4 *new products* | 39 *launches worldwide* | 2014

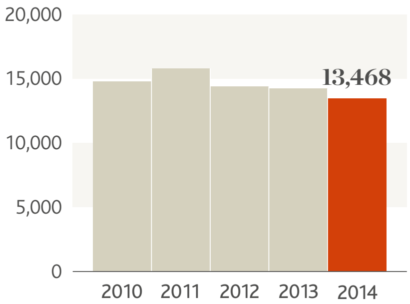
ANNUAL REPORT 2014

Lundbeck

PROGRESS IN MIND

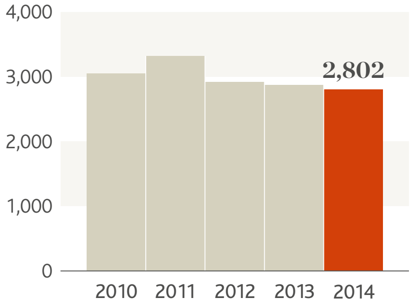
5 YEARS PERFORMANCE

CORE REVENUE
(DKKm)



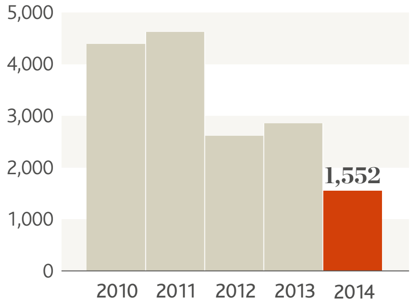
1,807 EURm **2,396** USDm

RESEARCH AND DEVELOPMENT COSTS
(DKKm)



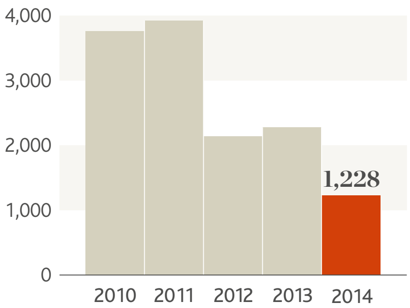
376 EURm **498** USDm

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



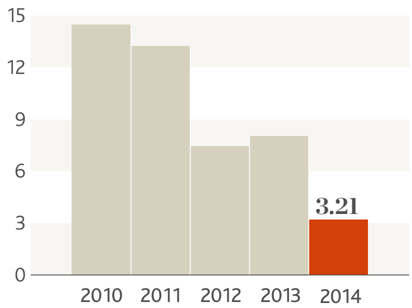
208 EURm **276** USDm

CORE PROFIT FROM OPERATIONS (EBIT)
(DKKm)



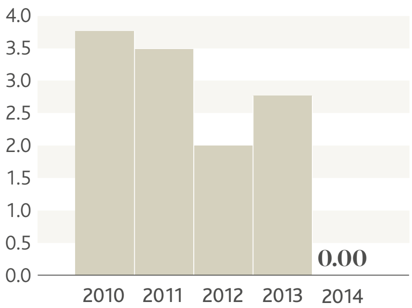
165 EURm **218** USDm

CORE EARNINGS PER SHARE (EPS)
(DKK)



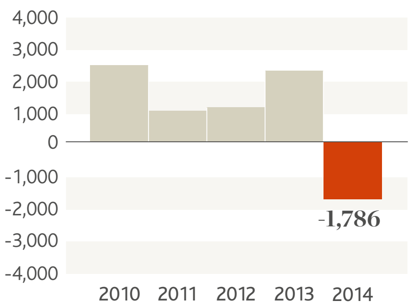
0.43 EUR **0.57** USD

PROPOSED DIVIDEND PER SHARE
(DKK)



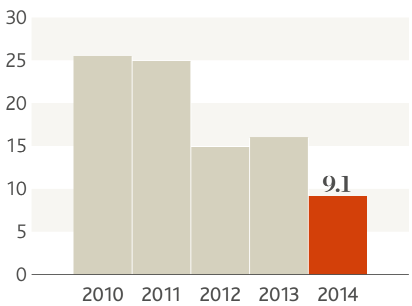
0.00 EUR **0.00** USD

CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES
(DKKm)

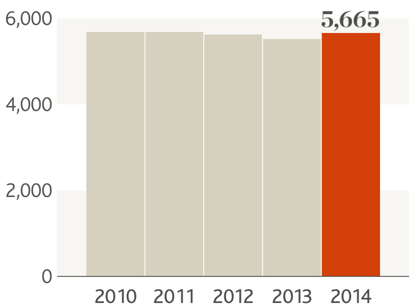


-240 EURm **-318** USDm

CORE EBIT MARGIN
(%)



AVERAGE NUMBER OF EMPLOYEES



CONTENTS

MANAGEMENT REVIEW

FINANCIAL STATEMENTS

IN GOOD SHAPE FOR THE FUTURE

2014 has been a year of progress for Lundbeck as we embarked on the most extensive new product launch programme in our history. During the year, four new products – Abilify Maintena®, Brintellix®, Northera™ and Selincro® – were launched in 39 markets around the world, and in 2015 we expect more than 50 more launches to take place.

This intensive launch effort is the provisional culmination of the transition of Lundbeck from a one-product company mainly focused on Europe to a global company with a diversified product portfolio. We are now in very good shape to achieve our long-term ambitions. Looking forward, our focus is to maximize the growth potential of the global business we have built, realize the full potential of our new products and continue to use our expertise in neuroscience to innovate and develop new medicines.

Today, some 700 million people around the world are affected by brain disease. It is a growing burden, not only for individuals, but for families and society as well. Far too many suffer from inadequate treatment, discrimination, extended leave from work, early retirement and other consequences affecting quality of life for patients and their families and cost for society.

Although extraordinary advances in treating brain disease have been made over the last century, urgent medical need still remains. For a company like Lundbeck, this challenge is also a great opportunity.

We are experts in neuroscience research and have been at the frontier of pharmaceutical research within brain disease since the 1940s. Every day we strive to develop and deliver new and innovative medicines in order to make a real difference to people living with brain disease. We call this Progress in Mind.

2014 also saw an important change in Lundbeck's senior management as Ulf Wiinberg resigned as President and CEO of the company. The Board of Directors thanks him for his considerable contribution since his appointment in 2008. The process of finding a new CEO is ongoing.

On behalf of Lundbeck's Board of Directors, Executive Management and employees, I would like to thank all our shareholders, customers and business partners for the interest and trust they have shown in our company throughout 2014. We are looking forward to continuing our collaboration in 2015, where we can celebrate Lundbeck's 100th anniversary.

Håkan Björklund
Chairman of the Board of Directors

MANAGEMENT REVIEW

With the launches of our latest products: Abilify Maintena®, Brintellix®, Northera™ and Selincro®, 2014 has been a year of progress in what has been the most extensive launch programme in Lundbeck's history.

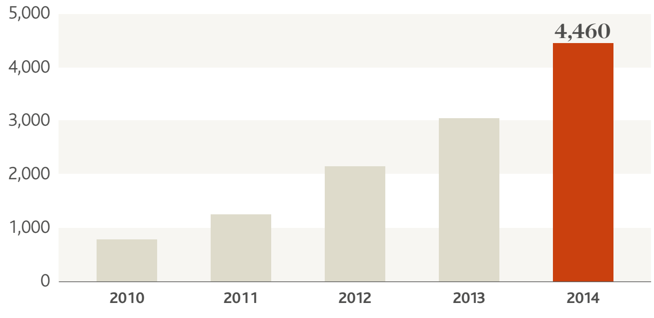
As well as the ambitious launch effort, we have also made significant progress in our development activities over the past 12 months. One exciting milestone reached during 2014 was the US filing for brexpiprazole. We also presented new clinical data supporting and strengthening the clinical profiles of our most strategically important new products. Overall, we achieved our financial targets, with core revenue reaching DKK 13.5 billion and an underlying profitability of DKK 1.2 billion on core earnings (EBIT DKK 0.1 billion). Our company strategy to create a new Lundbeck with a truly global presence and a multi-product portfolio is well underway.

Delivering on product launches
Lundbeck continued its extensive launch programme in 2014 and completed the successful acquisition in June of US-based Chelsea Therapeutics International Ltd. (Chelsea) for USD 530 million. In 2014, we introduced two new products in the US and one in Europe, adding Brintellix® and Northera™ to our *New Product* portfolio, which also includes Abilify Maintena® (Europe, Canada, US), Lexapro® (Japan) , Onfi® (US), Sabril® (US), Saphris®/Sycrest® (Europe and International Markets), Selincro® (Europe), Treanda® (Canada) and Xenazine® (US).

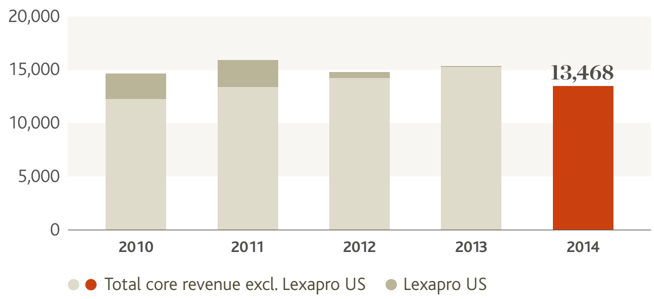
In early 2014, Lundbeck launched Brintellix® in the US, and later in the year, Brintellix® was launched in Denmark, Canada, Mexico and South Africa among other markets. The majority of markets are still preparing for the expected launch of Brintellix® in 2015 and 2016. The launch of Abilify Maintena® in Europe began in 2014 in 17 markets and has been well received by the medical community there. Selincro® was launched in major European markets in the second half of 2014. We added Northera™ to our US product portfolio through the acquisition of Chelsea and further strengthened our US neurology franchise. Northera™ was launched in the US in the third quarter of 2014. The growth in sales of our New Products is on track to replace the revenue lost from our mature products such as Cipralex®/Lexapro® and Ebixa®, where Lundbeck has faced competition from generic products in recent years. The patent loss of a number of Mature Products is expected and we have, during the past years, prepared for this transition period via the recent launches of our New Products. Revenue from New Products in 2014 increased 44% to DKK 4,460 million in 2014 – 33% of total revenue – and we are expecting continued high growth within this area.

Advancing and strengthening our product pipeline
Our key development activities are advancing and we continue to make good progress with our product pipeline. In the US, brexpiprazole (for adjunctive treatment of MDD and for schizophrenia) and Carbella™ (I.V. carbamazepine) for the treatment of epilepsy were accepted for regulatory review by the US FDA (Food & Drug Administration). Unfortunately, we had to discontinue the further development of desmoteplase for the treatment of ischaemic stroke.

TOTAL REVENUE FROM NEW PRODUCTS 2010-2014
(DKKm)



CORE REVENUE 2010-2014
(DKKm)



We have continued to strengthen the clinical profiles of our most strategically important New Products and presented new significant clinical data which shows that Brintellix® improves cognitive performance and function in adult patients with depression. Additional data confirms the strong efficacy and tolerability profile of Brintellix®. The clinical profile of Abilify Maintena® was supported by a presentation of data which confirmed that treatment with Abilify Maintena® significantly reduces hospitalization rates for patients with schizophrenia compared to daily oral antipsychotics. New data also supports the broader use of Abilify Maintena® in the acute phase of schizophrenia. The product furthermore showed superiority over paliperidone palmitate in effectiveness in terms of quality of life.

We will continue to pursue further benefits for patients through our product development programmes. With a large number of new ongoing clinical studies underway, we expect to see further product differentiation and potential new treatment opportunities.

Enhancing organizational effectiveness
Our focus on reorganizing the company to make it more flexible and effective continued in 2014. Having successfully managed the reorganization of our European sales force structure, and subsequently optimizing our administrative processes through the *Fit-for-the-Future* programme, we have further captured the benefits of these processes by establishing a business service centre (BSC) in Poland. The new BSC now manages most of the administrative business service processes and daily transactions from headquarters and the first European countries, and during 2015, the roll-out will continue in an additional number of our European affiliates, which allows us to free up the necessary resources to ensure a successful commercialization of our new products.

A collaborative culture is key
Lundbeck operates a sophisticated partner strategy and is highly committed to seeing it succeed. Our strategic alliances with Otsuka Pharmaceutical Co., Ltd. (Otsuka) and Takeda Pharmaceutical Company Limited (Takeda) are developing successfully. With Otsuka we are currently working together on a number of projects, such as the development and commercialization in Japan of Abilify Maintena®, brexpiprazole, idalopirdine, Lu AF20513 and Selincro®. In cooperation with Takeda, we continue to market Brintellix® in the US.

FINANCIAL REVIEW

Lundbeck implemented *core earnings* at the beginning of 2014 as an improved tool to measure performance of our core business. We report core earnings in order to provide meaningful supplemental information regarding our financial performance and our prospects for the future.

Lundbeck's core financial performance in 2014, for both revenue and operating profit, was in line with our guidance published in February 2014. We are pleased with our financial performance in 2014, considering the loss of patents for Cipralex® in Europe and Canada, continued generic erosion on Ebixa® in Europe and a heavy investment effort to support the successful launch of our New Products.

Core revenue for the year was DKK 13,468 million compared to DKK 14,242 million the year before, which is a decrease of 5%.

Core profit from operations (EBIT) was DKK 1,228 million, corresponding to an EBIT margin of 9.1%, compared to DKK 2,282 million the year before. Core EBIT decreased as a consequence of generic competition of Cipralex® and Ebixa® and a higher investment level to support the successful launches of New Products.

Core profit for the year was DKK 629 million, which translates to earnings per share of DKK 3.21 compared to DKK 8.02 in 2013.

Our strategies for developing our product portfolio and expanding our geographic reach continued according to plan. In 2014, revenue from New Products grew by 44% compared to 2013. New Products now represent 33% of Lundbeck's total revenue, up from 20% in 2013.

As a result of our geographic expansion, Lundbeck showed continued strong revenue growth in our New Products in the US (Abilify Maintena®, Brintellix®, Northera™, Onfi®, Sabril® and Xenazine®), which were up 44%. International Markets had a modest increase of 2%, primarily due to the generic competition of Cipralex® in Canada. Financial performance during 2014 was also impacted by strong competition from generics in Europe.

Total costs for the year were DKK 13,369 million compared to DKK 13,659 million in 2013, corresponding to a decrease of 2%. As 2013 was a year with significant non-core events, the cost was unusually high, and when adjusting for one-offs of DKK 1,109 million, an increase of 4% in total costs occurred from 2013 to 2014. This increase was due to heavy investment in our new product launches. Research and development (R&D) costs amounted to DKK 2,802 million, corresponding to 21% of revenue, which is an increase of 2 percentage points compared to 2013. The reason for the increase is due to the discontinuation and writedown of desmoteplase of DKK 309 million.

Profit from operations before depreciation and amortization (EBITDA) was DKK 1,552 million in 2014 compared to DKK 2,861 million the previous year.

The effective tax rate in 2014 was -171.5%, corresponding to a tax charge of DKK 97 million. In 2013, the effective tax rate was 41.9%, corresponding to a tax charge of DKK 617 million. The change in the tax rate from 2013 to 2014 relates to the reported loss before tax, a change in product mix and the amortization of product rights related to Northera™ which is not tax deductible.

Reported loss for the year was DKK -153 million, which translates to earnings per share of DKK -0.78. Based on this result, the Board of Directors will propose no dividend payout for 2014.

Cash flows from operating activities were DKK 1,610 million compared to DKK 3,760 million in 2013. At 31 December 2014, Lundbeck had interest-bearing net cash of DKK 326 million, compared to DKK 3,699 million at the end of 2013.

For details on the financial statements, see p. 29.

Financial guidance

For 2015, Lundbeck expects total core revenue in the range of DKK 13.2-13.7 billion which is in line with the preliminary guidance provided in November 2014. Core EBIT is expected to be around DKK 0.

FORECAST 2015

	FORECAST* 2014 (DKKbn)	ACTUAL 2014 (DKKm)	FORECAST 2015 (DKKbn)
Revenue	~13.5	13,468	13.2-13.7
Profit from operations (EBIT)	0.0-0.2	99	-
Core profit from operations (Core EBIT)	1.1-1.3	1,228	~0

• According to guidance provided in connection with announcement of the discontinuation of further development of desmoteplase.

Disclaimer

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

LUNDBECK CORE RESULTS REPORTING

Lundbeck has implemented core result reporting as we believe this approach provides a clearer view of the underlying performance of the business and makes Lundbeck's results more comparable with the majority of its peers. In general, Lundbeck adjusts for each non-recurring item, including milestones that are, or are expected to accumulate exceeding DKK 100 million thresholds within the year that the Lundbeck's management deems exceptional.

Lundbeck's core results – including core operating income (core EBIT) and core EPS – exclude:

Amortization and impairments
- Amortization of product rights and impairment of intangible assets

Acquisitions and integration activities
- Acquisition accounting adjustments relating to the consolidation of material acquisitions, disposals of associates, products and businesses
- Major costs associated with the integration of companies

Divestments and reorganizations
- Income/expenses from discontinued operations
- Gains/losses on divestments of assets, and received or expensed upfront, sales, and development milestones
- Termination costs
- Major restructuring charges and expenses

Legal and litigation costs
- Legal costs (external) related to settlement of litigations, government investigations and other disputes
- Legal charges (net of insurance recoveries) and expenses for the settlement of litigation and government investigations

The adjusted core result is taxed at the underlying corporate tax rate.

These core financial measures are used by Lundbeck's management to make operating decisions because they facilitate internal comparisons of Lundbeck's performance to historical results and to peer companies.

For this same reason, Lundbeck believes that investors' understanding of the company's performance is enhanced by disclosing core measures. Excluding these exceptional items which may vary significantly from period to period also increases comparability across years.

These core measures should not be considered in isolation from, as substitutes for, or superior to the reported results prepared in accordance with International Financial Reporting Standards (IFRS).

For a reconciliation between core results reporting and IFRS reporting, please see details in Lundbeck's financial report Q4 2014 on Lundbeck.com.

EVENTS & MILESTONES 2014

January

Otsuka and Lundbeck present new data on brexpiprazole in adjunct major depressive disorder (MDD).

Brintellix® launches in the US.

March

Abilify Maintena® launches in the first country in Europe.

April

The US FDA approves Otsuka and Lundbeck's supplemental New Drug Application to expand Abilify Maintena® labelling for the treatment of acutely relapsed adults with schizophrenia.

Lundbeck presents new data showing that treatment with once-monthly Abilify Maintena® significantly reduces hospitalization rates for patients with schizophrenia compared to daily oral antipsychotics.

May

Lundbeck acquires US-based Chelsea and the pharmaceutical Northera™.

Lundbeck commences tender offer for all outstanding shares of Chelsea.

Lundbeck receives grant from the Michael J. Fox Foundation.

June

Lundbeck presents new data showing that Brintellix® improves cognitive performance and function in adult patients with major depression.

Lundbeck successfully completes tender offer for Chelsea.

Lundbeck provides update on the development programme for desmoteplase.

July

Otsuka and Lundbeck submit New Drug Application for brexpiprazole to the US FDA.

September

US FDA accepts Otsuka and Lundbeck's filing for review of brexpiprazole.

Brintellix® launches in the first country in Europe.

Northera™ launches in the US.

October

Lundbeck presents new efficacy and safety data analyses for desmoteplase.

November

Lundbeck presents new data showing that Abilify Maintena® demonstrates superior effectiveness to paliperidone palmitate once-monthly on quality of life scale.

Ulf Wiinberg resigns as CEO of Lundbeck.

December

US FDA approves the labeling update of Abilify Maintena® for the treatment of acutely relapsed adults with schizophrenia.

