

Annual Report 2023



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Sustainability Report

Our 2023 Sustainability Report provides detailed information on our sustainability efforts and responsible business behaviour.

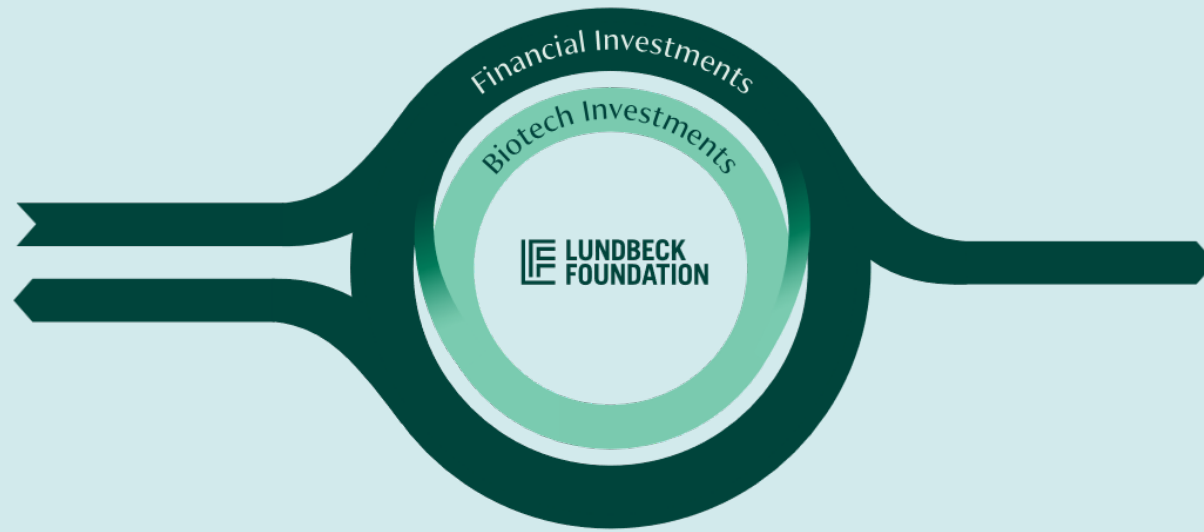
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Our business model



Partner to Society

- Supporting public research and science through grants and activities to bring forward new discoveries
- Disseminating knowledge through programmes and activities
- Strengthening a vibrant Danish ecosystem for life science, research, innovation, and economic growth

Strategic Ownerships

The Lundbeck Foundation is a long-term owner of multiple healthcare companies headquartered in Denmark. Our ambition is to position and maintain the companies as international market leaders within their industry segment. Business ownerships is a key element of the Foundation's financial and societal value creation and of building the route to market for new treatments and therapies for patients all over the world.

Asset Management

Financial investments is the engine that ensures long-term financial stability and allows the Foundation to invest in the future of healthcare and support new scientific research. The Foundation's biotech investments contribute to the financial value creation while also developing people and businesses in the Danish life science ecosystem.

Partner to Society

The Foundation channels profits back to society through grants and partnerships, which are anchored in the Foundation's purpose of 'Bringing discoveries to lives'. Our strategic ambition is to improve the world's understanding of the brain and create better treatments of brain disorders while also developing the Danish life science ecosystem through advancing and enhancing the conditions for science, innovation and economic growth in Denmark.

At a glance

We live our purpose every day through engaged ownership of our strategic ownerships and biotech portfolio companies, all of which strive to improve patients' and customers' lives. Our investment activities enable us to continuously award significant independent research grants to advance Danish-based biomedical research with a specific focus on neuroscience. Established in 1954, the Lundbeck Foundation is one of Denmark's largest enterprise foundations, with a net wealth at the end of 2023 of DKK 59bn.

The purpose of the Lundbeck Foundation is to create powerful ripple effects that bring discoveries to lives through investing actively in business and science at the frontiers of their fields

Grants and Prizes

592

 DKKm

grants awarded in 2023

BioCapital

772

 DKKm

in net return for the year. Total market value at 31 December 2023 amounted to DKK 2,886m

Invest

2,832

 DKKm

generated return in 2023 primarily driven by listed equities. Total market value at 31 December 2023 amounted to DKK 23bn

Strategic Ownership

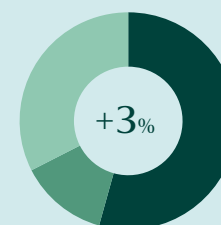
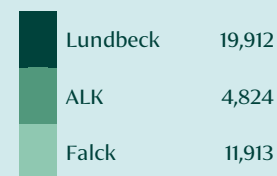
34%

stake was acquired in Ellab in late 2023

Revenue

DKK 36,659m

of which in DKKm

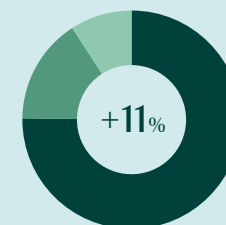


The increase in revenue was primarily attributable to Lundbeck (1,666m) and ALK (313m).

Operating profit

DKK 3,790m

of which in DKKm

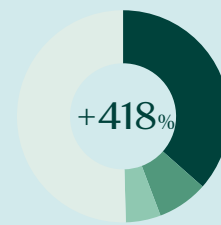
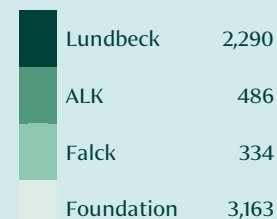


The increase in operating profit was primarily attributable to Lundbeck (343m) and ALK (196m).

Net profit

DKK 6,273m

of which in DKKm

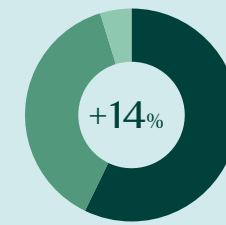
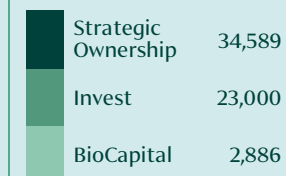


Overall profit for the Group was DKK 6,273m (2022: DKK 1,211m). The Foundation's share of Group profit was DKK 5,159m (2022: DKK -126m).

Net wealth

DKK 58,807m

of which in DKKm



Net wealth was significantly affected by the increase in Lundbeck's share price and the profit in Invest.

Letter from the Chair and the CEO

The Foundation delivered strong results across all areas and continued to execute its 2030 strategy ‘Bringing discoveries to lives’.

In line with expectations, the Group generated an operating profit of DKK 3,790m, while the Foundation’s investment activities delivered satisfactory returns for the year. The profit for the year thus amounted to DKK 6,273m, significantly higher than last year’s profit of DKK 1,211m.

As an enterprise foundation, we pursue commercial and philanthropic objectives with a long-term perspective and an ambition of creating financial and societal value. We circulate profits back to society through investments in science, talents and innovation, and we use our public voice to strengthen the Danish life science ecosystem.

Our strategic ownerships continued their respective journeys to become international leaders within their respective segments and we welcomed two new CEOs to the Group: Charl van Zyl took over the CEO position in H. Lundbeck from Deborah Dunsire in September and in ALK, Peter Halling took over as CEO from Carsten Hellmann in November.

H. Lundbeck delivered solid financial results with a robust sales growth and an increased profit margin. We see considerable momentum for Lundbeck as its strategic brands show strong performance and its R&D pipeline continues to evolve and mature.

2023 was also a strong year for **ALK**, which delivered solid sales growth and further improved its operating profit. We see continued good performance ahead enabled by a strong operational platform as well as a promising R&D portfolio that targets several global market opportunities.

Falck delivered solid growth and profit in very challenging markets while continuing its development towards becoming an integrated healthcare provider. This journey is supported by the initiation of a significant investment programme in digitalisation and other strategic initiatives.

Ferrosan Medical Devices delivered as expected while continuing its market expansion, supply chain renewal and product innovation activities.

In late 2023, we acquired a 34% stake in **Ellab**, an international medtech company which offers high-end validation and monitoring solutions to life science customers.

2023 saw challenging financial markets with continued geopolitical instability and fears of a recession. Despite these challenges, the Foundation’s financial investment portfolio, Invest, delivered strong returns primarily driven by listed equities.



Lene Skole, CEO and Steffen Kragh, Chair

In continued subdued biotech markets, Lundbeckfonden BioCapital, which focuses on investments in the Danish biotech sector, invested in two new biotech companies, Notify Therapeutics and Dania Therapeutics. Moreover, two companies in the portfolio, Vesper Bio and Cytoki Pharma, transitioned from preclinical to clinical stage.

2023 marked yet another important year for our philanthropic and societal impact priorities, and we continued and progressed our quest of driving innovation and bringing new scientific discoveries to the lives of patients and their families.

Our grants amounted to DKK 592m, which was above our stated annual commitment of DKK 500m. We took steps towards our strategic aspiration of enhancing the neuroscience community in Denmark, and several grants were awarded in the area of psychiatry, with the aim of building a strong clinical community for psychiatry in Denmark.

In 2023, the Foundation also continued its support to outstanding scientific talents in biomedical research, with a particularly strong commitment to talents in basic and clinical neuroscience. We used a wide range of grants and funding types to support scientists and researchers at different career levels and from different research fields.

2023 was also a year of working with our many partners and stakeholders - universities, public authorities, patient organisations, businesses, investors and other foundations - who share our commitment of building

the local life science eco-system in Denmark. Our range of activities included thematic roundtable, conferences and public events, reflecting topics related to innovation, entrepreneurship, talent development and diversity.

Our grants amounted to DKK 592m, which was above our stated annual commitment of DKK 500m.

