



# Adjusted Supplementary Information to the Annual Report

2019

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# BACKGROUND FOR THE ADJUSTED SUPPLEMENTARY INFORMATION TO THE ANNUAL REPORT 2019

In a letter dated 27 November 2020 to the Board of Directors of H. Lundbeck A/S, the Danish Business Authority required H. Lundbeck A/S to conduct an impairment test for 2017, leading to a reversal of an impairment loss on Rexulti® (brexpiprazole) of DKK 3,766 million, net of amortization, as of 31 December 2017. The value of the calculated reversal of the Group's and the Parent Company's intangible assets is considered to have a significant effect on the Annual Report 2019.

The Adjusted Supplementary Information to the Annual Report 2019 is prepared in order to fulfill the requirements in accordance with the conclusion dated 27 November 2020 by the Danish Business Authority. The 2018 and 2019 figures have been adjusted accordingly.

H. Lundbeck A/S has decided to disclose the rectified notes in full, presenting only the adjustment effects on the original notes. Notes not affected by the adjustment are not included in the Adjusted Supplementary Information to the Annual Report 2019.

Note numbers remain the same as in the Annual Report 2019 for easy reference.

The Adjusted Supplementary Information is to be seen in conjunction with the Annual Report 2019, which was approved by the Board of Directors and the registered Executive Management on 6 February 2020.

Consequently, Management of H. Lundbeck A/S hereby discloses the Adjusted Supplementary Information to the Annual Report 2019.

## SUMMARY FOR THE GROUP 2018 – 2019

Income statement (DKKm)	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Revenue	17,036	-	17,036	18,117	-	18,117
Research and development costs	3,116	-	3,116	3,277	-	3,277
Operating profit before depreciation and amortization (EBITDA)	4,823	-	4,823	6,436	-	6,436
Profit/(loss) from operations (EBIT)	3,608	(455)	3,153	5,301	(455)	4,846
Net financials	(127)	-	(127)	(12)	-	(12)
Profit/(loss) before tax	3,481	(455)	3,026	5,289	(455)	4,834
Profit/(loss) for the year	2,667	(354)	2,313	3,907	(354)	3,553

Assets (DKKm)	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Non-current assets	26,719	2,376	29,095	11,362	2,582	13,944
Inventories	2,204	-	2,204	1,753	-	1,753
Receivables	3,822	-	3,822	3,261	-	3,261
Cash, bank balances and securities	3,012	-	3,012	6,635	-	6,635
<b>Total assets</b>	<b>35,757</b>	<b>2,376</b>	<b>38,133</b>	<b>23,011</b>	<b>2,582</b>	<b>25,593</b>

Equity and liabilities (DKKm)	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Equity	14,554	2,228	16,782	14,251	2,582	16,833
Non-current liabilities	10,923	148	11,071	1,184	-	1,184
Current liabilities	10,280	-	10,280	7,576	-	7,576
<b>Total equity and liabilities</b>	<b>35,757</b>	<b>2,376</b>	<b>38,133</b>	<b>23,011</b>	<b>2,582</b>	<b>25,593</b>

## SUMMARY FOR THE GROUP 2018 – 2019 – CONTINUED

Key figures	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
EBIT margin (%)	21,2	(2,7)	18,5	29,3	(2,6)	26,7
Research and development ratio (%)	18,3	-	18,3	18,1	-	18,1
Return on equity (%)	18,5	(4,7)	13,8	29,6	(7,4)	22,2
Equity ratio (%)	40,7	3,3	44,0	61,9	3,9	65,8
Invested capital (DKKm)	21.120	2.228	23.348	7.616	2.582	10.198
Net debt/EBITDA	1,4	-	1,4	(1,0)	-	(1,0)
Effective tax rate (%)	23,4	0,2	23,6	26,1	0,4	26,5
Purchase of intangible assets, gross (DKKm)	88	-	88	1.149	-	1.149
Purchase of property, plant and equipment, gross (DKKm)	356	-	356	300	-	300
Purchase of financial assets, gross (DKKm)	18	-	18	1.524	-	1.524
Average number of employees	5.475	-	5.475	5.060	-	5.060

Share data <sup>1</sup>	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Number of shares for the calculation of EPS (millions)	198,7	-	198,7	198,7	-	198,7
Earnings per share, basic (EPS) (DKK) <sup>2</sup>	13,42	(1,78)	11,64	19,66	(1,78)	17,88
Earnings per share, diluted (DEPS) (DKK) <sup>2</sup>	13,42	(1,78)	11,64	19,66	(1,78)	17,88
Proposed dividend per share (DKK)	4,10	-	4,10	12,00	-	12,00
Cash flow from operating activities per share, diluted (DKK) <sup>2</sup>	13,13	-	13,13	30,10	-	30,10
Net asset value per share, diluted (DKK) <sup>2</sup>	73,24	11,22	84,46	71,69	12,99	84,68
Market capitalization (DKKm)	50.660	-	50.660	56.825	-	56.825
Price/Earnings, diluted (DKK) <sup>2</sup>	18,95	2,90	21,85	14,52	1,44	15,96
Price/Cash flow, diluted (DKK) <sup>2</sup>	19,38	-	19,38	9,48	-	9,48
Price/Net asset value, diluted (DKK) <sup>2</sup>	3,47	(0,46)	3,01	3,98	(0,61)	3,37

## SUMMARY FOR THE GROUP 2018 – 2019 – CONTINUED

EBITDA calculation (DKK m)	2019			2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
EBIT	3,608	(455)	3,153	5,301	(455)	4,846
+ Depreciation, amortization and impairment losses	1,215	455	1,670	1,183	455	1,638
- Gain on divestment of properties recognized in other operating items, net	-	-	-	(48)	-	(48)
<b>EBITDA</b>	<b>4,823</b>	<b>-</b>	<b>4,823</b>	<b>6,436</b>	<b>-</b>	<b>6,436</b>

2017 has not been adjusted with the effect of the reversal of the impairment loss on Rexulti.

For footnotes and definitions of *Summary for the Group 2018 - 2019*, see the *Annual Report 2019*.

# MANAGEMENT STATEMENT

The Danish Business Authority conducted a review of the Annual Report 2018 for H. Lundbeck A/S. H. Lundbeck A/S has received the conclusion of the review from the Danish Business Authority on 27 November 2020.

The conclusion is that the impairment loss on the product rights for Rexulti recognized at 31 December 2015 should have been reversed in 2017. The impact is an increase in intangible assets of DKK 3,766 million, net of amortization at 31 December 2017.


Based on the conclusion, Management has chosen to publish Adjusted Supplementary Information to the Annual Report 2019.

The Board of Directors and the registered Executive Management have today considered and approved the Adjusted Supplementary Information to the Annual Report 2019.


In our opinion, the Adjusted Supplementary Information to the Annual Report 2019 is prepared in accordance with the requirements in the conclusion made by the Danish Business Authority on 27 November 2020.