Otsuka and Lundbeck present new data on brexpiprazole as adjunctive therapy in adult patients with major depression.

New data on Otsuka and Lundbeck´s brexpiprazole demonstrates statistically significant effects in adult patients with schizophrenia.

Lundbeck presents new data revealing that Brintellix® affects the underlying brain systems involved in working memory in people remitted from depression.

Lundbeck discontinues further development of desmoteplase.

STRATEGY REVIEW

Today, Lundbeck has a global presence and a diverse product portfolio. Looking beyond 2015, Lundbeck has set ambitions in four equally important areas: We want to invest significantly in growth opportunities, maximize the growth potential of our global platform, realize the full potential of our New Products and, based on our neuroscience expertise, continue to invest in R&D and innovation.

FINANCIAL AMBITION

Invest significantly in growth opportunities to stay a solid and growing company.

Status:
- In 2014, we delivered on the financial guidance for the year despite operating under difficult market conditions and increased competition from generics as well as significant investments in late-stage pipeline, product launches and geographical expansion.

Ambition:
- For 2015, we expect core revenue of DKK 13.2-13.7 billion and core EBIT of around DKK 0.
- Our ambition is to be a company in sustainable growth, providing the necessary backing to sustain significant investments in bringing new treatments to patients living with brain disease and ensuring a satisfactory return to our shareholders.

INNOVATION AMBITION

Continue to invest in R&D and innovation to keep developing compounds in our R&D portfolio.

Status:
- In 2014, we saw significant progress in our late-stage pipeline with the filing for brexpiprazole in the US, announcement of important data showing that Brintellix® improves cognitive performance and function, and initiation of the clinical phase III trials for idalopirdine (previously known as Lu AE58054).

Ambition:
- In 2015, we will continue to work with a number of new pharmaceutical compounds in our R&D portfolio. The success of our late-stage pipeline in recent years will allow us to begin to shift focus onto research, early-stage pipeline and clinical phase IV trials.
- Our ambition is to ensure that Lundbeck's world-leading neuroscience expertise is maintained, to further develop our role in the treatment of neurological diseases and finally, to explore opportunities within other brain disease areas.

PRODUCT AMBITION

Launch and grow our New Products to realize their full potential.

Status:
- During 2014, Lundbeck initiated the launches of Abilify Maintena®, Brintellix® and Selincro® in various markets and acquired and launched Northera™ in the US.

Ambition:
- In 2015, we will continue the launches of Abilify Maintena®, Brintellix®, Northera™ and Selincro® in more than 50 countries as well as potentially launch brexpiprazole in the US.
- Our ambition is to maintain our leading position in treating depression, regain a leading position in treating schizophrenia, become a leader in the treatment of alcohol dependence and, with the progress of our promising pipeline, to regain a leading position in the treatment of Alzheimer's and Parkinson's diseases.

MARKET AMBITION

Strengthen our global position to have a balanced and evolving global footprint in all our markets.

Status:
- In 2014, we were able to grow our business in the US, thereby realizing our goal of creating a global platform for growth.

Ambition:
- In 2015, we will continue to strengthen our global position by investing in launches of New Products in our different markets.
- Our ambition is to have a balanced and evolving global footprint based on growth in all our markets.

OUR STRATEGIC PATH

To help us achieve our ambitions, we have identified a strategic path for the coming years. The strategic path is built on six pillars.

1. R&D STRATEGY
2. FULL POTENTIAL OF NEW PRODUCTS
3. GLOBAL GROWTH PLATFORM
4. PARTNERSHIPS AND BUSINESS DEVELOPMENT
5. ORGANIZATIONAL EFFICIENCY
6. HIGH-PERFORMANCE CULTURE

1.
R&D STRATEGY

Lundbeck's research and development (R&D) strategy is aimed at enabling the discovery and development of new pharmaceuticals targeting the underlying mechanisms of brain disease. This approach allows us to treat the symptoms more effectively and potentially also to alter the courses of the diseases. The strategy requires comprehensive research regarding the brain and the biology and mechanisms of brain disease. It is essential for us to maintain strong internal R&D capabilities in order to establish optimal partnerships for our projects. We will continue to build external alliances to supplement our internal capabilities, taking advantage of the increased opportunities provided to us by innovative technologies.

Lundbeck's R&D portfolio consists of a number of new pharmaceutical compounds in early-stage development as well as important and promising clinical phase III candidates. These projects focus on areas where we currently have a market presence, such as depression, anxiety and other psychiatric disorders, as well as neurological disorders, such as Alzheimer's and Parkinson's diseases.

The success of our late-stage pipeline in recent years allows us to begin to shift focus onto research, early-stage pipeline and phase IV trials. Despite this shift, we will still invest heavily in R&D so we can continue to bring the best new treatments to market. In 2014, our R&D investment excluding the writedown of desmoteplase was DKK 2,493 million, 19% of total revenue.

2.
FULL POTENTIAL OF NEW PRODUCTS

Pharmaceuticals for the treatment of brain disease are the largest pharmaceutical products category, accounting for 15% of the global market, and worth a total of USD 128.6 billion in 2013 (latest figures from IMS). The size of this market provides room for growth, but in order to exploit growth opportunities, Lundbeck must successfully launch new and better treatments.

In 2015, Lundbeck will intensify the launches of New Products. We expect to initiate more than 50 launches of our new products Brintellix®, Abilify Maintena® and Selincro® and continue the launch of Northera™, which began in 2014. Furthermore, brexpiprazole will be launched on the US market, provided it receives FDA approval.

For each new product we have developed a specific strategy in order to realize its full potential. Firstly, it is important to provide access to our products to ensure that they are available for patients. Secondly, and in parallel, we are increasing the understanding of the clinical benefits of the products, making the knowledge available through publications in scientific journals, to medical conferences and through scientific training of healthcare professionals.

Looking towards 2020, we expect to have maintained our leading position within the treatment of depression, to have regained our leading position in the treatment of schizophrenia, to have become a leader in the treatment of alcohol dependence and to be in a situation to regain our leading position in treating Alzheimer's and Parkinson's diseases.

3.
GLOBAL GROWTH PLATFORM

Lundbeck's strategy over the past seven years has focused on expanding our business geographically. Today, Lundbeck has a global presence and it is our ambition to have a balanced and evolving global footprint based on growth in all three regions: the US, International Markets and Europe.

The US is by far the world's largest market for pharmaceuticals for treating brain disease and constituted 48% of the global market in 2013 (latest figures from IMS). In 2014, our revenue from the US amounted to DKK 3,758 million, 28% of total revenue. We believe that the US market has significant potential for growth, and we are currently strengthening our presence within the area of psychiatry with the launches of Abilify Maintena®, Brintellix® and potentially brexpiprazole. In September 2014, we began the launch of Northera™ and in mid-2015, we will potentially launch our upcoming product brexpiprazole.

International Markets covering all countries outside US and Europe constituted 26% of the global market for pharmaceuticals for treating brain disease in 2013 (latest figures from IMS). In 2014, Lundbeck's revenue from International Markets reached DKK 4,144 million, equivalent to 31% of total revenue. Combined with a solid performance of existing products and the launch of our New Products, these markets are expected to contribute significantly to our business in the coming years.

Europe constituted 26% of the global market for pharmaceuticals for treating brain disease in 2013 (latest figures from IMS). Lundbeck has a strong presence in Europe, a region where, in 2014, we generated DKK 5,019 million, or 37% of total revenue. Ebixa® and Cipralex® have been our main products in Europe, and since losing exclusive rights to both products, our strategy is to regain our strong presence in Europe via successful launches of our new products Abilify Maintena®, Brintellix® and Selincro® in the short term and, in the midterm, via the launches of brexpiprazole and idalopirdine.

4.
PARTNERSHIPS AND BUSINESS DEVELOPMENT

Development and commercialization of new treatments are both complex and costly. At the same time, the period during which investments can be recovered is continually becoming shorter. In order to maintain the strongest possible position despite these challenges, we will continue to develop and commercialize treatments through effective collaboration with other biotechnology and pharmaceutical companies.

Partnerships enable Lundbeck to exchange knowledge and develop new pharmaceuticals. Collaboration makes it possible to increase the number of research projects we undertake, and thus increase our chances of success. Thanks to many years of targeted efforts in the treatment of brain disease, we can offer our partners highly specialized knowledge, and many companies see Lundbeck as an attractive partner.

In 2014, Lundbeck acquired the company Chelsea and as a result were able to launch Northera™ in the US in September 2014. With this acquisition, we are expanding our already strong neurology platform in the US.

5.
ORGANIZATIONAL EFFICIENCY

Organizational efficiency is vital in order to improve Lundbeck's profitability and realize its full potential. In 2013, we announced the *Fit-for-the-Future* programme to reduce complexity, increase organizational efficiency and free up resources to ensure our successful transition to an even more sustainable company. The programme includes initiatives to optimize and standardize administrative processes, reduce supply chain complexity, make clinical studies even more effective, restructure our procurement processes and decrease spending on low priority activities. The *Fit-for-the-Future* programme is expected to run for the period 2013-2015. The full effect of this programme is expected to deliver an annual benefit of more than DKK 500 million from 2016 onwards to be reinvested in growth opportunities.

In 2014, we established a new business service centre (BSC) in Poland with the aim of centralizing and standardizing business processes within IT, Finance, HR and Procurement. By the end of 2014, the BSC covered targeted business processes in Lundbeck's headquarters and its affiliates in the UK, Sweden and Norway. During 2015, processes from the majority of Lundbeck's European operations will be transferred to the BSC as well.

6.
HIGH-PERFORMANCE CULTURE

A strong organization with a winning corporate culture is a prerequisite for success in an ever-changing and fiercely competitive market. It is important that we have the optimum company structure and that our employees have the right skills.

We aim to create a workplace that attracts, develops and retains the best employees. We also aim to build and maintain a high-performance culture based on our corporate values. We expect everyone in the company to be 'Imaginative', 'Passionate' and 'Responsible' and to follow our operating principles: 'Own the future', 'Be ambitious and take action', 'Better for less', and 'Create results together'. Clear objective-setting and clear decision-making structures enable our employees to know what is expected of them and empower them to perform at the highest level every day. Furthermore, we have standardized HR processes including organizational reviews, performance appraisals, talent management and employee-satisfaction surveys.

PRODUCTS AND MARKETS

2014 was the year Lundbeck accelerated the launch of New Products in markets around the world. Globally, sales of New Products grew by 44% and now constitute 33% of total revenue. Moreover, Lundbeck continued to create further growth in the US.

In recent years, Lundbeck has engaged in a comprehensive launch programme of our New Product portfolio including Abilify Maintena®, Brintellix®, Lexapro® (in Japan), Northera™, Onfi®, Sabril®, Saphris®/Sycrest®, Selincro®, Treanda® and Xenazine®. In 2014, we intensified this effort considerably with launches of Abilify Maintena®, Brintellix®, Northera™ and Selincro® in many markets.

Lundbeck's core revenue for 2014 was DKK 13,468 million, representing a decrease of 5% for the year. The main reason for the decline is loss of exclusivity of Cipralex® in 2014 in Europe and in Canada, as well as Ebixa® in 2013 in Europe. One of our main drivers for growth in 2014 has been, and continues to be, our US neurology product portfolio. Revenue from our New Products category increased by 44% to DKK 4,460 million in 2014.

CORE PRODUCTS

Our most recently launched and strategically important core products include Abilify Maintena®, Brintellix®, Northera™, Onfi® and Selincro®. One of Lundbeck's key priorities in the coming years is to increase the revenue growth from these products, including continued launch efforts in new markets and potentially through new indications.

ABILIFY MAINTENA® – ONCE-MONTHLY INJECTABLE TREATMENT FOR SCHIZOPHRENIA

Abilify Maintena® (aripiprazole once-monthly) was approved in the US by the FDA in February 2013 and in Europe by the EMA in November 2013. Lundbeck launched the product together with our partner Otsuka in the US in 2013. Revenue reached DKK 209 million in 2014. During the course of 2014, the launch of Abilify Maintena® was initiated for a number of markets outside the US. The product has obtained reimbursement in most of Europe, and Lundbeck is currently preparing for the continued launch in Europe as well as in International Markets.

In April 2014, Lundbeck presented data from the *MIRROR* study. The data shows that treatment with Abilify Maintena® significantly reduces hospitalization rates for patients with schizophrenia compared to daily oral antipsychotics. Data on Abilify Maintena® was further supported in November 2014, when Lundbeck presented data from the *QUALIFY* study. The head-to-head QUALIFY study compares the effectiveness of Abilify Maintena® to paliperidone palmitate in patients with schizophrenia. Patients treated with Abilify Maintena® demonstrate a statistically significant improvement on the primary endpoint, quality-of-life measure, compared to those treated with paliperidone palmitate.

BRINTELLIX® – TREATMENT FOR MAJOR DEPRESSIVE DISORDER (MDD)

Brintellix® (vortioxetine) was approved by the FDA in the US in October 2013 and by the EMA in Europe in December 2013. More recently, Australian and Canadian authorities also approved Brintellix®. In Canada, it is marketed under the name Trintellix™.

In early 2014, Lundbeck together with our partner Takeda launched Brintellix® in the US. Later in 2014, Lundbeck launched Brintellix® in a number of additional markets including Denmark, Mexico and South Africa. Lundbeck is preparing to launch Brintellix® in many more markets in the coming two years. In 2014, Brintellix® generated revenue of DKK 188 million.

In June 2014, Lundbeck presented data from the *CONNECT* study. The study showed that Brintellix® (10 mg/day to 20 mg/day in adults with MDD) met the primary study endpoint of demonstrating superiority versus placebo in cognitive function as measured by the Digit Symbol Substitution Test (DSST). The findings supports previously reported clinical data showing that Brintellix® improves cognitive performance in elderly patients with major depression and the placebo-controlled *FOCUS* study in adult patients with major depression.

NORTHERA™ – TREATMENT FOR SYMPTOMATIC NEUROGENIC ORTHOSTATIC HYPOTENSION (NOH)

In 2014, Lundbeck successfully acquired Chelsea for USD 530 million and as a result also acquired **Northera™** (droxidopa), which was approved in the US by the FDA early in 2014. Lundbeck launched the product in the US in early September and sales reached DKK 24 million for the year.

ONFI® – TREATMENT FOR LENNOX-GASTAUT SYNDROME (LGS)

In October 2011, the FDA in the US granted approval of **Onfi®** (clobazam). Following approval, the product was launched by Lundbeck in the US in January 2012. In 2014, Onfi generated revenue of DKK 923 million, a 61% increase on 2013, hence contributing well to our US neurology product portfolio.

SELINCRO® – TREATMENT FOR ALCOHOL DEPENDENCE

Selincro® (nalmefene) was approved by the EMA in Europe in early 2013 and launched primarily in eastern European countries and Scandinavia. In 2014, Lundbeck continued to introduce the product in European markets, including major countries such as Germany, Spain and France. Selincro® has obtained full reimbursement in Spain and France in 2014 and has entered the AMNOG assessment process in Germany. In the UK, Selincro® received NICE recommendation which will be followed by regional market access implementation. Selincro® was launched in many European markets in 2014 and generated revenue of DKK 59 million for the year.

OTHER PRODUCTS

As well as our recently launched products, Lundbeck also markets a number of products for other treatments. Some of these products face competition from generic products, especially in Europe. On the other hand, Lundbeck has a strong US-based neurology portfolio and revenue from our US franchise continued to grow in 2014.

In Europe, sales of **Azilect®** (rasagiline) grew with revenue reaching DKK 1,371 million in 2014, a 8% increase over 2013. Azilect® generated revenue of DKK 126 million in International Markets in 2014, a 5% increase compared to 2013.

Cipralex®(escitalopram) was the largest contributor to total sales in 2014 with sales in Europe of DKK 2,203 million which, however, was a decrease of 35% compared to 2013 due to generic competition. In International Markets, Cipralex® generated revenue of DKK 2,444 million in 2014, equivalent to a decline of 5% due to generic competition in Canada. Cipralex® has a strong foothold in Japan (using the brand name **Lexapro®**) where revenue grew 7% over 2013. Cipralex® is the market leader in several International Markets, including China where sales grew by 42% compared to 2013.

Ebixa®(memantine) generated revenue of DKK 572 million for the year in Europe which is a 65% decrease from 2013 – a consequence of generic competition of memantine, which began in 2013. Ebixa® generated revenue of DKK 486 million in International Markets in 2014, which is 6% more than in 2013. China was the main contributor to the performance of Ebixa®, with revenue growing by 7% compared to 2013. The decline Ebixa® saw in other International Markets was a result of change in exchange rates, price cuts and generic erosion.

Sabril®(vigabatrin) continued growing in the US, with revenue of DKK 716 million for 2014, an increase of 35% compared to 2013.

Saphris®/Sycrest® performed well in both Europe and International Markets, with revenue growing by 21% to DKK 176 million in 2014.

With the launch of **Treanda®** (bendamustine hydrochloride for injection) in Canada in 2012, Lundbeck has successfully entered the oncology market, with revenue of DKK 212 million in 2014 – an increase of 64% compared to 2013.

Xenazine® (tetrabenazine) generated revenue of DKK 1,672 million in the US in 2014, up 20% on 2013.

REVENUE PER MARKET 2010-2014

MARKET	% OF REVENUE 2014	2014 (DKKm)	2013 (DKKm)	2012 (DKKm)	2011 (DKKm)	2010 (DKKm)
Europe	37	5,019	7,064	7,734	7,988	7,815
International Markets	31	4,144	4,075	3,768	3,468	2,970
US	28	3,758	2,635	2,674	4,162	3,722

NEW PRODUCTS

	PRODUCT	TOTAL REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
CORE PRODUCTS	Abilify Maintena® (aripiprazole once-monthly)	209	2%	338%	Once-monthly intramuscular injection indicated for the treatment of schizophrenia. Lundbeck markets Abilify Maintena® in Europe and the US in collaboration with Otsuka. Launched in the US in 2013.
CORE PRODUCTS	Brintellix® (vortioxetine)	188	1%	-	Indicated for the treatment of MDD. Lundbeck markets Brintellix® in Europe and International Markets and the US in collaboration with Takeda as our co-promotion partner. Launched in the first markets in 2014.
CORE PRODUCTS	Northera™ (droxidopa)	24	-	-	Indicated for the treatment of symptomatic neurogenic orthostatic hypotension (NOH) in adult patients. Northera™ is the only FDA-approved therapy for this condition. Lundbeck markets Northera™ in the US and launched the product in September 2014.
CORE PRODUCTS	Onfi® (clobazam)	923	7%	61%	Indicated as adjunctive treatment of Lennox-Gastaut syndrome for people aged two years or older. Launched in the US in 2012.
CORE PRODUCTS	Selincro® (nalmefene)	59	-	520%	Indicated for the treatment of alcohol dependence. Launched in the first European markets in 2013.
OTHER PRODUCTS	Sabril® (vigabatrin)	716	5%	35%	Indicated for the treatment of refractory complex partial seizures in adults and children ten years of age and up and for infantile spasms (IS). Launched in the US in 2009.
OTHER PRODUCTS	Saphris®/Sycrest® (asenapine)	176	1%	21%	Indicated for the treatment of moderate-to-severe manic episodes associated with bipolar 1 disorder in Europe, and for the treatment of schizophrenia and/or moderate-to-severe manic episodes associated with bipolar 1 disorder outside Europe. Lundbeck retains commercial rights to Saphris/Sycrest in all markets outside China, Japan and the US. Launched in 2011.
OTHER PRODUCTS	Treanda® (bendamustine hydrochloride for injection)	212	2%	64%	Indicated for the treatment of patients with relapsed indolent B-cell non-Hodgkin's lymphoma (iNHL) and chronic lymphocytic leukaemia (CLL). Launched in Canada in 2012.
OTHER PRODUCTS	Xenazine® (tetrabenazine)	1,695	13%	19%	Indicated for the treatment of chorea associated with Huntington's disease. Launched in the US in 2008.