As always, the Brain Prize was a highlight of the year and awarded to three international scientists for their outstanding scientific contributions to neuroscience. Professors Michael Greenberg (US), Christine Holt (UK) and Erin Schuman (Germany) received the prize for their discoveries of how the synthesis of new proteins is triggered in different parts of the neuron, thereby guiding brain development and plasticity in ways that impact our behaviour for a lifetime.

The celebration of the three winners took place in Copenhagen and the subsequent scientific outreach activities included multiple international webinars, plenary lectures and educational films, which were delivered to the global scientific community throughout 2023.

Our purpose and our strategy, 'Bringing discoveries to lives', is the common thread for our commercial and philanthropic endeavours, which are focused on advancing healthcare and neuroscience in Denmark and elsewhere.

We have high aspirations for the future of healthcare and neuroscience and engage with our stakeholders and partners to develop and nurture the scientific community and business sector in Denmark.

As an enterprise foundation in Denmark, we share a responsibility for the future and we believe that our business model with a strong link between commercial and philanthropic activities has a special place to create economic and societal value for Denmark.

We want to take this opportunity to thank the Lundbeck Foundation employees for their ongoing commitment to our value creation and our many partners for their strong and constructive collaboration.

Steffen Kragh,
Chair of the Board

Lene Skole,
CEO

Delivering on our strategy towards 2030

2023 marked the third year since the launch of the Foundation's 2030 strategy, 'Bringing Discoveries to Lives'. The Foundation strives to create value across five key themes, where solid progress was made across all areas.



Top-tier neuroscience

We create value when we fund Danish-based research that results in a better understanding of the brain and better prevention, diagnosis and treatment of brain diseases.

Our ambition is that, by 2030, Lundbeck Foundation-funded research will have led to a better understanding of the brain and to groundbreaking new programmes and treatments in clinical trials or on their way to the market.



Close collaboration between research and business

We create value when we invest in research talents, entrepreneurs and innovation in Danish healthcare, and when we strengthen the collaboration between universities, hospitals and companies in Denmark.

Our ambition is that, by 2030, the Lundbeck Foundation will have contributed to innovative healthcare solutions and/or started new healthcare companies in Denmark.



Active public voice

We create value when we develop and internationalise Danish healthcare research and business culture and when we improve society's understanding of the brain and its diseases.

Our ambition for 2030 is that the Foundation has increased the public understanding of the importance of brain health, improved the conditions for research in Denmark and further developed the role of enterprise foundations.



Attractive financial returns

We create value when our return on investment enables us to increase our grants to society and secures our long-term economic robustness and growth.

Our ambition for 2030 is for our investment activities to deliver a competitive return equal to or better than that of relevant peers, and that we at least double our annual fixed grants and our assets.



Leading healthcare companies

We create value when, as a competent and engaged owner, we develop and grow healthcare companies to become international market leaders within their categories.

Our ambition is that, by 2030, we will be a long-term and significant owner of a portfolio of 5-8 small or large healthcare companies, preferably in Denmark, that are international market leaders or on their way to becoming leaders.

The 2030 strategy: ‘Bringing Discoveries to Lives’

The Lundbeck Foundation is an enterprise foundation engaged in a broad range of commercial and philanthropic activities. The activities differ widely but also support each other, and this creates a clear path for the Foundation’s value creation across five thematic areas.

Top-tier neuroscience

The Foundation’s scientific focus in 2023 was centred on the tremendous complexity of the brain, which makes it one of mankind’s most challenging scientific topics. As today’s world lacks basic knowledge about the brain, both with regard to the brain’s normal functioning and with regard to brain disorders, the need for new insights and knowledge remains imminent, and an important ambition for the Foundation towards 2030 is to generate new knowledge that can lead to better prevention, diagnosis and treatment of brain disorders.

In 2023, 82% of the Foundation’s grants (a total of DKK 485m) were awarded to neuroscience research across all levels, from PhD students to Professors, through a mix of strategic programmes, open calls and talent development activities – driving insights and knowledge for the benefit of patients, doctors and therapists, and further strengthening the neuroscience community in Denmark.

The Foundation has a clear priority to nurture the next generation of talents in neuroscience research. The

Foundation therefore launched the Neuroscience Academy Denmark (NAD) in 2022 to give young scientists the opportunity to explore neuroscientific topics and to meet other scientists who are interested in this research field. 2023 saw over 300 applicants for the 2024 cohort of 16 PhD NAD fellows, including 8 students from outside Denmark. 2023 was also the year of the first pre-PhD year in addition to a number of events for the broader NAD community all over Denmark.

In 2023, three significant LF Professor grants were awarded to researchers to build new research environments and programmes in Denmark within the important research fields in neuroscience: pain, hydrocephalus, and ion pumps.

The Foundation also continued the buildup of the open knowledge platform, Neurotorium, which was launched in 2022. The Neurotorium platform develops and disseminates learning materials covering topics about the brain and its diseases. All new content is curated by an international board consisting of renowned neurologists and psychiatrists from around the world. In 2023, Neurotorium reported a global reach of more than 180,000 active users from 181 countries. In 2023, two new scientific themes were added to Neurotorium’s content library; migraine and substance abuse disorders and other additions, further expanding the scientific content, which is freely accessible on Neurotorium.org to clinicians and other users from all around the world.

In 2023, the Foundation awarded the world’s largest brain prize for research in neuroscience, The Brain Prize, to three outstanding scientists, Michael Greenberg, Christine Holt and Erin Schuman, for their ground-breaking discoveries in the synthesis of new proteins triggering brain development and plasticity. The Brain Prize winners were selected from among a diverse and outstanding field of nominees from all over the world, and the prize was complemented by a series of seminars as part of the Foundation’s global scientific outreach programme.

Close collaboration between research and business

Healthcare innovation and entrepreneurship requires constructive dialogue and collaboration between the scientific research community and the commercial business world. This is seen in the world’s most innovative healthcare communities, where talents can make the leap from science to business and back again. This journey is not easy to make in Denmark, and an important aspiration for the Foundation is therefore to strengthen the dialogue and collaboration between Denmark’s academic research institutions and the local commercial biotech and pharmaceutical communities, allowing scientific academic talent to explore, develop, innovate and, eventually, make the leap from science to business.

The Foundation therefore pioneered Frontier Grants in 2022 to support and facilitate transitions from basic research projects to attractive prospects for biotech investors to consider. The purpose is to advance and

mature research projects within biomedicine or health science to become financeable and commercially tangible venture opportunities while, in parallel, also supporting their scientific project owners in their early commercial endeavours. In 2023, four Frontier Grants were awarded to scientists working on innovative new treatments related to CGRP (migraine), Huntington’s disease, liver fibrosis and cardiac diseases.

2023 was the first full year of operations for Lundbeckfonden BioCapital, the Foundation’s biotech investment arm, which was introduced in 2022 with a new mandate and continues the work of the Foundation’s two former biotech-investment teams.

In 2023, Lundbeckfonden BioCapital invested in two new Danish start-up companies, Notify Therapeutics and Dania Therapeutics, developing novel treatments for infertility and cancer, respectively.

The past year continued the trends from 2022 with the downturn in the biotech market, but despite these challenges the portfolio of 20 companies continued to perform well with several successful private as well as public fundraisings and many positive clinical updates.

Leading healthcare companies

The engaged ownership of Danish healthcare companies is at the core of the Foundation’s value creation. The companies create products and treatments that benefit patients all over the world while also driving financial returns that enable new investments in science and business development.

Since 2010, the Foundation's ownership portfolio has comprised Lundbeck, ALK and Falck, with the Foundation as the majority owner. The ownership portfolio was expanded in 2022, when the Foundation took a 30% stake in the Danish medtech company Ferrosan Medical Devices (FeMD).

In 2023, the Foundation further expanded its ownership portfolio with a 34% stake in Ellab, a market leading player offering high-end validation and monitoring solutions and other services which enable customer safety and regulatory compliance within the healthcare industry. The ownership of Ellab is shared with Novo Holdings.

With the new ownership of Ellab, the Foundation has reached an important milestone in its strategy execution as significant long-term owner of five to eight Danish healthcare companies.

The Foundation's ambition is to grow and develop its ownerships on a global scale, and to help the companies become leaders within their industrial segments, bringing innovations, products and treatments to patients. In 2023, Lundbeck, ALK, Falck and FeMD each made progress on their strategy execution.

Lundbeck delivered solid operational and financial results while also bolstering its R&D pipeline.

ALK delivered 9% revenue growth in local currencies and further advanced its ambition of becoming a broad-based allergy company.

For Falck, 2023 marked the adoption of the new strategy Care for more '27, which is an important step in the transition to become a global provider of integrated healthcare services covering a broad range of healthcare services from prevention to acute care to rehabilitation.

Attractive financial returns

The investment activities of the Foundation are split into three categories: Lundbeckfonden Strategic Ownerships (Lundbeck, ALK, Falck, FeMD and Ellab), Lundbeckfonden Invest (financial investments), and Lundbeckfonden BioCapital (biotech investments). The ambition for all investment teams towards 2030 is to deliver annual financial returns which are above those of its market peers, doubling the Foundation's net wealth by 2030 and growing the minimum philanthropic grants to DKK 1bn annually in 2030 while safeguarding long-term financial robustness.

2023 picked up after a challenging 2022 and the Foundation's total wealth increased to approximately DKK 59bn. The long-term robustness of the Foundation's portfolio remains undiminished, as all investment teams were able to execute their strategies despite the market turmoil and instability.

Active public voice

As an enterprise foundation in Denmark with considerable assets, the Foundation has many obligations and dependencies to consider and strives to be an active contributor to Denmark's development as an important research and science hub in the global healthcare community.

