

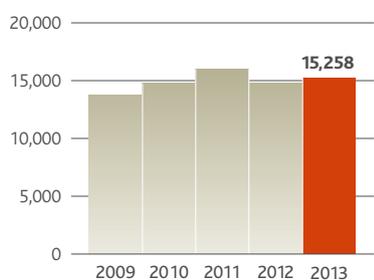


ANNUAL REPORT 2013



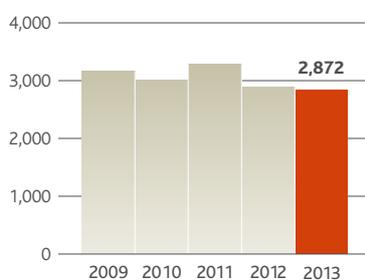
5 YEARS PERFORMANCE

REVENUE
(DKKm)



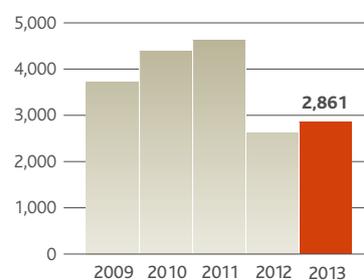
EURm 2,046
USDm 2,717

RESEARCH AND DEVELOPMENT COSTS
(DKKm)



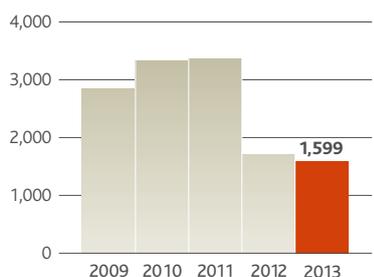
EURm 385
USDm 511

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



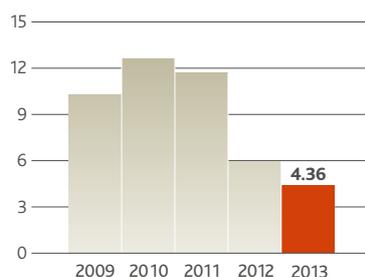
EURm 384
USDm 509

PROFIT FROM OPERATIONS (EBIT)
(DKKm)



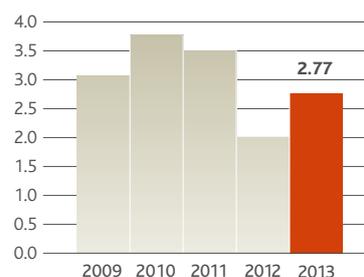
EURm 214
USDm 285

EARNINGS PER SHARE (EPS)
(DKK)



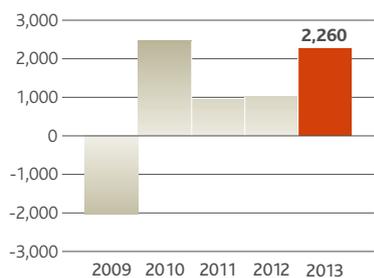
EUR 0.58
USD 0.78

PROPOSED DIVIDEND PER SHARE
(DKK)



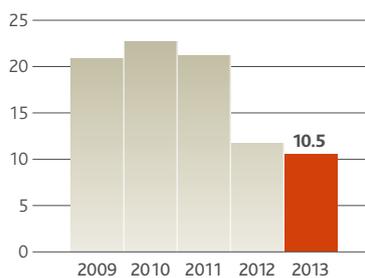
EUR 0.37
USD 0.49

**CASH FLOWS FROM OPERATING
AND INVESTING ACTIVITIES**
(DKKm)

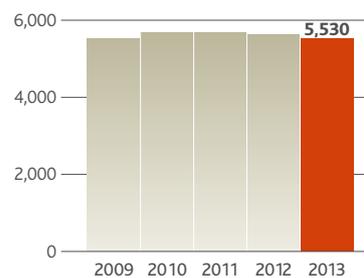


EURm 303
USDm 402

EBIT MARGIN
(%)



AVERAGE NUMBER OF EMPLOYEES



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TOWARDS LONG-TERM GROWTH

Lundbeck is successfully navigating a period of transition. 2013 was a very good year for us – we delivered strong results that met our financial guidance, our product pipeline showed positive development and we launched several new products. We are well on track to achieve our ambition of sustained long-term growth.

Lundbeck is in the process of renewing its product portfolio and expanding its geographical reach. Some of our products are maturing, but we are well on our way to replacing them. Among the highlights of an outstanding year were the approvals and launches of Abilify Maintena[®], Brintellix[®] and Selincro[®] in different markets. Further, we saw strong performance in most of our existing products, and specifically we are seeing rapid growth in sales in the US and International Markets as our recently-launched products start to take off around the world. Revenue from New Products increased 45% in 2013. They now contribute 20% of our total revenue – and we expect this trend to grow and accelerate in the years to come as revenues from recently-approved products come on-stream.

During 2013, we expanded our commercial platform in the US to be able to successfully launch our new psychiatric products. The new psychiatry business includes a significant sales force, which means we can make our new psychiatric portfolio available to more health care professionals and to more patients in the US.

As well as launching our new products, we are continuously working to develop new innovative treatments to meet existing unmet needs. Our late-stage pipeline shows great promise, and we are particularly excited about three compounds: brexpiprazole, desmoteplase and Lu AE58054. It is our hope that these compounds will become effective future treatments for patients suffering from depression, schizophrenia, stroke and Alzheimer's disease.

While we continue to invest heavily in R&D and in expanding our geographical reach, we are also continuing the restructuring and optimization of internal operations in the company to improve performance and to support innovation. An efficiency programme, *Fit-for-the-Future*, has been introduced and will help free up resources for investment in our product pipeline and geographical expansion.

We are strongly committed to maintaining high ethical standards and to ensuring our Code of Conduct is truly embedded in day-to-day operations. Compliance is also one of our top priorities. These core values support our determination to appeal against the European Commission's decision in 2013 regarding Lundbeck's settlement agreements with generic competitors for citalopram. We strongly disagree with this ruling and the fine imposed.

PROGRESS IN MIND

Brain disease is a growing burden, not only for individuals but for families and communities as well. Around the world, some 700 million people are living with brain disease, and far too many suffer from inadequate treatment, discrimination, reduced number of working days, early retirement and other unnecessary consequences.

Although extraordinary progress in treating these conditions has been made over the last century, there remains a huge and pressing medical need. Brain disease is one of the gravest health-care challenges facing society today. For a company like Lundbeck, this challenge is also a great opportunity. We are in a unique position to develop and deliver new and innovative medicines and to make a real difference to people living with brain disease. We call this Progress in Mind.

On behalf of Lundbeck's Board of Directors, Executive Management and employees, we would like to thank all our shareholders, customers and business partners for the interest and trust they have shown in our company throughout 2013.


Ulf Wiinberg
President and CEO


Håkan Björklund
Chairman of the Board of Directors

MANAGEMENT REVIEW

2013 was a very successful year for Lundbeck. Most of our existing products continued to perform strongly, we received five regulatory approvals of new pharmaceuticals and launched two new products. We also expanded the collaboration with our partners and continued our internal efficiency process.

Lundbeck is continuing to expand its product portfolio as some of the long-standing products start to mature and face competition from generics. Our priorities are the successful launch of our new products, and the continued development of our product pipeline and partnerships.

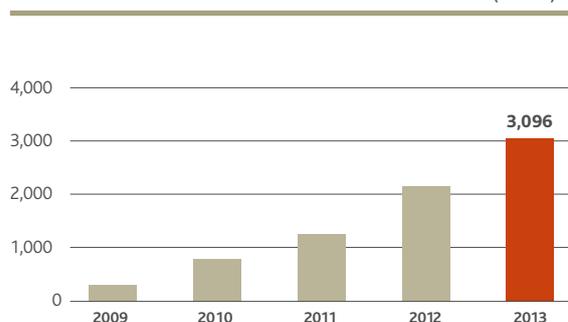
In 2013, we launched two new products: Selincro[®] in Europe and Abilify Maintena[®] in the US. In addition, Brintellix[®] became available in the US towards the end of 2013. Our strategic portfolio of recently launched products also includes Lexapro[®] in Japan, Onfi[®], Sabril[®], Saphris[®]/Sycrest[®], Treanda[®] and Xenazine[®]. Between them, these New Products generated revenue of DKK 3,096 million in 2013, and we are expecting continued high growth.

Our key pipeline products advanced according to plan. In Europe, Abilify Maintena, Brintellix and Selincro were all approved by the European Medicines Agency (EMA). In the US, both Abilify Maintena and Brintellix were approved by the U.S. Food and Drug Administration (FDA). Finally, Lu AE58054 entered into its clinical phase III programme.

In recent years, we have made substantial efforts to reorganize the company to make it more flexible and effective. This enables us to successfully manage the transition of our European product portfolio, to mitigate the pressure from healthcare reforms, and to overcome challenges such as increased competition from generics, and uncertainty surrounding pricing and reimbursement in Europe. The restructuring of our European commercial infrastructure started in 2012, and we are already capturing benefits of this process. In 2013, we began the optimization of our administrative processes through the *Fit-for-the-Future* programme, which is expected to benefit the company for years to come.

Lundbeck has a sophisticated partner strategy and is highly committed to seeing it succeed. We have a strong alliance with Otsuka Pharmaceutical Co., Ltd. on a number of projects, such as the development and commercialization of Abilify Maintena, as well as brexpiprazole, Lu AE58054, Selincro in Japan and Lu AF20513.

TOTAL REVENUE FROM NEW PRODUCTS 2009-2013 (DKKm)



TOTAL REVENUE 2009-2013 (DKKm)



We are continuing to capture benefits from our partnership with Takeda Pharmaceutical Co., Ltd. on the development and commercialization of Brintellix, as well as our partnership with Mochida Pharmaceutical Co., Ltd. and Mitsubishi Tanabe Pharma Corporation on the commercialization of Lexapro in Japan.

FINANCIAL RESULTS

Lundbeck's financial performance in 2013, excluding the unexpected fine from the European Commission, was better for both revenue and for operating profit than forecasted in our guidance published in February 2013. We continued to deliver strong results and good profits despite 2013 being the first full year without material revenue from Lexapro in the US, and with the patent expiry of Ebixa® in Europe.

Our strategies for developing our product portfolio and expanding our geographic reach continued according to plan. New Products generated total revenue of DKK 3,096 million, more than what was lost due to expiry of the Lexapro patent in the US. In 2013, revenue from New Products grew by 45% when compared to 2012. New Products now represent 20% of Lundbeck's total revenue, up from 14% in 2012.

As a result of our geographic expansion, Lundbeck showed continued strong revenue growth in International Markets, which grew by 8%, and in our new products in the US (Abilify Maintena, Onfi, Sabril and Xenazine), which were up 43%. The year was impacted by competition from generics in certain countries, but the underlying volume growth in Europe continued.

Revenue for the year was DKK 15,258 million, which is an increase of 3% compared to 2012. We are very pleased with this result considering the patent expiry of Ebixa and the divestment of our mature product portfolio in the US.

Total costs for the year were DKK 13,659 million compared to DKK 13,076 million in 2012, corresponding to an increase of 4%. Recent years' efficiency programmes have made it possible for us to invest heavily in launching our new products and we expect to continue doing so during 2014. Research and development (R&D) costs continued to be high and were DKK 2,872 million, corresponding to 19% of revenue, which is a decrease of one percentage point compared to 2012. In 2013, we absorbed one-off costs of more than DKK 1 billion due to the European Commission fine (approximately DKK 700 million), impairment of Saphris/Sycrest, and restructuring costs. In 2012, one-off costs were DKK 530 million.

Profit from operations before depreciation and amortisation (EBITDA) was DKK 2,861 million, or DKK 3,971 million excluding one-off costs. Profit from operations (EBIT) was DKK 1,599 million, corresponding to an EBIT margin of 10.5%. Excluding one-off costs, profit from operations were DKK 2,709 million, which corresponds to a margin of 17.8%.

Profit for 2013 was lifted by approximately DKK 170 million milestone payment for the commercialization of Brintellix in the US from our partner Takeda, and by a gain of DKK 566 million from the divestment of our mature product portfolio in the US to Recordati S.p.A.

The effective tax rate in 2013 was 41.9%, corresponding to a tax of DKK 617 million. In 2012, the effective tax rate was 29.9%, corresponding to a tax of DKK 496 million. The increased tax rate from 2012 to 2013 relates to the unexpected fine from the European Commission, which is not tax-deductible.

Profit for the year was DKK 855 million, which translates to earnings per share of DKK 4.36. At the Annual General Meeting (AGM), the Board of Directors will propose a dividend payout ratio of 64% of the year's profit after tax, equating to DKK 2.77 per share.

Cash flows from operating activities were DKK 3,760 million. As at 31 December 2013, Lundbeck had interest-bearing, net cash and cash equivalents of DKK 3,699 million, compared with DKK 1,893 million at the end of 2012.

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

Financial guidance

For 2014, Lundbeck expects total revenue of DKK ~ 13.5 billion compared to around DKK 14 billion as communicated in the preliminary guidance in December 2012. EBIT is expected in the range of DKK 0.5-1.0 billion, which is in line with earlier guidance. These expectations assume unchanged currency rates and do not include any milestone payments, or other one-off items.

FORECAST 2014

	FORECAST* 2013 (DKKbn)	FORECAST** 2013 (DKKbn)	ACTUAL 2013 (DKKm)	FORECAST 2014 (DKKbn)
Revenue	14.1-14.7	14.8-15.2	15,258	~13.5
Profit from operations (EBIT)	1.6-2.1	1.5-1.7	1,599	0.5-1.0

- * According to guidance provided in the Annual Report 2012
- ** According to guidance provided in the Third Quarter Report 2013

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, government mandated or market-driven price decreases for products, introduction of competing products, Lundbeck's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws, and unexpected growth in expenses.

EVENTS & MILESTONES 2013

February	Selincro is approved in Europe for the treatment of alcohol dependence. Abilify Maintena is approved in the US for the treatment of schizophrenia.
March	Lundbeck and Otsuka announce collaboration on Lu AE58054 for the treatment of Alzheimer's disease. Positive data on Azilect® for the treatment of early Parkinson's disease.
April	Positive data on Brintellix for the treatment of major depressive disorder (MDD). Positive data on Selincro for the treatment of alcohol dependence. Selincro is launched in the first markets in Europe. Abilify Maintena is launched in the US.
May	Positive data on Brintellix for treating symptoms of MDD. Positive preclinical data on Brintellix for improving cognitive function in MDD.
June	Lundbeck receives the European Commission's decision regarding citalopram agreements concluded in 2002-2003. Lundbeck announces plans to simplify its commercial structure in Europe.
July	Positive data on Lu AE58054 for the treatment of Alzheimer's disease.
September	Lundbeck appeals the European Commission's decision regarding citalopram agreements concluded in 2002-2003. Positive recommendation from EMA's Committee for Medicinal Products for Human Use (CHMP) on Abilify Maintena for the treatment of schizophrenia.
October	Brintellix is approved in the US for the treatment of MDD. Lundbeck and Otsuka begin clinical phase III studies on Lu AE58054. Positive recommendation from CHMP on Brintellix for the treatment of MDD. Otsuka becomes Lundbeck's partner for clinical development and co-commercialization of Selincro in Japan.
November	Brintellix is made available in the US. Abilify Maintena is approved in Europe.
December	Lundbeck and Otsuka announce collaboration on the development of Lu AF20513, a vaccine to tackle Alzheimer's disease. Positive data on Brintellix for improving cognitive function in MDD. Brintellix is approved in Europe for the treatment of MDD.

STRATEGY REVIEW

Lundbeck is in transition to a new era of growth. We are renewing our product portfolio and expanding geographically in order to reinforce our position as a specialist in brain disease.

TOWARDS 2015

Looking towards 2015, Lundbeck has set goals in four equally important areas:

Financial ambition:

Significantly invest in long-term growth opportunities, while remaining profitable

- In 2013, we were able to exceed the financial guidance for the year, despite operating under difficult market conditions with healthcare reforms and increased competition from generics.
- For 2014, we expect total revenue of DKK ~13.5 billion and EBIT in the range of DKK 0.5-1.0 billion.
- Our ambition to enter a new era of sustained long-term growth will particularly depend on the successful launch of our new products.