MATURE PRODUCTS

	PRODUCT	TOTAL REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
OTHER PRODUCTS	Azilect® (rasagiline)	1,497	11%	8%	Indicated for the treatment of Parkinson's disease. Lundbeck has the commercial rights to Azilect® in Europe (Lundbeck co-promotes the product with Teva Pharmaceutical Industries Ltd. in France and the UK) and in some markets outside Europe, including six Asian countries.
OTHER PRODUCTS	Cipralex® (escitalopram)	4,647	35%	(22%)	Indicated for the treatment of depression and anxiety. Cipralex® in Japan (Lexapro®) is marketed by Mochida Pharmaceutical Co. Ltd. and Mitsubishi Tanabe Pharma Corporation. Lundbeck markets Cipralex® in the rest of the world.
OTHER PRODUCTS	Ebixa® (memantine)	1,058	8%	(50%)	Indicated for the treatment of Alzheimer's disease. Lundbeck markets Ebixa® in most parts of the world with the exception of Japan and the US.

RESEARCH AND DEVELOPMENT

Lundbeck's R&D efforts are dedicated to creating new and innovative pharmaceuticals for the treatment of brain disease. Through investment and perseverance, we strive to create the very best treatments for patients. In 2014, our R&D investment amounted to 19%[1] of total revenue, and we reached a number of important milestones.

At year end 2014, Lundbeck had ten projects in R&D, ranging from early-stage research through to registration applications. While these new drug candidates may or may not eventually receive regulatory approval, getting potential new treatments into the clinical development phase is the foundation of possible future products. At the end of 2014, we employed approximately 1,300 people in our R&D units, including a substantial number of physicians and scientists holding graduate or post-graduate degrees, as well as many highly skilled technical personnel. The number of clinical studies underway has increased from 18 in 2011 to 29 in 2014. Lundbeck's R&D investment excluding the writedown of desmoteplase was DKK 2,493 million in 2014, DKK 2,872 million in 2013 and DKK 2,919 million in 2012.

R&D strategy

Lundbeck's R&D strategy is aimed at enabling the discovery and development of new pharmaceuticals targeting the underlying mechanisms of brain disease. This approach allows us to treat the symptoms more effectively and potentially also to alter the course of the diseases. The strategy requires comprehensive research regarding the brain and the biology and mechanisms of brain disease.

In addition to discovering and developing new products, Lundbeck's R&D operations seek to add value to our existing products by improving the evidence of their effectiveness and by discovering new uses or indications for them. Lundbeck manages R&D spending across the portfolio of molecules, and a delay in (or termination of) any one project will not necessarily cause a significant change in our total R&D spending. Innovation through our R&D operations is very important to our continued success. Our goal is to discover, develop and bring innovative products to the market that address major unmet medical needs. Lundbeck invests heavily in R&D because we believe it is critical to our long-term competitiveness.

Human pharmaceutical development is time-consuming, expensive and risky. On average, only one out of many thousands of molecules discovered by researchers ultimately becomes an approved medicine. The process from discovery to regulatory approval typically takes more than ten years. Drug candidates can fail at any stage of the process, and even late-stage drug candidates sometimes fail to receive regulatory approval or achieve commercial success. After approval and launch, Lundbeck typically allocates considerable resources to post-marketing surveillance and additional clinical studies to collect and understand the benefits and potential risks of the products as they are used in treatment.

Lundbeck's future research is focused on the three key biological areas:
- Neurodegeneration (gradual loss of neuronal structure or function)
- Neuroinflammation (inflammatory reactions in the brain)
- Synaptic transmission (transmission of signals between nerve cells)

These areas are relevant to a large number of brain diseases, including depression, schizophrenia and Parkinson's, Alzheimer's and Huntington's diseases.

To supplement our internal research efforts, we collaborate with others, including academic institutions and research-based pharmaceutical and biotechnology companies. We also seek out promising compounds and innovative technologies developed by third parties with the aim of incorporating them into our discovery and development processes and product lines – and we do this through collaboration, alliances, licence agreements, acquisitions and other arrangements. We use the services of physicians, hospitals, medical schools and other research organizations worldwide to conduct clinical trials to establish the safety and effectiveness of our human pharmaceutical products.

Our partnership structure allows us to run an extensive co-development on pipeline projects, particularly in our partnerships with Takeda and Otsuka. The structure enables Lundbeck to have several development projects running in tandem, and to invest considerably more than what is directly available from our own R&D resources.

R&D portfolio[2]

Lundbeck's R&D portfolio consists of a number of new pharmaceutical compounds in early-stage pipeline development, as well as important and promising clinical phase III candidates. The projects are targeting areas where we currently have a market presence, such as depression, anxiety and other psychiatric disorders, as well as neurological disorders such as Alzheimer's and Parkinson's diseases.

1) Excluding the writedown of desmoteplase.
2) For more information about our pipeline, please visit www.lundbeck.com.

LATE-STAGE PIPELINE

BREXPIPRAZOLE (FILED IN THE US, PHASE III IN EUROPE) – SCHIZOPHRENIA AND ADJUNCTIVE MAJOR DEPRESSIVE DISORDER (MDD)

What is brexpiprazole? Brexpiprazole (previously known as OPC-34712) is a novel investigational psychotherapeutic compound developed to provide improved efficacy and tolerability (e.g. less akathisia, restlessness and/or insomnia). Brexpiprazole is a serotonin-dopamine activity modulator (SDAM) acting as a partial agonist at 5-HT_{1A} and dopamine D_2 receptors at similar potency, and an antagonist at 5-HT_{2A} and noradrenaline alpha1B receptors. It is hypothesized to provide improved efficacy and tolerability over established adjunctive treatments for MDD. The compound is co-developed with Otsuka.

What has been achieved in 2014? Brexpiprazole was submitted (NDA) in the US for two indications, adjunctive treatment in depression and in schizophrenia in July 2014. In Europe, brexpiprazole is in clinical phase III testing. Clinical data presented towards the end of 2014 demonstrated that brexpiprazole with its favourable tolerability and safety profile has predictable outcomes due to low risk of sedation and activation side effects that can impair patients' functioning and that it significantly improves symptoms of both major depression (adjunctive) and schizophrenia. Additional clinical phase III trials include patients with agitation associated with dementia of the Alzheimer's type and adult patients with post-traumatic stress disorder.

Next milestone: FDA PDUFA (Prescription Drug User Fee Act) in July 2015.

IDALOPIRDINE (PHASE III) – ALZHEIMER'S DISEASE

What is idalopirdine? Idalopirdine (previously known as Lu AE58054) is a potent and selective 5-HT_6 receptor antagonist. The 5-HT_6 receptor is primarily found in areas of the brain involved in cognition. Early trials have demonstrated that 5-HT_6 has potential in the treatment of Alzheimer's disease, but also for other diseases that may lead to cognitive disturbances.

What has been achieved in 2014? Working with our partner Otsuka, we began a large clinical phase III programme towards the end of 2013 (ongoing) which aims to enrol more than 2,500 patients worldwide in four studies. Several doses of idalopirdine ranging from 10-60 mg will be used in combination with donepezil in order to explore the effect of the compound in mild-to-moderate Alzheimer's disease as adjunctive therapy to acetylcholinesterase inhibitors (AChEls). The key endpoints are Alzheimer's Disease Assessment Scale - Cognitive Subscale (ADAS-cog), Activities of Daily Living (ADL) and the Clinical Global Impression of Change Scale (CGIC).

Next milestone: Data read-out in 2016/2017.

BUSINESS DEVELOPMENT

One of the key components of Lundbeck's long-term growth strategy is business development in the form of in and out-licensing, mergers and acquisitions (M&A), and through a broad network of partners ranging from academic institutions to other pharmaceutical companies.

Lundbeck is constantly monitoring the field of brain disease for interesting research targets and investigating new commercial opportunities. In 2013 and 2014, we analyzed more than 150 different opportunities within the following areas:

- Late-stage preclinical and early-stage clinical assets with a focus on innovation within brain disease
- Products for the treatment of brain disease with differentiated clinical benefits
- Differentiated and/or underappreciated assets with a targeted commercial approach
- Assets with long exclusivity and strong intellectual property rights

Lundbeck is focused within the field of brain disease which is one of the most difficult therapeutic areas to develop new treatments for within the pharmaceutical industry. Lundbeck is a mid-sized pharmaceutical company on a global basis and one of our strengths has been our focus in one area to compensate for our smaller size compared to big pharma companies. At the same time we have always complemented our own research and development efforts with the in-licensing and acquisitions of external opportunities through business development activities, and that will continue to be an integrated part of our strategy to succeed in the future. Today and in the future, a major part of revenue for the company is expected to be generated by products that have been acquired externally through business development activities at varying stages of the products' lifecycle.

Business development strategy

Business development is an integrated part of the overall strategy at Lundbeck and is closely connected to our R&D strategy. Lundbeck has an ambitious business development strategy focusing on product/company acquisitions and strategic alliances to maximize shareholder value creation. Partnerships and acquisitions have expanded Lundbeck's access to global innovation and complemented our internal R&D know-how, helping us identify and evaluate external targets, molecules, capabilities and technologies which – together with our internal R&D progression – support the future growth strategy for the company. Lundbeck seeks opportunities to acquire or in-license commercial, near-commercial and development-stage products that would benefit from our commercial capabilities within brain disease. As well as implementing this strategy, Lundbeck has increasingly utilised partnerships as a way to share risks and costs as well as to gain access to innovation and assets. Lundbeck's governance structure has taken on greater importance with shared decision-making a priority where joint development, regulatory and management committees are a necessary prerequisite for a successful partnership.

Partnerships and alliances are crucial to Lundbeck's future operations and business growth by enabling the company to:

- Diversify disease targets
- Enhance and balance development and commercial portfolios
- Create knowledge sharing across the value chain
- Maximize global presence
- Capitalize on partner expertise/experience

Strategic alliances – the Otsuka-Lundbeck Alliance

Our partnership with Otsuka is an example of a strategic alliance. The successful partnership with Otsuka began in November 2011 – and to a large degree it represents how Lundbeck structures strategic partnerships. The Otsuka-Lundbeck alliance was formed to develop up to five innovative psychiatric and neurological products. At a time when many pharmaceutical companies are experiencing challenges to bring new treatments for brain disease to market, Otsuka and Lundbeck have worked together closely aligned with the objective to deliver new treatment options for patients. Lundbeck and Otsuka are two companies with distinguished track records in treating brain disease with a joint commitment to developing valuable and innovative treatments that benefit patients and their families.

Scientific partnerships

In order to secure access to the right skills and competencies, Lundbeck is increasingly entering into partnerships with external research groups and institutions, for example with Genmab A/S (Genmab), Vernalis plc (Vernalis) and New York University (NYU) as mentioned below, and creating flexibility by outsourcing activities where appropriate. We will continue to apply our in-house resources to the most critical and value-creating parts of our research and development efforts, thereby optimizing the returns on the funds we plough back into research and development.

In October 2010, Lundbeck entered into a partnership with Genmab to create and develop human antibody therapeutics for disorders of the central nervous system (CNS). Genmab creates novel human antibodies for three targets identified by Lundbeck, providing Lundbeck with access to Genmab's antibody creation and development capabilities, including its UniBody® platform. This is beneficial to Lundbeck, as we will have an option to take selected antibodies into clinical development, though at our own cost.

Vernalis, a UK-based development-stage pharmaceutical company with a highly developed competence within fragment and structure-based drug discovery, has been a valuable partner for Lundbeck since December 2010. Vernalis' particular competency combined with Lundbeck's expertise has successfully advanced one of our most important late-research-stage Parkinson's disease projects towards clinical trials.

Lundbeck started collaborating with Einar Sigurdsson's research group at the NYU in October 2011. Research in the Sigurdsson Laboratory focuses on pathogenesis, therapy and diagnosis of age-related degenerative diseases, in particular Alzheimer's disease (AD) and the group is a world leader in this field. The insights coming out of this collaboration have been key in progressing one of Lundbeck's most important research projects within AD.

YEAR	SELECTED BUSINESS DEVELOPMENT ACTIVITIES
2014	Northera™ – Chelsea Therapeutics International, Ltd. (acquisition)
2013	Idalopirdine and nalmefene for Japan – Otsuka Pharmaceutical Co., Ltd. (co-development and commercialization)
2012	Mature US products – Recordati S.p.A. (non-core divestiture) Selincro® – Biotie Therapies Corp. (equity investment)
2011	Abilify Maintena® and brexpiprazole – Otsuka Pharmaceutical Co., Ltd. (co-development and co-commercialization) Treanda® and other products – Cephalon, Inc. (in-licensing) Proximagen Limited (equity investment) Mature products – Akorn, Inc. (out-licensing)
2010	Saphris®/Sycrest® – Merck & Co., Inc. (in-licensing) KW6356 – Kyowa Hakko Kirin Co., Ltd. (in-licensing) LRRK2 – Vernalis plc (in-licensing) Genmab A/S (research collaboration)
2009	Ovation Pharmaceuticals, Inc. and LifeHealth, LLC (acquisitions)
2007	Circadin® – Neurim Pharmaceuticals Ltd. (in-licensing) Brintellix® – Takeda Pharmaceutical Company Limited (co-commercialization in the US and Japan)
2006	Nalmefene – Biotie Therapies Corp. (in-licensing) Saegis Pharmaceuticals, Inc. (acquisition)
2005	Desmoteplase – PAION AG (in-licensing)
2004	Gaboxadol® – Merck & Co., Inc. (co-development and co-commercialization) Bifeprunox® – Solvay Pharmaceuticals B.V. (in-licensing outside US, Canada, Mexico and Japan)
2003	Synaptic Pharmaceutical Corp. (acquisition)
2002	Cipralex® Italy – Recordati S.p.A. (co-marketing agreement) Tissue protective technology – Warren Pharmaceuticals, Inc. (in-licensing) Cipralex® Japan – Mochida Pharmaceutical Co., Ltd. (out-licensing) Lexapro® South America – Abbott Laboratories (marketing agreement) Cipramil® and Lexapro® China – Xian-Janssen Pharmaceutical Ltd. (promotion agreement)
2001	Copaxone® (sclerosis) – Teva Pharmaceutical Industries Ltd. (co-development and co-commercialization)
2000	Ebixa® – Merz Pharmaceuticals GmbH (in-licensing)

RISK MANAGEMENT

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

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

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

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

Risk reporting and assessment

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

Research and development risks

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

Market risks

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

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

Infrastructure, information technology and resource risks

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

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

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

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

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

Reputational risks

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

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

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

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

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

Legal risks

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

In 2012, Lundbeck received a Statement of Objections from the European Commission regarding citalopram agreements reached between 2002 and 2003 with four generic competitors. In June 2013, the European Commission decided to fine Lundbeck EUR 93.8 million (approximately DKK 700 million). We strongly disagree with the decision and lodged an appeal with the General Court in September 2013. We believe the decision contains serious legal and factual errors. Lundbeck expects a decision on the appeal within two years, but it could take as long as six years to reach a final ruling in the case.

Financial risks

Most of Lundbeck's commercial transactions are settled in foreign currencies. The main currency risk at the moment concerns fluctuations of the US dollar (USD), Japanese yen (JPY), British pound (GBP) and the Canadian dollar (CAD). Lundbeck's treasury policy allows the hedging of income in these currencies for up to 12 months. Accordingly, any change in exchange rates during 2015 will only have a small impact on our EBITDA for that year.

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

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

CORPORATE SOCIAL RESPONSIBILITY

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

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

1) http://www.lundbeck.com/global/CSR/report

CORPORATE GOVERNANCE

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

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

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

EXECUTIVE MANAGEMENT•

ANDERS GERSEL PEDERSEN

Executive Vice President, R&D

• Born 1951
• Joined Lundbeck in 2000

Directorships
• ALK-Abelló A/S
• Bavarian Nordic A/S
• Genmab A/S

Holding of shares
• 37,151

ANDERS GÖTZSCHE

Executive Vice President, CFO

• Born 1967
• Joined Lundbeck in 2007

Directorships
• Veloxis Pharmaceuticals A/S
• Rosborg Møbler A/S

Holding of shares
• 35,472

• Information at 31 December 2014

BOARD OF DIRECTORS•

HÅKAN BJÖRKLUND
Chairman with extended operational responsibilities

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

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

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

Holding of shares
- 1,662

CHRISTIAN DYVIG
Deputy Chairman

- Born 1964
- CEO of C.P. Dyvig & Co. A/S
- Elected at the 2011 AGM
- Considered dependent due to former relation to the Lundbeck Foundation

Lundbeck Committees
- Scientific Committee (M)

Directorships
- Kompan Holding A/S (C)
- FIH Erhvervsbank A/S (C)
- Selskabet af 31.12.2013 A/S (C)
- Kolor Invest A/S (C)
- Kwintet AB (DC)
- ALK-Abelló A/S (DC)
- FIH Holding

Holding of shares
- None

THORLEIF KRARUP

- Born 1952
- Elected at the 2004 AGM
- Related to the Lundbeck Foundation

Lundbeck Committees
- Audit Committee (C)

Directorships
- Falck A/S (C)
- Exiqon A/S (C)
- ALK-Abelló A/S
- Lundbeck Foundation
- Lundbeckfond Invest A/S
- UNA Invest ApS

Holding of shares
- 673

MELANIE G. LEE

- Born 1958
- Part time CSO BTG plc, and part time CEO NightstaRx Ltd
- Elected at the 2012 AGM
- Considered independent

Lundbeck Committees
- Scientific Committee (C)

Directorships
- None

Holding of shares
- 900

LARS RASMUSSEN

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

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

Directorships
- Axcel

Holding of shares
- None

TERRIE CURRAN

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

Lundbeck Committees
- Remuneration Committee (M)

Directorships
- None

Holding of shares
- None

MONA ELISABETH ELSTER

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

Holding of shares
- None

JØRN MAYNTZHUSEN

- Born 1966
- Senior Project Manager
- Elected by employees in 2008

Holding of shares
- 822

HENRIK SINDAL-JENSEN

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

Holding of Lundbeck shares
- None

• Information at 31 December 2014. For more information about the Board members and their competencies, please visit www.lundbeck.com.
AGM = Annual General Meeting, C = Chairman, DC = Deputy Chairman, M = Member

THE LUNDBECK SHARE

2014 was another eventful year for Lundbeck with a strong and mostly positive flow of news. For the Lundbeck share, 2014 was a more turbulent year with the share price ending at DKK 122.80.

The share price declined 10% in 2014 and ended the year at DKK 122.80. In comparison, the Danish capped index, OMXC20 CAP, increased 18%, and the MSCI European Pharmaceutical Index increased 13%.

Turnover
Total trading in Lundbeck shares amounted to DKK 7.1 billion in 2014, while the average daily turnover was DKK 28.5 million, which represents an increase of 7% compared to last year. A total of 51 million shares were traded in 2014, equivalent to 205,802 shares per day or a decrease of 16% compared to 2013.

Dividend
Lundbeck's dividend payout policy has traditionally been a dividend payout ratio of 25-35% of net profit, but it also takes into consideration our cash flow situation, aspirations, possible business development activities and general liquidity requirements. For 2014, the Board of Directors proposes no dividend payout due to the loss for the year.