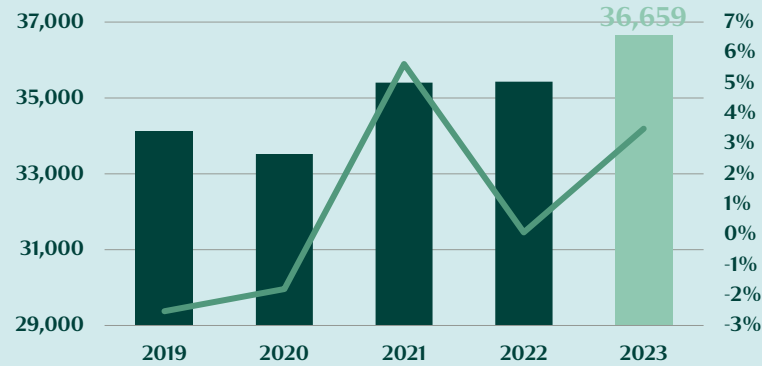
In 2023, the Foundation continued to advance three strategic agendas in its external communication and activities:

- The importance of brain health
- Denmark as a science hub in healthcare
- Enterprise foundations' unique value creation as business owners

For more information on active public voice, please see page 31.

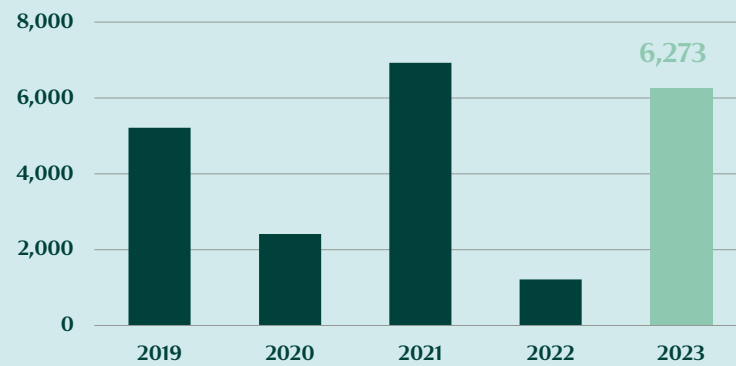
Financial highlights

Revenue (DKKm) and revenue growth (%)



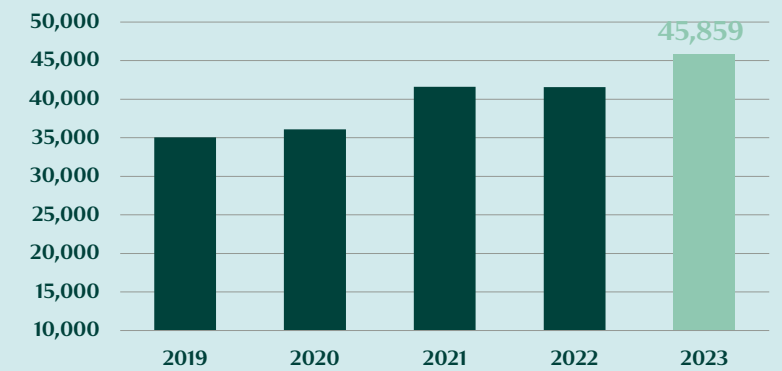
Revenue reached DKK 36,659m representing a growth of 3.5% compared to 2022

Profit for the year (DKKm)



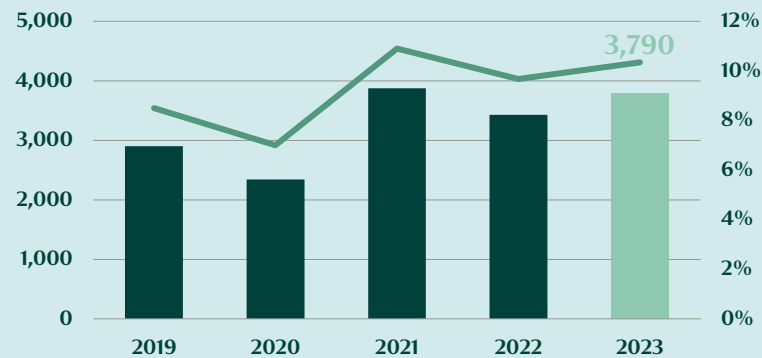
Profit for the year increased from DKK 1,211m to DKK 6,273m

Lundbeckfonden's share of equity (DKKm)



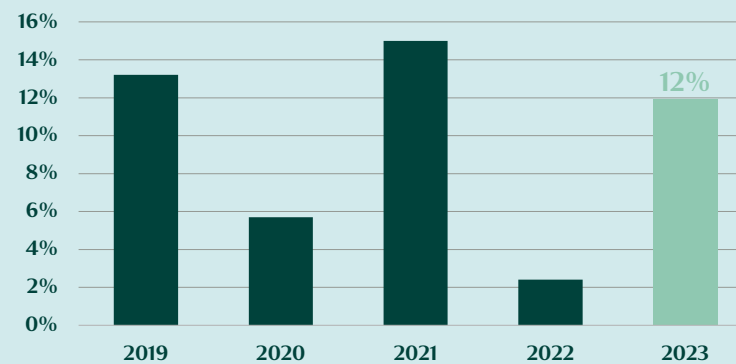
Lundbeckfonden's share of equity increased by DKK 4,288m in 2023

Operating profit (DKKm) and operating profit margin (%)



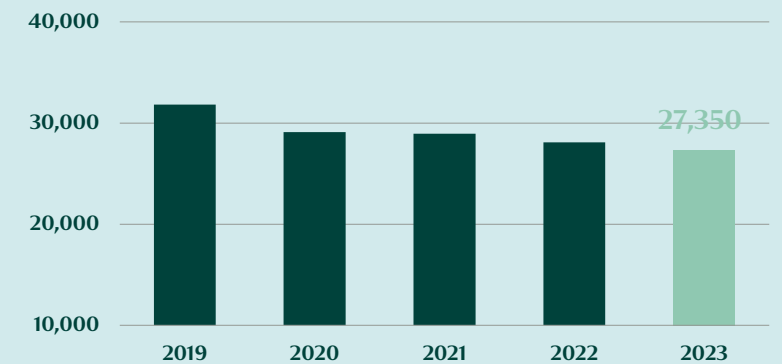
Operating profit increased to DKK 3,790m, representing 10.3% of revenue

Return on equity (%)



Return on equity increased to 12%

Average number of employees (FTEs)



Average number of employees decreased by 3%, primarily due to Falck's significant number of public testing activities in Q1 2022 that impacted the annual average

Five-year summary

DKKm	2023	2022	2021	2020	2019
Revenue	36,659	35,426	35,403	33,520	34,134
Operating profit	3,790	3,427	3,872	2,340	2,902
Profit for the year	6,273	1,211	6,928	2,415	5,214
Lundbeckfonden's share of profit	5,159	-126	5,880	1,998	4,672
Financial items, Invest etc.	2,832	-1,430	4,608	1,244	2,187
Financial items, BioCapital	772	-565	-141	-6	1,452
Net financial items	3,200	-1,662	3,872	653	3,307
Grants awarded	592	550	803	600	666
Dividends from subsidiaries	545	1,286	343	563	1,648
Cash flow from operating activities	5,584	3,974	4,569	5,635	3,659
Cash flow from investing activities	-1,731	-2,096	-1,368	-1,131	-8,757
Cash flow from operating and investing activities (free cash flow)	3,853	1,878	3,201	4,504	-5,098
Cash flow from financing and grant-making activities	-2,348	-1,610	-4,840	-3,494	4,419
Subsidiaries' acquisitions	101	1,079	680	-	10,516
Investments in intangible assets	298	516	255	171	158
Investments in property, plant and equipment	800	912	738	606	677
Equity	55,146	50,164	49,422	42,852	41,802
Lundbeckfonden's share of equity	45,859	41,571	41,621	36,108	35,053
Total assets	81,732	77,633	78,022	74,563	76,502
Debt to financial institutions and others	8,625	9,669	9,310	12,549	15,766
Net wealth	58,807	51,608	67,114	64,411	65,301

DKKm	2023	2022	2021	2020	2019
Key figures					
Revenue growth	3.5%	0.1%	5.6%	-1.8%	-2.5%
Operating profit margin	10.3%	9.7%	10.9%	7.0%	8.5%
Return on equity	11.9%	2.4%	15.0%	5.7%	13.2%
Average number of employees (FTE)	27,350	28,086	28,932	29,084	31,818

For the definitions of key figures, please see note 36.

Financial performance

In 2023, the Lundbeck Foundation delivered Group revenue and operating profit in line with expectations, and Group profit for the year amounted to DKK 6,273m.

In line with the Foundation's expectations of higher Group revenue and operating profit than was achieved in 2022, Group revenue and operating profit increased to DKK 36,659m and DKK 3,790m, respectively.

Group profit for the year, at DKK 6,273m (DKK 1,211m), was positively impacted by solid financial results from the Foundation's investment activities.

Grants totalled DKK 592m compared to DKK 550m in 2022.

Operating Activities

Reported revenue for the year increased to DKK 36,659m (DKK 35,426m), largely thanks to Lundbeck, which delivered record revenue of DKK 19,912m (DKK 18,246m), corresponding to an increase of 9% on 2022.

Revenue at ALK increased by DKK 313m, or 7%, while revenue at Falck decreased by DKK 734m, or 6%. The decline in Falck's revenue was driven by the discontinuation of COVID-19 antigen testing activities in 2022. Excluding testing activities, Falck's revenue decreased by DKK 117m, or 1%.

Gross profit was DKK 20,931m, versus DKK 19,521m in 2022. The increase was primarily attributable to Lundbeck, where gross profit increased by DKK 1,132m. Gross profit at ALK and Falck increased by DKK 244m and DKK 81m, respectively.