Valby, 5 January 2021

## REGISTERED EXECUTIVE MANAGEMENT

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Deborah Dunsire  
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President and CEO


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**Lars Bang**  
  
Lars Bang  
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Executive Vice President,  
Product Development &  
Supply

DocuSigned by:  
  
Anders Götzsche  
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Executive Vice President,  
CFO

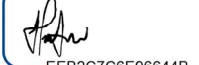
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Per Johan Luthman  
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Executive Vice President,  
Research & Development

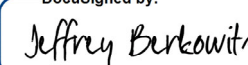
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Jacob Holstrup  
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Executive Vice  
President, Commercial  
Operations

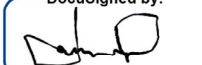
## BOARD OF DIRECTORS

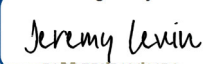
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Lars Søren Rasmussen  
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Chairman of the Board

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Lene Skole Sørensen  
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Deputy Chairman  
of the Board

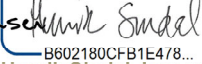
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Henrik Andersen  
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Employee representative

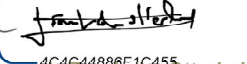
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## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	31 December 2019			31 December 2018		
		As reported DKKm	Adjustment DKKm	Restated DKKm	As reported DKKm	Adjustment DKKm	Restated DKKm
Revenue		17,036	-	17,036	18,117	-	18,117
Cost of sales	5	3,385	455	3,840	3,456	455	3,911
<b>Gross profit</b>		<b>13,651</b>	<b>(455)</b>	<b>13,196</b>	<b>14,661</b>	<b>(455)</b>	<b>14,206</b>
<b>Profit from operations (EBIT)</b>		<b>3,608</b>	<b>(455)</b>	<b>3,153</b>	<b>5,301</b>	<b>(455)</b>	<b>4,846</b>
Financial items, net		(127)	-	(127)	(12)	-	(12)
<b>Profit before tax</b>		<b>3,481</b>	<b>(455)</b>	<b>3,026</b>	<b>5,289</b>	<b>(455)</b>	<b>4,834</b>
Tax on profit for the year	14	814	(101)	713	1,382	(101)	1,281
<b>Profit for the year</b>		<b>2,667</b>	<b>(354)</b>	<b>2,313</b>	<b>3,907</b>	<b>(354)</b>	<b>3,553</b>
Earnings per share, basic (EPS) (DKK)	25	13.42	(1.78)	11.64	19.66	(1.78)	17.88
Earnings per share, diluted (DEPS) (DKK)	25	13.42	(1.78)	11.64	19.66	(1.78)	17.88

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2019			31 December 2018		
		As reported	Adjustment	Restated	As reported	Adjustment	Restated
		DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Profit for the year		2,667	(354)	2,313	3,907	(354)	3,553
Items that will not be reclassified subsequently to profit or loss		(55)	-	(55)	13	-	13
Items that may be reclassified subsequently to profit or loss		59	-	59	(268)	-	(268)
Other comprehensive income		4	-	4	(255)	-	(255)
<b>Comprehensive income</b>		<b>2,671</b>	<b>(354)</b>	<b>2,317</b>	<b>3,652</b>	<b>(354)</b>	<b>3,298</b>

## CONDENSED CONSOLIDATED BALANCE SHEET – ASSETS

	Notes	31 December 2019			31 December 2018			1 January 2018		
		As reported	Adjustment	Restated	As reported	Adjustment	Restated	As reported	Adjustment	Restated
		DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Goodwill	5, 6	5,278	-	5,278	4,300	-	4,300	4,124	-	4,124
Product rights	5, 6	17,876	2,856	20,732	3,496	3,311	6,807	3,221	3,766	6,987
Other rights	5, 6	114	-	114	111	-	111	125	-	125
Projects in progress	5, 6	131	-	131	116	-	116	95	-	95
<b>Intangible assets</b>		<b>23,399</b>	<b>2,856</b>	<b>26,255</b>	<b>8,023</b>	<b>3,311</b>	<b>11,334</b>	<b>7,565</b>	<b>3,766</b>	<b>11,331</b>
<b>Property, plant and equipment</b>		<b>2,674</b>	<b>-</b>	<b>2,674</b>	<b>2,018</b>	<b>-</b>	<b>2,018</b>	<b>1,990</b>	<b>-</b>	<b>1,990</b>
Other financial assets		60	-	60	70	-	70	67	-	67
Other receivables		101	-	101	86	-	86	76	-	76
Deferred tax assets	15	485	(480)	5	1,165	(729)	436	1,214	(785)	429
<b>Financial assets</b>		<b>646</b>	<b>(480)</b>	<b>166</b>	<b>1,321</b>	<b>(729)</b>	<b>592</b>	<b>1,357</b>	<b>(785)</b>	<b>572</b>
<b>Non-current assets</b>		<b>26,719</b>	<b>2,376</b>	<b>29,095</b>	<b>11,362</b>	<b>2,582</b>	<b>13,944</b>	<b>10,912</b>	<b>2,981</b>	<b>13,893</b>
<b>Current assets</b>		<b>9,038</b>	<b>-</b>	<b>9,038</b>	<b>11,649</b>	<b>-</b>	<b>11,649</b>	<b>8,844</b>	<b>-</b>	<b>8,844</b>
<b>Assets</b>		<b>35,757</b>	<b>2,376</b>	<b>38,133</b>	<b>23,011</b>	<b>2,582</b>	<b>25,593</b>	<b>19,756</b>	<b>2,981</b>	<b>22,737</b>