Share capital
The Lundbeck share is listed on the Copenhagen Stock Exchange, NASDAQ Copenhagen. All shares belong to the same class and rank equally. The shares are negotiable and there are no restrictions on their transferability. Each share has a nominal value of DKK 5 and carries one vote. At the end of 2014, Lundbeck's total share capital amounted to DKK 981,944,375 which is the equivalent of 196,388,875 shares.

At the end of 2014, 3.8 million American Depositary Receipts (ADRs) were outstanding, representing 1.9% of the total shares or 6.4% of the free float.

Composition of shareholders
Lundbeck's shares are registered by name and entered in the register of shareholders. At the end of 2014, 29,406 registered shareholders held 98% of the share capital. The Lundbeck Foundation (LFI A/S) is the company's largest shareholder, holding 137,351,918 shares at the end of the year. This equals 70% of the share capital and voting rights of Lundbeck. The Lundbeck Foundation is the only shareholder to report a holding in excess of 5% of the share capital.

At the end of 2014, institutional investors in North America held 51% of the free float, compared to 25% in 2013, European (excluding Danish) institutional investors' share was 26%, compared to 27% in 2013, and Danish institutional investors held 5% of the total share capital, against 7% the previous year. The share of the free float held by private Danish investors was 15%, compared to 18% in 2013.

By year end, Lundbeck's Board of Directors and Executive Management held, directly and indirectly, a total of 4,057 and 72,623 Lundbeck shares respectively, corresponding to 0.04% of the total shares outstanding.

Lundbeck and the equity market
Lundbeck aspires to provide a fair and accurate view of its activities by providing ongoing communications with prospective and existing shareholders and equity analysts. Through regular meetings and dialogue, we convey relevant information about our vision and goals, business areas and financial development. In 2014, Lundbeck's Investor Relations team held around 250 meetings, primarily in Europe and the US, but also in Japan, and participated in more than ten investor conferences.

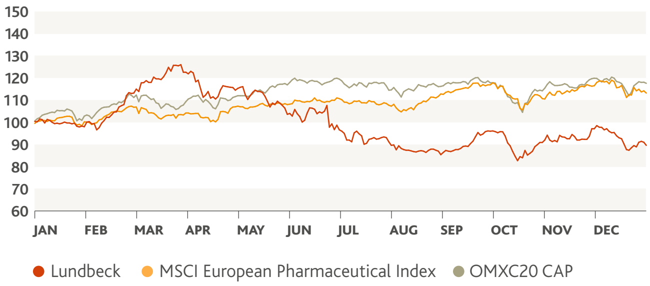
Lundbeck is currently covered by 18 sell-side analysts, including the major global investment banks that regularly produce research reports on Lundbeck. A list of analysts covering Lundbeck can be found on www.lundbeck.com.[1]

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

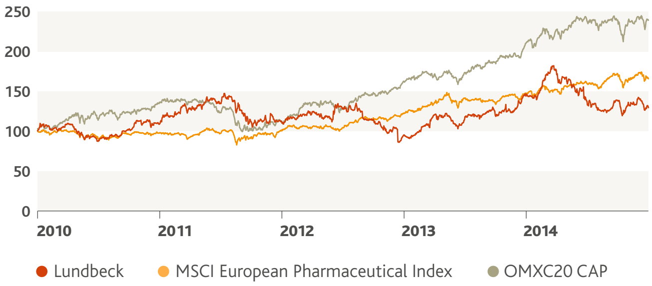
Each year, as Lundbeck's interim and full-year reports are announced, we conduct roadshows at which our Corporate Management Group and Investor Relations team inform investors and analysts about the company's latest developments. Our investor presentations are available to view on www.lundbeck.com.[2]

2) http://investor.lundbeck.com

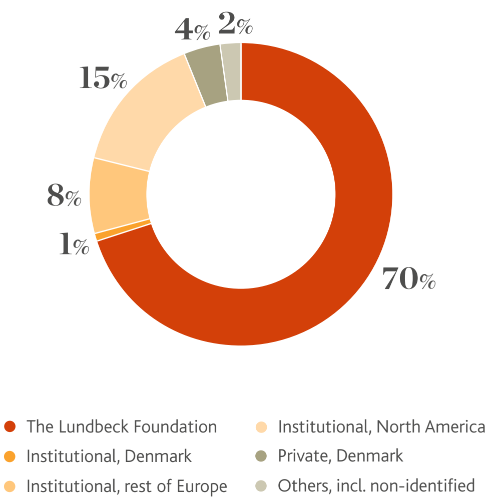
STOCK PERFORMANCE 2014



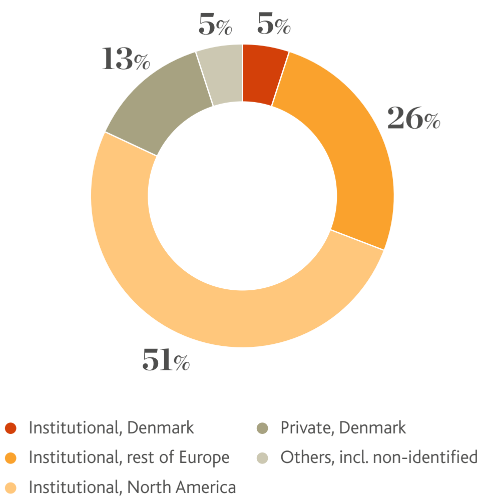
STOCK PERFORMANCE 2010-2014



COMPOSITION OF OWNERSHIP, END 2014



COMPOSITION OF FREE FLOAT OWNERSHIP, END 2014



FINANCIAL CALENDAR 2015

10 February 2015	Deadline for Lundbeck's receipt of shareholder proposals for the AGM
25 March 2015	AGM
6 May 2015	First quarter report 2015
19 August 2015	Second quarter report 2015
4 November 2015	Third quarter report 2015

CONTACT INVESTOR RELATIONS

Palle Holm Olesen
Vice President, Investor Relations

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

Jens Høyer
Specialist, Investor Relations

Tlf. +45 36 43 33 86
jshr@lundbeck.com

SHARE RATIOS

	2014	2013	2012	2011
Earnings per share (EPS) (DKK)	(0.78)	4.36	5.94	11.64
Diluted earnings per share (DEPS) (DKK)	(0.78)	4.36	5.94	11.64
Cash flow per share (DKK)	8.20	19.16	10.76	18.47
Net asset value per share (DKK)	68.85	68.66	67.29	65.12
Dividend (DKK)	0.00	2.77	2.00	3.49
Dividend payout ratio (%)	0	64	35	30
Dividend yield (%)	0.0	2.0	2.4	3.2
Market price, year end	122.80	137.00	82.90	108.00
High market price	173.6	141.7	128.0	139.7
Low market price	111.5	85.1	81.7	99.8
Price/Earnings	(157.78)	31.44	13.96	9.28
Price/Cash flow	14.98	7.15	7.70	5.85
Price/Net asset value	1.78	2.00	1.23	1.66
Market capitalization, year end (DKKbn)	24.12	26.88	16.26	21.18
Annual trading, million shares	51.0	60.6	65.9	62.1
Average trading per trading day, thousands of shares	205.8	244.3	264.6	243.4

SHARE FACTS

Number of shares, end 2014	196,388,875
Share capital, end 2014 (DKK)	981,944,375
Nominal value (DKK)	5
Holding of treasury shares	0
Free float (%)	30
IPO	18 June 1999
Stock exchange	NASDAQ Copenhagen
ISIN code	DK0010287234
Ticker	LUN.CO (Reuters), LUN DC (Bloomberg)
ADR programme	Sponsored level 1 programme
ADR trading code	HLUYY
Large indices	Dow Jones STOXX 600, FTSE4Good Europe

SUMMARY FOR THE GROUP 2010 - 2014

Income statement (DKKm)	2014	2013	2012	2011	2010
Revenue	13,468	15,258	14,802	16,007	14,765
Research and development costs	2,802	2,872	2,919	3,319	3,045
Operating profit before depreciation and amortization (EBITDA)	1,552	2,861	2,614	4,630	4,393
Profit from operations (EBIT)	99	1,599	1,726	3,395	3,357
Net financials	(155)	(127)	(65)	(96)	(68)
Profit/(loss) before tax	(56)	1,472	1,661	3,299	3,289
Profit/(loss) for the year	(153)	855	1,165	2,283	2,466

Assets (DKKm)					
Non-current assets	16,251	12,286	12,382	11,731	11,249
Inventories	1,991	1,893	1,730	1,634	1,491
Receivables	3,726	3,611	3,649	3,226	2,917
Cash and securities	3,669	5,859	3,802	3,943	2,348
Total assets	**25,637**	**23,649**	**21,563**	**20,534**	**18,005**

Equity and liabilities (DKKm)					
Equity	13,526	13,481	13,198	12,776	11,122
Non-current liabilities	4,909	3,650	3,384	3,062	2,836
Current liabilities	7,202	6,518	4,981	4,696	4,047
Total equity and liabilities	**25,637**	**23,649**	**21,563**	**20,534**	**18,005**

Cash flow statement (DKKm)					
Cash flows from operating activities	1,610	3,760	2,112	3,624	3,265
Cash flows from investing activities	(3,396)	(1,500)	(1,105)	(2,695)	(803)
Cash flows from operating and investing activities	(1,786)	2,260	1,007	929	2,462
Cash flows from financing activities	589	(141)	(719)	(746)	(2,162)
Interest-bearing net cash and cash equivalents at year end	326	3,699	1,893	2,023	430

Key figures					
EBITDA margin (%)	11.5	18.8	17.7	28.9	29.8
EBIT margin (%)	0.7	10.5	11.7	21.2	22.7
Return on capital employed (%)	2.5	11.4	12.6	25.3	27.6
Return on equity (%)	(1.1)	6.4	9.0	19.1	24.8
Research and development ratio (%)	20.8	18.8	19.7	20.7	20.6
Solvency ratio (%)	52.8	57.0	61.2	62.2	61.8
Capital employed (DKKm)	16,869	15,641	15,107	14,696	13,040
Capital turnover (%)	52.5	64.5	68.6	78.0	82.0
Effective tax rate (%)	(171.5)	41.9	29.9	30.8	25.0
Investments in intangible assets, gross (DKKm)	4,225	1,204	1,349	1,193	444
Investments in property, plant and equipment, gross (DKKm)	240	311	301	419	383
Investments in financial assets, gross (DKKm)	62	7	68	2,400	8
Average number of employees	5,665	5,530	5,639	5,690	5,689

SUMMARY FOR THE GROUP 2010 - 2014

CONTINUED

Share data	2014	2013	2012	2011	2010
Number of shares for the calculation of EPS (millions)[1]	196.3	196.1	196.1	196.1	196.1
Earnings per share (EPS) (DKK)[1]	(0.78)	4.36	5.94	11.64	12.57
Diluted earnings per share (DEPS) (DKK)[1]	(0.78)	4.36	5.94	11.64	12.57
Proposed dividend per share (DKK)[1]	0.00	2.77	2.00	3.49	3.77
Cash flow per share (DKK)[1]	8.20	19.16	10.76	18.47	16.64
Net asset value per share (DKK)[1]	68.85	68.66	67.27	65.12	56.70
Market capitalization (DKKm)	24,117	26,879	16,260	21,183	20,788
Price/Earnings (DKK)	(157.78)	31.44	13.96	9.28	8.43
Price/Cash flow (DKK)	14.98	7.15	7.70	5.85	6.37
Price/Net asset value (DKK)	1.78	2.00	1.23	1.66	1.87

Definitions	
Interest-bearing net cash	Cash and securities less interest-bearing debt
EBITDA margin[2]	Profit before interest, tax, depreciation and amortization as a percentage of revenue
EBIT margin[2]	Profit from operations as a percentage of revenue
Return on capital employed	Profit from operations plus financial income as a percentage of average capital employed
Return on equity[2]	Profit attributable to shareholders in the parent company as a percentage of average equity, H. Lundbeck A/S' shareholders
Solvency ratio[2]	Equity, year end, as a percentage of equity and liabilities, year end
Capital employed	Total equity and liabilities less non-interest bearing liabilities
Capital turnover	Revenue as a percentage of total assets, year end
Earnings per share (EPS)[2]	Profit attributable to shareholders in the parent company divided by average number of shares, excl. treasury shares
Diluted earnings per share (DEPS)[2]	Profit attributable to shareholders in the parent company divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Cash flow per share[2]	Cash flow from operating activities divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Net asset value per share[2]	Equity, H. Lundbeck A/S' shareholders, year end, divided by number of shares, year end, excl. treasury shares, incl. warrants, fully diluted
Market capitalization	Total number of shares, year end, multiplied by the official price quoted on NASDAQ Copenhagen, year end
Price/Earnings[2]	The official price quoted on NASDAQ Copenhagen, year end, divided by diluted earnings per share
Price/Cash flow[2]	The official price quoted on NASDAQ Copenhagen, year end, divided by cash flow per share
Price/Net asset value[2]	The official price quoted on NASDAQ Copenhagen, year end, divided by equity per share

1) The calculation is based on a share denomination of DKK 5.
2) Definitions according to the Danish Society of Financial Analysts' *Recommendations & Financial Ratios 2010*.

The comparative figures for 2010 have not been restated to reflect the changes in IAS 19 *Employee Benefits* effective from 1 January 2013.

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

INCOME STATEMENT

1 January – 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Revenue	2	13,468	15,258
Cost of sales	3, 15, 20	4,160	4,038
Gross profit		**9,308**	**11,220**
Sales and distribution costs	3, 15	4,868	4,200
Administrative expenses	3, 15, 16	1,539	2,549
Research and development costs	3, 15	2,802	2,872
Profit from operations (EBIT)		**99**	**1,599**
Financial income	17	310	154
Financial expenses	17	465	281
Profit/(loss) before tax		**(56)**	**1,472**
Tax on profit/(loss) for the year	8	97	617
Profit/(loss) for the year	9	**(153)**	**855**
Earnings per share (EPS) (DKK)	18	(0.78)	4.36
Diluted earnings per share (DEPS) (DKK)	18	(0.78)	4.36

STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Profit/(loss) for the year		**(153)**	**855**
Actuarial gains/losses	22	(50)	15
Tax	8	14	(4)
Items that will not subsequently be reclassified to profit or loss		**(36)**	**11**
Currency translation, foreign subsidiaries		332	(115)
Currency translation concerning additions to net investments in foreign subsidiaries		664	(145)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)		-	(8)
Adjustments, deferred exchange gains/losses, hedging		(102)	142
Exchange gains/losses, hedging (transferred to the hedged items)	24	85	(126)
Fair value adjustment of available-for-sale financial assets		(38)	(25)
Tax	8	(156)	38
Items that may subsequently be reclassified to profit or loss		**785**	**(239)**
Other comprehensive income	19	**749**	**(228)**
Comprehensive income		**596**	**627**

BALANCE SHEET — ASSETS

At 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Goodwill	4	4,076	3,680
Patent rights		5	5
Product rights		8,335	5,188
Other rights		127	120
Projects in progress		127	84
Intangible assets	5	**12,670**	**9,077**
Land and buildings		1,846	1,928
Plant and machinery		509	472
Other fixtures and fittings, tools and equipment		173	199
Prepayments and assets under construction		196	179
Property, plant and equipment	5	**2,724**	**2,778**
Available-for-sale financial assets		71	60
Other receivables		50	82
Deferred tax	10	736	289
Financial assets		**857**	**431**
Non-current assets		**16,251**	**12,286**
Inventories	20	**1,991**	**1,893**
Trade receivables	11	2,877	2,613
Corporate income taxes		253	167
Other receivables	11	391	584
Prepayments		205	247
Receivables		**3,726**	**3,611**
Securities	12	**18**	**1,042**
Cash	12	**3,651**	**4,817**
Current assets		**9,386**	**11,363**
Assets		**25,637**	**23,649**

BALANCE SHEET — EQUITY AND LIABILITIES

At 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Share capital	21	982	981
Share premium	21	252	232
Currency translation reserve		392	(441)
Currency hedging reserve		2	15
Retained earnings		11,898	12,694
Equity		**13,526**	**13,481**
Pension obligations and similar obligations	22	326	271
Deferred tax	10	1,193	1,132
Other provisions	13	131	106
Mortgage debt	23	2,139	2,131
Bank debt	23	1,117	-
Employee bonds and other debt		3	10
Non-current liabilities		**4,909**	**3,650**
Pension obligations and similar obligations	22	5	10
Other provisions	13	347	354
Mortgage debt	23	-	1
Bank debt	23	76	-
Employee bonds		8	18
Trade payables		4,930	4,119
Corporate income taxes		49	58
Other payables		1,787	1,958
Current liabilities		**7,202**	**6,518**
Liabilities		**12,111**	**10,168**
Equity and liabilities		**25,637**	**23,649**

STATEMENT OF CHANGES IN EQUITY

At 31 December 2014

	Notes	Share capital DKKm	Share premium DKKm	Currency translation reserve DKKm	Currency hedging reserve DKKm	Retained earnings DKKm	Equity DKKm
2014							
Equity at 01.01.		**981**	**232**	**(441)**	**15**	**12,694**	**13,481**
Profit/(loss) for the year		-	-	-	-	(153)	(153)
Other comprehensive income	19	-	-	833	(13)	(71)	749
Comprehensive income		**-**	**-**	**833**	**(13)**	**(224)**	**596**
Distributed dividends		-	-	-	-	(544)	(544)
Capital increase through exercise of warrants	21	1	20	-	-	-	21
Buyback of treasury shares	21	-	-	-	-	(70)	(70)
Incentive programmes	7	-	-	-	-	42	42
Other transactions		**1**	**20**	**-**	**-**	**(572)**	**(551)**
Equity at 31.12.		**982**	**252**	**392**	**2**	**11,898**	**13,526**
2013							
Equity at 01.01.		**980**	**226**	**(211)**	**3**	**12,200**	**13,198**
Profit/(loss) for the year		-	-	-	-	855	855
Other comprehensive income	19	-	-	(230)	12	(10)	(228)
Comprehensive income		**-**	**-**	**(230)**	**12**	**845**	**627**
Distributed dividends		-	-	-	-	(392)	(392)
Capital increase through exercise of warrants	21	1	6	-	-	-	7
Buyback of treasury shares	21	-	-	-	-	(7)	(7)
Incentive programmes	7	-	-	-	-	48	48
Other transactions		**1**	**6**	**-**	**-**	**(351)**	**(344)**
Equity at 31.12.		**981**	**232**	**(441)**	**15**	**12,694**	**13,481**

CASH FLOW STATEMENT

1 January – 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Profit from operations		99	1,599
Adjustment for non-cash operating items etc.		1,499	1,375
Working capital changes		440	1,079
Cash flows from operations before financial receipts and payments		**2,038**	**4,053**
Financial receipts		115	69
Financial payments		(176)	(158)
Cash flows from ordinary activities		**1,977**	**3,964**
Corporate income tax paid		(367)	(204)
Cash flows from operating activities		**1,610**	**3,760**
Acquisition of subsidiary[1]	5	(2,831)	-
Investments in intangible assets	5	(1,309)	(1,204)
Investments in property, plant and equipment	5	(240)	(311)
Sale of property, plant and equipment		8	5
Investments in financial assets		(62)	(7)
Sale of financial assets		1,038	17
Cash flows from investing activities		**(3,396)**	**(1,500)**
Cash flows from operating and investing activities		**(1,786)**	**2,260**
Loan proceeds		1,200	270
Buyback of treasury shares	21	(70)	(7)
Employee bonds		(18)	(19)
Capital contributions	21	21	7
Dividends paid in the financial year		(544)	(392)
Cash flows from financing activities		**589**	**(141)**
Change in cash		**(1,197)**	**2,119**
Cash at 01.01.		4,817	2,747
Unrealized currency translation adjustments for the year		31	(49)
Change in cash for the year		(1,197)	2,119
Cash at 31.12.	12	**3,651**	**4,817**
Interest-bearing net cash and cash equivalents is composed as follows:			
Cash	12	3,651	4,817
Securities	12	18	1,042
Interest-bearing debt		(3,343)	(2,160)
Interest-bearing net cash and cash equivalents at 31.12.		**326**	**3,699**

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

NOTE 1

1. CRITICAL ACCOUNTING POLICIES, INCLUDING ACCOUNTING ESTIMATES AND JUDGEMENTS

The consolidated financial statements of H. Lundbeck A/S have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2014. This includes the use of accounting estimates and judgements which affect the consolidated financial statements. Executive Management believes that the following accounting policies and accounting estimates and judgements are critical to the financial statements.