The Group's gross margin was 57%, up from 55% in 2022.

Research and development (R&D) costs decreased by DKK 321m to DKK 4,155m (DKK 4,476m).

Overall sales and distribution costs increased to DKK 9,317m (DKK 8,400m), driven by higher costs at Lundbeck of DKK 872m. Overall sales and distribution costs represented 25% of total revenue in 2023 (24%).

Overall administration costs amounted to DKK 3,663m (DKK 3,166m), with the increase largely attributable to Falck and Lundbeck.

The Foundation's own net administration and operating costs amounted to DKK 162m versus DKK 170m in 2022, which was affected by one-off costs.

Revenue

DKKm	2023	2022
Lundbeck	19,912	18,246
ALK	4,824	4,511
Falck	11,913	12,647
Other business	10	22
Total	36,659	35,426

Revenue

+3%

DKK 36,659m

(DKK 35,426m)

Reported revenue at Lundbeck and ALK increased by 9% and 7%, respectively, on 2022.

Group operating profit

+11%

DKK 3,790m

(DKK 3,427m)

The increase in Group operating profit was primarily attributable to Lundbeck (+343m) and ALK (+196m).

Net wealth

+14%

DKK 58,807m

(DKK 51,608m)

The increase was primarily attributable to increase in Lundbeck's share price and the investment portfolio in Invest.

Total operating costs thus amounted to DKK 17,135m in total versus DKK 16,042m in 2022.

Other operating items, net, amounted to an expense of DKK 6m (expense of DKK 52m). In 2022, other operating items, net, included a DKK 113m impairment to the goodwill of Falck's activities in the USA.

Operating profit increased to DKK 3,790m (DKK 3,427m). The improvement was attributable to Lundbeck and ALK, which saw increases of DKK 343m and DKK 196m, respectively.

Operating profit		
DKKm	2023	2022
Lundbeck	3,195	2,852
ALK	666	470
Falck	388	493
Lundbeckfonden	-162	-170
Other business	-297	-218
Total	3,790	3,427

Investment activities

The Foundation's investment activities saw a profit of DKK 3,570m compared to a loss of DKK 1,995m in 2022.

The investment portfolio in Invest generated a profit of DKK 2,832m versus a loss of DKK 1,430m in 2022. The return, which was primarily driven by listed equities, was marginally better than the benchmark.

Meanwhile, the Foundation's BioCapital portfolio delivered a net profit totalling DKK 772m (net loss of DKK 565m). Profit in 2023 was positively impacted by the valuation of the private portfolio on the back of clinical progress and selected positive market developments during the year, which compensated for the decrease in the value of the public portfolio.

Tax

The effective tax rate of 10% (2022: 31%) was below the Danish income tax rate primarily due to deductible grants recognised directly in equity and the Foundation's utilisation of tax assets – in accordance with the accounting policy – not being recognised.

Net effective tax rate of the three strategic subsidiaries was 19% (2022: 19%) impacted by a positive effect from capitalisation of deferred tax assets, mainly in the USA.

Net results and grants

In 2023, overall profit for the Group was DKK 6,273m (DKK 1,211m). The Foundation's share of Group profit was DKK 5,159m (DKK -126m).

The Foundation awarded a total of DKK 592m in grants (DKK 550m) in 2023.

Assets

Total assets at 31 December 2023 amounted to DKK 81,732m versus DKK 77,633m at the end of 2022.

Intangible assets amounted to DKK 26,086m at 31 December 2023 (DKK 27,952m), of which product rights

accounted for DKK 14,903m (DKK 16,741m). Amortisation and impairment of product rights amounted to DKK 1,711m (DKK 1,483m). Goodwill at year-end amounted to DKK 9,977m (DKK 10,037m).

The Foundation's financial assets at 31 December 2023 amounted to DKK 24,423m (DKK 22,511m), equivalent to an increase of DKK 1,912m compared to year-end 2022.

Cash and bank balances at 31 December 2023 amounted to DKK 6,080m (DKK 4,609m).

Equity and liabilities

Total Group equity at 31 December 2023 amounted to DKK 55,146m (DKK 50,164m), reflecting an increase of DKK 4,982m in 2023. The Foundation's share of equity increased to DKK 45,859m (DKK 41,571m).

At 31 December 2023, total debt to financial institutions etc., including lease liabilities, decreased to DKK 8,625m (DKK 9,669m). Consequently, net interest-bearing debt, excluding the Foundation's financial assets, amounted to DKK 2,545m (DKK 5,060m).

Cash Flow

Total cash flow from operating activities amounted to DKK 5,584m versus DKK 3,974m in 2022. The increase was primarily driven by higher operating profit.

Total cash flow from investment activities amounted to an outflow of DKK 1,731m (outflow of DKK 2,096m). Excluding the purchase and sale of financial assets, cash flow from investment activities was an outflow of DKK

1,103m (outflow of DKK 1,494m). Acquisition and divestment of businesses, net, accounted for DKK 101m of this outflow (outflow of DKK 81m).

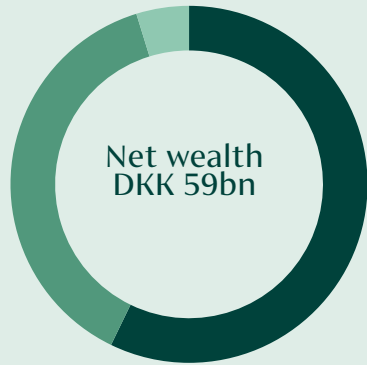
In 2023, the total cash flow from grants paid and dividends paid to non-controlling interests amounted to an outflow of DKK 680m (outflow of DKK 1,410m). Repayment of debt to financial institutions etc., amounted to a net outflow of DKK 1,618m (net outflow of DKK 87m).

Net cash flow in 2023 amounted to an inflow of DKK 1,505m (inflow of DKK 268m). At the end of 2023, the Group's cash balance totalled DKK 6,080m versus DKK 4,609m at the end of 2022.

The Lundbeck Foundation's share of equity and debt to financial institutions etc.



Distribution of net wealth



Net wealth		
DKKkm	Value	Contribution to net wealth 2023
Strategic ownerships	34,589	4,222
Invest	23,000	2,801
BioCapital	2,886	875
Grants, corporate functions, etc.	-1,668	-699
Net wealth	58,807	7,199

The strategic ownerships' contributions to net wealth differed from the contribution recognised and measured in accordance with the accounting policies of the Lundbeck Foundation Group. The fair value of the Foundation's net assets is based on market prices, where available - for ALK and Lundbeck - and, for other companies, an estimated fair value based on a trading-multiple model.

Net wealth

At 31 December 2023, the Group's net wealth amounted to DKK 58,807m (DKK 51,608m). Net wealth was significantly affected by the increase in Lundbeck's share price and the profit in Lundbeckfonden Invest, which had positive effects of DKK 4,704m and DKK 2,801m, respectively.

Outlook

The financial performance of the Group depends on developments in the commercial activities of Lundbeck, ALK and Falck, as well as returns generated by the Foundation's investment activities, including strategic ownerships (Ferrosan Medical Devices and Ellab) and the biotech portfolio. Returns provided by investment activities largely depend on the overall performance of the financial markets, whereas returns from the biotech portfolio also depend on the development of products and similar factors at the portfolio companies.

For 2024, Group revenue is expected to reach between DKK 37bn and DKK 39bn. Group operating profit is expected to be between DKK 4.6bn and DKK 5.2bn. The expected increase in Group revenue and operating profit compared to 2023 is related to expected higher revenue and improvements at all subsidiaries.

Based on the financial strength of the Foundation, the expenditure on grants is expected to remain at a high level of at least DKK 500m.

These expectations are based on the exchange rates prevailing at the end of January 2024.

For 2024, Group revenue is expected to reach between DKK 37bn and DKK 39bn

Please refer to the respective annual reports of Lundbeck, ALK and Falck for further details about the companies' individual expectations.

Lundbeck Foundation (parent entity)

The Foundation's profit for the year amounted to DKK 969m versus DKK 1,297m in 2022. The 2023 result was positively affected by a net financial profit of DKK 1,063m (loss of DKK 809m). In 2022, profit for the year was positively impacted by dividends from Lundbeckfond Invest A/S of DKK 2,192m.

In total, grants awarded in 2023 amounted to DKK 592m versus DKK 550m in 2022. Net grants amounted to DKK 580m (DKK 539m) in 2023, as grants of DKK 12m (DKK 11m) were reversed or repaid during the year. Subsequently, the carrying equity at 31 December 2023 amounted to DKK 10,712m (DKK 10,323m).

Figures for 2022 are shown in brackets

Lundbeckfonden Strategic Ownerships

The Foundation's department for strategic ownerships is responsible for the Foundation's portfolio of long-term ownerships and for identifying and making new strategic investments. Today, the portfolio includes H. Lundbeck, ALK, Falck, Ferrosan Medical Devices and Ellab.

Long-term value creation

The Lundbeck Foundation is a long-term owner of healthcare companies based in Denmark which are either global leaders or heading in that direction. The Foundation invests in both public and private companies and can take minority as well as majority ownership positions. The ambition is to own between five and eight companies in this category by 2030. The Foundation is therefore looking to invest in companies rooted in Denmark with the potential to become global leaders in their fields.

The Foundation's aim is to develop both small- and large-scale healthcare companies and help them become global leaders. The Foundation is able to do this because skills have been built in the field of healthcare throughout the Foundation's entire existence. Over the past decades, the Foundation has established itself as a competent and engaged owner and, in close collaboration with the companies' management teams, has played an active role in creating long-term value.