## CONDENSED CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

	Notes	31 December 2019			31 December 2018			1 January 2018		
		As reported	Adjustment	Restated	As reported	Adjustment	Restated	As reported	Adjustment	Restated
		DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
Share capital		996	-	996	996	-	996	995	-	995
Foreign currency translation reserve		882	-	882	804	-	804	634	-	634
Hedging reserve		(75)	-	(75)	(56)	-	(56)	382	-	382
Retained earnings		12,751	2,228	14,979	12,507	2,582	15,089	10,170	2,936	13,106
<b>Equity</b>		<b>14,554</b>	<b>2,228</b>	<b>16,782</b>	<b>14,251</b>	<b>2,582</b>	<b>16,833</b>	<b>12,181</b>	<b>2,936</b>	<b>15,117</b>
Retirement benefit obligations		295	-	295	235	-	235	246	-	246
Deferred tax liabilities	15	1,684	148	1,832	472	-	472	515	45	560
Provisions		258	-	258	405	-	405	278	-	278
Bank debt		7,062	-	7,062	-	-	-	-	-	-
Contingent consideration		1,128	-	1,128	-	-	-	-	-	-
Lease liabilities		437	-	437	-	-	-	-	-	-
Other debt		59	-	59	72	-	72	57	-	57
<b>Non-current liabilities</b>		<b>10,923</b>	<b>148</b>	<b>11,071</b>	<b>1,184</b>	<b>-</b>	<b>1,184</b>	<b>1,096</b>	<b>45</b>	<b>1,141</b>
<b>Current liabilities</b>		<b>10,280</b>	<b>-</b>	<b>10,280</b>	<b>7,576</b>	<b>-</b>	<b>7,576</b>	<b>6,479</b>	<b>-</b>	<b>6,479</b>
<b>Liabilities</b>		<b>21,203</b>	<b>148</b>	<b>21,351</b>	<b>8,760</b>	<b>-</b>	<b>8,760</b>	<b>7,575</b>	<b>45</b>	<b>7,620</b>
<b>Equity and liabilities</b>		<b>35,757</b>	<b>2,376</b>	<b>38,133</b>	<b>23,011</b>	<b>2,582</b>	<b>25,593</b>	<b>19,756</b>	<b>2,981</b>	<b>22,737</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings			Equity		
					As reported	Adjustment	Restated	As reported	Adjustment	Restated
					DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2019</b>										
Equity at 1 January		996	804	(56)	12,507	2,582	15,089	14,251	2,582	16,833
Profit for the year		-	-	-	2,667	(354)	2,313	2,667	(354)	2,313
Other comprehensive income		-	78	(19)	(55)	-	(55)	4	-	4
<b>Comprehensive income</b>		<b>-</b>	<b>78</b>	<b>(19)</b>	<b>2,612</b>	<b>(354)</b>	<b>2,258</b>	<b>2,671</b>	<b>(354)</b>	<b>2,317</b>
Other transactions		-	-	-	(2,368)	-	(2,368)	(2,368)	-	(2,368)
<b>Equity at 31 December</b>		<b>996</b>	<b>882</b>	<b>(75)</b>	<b>12,751</b>	<b>2,228</b>	<b>14,979</b>	<b>14,554</b>	<b>2,228</b>	<b>16,782</b>
<b>2018</b>										
Equity at 1 January		995	634	382	10,170	2,936	13,106	12,181	2,936	15,117
Profit for the year		-	-	-	3,907	(354)	3,553	3,907	(354)	3,553
Other comprehensive income		-	170	(438)	13	-	13	(255)	-	(255)
<b>Comprehensive income</b>		<b>-</b>	<b>170</b>	<b>(438)</b>	<b>3,920</b>	<b>(354)</b>	<b>3,566</b>	<b>3,652</b>	<b>(354)</b>	<b>3,298</b>
Other transactions		1	-	-	(1,583)	-	(1,583)	(1,582)	-	(1,582)
<b>Equity at 31 December</b>		<b>996</b>	<b>804</b>	<b>(56)</b>	<b>12,507</b>	<b>2,582</b>	<b>15,089</b>	<b>14,251</b>	<b>2,582</b>	<b>16,833</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	31 December 2019			31 December 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Notes	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Profit from operations (EBIT)	3,608	(455)	3,153	5,301	(455)	4,846
Adjustment for non-cash items	1,075	455	1,530	1,243	455	1,698
Change in working capital	(1,394)	-	(1,394)	563	-	563
<b>Cash flows from operations before financial receipts and payments</b>	<b>3,289</b>	<b>-</b>	<b>3,289</b>	<b>7,107</b>	<b>-</b>	<b>7,107</b>
Financial receipts	5	-	5	62	-	62
Financial payments	(15)	-	(15)	(56)	-	(56)
<b>Cash flows from ordinary activities</b>	<b>3,279</b>	<b>-</b>	<b>3,279</b>	<b>7,113</b>	<b>-</b>	<b>7,113</b>
Income taxes paid	(670)	-	(670)	(1,132)	-	(1,132)
<b>Cash flows from operating activities</b>	<b>2,609</b>	<b>-</b>	<b>2,609</b>	<b>5,981</b>	<b>-</b>	<b>5,981</b>
<b>Cash flows from investing activities<sup>1</sup></b>	<b>(7,755)</b>	<b>-</b>	<b>(7,755)</b>	<b>(2,907)</b>	<b>-</b>	<b>(2,907)</b>
<b>Cash flows from operating and investing activities (free cash flow)</b>	<b>(5,146)</b>	<b>-</b>	<b>(5,146)</b>	<b>3,074</b>	<b>-</b>	<b>3,074</b>
<b>Cash flows from financing activities</b>	<b>4,548</b>	<b>-</b>	<b>4,548</b>	<b>(1,607)</b>	<b>-</b>	<b>(1,607)</b>
<b>Net cash flow for the year</b>	<b>(598)</b>	<b>-</b>	<b>(598)</b>	<b>1,467</b>	<b>-</b>	<b>1,467</b>
Cash and bank balances at 1 January	3,605	-	3,605	2,155	-	2,155
Unrealized exchange gains/losses on cash and bank balances	1	-	1	(17)	-	(17)
Net cash flow for the year	(598)	-	(598)	1,467	-	1,467
<b>Cash and bank balances at 31 December</b>	<b>3,008</b>	<b>-</b>	<b>3,008</b>	<b>3,605</b>	<b>-</b>	<b>3,605</b>
<b>Interest-bearing debt, cash, bank balances and securities, net, is composed as follows:</b>						
Cash and bank balances	3,008	-	3,008	3,605	-	3,605
Securities	4	-	4	3,030	-	3,030
Interest bearing debt	(9,578)	-	(9,578)	-	-	-
<b>Interest-bearing debt, cash, bank balances and securities, net, at 31 December – net cash/(net debt)</b>	<b>(6,566)</b>	<b>-</b>	<b>(6,566)</b>	<b>6,635</b>	<b>-</b>	<b>6,635</b>

1) In 2018, Lundbeck acquired Prexton Therapeutics BV. The acquisition was considered a purchase of assets and consisted of the foliglurax product rights valued at DKK 712 million, tax assets of DKK 39 million and net liabilities totaling DKK 6 million at the time of purchase. The cash flow statement is compiled using the indirect method. As a result, the individual amounts in the cash flow statement cannot be reconciled directly to the condensed income statement and balance sheet.

## NOTE 5

### 5. INTANGIBLE ASSETS

	Goodwill	Product rights <sup>1</sup>			Other rights <sup>2</sup>	Projects in progress <sup>2</sup>	Total intangible assets		
		As reported	Adjustment	Restated			As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Intangible assets</b>									
<b>2019</b>									
Cost at 1 January 2019	4,300	16,239	-	16,239	1,759	136	22,434	-	22,434
Effect of foreign exchange differences	69	97	-	97	3	-	169	-	169
Additions through acquisitions	909	15,274	-	15,274	-	-	16,183	-	16,183
Transfers	-	-	-	-	58	(58)	-	-	-
Additions	-	-	-	-	15	73	88	-	88
Disposals	-	-	-	-	(9)	(17)	(26)	-	(26)
<b>Cost at 31 December</b>	<b>5,278</b>	<b>31,610</b>	<b>-</b>	<b>31,610</b>	<b>1,826</b>	<b>134</b>	<b>38,848</b>	<b>-</b>	<b>38,848</b>
Amortization and impairment losses at 1 January	-	12,743	(3,311)	9,432	1,648	20	14,411	(3,311)	11,100
Effect of foreign exchange differences	-	137	-	137	3	-	140	-	140
Amortization	-	854	455	1,309	68	-	922	455	1,377
Disposals	-	-	-	-	(7)	(17)	(24)	-	(24)
<b>Amortization and impairment losses at 31 December</b>	<b>-</b>	<b>13,734</b>	<b>(2,856)</b>	<b>10,878</b>	<b>1,712</b>	<b>3</b>	<b>15,449</b>	<b>(2,856)</b>	<b>12,593</b>
<b>Carrying amount at 31 December</b>	<b>5,278</b>	<b>17,876</b>	<b>2,856</b>	<b>20,732</b>	<b>114</b>	<b>131</b>	<b>23,399</b>	<b>2,856</b>	<b>26,255</b>

1) In 2019, product rights not yet commercialized amounted to DKK 15,956 million (DKK 1,066 million in 2018).

2) Other rights and projects in progress include items such as the IT system SAP. The amounts include directly attributable internal expenses.