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

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

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

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

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

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

Acquisitions
Acquisitions are evaluated in order to determine whether they constitute a business combination in accordance with IFRS 3 *Business Combinations*. The evaluation is based on the input, processes and output of the acquisition.

Acquired assets and liabilities not considered part of a business combination are recognized at cost, i.e. no goodwill or bargain purchase gain is recognized.

The purchase price is allocated to the acquired assets and liabilities, including any tax assets associated with tax losses and tax credits carried forward. Transaction costs are capitalized as part of the purchase price.

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

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

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

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

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

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

NOTES 2-3

2. SEGMENT INFORMATION

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

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

2014	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Cipralex®	2,203	-	2,444	4,647
Azilect®	1,371	-	126	1,497
Xenazine®	23	1,672	-	1,695
Sabril®	-	716	-	716
Onfi®	-	923	-	923
Brintellix®	4	179	5	188
Treanda®	-	-	212	212
Ebixa®	572	-	486	1,058
Other pharmaceuticals	846	268	871	1,985
Other revenue				547
Total revenue	**5,019**	**3,758**	**4,144**	**13,468**
Of this amount:				
Downpayments and milestone payments				71
Royalty				167

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

2013	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Cipralex®	3,368	-	2,565	5,933
Azilect®	1,272	-	120	1,392
Xenazine®	26	1,394	-	1,420
Sabril®	-	530	-	530
Onfi®	-	573	-	573
Treanda®	-	-	129	129
Ebixa®	1,639	-	457	2,096
Other pharmaceuticals	759	138	804	1,701
Other revenue				1,484
Total revenue	**7,064**	**2,635**	**4,075**	**15,258**
Of this amount:				
Downpayments and milestone payments				1,112
Royalty				95

Of total revenue, DKK 36 million derived from sales in Denmark.

Non-current assets[1]	2014 DKKm	2013 DKKm
Denmark	6,819	6,087
USA	4,469	4,302
Other	4,149	1,471
Total	**15,437**	**11,860**

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

3. STAFF COSTS

Wages and salaries, etc.

	2014 DKKm	2013 DKKm
The year's staff costs break down as follows:		
Cost of sales	472	415
Sales and distribution costs	1,793	1,604
Administrative expenses	768	983
Research and development costs	1,038	974
Total	**4,071**	**3,976**

Executives[1]

	2014 DKKm	2013 DKKm
Short-term staff benefits	53	54
Pension benefits	8	9
Share-based payments	12	19
Total	**73**	**82**

1) Executives are individuals who report directly to the Executive Management.

Executive Management

	2014 DKKm	2013 DKKm
Short-term staff benefits	21	23
Severance package	18	-
Pension benefits	3	4
Share-based payments, net	3	8
Total	**45**	**35**

For most of 2014 and all of 2013, the Executive Management consisted of three members.

The total expensed remuneration of the CEO, who resigned in November 2014, amounted to DKK 22.0 million in 2014 (DKK 16.7 million in 2013). The amount for 2014 is composed of DKK 18.2 million covering the period of employment, a severance package of DKK 17.7 million and DKK 13.9 million which has been taken to income as the rights to share-based payments included in the remuneration have not vested. The remuneration includes short-term staff benefits, short-term incentive programmes, pension, benefits, and share-based payments.

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

NOTES 3-4

3. STAFF COSTS – CONTINUED

Board of Directors

The total remuneration of the Board of Directors for 2014 amounted to DKK 5.6 million (DKK 5.7 million in 2013). The amount includes remuneration for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2013), for participation in the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2013) and for participation in the Scientific Committee of DKK 0.6 million (DKK 0.7 million in 2013). The remuneration for 2014 is consistent with that presented at the Annual General Meeting held on 26 March 2014.

The members of the Board of Directors held a total of 4,057 Lundbeck shares at 31 December 2014 (9,559 shares in 2013).

The total remuneration of the chairman of the Board of Directors amounted to DKK 1.4 million (DKK 1.4 million in 2013), and the total remuneration of the deputy chairman of the Board of Directors amounted to DKK 0.9 million (DKK 1.0 million in 2013). The amounts include remuneration for participation in the Board committees.

Number of employees

	2014	2013
Average number of full-time employees in the financial year	**5,665**	**5,530**
Number of full-time employees at 31.12.		
Denmark	1,915	1,919
Abroad	3,896	3,599
Total	**5,811**	**5,518**

4. GOODWILL IMPAIRMENT TEST

The carrying amount of goodwill amounted to DKK 4,076 million (DKK 3,680 million in 2013). The annual impairment test is submitted to the Audit Committee for subsequent approval by the Board of Directors. Based on the impairment test performed in 2014, it was concluded that there is no need for writing down goodwill.

CGU definition

All subsidiaries are considered to be fully integrated in the Group. This includes Chelsea Therapeutics International, Ltd., the acquisition of which is considered a purchase of assets. Therefore, as a result of the CGU definition, goodwill is tested at an aggregated Group level.

Methodology

In the impairment test, the discounted expected future cash flows (value in use) for the CGU are compared to the carrying amounts of goodwill and other net assets. The future cash flows are based on Lundbeck's Financial Long-term Model (FLM) for the next 6 years with due consideration to patent expiry. The FLM provides insights into areas such as product launch strategies and operational plans, impact from loss of exclusivity and expected healthcare reforms, and pay-back from major investments, as well as expectations for the basic business. The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the terminal period. Negative growth is projected in the terminal period due to patent expiry. In addition, the four category elements in the table below are considered when determining the key parameters:

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

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

The calculation of the value in use for the Group is based on a discount rate of 11.9% (11.8% in 2013). The discount rate [WACC/(1 – tax rate)] and the applied cash flows are pre-tax figures. The calculation of the discount rate includes a market adjustment premium.

NOTE 5

5. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets	Goodwill DKKm	Patent rights DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Intangible assets DKKm
2014						
Cost at 01.01.	3,680	525	7,856	1,211	84	13,356
Currency translation	396	-	359	1	1	757
Transfer	-	-	3	48	(51)	-
Additions	-	-	4,103	29	93	4,225
Disposals	-	-	(10)	(72)	-	(82)
Cost at 31.12.	**4,076**	**525**	**12,311**	**1,217**	**127**	**18,256**
Amortization at 01.01.	-	520	2,668	1,091	-	4,279
Currency translation	-	-	236	1	-	237
Transfer	-	-	2	(2)	-	-
Amortization	-	-	848	70	-	918
Impairment	-	-	222	-	-	222
Disposals	-	-	-	(70)	-	(70)
Amortization at 31.12.	**-**	**520**	**3,976**	**1,090**	**-**	**5,586**
Carrying amount at 31.12.	**4,076**	**5**	**8,335**	**127**	**127**	**12,670**
2013						
Cost at 01.01.	3,818	525	6,860	1,192	48	12,443
Currency translation	(138)	-	(125)	(1)	-	(264)
Transfer	-	-	-	29	(28)	1
Additions	-	-	1,121	18	65	1,204
Disposals	-	-	-	(27)	(1)	(28)
Cost at 31.12.	**3,680**	**525**	**7,856**	**1,211**	**84**	**13,356**
Amortization at 01.01.	-	476	1,898	1,041	-	3,415
Currency translation	-	-	(60)	(1)	-	(61)
Amortization	-	6	620	77	-	703
Impairment	-	38	210	-	-	248
Disposals	-	-	-	(26)	-	(26)
Amortization at 31.12.	**-**	**520**	**2,668**	**1,091**	**-**	**4,279**
Carrying amount at 31.12.	**3,680**	**5**	**5,188**	**120**	**84**	**9,077**

1) Product rights amounting to DKK 2,531 million (DKK 2,632 million in 2013) relate to products not yet commercialized. Of this amount, product rights to brexpiprazole in various territories amounted to DKK 2,278 million (DKK 1,140 million in 2013).
2) Other rights and projects in progress include items such as the IT system SAP. The amounts include directly attributable internal expenses.

In 2014, Lundbeck purchased the Northera™ product rights by acquiring all shares in Chelsea Therapeutics International, Ltd. The purchase is considered a purchase of assets (i.e. not a business combination). The value of the product rights amounted to DKK 2,600 million at the time of purchase. The carrying amount at 31 December 2014 was DKK 2,770 million due to the development in the USD/DKK exchange rate. The remaining amortization period is 6 years.

NOTE 5

5. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Property, plant and equipment	Land and buildings[1] DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and assets under construction DKKm	Property, plant and equipment DKKm
2014					
Cost at 01.01.	3,933	1,563	1,001	179	6,676
Currency translation	49	8	5	-	62
Transfer	30	59	13	(102)	-
Additions	11	74	36	119	240
Disposals	(4)	(44)	(74)	-	(122)
Cost at 31.12.	**4,019**	**1,660**	**981**	**196**	**6,856**
Depreciation at 01.01.	2,005	1,091	802	-	3,898
Currency translation	37	7	3	-	47
Depreciation	134	97	67	-	298
Disposals	(3)	(44)	(64)	-	(111)
Depreciation at 31.12.	**2,173**	**1,151**	**808**	**-**	**4,132**
Carrying amount at 31.12.	**1,846**	**509**	**173**	**196**	**2,724**
2013					
Cost at 01.01.	3,844	1,468	1,051	213	6,576
Currency translation	(17)	(3)	(17)	(1)	(38)
Transfer	35	68	60	(164)	(1)
Additions	84	60	35	132	311
Disposals	(13)	(30)	(128)	(1)	(172)
Cost at 31.12.	**3,933**	**1,563**	**1,001**	**179**	**6,676**
Depreciation at 01.01.	1,914	1,027	842	-	3,783
Currency translation	(13)	(3)	(11)	-	(27)
Transfer	(18)	-	18	-	-
Depreciation	134	94	76	-	304
Disposals	(12)	(27)	(123)	-	(162)
Depreciation at 31.12.	**2,005**	**1,091**	**802**	**-**	**3,898**
Carrying amount at 31.12.	**1,928**	**472**	**199**	**179**	**2,778**

1) The carrying amount of pledged land and buildings at 31 December 2014 was DKK 1,707 million (DKK 1,688 million in 2013).

NOTES 6-7

6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Acquisition of Chelsea Therapeutics International, Ltd.
In the second quarter of 2014, Lundbeck completed the purchase of all shares in Chelsea Therapeutics International, Ltd. for USD 6.44 per share in cash and non-transferable contingent value rights (CVRs) that may pay up to an additional USD 1.50 per share upon achievement of certain sales milestones. The acquisition is considered a purchase of assets, consisting mainly of the Northera™ product rights and tax assets.

Joint taxation
H. Lundbeck A/S is part of a Danish joint taxation scheme with the Lundbeck Foundation. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to corporate income taxes etc. for the jointly-taxed companies. As from 1 July 2012, it has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company.

Pending legal proceedings
The Group is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of management, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain. See *Risk Management*, p. 19, for more details.

In June 2013, the European Commission issued a decision in which it found that, by entering into a few selected patent settlement agreements in 2002, Lundbeck had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, this decision was appealed by Lundbeck to the General Court. It may take up to 6 years for the courts to decide upon the matter. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

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

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

7. INCENTIVE PROGRAMMES

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

Equity-based schemes
In the 2014 financial year, equity-based incentive schemes consisted of warrants and shares granted in the years 2008-2014.

In May 2014, Lundbeck established a warrant scheme for the Executive Management. The Executive Management was granted 1,355,000 warrants in H. Lundbeck A/S. All of the warrants will vest 3 years after grant, subject to the Board of Directors' decision on vesting (taking into account e.g. the financial situation of the Lundbeck Group) and subject to the Executive Management members' continuing employment with the Lundbeck Group during the vesting period. The warrants may be exercised during certain windows 3-6 years after the date of grant. The market value of the warrants is calculated using the Black-Scholes method and is based on a volatility of 23.68%, a dividend yield of 2.00%, a risk free interest rate of 0.50%, a vesting period of 3 years and a share price of DKK 157.30. This translates into a fair value per warrant of DKK 26.06.

In June 2014, Lundbeck established a restricted share programme for key employees. 106 key employees were granted 204,985 restricted shares in H. Lundbeck A/S. All of the restricted shares will vest in 2017, 3 years after grant, subject to Lundbeck achieving its financial targets for vesting and subject to continued employment with the Lundbeck Group. The market value of the Restricted Share Units is calculated using the Black-Scholes method and is based on a volatility of 26.08%, a dividend yield of 2.00%, a risk free interest rate of 0.19%, a vesting period of 3 years and a share price of DKK 147.40. The fair value at the time of grant was DKK 138.81 per share.

In December 2014, 1 key employee was granted 717 restricted shares on terms and conditions similar to those that apply to the share scheme granted to employees in June 2014.

In June 2013, Lundbeck established a share scheme for the Executive Management and a number of key employees in Denmark and abroad. The Executive Management was granted 98,629 shares, and 110 key employees were granted 401,830 shares.

In December 2013, 17 key employees were granted 40,103 shares on terms and conditions similar to those that apply to the share scheme granted to key employees in June 2013.

The shares granted to the Executive Management and key employees in 2013 will vest 31 May 2016 subject to continuing employment with Lundbeck and Lundbeck achieving its financial targets. The fair value at the time of grant was DKK 110.70 per share.

Warrants and shares allocated to key employees in 2011 vested in 2014. Warrants and shares allocated to key employees in 2010 vested in 2013. In 2014, 26,952 warrants from the 2008 grant (5,383 warrants in 2013), 35,685 warrants from the 2009 grant (20,501 warrants in 2013), 52,754 warrants from the 2010 grant (34,641 warrants in 2013) and 76,448 warrants from the 2011 grant were exercised. The weighted average share price of exercised warrants was DKK 147.35 (DKK 122.17 in 2013).

NOTE 7

7. INCENTIVE PROGRAMMES — CONTINUED

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

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

Share schemes	2010	2010	2011	2011	2012	2012	2013	2014
Number of persons covered by the scheme	101	16	112	30	104	5	113	107
Total number of shares granted	96,355	6,334	156,360	383,602	230,503	15,178	540,562	205,702
Number of shares granted to the Executive Management	22,308	-	35,762	-	101,107	-	98,629	-
Vesting date	16.03.13	16.03.13	31.03.14	30.06.14	31.03.15	31.03.15	31.05.16	31.05.17
Fair value at the date of grant, DKK	99.55	95.70	121.20	114.29	113.20	99.05	110.70	138.81

Warrants	Executive Management Number	Executives Number	Other employees Number	Total Number	Average exercise price DKK
2014					
01.01.	637,167	462,082	1,144,659	2,243,908	112.92
Grant	1,355,000	-	-	1,355,000	141.00
Transfer	-	(76,691)	76,691	-	-
Exercise	-	(12,329)	(179,510)	(191,839)	110.02
Cancellation	(953,983)	(6,349)	-	(960,332)	131.43
31.12.	**1,038,184**	**366,713**	**1,041,840**	**2,446,737**	121.14
2013					
01.01.	637,167	462,082	1,266,227	2,365,476	111.94
Exercise	-	-	(60,525)	(60,525)	100.29
Cancellation	-	-	(61,043)	(61,043)	114.06
31.12.	**637,167**	**462,082**	**1,144,659**	**2,243,908**	112.92

Debt-based schemes
The debt-based schemes consist of Stock Appreciation Rights (SARs) and Restricted Cash Units (RCUs) awarded during the years 2008-2014.

A few key employees in the US subsidiaries were granted 10,543 RCUs in June 2014, (19,003 RCUs in June 2013) on terms and conditions similar to those that apply to the Restricted Share Unit programme granted in June 2014 (June 2013 for the grant made in 2013) to key employees of the parent company and its non-US subsidiaries. The RCUs will vest on 31 May 2017 (31 May 2016 for the grant made in 2013) subject to continuing employment with Lundbeck and Lundbeck achieving its financial targets, after which time they are settled. The size of the amount depends on the value of the Lundbeck share at the vesting date. The fair value per RCU at the time of grant was calculated at DKK 138.81 (DKK 110.70 for the grant made in 2013).

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

The SARs allocated in 2011 vested in 2014. The RCUs allocated in 2011 vested in 2014, after which time the scheme was settled. The SARs allocated in 2010 vested in 2013. The RCUs allocated in 2010 vested in 2013, after which time the scheme was settled.

NOTES 7-9

7. INCENTIVE PROGRAMMES — CONTINUED

Fair value, liability and expense recognized in the income statement
The warrants and shares granted are recognized in the income statement for 2014 at an expense corresponding to the fair value at the time of grant calculated according to the Black-Scholes method for the part of the vesting period that concerns 2014. The total expense recognized in respect of equity-based schemes amounted to DKK 42 million (DKK 48 million in 2013). The amount includes an income of DKK 14 million regarding grants which were cancelled as the vesting conditions were not met. At 31 December 2014, the fair value of equity-based schemes amounted to DKK 134 million (DKK 215 million in 2013).

The SARs granted are recognized in the income statement at an expense corresponding to the value adjustment for the year based on the Black-Scholes method, and the RCUs granted are recognized in the income statement at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share. The total expense recognized in respect of debt-based schemes amounted to DKK 3 million (DKK 8 million in 2013). The expense covers all debt-based schemes in force in 2014. At 31 December 2014, the total liability in respect of debt-based schemes amounted to DKK 5 million (DKK 11 million in 2013). The liability covers all debt-based schemes in force at 31 December 2014.

The total expense recognized in the income statement for all incentive programmes amounted to DKK 45 million for 2014 (DKK 56 million in 2013).

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

	2014 DKKm	2013 DKKm
Current tax	278	635
Prior-year adjustments, current tax	36	(90)
Prior-year adjustments, deferred tax	(41)	19
Change of deferred tax for the year	(41)	147
Change of deferred tax as a result of changed corporate income tax rates	7	(128)
Total tax for the year	**239**	**583**
Tax for the year is composed of:		
Tax on profit/(loss) for the year	97	617
Tax on other comprehensive income	142	(34)
Total tax for the year	**239**	**583**

Explanation of the Group's effective tax rate relative to the Danish tax rate	DKKm	%
2014		
Profit/(loss) before tax	**(56)**	
Calculated tax, 24.5%	(14)	24.5
Tax effect of:		
Differences in the tax rates of foreign subsidiaries from the Danish tax rate	32	(56.6)
Non-deductible expenses/non-taxable income and other permanent differences	106	(189.2)
Research and development incentives	(28)	49.3
Change in valuation of net tax assets	(1)	2.8
Change of deferred tax as a result of changed corporate income tax rates	7	(12.8)
Prior-year tax adjustments etc., total effect on operations	(5)	10.5
Effective tax rate for the year	**97**	**(171.5)**
2013		
Profit/(loss) before tax	**1,472**	
Calculated tax, 25.0%	368	25.0
Tax effect of:		
Differences in the tax rates of foreign subsidiaries from the Danish tax rate	66	4.5
Non-deductible expenses/non-taxable income and other permanent differences	145	9.9
Research and development incentives	22	1.5
Change in valuation of net tax assets	40	2.6
Fine from the European Commission	175	11.9
Change of deferred tax as a result of changed corporate income tax rates	(128)	(8.6)
Prior-year tax adjustments etc., total effect on operations	(71)	(4.9)
Effective tax rate for the year	**617**	**41.9**

9. DISTRIBUTION OF PROFIT

The Board of Directors proposes distribution of dividends for 2014 of 0% (64% in 2013) of the net profit for the year allocated to the shareholders of the parent company, equivalent to DKK 0 (DKK 543 million in 2013), or DKK 0.00 per share (DKK 2.77 per share in 2013). Profit for 2013 were adversely affected by the fine from the European Commission, which was considered to be an exceptional case. Consequently, the dividend pay-out ratio for 2013 was exceptionally high.