As an enterprise foundation, the Foundation takes a long-term approach to the strategic ownerships and can ensure the right conditions for these companies to become global leaders in their fields. The enterprise

foundation model is a strong, sustainable type of ownership that ensures long-term value creation, keeps companies in Danish ownership as long as possible and contributes to society by - in the case of the Foundation - awarding grants to Danish-based biomedical sciences research. The Foundation wishes to spread the unique potential of the enterprise foundation model to more Danish healthcare companies.

What we invest in

- Healthcare companies headquartered in Denmark
- Companies leading in their field, or with the potential to become a leader
- Companies delivering financially attractive returns that could contribute to growing the Foundation's net wealth long term



Global pharmaceutical company specialising in the development of innovative therapeutics for brain disorders.

Year of investment	1954
Ownership	69% (76% voting rights)
Partner	Listed



Leading global developer and producer of a wider range of allergy treatments, products and services that meet the unique needs of allergy sufferers.

Year of investment	2005
Ownership	40% (67% voting rights)
Partner	Listed



Global supplier of healthcare and emergency services to help people live healthy lives.

Year of investment	2011
Ownership	58%
Partner	Kirkbi & TryghedsGruppen



Leading developer and manufacturer of innovative haemostatic products used by healthcare professionals in the fields of surgery and diagnostics.

Year of investment	2022
Ownership	30%
Partner	ATP & Kirk Kapital



Leading global player within high-end validation and monitoring solutions, as well as field service and consulting to primarily life science customers.

Year of investment	2023
Ownership	34%
Partner	Novo Holdings

H. Lundbeck A/S

Lundbeck is a global pharmaceutical company that specialises in brain health. The Lundbeck Foundation owns 69% of the share capital and 76% of the votes.

In 2023, Lundbeck continued a strong growth trajectory, while also seeing results of the successful R&D transformation. 2023 saw robust sales growth from the strategic brands¹ and the launch of Vyepti® in numerous markets, along with the launch of Rexulti® with the additional indication AADAD and the launch of Abilify Asimtufii® in the USA.

In 2023, Lundbeck continued to rethink and de-risk the pipeline and how clinical trials are carried out. Lundbeck has been redirecting the research focus to areas where they have a profound understanding of biology and, importantly, biomarkers that can help understand and reduce risks during development. More products in the portfolio are developed using biomarkers, allowing for further de-risking of Lundbeck’s clinical development.

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

Now, Lundbeck is in the process of strengthening the position as a focused innovator to ensure a sustainable long-term future for the products, innovation, R&D, and profitability. As Lundbeck is witnessing the results of the ‘Expand and Invest to Grow’ strategy, implemented

in 2019, Lundbeck is now looking into how it can accelerate the business further. Lundbeck is striving to build and develop a rich pipeline through a combination of organic growth and strategic initiatives, such as partnerships, in-licensing and acquisitions.

Throughout 2023, Lundbeck further continued its “Let the patient speak” events focusing on innovative ways of integrating patients’ perspectives into the migraine and Parkinson’s disease development programmes. With this, Lundbeck invites patients and caregivers to share their perspectives, ultimately helping Lundbeck to incorporate insights into innovation and integrated evidence generation efforts.

Executing the R&D strategy

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

In April 2023, the HOPE Phase II trial with Lu AG09222 (anti-PACAP mAb) successfully met its primary endpoint

in migraine prevention. Patients failing prior therapy and treated with this monoclonal antibody had a statistically significantly greater reduction vs. placebo in the number of monthly migraine days and data has subsequently been presented at medical conferences. The data supports this anti-PACAP mAb as a potential preventive treatment of migraine, and Lundbeck is excited about the potential to help patients who may require a new approach for migraine prevention. A Phase IIb trial is planned to start in the first half of 2024 with the purpose of establishing the dose range relationship when Lu AG09222 is given after subcutaneous multiple dosing.

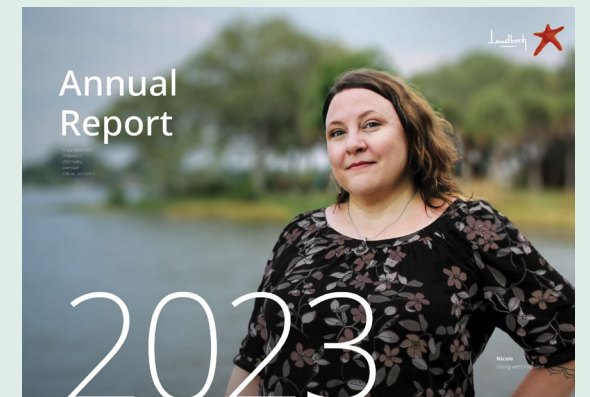
Life-cycle management activities around Lundbeck’s strategic brands were also yielding results during 2023. In April 2023, the FDA approved the New Drug Application (NDA) for Abilify Asimtufii® (aripiprazole) extended-release injectable suspension for intramuscular use, a once-every-two-months injection for the treatment of schizophrenia in adults or for maintenance monotherapy treatment of bipolar I

disorder in adults. This new two-month formulation is an innovative addition to the long-acting injectable franchise and has patent protection until the early part of the next decade.

In May 2023, the FDA approved the supplemental New Drug Application (sNDA) of Rexulti® (brexpiprazole) for use in the treatment of agitation associated with dementia due to Alzheimer’s disease (AADAD). This approval made Rexulti® the first and only

pharmacological treatment approved for AADAD and the first full approval of a new chemical entity within Alzheimer’s disease in 20 years in the USA.

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



¹ Rexulti®/Rxulti® (depression/schizophrenia), Brintellix®/Trintellix® (depression), Abilify Maintena®/Asimtufii® (schizophrenia) and Vyepti® (prevention of migraine)

Revenue (DKKm)

19,912

Operating profit (DKKm)

3,195

Net profit (DKKm)

2,290

Number of employees (FTEs)

5,566

The geographical expansion of Vyepti® and the continuing efforts to grow and expand strategic brands, along with several other life-cycle management projects, are all crucial to Lundbeck's future. Altogether, the emerging scientific developments in 2023 are promising, and Lundbeck will continue to invest to realise the full potential of the R&D engine.

Financial performance

Sales

In 2023, Lundbeck reached a record revenue of DKK 19,912m (DKK 18,246m), mainly driven by growth of the strategic brands in the USA and Europe. On aggregate, the revenue of Lundbeck's strategic brands increased by 13% and accounted for 69% of total revenue.

The US constituted 49% of total revenue in 2023 and represented Lundbeck's largest market. The revenue growth of Vyepti®, Rexulti® and Abilify Maintena®/Asimtufii® in the USA during 2023 was mainly driven by strong demand and price increases as well as a negative currency impact. Sales of Trintellix® continued to be negatively impacted by declining demand and higher gross-to-net following a shift in the payer mix, offset by price increase. Revenue development in the USA was furthermore impacted by the erosion of mature brands. Europe saw robust revenue growth of 9% driven by higher sales across all strategic brands.

Operating profit

Cost of sales increased by 14% to DKK 4,485m in 2023, mainly driven by higher sales, the Vyepti® provision for inventory obsolescence, and an increased Vyepti® amortisation recognised in 2023 related to the European approval of Vyepti® and environmental provisions. The gross margin was 77.5% compared to 78.3% for 2022.

Sales and distribution costs were DKK 7,482m in 2023, an increase of 13% compared to 2022, primarily due to higher Rexulti® and Vyepti® sales and promotion activities in the USA, global roll-out of Vyepti® and restructuring provisions related to commercial structure in certain international markets. Sales and distribution cost corresponded to 37.6% of revenue in 2023, compared to 36.2% for 2022.

Administrative expenses increased by 20% to DKK 1,293m, corresponding to 6.5% of total revenue. The increase was mainly a result of higher legal provisions for ongoing litigations, expenses from digital investments, and the CEO transition.

R&D costs were DKK 3,457m in 2023 (DKK 3,754m) with an R&D ratio of 17.4%. The lower R&D costs reflect a reduced late development and Phase IV activities in 2023 compared to 2022.

Operating profit grew by 12%, thereby reaching DKK 3,195m in 2023. The operating profit margin reached 16.0%, compared to 15.6% in 2022.

Net profit

The effective tax rate for 2023 was 23.5% compared to 22.6% for 2022. The tax rate reflects the reduced deduction benefit from the Danish research & development incentive.

Profit for 2023 reached DKK 2,290m (DKK 1,916m).

Figures for 2022 are shown in brackets

ALK-Abelló A/S

ALK is a global specialty pharmaceutical company focused on allergy and allergic asthma. It markets allergy immunotherapy treatments and other products and services for people with allergy and allergy doctors. The Lundbeck Foundation owns 40% of the share capital and 67% of the votes.

ALK delivered solid growth in 2023 and remains committed to delivering best in class treatments to improve the lives of the many people living with moderate to severe allergies.

During 2023, ALK faced a challenging market environment, including a one-year mandated increase in rebates in its largest market, Germany, stagnating tablet sales in Europe during the first half of the year, supply chain issues affecting the adrenaline auto-injector Jext®, continued inflation, and a complex geopolitical situation.

ALK navigated these challenges and the leadership changes, delivering both strategic and financial progress. Revenue increased by 9% based on organic growth in all sales regions, and with gains in market shares across key markets, ALK solidified its position as the global market leader in AIT in 2023.