## NOTE 5

### 5. INTANGIBLE ASSETS - CONTINUED

	Goodwill	Product rights <sup>1</sup>			Other rights <sup>2</sup>	Projects in progress <sup>2</sup>	Total intangible assets		
		As reported	Adjustment	Restated			As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Intangible assets</b>									
<b>2018</b>									
Cost at 1 January 2018	4,124	15,089	-	15,089	1,731	115	21,059	-	21,059
Effect of foreign exchange differences	176	280	-	280	4	1	461	-	461
Transfers	-	-	-	-	57	(57)	-	-	-
Additions	-	1,066	-	1,066	6	77	1,149	-	1,149
Disposals	-	(196)	-	(196)	(39)	-	(235)	-	(235)
<b>Cost at 31 December</b>	<b>4,300</b>	<b>16,239</b>	<b>-</b>	<b>16,239</b>	<b>1,759</b>	<b>136</b>	<b>22,434</b>	<b>-</b>	<b>22,434</b>
Amortization and impairment losses at 1 January	-	11,868	(3,766)	8,102	1,606	20	13,494	(3,766)	9,728
Effect of foreign exchange differences	-	220	-	220	4	-	224	-	224
Amortization	-	813	455	1,268	68	-	881	455	1,336
Impairment losses	-	38	-	38	4	-	42	-	42
Disposals	-	(196)	-	(196)	(34)	-	(230)	-	(230)
<b>Amortization and impairment losses at 31 December</b>	<b>-</b>	<b>12,743</b>	<b>(3,311)</b>	<b>9,432</b>	<b>1,648</b>	<b>20</b>	<b>14,411</b>	<b>(3,311)</b>	<b>11,100</b>
<b>Carrying amount at 31 December</b>	<b>4,300</b>	<b>3,496</b>	<b>3,311</b>	<b>6,807</b>	<b>111</b>	<b>116</b>	<b>8,023</b>	<b>3,311</b>	<b>11,334</b>



## NOTE 5 - 6

### 5. INTANGIBLE ASSETS – CONTINUED

In October 2019, Lundbeck acquired Alder BioPharmaceuticals, Inc. (the name has subsequently been changed to Lundbeck Seattle BioPharmaceuticals, Inc.). The acquisition is considered a business combination in accordance with IFRS 3 Business Combinations. As part of the acquisition, Lundbeck acquired the product rights to eptinezumab which is an investigational monoclonal antibody (mAb) for migraine prevention targeting the calcitonin gene-related peptide (CGRP). The value of the product rights was DKK 13,421 million at the time of acquisition. The carrying amount of DKK 13,340 million at 31 December 2019 was affected by developments in the USD/DKK exchange rate.

In May 2019, Lundbeck acquired Abide Therapeutics, Inc. (the name has subsequently been changed to Lundbeck La Jolla Research Center, Inc.). The acquisition is considered a business combination in accordance with IFRS 3 Business Combinations. As part of the acquisition, Lundbeck acquired a portfolio of compounds, including the product rights to ABX-1431; a first-in-class, small-molecule inhibitor of monoacylglycerol lipase (MGLL) currently being investigated in clinical trials for the treatment of neurological disorders, and various compounds in the pre-clinical phase. The value of the portfolio of compounds recognized as product rights was DKK 1,853 million at the time of acquisition. The carrying amount of DKK 1,840 million at 31 December 2019 was affected by developments in the USD/DKK exchange rate.

In March 2018, Lundbeck purchased the foliglurax product rights by acquiring all shares in Prexton Therapeutics BV. The purchase was considered a purchase of assets, i.e. not a business combination. The value of the product rights was DKK 712 million at the time of purchase. The carrying amount of DKK 776 million at 31 December 2019 was affected by developments in the CHF/DKK exchange rate

#### Adjustment

In 2015, Lundbeck recognized an impairment loss of the Rexulti product rights in the approximate amount of DKK 5 billion impacting the research and development costs.

In 2020, based on the requirement from the Danish Business Authority, an impairment test was performed for 2017, leading to the conclusion that the impairment recognized in the Annual Report 2015 should be reversed in 2017, net of accumulated amortization.

See Note 6 *Impairment* for details on the assessment of reversal of the impairment

### 6. IMPAIRMENT

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

#### Methodology

In the impairment test, the discounted expected future cash flows (value in use) for the CGU and the specific asset tested are compared with the carrying amounts of goodwill and other assets. The expected future cash flows are based on a forecast period of nine years, which is the period used by Management for decision making, with due consideration of patent expiry. The assumptions used in the impairment test are based on benchmarked external data and historical trends. The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the terminal period.

Negative growth of 5% is projected in the terminal period due to patent expiry. In addition, the four category elements in the table below are taken into consideration when determining the key parameters.

#### Adjustment

Based on the requirement from the Danish Business Authority, an impairment test was performed on the product rights for Rexulti. The product rights were fully impaired in 2015. The conclusion states that there were indications of an impairment reversal in 2017, consequently the Danish Business Authority required an impairment test for 2017. The impairment test for 2017 led to a reversal of the full recognized impairment, net of accumulated amortization, on the product rights for Rexulti of DKK 3,766 million as of 31 December 2017.

## NOTE 6

### 6. IMPAIRMENT - CONTINUED

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

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

The calculation of the value in use for the Group is based on a discount rate after tax of 7.93% (7.97% in 2018).

#### 2019 testing outcome

The impairment test performed in 2019 did not result in any recognition of impairment losses .

#### 2018 testing outcome

The impairment test performed in 2018 did not result in any recognition of impairment losses .

#### Impact of possible changes in key assumptions for the impairment test of the CGU

If the budgeted revenue had been 5% lower than Management's estimates, the safety margin would continue to be positive. If the discount rate after tax applied to cash flow had been 1% higher, the safety margin would continue to be positive.

#### Adjustment

#### 2017 testing outcome

Based on the requirement from the Danish Business Authority, an impairment test was performed for 2017, leading to the conclusion that the impairment recognized in the 2015 Annual Report, should be reversed in 2017, net of accumulated amortization.

The calculation of the value in use is based on a discount rate after tax of 7.93%.

## NOTE 14

### 14. TAX ON PROFIT FOR THE YEAR

	31 December 2019			31 December 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Current tax	402	-	402	1,233	-	1,233
Prior-year adjustments, current tax	385	-	385	(60)	-	(60)
Prior-year adjustments, deferred tax	(403)	-	(403)	86	-	86
Change in deferred tax for the year	404	(101)	303	(29)	(101)	(130)
Change in deferred tax as a result of changed income tax rates	(1)	-	(1)	(3)	-	(3)
<b>Total tax for the year</b>	<b>787</b>	<b>(101)</b>	<b>686</b>	<b>1,227</b>	<b>(101)</b>	<b>1,126</b>
<b>Tax for the year is composed of:</b>						
Tax on profit for the year	814	(101)	713	1,382	(101)	1,281
Tax on other comprehensive income	(28)	-	(28)	(155)	-	(155)
Tax on other transactions in equity	1	-	1	-	-	-
<b>Total tax for the year</b>	<b>787</b>	<b>(101)</b>	<b>686</b>	<b>1,227</b>	<b>(101)</b>	<b>1,126</b>

For a specification of tax on other comprehensive income, see note 26 *Other comprehensive income* in the *Annual Report 2019*.