NOTE 10

10. DEFERRED TAX

Temporary differences between assets and liabilities as stated in the consolidated financial statements and in the tax base	Balance at 01.01. DKKm	Currency translation DKKm	Adjustment of deferred tax at beginning of year DKKm	Movements during the year DKKm	Balance at 31.12. DKKm
2014					
Intangible assets	5,190	118	56	(362)	5,002
Property, plant and equipment	449	(25)	(6)	(129)	289
Inventories	(60)	(11)	54	(4)	(21)
Other items	(917)	(163)	33	407	(640)
Provisions in subsidiaries	(107)	26	(70)	31	(120)
Tax loss carry-forwards etc.[1]	(531)	(1)	(164)	(679)	(1,375)
Total temporary differences	**4,024**	**(56)**	**(97)**	**(736)**	**3,135**
Deferred (tax assets)/tax liabilities[2]	942	(17)	(41)	(282)	602
Research and development incentives[1]	(99)	(22)	-	(24)	(145)
Deferred (tax assets)/tax liabilities	**843**	**(39)**	**(41)**	**(306)**	**457**
2013					
Intangible assets	4,220	(44)	-	1,014	5,190
Property, plant and equipment	436	9	(7)	11	449
Inventories	(204)	41	6	97	(60)
Other items	(537)	65	(78)	(367)	(917)
Provisions in subsidiaries	300	(1)	5	(411)	(107)
Tax loss carry-forwards etc.	(758)	20	266	(59)	(531)
Total temporary differences	**3,457**	**90**	**192**	**285**	**4,024**
Deferred (tax assets)/tax liabilities[2]	891	82	24	(55)	942
Research and development incentives	(177)	9	(5)	74	(99)
Deferred (tax assets)/tax liabilities	**714**	**91**	**19**	**19**	**843**

1) Movements during the year includes additions from the acquisition of Chelsea Therapeutics International, Ltd. of DKK 272 million not recognized in the income statement.
2) Movements during the year includes an increase in deferred tax of DKK 7 million (a reduction of DKK 128 million in 2013) as a result of changed corporate income tax rates.

Deferred (tax assets)/tax liabilities	2014 Deferred tax assets DKKm	2014 Deferred tax liabilities DKKm	2014 Net DKKm	2013 Deferred tax assets DKKm	2013 Deferred tax liabilities DKKm	2013 Net DKKm
Intangible assets	(3)	1,279	1,276	(36)	1,362	1,326
Property, plant and equipment	(89)	119	30	(80)	145	65
Inventories	(86)	68	(18)	(91)	48	(43)
Other items	(454)	313	(141)	(483)	322	(161)
Provisions in subsidiaries	(39)	-	(39)	(28)	-	(28)
Tax loss carry-forwards etc.	(507)	-	(507)	(217)	-	(217)
Research and development incentives	(144)	-	(144)	(99)	-	(99)
Deferred (tax assets)/tax liabilities	**(1,322)**	**1,779**	**457**	**(1,034)**	**1,877**	**843**
Set off within legal tax entities and jurisdictions	586	(586)	-	745	(745)	-
Total net deferred (tax assets)/tax liabilities	**(736)**	**1,193**	**457**	**(289)**	**1,132**	**843**

Of the recognized deferred tax assets, DKK 651 million (DKK 316 million in 2013) related to tax losses etc. and research and development incentives to be carried forward. Utilization of these is based on future positive taxable income that exceeds realization of the deferred tax liabilities.

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

NOTES 10-12

10. DEFERRED TAX — CONTINUED

Unrecognized deferred tax assets	2014 DKKm	2013 DKKm
Unrecognized deferred tax assets at 01.01.	265	281
Prior-year adjustments	(22)	(22)
Additions	232	17
Utilized	(13)	(11)
Unrecognized deferred tax assets at 31.12.	**462**	**265**

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

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2014 DKKm	2013 DKKm
Trade receivables		
Receivables	2,966	2,674
Writedowns	(89)	(61)
Total	**2,877**	**2,613**
Due dates of trade receivables not written down		
Not due	2,537	2,238
Overdue by up to 3 months	283	240
Overdue by more than 3 months and up to 6 months	16	79
Overdue by more than 6 months and up to 12 months	28	21
Overdue by more than 12 months	13	35
Total	**2,877**	**2,613**

Other receivables amounted to DKK 391 million (DKK 584 million in 2013), the vast majority of which were not yet due. No writedowns were made as no losses are expected on other receivables.

Credit risks
Lundbeck's products are sold primarily to distributors of pharmaceuticals and to hospitals. Historically, losses sustained on debtors have been insignificant. This was also the case in 2014. Writedowns in 2014 were slightly higher than in 2013.

The Group has no particular customer concentration and no significant reliance on specific customers. Lundbeck has defined internal procedures to be followed in connection with the establishment of new customer relationships and changes to existing relationships. The purpose of these procedures is to ensure that the risk of losses is reduced to the extent possible.

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

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

In recent years, Lundbeck has experienced significant price reductions in several countries in Europe, where higher debts and high unemployment have compelled governments to identify savings in their public budgets, also targeting spend on medicines.

Furthermore, increased market access hurdles by local authorities for Lundbeck's new generation of pharmaceuticals have delayed access to the markets, thus impairing Lundbeck's earnings potential for the new products in the finite period of exclusivity. Lundbeck expects that these conditions will continue in 2015 and 2016.

12. CASH RESOURCES

	2014 DKKm	2013 DKKm
Fixed-term deposits	2,189	3,821
Other cash resources	1,462	996
Cash at 31.12.	**3,651**	**4,817**
Securities with a maturity of less than 3 months[1]	-	14
Securities with a maturity of more than 3 months[1]	18	1,028
Securities at 31.12.	**18**	**1,042**
Cash and securities at 31.12.	**3,669**	**5,859**

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

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

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

Pursuant to its treasury policy, Lundbeck must be capable of raising a minimum of DKK 1 billion at 2 weeks' notice. If this amount is not available in cash, fixed-term deposits or bonds, Lundbeck will enter into committed credit facilities with its banking partners.

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

Lundbeck operates in an industry characterized by frequent shifts in the market situation that may involve the need for in-licensing and acquisition activities.

In 2013, Lundbeck obtained a committed credit facility of EUR 150 million with the EIB (European Investment Bank) and a committed credit facility of EUR 75 million with NIB (Nordic Investment Bank). The facility with EIB was fully drawn at 31 December 2014. The facility with NIB was undrawn at 31 December 2014 and has a drawing right of 18 months from 3 December 2013.

NOTES 12-14

12. CASH RESOURCES — CONTINUED

In addition, Lundbeck has a number of uncommitted credit facilities to cover its day-to-day operations.

Furthermore, Lundbeck manages its capital structure based on a wish to carry an investment grade rating. A number of financial institutions indicate that Lundbeck's calculated implied rating would be of an investment grade nature.

Liquidity exceeding the requirement for business development and general business purposes is primarily distributed as dividends. Lundbeck pursues a policy of distributing between 25% and 35% of the profit for the year as dividends, but may deviate from this policy in exceptional cases.

Other than minor operational changes, no changes were made to Lundbeck's treasury policy compared with 2013.

13. OTHER PROVISIONS

	Returns DKKm	Other provisions DKKm	Total DKKm
2014			
Provisions at 01.01.	43	417	460
Currency translation	7	8	15
Provisions charged	72	169	241
Provisions used	(19)	(203)	(222)
Unused provisions reversed	(1)	(15)	(16)
Provisions at 31.12.	**102**	**376**	**478**
Provisions break down as follows:			
Non-current provisions	39	92	131
Current provisions	63	284	347
Provisions at 31.12.	**102**	**376**	**478**
2013			
Provisions at 01.01.	56	370	426
Currency translation	(2)	(4)	(6)
Provisions charged	25	276	301
Provisions used	(27)	(207)	(234)
Unused provisions reversed	(9)	(18)	(27)
Provisions at 31.12.	**43**	**417**	**460**
Provisions break down as follows:			
Non-current provisions	14	92	106
Current provisions	29	325	354
Provisions at 31.12.	**43**	**417**	**460**

The provisions cover expenses for e.g. disputes, returns, the restructuring of the administrative processes in Europe initiated in 2013 and of the commercial organization in Europe initiated in 2012.

Of the total provisions at 31 December 2014, DKK 5 million (DKK 11 million in 2013) related to share price-based incentive programmes (debt schemes). Further details about the incentive programmes are provided in note 7 *Incentive programmes*.

14. CONTRACTUAL OBLIGATIONS

Rental and lease obligations

The Group has obligations amounting to DKK 411 million (DKK 454 million in 2013) in the form of rentals and leasing of operating equipment.

Future rental and lease payments	Land and buildings DKKm	Operating equipment DKKm	Total DKKm
2014			
Within 1 year	91	46	137
Between 1 and 5 years	179	70	249
After 5 years	25	-	25
Total	**295**	**116**	**411**
2013			
Within 1 year	90	48	138
Between 1 and 5 years	217	62	279
After 5 years	37	-	37
Total	**344**	**110**	**454**

Rental and lease payments recognized in the income statement amounted to DKK 168 million (DKK 171 million in 2013).

Other purchase obligations

The Group has undertaken purchase obligations in the amount of DKK 353 million (DKK 274 million in 2013).

Research and development milestones and collaborations

Research and development milestone obligations amounted to DKK 2,485 million (DKK 1,096 million in 2013). The total amount of the milestone obligations may increase in line with the development of the projects.

In addition, the Group is part of multi-year research and development collaboration projects comprising minimum collaboration obligations in the order of DKK 37 million (DKK 52 million in 2013).

Other contractual obligations

The Group has entered into various service agreements amounting to DKK 92 million (DKK 124 million in 2013).

At 31 December 2014, the Group had capital contribution obligations amounting to DKK 6 million (DKK 8 million in 2013).

NOTES 15-18

15. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

	2014 DKKm	2013 DKKm
Amortization, depreciation and impairment are specified as follows:		
Cost of sales	985	979
Sales and distribution costs	34	26
Administrative expenses	68	65
Research and development costs	366	192
Total	**1,453**	**1,262**

The decision to cease the development of desmoteplase resulted in an impairment loss of DKK 222 million related to the desmoteplase product rights. The impairment loss was recognized in amortization, depreciation and impairment under research and development costs in 2014. Consequently, the carrying amount of the product rights is DKK 0.

In addition, the decision resulted in a DKK 87 million writedown of research and development materials previously recognized under prepayments. This writedown was recognized in research and development costs.

The total impairment loss and writedown for desmoteplase recognized in research and development costs was DKK 309 million in 2014.

In 2013, an impairment loss on the Sycrest® product rights totalling DKK 210 million was recognized in cost of sales. Furthermore, an impairment loss on patent rights totalling DKK 38 million was recognized in research and development costs. The recoverable amounts were calculated on the basis of management's re-assessed estimate of the value in use of the assets.

16. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2014 DKKm	2013 DKKm
Statutory audit	8	7
Tax consulting	1	1
Other services	18	14
Total	**27**	**22**

In 2013 and 2014, other services included one-off advisory services provided by Deloitte, which have been evaluated by the Audit Committee as not impairing the independence of the external audit services provided.

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

17. NET FINANCIALS

	2014 DKKm	2013 DKKm
Net interest gains on financial assets and financial liabilities measured at amortized cost	(79)	(66)
Net exchange gains	(65)	(55)
Net gains on financial assets measured at fair value through profit or loss	1	1
Net gains on other financial items	(12)	(7)
Net financials	**(155)**	**(127)**

Interest income on financial assets measured at amortized cost amounted to DKK 14 million (DKK 16 million in 2013), and interest expenses on financial liabilities measured at amortized cost amounted to DKK 93 million (DKK 82 million in 2013).

18. EARNINGS PER SHARE

	2014	2013
Profit/(loss) for the year (DKKm)	**(153)**	**855**
Average number of shares ('000 shares)	196,309	196,143
Average number of treasury shares ('000 shares)	(55)	(6)
Average number of shares excl. treasury shares ('000 shares)	**196,254**	**196,137**
Average number of warrants, fully diluted ('000 warrants)	135	47
Average number of shares, fully diluted ('000 shares)	**196,389**	**196,184**
Earnings per share (EPS) (DKK)	**(0.78)**	**4.36**
Diluted earnings per share (DEPS) (DKK)	**(0.78)**	**4.36**

The warrants granted in 2008, 2009, 2010 and 2011 have vested. At 31 December 2014, 766,032 warrants were exercisable, and the weighted average exercise price of these warrants was DKK 111.40. At 31 December 2013, a total of 539,417 warrants relating to the 2008, 2009 and 2010 grants were exercisable. The weighted average exercise price of these warrants was DKK 103.46.

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

See note 7 *Incentive programmes* for additional information on incentive programmes.

NOTE 19

19. OTHER COMPREHENSIVE INCOME

	Before tax DKKm	Tax DKKm	After tax DKKm
2014			
Other comprehensive income recognized under currency translation reserve in equity is specified as follows:			
Currency translation, foreign subsidiaries	332	-	332
Currency translation concerning additions to net investments in foreign subsidiaries	664	(163)	501
Total	**996**	**(163)**	**833**
Other comprehensive income recognized under currency hedging reserve in equity is specified as follows:			
Adjustments, deferred exchange gains/losses, hedging	(102)	25	(77)
Exchange gains/losses, hedging (transferred to the income statement)	30	(7)	23
Exchange gains/losses, hedging (transferred to the balance sheet)	55	(14)	41
Total	**(17)**	**4**	**(13)**
Other comprehensive income recognized under retained earnings in equity is specified as follows:			
Fair value adjustment of available-for-sale financial assets	(38)	3	(35)
Actuarial gains/losses	(50)	14	(36)
Total	**(88)**	**17**	**(71)**
Recognized in other comprehensive income	**891**	**(142)**	**749**
2013			
Other comprehensive income recognized under currency translation reserve in equity is specified as follows:			
Currency translation, foreign subsidiaries	(115)	-	(115)
Currency translation concerning additions to net investments in foreign subsidiaries	(145)	36	(109)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)	(8)	2	(6)
Total	**(268)**	**38**	**(230)**
Other comprehensive income recognized under currency hedging reserve in equity is specified as follows:			
Adjustments, deferred exchange gains/losses, hedging	142	(36)	106
Exchange gains/losses, hedging (transferred to the income statement)	(123)	31	(92)
Exchange gains/losses, trading (transferred to net financials)	(3)	1	(2)
Total	**16**	**(4)**	**12**
Other comprehensive income recognized under retained earnings in equity is specified as follows:			
Fair value adjustment of available-for-sale financial assets	(25)	4	(21)
Actuarial gains/losses	15	(4)	11
Total	**(10)**	**-**	**(10)**
Recognized in other comprehensive income	**(262)**	**34**	**(228)**

Currency translation regarding foreign subsidiaries, a gain of DKK 332 million (a loss of DKK 115 million in 2013), and currency translation concerning additions to net investments in foreign subsidiaries, a gain of DKK 664 million (a loss of DKK 145 million in 2013), is primarily driven by the development in the USD/DKK exchange rate.

NOTES 20-22

20. INVENTORIES

	2014 DKKm	2013 DKKm
Raw materials and consumables	225	162
Work in progress	455	495
Finished goods and goods for resale	1,311	1,236
Total	**1,991**	**1,893**
Indirect costs of production	**335**	**310**
Impairment loss for the year	**19**	**58**
Inventories calculated at net realizable value	**4**	**5**

The total cost of goods sold included in cost of sales amounted to DKK 2,609 million (DKK 2,309 million in 2013).

21. SHARE CAPITAL

The share capital of DKK 982 million at 31 December 2014 is divided into 196,388,875 shares of a nominal value of DKK 5 each.

Share capital	2014 DKKm	2013 DKKm	2012 DKKm	2011 DKKm	2010 DKKm
Share capital at 01.01.	981	980	980	980	980
Exercise of warrants	1	1	-	-	-
Share capital at 31.12.	**982**	**981**	**980**	**980**	**980**

Issued shares	2014 Number	2013 Number
Issued shares at 01.01.	196,197,036	196,136,511
Increase of share capital	191,839	60,525
Issued shares at 31.12.	**196,388,875**	**196,197,036**

Treasury shares	Shares of DKK 5 nom. Number	Nominal value DKKm	Proportion of share capital %	Cost DKKm
2014				
Shareholding at 01.01.	-	-	-	-
Share buyback	459,072	2	0.23	70
Shares used for financing of incentive programmes	(459,072)	(2)	(0.23)	(70)
Shareholding at 31.12.	-	-	-	-
2013				
Shareholding at 01.01.	434	-	-	-
Share buyback	72,702	-	0.04	7
Shares used for financing of incentive programmes	(73,136)	-	(0.04)	(7)
Shareholding at 31.12.	-	-	-	-

The parent company has only one class of shares, and all shares rank equally. The shares are negotiable instruments with no restrictions on their transferability.

The Board of Directors is authorized to issue new shares and raise the share capital of the parent company, as set out in article 4 of the parent company's Articles of Association.

The share capital is in compliance with the capital requirements of the Danish Companies Act and the rules of NASDAQ Copenhagen.

In 2014, the parent company acquired treasury shares at a value of DKK 70 million (DKK 7 million in 2013), corresponding to 459,072 shares (72,702 shares in 2013). The shares were acquired to finance Lundbeck's long-term incentive programmes established in 2011. A total of 459,072 shares were used for this purpose in 2014. In 2013, 73,136 shares were used to finance Lundbeck's long-term incentive programme established in 2010. At 31 December 2014, the portfolio of treasury shares counted 0 shares (0 shares in 2013).

In 2014, employees exercised warrants totalling DKK 21 million (DKK 7 million in 2013). The share premium in this connection was DKK 20 million (DKK 6 million in 2013). The share premium totalling DKK 252 million at 31 December 2014 (DKK 232 million in 2013) relates to the exercise of warrants in 2014 and earlier.

22. PENSION OBLIGATIONS AND SIMILAR OBLIGATIONS

Defined contribution plans

The major defined contribution plans cover employees in Australia, Belgium, Canada, Denmark, Finland, Germany, the Netherlands, Sweden, the UK and the US. The cost of defined contribution plans, representing contributions to the plans, amounted to DKK 198 million in 2014 (DKK 189 million in 2013).