R&D ambition:

Continue to invest heavily in R&D and deliver on our late-stage pipeline

- In 2013, we experienced significant progress in our late-stage pipeline with approval of Selincro in Europe, as well as Abilify Maintena and Brintellix in Europe and the US. Further, the clinical phase III programme for Lu AE58054 was initiated.
- In 2014, we will continue to develop our late-stage pipeline with important milestones for brexpiprazole and desmoteplase. Further, we expect to get approval of Brintellix in more markets, i.e. Canada.
- Our R&D focus towards 2015 will be research, early-stage pipeline projects and clinical phase IV trials.

Product ambition:

Launch and grow our new products and diversify our product portfolio

- During 2013, our product portfolio became more diverse, with New Products contributing 20% of total revenue.
- In 2014, we will continue to focus on our new products: Abilify Maintena will continue to roll-out in the US and will be launched in Europe; Brintellix will be launched in Europe and the US, and Selincro will continue to be launched in new markets across Europe.
- We expect our new products to provide a solid platform for Lundbeck's strong presence in the treatment of many brain diseases.

Market ambition:

Expand in new markets and strengthen our global position

- In 2013, our revenue from International Markets and the US amounted to DKK 6,710 million, or 44% of total revenue.
- In 2014-2015, we will continue to strengthen our global position by maintaining our strong platform in Europe, and increasing our investments in growth markets such as the US and selected International Markets.
- We expect continued growth from the US as well as selected International Markets such as Australia, Brazil, China and Japan.

OUR STRATEGIC PATH TO 2015

To help us achieve our ambitions, we have identified a strategic path of focus for the coming years. The strategic path consists of seven pillars.



1. R&D strategy

The aim of Lundbeck's R&D strategy, which was launched in 2010, is to enable the discovery and development of new pharmaceuticals to target the underlying mechanisms of brain diseases. The strategy requires comprehensive research into the brain and the biology and mechanisms of brain diseases, as well as improved understanding of research targets and clinical outcomes.

It is essential for Lundbeck to maintain strong internal R&D capabilities in order to establish optimal networks and partnerships. We will continue to build external alliances to supplement our internal capabilities, taking advantage of the increased opportunities provided by innovative technologies.

2. Late-stage pipeline

Lundbeck's late-stage pipeline activities are focused on a number of projects that aim at fulfilling unmet medical needs of patients and society. In recent years, we have experienced significant progress in our late-stage pipeline, and we will continue to invest significantly in our R&D.

In the coming years, we will focus on important projects such as brexpiprazole for the treatment of schizophrenia and MDD, desmoteplase for the treatment of acute ischaemic stroke and Lu AE58054 for the treatment of Alzheimer's disease.

3. Product diversification

Pharmaceuticals that treat brain diseases are the largest pharmaceutical category, accounting for 15% of the global market and worth a total of USD 128 billion in 2012 (newest available figures). The size of this market provides room for growth, but in order to exploit growth opportunities, Lundbeck must launch new and better treatments.

Since 2008, we have invested heavily in new product opportunities in order to diversify our portfolio. As a result, in recent years we have been able to launch a number of new products: Abilify Maintena, Lexapro in Japan, Onfi, Sabril, Saphris/Sycrest, Selincro, Treanda and Xenazine. Towards the end of 2013, Brintellix also became available in the US. Altogether, New Products generated DKK 3,096 million in revenue in 2013.

Our priority will continue to be the successful launch of our new products and thereby the creation of a solid platform for Lundbeck's long-term growth.

4. Geographical expansion

Lundbeck's ambition is to build global growth by balancing our solid presence in Europe with expansion in International Markets and the US.

In 2013, Europe constituted 25% of the global market for pharmaceuticals for the treatment of brain diseases. We have a strong presence in Europe, where we generated DKK 7,064 million, or 46% of total revenue this year. In recent years, price cuts and healthcare reforms have weakened the pharmaceutical industry's ability to maintain sustainable profitability in Europe. As a consequence, we have restructured our European operations.

In 2013, revenue from International Markets grew significantly to DKK 4,075 million, equivalent to 27% of the total revenue. Combined with our ability to expand our presence and launch our new products, these markets are expected to contribute significantly to our business in the coming years.

China is one of the important international markets. The Chinese market for pharmaceuticals for the treatment of brain diseases is still in its infancy. With a total value of around USD 4.0 billion, it represents only 3.2% of the global brain diseases market. However, the Chinese market is growing rapidly due to increased acknowledgement of brain diseases, as well as better access to treatment. Lundbeck's presence in China is increasing and we will invest further in our operations in China in the coming years.

The US is by far the world's largest market for pharmaceuticals for the treatment of brain diseases, accounting for 47% of all sales. In 2013, our revenue from the US amounted to DKK 2,635 million, 17% of total revenue. We believe the US market has significant potential for growth and we are currently building our own platform in the US market to strengthen our presence. In 2013, we invested in our own psychiatry sales force in the US, we launched Abilify Maintena in collaboration with Otsuka and started making Brintellix available in collaboration with Takeda.

5. Partnerships and business development

Development and commercialization of new drugs is 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 drugs 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 diseases, we can offer our partners highly specialized knowledge, and many companies see Lundbeck as an attractive partner.

One of Lundbeck's important partners is Otsuka with whom we have built a strong alliance on the development and commercialization of Abilify Maintena, brexpiprazole, Lu AE58054 and Lu AF20513, and of Selincro in Japan. Takeda is another of our key partners. Together, we strive for a successful launch and commercialization of Brintellix. Among other partnerships, we also collaborate with Mochida and Mitsubishi Tanabe on the commercialization of Lexapro in Japan.

6. Organizational efficiency

Organizational efficiency is vital in order to sustain profitability and realize Lundbeck's full potential. In 2013, we announced the *Fit-for-the-Future* programme with the aim to reduce complexity, increase organizational efficiency and free up resources to ensure our successful transition to an even more sustainable Lundbeck. The programme includes initiatives to optimize and standardize administrative processes, reduce supply chain complexity, make clinical studies even more effective, restructure our procurement and decrease spending on low priority activities. The *Fit-for-the-Future* programme is expected to run in 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.

7. 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 from them and empower them to perform at the highest level every day. Further, we have standardized HR processes including organizational reviews, performance appraisals, talent management and employee satisfaction surveys.

RESEARCH AND DEVELOPMENT

Five regulatory approvals of new and innovative medicines and positive development in our pipeline made 2013 a very busy and successful year for Lundbeck's R&D.

Lundbeck's R&D efforts are dedicated to creating new and innovative pharmaceuticals for the treatment of brain diseases. Through investment and perseverance, we strive to create the very best treatments for patients. In 2013, we reached a number of important milestones:

Abilify Maintena (aripiprazole) for the treatment of schizophrenia and **Brintellix** (vortioxetine) for the treatment of MDD were approved by both the FDA and the EMA. We also received formal approval of **Selincro** (nalmefene) for the treatment of alcohol dependence from the EMA. Further, **Lu AE58054** for the treatment of Alzheimer's disease entered into its clinical phase III programme, where we will collaborate with Otsuka Pharmaceutical Co., Ltd. on development and commercialization.

We had the pleasure of presenting important clinical data for several of our compounds and products. A great amount of data was released and presented on **Brintellix**. In April, positive data was released for adult patients with MDD, who show inadequate response to other antidepressant therapy (SSRI or SNRI). In May, at the Annual Meeting of the American Psychiatric Association (APA) in San Francisco, US, positive data was presented for treating symptoms of MDD and for improving cognitive function, and in December, at the American College of Neuropsychopharmacology Annual Meeting (ACNP) in Florida, US, positive data was presented for adult patients with MDD.

Further, in 2013, we released positive data on **Selincro** for reducing alcohol consumption in alcohol dependent patients with high-risk drinking levels. Also, we released positive data on **Azilect** (rasagiline) for the treatment of early Parkinson's disease, and at the Alzheimer's Association 2013 International Conference (AAIC) in Boston, US, we presented positive data on **Lu AE58054** for the treatment of Alzheimer's disease.

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 diseases. 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 diseases. It is essential for us to maintain strong internal R&D capabilities in order to establish optimal networks and 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.

R&D portfolio

Lundbeck's R&D portfolio consists of a number of new pharmaceutical compounds in early-stage pipeline, and 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 disease, and new neurological areas such as stroke.

The success of our late-stage pipeline in recent years allows us to begin to shift focus onto research, early-stage pipeline and clinical 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 2013, our R&D investment was DKK 2,872 million, 19% of total revenue.

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 more development projects running in tandem, whilst being able to invest considerably more than what is directly available from our R&D resources.

THREE PROMISING COMPOUNDS

At the end of 2013, our late-stage pipeline consisted of a number of projects, of which three compounds, currently in clinical phase III, are particularly promising:

Brexiprazole – for schizophrenia and MDD

Brexiprazole is a new investigative psychotherapeutic compound developed to improve efficacy and tolerability (e.g. less akathisia, restlessness and/or insomnia). The compound has broad activity across multiple monoamine systems, and exhibits reduced partial agonist activity at D2 dopamine receptors and enhanced affinity for specific serotonin receptors. Brexiprazole has entered into clinical phase III trials for schizophrenia and adjunctive treatment of MDD.

Lundbeck is collaborating with Otsuka on the development and commercialization of this compound.

Desmoteplase – for stroke

Desmoteplase is being developed for the treatment of acute ischaemic stroke. Desmoteplase is a chemical found in the saliva of vampire bats that has the effect of catalysing the conversion of plasminogen to plasmin, which is the enzyme responsible for breaking down fibrin blood clots. Desmoteplase has high fibrin selectivity, an absence of neurotoxicity, and no apparent negative effect on the blood-brain barrier. It has received fast-track designation from the FDA for the indication of acute ischaemic stroke.

Two placebo-controlled clinical phase III studies are enrolling 400 and 480 patients respectively. The studies are designed with the aim of measuring the efficacy of one dose of desmoteplase that is administered in a time window between three and nine hours after the stroke occurs. Patients are being recruited for the two studies at international sites in Europe, the US, Canada, South America and Asia. The efficacy of desmoteplase will be assessed after 90 days.

Lu AE58054 – for Alzheimer's disease

Lu AE58054 is being developed for the treatment of Alzheimer's disease. It is a potent and selective 5-HT₆-receptor antagonist. This receptor is primarily found in areas of the brain involved in cognition. A number of early clinical studies have demonstrated that a 5-HT₆-receptor antagonist could offer potential treatment benefits. A clinical phase II study with Lu AE58054 as augmentation therapy for Alzheimer's disease (Lu AE58054 plus donepezil) demonstrated significant improvements in cognitive function compared to placebo plus donepezil. Lu AE58054 was considered overall to be well tolerated at the selected dose.

In 2013, a clinical phase III programme was initiated. Several doses of Lu AE58054 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 (AChEIs). 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). The programme will enrol approximately 3,000 patients worldwide in four currently planned clinical studies.

Lundbeck is collaborating with Otsuka on the development and commercialization of this compound.

MARKETS AND PRODUCTS

In 2013, Lundbeck continued to make positive progress in International Markets and the US. Sales of New Products grew by 45% and now constitute 20% of total revenue.

Revenue from Lundbeck's New Products – including Abilify Maintena, Brintellix, Lexapro in Japan, Onfi, Sabril, Saphris/Sycrest, Selincro, Treanda and Xenazine – has started to replace revenue lost as mature products approach the end of their life cycle. In 2013, revenue from New Products increased 45% to DKK 3,096 million. Looking forward, recently approved products like Abilify Maintena, Brintellix and Selincro will play an important role in the successful transition of our product portfolio and the growing geographic diversification of our revenue streams.

Lundbeck's total revenue for 2013 was DKK 15,258 million, representing an increase of 3% for the year. This was driven primarily by revenue growth in International Markets, which increased by 8%, and by growing revenues from our US products (excluding Lexapro), which were up 22% compared to 2012. In Europe, revenue decreased by 9%.

EUROPE

2013 was a challenging year for Lundbeck's operations in Europe. We saw underlying volume growth in most European markets. However, generic competition, healthcare reforms and uncertainty around pricing and reimbursement meant a decrease in revenue. We continued to face the consequences of the economic downturn on pricing as well as increased market regulation. Several countries required either price decreases or rebate increases in response to the economic conditions.

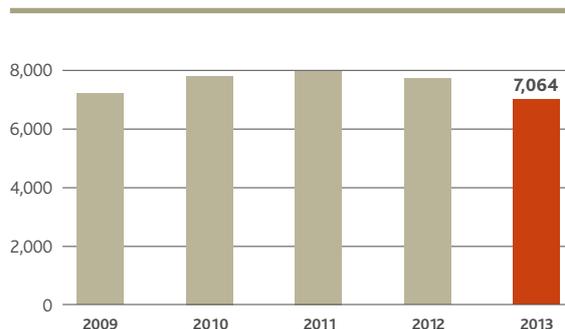
The process of restructuring that began in 2012 continued during 2013, with the aim of building a simpler and more efficient organization with focused competencies, better coordination and reduced costs. As a result of this restructuring, we have grouped 32 affiliates in ten strong affiliate units and further a group of seven countries are reporting directly to headquarters.

Sales of **Cipralext** generated revenue of DKK 3,368 million in 2013, which is unchanged compared to 2012. Cipralext maintained revenue levels in key markets. **Ebixa** generated revenue of DKK 1,639 million for the year, a 32% decrease in 2013, which was largely driven by the start of generic sales of memantine. **Azilect** generated revenue of 1,272 million in 2013, a 13% increase over 2012. **Other pharmaceuticals** generated revenue in Europe of DKK 785 million in 2013, a decrease of 6% compared to 2012.

REVENUE PER PRODUCT IN EUROPE (DKKm)

	2013	2012	Growth	Growth in local currency
Cipralext	3,368	3,379	0%	(1%)
Ebixa	1,639	2,398	(32%)	(32%)
Azilect	1,272	1,122	13%	13%
Other pharmaceuticals	785	835	(6%)	(6%)
Total revenue	7,064	7,734	(9%)	(9%)

TOTAL REVENUE IN EUROPE 2009-2013 (DKKm)



INTERNATIONAL MARKETS

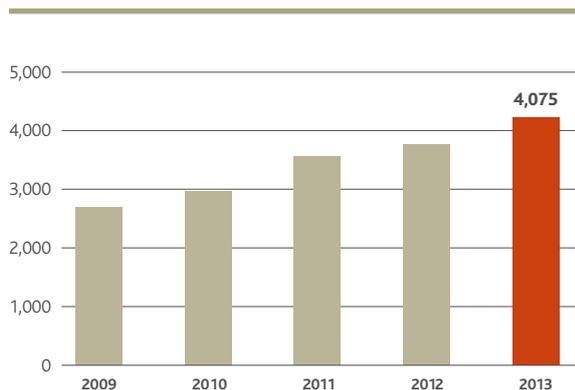
Lundbeck's International Markets consist of all markets outside Europe and the US, with our main focus on established markets such as Canada and Japan, as well as emerging markets like China and Brazil. Most of these markets are experiencing relatively high growth rates for pharmaceutical products for brain diseases. In 2013, growth in International Markets was primarily driven by an increase in revenue from Cipralelex in various markets, strong sales of Treanda in Canada as well as strong sales of other pharmaceuticals.

Cipralelex/Lexapro generated revenue of DKK 2,565 million, an increase of 5% from 2012, and is value market leader in the antidepressant market in International Markets. Japan was the fastest growing market for Lexapro with revenues increasing by 23%. **Ebixa** generated revenue of DKK 457 million in 2013, which is 13% more than in 2012. China was the main contributor to Ebixa's strong performance, with revenue growing by 131% compared to 2012. **Azilect** generated revenue of DKK 120 million in 2013, a 17% increase compared to 2012. **Other pharmaceuticals** in International Markets generated revenue of DKK 933 million, which is an increase of 15% compared to 2012.