## NOTES 14

### 14. TAX ON PROFIT FOR THE YEAR - CONTINUED

Explanation of the Group's effective tax rate relative to the Danish corporate income tax rate	As reported		Adjustment		Restated	
	DKKm	%	DKKm	%	DKKm	%
<b>2019</b>						
<b>Profit before tax</b>	<b>3,481</b>		<b>(455)</b>		<b>3,026</b>	
Calculated tax, 22%	766	22	(101)	22	665	22
<b>Tax effect of:</b>						
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	62	1.8	-	-	62	2.0
Non-deductible expenses/non-taxable income and other permanent differences	79	2.2	-	-	79	2.6
Research and development incentives	(13)	(0.4)	-	-	(13)	(0.4)
Foreign-derived intangible income benefit	(140)	(4.0)	-	-	(140)	(4.6)
Non-deductible amortization of product rights	103	3.0	-	-	103	3.4
Change in valuation of net tax assets	(24)	(0.7)	-	-	(24)	(0.8)
Change in deferred tax as a result of changed income tax rates	(1)	-	-	-	(1)	(0.0)
Prior-year tax adjustments etc., total effect on operations	(18)	(0.5)	-	-	(18)	(0.6)
<b>Effective tax/tax rate for the year</b>	<b>814</b>	<b>23.4</b>	<b>(101)</b>	<b>22</b>	<b>713</b>	<b>23.6</b>

## NOTES 14

### 14. TAX ON PROFIT FOR THE YEAR - CONTINUED

Explanation of the Group's effective tax rate relative to the Danish corporate income tax rate	As reported		Adjustment		Restated	
	DKKm	%	DKKm	%	DKKm	%
<b>2018</b>						
<b>Profit before tax</b>	<b>5,289</b>		<b>(455)</b>		<b>4,834</b>	
Calculated tax, 22%	1,163	22	(101)	22	1,062	22
<b>Tax effect of:</b>						
Differences in the income tax rates of foreign subsidiaries from the Danish corporate income tax rate	85	1.6	-	-	85	1.8
Non-deductible expenses/non-taxable income and other permanent differences	63	1.2	-	-	63	1.3
Research and development incentives	(26)	(0.5)	-	-	(26)	(0.5)
Non-deductible amortization of product rights	97	1.8	-	-	97	2.0
Change in valuation of net tax assets	(23)	(0.4)	-	-	(23)	(0.5)
Change in deferred tax as a result of changed income tax rates	(3)	(0.1)	-	-	(3)	(0.1)
Prior-year tax adjustments etc., total effect on operations	26	0.5	-	-	26	0.5
<b>Effective tax/tax rate for the year</b>	<b>1,382</b>	<b>26.1</b>	<b>(101)</b>	<b>22</b>	<b>1,281</b>	<b>26.5</b>

## NOTE 15

### 15. DEFERRED TAX

Temporary differences between assets and liabilities as stated in the consolidated financial statements and in the tax base	Balance at 1 January			Effect of foreign exchange differences	Adjustment of deferred tax at beginning of year <sup>3</sup>	Additions through acquisitions	Movements during the year			Balance at 31 December		
	As reported	Adjustment	Restated				As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>2019</b>												
Intangible assets	1,109	3,311	4,420	(298)	10	15,274	(3,243)	(455)	(3,698)	12,852	2,856	15,708
Property, plant and equipment	283	-	283	(39)	202	98	209	-	209	753	-	753
Inventories	(116)	-	(116)	(3)	22	668	26	-	26	597	-	597
Provisions	(1,452)	-	(1,452)	(57)	(61)	(462)	387	-	387	(1,645)	-	(1,645)
Other items <sup>1</sup>	1,867	-	1,867	(116)	(1,937)	(51)	(309)	-	(309)	(546)	-	(546)
Tax loss carryforwards etc.	(4,365)	-	(4,365)	47	(124)	(7,229)	4,480	-	4,480	(7,191)	-	(7,191)
<b>Total temporary differences</b>	<b>(2,674)</b>	<b>3,311</b>	<b>637</b>	<b>(466)</b>	<b>(1,888)</b>	<b>8,298</b>	<b>1,550</b>	<b>(455)</b>	<b>1,095</b>	<b>4,820</b>	<b>2,856</b>	<b>7,676</b>
Deferred (tax assets)/tax liabilities	(620)	729	109	(16)	(403)	1,910	332	(101)	231	1,203	628	1,831
Research and development incentives	(73)	-	(73)	(2)	-	-	71	-	71	(4)	-	(4)
<b>Deferred (tax assets)/tax liabilities</b>	<b>(693)</b>	<b>729</b>	<b>36</b>	<b>(18)</b>	<b>(403)</b>	<b>1,910</b>	<b>403</b>	<b>(101)</b>	<b>302</b>	<b>1,199</b>	<b>628</b>	<b>1,827</b>
<b>2018</b>												
Intangible assets	405	3,766	4,171	11	-	-	693	(455)	238	1,109	3,311	4,420
Property, plant and equipment	294	-	294	2	(54)	-	41	-	41	283	-	283
Inventories	(127)	-	(127)	12	(11)	-	10	-	10	(116)	-	(116)
Provisions	(944)	-	(944)	2	56	-	(566)	-	(566)	(1,452)	-	(1,452)
Other items <sup>1</sup>	959	-	959	(34)	389	-	553	-	553	1,867	-	1,867
Tax loss carryforwards etc. <sup>2</sup>	(3,588)	-	(3,588)	(3)	484	-	(1,258)	-	(1,258)	(4,365)	-	(4,365)
<b>Total temporary differences</b>	<b>(3,001)</b>	<b>3,766</b>	<b>765</b>	<b>(10)</b>	<b>864</b>	<b>-</b>	<b>(527)</b>	<b>(455)</b>	<b>(982)</b>	<b>(2,674)</b>	<b>3,311</b>	<b>637</b>
Deferred (tax assets)/tax liabilities <sup>2</sup>	(609)	830	221	-	86	-	(97)	(101)	(198)	(620)	729	109
Research and development incentives	(90)	-	(90)	(9)	-	-	26	-	26	(73)	-	(73)
<b>Deferred (tax assets)/tax liabilities</b>	<b>(699)</b>	<b>830</b>	<b>131</b>	<b>(9)</b>	<b>86</b>	<b>-</b>	<b>(71)</b>	<b>(101)</b>	<b>(172)</b>	<b>(693)</b>	<b>729</b>	<b>36</b>

1) Movements during the year include DKK 0 million (DKK 0 million in 2018) recognized in other comprehensive income and DKK 1 million (DKK 0 million in 2018) recognized in equity.

2) In 2018, movements during the year included an addition from the acquisition of Prexton Therapeutics B.V. of DKK 39 million not recognized in the income statement. The acquisition was considered a purchase of assets.

3) In accordance with IFRIC 23 *Uncertainty over Income Tax Treatments*, movements in Other items includes a reclassification to income taxes payable of DKK 1,672 million (tax value DKK 368 million) relating to provisions for uncertain tax positions.