Defined benefit plans

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

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

Pension obligations and similar obligations	2014 DKKm	2013 DKKm
Present value of funded pension obligations	394	340
Fair value of plan assets	(291)	(251)
Funded pension obligations, net	**103**	**89**
Present value of unfunded pension obligations	183	144
Pension obligations at 31.12.	**286**	**233**
Other pension-like obligations	45	48
Pension obligations and similar obligations at 31.12.	**331**	**281**
Pension obligations and similar obligations break down as follows:		
Non-current obligations	326	271
Current obligations	5	10
Pension obligations and similar obligations at 31.12.	**331**	**281**

NOTE 22

22. PENSION OBLIGATIONS AND SIMILAR OBLIGATIONS — CONTINUED

Assumptions for the most important plans	2014 %	2013 %
Discount rate	2.20-3.70	3.40-4.20
Inflation rate	2.10-2.20	2.20-2.40
Pay rate increase	2.40-4.10	2.40-4.40
Pension increase	2.20-3.00	2.20-3.40
Age-weighted staff resignation rate	0-8	0-8
Expected return on plan assets	3.70	4.20

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate and inflation rate. An increase in the discount rate of 0.25 of a percentage point results in a decrease in the obligation of approximately DKK 23 million (DKK 20 million in 2013) and vice versa. An increase in the inflation rate of 0.25 of a percentage point results in an increase in the obligation of approximately DKK 7 million (DKK 6 million in 2013) and vice versa. The sensitivity analysis indicates how the development in the obligation would be as a result of a change in the individual assumptions. However, the assumptions will most likely be correlated and consequently result in a different obligation.

	2014 DKKm	2013 DKKm
The fair value of the plan assets breaks down as follows:		
Shares	35	21
Bonds	39	35
Property	12	8
Insurance contracts	199	180
Other assets	6	7
Total	**291**	**251**

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

	2014 DKKm	2013 DKKm
Change in present value of funded pension obligations		
Present value of funded pension obligations at 01.01.	340	350
Currency translation	16	(11)
Past service costs	1	-
Pension expenses	7	9
Interest expenses relating to the obligations	13	12
Experience adjustments	(6)	(3)
Adjustments relating to financial assumptions	33	(4)
Adjustments relating to demographic assumptions	-	(5)
Disbursements	(12)	(10)
Employee contributions	2	2
Present value of funded pension obligations at 31.12.	**394**	**340**

	2014 DKKm	2013 DKKm
Change in fair value of plan assets		
Fair value of plan assets at 01.01.	251	243
Currency translation	11	(7)
Interest income on plan assets	10	8
Experience adjustments	11	(1)
Administration fees	(1)	(1)
Contributions	19	17
Disbursements	(12)	(10)
Employee contributions	2	2
Fair value of plan assets at 31.12.	**291**	**251**
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations at 01.01.	144	144
Pension expenses	4	4
Interest expenses relating to the obligations	5	4
Experience adjustments	3	(2)
Adjustments relating to financial assumptions	31	(2)
Disbursements	(4)	(4)
Present value of unfunded pension obligations at 31.12.	**183**	**144**
Specification of expenses recognized in the income statement		
Pension expenses	12	13
Finance costs	8	8
Administration fees	1	1
Total	**21**	**22**
Specification of amount recognized in the statement of comprehensive income		
Actuarial (gains)/losses	50	(15)
Total	**50**	**(15)**
Realized return on plan assets	**21**	**7**

For the unfunded defined benefit plans, the benefit is paid directly by the company. For funded defined benefit plans, the future contribution depends in some countries upon the development in salaries, administrative fees and regular premiums, and in other countries the contribution depends on the surplus/deficit according to local requirements. The weighted average duration of the obligation is 17 years (17 years in 2013). The expected contribution for 2015 for the defined benefit plans is DKK 24 million (DKK 23 million for 2014).

Other pension-like obligations

An obligation of DKK 45 million (DKK 48 million in 2013) was recognized in the Group to cover other pension-like obligations, including primarily termination benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

NOTE 23

23. MORTGAGE AND BANK DEBT

Mortgage debt

	2014 DKKm	2013 DKKm
Mortgage debt by maturity		
Within 1 year from the balance sheet date	-	1
Between 1 and 2 years from the balance sheet date	62	1
Between 2 and 3 years from the balance sheet date	71	56
Between 3 and 4 years from the balance sheet date	98	65
Between 4 and 5 years from the balance sheet date	99	92
More than 5 years from the balance sheet date	1,809	1,917
Mortgage debt at 31.12.	**2,139**	**2,132**
Mortgage debt breaks down as follows:		
Non-current liabilities	2,139	2,131
Current liabilities	-	1
Mortgage debt at 31.12.	**2,139**	**2,132**

	Currency	Expiry	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2014							
Mortgage debt, bond loan	DKK	2035	Floating	1.50	1,416	1,450	1,474
Mortgage debt, bond loan	DKK	2037	Floating	1.10	439	440	428
Mortgage debt, bond loan	DKK	2037	Floating	1.10	272	283	275
Mortgage debt, bond loan	DKK	2034	Floating	0.83	12	12	12
Total					**2,139**	**2,185**	**2,189**
2013							
Mortgage debt, bond loan	DKK	2035	Floating	2.54	1,414	1,481	1,526
Mortgage debt, bond loan	DKK	2037	Floating	1.16	438	440	426
Mortgage debt, bond loan	DKK	2037	Floating	1.16	268	283	274
Mortgage debt, bond loan	DKK	2034	Floating	0.92	10	10	10
Mortgage debt, bond loan	DKK	2034	Floating	0.94	2	2	2
Total					**2,132**	**2,216**	**2,238**

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

Bank debt

	2014 DKKm	2013 DKKm
Bank debt by maturity		
Within 1 year from the balance sheet date	76	-
Between 4 and 5 years from the balance sheet date	1,117	-
Bank debt at 31.12.	**1,193**	**-**
Bank debt breaks down as follows:		
Non-current liabilities	1,117	-
Current liabilities	76	-
Bank debt at 31.12.	**1,193**	**-**

NOTE 23-24

23. MORTGAGE AND BANK DEBT — CONTINUED

	Currency	Expiry	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
2014							
Bank loan	EUR	2019	Floating	1.23	1,117	1,117	1,117
Overdraft facilities	Various	-	Floating	0.86	76	76	76
Total					**1,193**	**1,193**	**1,193**

2013

There was no bank debt at 31 December 2013.

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

24. FINANCIAL INSTRUMENTS

Foreign currency risks

Foreign currency management is handled centrally by the parent company. Currency management focuses on risk minimization and is carried out in conformity with the treasury policy as approved by the Board of Directors.

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

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

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

Net forward exchange contracts and currency options outstanding

Hedging

Forward exchange contracts	Contract value according to hedge accounting DKKm	Exchange gains/losses recognized under other comprehensive income DKKm	Exchange gains/losses recognized in the income statement/ balance sheet DKKm	Average hedge prices of existing forward exchange contracts DKK	Maturity period
2014					
CAD	174	(2)	27	513.14	Nov. 2015
GBP	231	(3)	(19)	924.12	Dec. 2015
JPY	218	13	15	5.57	Aug. 2015
USD	304	(4)	(98)	573.87	Dec. 2015
Other currencies	660	-	(10)	-	Dec. 2015
Total		**4**	**(85)**		
2013					
CAD	851	38	39	535.33	Oct. 2014
GBP	306	(3)	11	874.15	Dec. 2014
JPY	281	26	53	5.91	Nov. 2014
USD	1,968	(47)	10	536.31	Nov. 2014
Other currencies	588	7	13	-	Dec. 2014
Total		**21**	**126**		

At 31 December 2014, the exchange difference between the contract value and the market value of the concluded forward exchange contracts represented a net loss of DKK 12 million (a net gain of DKK 101 million in 2013), of which a loss of DKK 17 million (a gain of DKK 32 million in 2013) was recognized in the income statement.

NOTE 24

24. FINANCIAL INSTRUMENTS — CONTINUED

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

	2014 DKKm	2013 DKKm
Monetary assets		
CAD	317	233
EUR	1,258	1,323
GBP	178	211
JPY	40	7
USD	2,141	1,153
Monetary liabilities		
CAD	214	239
EUR	2,721	1,606
GBP	159	234
JPY	80	4
USD	1,981	1,709

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

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

	CAD DKKm	GBP DKKm	JPY DKKm	USD DKKm
2014				
Profit/(loss) for the year	2	(13)	(2)	(40)
Equity	(3)	(22)	(12)	258
2013				
Profit/(loss) for the year	(1)	(8)	-	12
Equity	(39)	(19)	(12)	191

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

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

Due to Denmark's long-standing fixed exchange rate policy against 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
Interest rate risk management is handled centrally by the parent company. Through the Group's treasury policy, the Board of Directors has approved the limits for borrowing and investment. Loans secured by property must be approved by the Board of Directors. To hedge the interest rate risk on loans, the Board of Directors has approved the use of interest rate swaps, Caps, Floors and Forward Rate Agreements (FRAs).

For mortgage and bank debt, an interest rate change of 1 percentage point would reduce/increase profit for the year and equity before tax by up to DKK 19 million in 2015 (up to DKK 7 million in 2014) on an annual basis.

In the bond market, investments may only be made in Danish government and mortgage bonds, money market funds consisting of Danish government and mortgage bonds and in bonds issued by Danish banks guaranteed by the Danish state. For managing the interest rate risk on the securities portfolio (the securities portfolio consists of bonds and money market deposits), Lundbeck applies a duration target capped at 5 years for the entire portfolio. At 31 December 2014, the securities portfolio had a duration of 1 year (0.3 years at 31 December 2013), which translates into a gain/loss of DKK 0 million (DKK 3 million in 2013) if interest rates should fall/rise by 1 percentage point.

There were no derivatives related to interest rate risks during 2014 and 2013 because the distribution of debt carrying floating and fixed interest at the given times was deemed to be satisfactory.

NOTE 24

24. FINANCIAL INSTRUMENTS — CONTINUED

Classification of and maturity dates for financial assets and financial liabilities

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

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

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

NOTE 24

24. FINANCIAL INSTRUMENTS — CONTINUED

	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
2013					
Financial assets					
Derivatives included in the trading portfolio	2	-	-	2	0
Securities[1]	1,038	4	-	1,042	0-1
Financial assets measured at fair value through profit or loss	**1,040**	**4**	**-**	**1,044**	
Derivatives to hedge future cash flows	124	-	-	124	0
Financial assets used as hedging instruments	**124**	**-**	**-**	**124**	
Receivables[2]	3,238	82	-	3,320	0
Fixed-term deposits	3,821	-	-	3,821	0-7
Other cash resources	996	-	-	996	0-7
Loans and receivables	**8,055**	**82**	**-**	**8,137**	
Available-for-sale financial assets	**-**	**60**	**-**	**60**	0
Total financial assets	**9,219**	**146**	**-**	**9,365**	
Financial liabilities					
Derivatives included in the trading portfolio	2	-	-	2	0
Financial liabilities measured at fair value through profit or loss	**2**	**-**	**-**	**2**	
Derivatives to hedge future cash flows	23	-	-	23	0
Financial liabilities used as hedging instruments	**23**	**-**	**-**	**23**	
Mortgage debt[3]	1	214	1,917	2,132	0-3
Employee bonds	18	8	-	26	3-6
Other payables	6,110	2	-	6,112	0
Financial liabilities measured at amortized cost	**6,129**	**224**	**1,917**	**8,270**	
Total financial liabilities	**6,154**	**224**	**1,917**	**8,295**	

1) The securities are classified as financial assets measured at fair value through profit or loss.
2) Including other receivables recognized in non-current assets.
3) Nominal value of mortgage debt totalled DKK 2,216 million in 2013.

The amounts in the table above are exclusive of interest. At 31 December 2013, the expected interest expenses on mortgage and bank debt for the following 12 months totalled DKK 74 million.

NOTES 24-25

24. FINANCIAL INSTRUMENTS — CONTINUED

Financial assets and financial liabilities measured or disclosed at fair value	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
2014			
Financial assets			
Securities	18	-	-
Available-for-sale financial assets	29	-	42
Derivatives	-	66	-
Total	**47**	**66**	**42**
Financial liabilities			
Mortgage debt	2,189	-	-
Bank debt	76	1,117	-
Derivatives	-	78	-
Total	**2,265**	**1,195**	**-**
2013			
Financial assets			
Securities	1,042	-	-
Available-for-sale financial assets	40	-	20
Derivatives	-	126	-
Total	**1,082**	**126**	**20**
Financial liabilities			
Mortgage debt	2,238	-	-
Derivatives	-	25	-
Total	**2,238**	**25**	**-**

25. RELATED PARTIES

Lundbeck's related parties:

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

Transactions and balances with the parent company's principal shareholder

The Lundbeck Foundation, which is the parent company's largest shareholder, held 137,351,918 shares at 31 December 2014 (137,351,918 shares at 31 December 2013), corresponding to 69.9% of the share capital and votes in H. Lundbeck A/S (70.0% in 2013). The Lundbeck Foundation is the only shareholder who has reported a shareholding exceeding 5% of the share capital. This was also the case at 31 December 2013.

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

- Dividends.
- Payment of provisional tax of DKK 113 million in 2014 regarding 2014 (DKK 152 million in 2013 regarding 2013) concerning the parent company and Danish subsidiaries.
- Refund of residual tax of DKK 49 million in 2014 regarding 2013 (DKK 282 million in 2013 regarding 2012) concerning the parent company and Danish subsidiaries.
- Interest income of DKK 0 million in 2014 (DKK 4 million in 2013).

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

Transactions and balances with the ALK group

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

Transactions and balances with the Falck group

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

Transactions and balances with the Executive Management and Board of Directors

In addition to the transactions with members of the Executive Management and Board of Directors outlined in note 3 *Staff costs* and note 7 *Incentive programmes*, the parent company has paid dividends on shares held by members of the Executive Management and Board of Directors in H. Lundbeck A/S. At 31 December 2014 and 31 December 2013, there were no balances with the Executive Management and Board of Directors.

Transactions and balances with other related parties

In 2014, Lundbeck paid a consultancy fee of DKK 5 million (DKK 3 million in 2013) to Lundbeck International Neuroscience Foundation, an independent commercial foundation established by H. Lundbeck A/S in 1997. Other than this, there have been no material transactions or balances with other related parties.

NOTE 26

26. SUBSIDIARIES

	Purpose	Share of voting rights and ownership %
Lundbeck Argentina S.A., Argentina	Sales and distribution	100
Lundbeck Australia Pty Ltd, Australia, including	Sales and distribution	100
- CNS Pharma Pty Ltd, Australia	Sales and distribution	100
Lundbeck Austria GmbH, Austria	Sales and distribution	100
Lundbeck S.A., Belgium	Sales and distribution	100
Lundbeck Brasil Ltda., Brazil	Sales and distribution	100
Lundbeck Canada Inc., Canada	Sales and distribution	100
Lundbeck Chile Farmacéutica Ltda., Chile	Sales and distribution	100
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd., China	Sales and distribution	100
Lundbeck Colombia S.A.S., Colombia	Sales and distribution	100
Lundbeck Croatia d.o.o., Croatia	Sales and distribution	100
Lundbeck Czech Republic s.r.o., Czech Republic	Sales and distribution	100
Lundbeck China Holding A/S[1], Denmark, including	Other	67
- Lundbeck Pharmaceuticals (Tianjin) Co., Ltd., China	Production	100
- Lundbeck Pharmaceuticals Consulting (Shanghai) Co., Ltd., China	Research and development	100
Lundbeck Export A/S, Denmark	Sales and distribution	100
Lundbeck Insurance A/S, Denmark	Other	100
Lundbeck Pharma A/S, Denmark	Sales and distribution	100
Lundbeck Eesti A/S, Estonia	Sales and distribution	100
OY H. Lundbeck AB, Finland	Sales and distribution	100
Lundbeck SAS, France	Sales and distribution	100
Sofipharm SA, France, including	Other	100
- Laboratoire Elaiapharm SA, France	Production	100
Lundbeck GmbH, Germany	Sales and distribution	100
Lundbeck Hellas S.A., Greece	Sales and distribution	100
Lundbeck 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	Sales and distribution	100
Lundbeck Korea Co., Ltd., Republic of Korea	Sales and distribution	100
SIA Lundbeck Latvia, Latvia	Sales and distribution	100
UAB Lundbeck Lietuva, Lithuania	Sales and distribution	100
Lundbeck Malaysia SDN. BHD., Malaysia	Sales and distribution	100
Lundbeck México, SA de CV, Mexico	Sales and distribution	100
Lundbeck B.V., The Netherlands	Sales and distribution	100
Lundbeck New Zealand Limited, New Zealand	Other	100
H. Lundbeck AS, Norway	Sales and distribution	100
Lundbeck Pakistan (Private) Limited, Pakistan	Sales and distribution	100
Lundbeck America Central S.A., Panama	Sales and distribution	100
Lundbeck Peru S.A.C., Peru	Sales and distribution	100
Lundbeck Business Service Centre Sp.z.o.o., Poland	Other	100
Lundbeck Poland Sp.z.o.o., Poland	Sales and distribution	100
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda, Portugal	Sales and distribution	100
Lundbeck RUS OOO, Russia	Sales	100
Lundbeck Singapore PTE. LTD., Singapore	Sales and distribution	100
Lundbeck Slovensko s.r.o., Slovakia	Sales and distribution	100
Lundbeck Pharma d.o.o., Slovenia	Sales and distribution	100
Lundbeck South Africa (Pty) Limited, South Africa	Sales and distribution	100

NOTE 26

26. SUBSIDIARIES — CONTINUED

	Purpose	Share of voting rights and ownership %
Lundbeck España S.A., Spain	Sales and distribution	100
H. Lundbeck AB, Sweden, including	Sales and distribution	100
- CNS Pharma AB, Sweden	Sales and distribution	100
Lundbeck (Schweiz) AG, Switzerland	Sales and distribution	100
Lundbeck Pharmaceutical GmbH, Switzerland	Other	100
Lundbeck İlaç Ticaret Limited Şirketi, Turkey	Sales and distribution	100
Lundbeck Group Ltd. (Holding), UK, including	Other	100
- Lundbeck Limited, UK	Sales and distribution	100
- Lundbeck Pharmaceuticals Ltd., UK	Other	100
- Lifehealth Limited, UK	Other	100
- Lundbeck UK LLP, UK	Sales and distribution	100
Lundbeck USA Holding LLC, USA, including	Other	100
- Lundbeck LLC, USA, including	Sales and distribution	100
- Chelsea Therapeutics International, Ltd., USA, including	Other	100
- Lundbeck NA Ltd f/k/a Chelsea Therapeutics Inc., USA	Other	100
- Chelsea Therapeutics Limited, UK	Other	100
- Lundbeck Pharmaceuticals Ireland Limited, Ireland	Sales and distribution	100
- Lundbeck Pharmaceuticals Services, LLC, USA	Sales and distribution	100
- Lundbeck Research USA, Inc., USA	Research and development	100
Lundbeck de Venezuela, C.A., Venezuela	Sales and distribution	100

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

NOTE 27

27. GENERAL ACCOUNTING POLICIES

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

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

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

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

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

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2017. The standard has not yet been endorsed by the EU. Entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Before implementation of the standard, Lundbeck will assess whether IFRS 15 *Revenue from Contracts with Customers* has an impact on current and new significant agreements. The new standard is not expected to have any material impact on future consolidated financial statements.

RECOGNITION AND MEASUREMENT

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

Translation of foreign currency
On initial recognition, transactions denominated in foreign currencies are translated at standard rates which approximate the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment are recognized in the income statement under net financials except in case of hedge accounting. In case of hedge accounting, such differences are recognized in the same item as the hedged item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The differences between the exchange rates at the balance sheet date and the rates at the time the receivable or payable is created or recognized in the latest consolidated financial statements are recognized in the income statement under net financials in respect of unhedged items and under the same item for hedged items.