REVENUE PER PRODUCT IN INTERNATIONAL MARKETS (DKKm)

	2013	2012	Growth	Growth in local currency
Cipralelex/Lexapro	2,565	2,448	5%	9%
Ebixa	457	405	13%	15%
Azilect	120	102	17%	16%
Other pharmaceuticals	933	813	15%	21%
Total revenue	4,075	3,768	8%	12%

TOTAL REVENUE IN INTERNATIONAL MARKETS 2009-2013 (DKKm)



US

The US is by far the world's largest market for pharmaceuticals for the treatment of brain diseases. The size of the US market, and the fact that 17% of our revenue is generated in the US, makes it a huge growth opportunity for Lundbeck.

In total, US revenue for 2013 excluding Lexapro was DKK 2,571 million, an increase of 22% compared to 2012. Growth was driven by Onfi, Sabril and Xenazine, as well as by Abilify Maintena, which was launched in the US in 2013.

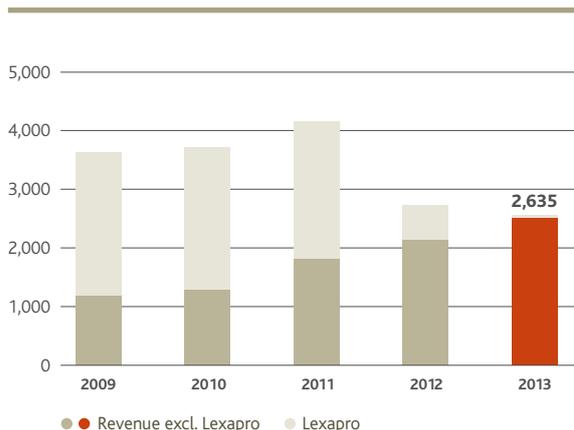
Onfi has been very well received by US physicians and generated revenue of DKK 573 million in 2013, a 125% increase on 2012. **Sabril** continued the promising performance of 2012 and generated revenue of DKK 530 million in 2013, an increase of 41% compared to 2012. **Xenazine** generated revenue of DKK 1,394 million in the US in 2013, up 21% on 2012. **Other pharmaceuticals** generated revenue of DKK 138 million, which is a decrease of 85% compared to 2012 due to the divestment of our mature product portfolio in the US.

REVENUE PER PRODUCT IN THE US (DKKm)

	2013	2012	Growth	Growth in local currency
Onfi	573	255	125%	132%
Sabril	530	376	41%	45%
Xenazine	1,394	1,154	21%	24%
Other pharmaceuticals	138	889	(85%)	(84%)
Total revenue*	2,635	2,674	(1%)	1%

* Including Lexapro

TOTAL REVENUE IN THE US 2009-2013 (DKKm)



MATURE PRODUCTS

PRODUCT	REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
Cipraxel/Lexapro (escitalopram)	5,933	39%	2%	Indicated for the treatment of depression and anxiety. Lexapro is marketed in Japan by Mochida Pharmaceutical Co., Ltd. and Mitsubishi Tanabe Pharma Corporation. Lundbeck markets Cipraxel in the rest of the world.
Ebixa (memantine)	2,096	14%	(25%)	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.
Azilect (rasagiline)	1,392	9%	14%	Indicated for the treatment of Parkinson's disease. Lundbeck has the commercial rights to Azilect in Europe (Lundbeck co-promotes the product with Teva Pharmaceutical Industries Inc. in France and the UK) and in some markets outside Europe, including six Asian countries.

NEW PRODUCTS

PRODUCT	REVENUE (DKKm)	% OF TOTAL REVENUE	GROWTH	COMMENT
Xenazine (tetraabenazine)	1,420	9%	19%	Indicated for the treatment of chorea associated with Huntington's disease. Launched in the US in 2008.
Sabril (vigabatrin)	530	3%	41%	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.
Onfi (clobazam)	573	4%	125%	Indicated as adjunctive treatment of Lennox-Gastaut syndrome for people aged two years or older. Launched in the US in 2012.
Saphris/Sycrest (asenapine)	145	1%	-	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.
Treanda (bendamustine hydrochloride for injection)	129	1%	-	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.
Selincro (nalmefene)	N/A	N/A	-	Indicated for the treatment of alcohol dependence. Launched in the first European markets in 2013.
Abilify Maintena (aripiprazole)	N/A	N/A	-	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.
Brintellix (vortioxetine)	N/A	N/A	-	Indicated for the treatment of MDD. Lundbeck markets Brintellix in Europe and the US in collaboration with Takeda. Made available in the US in 2013.

CORPORATE RESPONSIBILITY

Corporate Responsibility at Lundbeck focuses on meeting stakeholders' expectations while seizing new opportunities that benefit our business while at the same time make a positive difference in societies in which we operate.

The principles of the United Nations (UN) Global Compact of human and labour rights, environmental protection and anti-corruption are used as the guiding framework for corporate responsibility in Lundbeck. Our key initiatives and results achieved during 2013 are described below and more information can be found in our regular progress reporting.¹

Ethics and behaviour

Transparency and compliance with international regulation and standards are structured through the Lundbeck Group Compliance Structure, which is made up of our Code of Ethics, Code of Conduct and corporate procedures. These describe the principles by which we operate and provide operational guidance for our employees and business partners. In 2013, we finished revising our Code of Conduct to ensure that Lundbeck meets more stringent regulations and lives up to our stakeholders' growing expectations. During the year, a total of 114 individual audits were conducted to identify and mitigate risks related to our Code of Conduct covering R&D, production, health, safety and environment (HSE), human resources, marketing, sales and finance. In the course of 2014, all Lundbeck employees will be trained in the revised Code of Conduct and new corporate procedures.

Transparency in interactions with healthcare professionals

One of the key areas covered by our revised Code of Conduct is our interactions with healthcare professionals. We strive to protect the integrity of our partners by making sure that our interactions with them are conducted responsibly and are properly documented to avoid any potential conflict of interest. Lundbeck is actively involved in discussions on ethics and transparency through our memberships in pharmaceutical

industry organizations. The pharmaceutical industry has faced calls for greater transparency from stakeholders in recent years and has responded with initiatives such as the recently published European Federation of Pharmaceutical Industries and Associations' (EFPIA) Disclosure Code, which requires members of EFPIA to disclose all payments made to healthcare professionals every year from 2016 onwards.

Lundbeck supports these initiatives and in 2013 took steps to promote greater transparency and ethical behaviour in our own operations, including revising our Code of Conduct, giving more detailed operational guidance to our employees who work with healthcare professionals, and in the requirements to contracts with healthcare professionals.

Collaboration with suppliers and partners

Lundbeck is increasingly collaborating with a number of stakeholders to develop and commercialize new and better medicines. Also, we have partnerships with thousands of suppliers of products and services. Our aim is to create long-term relationships with partners who share our commitment to high ethical standards. In 2013, we began implementing a global process for review of all our suppliers and partners. Our evaluation criteria are based on the ten UN Global Compact principles and due diligence of key business partners is an integrated part of the process. The aim of the review is to reduce risks to our business and also, in the long term, to raise the standard of corporate responsibility among our suppliers and partners. Our global supplier evaluation will be completed during 2014, to become standard practice before engaging in new partnerships in the future.

Access to health – addressing the barriers

Lundbeck agrees with the World Health Organization principle that 'the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being'.

¹) This constitutes the mandatory report on our Corporate Social Responsibility (CSR) under section 99a of the Danish Financial Statements Act. Our annual communication on progress to the UN Global Compact can be found on <http://www.lundbeck.com/global/corporate-responsib/report>

As a pharmaceutical company, we believe that it is our responsibility to address barriers and improve access to health, and that we are in a unique position to use our competencies and knowledge to do so. In 2013, we put our Access to Health strategy into practice and made concrete progress. We have mapped our current business practices in selected areas to understand what we are already doing to improve access to health, and where we could do more. We are also looking at ways to better understand the health access barriers for brain diseases and share that knowledge, such as by donating funds, medicine and drug compounds for research purposes.

People and the environment

Our strategic HSE efforts have enabled us to safely manufacture pharmaceuticals while using less energy and emitting less CO₂ than ever before. We work targeted with relevant HSE issues. For example, we have improved our HSE culture through a more systematic risk assessment. An important goal in 2013 was the certification of our French production site. Now all Lundbeck's manufacturing and research facilities sites are certified according to the international standards – ISO 14001 (environment) and OHSAS 18001 (health and safety).

Lundbeck is actively trying to minimize our environmental footprint. We conduct environmental risk assessments by monitoring the effects of our new active substances through rigorous biological, physical and chemical tests. Our CO₂ strategy commits us to break the correlation between business growth, energy consumption and the resulting CO₂. By employing cleaner technologies and challenging habits and conventional thinking, Lundbeck aims to cut emissions by 40% by 2016 (from 2006 emission levels). We achieved our 40% reduction target in 2013, two years ahead of plan. Replacing fuel oil with bio oil at our chemical site in Lumsås has made an especially noticeable contribution to this vast reduction.

Update of Corporate Responsibility strategy

In 2013, we began revising our Corporate Responsibility strategy to reflect our priorities for 2015-2017. As an input to this process, we have started a systematic materiality assessment in order to identify and assess relevant issues. Business units across the company have been asked to give input on Lundbeck's material issues, this work will continue in 2014. We see materiality assessment as a useful tool in order to enhance our understanding of issues that are strategically important to our business and to our stakeholders, and that at the same time have a societal impact in our value chain. If done on a recurring basis, it can enable us to respond to new issues and changes in our stakeholders' expectations, and make sure that we focus our reporting on the most material issues. Our updated Corporate Responsibility strategy will be finalized in 2014.

PRINCIPLES IN THE UN GLOBAL COMPACT

CORPORATE RESPONSIBILITY STRATEGY AND RESULTS IN 2013	HUMAN RIGHTS	LABOUR RIGHTS	ENVIRONMENTAL PROTECTION	ANTI-CORRUPTION
Ethics and behavior <ul style="list-style-type: none"> Revised Code of Conduct Defined corporate procedure for interactions with healthcare professionals Audits conducted across business units Revision of Corporate Responsibility strategy, including materiality assessment initiated 	●	●	●	●
Responsible partnerships <ul style="list-style-type: none"> Improved supplier evaluation process implemented in Lundbeck Denmark Training in corporate guidelines and IT systems Corporate Responsibility due diligence process launched 	●	●	●	●
Access to Health <ul style="list-style-type: none"> Mapping of existing initiatives Donation practice mapped and additional guidance on donations drafted 	●			
Health, Safety and Environment <ul style="list-style-type: none"> ISO 14001 and OHSAS18001 certification of all Lundbeck sites CO₂ emissions reduced by 40% compared to 2006 level Increase purification and recycling of solvents Systematic risk assessments to further develop strong HSE culture 		●	●	

RISK MANAGEMENT

Close monitoring and the ability to respond to a changing environment are essential for good risk management at Lundbeck.

The principal aim of Lundbeck's risk management is to strike the right balance between risk exposure and value generation. Our risk management processes are constantly updated and adapted to match internal and external requirements. This gives our Corporate Management Group an accurate overview of current 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 from the centre. These units have extensive knowledge of the risks we face. They systematically monitor, identify, quantify and respond to risks, and they are best placed to mitigate our exposure in the first instance.

Lundbeck assesses the probability of an event occurring and the potential impact for the company in terms of financial loss or reputational damage. Risk evaluations carried out by our decentralized units are regularly 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 risk register gives a consolidated picture of our risk exposure by detailing each risk, risk category and type. The risk descriptions describe the event, its current status, the status of the response, an assessment of probability and potential impact, and the name of the person responsible for managing the risk. We have identified six categories of risk and define them into three risk types being 'external', 'actionable' or

'strategic'. Using this information, the Risk Office assesses the overall risk exposure and reviews it with the Corporate Management Group. In addition, risks and risk exposure are presented to and reviewed by our Audit Committee.

R&D

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

Market conditions

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 requirements to demonstrate added value in comparison to existing products.

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. Successfully balancing efforts to get the most out of our established business while getting market access for new products are key challenges for Lundbeck during this transition. 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

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

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 and procedures in place to ensure a swift and effective response should such a situation arise. Part of our strategy is to engage in beneficial partnerships, which means we are not always in full control of individual projects and products. However, we maintain a close and open dialogue with our partners to minimize risks.

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.

It is also crucial that we are able to protect the 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 around our global network.

Reputation

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 make a substantial investment 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 run our business and is also integral to protecting our reputation. We have the right systems 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 regulation, to implement best practice or to respond to audit observations.

Marketing of pharmaceutical products is strictly regulated and we are committed to complying with these regulations. Our employees and third parties 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.

Legal rights

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 complicated and high-risk area.

We believe that our intellectual property (IP) rights are valid and enforceable, and we defend these rights wherever they may be violated. Lundbeck is pending trials concerning infringement of our IP rights for escitalopram in Australia, Belgium, Brazil, Canada, Denmark, Greece, the Netherlands, Portugal, Saudi Arabia and Spain.

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 or three 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 Canadian dollar (CAD), British pound (GBP) and the US dollar (USD). Lundbeck's treasury policy allows the hedging of income in these currencies for up to 12 months. Accordingly, any change in exchange rates during 2014 will only have a small impact on our financial results for that year.

Interest rate risks arise in connection with our money market fund, debt portfolio and cash holding. We reduce these risks by seeking short duration on both assets and liabilities. There are also credit risks associated with the sale of goods, our money market funds and cash holdings. 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 GOVERNANCE

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

During the year, we focused strongly on responding to the revised recommendations of the Danish Committee on Corporate Governance, which were introduced in May 2013. The Board of Directors and Executive Management broadly share the committee's views and have followed the new recommendations. Lundbeck's corporate governance report outlines which recommendations we comply with, partly comply with, and do not comply with, and the reasons why.²

BOARD OF DIRECTORS

Tasks and responsibilities

Lundbeck's Board of Directors is responsible for approving the corporate strategy, setting goals for Executive Management, and ensuring that members of Executive Management and other senior managers have the right qualifications. The Board of Directors also evaluates management performance and management remuneration. Furthermore, the Board of Directors has the overall responsibility for ensuring that adequate internal and external controls are in place, and for identifying and addressing any relevant risks. This responsibility is defined in the Danish Companies Act and stipulated in the rules of procedures for the Board of Directors. In 2013, the Board of Directors held nine ordinary meetings and two extraordinary meetings, and took part in a two-day strategy seminar with the Executive Management team.

Composition

The Board of Directors consists of six external directors elected at the AGM, and three directors elected by our Danish employees. Elections for the external directors are held every year, while elections for those elected by our employees are

held every four years. Board members may retain their seat on Lundbeck's Board of Directors until the AGM in the calendar year in which they reach the age of 70.

Our goals regarding equal opportunities and diversity at Board of Directors level are ambitious yet realistic.³ At least one to two of the six members elected by the shareholders should be of the underrepresented gender (women). This target should be reached within a four-year period, to allow for continuity of the board. In terms of the 2013 board composition, there are two female board members, one elected by shareholders and one elected by Lundbeck's employees.

Independence

Lundbeck has a two-tier board structure consisting of the Board of Directors and Executive Management. No board member is a member of Lundbeck's Executive Management. NASDAQ OMX Copenhagen recommends that at least half a company's board members should be independent. Four of the six board members elected at the AGM are considered independent based on NASDAQ OMX's guidelines.

Competencies

Every year, Lundbeck's Board of Directors and Executive Management conduct a self-evaluation to assess strengths and weaknesses of the work performed by the Board and the committees. Based on the outcome, changes to the Board of Directors' working procedures are discussed and any proposals for improvement are considered. The 2013 assessment has not given rise to any comments.

²) In accordance with section 107b of the Danish Financial Statements Act, Lundbeck has disclosed the mandatory corporate governance report at http://www.lundbeck.com/upload/global/files/pdf/corporate_governance/2013/corporate_governance_report.pdf

³) Lundbeck's goals are in line with the Danish Companies Act section 139a(1).