Four strategic focus areas

ALK continued to execute its business strategy in 2023, making progress with all four of its strategic focus areas:

- Succeed in North America
- Complete and commercialise tablet portfolio
- Consumer engagement and new horizons
- Optimise for excellence

In 2023, a primary strategic objective for the US tablet organisation was to initiate the establishment of new sales and prescription channels, with particular emphasis on paediatricians and exploring commercial partnerships with retail pharmacies, urgent care clinics and on-demand virtual care providers. Many paediatricians manage a sizeable inflow of patients with uncontrolled allergies and possess a good understanding of immunology and allergy, mirroring the dynamics observed among allergists. A noteworthy distinction lies in the fact that paediatricians do not face the same financial disincentives as allergists when it comes to prescribing tablets. According to plan, ALK established an initial, though modest, prescriber base amongst US paediatricians during 2023.

Tablet sales in North America saw growth of 26% in local currencies in 2023, and ALK expects continued growth in 2024. However, success with tablets in the USA – unlike in Europe and Japan – is a long-haul effort, but the potential rewards remain attractive.

Efforts were made to advance the tablet portfolio in 2023, with the overarching goal of expanding the use of tablets to new patient groups and geographical markets. A key strategic focus in 2023 was to restore the growth in tablet sales in Europe, primarily by increasing the number of new patients undergoing treatment, particularly in key markets such as Germany and the Nordics. Addressing the previous year's lower-than-expected enrolment of new patients onto tablets during the initiation season, ALK undertook further initiatives to actively engage people with allergies, capture a larger share of the market, broaden prescriber bases, and encourage healthcare professionals to initiate patients earlier than the typical timeline. The number of new patient initiations in key markets exceeded last year's numbers by more than 10%, and ALK recorded a noteworthy 13% increase in European tablet sales during the second half of 2023.

Progress was also achieved in supporting the long-term commercial potential of the respiratory tablet portfolio. Two pivotal Phase III clinical trials involving the house dust mite and tree pollen tablets in children were successfully completed, both demonstrating the advantages of initiating allergy treatment with ALK's tablets from early childhood. These outcomes are crucial to ALK's aspirations to introduce tablets to patients at an earlier stage in life, thus facilitating the expansion of both patient and prescriber demographics. ALK is now handling the regulatory processes for paediatric approvals with the authorities in Europe and North America.

Progress on increasing consumer engagement continued during 2023, as the digital mobilisation of individuals living with allergies saw further progress, with over 960,000 users connecting with doctors through the tools within ALK's online clarify universe. This marked an increase from approximately 700,000 users in 2022. The digitally driven patient journey proved particularly valuable in key European markets, where ALK's digital platforms played an important role in mobilising AIT-eligible patients towards relevant doctors ahead of the latest initiation season.

ALK's 'new horizons' priority covers innovations aimed at securing and potentially accelerating ALK's long-term growth by establishing a more extensive presence in the broader allergy space, including a focus on food allergy. In early 2024, ALK announced that it had successfully completed the first part of the Phase I clinical trial with its novel once-daily SLIT-tablet for peanut allergy treatment. This part showed that for all investigated



Revenue (DKKm)

4,824

Operating profit (DKKm)

666

Net profit (DKKm)

486

Number of employees (FTEs)

2,752

doses, the tablet was safe and tolerable. The trial now progresses into its second part, which is expected to complete later in 2024. Furthermore, ALK has made a provisional decision to extend the trial with a third part allowing it to explore efficacy of the tablet as well.

ALK's two concurrent projects aimed at developing a next-generation adrenaline auto-injector (AAI) - the in-house Genesis project and a collaboration with the company Windgap - continued in 2023. However, the anaphylaxis market is likely to change, driven by new product innovations. In response, ALK is currently reviewing its anaphylaxis strategy to adapt to the changing dynamics. Meanwhile, China-based Grandpharma continues to work toward the registration and launch of ALK's existing AAI, Jext[®], aiming to make it the first AAI available in mainland China.

The priority 'optimise for excellence' covers ALK's product and site strategy (PASS) programme, among other initiatives. Under the PASS programme, in 2023, ALK continued to upgrade production facilities and processes to ensure that legacy products remain viable in the longer term. Streamlining the portfolio will allow ALK to consolidate production around fewer production lines and so reduce complexity. In addition, to support the planned growth in tablet volumes, ALK invested during 2023 in expanding tablet manufacturing capacity. ALK's ongoing investment programme seeks to increase current tablet capacity by up to 300% by 2030, compared to the capacity in 2022.

Financial performance

Sales

2023 revenue increased by 9% in local currencies to DKK 4,824m (DKK 4,511m). Exchange rates impacted reported revenue growth negatively by 2 percentage points. Tablets and SCIT were the main growth drivers globally with double-digit growth for both segments. Sales of SLIT-drops increased slightly, despite the ongoing market transition in France. Meanwhile, Jext[®] sales in the second half of 2023 were impacted by intermittent supply shortages from ALK's contract manufacturer of adrenaline-filled cartridges.

Operating profit

Cost of sales increased 5% in local currencies to DKK 1,789m (DKK 1,720m). The gross profit of DKK 3,035m (DKK 2,791m) yielded an improved gross margin of 63% (62%), mainly reflecting higher sales and production efficiencies, partly offset by increasing tablet shipments to Torii at lower margins. ALK continued to implement its product and site strategy, involving investments in upgrading products and associated manufacturing facilities to secure quality and robustness in product supply.

Capacity costs increased by 3% in local currencies to DKK 2,371m (DKK 2,322m). As planned, R&D expenses decreased 7% in local currencies reflecting the recent completion of late-stage clinical trials of the respiratory tablet portfolio. Sales and marketing expenses were up 5% in local currencies, in support of continued growth. Administrative expenses increased 20% in local currencies, mainly reflecting one-off costs in Q2

associated with the leadership changes as well as increased activity levels.

Operating profit increased by 50% in local currencies to DKK 666m (DKK 470m), improving the EBIT margin from 10% to 14%. Progress was due to higher sales, improved gross margin and a lower capacity cost-to-revenue ratio.

Net profit

Net financials were a loss of DKK 19m (loss of DKK 23m).

Tax on the profit totalled DKK 161m (DKK 112m), and net profit increased to DKK 486m (DKK 335m).

Figures for 2022 are shown in brackets

Falck A/S

Falck employs +25,000 highly skilled professionals present in 26 countries, delivering more than 9 million emergency response and healthcare services every year. The Lundbeck Foundation owns 58% of Falck.

2023 was another successful year for Falck, with solid progress made on the strategy. Falck achieved broad-based organic growth of 3.9% driven by both price increases and subscription growth more than offsetting contract volume changes in Ambulance Denmark. In addition, Falck commenced a comprehensive digitalisation programme, forged partnerships to develop healthcare services and progressed on its sustainability strategy.

During the year, Falck faced a looming macroeconomic recession and retrenchments among private and corporate customers, while the labour market for healthcare professionals remained tight. The full-year financial results were in line with expectations, as revenue amounted to DKK 11,913m and operating profit was DKK 388m. Operating profit was negatively impacted by divestments and foreign exchange effects.

In Emergency Health and Safety, the business area covering ambulance and fire operations, total revenue in 2023 increased to DKK 7,564m (DKK 7,378m) impacted by underlying organic growth of 4%. The increase was

mainly driven by price increases implemented in response to elevated cost inflation during the past two years as well as increased activity in the USA. This made up for lower revenue in Denmark as the result of contract changes.

In Healthcare, the business area with healthcare services, organic growth of 3.6% was achieved. Falck experienced further growth in the number of healthcare subscriptions delivered in Colombia and Denmark. However, macroeconomic conditions in the first half of the year, especially in Sweden, led to a weak and volatile demand for healthcare services to corporate and public customers. Positive organic growth was offset by the significant negative impact from foreign exchange effects and, as a result, revenue in 2023 amounted to DKK 4,354m (DKK 4,347m).

Overall, Falck generated positive organic growth and financial results in both business areas under challenging market conditions with surging salary inflation and rising interest rates.

Solid progress on the strategy execution

During 2023, Falck invested in a wide range of innovation initiatives, usually together with partners, and in further refining its services. In several markets, Falck worked intensively with remote patient monitoring and ways for people to stay at home with support rather than being hospitalised. These operations and innovation projects are aimed to counter the challenge of aging populations and rising healthcare demands.

Falck has grouped its activities into two business areas:

- **Emergency Health and Safety** business area provides ambulance and fire services in Europe and the USA. Services span across both prevention and treatment. They include emergency response, paramedics services, fire and safety training, firefighting, search and rescue as well as qualified medical transportation services
- **Healthcare business** area provides a diverse offering of healthcare services to supplement and work in tandem with established healthcare systems in Europe and Latin America. Services span across prevention, treatment and rehabilitation and include e.g., health and safety training, organisational health checks and courses, emergency travel assistance, patient transport services, treatments and consultation performed by psychologists, physio therapists, nurses, and doctors

Another innovation theme during 2023 has been to boost preventive care to alleviate pressure on the healthcare systems for the long term. On this account, Falck launched a pilot on by-stander psychology support in the Danish region Zealand, created new B2B healthcare services in Denmark, and progressed on materialising mobile healthcare services in the USA.

Accelerated investments to deliver more

Falck initiated an accelerated investment programme to digitalise Falck, improve the operation and services, and to spark the development of new healthcare services in partnerships. This was done in conjunction with the launch of the corporate strategy Care for More '27 in early 2023. Altogether, Falck invested about DKK 200m in digitalisation and business development in 2023 and will expand digital investments to reach DKK 225m in 2024, up from DKK 153m, which was the amount solely invested in digitalisation in 2023. This will form the backbone for stronger, data-driven business operations, service solutions and customer experiences.

At the end of 2023, Falck expanded its position within telemedicine with the acquisition of Hejdoktor, a leader in online healthcare in Denmark. This acquisition is part of Falck's long-term strategy to disseminate more digital healthcare solutions to curb hospitalisations and increase access to health. This holds great potential in relation to making healthcare more accessible to more people and accelerating several strategic initiatives in Falck.

