procedures to obtain an understanding of the IT systems, business processes and relevant controls for rebates and discounts in the U.S. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatements. For selected controls, which we planned to rely on, we tested whether these were performed on a consistent basis. We obtained Management’s calculations under the reimbursement arrangements and evaluated the accuracy of the calculations made. Further, we assessed, tested and challenged key data inputs and the significant assumptions applied by management, including the estimate of the period from sale to receipt of invoice. We considered the Group’s historical provisions by comparing the actual rebate with the rebate percentage estimate used by Management to recognize the provision, including performing a retrospective review of the prior period provisions compared to subsequent payments to evaluate the accuracy of Management’s estimate and to identify any potential management bias. We evaluated the presentation and disclosures of sales deductions in the U.S. in the Consolidated Financial Statements.
Impairment of product rights Product rights are tested when there is an indication of impairment, and product rights not yet commercialized are tested annually for impairment. The recoverability of the carrying value of product rights is contingent on future cash flows and/or the outcome of research and development activities. The determination of the recoverable amounts includes significant estimates, which are highly sensitive and depend upon key assumptions and judgments, including the probability of technical and regulatory success, amount and timing of projected future cash flows, patent expiry, and discount rate assumptions. Changes in these assumptions could have an impact on the recoverable amount of product rights. We focused on this area as the amounts involved are material and there is a risk that the product rights will be impaired if the key assumptions deviate negatively from the expectations. We refer to note 1.5, 6 and 25 in the Consolidated Financial Statements.	We performed risk assessment procedures to obtain an understanding of the business processes and relevant controls for impairment indicators and the determination of the recoverability amount of product rights. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatements. For selected controls, which we planned to rely on, we tested whether these were performed on a consistent basis. For product rights with impairment indicators and product rights not yet commercialized, we among others: • Tested Management’s process for determining the recoverable amount; • Evaluated the appropriateness of the methodology used in the impairment tests; • Evaluated Management’s key assumptions and judgments used in the impairment tests, including probability of technical and regulatory success, amount and timing of projected future cash flows, and expected impact of loss of exclusivity; • Tested the underlying data used in the impairment tests; and • Included our in-house valuation experts to assess the valuation techniques used and to assist with the evaluation of certain key assumptions, including the discount rates applied. We evaluated the disclosures of impairment testing in the Financial Statements.

Independent Auditor's Reports

Continued

Statement on Management review
Management is responsible for Management Review (pages 3-48 and page 107, respectively).

Our opinion on the Financial Statements does not cover Management Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Review and, in doing so, consider whether Management Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management Review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Reports

Continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of H. Lundbeck A/S for the financial year 1 January to 31 December 2023 with the filename HLUNDBECK-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgment where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements, including notes.

In our opinion, the annual report of H. Lundbeck A/S for the financial year 1 January to 31 December 2023 with the file name HLUNDBECK-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 7 February 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Lars Baungaard
State Authorized Public Accountant
mne23331

Torben Jensen
State Authorized Public Accountant
mne18651

Adjusted EBITDA Reconciliation

(part of Management Review – not audited)

For financial guidance for 2023, Lundbeck focuses on revenue performance and adjusted EBITDA.

Lundbeck's previous performance measure (Core EBIT) adjusted for amortization of product rights and for each non-recurring item that Management deemed exceptional and/or which accumulates or was expected to accumulate to DKK 100 million.

Adjusted EBITDA provides an improved and more consistent indicator, measuring the underlying operational profitability. Adjusted EBITDA enables a better understanding of the underlying operational performance, as the operating result is adjusted to exclude depreciation and amortization, impairment losses and reversals of impairment losses, as well as adjustments restricted to the following categories:

Integration expenses

Restructuring costs

Gains/losses on divestment of businesses

Acquisition expenses

Other adjustments

Adjusted EBITDA is a non-IFRS performance measure.

		2023		2022
Adjusted EBITDA reconciliation	Reported result DKKm	Adjusted DKKm	Reported result DKKm	Adjusted DKKm
Revenue	19,912	19,912	18,246	18,246
Cost of sales	4,485	2,332	3,951	2,113
Gross profit	**15,427**	**17,580**	**14,295**	**16,133**
Sales and distribution costs	7,482	7,341	6,610	6,637
Administrative expenses	1,293	1,202	1,079	1,000
Research and development costs	3,457	3,385	3,754	3,673
Profit from operations (EBIT)	**3,195**	**-**	**2,852**	**-**
Depreciation/amortization	2,012	-	1,811	-
EBITDA	5,207	5,652	4,663	4,823
EBITDA margin	*26.2%*	*28.4%*	*25.6%*	*26.4%*
Adjustments to EBITDA				
Integration costs	-	-	-	-
Restructuring expenses	64	-	(138)	-
Gains/losses on divestment of businesses	-	-	-	-
Acquisition expenses	-	-	-	-
Other adjustments	381	-	298	-
Adjusted EBITDA	**5,652**	**5,652**	**4,823**	**4,823**
Adjusted EBITDA margin	*28.4%*	*28.4%*	*26.4%*	*26.4%*

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