Committees

The Board of Directors has set up three advisory committees: the Audit Committee, the Remuneration Committee and the Scientific Committee. The three committees advise the Board on financial information and reporting, remuneration of Executive Management and the company's remuneration strategy, and R&D, respectively. The Chairman of the Board of Directors is not Chairman of the Audit Committee. The Chairmanship carries out the role of a Nomination Committee.

EXECUTIVE MANAGEMENT

Lundbeck's Executive Management is responsible for the company's day-to-day management, including the allocation of resources, defining and implementing strategies and policies, achieving goals, and reporting information to the Board of Directors.

The Executive Management consists of three members appointed by the Board of Directors. Further information on the Executive Management team including their skillsets can be found on www.lundbeck.com.⁴

Other management

Lundbeck aims to offer equal opportunities for men and women across the organization. Lundbeck is not obliged to have a diversity policy as the underrepresented gender (women) at the managerial level makes up more than 40% of employees in Denmark.⁵ Nevertheless, Lundbeck has decided to establish a policy on a voluntary basis to keep our focus on promoting diversity. In Denmark, 52% of all Lundbeck employees and slightly above 40% of all managers are female.

REMUNERATION

Remuneration for the Board of Directors and Executive Management is based on guidelines approved by shareholders at the AGM. The guidelines are available on www.lundbeck.com.⁶ Remuneration for Lundbeck's Board of Directors and Executive Management is annually benchmarked against a group of Danish and international peer companies. The Board of Directors approves remuneration for Executive Management within the frame of the remuneration guidelines, while remuneration to the Board of Directors is approved by shareholders at the AGM.

Board of Directors

Members of Lundbeck's Board of Directors receive a fixed remuneration and are not included in the company's bonus and incentive programmes in the form of cash bonus, warrants or shares. In addition, members of the Audit, Remuneration and Scientific Committees receive a separate fee. We recommend, subject to AGM approval, that the basic fees for members of the Board of Directors remain unchanged in 2014. An ordinary member of the Board receives DKK 300,000, while the Chairman and Deputy Chairman each receive triple and double the basic fee, respectively. We also recommend that members of the Audit, Remuneration and Scientific Committees receive DKK 200,000 in 2014. The chairmen of the committees will receive 1.5 times this basic fee.

Executive Management

The remuneration package for the Executive Management team is structured to reward the achievement of ambitious short-term objectives and also provide incentives to focus on long-term goals. The package consists of a base salary, short- and long-term incentive programmes and pension. The base salary is aligned with the average salary of our peer companies. The short-term incentive is awarded as an annual bonus, if agreed targets for the preceding financial year are met. The CEO can receive up to nine months' base salary as a bonus payout following exceptional results. The other members of the Executive Management team can receive up to six months' base salary as a bonus, also on condition of exceptional results.

In addition, members of the Executive Management team participate in long-term incentive programmes that include share-based instruments, such as warrants and shares. The programmes are based on generating value for shareholders. Executive Management can access these share-based instruments after three years, as long as pre-defined long-term strategic targets are achieved. The pension scheme for Executive Management is a defined contribution scheme, which corresponds to the market level. On termination of employment, members of Executive Management receive no more than two years' salary.

4) <http://www.lundbeck.com/global/about-us/corporate-governance/executive-management>

5) According to section 139a(1) of the Danish Companies Act.

6) <http://www.lundbeck.com/global/about-us/corporate-governance/remuneration>

THE LUNDBECK SHARE

The Lundbeck share price increased significantly in 2013 and ended the year at DKK 137.00. The Board of Directors proposes a dividend payout ratio of 64% of the year's profit after tax, corresponding to DKK 2.77 per share.

The Lundbeck share price increased 65% in 2013 and ended the year at DKK 137.00. In comparison, the Danish capped index, OMXC20 CAP, increased 32% in 2013, and the MSCI European Pharmaceutical Index increased 24%.

Turnover

Total trading in Lundbeck shares amounted to DKK 6.6 billion in 2013, while the average daily turnover was DKK 26.6 million, which represents an 6% decrease compared to 2012.

Dividend

Lundbeck's dividend payout ratio takes into consideration our aspirations, possible business development activities and general liquidity requirements. For the financial year 2013, the Board of Directors proposes a dividend payout ratio of 64% of the year's profit after tax, corresponding to DKK 2.77 per share. In 2013, the dividend yield amounted to 2.0% based on closing price.

Lundbeck shares are traded ex-dividend the day after the AGM, which in 2014 will be held on 26 March. The dividend will be paid automatically via VP Securities on 1 April 2014.

Share capital

The Lundbeck share is listed on the Copenhagen stock exchange, NASDAQ OMX 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 2013, Lundbeck's total share capital amounted to DKK 980,985,180 which is the equivalent of 196,197,036 shares.

Composition of shareholders

Lundbeck's shares are registered by name and entered in the register of shareholders. At the end of 2013, 29,406 registered shareholders held 98% of the share capital. The Lundbeck Foundation 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 2013, institutional investors in North America held 25% of the free float, compared to 24% in 2012, European (excluding Danish) institutional investors' share was 27%, compared to 28% in 2012, and Danish institutional investors held 7% of the total share capital, against 15% the previous year. The share of the free float held by private Danish investors was 18%, compared to 21% in 2012.

By year-end, Lundbeck's Board of Directors and Executive Management held, directly and indirectly, a total of 9,559 and 160,362 Lundbeck shares respectively, corresponding to 0.2% 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 dialogues, we convey relevant information about our vision and goals, business areas and financial developments. In 2013, Lundbeck's Investor Relations team held around 200 meetings, primarily in Europe and the US, but also in Japan, and participated in more than ten investor conferences.

Lundbeck is currently covered by 19 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.⁷

7) <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.⁸

8) <http://investor.lundbeck.com>

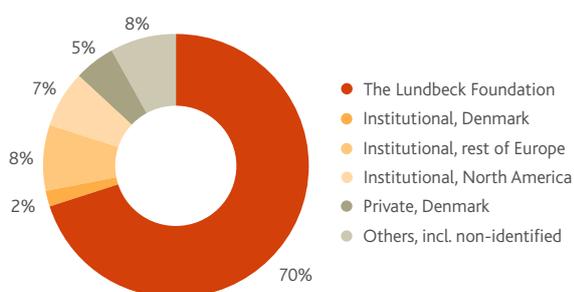
STOCK PERFORMANCE 2013



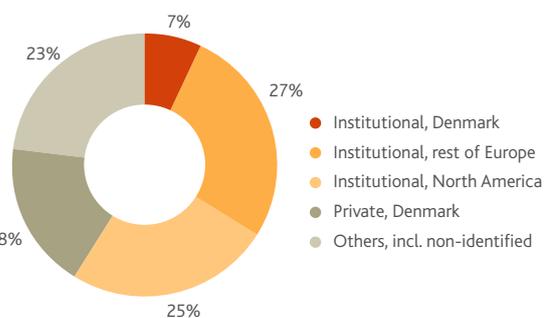
STOCK PERFORMANCE 2009-2013



COMPOSITION OF OWNERSHIP, END 2013



COMPOSITION OF FREE FLOAT, END 2013



FINANCIAL CALENDAR 2014

11 February 2014	Deadline for Lundbeck's receipt of shareholder proposals for the AGM
26 March 2014	AGM
1 April 2014	Distribution of annual dividends
7 May 2014	First quarter report 2014
7 August 2014	Second quarter report 2014
5 November 2014	Third quarter report 2014

CONTACT INVESTOR RELATIONS

Palle Holm Olesen
Head of Investor Relations
Tlf. +45 36 43 24 26
palo@lundbeck.com

Jens Høyer
Investor Relations Specialist
Tlf. +45 36 43 33 86
jshr@lundbeck.com

SHARE RATIOS

	2013	2012	2011
Earnings per share (EPS) (DKK)	4.36	5.94	11.64
Diluted earnings per share (DEPS) (DKK)	4.36	5.94	11.64
Cash flow per share (DKK)	19.17	10.76	18.48
Net asset value per share (DKK)	68.68	67.29	65.14
Dividend (DKK)	2.77	2.00	3.49
Dividend pay-out ratio (%)	64	35	30
Dividend yield (%)	2.0	2.4	3.2
Market price, year-end	137.00	82.90	108.00
High market price	141.7	128.00	139.70
Low market price	85.1	81.65	99.75
Price/Earnings	31.44	13.96	9.28
Price/Cash flow	7.15	7.70	5.85
Price/Net asset value	1.99	1.23	1.66
Market capitalization, year-end (DKKbn)	26.88	16.26	21.18
Annual trading, million shares	60.60	65.9	62.1
Average trading per trading day, thousands of shares	244.3	264.6	243.4

SHARE FACTS

Number of shares, end 2013	196,197,036
Share capital, end 2013 (DKK)	980,985,180
Nominal value (DKK)	5
Holding of treasury shares	0
Free float (%)	30
IPO	18 June 1999
Stock exchange	NASDAQ OMX Copenhagen
ISIN code	DK0010287234
Ticker	LUN.CO (Reuters), LUN DC (Bloomberg)
ADR programme	Sponsored level 1 programme
ADR trading code	HLUYYY
Large indices	Dow Jones STOXX 600, FTSE4Good Europe

EXECUTIVE MANAGEMENT

ULF WIINBERG

President and CEO

- Born 1958
- Joined Lundbeck in 2008

Directorships

- Alfa Laval AB
- The European Federation of Pharmaceutical Industries and Associations (EFPIA)
- The Pharmaceutical Research and Manufacturers of America (PhRMA)
- Industrial Policy Committee, Confederation of Danish Industry

Holding of shares

- 87,739

ANDERS GERSEL PEDERSEN

Executive Vice President, R&D

- Born 1951
- Joined Lundbeck in 2000

Directorships

- ALK A/S
- Bavarian Nordic A/S
- Genmab A/S

Holding of shares

- 37,151

ANDERS GÖTZSCHE

Executive Vice President and CFO

- Born 1967
- Joined Lundbeck in 2007

Directorships

- Veloxis Pharmaceuticals A/S

Holding of shares

- 35,472

BOARD OF DIRECTORS¹

HÅKAN BJÖRKLUND

Chairman

- Born 1956
- Consultant, 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, Lundbeck Foundation
- Elected at the 2011 AGM
- Related to the Lundbeck Foundation

Lundbeck Committees

- Remuneration Committee (M)
- Scientific Committee (M)

Directorships

- ALK A/S (DC)
- FIH Erhvervsbank A/S (C)

Holding of shares

- None

THORLEIF KRARUP

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

Lundbeck Committees

- Audit Committee (C)

Directorships

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

Holding of shares

- 673

MELANIE G. LEE

- Born 1958
- Elected at the 2012 AGM
- Considered independent

Lundbeck Committees

- Scientific Committee (M)

Directorships

- BTG plc.

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

- Højgaard Holding A/S
- MT Højgaard A/S
- TDC A/S

Holding of shares

- None

JES ØSTERGAARD

- Born 1948
- Elected at the 2003 AGM
- Considered independent

Lundbeck Committees

- Scientific Committee (C)

Directorships

- ALK A/S
- Scion-DTU A/S

Holding of shares

- 4,000

KIM R. CHRISTENSEN

- Born 1959
- Synthesis Operator
- Elected by employees in 2006

Holding of Lundbeck shares

- 1,502

MONA ELISABETH ELSTER

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

Holding of shares

- None

JØRN MAYNTZHUSEN

- Born 1966
- Senior Manager Supply Optimization and Launches
- Elected by employees in 2008

Holding of shares

- 822

SUMMARY FOR THE GROUP 2009-2013

	2013	2012	2011	2010	2009
Income statement (DKKm)					
Revenue	15,258	14,802	16,007	14,765	13,747
Research and development costs	2,872	2,919	3,319	3,045	3,196
Operating profit before depreciation and amortization (EBITDA)	2,861	2,614	4,630	4,393	3,728
Profit from operations (EBIT)	1,599	1,726	3,395	3,357	2,858
Net financials	(127)	(65)	(96)	(68)	(192)
Profit before tax	1,472	1,661	3,299	3,289	2,666
Profit for the year	855	1,165	2,283	2,466	2,007
Assets (DKKm)					
Non-current assets	12,286	12,382	11,731	11,249	10,972
Inventories	1,893	1,730	1,634	1,491	1,481
Receivables	3,611	3,649	3,226	2,917	2,655
Cash and securities	5,859	3,802	3,943	2,348	2,019
Total assets	23,649	21,563	20,534	18,005	17,127
Equity and liabilities (DKKm)					
Equity	13,481	13,198	12,776	11,122	8,803
Non-current liabilities	3,650	3,384	3,062	2,836	3,772
Current liabilities	6,518	4,981	4,696	4,047	4,552
Total equity and liabilities	23,649	21,563	20,534	18,005	17,127
Cash flow statement (DKKm)					
Cash flows from operating activities	3,760	2,112	3,624	3,265	3,034
Cash flows from investing activities	(1,500)	(1,105)	(2,695)	(803)	(5,074)
Cash flows from operating and investing activities	2,260	1,007	929	2,462	(2,040)
Cash flows from financing activities	(141)	(719)	(746)	(2,162)	1,065
Interest-bearing net cash and cash equivalents at year-end	3,699	1,893	2,023	430	(1,456)
Key figures					
EBITDA margin (%)	18.8	17.7	28.9	29.8	27.1
EBIT margin (%)	10.5	11.7	21.2	22.7	20.8
Return on capital employed (%)	11.4	12.6	25.3	27.6	28.0
Return on equity (%)	6.4	9.0	19.1	24.8	24.6
Research and development ratio (%)	18.8	19.7	20.7	20.6	23.2
Solvency ratio (%)	57.0	61.2	62.2	61.8	51.4
Capital employed (DKKm)	15,641	15,107	14,696	13,040	12,278
Capital turnover (%)	64.5	68.6	78.0	82.0	80.3
Effective tax rate (%)	41.9	29.9	30.8	25.0	24.7
Investments in intangible assets, gross (DKKm)	1,204	1,349	1,193	444	980
Investments in property, plant and equipment, gross (DKKm)	311	301	419	383	258
Investments in financial assets, gross (DKKm)	7	68	2,400	8	11
Average number of employees	5,530	5,639	5,690	5,689	5,526

SUMMARY FOR THE GROUP 2009-2013

– CONTINUED

	2013	2012	2011	2010	2009
Share data					
Number of shares for the calculation of EPS (millions) ¹	196.1	196.1	196.1	196.1	196.1
Earnings per share (EPS) (DKK) ¹	4.36	5.94	11.64	12.57	10.24
Diluted earnings per share (DEPS) (DKK) ¹	4.36	5.94	11.64	12.57	10.24
Proposed dividend per share (DKK) ¹	2.77	2.00	3.49	3.77	3.07
Cash flow per share (DKK) ¹	19.17	10.76	18.48	16.65	15.47
Net asset value per share (DKK) ¹	68.68	67.29	65.14	56.71	44.88
Market capitalization (DKKm)	26,879	16,260	21,183	20,788	18,582
Price/Earnings (DKK)	31.44	13.96	9.28	8.43	9.26
Price/Cash flow (DKK)	7.15	7.70	5.85	6.37	6.12
Price/Net asset value (DKK)	1.99	1.23	1.66	1.87	2.11
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 OMX Copenhagen, year-end				
Price/Earnings ²	The official price quoted on NASDAQ OMX Copenhagen, year-end, divided by diluted earnings per share				
Price/Cash flow ²	The official price quoted on NASDAQ OMX Copenhagen, year-end, divided by cash flow per share				
Price/Net asset value ²	The official price quoted on NASDAQ OMX 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 2011 and 2012 have been restated to reflect the changes in IAS 19 *Employee Benefits* effective from 1 January 2013. Please find a detailed description of the restatement in note 7 *Impact of changes in accounting policies*.

CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Revenue	2	15,258	14,802
Cost of sales	3, 16, 21	4,038	3,720
Gross profit		11,220	11,082
Sales and distribution costs	3, 16	4,200	4,836
Administrative expenses	3, 16, 17	2,549	1,601
Research and development costs	3, 16	2,872	2,919
Profit from operations		1,599	1,726
Financial income	18	154	153
Financial expenses	18	281	218
Profit before tax		1,472	1,661
Tax on profit for the year	9	617	496
Profit for the year	10	855	1,165
Earnings per share (EPS) (DKK)	19	4.36	5.94
Diluted earnings per share (DEPS) (DKK)	19	4.36	5.94

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Profit for the year		855	1,165
Actuarial gains/losses	23	15	(79)
Tax		(4)	21
Items that will not subsequently be reclassified to profit or loss		11	(58)
Currency translation, foreign subsidiaries		(115)	(12)
Currency translation concerning additions to net investments in foreign subsidiaries		(145)	(27)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)		(8)	(40)
Adjustments, deferred exchange gains/losses, hedging		142	(78)
Exchange gains/losses, hedging (transferred to the hedged items)	25	(126)	130
Exchange gains/losses, trading (transferred to net financials)		-	1
Fair value adjustment of available-for-sale financial assets		(25)	(12)
Tax		38	5
Items that may subsequently be reclassified to profit or loss		(239)	(33)
Other comprehensive income	20	(228)	(91)
Comprehensive income		627	1,074

BALANCE SHEET — ASSETS

AT 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Goodwill	4	3,680	3,818
Patent rights		5	49
Product rights		5,188	4,962
Other rights		120	151
Projects in progress		84	48
Intangible assets	11	9,077	9,028
Land and buildings		1,928	1,930
Plant and machinery		472	441
Other fixtures and fittings, tools and equipment		199	209
Prepayments and assets under construction		179	213
Property, plant and equipment	11	2,778	2,793
Available-for-sale financial assets		60	82
Other receivables		82	50
Deferred tax	12	289	429
Financial assets		431	561
Non-current assets		12,286	12,382
Inventories	21	1,893	1,730
Trade receivables	13	2,613	2,427
Income taxes		167	443
Other receivables	13	584	508
Prepayments		247	271
Receivables		3,611	3,649
Securities	14	1,042	1,055
Cash	14	4,817	2,747
Current assets		11,363	9,181
Assets		23,649	21,563

BALANCE SHEET — EQUITY AND LIABILITIES

AT 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Share capital	22	981	980
Share premium	22	232	226
Currency translation reserve		(441)	(211)
Currency hedging reserve		15	3
Retained earnings		12,694	12,200
Equity		13,481	13,198
Pension obligations and similar obligations	23	271	293
Deferred tax	12	1,132	1,143
Other provisions	5	106	58
Mortgage debt	24	2,131	1,862
Employee bonds and other debt		10	28
Non-current liabilities		3,650	3,384
Pension obligations and similar obligations	23	10	7
Other provisions	5	354	368
Mortgage debt	24	1	-
Employee bonds		18	19
Trade payables		1,967	1,599
Income taxes		58	50
Other payables		4,110	2,938
Current liabilities		6,518	4,981
Liabilities		10,168	8,365
Equity and liabilities		23,649	21,563

STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2013

	Notes	Share capital DKKm	Share premium DKKm	Currency translation reserve DKKm	Currency hedging reserve DKKm	Retained earnings DKKm	Equity DKKm
2013							
Equity at 01.01.2013		980	226	(211)	3	12,200	13,198
Profit for the year		-	-	-	-	855	855
Other comprehensive income	20	-	-	(230)	12	(10)	(228)
Comprehensive income		-	-	(230)	12	845	627
Distributed dividends		-	-	-	-	(392)	(392)
Capital increase through exercise of warrants	22	1	6	-	-	-	7
Buyback of treasury shares	22	-	-	-	-	(7)	(7)
Incentive programmes		-	-	-	-	48	48
Other transactions		1	6	-	-	(351)	(344)
Equity at 31.12.2013		981	232	(441)	15	12,694	13,481
2012							
Equity at 01.01.2012		980	226	(149)	(36)	11,755	12,776
Profit for the year		-	-	-	-	1,165	1,165
Other comprehensive income	20	-	-	(62)	39	(68)	(91)
Comprehensive income		-	-	(62)	39	1,097	1,074
Distributed dividends		-	-	-	-	(685)	(685)
Buyback of treasury shares	22	-	-	-	-	(21)	(21)
Incentive programmes		-	-	-	-	54	54
Other transactions		-	-	-	-	(652)	(652)
Equity at 31.12.2012		980	226	(211)	3	12,200	13,198

CASH FLOW STATEMENT

1 JANUARY – 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Profit from operations		1,599	1,726
Adjustment for non-cash operating items etc.		1,375	1,039
Working capital changes		1,079	183
Cash flows from operations before financial receipts and payments		4,053	2,948
Financial receipts		69	34
Financial payments		(158)	(87)
Cash flows from ordinary activities		3,964	2,895
Income tax paid		(204)	(783)
Cash flows from operating activities		3,760	2,112
Investments in intangible assets	11	(1,204)	(1,349)
Sale of intangible assets		-	14
Investments in property, plant and equipment	11	(311)	(301)
Sale of property, plant and equipment		5	4
Investments in financial assets		(7)	(68)
Sale of financial assets		17	595
Cash flows from investing activities		(1,500)	(1,105)
Cash flows from operating and investing activities		2,260	1,007
Loan proceeds		270	-
Buyback of treasury shares	22	(7)	(21)
Employee bonds		(19)	(13)
Capital contributions	22	7	-
Dividends paid in the financial year		(392)	(685)
Cash flows from financing activities		(141)	(719)
Change in cash		2,119	288
Cash at 01.01.		2,747	2,467
Unrealized currency translation adjustments for the year		(49)	(8)
Change for the year		2,119	288
Cash at 31.12.	14	4,817	2,747
Interest-bearing net cash and cash equivalents is composed as follows:			
Cash	14	4,817	2,747
Securities	14	1,042	1,055
Interest-bearing debt		(2,160)	(1,909)
Interest-bearing net cash and cash equivalents at 31.12.		3,699	1,893

NOTE 1

1. CRITICAL ACCOUNTING POLICIES, INCLUDING ACCOUNTING ESTIMATES AND JUDGMENTS

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 2013. This includes the use of accounting estimates and judgments which affect the consolidated financial statements. Executive Management believes that the following accounting policies and accounting estimates and judgments 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 for 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 ensure adherence to the International Financial Reporting Standards as adopted by the EU and to Danish disclosure requirements for listed companies and to ensure 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.

License income and income from research collaborations

License income and royalties from outlicensed 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.

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 companies 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 whole Lundbeck Group across the world.

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.

NOTE 2

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.

2013	Europe DKKkm	USA DKKkm	Int. Markets DKKkm	Group DKKkm
Ciprallex®	3,368	-	2,565	5,933
Ebixa®	1,639	-	457	2,096
Azilect®	1,272	-	120	1,392
Xenazine®	26	1,394	-	1,420
Sabril®	-	530	-	530
Onfi®	-	573	-	573
Other pharmaceuticals	759	138	933	1,830
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.

2012	Europe DKKkm	USA DKKkm	Int. Markets DKKkm	Group DKKkm
Ciprallex®	3,379	-	2,448	5,827
Ebixa®	2,398	-	405	2,803
Azilect®	1,122	-	102	1,224
Xenazine®	43	1,154	-	1,197
Sabril®	-	376	-	376
Onfi®	-	255	-	255
Other pharmaceuticals	792	889	813	2,494
Other revenue				626
Total revenue	7,734	2,674	3,768	14,802
Of this amount:				
Downpayments and milestone payments				287
Royalty				346
Income from divestment of ownership interests in Proximagen Group plc.				115

Of total revenue, DKK 47 million derived from sales in Denmark.

Non-current assets ¹	2013 DKKkm	2012 DKKkm
Denmark	6,087	5,473
USA	4,302	4,869
Other	1,471	1,562
Total	11,860	11,904

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

NOTE 3

3. STAFF COSTS

Wages and salaries, etc.	2013 DKKm	2012 DKKm
Short-term staff benefits	3,373	3,700
Pension benefits	211	206
Other social security costs	336	426
Share-based payments	56	62
Total	3,976	4,394

The year's staff costs break down as follows:

Cost of sales	415	444
Sales and distribution costs	1,604	2,077
Administrative expenses	983	880
Research and development costs	974	993
Total	3,976	4,394

Executives¹

	2013 DKKm	2012 DKKm
Short-term staff benefits	54	62
Pension benefits	9	10
Other social security costs	-	1
Share-based payments	19	21
Total	82	94

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

Executive Management

	2013 DKKm	2012 DKKm
Short-term staff benefits	23	23
Severance package	-	6
Pension benefits	4	4
Share-based payments	8	14
Total	35	47

In 2013, the Executive Management consisted of three members. In 2012, the Executive Management was reduced from four to three members.

The total remuneration of the CEO amounted to DKK 16.7 million in 2013 (DKK 18.4 million in 2012). The remuneration includes a short-term incentive programme, which is a combination of company strategic and individual targets, and share-based payments. The remuneration for 2012 included a one-off compensation because the incentive programmes granted in 2010 and 2011 were cancelled.

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.

A severance package of DKK 6.3 million was agreed for the Executive Vice President who resigned in 2012.

Board of Directors

The total remuneration of the Board of Directors for 2013 amounted to DKK 5.7 million (DKK 5.7 million in 2012). The amount includes remuneration for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2012), for participation in the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2012) and for participation in the Scientific Committee of DKK 0.7 million (DKK 0.7 million in 2012). The remuneration for 2013 is consistent with that presented at the Annual General Meeting held on 21 March 2013.

The members of the Board of Directors held a total of 9,559 Lundbeck shares at 31 December 2013 (8,659 shares in 2012).

The total remuneration of the chairman of the Board of Directors amounted to DKK 1.4 million (DKK 1.4 million in 2012) and the total remuneration of the deputy chairman of the Board of Directors amounted to DKK 1.0 million (DKK 0.8 million in 2012). The amounts include remuneration for participation in the board committees.

Number of employees

	2013	2012
Average number of full-time employees in the financial year	5,530	5,639
Number of full-time employees at 31.12.		
Denmark	1,919	1,931
Abroad	3,599	3,610
Total	5,518	5,541

NOTE 4

4. GOODWILL IMPAIRMENT TEST

The carrying amount of goodwill amounted to DKK 3,680 million (DKK 3,818 million in 2012). 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 2013, it was concluded that there is no need for writing down the goodwill.

CGU definition

As a result of Lundbeck's CGU definition, goodwill is now tested at the aggregated Group level. During 2013, Lundbeck LLC, USA, was fully integrated from a CGU viewpoint. This integration has been most visible through the execution of the alliances with Otsuka Pharmaceutical Co., Ltd. concerning Abilify Maintena and with Takeda Pharmaceutical Co., Ltd. concerning Brintellix.

Methodology

In the impairment test, the discounted expected future cash flows (value in use) for the CGU is 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 seven years with due consideration to patent expiry. The FLM provides insights into for example product launch strategies and operational plans, impact from loss of exclusivity and expected healthcare reforms, 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	R&D elements	Market elements	Other
Prices	R&D spend	Healthcare reforms	Supply chain effectiveness
Rebates	Collaborations	Price reforms	Reputation
Quantities	Pipeline success rate	Market access	Strength and abilities of partners
Patient population	Product labelling	Pharma restrictions in some markets	
Market shares	Liaison with regulatory bodies	Launch success	
Competition		Product positioning	
Fill rates		Competing pharmaceuticals	
Prescription rates		Generics on the market	
Lundbeck costs			

The calculation of the value in use for the Group is based on a discount rate of 11.8% (11.6% in 2012). The discount rate is before tax, and the result of $[WACC/(1 - \text{tax rate})]$ and the applied cash flows are also pre-tax figures. The calculation of the discount rate includes a market adjustment premium.

NOTES 5-6

5. OTHER PROVISIONS

	Returns DKKm	Other provisions DKKm	Total DKKm
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

2012

Provisions at 01.01.	77	166	243
Provisions charged	1	568	569
Provisions used	(9)	(213)	(222)
Unused provisions reversed	(13)	(151)	(164)
Provisions at 31.12.	56	370	426

Provisions break down as follows:

Non-current provisions	15	43	58
Current provisions	41	327	368
Provisions at 31.12.	56	370	426

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 2013, DKK 11 million (DKK 3 million in 2012) related to share price-based incentive programmes (debt schemes). Further details about the incentive programmes are provided in note 8 *Incentive programmes*.

6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Bank guarantees and letters of intent

The Group's bankers have issued bank guarantees to third parties in the amount of DKK 85 million (DKK 105 million in 2012). The Group has assessed that the fair value of the guarantees is DKK 0 million (DKK 0 million in 2012).

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 income taxes etc. for the jointly-taxed companies. As from 1 July 2012 it also 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. 18, 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. In September 2013, this decision was appealed by Lundbeck to the General Court. It may take up to six years before this matter is finally decided by the courts. 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 a 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 on these obligations.

NOTE 7

7. IMPACT OF CHANGES IN ACCOUNTING POLICIES

As of January 2013, Lundbeck has reallocated to cost of sales amortization on product rights, which was previously recognized as sales and distribution costs. The purpose of the reallocation is to align cost of sales for all products regardless of whether they are produced by Lundbeck or Lundbeck has purchased the right to the products and subsequently amortizes the rights. The comparative figures for 2012 have been restated.

In addition, the comparative figures have been restated as a result of the changes to IAS 19 *Employee Benefits* effective from 1 January 2013. The consequence for Lundbeck is that actuarial gains and losses have been recognized in the statement of

comprehensive income instead of the income statement and that such gains and losses are not subsequently recycled through profit or loss.

The income statement for 2013 shows the effect if the change in accounting policies with regard to the reclassification of amortization of product rights and the changes to IAS 19 *Employee Benefits* had not been effected.

The change in accounting policy with regard to IAS 19 *Employee Benefits* has an effect on the income statement, earnings per share (EPS), diluted earnings per share (DEPS), statement of comprehensive income, statement of changes in equity and the cash flow statement for 2012. The balance sheet is not affected.

	2013 New policies DKKkm	Changes DKKkm	2013 Previous policies DKKkm	2012 New policies DKKkm	Changes DKKkm	2012 Previous policies DKKkm
Income statement						
Revenue	15,258	-	15,258	14,802	-	14,802
Cost of sales	4,038	(800)	3,238	3,720	(395)	3,325
Gross profit	11,220	800	12,020	11,082	395	11,477
Sales and distribution costs	4,200	792	4,992	4,836	438	5,274
Administrative expenses	2,549	(7)	2,542	1,601	40	1,641
Research and development costs	2,872	-	2,872	2,919	(4)	2,915
Profit from operations	1,599	15	1,614	1,726	(79)	1,647
Financial income	154	-	154	153	-	153
Financial expenses	281	-	281	218	-	218
Profit before tax	1,472	15	1,487	1,661	(79)	1,582
Tax on profit for the year	617	4	621	496	(21)	475
Profit for the year	855	11	866	1,165	(58)	1,107
Earnings per share (EPS) (DKK)	4.36	0.06	4.42	5.94	(0.29)	5.65
Diluted earnings per share (DEPS) (DKK)	4.36	0.05	4.41	5.94	(0.30)	5.64
Statement of comprehensive income						
Profit for the year	855	11	866	1,165	(58)	1,107
Actuarial gains/losses	15	(15)	-	(79)	79	-
Tax	(4)	4	-	21	(21)	-
Items that will not subsequently be reclassified to profit or loss	11	(11)	-	(58)	58	-
Currency translation, foreign subsidiaries	(115)	-	(115)	(12)	-	(12)
Currency translation concerning additions to net investments in foreign subsidiaries	(145)	-	(145)	(27)	-	(27)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)	(8)	-	(8)	(40)	-	(40)
Adjustments, deferred exchange gains/losses, hedging	142	-	142	(78)	-	(78)
Exchange gains/losses, hedging (transferred to the hedged items)	(126)	-	(126)	130	-	130
Exchange gains/losses, trading (transferred to net financials)	-	-	-	1	-	1
Fair value adjustment of available-for-sale financial assets	(25)	-	(25)	(12)	-	(12)
Tax	38	-	38	5	-	5
Items that may subsequently be reclassified to profit or loss	(239)	-	(239)	(33)	-	(33)
Other comprehensive income	(228)	(11)	(239)	(91)	58	(33)
Comprehensive income	627	-	627	1,074	-	1,074

NOTES 7-8

7. IMPACT OF CHANGES IN ACCOUNTING POLICIES — CONTINUED

Statement of changes in equity

For 2013, DKK 11 million has been recognized in the statement of comprehensive income instead of the income statement. For 2012, DKK 58 million has been reclassified from the income statement to the statement of comprehensive income.