Revenue (DKKm)

11,913

Operating profit (DKKm)

388

Net profit (DKKm)

334

Number of employees (FTEs)

18,953

Ready to continue growth

In the years ahead, Falck will explore the opportunities to build a full pan-Scandinavian presence, offering a complete range of healthcare services in all countries, addressing B2B, B2G, B2I as well as B2C markets. In the USA, Falck will primarily expand its running of 911 emergency services and an emerging Mobile Health solution in California. The growth strategy in Latin America is to launch service lines and proactively approach additional potential customers.

Financial performance
Sales

In 2023, Falck delivered organic growth of 3.9% driven by price increases and subscription growth, more than offsetting contract volume changes in Ambulance Denmark. However, divested revenue had a negative impact on growth of 2.7 percentage points, while foreign exchange effects had a negative impact of 2.2 percentage points. As a result, total reported revenue in 2023 amounted to DKK 11,913m (DKK 12,030m).

Operating profit

Cost of services decreased to DKK 9,253m (DKK 9,571m) due to divestments made last year and foreign exchange effects. The OPEX ratio was positively impacted by the improved operational efficiency and price increases in both the Emergency Health and Safety and the Healthcare business areas.

Sales and administrative expenses increased to DKK 2,230m (DKK 2,011m) partly driven by increased costs of various strategic initiatives to support the execution of

Falck's strategy. In total, these costs amounted to DKK 203m. The remaining part of the increase was driven by a combination of salary inflation, higher sales and marketing costs, strengthened commercial capabilities as well as increased provisions.

Operating profit increased to DKK 388m (DKK 293m), corresponding to an operating profit margin of 3.3% (2.4%). In 2022, the margin was negatively impacted by an impairment of goodwill of DKK 113m, related to Ambulance US.

Net profit

Net financial expenses increased to DKK 181m (DKK 74m) driven by increased interest expenses due to higher interest rate levels.

Income tax amounted to an income of DKK 129m, impacted by a positive effect from capitalisation of deferred tax assets, mainly in the USA. Excluding this impact, the effective tax rate was 36.6% in 2023 (12.0%). Profit for the year was DKK 334m (DKK 921m).



All numbers in the commentary relating to the components of operating profit are stated excluding the financial impact of the public testing activities in Q1 2022.

Figures for 2022 are shown in brackets

Ferrosan Medical Devices and Ellab

End October 2023, the Foundation acquired 34% of Ellab. This became the fifth strategic ownership of the Foundation. Ellab, together with Ferrosan Medical Devices, make up our two significant minority shareholdings.

Ferrosan Medical Devices

Ferrosan Medical Devices (FeMD) is an international medical device company that develops and manufactures medical devices used in surgical care. FeMD's biomaterial devices are gelatine-based adjunctive haemostatic agents used by clinical professionals in the operation room to control intraoperative bleeding in a fast and effective manner, allowing surgeons to carry out surgery.

The portfolio of haemostatic devices includes three formulations, flowable matrices, sponges and powder. The devices are sold under the trademarks SURGIFLO™, SPONGOSTAN™ and SURGIFOAM™, and are all marketed and distributed in more than 100 countries through FeMD's partnership with Ethicon, Inc. (part of Johnson & Johnson).

In addition, FeMD develops and produces handheld biopsy devices used by physicians for breast cancer diagnostics. These are developed and distributed in collaboration with a global partner.

Today, FeMD manufactures the second-generation biopsy device at its manufacturing site in Poland.



Ferrosan Medical Devices' Surgiflo kit

Since 1947, FeMD has developed and manufactured surgical haemostatic devices for use by healthcare professionals. Today, FeMD has approximately 360 employees; 245 employees at the headquarters in Søborg, Denmark, and 115 employees in Szczecin, Poland.

The Foundation has a 30% ownership stake in FeMD in an ownership consortium with Kirk Kapital and ATP.

Ellab

Ellab is the market leading player within high-end validation and monitoring solutions, as well as field service & consulting to primarily life science customers where accurate and complete documentation is essential.

Ellab serves both small and large companies, including the top 40 pharma and top 20 biotech companies in the world. The company designs, develops and manufactures high-precision equipment and software for temperature, pressure and humidity validation and monitoring.

Ellab has solutions for applications such as sterilisation, freeze drying, environmental chamber testing, depyrogenation, warehouse mapping, pasteurisation and many more. The product portfolio comprises a comprehensive range of wireless data loggers, thermocouple systems, wireless environmental monitoring systems, calibration equipment, software solutions and accessories.

Ellab was established in Denmark in 1949. Today, Ellab is headquartered in Hillerød, Denmark, and has a worldwide presence, with R&D and production in Denmark, and 24 sales and service centres and over 50 distributors around the globe. Ellab has close to 800 employees.

The Foundation owns 34% of Ellab in a partnership with Novo Holdings.



Ellab's data logger and monitoring device

Lundbeckfonden Invest

Invest generates returns with the primary purpose of securing sufficient reserves to protect the long-term ownership of the Foundation’s strategic ownerships and to maintain philanthropic grant activities. The financial investments are spread across a diversified investment portfolio.

2023 was a year with a vast array of geopolitical events continuing to undermine world peace. This, combined with global interest rates peaking at levels not seen for more than 10 years followed by a sudden and significant decline late in the year, made 2023 a year when investors were constantly anticipating “something breaking” in the economies.

Financial markets nevertheless showed great resilience, with global equities yielding a total return of more than 20%. The result came in the aftermath of a turbulent 2022 with rocketing inflation, war, geopolitical instability, increasing fears of recession and significantly higher interest rates. Most of those worries subsided in 2023.

A traditional ‘60/40 portfolio’ – which sees investments allocated 60% to equities and 40% to bonds – would have experienced a return of nearly 13% over the full

year, as both equity and bond prices experienced substantial growth. Against this backdrop, Invest delivered a return of 13%.

Equity returns were heavily impacted by steeply rising technology stocks fuelled by potentially substantial corporate productivity gains from the deployment of generative artificial intelligence (GenAI), developed primarily by mega-cap US IT companies.

Towards the end of 2023, markets saw evidence of inflation finally receding, even as wars continued to rage in hotspots around the world. Expectations shifted towards inflation cooling even further in 2024, which eased US central bank and hence investor worries about the interest rate path and further escalated the “risk-on” mode towards year-end. A soft landing for Western economies is now the prevailing narrative for 2024.

Consumers are holding up well, helped by savings and very low unemployment figures. The US labour market remained extremely strong throughout most of 2023 but cooled off towards the end of the year, though without any major spike in unemployment. Despite the gloomy economic backdrop in Germany and France, in particular, European labour markets proved resilient, with historically low unemployment rates underscoring market tightness. The energy price shock in 2022 triggered by Russia’s invasion of Ukraine reversed in 2023, lending an additional helping hand to companies and consumers.

Return on the investment portfolio

Invest generated a return of DKK 2,832m in 2023, versus a loss of DKK 1,430m in 2022. The return was very satisfactory and primarily driven by listed equities, which generated a return of DKK 2,247m, or 21% – materially better than the benchmark return of 18%. Consumer discretionary and financial sector investments earned the largest positive returns in absolute terms, while no individual sector had any meaningful negative impact on the year. FLSmidth delivered a total return of 15% and hence contributed to absolute return.

Invest generated a return of DKK 2,832m in 2023, versus a loss of DKK 1,430m in 2022 primarily driven by listed equities, which generated a return of DKK 2,247m, or 21%.

The bond portfolio delivered a positive return of 7%, better than the comparison benchmark portfolio, which recorded 5%. Invest benefited from a hedge instigated in 2022 to lower bond duration in anticipation of higher interest rates. The hedge was successfully closed in the autumn.

Corporate debt/credit delivered a positive return of 11%, which was also better than the benchmark portfolio yield of 9%. The positive result was driven by distressed debt investments, direct loans and the internally managed high-yield corporate debt portfolio.

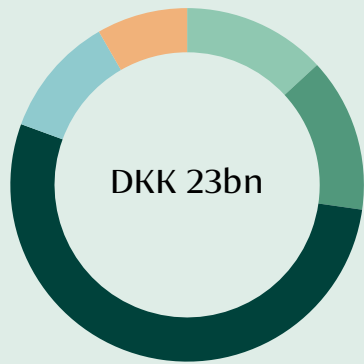
Private equity generated a total return of -1%. Real assets, including real estate and woodland, generated a 0% return. Infrastructure investments, Obel-LFI Ejendomme A/S and the woodland investments of LFI Silva Investments A/S contributed negatively to total return.

Investment strategy

Invest generates returns with the primary purpose of (a) securing sufficient reserves to protect the long-term future of the Foundation’s strategic ownerships; (b) increasing philanthropic grant activities; and (c) increasing the overall asset base.

Invest manages DKK 23bn, which is allocated to listed equities (53%), credit (14%), bonds and cash (13%), private equity (11%) and real assets (9%). Illiquid assets represented 23% of the portfolio by year-end 2023.

Investment portfolio



Assets	Market value (DKKkm)		Return (%)	
	31.12.2023	31.12.2022	2023	2022
Bonds and liquid funds	3,022	3,904	7.0%	2.2%
Credit etc.	3,245	3,468	11.2%	0.8%
Listed equities	12,266	10,765	21.5%	-11.7%
Private equities	2,554	2,321	-0.5%	-2.3%
Real assets	1,913	1,820	0.1%	6.5%
Total	23,000	22,278	13.0%	-5.9%

Invest Portfolio

The majority (70%) of the assets are managed internally by the investment team. Real asset investments are mainly invested via partnerships (Obel-LFI Ejendomme A/S and LFI Silva Investments A/S), while private equity is fully outsourced.