## NOTE 15

### 15. DEFERRED TAX - CONTINUED

2019	Deferred tax assets			Deferred tax liabilities			Net		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Deferred (tax assets)/tax liabilities	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Intangible assets	(35)	-	(35)	3,162	628	3,790	3,127	628	3,755
Property, plant and equipment	(9)	-	(9)	183	-	183	174	-	174
Inventories	(70)	-	(70)	207	-	207	137	-	137
Provisions	(396)	-	(396)	-	-	-	(396)	-	(396)
Other items	(197)	-	(197)	53	-	53	(144)	-	(144)
Tax loss carryforwards etc.	(1,695)	-	(1,695)	-	-	-	(1,695)	-	(1,695)
Research and development incentives	(4)	-	(4)	-	-	-	(4)	-	(4)
<b>Deferred (tax assets)/tax liabilities</b>	<b>(2,406)</b>	<b>-</b>	<b>(2,406)</b>	<b>3,605</b>	<b>628</b>	<b>4,233</b>	<b>1,199</b>	<b>628</b>	<b>1,827</b>
Set off within legal tax entities and jurisdictions	1,921	480	2,401	(1,921)	(480)	(2,401)	-	-	-
<b>Total net deferred (tax assets)/tax liabilities</b>	<b>(485)</b>	<b>480</b>	<b>(5)</b>	<b>1,684</b>	<b>148</b>	<b>1,832</b>	<b>1,199</b>	<b>628</b>	<b>1,827</b>

2018	Deferred tax assets			Deferred tax liabilities			Net		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Deferred (tax assets)/tax liabilities	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Intangible assets	(31)	-	(31)	343	729	1,072	312	729	1,041
Property, plant and equipment	(2)	-	(2)	66	-	66	64	-	64
Inventories	(77)	-	(77)	37	-	37	(40)	-	(40)
Provisions	(356)	-	(356)	-	-	-	(356)	-	(356)
Other items	(75)	-	(75)	450	-	450	375	-	375
Tax loss carryforwards etc.	(975)	-	(975)	-	-	-	(975)	-	(975)
Research and development incentives	(73)	-	(73)	-	-	-	(73)	-	(73)
<b>Deferred (tax assets)/tax liabilities</b>	<b>(1,589)</b>	<b>-</b>	<b>(1,589)</b>	<b>896</b>	<b>729</b>	<b>1,625</b>	<b>(693)</b>	<b>729</b>	<b>36</b>
Set off within legal tax entities and jurisdictions	424	729	1,153	(424)	(729)	(1,153)	-	-	-
<b>Total net deferred (tax assets)/tax liabilities</b>	<b>(1,165)</b>	<b>729</b>	<b>(436)</b>	<b>472</b>	<b>-</b>	<b>472</b>	<b>(693)</b>	<b>729</b>	<b>36</b>

## NOTE 15

### 15. DEFERRED TAX – CONTINUED

Of the recognized deferred tax assets, DKK 1,699 million (DKK 1,048 million in 2018) relates to tax losses and research and development incentives to be carried forward. The utilization of tax loss carryforwards is subject to Lundbeck generating future positive taxable income against which the losses may be offset. The recognition of tax losses is based on estimates of the expected taxable income in loss-making entities, supported by reports from external analysts when available.

	31 Dec 2019			31 Dec 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Unrecognized deferred tax assets</b>						
Unrecognized deferred tax assets at 1 January	77	-	77	100	-	100
Additions through acquisitions	454	-	454	-	-	-
Prior-year adjustments	(24)	-	(24)	-	-	-
Additions	3	-	3	24	-	24
Utilized	(3)	-	(3)	(47)	-	(47)
<b>Unrecognized deferred tax assets at 31 December</b>	<b>507</b>	<b>-</b>	<b>507</b>	<b>77</b>	<b>-</b>	<b>77</b>



## NOTES 20 AND 25

### 20. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

	31 December 2019			31 December 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
<b>Amortization, depreciation and impairment losses</b>						
Cost of sales	1,024	455	1,479	1,002	455	1,457
Sales and distribution costs	89	-	89	42	-	42
Administrative expenses	26	-	26	24	-	24
Research and development costs	76	-	76	115	-	115
<b>Total</b>	<b>1,215</b>	<b>455</b>	<b>1,670</b>	<b>1,183</b>	<b>455</b>	<b>1,638</b>

### 25. EARNINGS PER SHARE

	31 December 2019			31 December 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
<b>Profit for the year (DKKkm)</b>	<b>2,667</b>	<b>(354)</b>	<b>2,313</b>	<b>3,907</b>	<b>(354)</b>	<b>3,553</b>
Average number of shares ('000 shares)	199,120	-	199,120	199,066	-	199,066
Average number of treasury shares ('000 shares)	(427)	-	(427)	(391)	-	(391)
<b>Average number of shares, excl. treasury shares ('000 shares)</b>	<b>198,693</b>	<b>-</b>	<b>198,693</b>	<b>198,675</b>	<b>-</b>	<b>198,675</b>
Average number of warrants, fully diluted ('000 warrants)	22	-	22	61	-	61
<b>Average number of shares, fully diluted ('000 shares)</b>	<b>198,715</b>	<b>-</b>	<b>198,715</b>	<b>198,736</b>	<b>-</b>	<b>198,736</b>
<b>Earnings per share, basic (EPS) (DKK)</b>	<b>13.42</b>	<b>(1.78)</b>	<b>11.64</b>	<b>19.66</b>	<b>(1.78)</b>	<b>17.88</b>
<b>Earnings per share, diluted (DEPS) (DKK)</b>	<b>13.42</b>	<b>(1.78)</b>	<b>11.64</b>	<b>19.66</b>	<b>(1.78)</b>	<b>17.88</b>

Warrants not in the money are not included in the calculation of earnings per share, diluted (DEPS). Longer term, the warrants may have a dilutive effect on earnings per share, basic, and on earnings per share, diluted. For additional information on incentive programs, see note 13 *Incentive programs* in the *Annual Report 2019*.

# CONDENSED FINANCIAL STATEMENTS OF THE PARENT COMPANY

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## CONDENSED INCOME STATEMENT

	Notes	31 December 2019			31 December 2018		
		As reported	Adjustment	Restated	As reported	Adjustment	Restated
		DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Revenue		9,464	-	9,464	8,607	-	8,607
Cost of sales		1,720	455	2,175	1,675	455	2,130
<b>Gross profit</b>		<b>7,744</b>	<b>(455)</b>	<b>7,289</b>	<b>6,932</b>	<b>(455)</b>	<b>6,477</b>
<b>Profit from operations (EBIT)</b>		<b>1,547</b>	<b>(455)</b>	<b>1,092</b>	<b>839</b>	<b>(455)</b>	<b>384</b>
Income for investments in subsidiaries		3,217	-	3,217	306	-	306
Financial items, net		(103)	-	(103)	(168)	-	(168)
<b>Profit before tax</b>		<b>4,661</b>	<b>(455)</b>	<b>4,206</b>	<b>977</b>	<b>(455)</b>	<b>522</b>
Tax on profit for the year	8	215	(101)	114	141	(101)	40
<b>Profit for the year</b>		<b>4,446</b>	<b>(354)</b>	<b>4,092</b>	<b>836</b>	<b>(354)</b>	<b>482</b>