Cash flow statement	2013 New policies DKKm	Changes DKKm	2013 Previous policies DKKm	2012 New policies DKKm	Changes DKKm	2012 Previous policies DKKm
Profit from operations	1,599	15	1,614	1,726	(79)	1,647
Adjustment for non-cash operating items etc.	1,375	(15)	1,360	1,039	79	1,118
Working capital changes	1,079	-	1,079	183	-	183
Cash flows from operations before financial receipts and payments	4,053	-	4,053	2,948	-	2,948

The remaining part of the cash flow statement is not affected.

8. 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 2013 financial year, equity-based incentive schemes consisted of warrants and shares granted in the years 2008-2013.

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 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 will vest on 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 2010 vested in 2013. In 2013, 5,383 warrants from the 2008 grant, 20,501 warrants from the 2009 grant and 34,641 warrants from the 2010 grant were exercised. The weighted average share price of exercised warrants was DKK 122.17. In 2012, 593 warrants from the 2009 grant were exercised. The weighted average share price of the exercised warrants was DKK 122.18.

NOTE 8

8. INCENTIVE PROGRAMMES — CONTINUED

Warrant schemes	2008	2009	2010	2010	2011	2012 20% ¹	2012 30% ¹	2012 50% ¹	2012
Number of persons covered by the scheme	87	98	101	16	112	4	4	4	102
Total number of warrants granted	405,234	534,058	765,979	24,971	849,085	155,750	233,629	389,380	692,003
Number of warrants granted to the Executive Management	219,618	333,811	507,885	-	381,224	155,750	233,629	389,380	-
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
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
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
Exercise price, DKK	115.00	102.00	97.00	97.00	121.00	113.00	113.00	113.00	113.00

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

Share schemes	2009	2010	2010	2011	2011	2012	2012	2013
Number of persons covered by the scheme	98	101	16	112	30	104	5	113
Total number of shares granted	92,627	96,355	6,334	156,360	383,602	230,503	15,178	540,562
Number of shares granted to the Executive Management	20,794	22,308	-	35,762	-	101,107	-	98,629
Vesting date	16.03.12	16.03.13	16.03.13	31.03.14	30.06.14	31.03.15	31.03.15	31.05.16
Fair value at the date of grant, DKK	98.75	99.55	95.70	121.20	114.29	113.20	99.05	110.70

Warrants	Executive Management Number	Executives Number	Other employees Number	Total Number	Average exercise price DKK	
01.01.2012		789,915	656,240	681,546	2,127,701	108.27
Grant		778,759	223,048	468,955	1,470,762	113.00
Transfer		(7,655)	(127,469)	135,124	-	-
Exercise		-	-	(593)	(593)	102.00
Cancellation		(923,852)	(289,737)	(18,805)	(1,232,394)	106.88
31.12.2012		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
31.12.2013		637,167	462,082	1,144,659	2,243,908	112.92

NOTES 8-10

8. INCENTIVE PROGRAMMES — CONTINUED

Debt-based schemes

The debt-based schemes consist of Stock Appreciation Rights and Restricted Cash Units awarded during the years 2008-2013.

In June 2013, a few employees of US subsidiaries were granted Restricted Cash Units (RCUs), a share price-based scheme with conditions and award criteria similar to those of the share scheme granted in June 2013 to a number of key employees of the parent company and its non-US subsidiaries. The allocated RCUs, a total of 19,003, will vest on 31 May 2016 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 110.70.

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

Fair value, liability and expense recognized in the income statement

The warrants and shares granted are recognized in the income statement for 2013 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 2013.

The total expense recognized in respect of equity-based schemes amounted to DKK 48 million. In 2012, an expense of DKK 60 million was recognized. The expense recognized in 2012 included an expense of DKK 17 million due to the cancellation of the 2010 and 2011 programmes granted to the Executive Management. At 31 December 2013, the fair value of equity-based schemes amounted to DKK 215 million (DKK 82 million in 2012).

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 8 million (DKK 2 million in 2012). The expense covers all debt-based schemes in force in 2013. At 31 December 2013, the total liability in respect of debt-based schemes amounted to DKK 11 million (DKK 3 million in 2012). The liability covers all debt-based schemes in force at 31 December 2013.

The total expense recognized in the income statement for all incentive programmes amounted to DKK 56 million for 2013 (DKK 62 million in 2012).

9. TAX ON PROFIT FOR THE YEAR

	2013 DKK m	2012 DKK m
Current tax	635	331
Prior-year adjustments, current tax	(90)	(2)
Prior-year adjustments, deferred tax	19	40
Change of deferred tax for the year	147	101
Change of deferred tax as a result of changed income tax rates	(128)	-
Total tax for the year	583	470
Tax for the year is composed of:		
Tax on profit for the year	617	496
Tax on other comprehensive income	(34)	(26)
Total tax for the year	583	470

Explanation of the Group's effective tax rate relative to the Danish tax rate

	2013 %	2012 %
Danish tax rate	25.0	25.0

Tax effect of:

Differences in the tax rates of foreign subsidiaries from the Danish tax rate	4.5	(3.0)
Non-deductible expenses/non-taxable income and other permanent differences	9.9	7.4
Research and development incentives	1.5	(1.8)
Fine from the European Commission	11.9	-
Change of deferred tax as a result of changed income tax rates	(8.6)	-
Prior-year tax adjustments etc., total effect on operations	(2.3)	2.3
Effective tax rate for the year	41.9	29.9

10. DISTRIBUTION OF PROFIT

The Board of Directors proposes distribution of dividends for 2013 of 64% (35% in 2012) of the net profit for the year allocated to the shareholders of the parent company, equivalent to DKK 543 million (DKK 392 million in 2012), or DKK 2.77 per share (DKK 2.00 in 2012).

NOTE 11

11. 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
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
2012						
Cost at 01.01.	3,865	525	5,582	1,140	64	11,176
Currency translation	(47)	-	(17)	1	-	(63)
Transfer	-	-	-	54	(55)	(1)
Additions	-	-	1,295	15	39	1,349
Disposals	-	-	-	(18)	-	(18)
Cost at 31.12.	3,818	525	6,860	1,192	48	12,443
Amortization at 01.01.	-	455	1,312	964	-	2,731
Currency translation	-	-	(8)	-	-	(8)
Transfer	-	-	-	(1)	-	(1)
Amortization	-	13	579	90	-	682
Impairment	-	8	15	-	-	23
Disposals	-	-	-	(12)	-	(12)
Amortization at 31.12.	-	476	1,898	1,041	-	3,415
Carrying amount at 31.12.	3,818	49	4,962	151	48	9,028

1) Of product rights, DKK 2,632 million (DKK 2,539 million in 2012) relates to products not yet commercialized.

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

NOTE 11

11. 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
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
2012					
Cost at 01.01.	3,677	1,376	1,019	309	6,381
Currency translation	(6)	-	-	-	(6)
Transfer	140	87	25	(251)	1
Additions	48	48	50	155	301
Disposals	(15)	(43)	(43)	-	(101)
Cost at 31.12.	3,844	1,468	1,051	213	6,576
Depreciation at 01.01.	1,790	971	806	-	3,567
Currency translation	(5)	-	-	-	(5)
Transfer	-	-	1	-	1
Depreciation	140	89	75	-	304
Impairment	4	1	-	-	5
Disposals	(15)	(34)	(40)	-	(89)
Depreciation at 31.12.	1,914	1,027	842	-	3,783
Carrying amount at 31.12.	1,930	441	209	213	2,793

1) The carrying amount of pledged land and buildings at 31 December 2013 was DKK 1,688 million (DKK 1,670 million in 2012).

NOTE 12

12. 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	Movement during the year DKKm	Balance at 31.12. DKKm
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 ¹	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) Movement during the year includes a reduction in deferred tax of DKK 128 million as a result of changed income tax rates.

2012

Intangible assets	3,228	(26)	2	1,016	4,220
Property, plant and equipment	404	3	6	23	436
Inventories	(217)	8	18	(13)	(204)
Other items	(261)	18	(43)	(251)	(537)
Provisions in subsidiaries	(16)	-	-	316	300
Tax loss carry-forwards etc.	(414)	1	30	(375)	(758)
Total temporary differences	2,724	4	13	716	3,457
Deferred (tax assets)/tax liabilities	750	11	23	107	891
Research and development incentives	(191)	3	17	(6)	(177)
Deferred (tax assets)/tax liabilities	559	14	40	101	714

	2013 Deferred tax assets DKKm	2013 Deferred tax liabilities DKKm	2013 Net DKKm	2012 Deferred tax assets DKKm	2012 Deferred tax liabilities DKKm	2012 Net DKKm
Deferred (tax assets)/tax liabilities						
Intangible assets	(36)	1,362	1,326	(76)	1,321	1,245
Property, plant and equipment	(80)	145	65	(87)	171	84
Inventories	(91)	48	(43)	(134)	55	(79)
Other items	(483)	322	(161)	(41)	201	160
Provisions in subsidiaries	(28)	-	(28)	(222)	-	(222)
Tax loss carry-forwards etc.	(217)	-	(217)	(297)	-	(297)
Research and development incentives	(99)	-	(99)	(177)	-	(177)
Deferred (tax assets)/tax liabilities	(1,034)	1,877	843	(1,034)	1,748	714
Set off within legal tax entities and jurisdictions	745	(745)	-	605	(605)	-
Total net deferred (tax assets)/tax liabilities	(289)	1,132	843	(429)	1,143	714

Of the recognized deferred tax assets, DKK 316 million (DKK 474 million in 2012) related to tax losses etc. and research and development incentives to be carried forward. Utilization of these is based on future positive income that exceeds realization of the deferred tax liabilities.

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

NOTES 12-14

12. DEFERRED TAX — CONTINUED

	2013 DKKm	2012 DKKm
Unrecognized deferred tax assets		
Unrecognized deferred tax assets at 01.01.	281	290
Currency translation	-	(1)
Prior-year adjustments	(22)	-
Additions	17	11
Utilized	(11)	(19)
Unrecognized deferred tax assets at 31.12.	265	281

Unrecognized deferred tax assets primarily related to interest and research and development incentives.

13. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2013 DKKm	2012 DKKm
Trade receivables		
Receivables	2,674	2,482
Writedowns	(61)	(55)
Total	2,613	2,427
Due dates of trade receivables not written down		
Not due	2,238	2,033
Overdue by up to 3 months	240	251
Overdue by more than 3 months and up to 6 months	79	47
Overdue by more than 6 months and up to 12 months	21	62
Overdue by more than 12 months	35	34
Total	2,613	2,427

Other receivables amounted to DKK 584 million (DKK 508 million in 2012), 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 2013. Writedowns in 2013 were on a level with those in 2012.

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.

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 experienced significant price reductions in several countries in Europe, where higher debts and rising unemployment have compelled the governments to identify savings in the public budgets. Furthermore, the earlier market access for generic pharmaceuticals has eroded earnings from Lundbeck's products in certain markets, where Lundbeck had expected exclusivity to protect the value of the large investments it had been making some years back. Lundbeck expects that these uncertainties will continue in 2014 and 2015.

Lundbeck is monitoring developments in the European economies and also developments in trade receivables in order to reduce the risk of losses to the best possible extent.

14. CASH RESOURCES

	2013 DKKm	2012 DKKm
Fixed-term deposits	3,821	1,708
Other cash resources	996	1,039
Cash at 31.12.	4,817	2,747
Securities with a maturity of less than 3 months ¹	14	-
Securities with a maturity of more than 3 months ¹	1,028	1,055
Cash and securities at 31.12.	5,859	3,802

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

NOTES 14-15

14. CASH RESOURCES — CONTINUED

The securities portfolio consists primarily of Danish government and mortgage bonds with a limited credit risk and of a money market fund consisting of Danish government and mortgage bonds.

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

At 31 December 2013, Lundbeck had a committed undrawn credit facility of EUR 150 million with the EIB (European Investment Bank) with a drawing right of 18 months from 23 October 2013 and a committed undrawn credit facility of EUR 75 million with NIB (Nordic Investment Bank) with a drawing right of 18 months from 3 December 2013. At 31 December 2012, Lundbeck had no committed credit facilities.

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. As the decision by the European Commission has been appealed, Lundbeck considers the fine from the European Commission to be an exceptional case.

Other than minor operational changes, no changes were made to Lundbeck's treasury policy compared with 2012.

15. CONTRACTUAL OBLIGATIONS

Rental and lease obligations

The Group has obligations amounting to DKK 454 million (DKK 569 million in 2012) in the form of rentals and leasing of operating equipment.

Future rental and lease payments	Land and buildings DKKm	Operating equipment DKKm	Total DKKm
2013			
Within 1 year	90	48	138
Between 1 and 5 years	217	62	279
After 5 years	37	-	37
Total	344	110	454
2012			
Within 1 year	111	53	164
Between 1 and 5 years	265	81	346
After 5 years	59	-	59
Total	435	134	569

Rental and lease payments recognized in the income statement amounted to DKK 171 million (DKK 188 million in 2012).

Other purchase obligations

The Group has undertaken purchase obligations in the amount of DKK 274 million (DKK 305 million in 2012).

Research and development collaborations

The Group is part of multi-year research and development collaboration projects comprising minimum research and development obligations in the order of DKK 52 million (DKK 141 million in 2012). The total amount of the obligations may increase substantially in line with the favourable development of the research and development projects.

Other contractual obligations

The Group has entered into various service agreements amounting to DKK 124 million (DKK 102 million in 2012).

At 31 December 2013, the Group had capital contribution obligations amounting to DKK 8 million (DKK 3 million in 2012).

NOTES 16-18

16. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

	2013 DKKm	2012 DKKm
Amortization, depreciation and impairment are specified as follows:		
Cost of sales	979	581
Sales and distribution costs	26	25
Administrative expenses	65	70
Research and development costs	192	212
Total	1,262	888

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.

In 2012, an impairment loss on product rights totalling DKK 15 million was recognized in research and development costs. The recoverable amount was calculated on the basis of management's re-assessed estimate of the value in use of the assets.

18. NET FINANCIALS

	2013 DKKm	2012 DKKm
Net interest gains on financial assets and financial liabilities measured at amortized cost	(66)	(72)
Net gains on financial assets measured at fair value through profit or loss	1	7
Net exchange gains	(55)	10
Net gains on other financial items	(7)	(10)
Net financials	(127)	(65)

Interest income on financial assets measured at amortized cost amounted to DKK 16 million (DKK 13 million in 2012), and interest expense on financial liabilities measured at amortized cost amounted to DKK 82 million (DKK 85 million in 2012).

17. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2013 DKKm	2012 DKKm
Statutory audit	7	7
Tax consulting	1	1
Other services	14	3
Total	22	11

Other services include one-off advisory services provided by Deloitte which have been evaluated 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.

NOTES 19-20

19. EARNINGS PER SHARE

	2013	2012
Profit for the year (DKKm)	855	1,165
Average number of shares ('000 shares)	196,143	196,136
Average number of treasury shares ('000 shares)	(6)	(7)
Average number of shares excl. treasury shares ('000 shares)	196,137	196,129
Average number of warrants, fully diluted ('000 warrants)	47	14
Average number of shares, fully diluted ('000 shares)	196,184	196,143
Earnings per share (EPS) (DKK)	4.36	5.94
Diluted earnings per share (DEPS) (DKK)	4.36	5.94

The warrants granted in 2008, 2009 and 2010 have vested. At 31 December 2013, 539,417 warrants remained outstanding, and the weighted average exercise price of these warrants was DKK 103.46. In 2012, the warrants granted in 2008 and 2009, a total of 342,126 warrants, had vested, and the weighted average exercise price of these warrants was DKK 107.77.