On recognition of foreign subsidiaries having a functional currency different from that used by the parent company, non-monetary as well as monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising from the translation of both the balance sheets and the income statements of the foreign subsidiaries are recognized under other comprehensive income.

Currency translation adjustments of receivables from or debt to subsidiaries that are considered part of the parent company's overall investment in the subsidiary in question are recognized under other comprehensive income.

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

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

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

For derivatives which do not qualify for hedge accounting, changes in fair value are recognized in the income statement under net financials as they arise.

Changes in the fair value of derivatives used to hedge net investments in independent foreign subsidiaries and which otherwise meet the relevant criteria are recognized under other comprehensive income.

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

INCOME STATEMENT

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

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

NOTE 27

27. GENERAL ACCOUNTING POLICIES — CONTINUED

See note 1 *Critical accounting policies, including accounting estimates and judgements,* p. 35, for a description of the accounting treatment of licensing income and income from research collaborations.

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

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

Administrative expenses
Administrative expenses comprise expenses incurred for the management and administration of the Group. This includes wages and other costs relating to the company's management, HR, IT and finance functions. Also recognized are amortization/depreciation and impairment and other indirect costs.

Research and development costs
Research and development costs comprise expenses incurred in connection with the Group's research and development functions, including wages and salaries, amortization/depreciation and impairment and other indirect costs as well as costs relating to research and development collaborations on in-licensed products.

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

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

See note 1 *Critical accounting policies, including accounting estimates and judgements,* p. 35, for a description of conditions for capitalizing development costs.

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

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

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognized in the income statement as regards the amount that can be attributed to the net profit or loss for the year and under other comprehensive income as regards the amount that can be attributed to items under other comprehensive income. Currency translation adjustments of deferred tax are recognized as part of the movements in deferred tax in the balance sheet.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date.

BALANCE SHEET

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

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

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

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

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

NOTE 27

27. GENERAL ACCOUNTING POLICIES — CONTINUED

Product rights are amortized over the economic lives of the underlying products, which in all material aspects are currently between 6-12 years. Patents are amortized, at a maximum, over the remaining patent period, which in all material aspects is currently between 10-13 years, and licences are amortized over the period of agreement. Amortization commences when the asset is ready to be brought into use, i.e. at the time of commercialization.

Amortization is recognized in the income statement under cost of sales and research and development costs respectively.

Borrowing costs to finance the manufacture of intangible assets are recognized in the cost price if such borrowing costs relate to the production period. Other borrowing costs are expensed.

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

See note 1 *Critical accounting policies, including accounting estimates and judgements,* p. 35, for a description of the calculation of the fair value of intangible assets.

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

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. In the case of assets manufactured by Lundbeck, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, subsupplies and labour.

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

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets, which are expected to be as follows:

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

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

Costs incurred that increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and are depreciated over the expected 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 reduced by costs relating to divestment or discontinuance. Gains and losses are recognized in the income statement under the same items as the associated depreciation.

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

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

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

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

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

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

NOTE 27

27. GENERAL ACCOUNTING POLICIES — CONTINUED

Equity

Dividends

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

Treasury shares

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

Share-based payments

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

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

Pension obligations

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

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

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

Corporate income tax and deferred tax

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

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

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

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

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

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

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

Other provisions

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

In connection with a restructuring of the Group, provisions are only made for liabilities set out in a specific restructuring plan on the basis of which the parties affected can reasonably expect that the Group will carry out the restructuring, either by starting to implement the plan or announcing its main components.

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

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

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

NOTES 27-28

27. GENERAL ACCOUNTING POLICIES — CONTINUED

Debt

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

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

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

CASH FLOW STATEMENT

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

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

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates during the year because they approximate the actual exchange rates at the date of payment. Cash at year end is translated at the exchange rates at the balance sheet date, and the effect of currency translation adjustments on cash is shown as a separate item in the cash flow statement.

SEGMENT INFORMATION

Lundbeck is engaged in research, development, production and sale of pharmaceuticals for the treatment of brain diseases.

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

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

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

28. EVENTS AFTER THE BALANCE SHEET DATE

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

FINANCIAL STATEMENTS OF THE PARENT COMPANY

CONTENTS

INCOME STATEMENT

1 January – 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Revenue		6,615	8,132
Cost of sales	2	2,499	2,838
Gross profit		**4,116**	**5,294**
Sales and distribution costs	2	1,609	806
Administrative expenses	2, 3	916	1,744
Research and development costs	2	2,718	2,790
Profit/(loss) from operations (EBIT)		**(1,127)**	**(46)**
Income from investments in subsidiaries	4	166	193
Financial income		588	537
Financial expenses		358	257
Profit/(loss) before tax		**(731)**	**427**
Tax on profit/(loss) for the year	5	(194)	108
Profit/(loss) for the year		**(537)**	**319**

Proposed distribution of profit for the year		
Proposed dividends for the year	-	543
Transferred to distributable reserves	(537)	(224)
Profit/(loss) for the year	**(537)**	**319**
Proposed dividend per share (DKK)	**0.00**	**2.77**

BALANCE SHEET — ASSETS

At 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Patent rights		3	4
Product rights		4,517	3,779
Other rights		82	88
Projects in progress		110	61
Intangible assets	6	**4,712**	**3,932**
Land and buildings		1,599	1,682
Plant and machinery		285	283
Other fixtures and fittings, tools and equipment		64	83
Prepayments and assets under construction		151	133
Property, plant and equipment	6	**2,099**	**2,181**
Investments in subsidiaries	4	4,871	4,874
Receivables from subsidiaries		7,495	3,801
Other investments		70	59
Other receivables		5	41
Financial assets		**12,441**	**8,775**
Non-current assets		**19,252**	**14,888**
Inventories	7	**938**	**855**
Trade receivables		704	241
Receivables from subsidiaries		949	1,490
Joint taxation contribution		172	70
Other receivables		193	349
Prepayments		101	182
Receivables		**2,119**	**2,332**
Securities		**-**	**1,024**
Cash		**3,048**	**4,166**
Current assets		**6,105**	**8,377**
Assets		**25,357**	**23,265**

BALANCE SHEET — EQUITY AND LIABILITIES

At 31 December 2014

	Notes	2014 DKKm	2013 DKKm
Share capital		982	981
Share premium		252	232
Proposed dividends		-	543
Retained earnings		12,488	12,538
Equity		**13,722**	**14,294**
Deferred tax	8	765	740
Other provisions	9	151	292
Provisions		**916**	**1,032**
Mortgage debt	10	2,139	2,132
Bank debt	10	1,117	-
Employee bonds and other debt		1	9
Payables to subsidiaries		1,347	1,551
Non-current liabilities		**4,604**	**3,692**
Mortgage debt		-	1
Bank debt	10	76	-
Employee bonds		8	18
Trade payables		2,979	2,592
Payables to subsidiaries		2,609	1,266
Other payables		443	370
Current liabilities		**6,115**	**4,247**
Liabilities		**10,719**	**7,939**
Equity and liabilities		**25,357**	**23,265**

STATEMENT OF CHANGES IN EQUITY

At 31 December 2014

	Notes	Share capital DKKm	Share premium DKKm	Proposed dividends DKKm	Retained earnings DKKm	Equity DKKm
2014						
Equity at 01.01.		**981**	**232**	**543**	**12,538**	**14,294**
Profit/(loss) for the year		-	-	-	(537)	(537)
Currency translation concerning additions to net investments in foreign subsidiaries		-	-	-	682	682
Adjustments, deferred exchange gains/losses, hedging		-	-	-	(102)	(102)
Exchange gains/losses, hedging (transferred to the hedged items)		-	-	-	85	85
Tax on equity entries	5	-	-	-	(163)	(163)
Comprehensive income		**-**	**-**	**-**	**(35)**	**(35)**
Distributed dividends		-	-	(543)	(1)	(544)
Capital increase through exercise of warrants		1	20	-	-	21
Buyback of treasury shares	15	-	-	-	(70)	(70)
Incentive programmes		-	-	-	56	56
Other transactions		**1**	**20**	**(543)**	**(15)**	**(537)**
Equity at 31.12.		**982**	**252**	**-**	**12,488**	**13,722**

For further details, see note 21 *Share capital* in the consolidated financial statements.

NOTES 1-2

1. ACCOUNTING POLICIES

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

The accounting policies are unchanged from the previous year.

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

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

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

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

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

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

2. STAFF COSTS

Wages and salaries, etc.	2014 DKKm	2013 DKKm
Short-term staff benefits	1,289	1,377
Pension benefits	119	118
Other social security costs	22	28
Share-based payments	28	34
Total	**1,458**	**1,557**
The year's staff costs are specified as follows:		
Cost of sales	320	276
Sales and distribution costs	95	87
Administrative expenses	347	556
Research and development costs	696	638
Total	**1,458**	**1,557**

Executives[1]	2014 DKKm	2013 DKKm
Short-term staff benefits	43	40
Pension benefits	7	8
Share-based payments	10	16
Total	**60**	**64**

1) Executives are individuals who report directly to the Executive Management.

Executive Management
See note 3 *Staff costs* and note 7 *Incentive programmes* in the consolidated financial statements.

Board of Directors
See note 3 *Staff costs* in the consolidated financial statements.

Number of employees	2014	2013
Average number of full-time employees in the financial year	**1,895**	**1,905**
Number of full-time employees at 31.12.	**1,891**	**1,898**

Incentive programmes
See note 7 *Incentive programmes* in the consolidated financial statements.

NOTES 3-6

3. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2014 DKKm	2013 DKKm
Statutory audit	2	2
Other services	17	14
Total	**19**	**16**

In 2013 and 2014, other services included one-off advisory services provided by Deloitte, which have been evaluated by the Audit Committee as not impairing the independence of the external audit services provided.

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

4. INVESTMENTS IN SUBSIDIARIES

	2014 DKKm
Cost at 01.01.	4,874
Capital contributions to subsidiaries	8
Capital reductions in subsidiaries	(11)
Cost at 31.12.	**4,871**

Income from investments in subsidiaries is dividends, which amounted to DKK 166 million (DKK 193 million in 2013).

See note 26 *Subsidiaries* in the consolidated financial statements for an overview of all subsidiaries.

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

	2014 DKKm	2013 DKKm
Current tax, joint taxation contribution	(43)	254
Prior-year adjustments, current tax	(13)	(17)
Prior-year adjustments, deferred tax	9	(3)
Change of deferred tax for the year	4	(42)
Change of deferred tax as a result of a change in the corporate income tax rate	12	(122)
Total tax for the year	**(31)**	**70**
Tax for the year is composed of:		
Tax on profit/(loss) for the year	(194)	108
Tax on equity entries	163	(38)
Total tax for the year	**(31)**	**70**

6. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets	Patent rights DKKm	Product rights[1] DKKm	Other rights[2] DKKm	Projects in progress[2] DKKm	Intangible assets DKKm
Cost at 01.01.2014	663	4,649	978	61	6,351
Transfer	-	-	26	(26)	-
Additions	-	1,181	19	75	1,275
Disposals	-	(10)	(39)	-	(49)
Cost at 31.12.2014	**663**	**5,820**	**984**	**110**	**7,577**
Amortization at 01.01.2014	659	870	890	-	2,419
Amortization	1	211	51	-	263
Impairment	-	222	-	-	222
Disposals	-	-	(39)	-	(39)
Amortization at 31.12.2014	**660**	**1,303**	**902**	**-**	**2,865**
Carrying amount at 31.12.2014	**3**	**4,517**	**82**	**110**	**4,712**

1) Product rights amounting to DKK 2,500 million (DKK 2,606 million in 2013) relate to products not yet commercialized. Of this amount, product rights to brexpiprazole in various territories amounted to DKK 2,278 million (DKK 1,140 million in 2013).
2) Other rights and projects in progress primarily include items such as the IT system SAP. The amounts include directly attributable internal expenses.

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment[1] DKKm	Prepay-ments and assets under construction DKKm	Property, plant and equipment DKKm
Cost at 01.01.2014	3,348	1,007	700	133	5,188
Transfer	29	46	10	(85)	-
Additions	8	14	5	103	130
Disposals	(3)	(40)	(27)	-	(70)
Cost at 31.12.2014	**3,382**	**1,027**	**688**	**151**	**5,248**
Depreciation at 01.01.2014	1,666	724	617	-	3,007
Depreciation	120	58	34	-	212
Disposals	(3)	(40)	(27)	-	(70)
Depreciation at 31.12.2014	**1,783**	**742**	**624**	**-**	**3,149**
Carrying amount at 31.12.2014	**1,599**	**285**	**64**	**151**	**2,099**

1) Including leasehold improvements.

Impairment of intangible assets
The decision to cease the development of desmoteplase resulted in an impairment loss of DKK 222 million related to the desmoteplase product rights. The impairment loss was recognized in amortization, depreciation and impairment under research and development costs in 2014. Consequently, the carrying amount of the product rights is DKK 0.

In addition, the decision resulted in a DKK 87 million writedown of research and development materials previously recognized under prepayments. This writedown was recognized in research and development costs.

The total impairment loss and writedown for desmoteplase recognized in research and development costs was DKK 309 million in 2014.

NOTES 6-12

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

In 2013, the parent company wrote down the Sycrest® product rights by DKK 210 million, which was recognized in cost of sales. Furthermore, an impairment loss on patent rights totalling DKK 37 million was recognized in research and development costs. The recoverable amounts were calculated on the basis of management's re-assessed estimate of the value in use of the assets.

Pledged assets

The carrying amount of pledged land and buildings at 31 December 2014 was DKK 1,707 million (DKK 1,688 million in 2013). No other assets have been pledged.

7. INVENTORIES

	2014 DKKm	2013 DKKm
Raw materials and consumables	183	170
Work in progress	341	425
Finished goods and goods for resale	414	260
Total	**938**	**855**
Indirect costs of production	**246**	**216**
Impairment loss for the year	**10**	**48**

8. DEFERRED TAX

Temporary differences between assets and liabilities as stated in the financial statements and as stated in the tax base

2014	Balance at 01.01. DKKm	Adjustment of deferred tax at beginning of year DKKm	Movements during the year DKKm	Balance at 31.12. DKKm
Intangible assets	3,789	-	(239)	3,550
Property, plant and equipment	567	-	(5)	562
Inventories	217	-	29	246
Other items	(1,123)	51	229	(843)
Total temporary differences	**3,450**	**51**	**14**	**3,515**
Deferred (tax assets)/ tax liabilities[1]	**740**	**9**	**16**	**765**

1) Movements during the year includes an increase in deferred tax of DKK 12 million (a reduction of DKK 122 million in 2013) as a result of a change in the corporate income tax rate.

9. OTHER PROVISIONS

	2014 DKKm
Provisions at 01.01.	292
Provisions used	(141)
Provisions at 31.12.	**151**
Provisions break down as follows:	
Non-current provisions	50
Current provisions	101
Provisions at 31.12.	**151**

The parent company has entered into agreements with individual subsidiaries, under which the parent company will cover expected losses and obligations concerning the restructuring of the administrative processes in Europe initiated in 2013 and of the commercial organization in Europe initiated in 2012. The parent company has therefore made provisions to cover such losses and obligations.

10. MORTGAGE AND BANK DEBT

Mortgage debt falling due after more than 5 years from the balance sheet date amounts to DKK 1,809 million (DKK 1,917 million in 2013). All bank debt falls due within 5 years from the balance sheet date. There was no bank debt at 31 December 2013.

11. FINANCIAL INSTRUMENTS

See note 24 *Financial instruments* in the consolidated financial statements.

12. CONTRACTUAL OBLIGATIONS

Rental and lease obligations

The parent company has obligations amounting to DKK 63 million (DKK 63 million in 2013) in the form of rentals and leasing of operating equipment. Of this amount, DKK 40 million (DKK 38 million in 2013) falls due after more than one year. Rental and lease payments recognized in the income statement amounted to DKK 33 million (DKK 33 million in 2013).

Other purchase obligations

The parent company has undertaken purchase obligations in the amount of DKK 238 million (DKK 203 million in 2013).

NOTES 12-16

12. CONTRACTUAL OBLIGATIONS – CONTINUED

Research and development milestones and collaborations
Research and development milestone obligations amounted to DKK 2,485 million (DKK 1,096 million in 2013). The total amount of the milestone obligations may increase in line with the development of the projects.

In addition, the parent company is part of multi-year research and development collaboration projects comprising minimum collaboration obligations in the order of DKK 37 million (DKK 52 million in 2013).

Other contractual obligations
The parent company has entered into various service agreements amounting to DKK 83 million (DKK 119 million in 2013).

At 31 December 2014, the parent company had capital contribution obligations amounting to DKK 6 million (DKK 8 million in 2013).

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

As collateral for bank guarantees, the parent company has issued letters of intent to the banks in the amount of DKK 17 million (DKK 5 million in 2013) on behalf of subsidiaries.

Joint taxation
H. Lundbeck A/S is part of a Danish joint taxation scheme with the Lundbeck Foundation. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to corporate income taxes etc. for the jointly-taxed companies. As from 1 July 2012, it has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company.

Pending legal proceedings
The Group is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the opinion of management, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount already provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain. See *Risk Management*, p. 19, for more details.

In June 2013, the European Commission issued a decision in which it found that Lundbeck by entering into a few selected patent settlement agreements in 2002 had violated EU competition law and thereby hindered a lawful entry of generic citalopram into markets in the European Economic Area (EEA). The European Commission issued a fine of EUR 93.8 million (approximately DKK 700 million). In September 2013, this decision was appealed by Lundbeck to the General Court. It may take up to 6 years for the courts to decide upon the matter. Lundbeck does not expect that the fine will increase as a result of the appeal. Lundbeck paid the fine in the third quarter of 2013. Consequently, Lundbeck has a contingent asset corresponding to the maximum of the amount of the fine.

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

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

14. RELATED PARTIES

For information on related parties exercising controlling influence on H. Lundbeck A/S, see note 25 *Related parties* in the consolidated financial statements.

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

15. TREASURY SHARES

See note 21 *Share capital* in the consolidated financial statements.

16. EVENTS AFTER THE BALANCE SHEET DATE

See note 28 *Events after the balance sheet date* in the consolidated financial statements.

MANAGEMENT STATEMENT

Today, we considered and approved the annual report of H. Lundbeck A/S for the period 1 January – 31 December 2014.

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

We consider the accounting policies used to be appropriate. Accordingly, the consolidated financial statements and the financial statements of the parent company give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2014, and of the Group's and the parent company's activities and the Group's cash flows for the financial year 1 January – 31 December 2014.

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

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

Copenhagen, 5 February 2015

EXECUTIVE MANAGEMENT

Anders Götzsche
Executive Vice President, CFO

Anders Gersel Pedersen
Executive Vice President, Research & Development

BOARD OF DIRECTORS

Håkan Björklund
Chairman

Christian Dyvig
Deputy Chairman

Terrie Curran

Mona Elisabeth Elster

Henrik Sindal Jensen

Thorleif Krarup

Melanie G. Lee

Jørn Mayntzhusen

Lars Rasmussen

INDEPENDENT AUDITOR'S REPORTS

TO THE SHAREHOLDERS OF H. LUNDBECK A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of H. Lundbeck A/S for the financial year 1 January – 31 December 2014, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements have been prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2014, and of the results of its operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2014, and of the results of its operations for the financial year 1 January – 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on the management review

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

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

Copenhagen, 5 February 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorized Public Accountant

Martin Faarborg
State Authorized Public Accountant

H. Lundbeck A/S
Ottiliavej 9
2500 Valby
Denmark

Corporate Communication
Tel. +45 36 30 13 11
information@lundbeck.com
www.lundbeck.com
CVR number 56759913