## CONDENSED BALANCE SHEET - ASSETS

	Notes	31 December 2019			31 December 2018			1 January 2018		
		As reported DKKm	Adjustment DKKm	Restated DKKm	As reported DKKm	Adjustment DKKm	Restated DKKm	As reported DKKm	Adjustment DKKm	Restated DKKm
Product rights	10, 13	5,368	2,856	8,224	1,643	3,311	4,954	1,591	3,766	5,357
Other rights	10, 13	77	-	77	74	-	74	79	-	79
Projects in progress	10, 13	90	-	90	84	-	84	69	-	69
<b>Intangible assets</b>		<b>5,535</b>	<b>2,856</b>	<b>8,391</b>	<b>1,801</b>	<b>3,311</b>	<b>5,112</b>	<b>1,739</b>	<b>3,766</b>	<b>5,505</b>
<b>Property, plant and equipment</b>		<b>1,729</b>	<b>-</b>	<b>1,729</b>	<b>1,453</b>	<b>-</b>	<b>1,453</b>	<b>1,470</b>	<b>-</b>	<b>1,470</b>
Investments in subsidiaries		10,769	-	10,769	5,914	-	5,914	4,911	-	4,911
Receivables from subsidiaries		3,779	-	3,779	957	-	957	1,339	-	1,339
Other investments		58	-	58	69	-	69	65	-	65
Other receivables		3	-	3	4	-	4	5	-	5
Deferred tax assets	14	450	(450)	-	732	(729)	3	785	(785)	-
<b>Financial assets</b>		<b>15,059</b>	<b>(450)</b>	<b>14,609</b>	<b>7,676</b>	<b>(729)</b>	<b>6,946</b>	<b>7,105</b>	<b>(785)</b>	<b>6,320</b>
<b>Non-current assets</b>		<b>22,323</b>	<b>2,406</b>	<b>24,729</b>	<b>10,930</b>	<b>2,582</b>	<b>13,511</b>	<b>10,314</b>	<b>2,981</b>	<b>13,295</b>
<b>Current assets</b>		<b>10,259</b>	<b>-</b>	<b>10,259</b>	<b>9,143</b>	<b>-</b>	<b>9,143</b>	<b>6,836</b>	<b>-</b>	<b>6,836</b>
<b>Assets</b>		<b>32,582</b>	<b>2,406</b>	<b>34,988</b>	<b>20,073</b>	<b>2,582</b>	<b>22,655</b>	<b>17,150</b>	<b>2,981</b>	<b>20,131</b>

## CONDENSED BALANCE SHEET – EQUITY AND LIABILITIES

	Notes	31 December 2019			31 December 2018			1 January 2018		
		As reported DKKm	Adjustment DKKm	Restated DKKm	As reported DKKm	Adjustment DKKm	Restated DKKm	As reported DKKm	Adjustment DKKm	Restated DKKm
Share capital		996	-	996	996	-	996	995	-	995
Proposed dividends		816	-	816	2,389	-	2,389	1,592	-	1,592
Retained earnings		9,693	2,228	11,921	6,073	2,582	8,655	8,051	2,936	10,987
<b>Equity</b>		<b>11,505</b>	<b>2,228</b>	<b>13,733</b>	<b>9,458</b>	<b>2,582</b>	<b>12,040</b>	<b>10,638</b>	<b>2,936</b>	<b>13,574</b>
Deferred tax liabilities	14	-	178	178	-	-	-	-	45	45
Provisions		50	-	50	50	-	50	50	-	50
Bank debt		7,062	-	7,062	-	-	-	-	-	-
Lease liabilities		190	-	190	-	-	-	-	-	-
Payables to subsidiaries		2,064	-	2,064	5,709	-	5,709	3,001	-	3,001
<b>Non-current liabilities</b>		<b>9,366</b>	<b>178</b>	<b>9,544</b>	<b>5,759</b>	<b>-</b>	<b>5,759</b>	<b>3,051</b>	<b>45</b>	<b>3,096</b>
<b>Current liabilities</b>		<b>11,711</b>	<b>-</b>	<b>11,711</b>	<b>4,856</b>	<b>-</b>	<b>4,856</b>	<b>3,461</b>	<b>-</b>	<b>3,461</b>
<b>Liabilities</b>		<b>21,077</b>	<b>178</b>	<b>21,255</b>	<b>10,615</b>	<b>-</b>	<b>10,615</b>	<b>6,512</b>	<b>45</b>	<b>6,557</b>
<b>Equity and liabilities</b>		<b>32,582</b>	<b>2,406</b>	<b>34,988</b>	<b>20,073</b>	<b>2,582</b>	<b>22,655</b>	<b>17,150</b>	<b>2,981</b>	<b>20,131</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital DKKkm	Proposed dividends DKKkm	Retained earnings			Equity		
				As reported	Adjustment	Restated	As reported	Adjustment	Restated
				DKKkm	DKKkm	DKKkm	DKKkm	DKKkm	DKKkm
<b>2019</b>									
<b>Equity at 1 January</b>		<b>996</b>	<b>2,389</b>	<b>6,073</b>	<b>2,582</b>	<b>8,655</b>	<b>9,458</b>	<b>2,582</b>	<b>12,040</b>
Distributed dividends, gross		-	(2,389)	-	-	-	(2,389)	-	(2,389)
Dividends received, treasury shares		-	-	5	-	5	5	-	5
Profit for the year		-	816	3,630	(354)	3,276	4,446	(354)	4,092
Deferred exchange gains/losses, hedging		-	-	(354)	-	(354)	(354)	-	(354)
Exchange gains/losses, hedging (transferred to the hedged items)		-	-	322	-	322	322	-	322
Capital increase through exercise of warrants		-	-	4	-	4	4	-	4
Buyback of treasury shares		-	-	(20)	-	(20)	(20)	-	(20)
Incentive programs		-	-	27	-	27	27	-	27
Tax on transactions in equity		-	-	6	-	6	6	-	6
<b>Equity at 31 December</b>		<b>996</b>	<b>816</b>	<b>9,693</b>	<b>2,228</b>	<b>11,921</b>	<b>11,505</b>	<b>2,228</b>	<b>13,733</b>

For further details, see note 28 *Share capital* in the consolidated financial statements in the *Annual Report 2019*.

## NOTE 8

### 8. TAX ON PROFIT FOR THE YEAR

	31 December 2019			31 December 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Current tax, joint taxation contribution	(81)	-	(81)	79	-	79
Prior-year adjustments, current tax	8	-	8	(114)	-	(114)
Prior-year adjustments, deferred tax	(19)	-	(19)	97	-	97
Change in deferred tax for the year	301	(101)	200	(44)	(101)	(145)
<b>Total tax for the year</b>	<b>209</b>	<b>(101)</b>	<b>108</b>	<b>18</b>	<b>(101)</b>	<b>(83)</b>
<b>Tax for the year is composed of:</b>						
Tax on profit for the year	215	(101)	114	141	(101)	40
Tax on transactions in equity	(6)	-	(6)	(123)	-	(123)
<b>Total tax for the year</b>	<b>209</b>	<b>(101)</b>	<b>108</b>	<b>18</b>	<b>(101)</b>	<b>(83)</b>