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 8 *Incentive programmes* for additional information on incentive programmes.

20. OTHER COMPREHENSIVE INCOME

	Before tax DKKm	Tax DKKm	After tax DKKm
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, hedging (transferred to the balance sheet)	(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)

NOTES 20-21

20. OTHER COMPREHENSIVE INCOME – CONTINUED

	Before tax DKKm	Tax DKKm	After tax DKKm
2012			
Other comprehensive income recognized under currency translation reserve in equity is specified as follows:			
Currency translation, foreign subsidiaries	(12)	-	(12)
Currency translation concerning additions to net investments in foreign subsidiaries	(27)	7	(20)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)	(40)	10	(30)
Total	(79)	17	(62)
Other comprehensive income recognized under currency hedging reserve in equity is specified as follows:			
Adjustments, deferred exchange gains/losses, hedging	(78)	19	(59)
Exchange gains/losses, hedging (transferred to the income statement)	130	(33)	97
Exchange gains/losses, trading (transferred to net financials)	1	-	1
Total	53	(14)	39
Other comprehensive income recognized under retained earnings in equity is specified as follows:			
Fair value adjustment of available-for-sale financial assets	(12)	2	(10)
Actuarial gains/losses	(79)	21	(58)
Total	(91)	23	(68)

21. INVENTORIES

	2013 DKKm	2012 DKKm
Raw materials and consumables	162	151
Work in progress	495	408
Finished goods and goods for resale	1,236	1,171
Total	1,893	1,730
Indirect costs of production	310	296
Impairment loss for the year	58	28
Inventories calculated at net realizable value	5	4

The total cost of goods sold included in cost of sales amounted to DKK 2,309 million (DKK 2,113 million in 2012).

NOTE 22

22. SHARE CAPITAL

The share capital of DKK 981 million at 31 December 2013 is divided into 196,197,036 shares of a nominal value of DKK 5 each.

Share capital	2013 DKKm	2012 DKKm	2011 DKKm	2010 DKKm	2009 DKKm
At 01.01.	980	980	980	980	984
Exercise of warrants	1	-	-	-	-
Cancellation of treasury shares	-	-	-	-	(4)
At 31.12.	981	980	980	980	980

Issued shares	2013 Number	2012 Number
At 01.01.	196,136,511	196,135,918
Increase of share capital	60,525	593
At 31.12.	196,197,036	196,136,511

Treasury shares	Shares of DKK 5 nom. Number	Nominal value DKKm	Proportion of share capital %	Cost DKKm
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.	-	-	-	-
2012				
Shareholding at 01.01.	1,520	-	-	-
Share buyback	186,495	1	0.10	21
Shares used for financing of incentive programmes	(187,581)	(1)	(0.10)	(21)
Shareholding at 31.12.	434	-	-	-

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 OMX Copenhagen.

In 2013, the parent company acquired treasury shares at a value of DKK 7 million (DKK 21 million in 2012), corresponding to 72,702 shares (186,495 shares in 2012).

The shares were acquired to finance Lundbeck's long-term incentive programmes established in 2010. A total of 73,136 shares were used for this purpose in 2013. In 2012, 187,581 shares were used to finance Lundbeck's long-term incentive programme established in 2009. At 31 December 2013, the portfolio of treasury shares counted 0 shares (434 shares in 2012).

In 2013, employees exercised warrants totalling DKK 7 million (DKK 60,486 in 2012). The share premium in this connection was DKK 6 million (DKK 57,521 in 2012). The share premium totalling DKK 232 million (DKK 226 million in 2012) relates to the exercise of warrants in 2013 and earlier.

NOTE 23

23. PENSION OBLIGATIONS AND SIMILAR OBLIGATIONS

Defined contribution plans

The major defined contribution plans cover employees in Australia, Belgium, Canada, Denmark, Finland, Germany, Ireland, Sweden, the UK and the US. The cost of defined contribution plans, representing contributions to the plans, totalled DKK 189 million in 2013 (DKK 184 million in 2012).

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	2013 DKKm	2012 DKKm
Present value of funded pension obligations	340	350
Fair value of plan assets	(251)	(243)
Funded pension obligations, net	89	107
Present value of unfunded pension obligations	144	144
Pension obligations at 31.12.	233	251
Other pension-like obligations	48	49
Pension obligations and similar obligations at 31.12.	281	300

Pension obligations and similar obligations break down as follows:

Non-current obligations	271	293
Current obligations	10	7
Pension obligations and similar obligations at 31.12.	281	300

Assumptions for the most important plans

	2013	2012
Discount rate (%)	3.40-4.20	3.30-4.30
Inflation rate (%)	2.20-2.40	2.00-2.20
Pay rate increase (%)	2.40-4.40	2.40-3.70
Pension increase (%)	2.40-3.40	2.20-2.70
Age-weighted staff resignation rate (%)	0-8	0-8
Expected return on plan assets (%)	4.20	4.30

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% results in a decrease in the obligation of approximately DKK 20 million and vice versa. An increase in the inflation rate of 0.25% results in an increase in

the obligation of approximately DKK 6 million 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.

	2013 DKKm	2012 DKKm
The fair value of the plan assets breaks down as follows:		
Shares	21	18
Bonds	35	32
Property	8	7
Insurance contracts	180	181
Other assets	7	5
Total	251	243

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

NOTE 23

23. PENSION OBLIGATIONS AND SIMILAR OBLIGATIONS — CONTINUED

	2013 DKKm	2012 DKKm
Change in present value of funded pension obligations		
Present value of funded pension obligations at 01.01.	350	284
Currency translation	(11)	7
Pension expenses	9	8
Interest expenses relating to the obligations	12	14
Experience adjustments	(3)	-
Adjustments relating to financial assumptions	(4)	39
Adjustments relating to demographic assumptions	(5)	3
Disbursements	(10)	(7)
Employee contributions	2	2
Present value of funded pension obligations at 31.12.	340	350
Change in fair value of plan assets		
Fair value of plan assets at 01.01.	243	224
Currency translation	(7)	6
Interest income on plan assets	8	10
Experience adjustments	(1)	(6)
Administration fees	(1)	-
Contributions	17	14
Disbursements	(10)	(7)
Employee contributions	2	2
Fair value of plan assets at 31.12.	251	243
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations at 01.01.	144	114
Currency translation	-	1
Pension expenses	4	4
Interest expenses relating to the obligations	4	6
Experience adjustments	(2)	(2)
Adjustments relating to financial assumptions	(2)	33
Disbursements	(4)	(3)
Curtailment	-	(9)
Present value of unfunded pension obligations at 31.12.	144	144
Specification of expenses recognized in the income statement		
Pension expenses	13	12
Finance costs	8	10
Administration fees	1	-
Total	22	22
Specification of amount recognized in the statement of comprehensive income		
Actuarial (gains)/losses	(15)	79
Total	(15)	79
Realized return on plan assets	7	4

NOTES 23-24

23. PENSION OBLIGATIONS AND SIMILAR OBLIGATIONS — CONTINUED

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 16 years (15 years in 2012). The expected contribution for 2014 for the defined benefit plans is DKK 23 million (DKK 14 million for 2013).

Other pension-like obligations

An obligation of DKK 48 million (DKK 49 million in 2012) 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.

24. MORTGAGE DEBT

	2013 DKKm	2012 DKKm
Mortgage debt by maturity		
Within 1 year from the balance sheet date	1	-
Between 1 and 2 years from the balance sheet date	1	1
Between 2 and 3 years from the balance sheet date	56	1
Between 3 and 4 years from the balance sheet date	65	58
Between 4 and 5 years from the balance sheet date	92	64
More than 5 years from the balance sheet date	1,917	1,738
Mortgage debt at 31.12.	2,132	1,862

Mortgage debt breaks down as follows:

Non-current liabilities	2,131	1,862
Current liabilities	1	-
Mortgage debt at 31.12.	2,132	1,862

	Currency	Expiry	Fixed/ floating	Weighted average effective interest rate %	Amortized cost DKKm	Nominal value DKKm	Fair value DKKm
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
2012							
Mortgage debt, bond loan	DKK	2035	Floating	2.08	1,413	1,511	1,571
Mortgage debt, bond loan	DKK	2037	Floating	1.20	437	440	423
Mortgage debt, bond loan	DKK	2034	Floating	0.88	10	10	10
Mortgage debt, bond loan	DKK	2034	Floating	0.88	2	2	2
Total					1,862	1,963	2,006

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 as at 31 December of the underlying bonds.

NOTE 25

25. 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 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 by 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 part

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
2013					
CAD	851	38	39	535.33	Oct. 2014
GBP	306	(3)	11	874.15	Dec. 2014
USD	1,968	(47)	10	536.31	Nov. 2014
Other currencies	869	33	66	-	Dec. 2014
Total		21	126		
2012					
CAD	775	(2)	(42)	561.84	Dec. 2013
GBP	442	-	(29)	901.78	Nov. 2013
USD	547	(6)	(20)	569.85	Dec. 2013
Other currencies	1,036	13	(39)	-	Dec. 2013
Total		5	(130)		

At 31 December 2013, the exchange difference between the contract value and the market value of the concluded forward exchange contracts represented a net gain of DKK 101 million

(DKK 3 million in 2012) at the balance sheet date, of which a gain of DKK 32 million (a loss of DKK 2 million in 2012) was recognized in the income statement.

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

	2013 DKKm	2012 DKKm
Monetary assets		
CAD	233	213
GBP	211	247
USD	1,153	626
Monetary liabilities		
CAD	239	227
GBP	234	105
USD	1,709	1,286

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

Due to the long-standing fixed exchange rate policy in Denmark, the foreign currency risk for EUR is considered immaterial, and EUR is therefore not included in the table above.

NOTE 25

25. FINANCIAL INSTRUMENTS – CONTINUED

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

	CAD DKKm	GBP DKKm	USD DKKm
2013			
Profit for the year	(1)	(8)	12
Equity	(39)	(19)	191
2012			
Profit for the year	(2)	(24)	(7)
Equity	(38)	(15)	302

The profit impact includes currency translation adjustments which concern 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.

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).

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

There were no derivatives at 31 December 2013 and 2012 to manage interest rate risks because the distribution of debt carrying floating and fixed interest at the given times was deemed to be satisfactory.

NOTE 25

25. 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 %
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	3,071	82	-	3,153	0
Fixed-term deposits	3,821	-	-	3,821	0-7
Other cash resources	996	-	-	996	0-7
Loans and receivables	7,888	82	-	7,970	
Available-for-sale financial assets	-	60	-	60	0
Total financial assets	9,052	146	-	9,198	
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	6,052	2	-	6,054	0
Financial liabilities measured at amortized cost	6,071	224	1,917	8,212	
Total financial liabilities	6,096	224	1,917	8,237	

The amounts in the table above are exclusive of interest.

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.

NOTE 25

25. FINANCIAL INSTRUMENTS – CONTINUED

	Within 1 year DKKm	Between 1 and 5 years DKKm	After 5 years DKKm	Total DKKm	Effective interest rates %
2012					
Financial assets					
Derivatives included in the trading portfolio	1	-	-	1	0
Securities ¹	1,041	14	-	1,055	0-1
Financial assets measured at fair value through profit or loss	1,042	14	-	1,056	
Derivatives to hedge future cash flows	35	-	-	35	0
Financial liabilities used as hedging instruments	35	-	-	35	
Receivables ²	2,899	50	-	2,949	0
Fixed-term deposits	1,708	-	-	1,708	0-4
Other cash resources	1,039	-	-	1,039	0-5
Loans and receivables	5,646	50	-	5,696	
Available-for-sale financial assets	-	82	-	82	0
Total financial assets	6,723	146	-	6,869	
Financial liabilities					
Derivatives to hedge future cash flows	33	-	-	33	0
Financial liabilities used as hedging instruments	33	-	-	33	
Mortgage debt ³	-	124	1,738	1,862	0-3
Employee bonds	19	26	-	45	3-6
Other payables	4,504	2	-	4,506	0
Financial liabilities measured at amortized cost	4,523	152	1,738	6,413	
Total financial liabilities	4,556	152	1,738	6,446	

The amounts in the table above are exclusive of interest.

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 1,963 million in 2012.

Financial assets and financial liabilities measured at fair value	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
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	-

NOTES 25-26

25. FINANCIAL INSTRUMENTS – CONTINUED

Financial assets and financial liabilities measured at fair value	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
2012			
Financial assets			
Securities	1,041	14	-
Available-for-sale financial assets	58	-	24
Derivatives	-	36	-
Total	1,099	50	24
Financial liabilities			
Mortgage debt	2,006	-	-
Derivatives	-	33	-
Total	2,006	33	-

26. 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 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 2013 (137,351,918 shares at 31 December 2012), corresponding to approximately 70% of the share capital and votes in H. Lundbeck A/S (approximately 70% in 2012). 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 2012.

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

- Dividends.
- Payment of provisional tax of DKK 152 million in 2013 regarding 2013 (DKK 404 million in 2012 regarding 2012) concerning the parent company and Danish subsidiaries.
- Refund of residual tax of DKK 282 million in 2013 regarding 2012 (payment of DKK 38 million in 2012 regarding 2011) concerning the parent company and Danish subsidiaries.
- Interest expense of DKK 4 million in 2013 (DKK 7 million in 2012).

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 8 *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 2013 and 2012, there were no balances with the Executive Management and Board of Directors.

Transactions and balances with other related parties

In 2013, Lundbeck paid a consultancy fee of DKK 3 million (DKK 4 million in 2012) 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 27

27. 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, including	Sales and distribution	100
- Innenwelt Gemeinnützige GmbH, Austria	Other	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	Sales and distribution	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 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 and distribution	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

NOTE 27

27. SUBSIDIARIES — CONTINUED

	Purpose	Share of voting rights and ownership %
Lundbeck South Africa (Pty) Limited, South Africa	Sales and distribution	100
Lundbeck España S.A., Spain	Sales and distribution	100
H. Lundbeck AB, Sweden, including	Sales and distribution	100
- CNS Pharma AB, Sweden	Sales and distribution	100
Lundbeck (Schweiz) AG, Switzerland	Sales and distribution	100
Lundbeck Pharmaceutical GmbH, Switzerland	Other	100
Lundbeck İlaç Ticaret Limited Şirketi, Turkey	Sales and distribution	100
Lundbeck Group Ltd. (Holding), UK, including	Other	100
- Lundbeck Limited, UK	Sales and distribution	100
- Lundbeck Pharmaceuticals Ltd., UK	Other	100
- Lifehealth Limited, UK	Other	100
- Lundbeck UK LLP, UK	Sales and distribution	100
Lundbeck USA LLC, USA, including	Other	100
- Lundbeck LLC, USA, including	Sales and distribution	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 minority interests.

NOTE 28

28. GENERAL ACCOUNTING POLICIES

The consolidated financial statements are presented 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 are presented in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply for the financial year, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. This has not resulted in any changes in accounting policies that have affected recognition and measurement in the current or previous years other than the changes described below.

Changes in accounting policies

Two changes have been made to the accounting policies which relate to the consolidated financial statements for 2013.

Lundbeck has implemented the changes to IAS 19 *Employee Benefits* effective from 1 January 2013, according to which actuarial gains and losses must be recognized in the statement of comprehensive income instead of the income statement and not subsequently be recycled through profit or loss. The implementation has resulted in additional disclosures.

In addition, as from 1 January 2013, Lundbeck has reallocated to cost of sales amortization on product rights, which was previously recognized as sales and distribution costs. The reallocation has been made to align cost of sales on all products regardless of whether they are produced by Lundbeck or Lundbeck has purchased the right to the products and subsequently amortizes the rights.

The changes have been made with retrospective effect, and comparative figures have been restated. The changes in accounting policies with regard to IAS 19 *Employee Benefits* have improved the profit for 2012 by DKK 58 million to DKK 1,165 million. The change in accounting policies with regard to reallocation of amortization on product rights has no effect on the profit for 2012. The changes in accounting policies have no impact on the balance sheet and no net impact on the statement of comprehensive income, statement of changes in equity and the cash flow statement.

If the change in accounting policies regarding IAS 19 *Employee Benefits* had not been effected, profit for 2013 would have been DKK 11 million higher, i.e. profit for the year would have been DKK 866 million. If the change in accounting policies regarding the reallocation of amortization on product rights had not been effected, sales and distribution costs would have been DKK 800 million higher, and cost of sales would have been correspondingly lower.

See note 7 *Impact of changes in accounting policies* for a detailed overview of the consequence for each specific line item and the consequence for EPS and DEPS.

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.

None of the new standards or amendments of existing standards are 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 subsidiaries 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 difference 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 is 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.

NOTE 28

28. GENERAL ACCOUNTING POLICIES — CONTINUED

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 remeasured 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 license income and royalties from outlicensed 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.

See note 1 *Critical accounting policies, including accounting estimates and judgments*, p. 35, for a description of the accounting treatment of license 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 inlicensed 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, 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 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 inlicensed 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 judgments*, 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 exchange gains and losses concerning additions to net investments in foreign subsidiaries that are recycled from other comprehensive income.
- Realized fair value adjustments and prolonged impairment losses on available-for-sale financial assets, including dividends.
- Other financial income and expenses.

NOTE 28

28. GENERAL ACCOUNTING POLICIES — CONTINUED

Tax

The Group's Danish subsidiaries are jointly taxed with the principal shareholder the Lundbeck Foundation and its Danish subsidiaries. The current Danish 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, licenses, 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.

Product rights are amortized over the economic lives of the underlying products, which in all material aspects are currently between 8-12 years. Patents are amortized, at a maximum, over the remaining patent period, which in all material aspects is currently between 10-13 years, and licenses 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 licenses 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 judgments*, 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.

NOTE 28

28. GENERAL ACCOUNTING POLICIES — CONTINUED

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.

Equity

Dividends

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

Treasury shares

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 remeasured 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.

NOTE 28

28. GENERAL ACCOUNTING POLICIES — CONTINUED

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.

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 those 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.

Debt

Mortgage 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 flows from operating activities are calculated as the Group's profit from operations, adjusted for non-cash operating items, working capital changes, financial receipts and payments and income taxes paid.

Cash flows from investing activities include payments in connection with purchases and sales of intangible assets, property, plant and equipment and financial assets, including equity investments in companies. Also included are securities classified as current assets.

Cash flows from financing activities include payments to and from shareholders and related expenses as well as the raising of, instalments and repayments on loans, mortgage debt and other long-term debt.

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

NOTES 28-29

28. GENERAL ACCOUNTING POLICIES — CONTINUED

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.

29. 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

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INCOME STATEMENT

1 JANUARY – 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Revenue		8,132	8,400
Cost of sales	2	2,838	2,417
Gross profit		5,294	5,983
Sales and distribution costs	2	806	1,180
Administrative expenses	2, 3	1,744	865
Research and development costs	2	2,790	2,796
Profit from operations		(46)	1,142
Income from investments in subsidiaries	4	193	193
Financial income		537	671
Financial expenses		257	205
Profit before tax		427	1,801
Tax on profit for the year	5	108	407
Profit for the year	6	319	1,394

BALANCE SHEET — ASSETS

AT 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Patent rights		4	47
Product rights		3,779	3,000
Other rights		88	115
Projects in progress		61	38
Intangible assets	7	3,932	3,200
Land and buildings		1,682	1,674
Plant and machinery		283	282
Other fixtures and fittings, tools and equipment		83	93
Prepayments and assets under construction		133	174
Property, plant and equipment	7	2,181	2,223
Investments in subsidiaries	4	4,874	4,861
Receivables from subsidiaries		3,801	5,320
Other investments		59	80
Other receivables		41	5
Financial assets		8,775	10,266
Non-current assets		14,888	15,689
Inventories	8	855	806
Trade receivables		241	99
Receivables from subsidiaries		1,490	1,014
Joint taxation contribution		70	333
Other receivables		349	275
Prepayments		182	205
Receivables		2,332	1,926
Securities		1,024	1,023
Cash		4,166	2,018
Current assets		8,377	5,773
Assets		23,265	21,462

BALANCE SHEET — EQUITY AND LIABILITIES

AT 31 DECEMBER 2013

	Notes	2013 DKKm	2012 DKKm
Share capital		981	980
Share premium		232	226
Retained earnings		13,081	13,237
Equity		14,294	14,443
Deferred tax	9	740	907
Other provisions	10	292	278
Provisions		1,032	1,185
Mortgage debt	11	2,132	1,862
Employee bonds and other debt		9	27
Payables to subsidiaries		1,551	1,820
Non-current liabilities		3,692	3,709
Mortgage debt		1	-
Employee bonds		18	19
Trade payables		1,748	1,346
Payables to subsidiaries		1,266	311
Other payables		1,214	449
Current liabilities		4,247	2,125
Liabilities		7,939	5,834
Equity and liabilities		23,265	21,462

STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2013

	Notes	Share capital DKKm	Share premium DKKm	Retained earnings DKKm	Equity DKKm
Equity at 31.12.2012		980	226	13,291	14,497
Effect of intra-group merger		-	-	(54)	(54)
Adjusted equity at 01.01.2013		980	226	13,237	14,443
Profit for the year		-	-	319	319
Currency translation concerning additions to net investments in foreign subsidiaries		-	-	(159)	(159)
Realized exchange gains/losses concerning additions to net investments in foreign subsidiaries (transferred to the income statement)		-	-	(8)	(8)
Adjustments, deferred exchange gains/losses, hedging		-	-	142	142
Exchange gains/losses, hedging (transferred to the hedged items)		-	-	(126)	(126)
Tax on equity entries	5	-	-	38	38
Comprehensive income		-	-	206	206
Distributed dividends		-	-	(392)	(392)
Capital increase through exercise of warrants		1	6	-	7
Buyback of treasury shares	16	-	-	(7)	(7)
Incentive programmes		-	-	37	37
Other transactions		1	6	(362)	(355)
Equity at 31.12.2013		981	232	13,081	14,294

For further details, see note 22 *Share capital* in the consolidated financial statements.

NOTE 1

1. ACCOUNTING POLICIES

The annual report of the parent company H. Lundbeck A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for class D enterprises. The annual report is presented in Danish kroner (DKK). Other than the change described below, there have been no changes in accounting policies.

CHANGE IN ACCOUNTING POLICIES

In the preparation of the annual report for 2013 of the parent company, a change was made to the accounting policies. As from 1 January 2013, the parent company has reallocated to cost of sales amortization on product rights, which was previously recognized as sales and distribution costs. The purpose of the reallocation is to align cost of sales for all products regardless of whether they are produced by Lundbeck or Lundbeck has purchased the right to the products and subsequently amortizes the rights. The effect on profit for the year is DKK 0.

The change has been made with retrospective effect, and comparative figures have been restated. For 2012, DKK 31 million has been reclassified from sales and distribution costs to cost of sales. If the change in accounting policies had not been effected, cost of sales for 2013 would have been DKK 311 million lower and sales and distribution costs correspondingly higher.

MERGER WITH LUNDBECK COGNITIVE THERAPEUTICS A/S

Effective 1 January 2013, the parent company merged with the wholly-owned subsidiary Lundbeck Cognitive Therapeutics A/S. The merger was carried out using the pooling of interests method, and the financial statements, including comparative figures for 2012, have been restated to reflect the merger as if the activities of Lundbeck Cognitive Therapeutics A/S had always been carried out in H. Lundbeck A/S.

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.

NOTES 2-5

2. STAFF COSTS

Wages and salaries, etc.

	2013 DKKm	2012 DKKm
Short-term staff benefits	1,377	1,224
Pension benefits	118	117
Other social security costs	28	27
Share-based payments	34	44
Total	1,557	1,412

The year's staff costs are specified as follows:

Cost of sales	276	287
Sales and distribution costs	87	83
Administrative expenses	556	404
Research and development costs	638	638
Total	1,557	1,412

Executives¹

	2013 DKKm	2012 DKKm
Short-term staff benefits	40	43
Pension benefits	8	8
Share-based payments	16	19
Total	64	70

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

Executive Management

See note 3 *Staff costs* and note 8 *Incentive programmes* in the consolidated financial statements.

Board of Directors

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

Number of employees

	2013	2012
Average number of full-time employees in the financial year	1,905	1,915
Number of full-time employees at 31.12.	1,898	1,912

Incentive programmes

See note 8 *Incentive programmes* in the consolidated financial statements.

3. AUDIT FEES

Deloitte Statsautoriseret Revisionspartnerselskab	2013 DKKm	2012 DKKm
Statutory audit	2	2
Other services	14	1
Total	16	3

Other services include one-off advisory services provided by Deloitte which have been evaluated 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

	2013 DKKm
Cost at 01.01.	4,861
Capital contributions to subsidiaries	13
Cost at 31.12.	4,874

Income from investments in subsidiaries is dividends, which amounted to DKK 193 million (DKK 193 million in 2012).

See note 27 *Subsidiaries* in the consolidated financial statements for an overview of all subsidiaries.

5. TAX ON PROFIT FOR THE YEAR

	2013 DKKm	2012 DKKm
Current tax, joint taxation contribution	254	163
Prior-year adjustments, current tax	(17)	(10)
Prior-year adjustments, deferred tax	(3)	(15)
Change of deferred tax for the year	(42)	256
Change of deferred tax as a result of a change in the income tax rate	(122)	-
Total tax for the year	70	394

Tax for the year is composed of:

Tax on profit for the year	108	407
Tax on equity entries	(38)	(13)
Total tax for the year	70	394

NOTES 6-7

6. DISTRIBUTION OF PROFIT

	2013 DKKm	2012 DKKm
Proposed distribution of profit for the year		
Proposed dividends for the year	543	392
Transferred to distributable reserves	(224)	1,002
Total profit for the year	319	1,394
Proposed dividend per share (DKK)	2.77	2.00

7. 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 01.01.2013	663	3,528	968	38	5,197
Transfer	-	-	24	(24)	-
Additions	-	1,121	12	47	1,180
Disposals	-	-	(26)	-	(26)
Cost at 31.12.2013	663	4,649	978	61	6,351
Amortization at 01.01.2013	616	528	853	-	1,997
Amortization	6	132	63	-	201
Impairment	37	210	-	-	247
Disposals	-	-	(26)	-	(26)
Amortization at 31.12.2013	659	870	890	-	2,419
Carrying amount at 31.12.2013	4	3,779	88	61	3,932

1) Of product rights, DKK 2,606 million relates to products not yet commercialized.

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

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment ¹ DKKm	Prepayments and assets under construction DKKm	Property, plant and equipment DKKm
Cost at 01.01.2013	3,249	969	755	174	5,147
Transfer	36	55	40	(131)	-
Additions	76	9	7	90	182
Disposals	(13)	(26)	(102)	-	(141)
Cost at 31.12.2013	3,348	1,007	700	133	5,188
Depreciation at 01.01.2013	1,575	687	662	-	2,924
Transfer	(18)	-	18	-	-
Depreciation	120	60	39	-	219
Disposals	(11)	(23)	(102)	-	(136)
Depreciation at 31.12.2013	1,666	724	617	-	3,007
Carrying amount at 31.12.2013	1,682	283	83	133	2,181

1) Including leasehold improvements.

NOTES 7-9

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

Impairment of intangible assets

In 2013, an impairment loss on the Sycrest® product rights totaling DKK 210 million 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 2013 was DKK 1,688 million. No other assets have been pledged.

8. INVENTORIES

	2013 DKK m	2012 DKK m
Raw materials and consumables	170	115
Work in progress	425	338
Finished goods and goods for resale	260	353
Total	855	806
Indirect costs of production	216	218
Impairment loss for the year	48	19

9. DEFERRED TAX

2013	Balance at 01.01. DKK m	Adjustment of deferred tax at beginning of year DKK m	Movement during the year DKK m	Balance at 31.12. DKK m
Intangible assets	3,050	15	724	3,789
Property, plant and equipment	612	(8)	(37)	567
Inventories	219	-	(2)	217
Other items	(251)	(21)	(851)	(1,123)
Total temporary differences	3,630	(14)	(166)	3,450
Deferred (tax assets)/tax liabilities¹	907	(3)	(164)	740

1) Movement during the year includes a reduction in deferred tax of DKK 122 million as a result of a change in the income tax rate.

NOTES 10-17

10. OTHER PROVISIONS

	2013 DKKm
Provisions at 01.01.	278
Provisions charged	201
Provisions used	(187)
Provisions at 31.12.	292
Provisions break down as follows:	
Non-current provisions	51
Current provisions	241
Provisions at 31.12.	292

The parent company has entered into an agreement 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.

11. MORTGAGE DEBT

Mortgage debt falling due after more than 5 years from the balance sheet date amounts to DKK 1,917 million (DKK 1,738 million in 2012).

12. FINANCIAL INSTRUMENTS

See note 25 *Financial instruments* in the consolidated financial statements.

13. CONTRACTUAL OBLIGATIONS

Rental and lease obligations

The parent company has obligations amounting to DKK 63 million (DKK 52 million in 2012) in the form of rentals and leasing of operating equipment. Of this amount, DKK 38 million (DKK 28 million in 2012) 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 2012).

Other purchase obligations

The parent company has undertaken purchase obligations in the amount of DKK 203 million (DKK 216 million in 2012).

Research and development collaborations

The parent company is part of multi-year research and development collaboration projects comprising minimum research and development obligations in the order of DKK 52 million (DKK 141 million in 2012). The total amount of the obligations

may increase substantially in line with the favourable development of the research and development projects.

Other contractual obligations

The parent company has entered into various service agreements amounting to DKK 119 million (DKK 100 million in 2012).

At 31 December 2013, the parent company had capital contribution obligations amounting to DKK 8 million (DKK 3 million in 2012).

14. CONTINGENT LIABILITIES

Bank guarantees and letters of intent

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

The parent company's bankers have issued bank guarantees to third parties in the amount of DKK 30 million (DKK 59 million in 2012). As collateral for other bank guarantees, the parent company has issued letters of intent to the banks in the amount of DKK 5 million (DKK 4 million in 2012) on behalf of subsidiaries.

Except for the above, the Group's and the parent company's contingent liabilities are identical, and reference is therefore made to note 6 *Contingent assets and contingent liabilities* in the consolidated financial statements.

15. RELATED PARTIES

For information on related parties exercising controlling influence on H. Lundbeck A/S, see note 26 *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.

16. TREASURY SHARES

See note 22 *Share capital* in the consolidated financial statements.

17. EVENTS AFTER THE BALANCE SHEET DATE

See note 29 *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 2013.

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 2013, 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 2013.

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, 6 February 2014

EXECUTIVE MANAGEMENT



Ulf Wiinberg
President and CEO

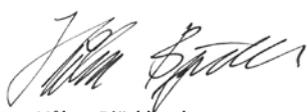


Anders Götzsche
Executive Vice President, CFO



Anders Gersel Pedersen
Executive Vice President,
Research & Development

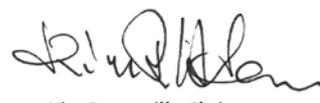
BOARD OF DIRECTORS



Håkan Björklund
Chairman



Christian Dyvig
Deputy Chairman



Kim Rosenville Christensen



Mona Elisabeth Elster



Thorleif Krarup



Melanie G. Lee



Jørn Mayntzhusen



Lars Rasmussen



Jes Østergaard

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 2013, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2013, and of the results of its operations and cash flows for the financial year 1 January – 31 December 2013 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 2013, and of the results of its operations for the financial year 1 January – 31 December 2013 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, 6 February 2014

Deloitte

Statsautoriseret Revisionspartnerselskab



Anders Dons

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