## NOTE 10

### 10. INTANGIBLE ASSETS

	Product rights <sup>1</sup>			Other rights <sup>2</sup>	Projects in progress <sup>2</sup>	Total intangible assets		
	As reported	Adjustment	Restated			As reported	Adjustment	Restated
	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
<b>Intangible assets</b>								
Cost at 1 January 2019	8,795	-	8,795	1,694	104	10,593	-	10,593
Transfers	-	-	-	40	(40)	-	-	-
Additions	4,019	-	4,019	10	46	4,075	-	4,075
Disposals	-	-	-	(8)	(17)	(25)	-	(25)
<b>Cost at 31 December</b>	<b>12,814</b>	<b>-</b>	<b>12,814</b>	<b>1,736</b>	<b>93</b>	<b>14,643</b>	<b>-</b>	<b>14,643</b>
Amortization and impairment losses at 1 January	7,152	(3,311)	3,841	1,620	20	8,792	(3,311)	5,481
Amortization	294	455	749	46	-	340	455	795
Disposals	-	-	-	(7)	(17)	(24)	-	(24)
<b>Amortization and impairment losses at 31 December</b>	<b>7,446</b>	<b>(2,856)</b>	<b>4,590</b>	<b>1,659</b>	<b>3</b>	<b>9,108</b>	<b>(2,856)</b>	<b>6,252</b>
<b>Carrying amount at 31 December</b>	<b>5,368</b>	<b>2,856</b>	<b>8,224</b>	<b>77</b>	<b>90</b>	<b>5,535</b>	<b>2,856</b>	<b>8,391</b>

1) In 2019, product rights not yet commercialized amounted to DKK 4,019 million (DKK 320 million in 2018).

2) Other rights and projects in progress primarily include items such as the IT system SAP. The amounts include directly attributable internal expenses.

For details on the adjustment in intangible assets, see note 5 *Intangible assets* in the condensed consolidated financial statements.



## NOTE 13 – 14

### 13. IMPAIRMENT

#### Impairment of intangible assets and property, plant and equipment

For details on impairment, see note 6 *Impairment* in the consolidated financial statements.

### 14. DEFERRED TAX

	Balance at 1 January			Adjustment of deferred tax at beginning of year <sup>3</sup>	Movements during the year			Balance at 31 December		
	As reported	Adjustment	Restated		As reported	Adjustment	Restated	As reported	Adjustment	Restated
Temporary differences between assets and liabilities as stated in the financial statements and in the tax base	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Intangible assets	529	3,311	3,840	-	786	(455)	331	1,315	2,856	4,171
Property, plant and equipment	254	-	254	(28)	258	-	258	484	-	484
Inventories	195	-	195	-	41	-	41	236	-	236
Other items	(281)	-	(281)	24	(95)	-	(95)	(352)	-	(352)
Tax loss carryforwards etc.	(4,024)	-	(4,024)	(82)	379	-	379	(3,727)	-	(3,727)
<b>Total temporary differences</b>	<b>(3,327)</b>	<b>3,311</b>	<b>(16)</b>	<b>(86)</b>	<b>1,369</b>	<b>(455)</b>	<b>914</b>	<b>(2,044)</b>	<b>2,856</b>	<b>812</b>
<b>Deferred (tax assets)/tax liabilities</b>	<b>(732)</b>	<b>729</b>	<b>(3)</b>	<b>(19)</b>	<b>301</b>	<b>(101)</b>	<b>200</b>	<b>(450)</b>	<b>628</b>	<b>178</b>

The major assumptions relating to the recognition and measurement of tax assets are described in note 2 *Significant accounting estimates and judgments* in the consolidated financial statements in the *Annual Report 2019*.

	31 Dec 2019			31 Dec 2018		
	As reported	Adjustment	Restated	As reported	Adjustment	Restated
Movements in deferred tax	DKKm	DKKm	DKKm	DKKm	DKKm	DKKm
Balance at 1 January	(732)	729	(3)	(785)	830	45
Movements relating to profit for the year	281	(101)	180	52	(101)	(49)
Movements relating to transactions in equity	1	-	1	1	-	1
<b>Balance at 31 December</b>	<b>(450)</b>	<b>628</b>	<b>178</b>	<b>(732)</b>	<b>729</b>	<b>(3)</b>

# INDEPENDENT AUDITOR'S REPORT ON THE ADJUSTED SUPPLEMENTARY INFORMATION TO THE ANNUAL REPORT 2019

*To the shareholders of H. Lundbeck A/S*

## **Our opinion**

In our opinion, the Adjusted Supplementary Information to the Annual Report 2019 is prepared, in all material respects, in accordance with requirements in the conclusion made by the Danish Business Authority on 27 November 2020.

### *What we have audited*

The Adjusted Supplementary Information to the Annual Report 2019 of H. Lundbeck A/S comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity, and the Notes (pages 8-25). Further, the Adjusted Supplementary Information to the Annual Report 2019 comprises the Condensed Income Statement, the Condensed Balance Sheet, the Condensed Statement of Changes in Equity and the Notes for the Parent Company (pages 26-33).

Collectively referred to as the "Adjusted Supplementary Information to the Annual Report 2019".

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Adjusted Supplementary Information to the Annual Report 2019 section of our report.

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

### *Independence*

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

## **Emphasis of matter to the Adjusted Supplementary Information to Annual Report 2019 - basis for preparation**

The Adjusted Supplementary Information to the Annual Report 2019 is prepared in order to fulfill the requirements in accordance with the conclusion made by the Danish Business Authority on 27 November 2020.

The Adjusted Supplementary Information to the Annual Report 2019 is to be seen in conjunction with the Annual Report 2019, which was approved by the Board of Directors and the registered Executive Management on 6 February 2020.

Our conclusion is not modified regarding this matter.

## **Other matter**

The Consolidated Financial Statements and the Parent Company Financial Statements for 2019 is audited by Deloitte Statsautoriseret Revisionspartnerselskab, consequently we did not issue the audit opinion on the Consolidated Financial Statements and the Parent Company Financial Statements for 2019. Deloitte Statsautoriseret Revisionspartnerselskab issued the Independent Auditor's Report on 6 February 2020. Therefore, we only conclude on the audit procedures performed on the Adjusted Supplementary Information to the Annual Report 2019 and not for the audit procedures performed on the Consolidated Financial Statements and the Parent Company Financial Statements for 2019 as a whole.

# INDEPENDENT AUDITOR'S REPORT ON THE ADJUSTED SUPPLEMENTARY INFORMATION TO THE ANNUAL REPORT 2019

- continued

## **Management's responsibilities for the Adjusted Supplementary Information to the Annual Report 2019**

Management is responsible for the preparation of the Adjusted Supplementary Information to the Annual Report 2019 that is prepared in accordance with the requirements in the conclusion made by the Danish Business Authority on 27 November 2020, and for such internal control as Management determines is necessary to enable the preparation of the Adjusted Supplementary Information to the Annual Report that is free from material misstatement, whether due to fraud or error.

In preparing the Adjusted Supplementary Information to the Annual Report 2019, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Adjusted Supplementary Information to the Annual Report 2019**

Our objectives are to obtain reasonable assurance about whether the Adjusted Supplementary Information to the Annual Report 2019 as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Adjusted Supplementary Information to the Annual Report 2019.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Adjusted Supplementary Information to the Annual Report 2019, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Adjusted Supplementary Information to the Annual Report 2019 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT ON THE ADJUSTED SUPPLEMENTARY INFORMATION TO THE ANNUAL REPORT 2019

*- continued*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hellerup, 5 January 2021  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



**Lars Baungaard**  
State Authorised Public Accountant  
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