The investment philosophy is centred around a long-term fundamental investment focus with a balanced approach to risk, quality and valuation. All investments undergo a thorough due diligence process and investments are selected based on absolute return potential and risk assessment.

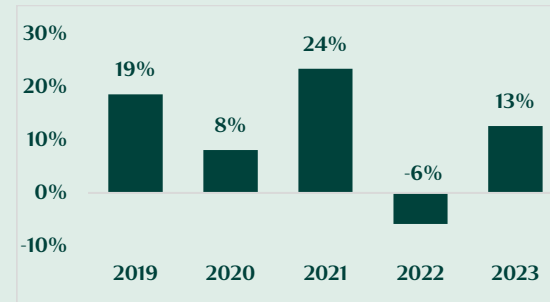
Invest prefers quality companies whose revenues undergo secular growth, driven by forces that will likely be in place for an extended period. Examples include energy transition, IT technology and healthcare. Invest also seeks investments in quality cyclical companies with deep intrinsic value.

Long-term investment returns

Invest entered 2023 with a cautious macro view and a selective approach to risk taking. Many attractive long-term investment opportunities have emerged post the 2022 equity market sell-off that led to a general risk-off environment within several pockets of the equity market. In 2023, Invest has taken advantage of these opportunities and added quality exposure within cyclical and defensive segments of the equity market.

Invest maintained its long-term track record in 2023 with annual total returns of 10% and 11% over three and

Return past five years (%)



five years, respectively – materially higher than the benchmark returns of 4% and 6%, respectively. The accumulated five-year return for Invest is thus 67% compared to the benchmark return of 36%.

The long-term returns endorse the investment philosophy of investing in high quality companies across different sectors with a goal of generating attractive long-term return without compromising strong near-term risk management.

Investment risk

Invest manages both short- and long-term investment risks, ensuring adequate reserves to protect the long-term future of the Foundation's strategic ownerships.

The main risk in relation to long-term returns is the investment team's ability to select the right investments and external managers. Invest has

developed a structured process and a solid fundamental due diligence investment framework for each asset class, with the key aim of opting out of weak investments and understanding the risks in each investment.

Portfolio construction takes into account the quality of the investments, expected return potential, risk assessment and overall knowledge level of the sector and company. The portfolio is well diversified.

Short-term risks mainly relate to external risks such as geopolitics and macro risk. Invest manages these risks ad hoc and seeks to take advantage of excessive market movements. In 2022-23, Invest successfully navigated the turbulence in the bond market and generated positive bond returns in both years, in part due to overlay strategies that benefited from rising interest rates.

Lundbeckfonden BioCapital

BioCapital is the Foundation's evergreen life science venture fund. The fund creates and finances biotech companies based on pioneering research with the potential to deliver significant innovation to patients in areas of high unmet medical need.

2023 was the first full year of operations for Lundbeckfonden BioCapital. It was also a year when we began executing on our new strategy of increasing our impact on the Danish Biotech ecosystem. The year thus saw us investing in two new Danish start-up companies, Notify Therapeutics and Dania Therapeutics, developing novel treatments for infertility and cancer, respectively.

The past year saw the trends from 2022 continue, with the downturn in the biotech market putting pressure on company valuations and in turn complicating fundraising activities for both public and private companies across the biotech industry as a whole. Despite these challenges our portfolio continued to perform well, with several successful private as well as public fundraisings and many positive clinical updates.

IO Biotech continued the successful execution of their pivotal study in first-line treatment for advanced melanoma, completing the enrolment of 380 patients in November. The trial is expected to read out in 2025, with an interim analysis of the first 225 patients in 2024. The

company also reported encouraging preliminary data from an ongoing Phase II trial in patients with non-small cell lung cancer and head and neck cancer at the European Society for Medical Oncology (ESMO) congress. To increase the runway, IO Biotech raised USD 75m in private placement with the participation of existing investors including Lundbeckfonden BioCapital.

In 2023, we demonstrated our commitment to promoting innovation in the local ecosystem by making two new investments and two large follow-on investments in Danish companies. This reflects the execution of BioCapital's strategy and is a testament to the strength and innovative potential of Danish biotech and academia.

NMD Pharma built on last year's positive clinical data in myasthenia gravis by raising EUR 75m in a series B financing round. During 2023, the company expanded

into additional neuromuscular indications by launching a Phase II study in Spinal Muscular Atrophy (SMA) and completing an observational study in Charcot-Marie-Tooth disease.

Elsewhere in the local Danish portfolio, Vesper Bio and Cytoki Pharma both successfully transitioned from preclinical to clinical stage companies. Cytoki Pharma initiated a Phase I study to evaluate its lead programme, a long-acting IL-22 analog, in healthy volunteers with and without obesity. Vesper Bio launched a Phase I study to evaluate its lead asset VES001 in healthy volunteers. VES001 is being developed for the treatment of frontotemporal dementia (FTD), an area of great unmet need.

Our international portfolio also reported good progress as several companies met significant development milestones including the launch of approved products, listing on the public markets through initial public offerings (IPO) and the initiation of clinical studies which potentially could lead to FDA approval.

scPharmaceuticals followed up on their FDA approval by launching FUROSCIX®, a self-administered, subcutaneous loop diuretic for at-home treatment of congestion in chronic heart failure. The company reported Q3 revenue of USD 3.8m, thus tracking well within analysts' expectations. The company is also working with the FDA to explore expanding the label to include the more severe Class IV heart failure indication as well as fluid overload in patients with chronic kidney disease (CKD).

Lexeo Therapeutics bucked the market trend by successfully completing a listing on the Nasdaq exchange, raising USD 112m - one of only 21 successful biotech IPOs in 2023. The listing followed a year of robust progress in Lexeo's portfolio of AAV-based gene therapies. The company completed enrolment of a Phase I/II clinical trial in Alzheimer's disease and in addition completed the dosing of the first cohort in a Phase I trial in Friedreich ataxia (FA) cardiomyopathy. Finally, Lexeo secured Fast Track and Orphan Drug Designation for the second cardiovascular programme in PKP2 Arrhythmogenic Cardiomyopathy (ACM), which is expected to enter clinical trials in 2024.

Several other companies from BioCapital's international portfolio raised capital in 2023. Aura Biosciences used their Nasdaq listing to raise USD 93m, while Enliven raised USD 165m in a private placement in connection with the reverse merger with Imara. The private portfolio companies Enterome and VarmX each closed new funding rounds, with VarmX raising EUR 30m with the participation of existing as well as new investors, and Enterome raising EUR 3m from the Leukemia & Lymphoma Society's Therapy Acceleration Program.

Aura, Akamis, Sorriso, Enterome and Trevi all provided positive clinical updates from ongoing trials or initiated important new clinical studies. Aura provided 12-month follow-up data from their Phase IIb study in choroidal melanoma, confirming the efficacy and safety seen in earlier readouts. Building on the success of that study they dosed the first patient in a registrational Phase III trial in the same indication. Trevi also followed up on a

successful Phase II study in chronic cough in idiopathic pulmonary fibrosis (IPF) by launching a Phase IIb dose range finding study in preparation for a pivotal Phase III study. Enterome presented the first data from their Phase I/II study in non-Hodgkin lymphoma demonstrating early signs of mono-therapy activity and initiated a study in metastatic colorectal cancer. Meanwhile, Sorriso transitioned to become a clinical stage company by initiating Phase I studies for their lead candidate for the treatment of inflammatory bowel disease (IBD). Last but not least, Akamis demonstrated improved response rates compared to historical controls in a Phase I study in rectal cancer combining their oncolytic virus with radiotherapy.

It was not all positive news in 2023. Dysis Medical faced significant challenges building commercial momentum for their digital colposcope products throughout 2023 and in December Reneo announced that their pivotal study in primary mitochondrial myopathies failed to meet the prespecified endpoints.

Financial results

The net return for the year was DKK 772m, versus DKK -565m in 2022. The result reflected an increase in the valuation of the private portfolio driven by the clinical progress and selected positive market developments during the year which compensated for the decrease in the value of the public portfolio.

BioCapital's investments in new and existing companies amounted to DKK 315m.

At year-end, the BioCapital portfolio comprised 20 companies, of which eight were listed. The fair market value of the portfolio was DKK 2,886m at 31 December 2023, compared to DKK 1,682m at the end of 2022. The complete portfolio is listed to the right and on the following page.

Public Portfolio Companies



Aura is a clinical stage company developing a virus-like drug conjugate (VDC) in ocular melanoma and bladder cancer (AURA Nasdaq).



Enliven Therapeutics is a clinical stage company developing best-in-class small molecule inhibitors of BCR-ABL and HER2 for the treatment of solid tumours (ELVN Nasdaq).



IO Biotech is a clinical stage biotech company developing disruptive immune modulating anti-cancer therapies (IOBT Nasdaq).



Lexeo Therapeutics is a clinical stage company developing a broad pipeline of gene therapies for genetically defined cardiovascular and central nervous system diseases (LXEO Nasdaq).



Reneo Pharmaceuticals was developing a drug that enhances mitochondrial function to treat rare mitochondrial diseases. The company has reduced its workforce (RPHM Nasdaq).

scPharmaceuticals

scPharmaceuticals markets subcutaneous furosemide for heart failure diuresis and medicines for bacterial infections delivered via an on-body infuser (SCPH Nasdaq).



Spero Therapeutics is a clinical-stage company developing treatments for serious rare orphan diseases and life-threatening bacterial infections (SPRO Nasdaq).



Trevi Therapeutics is a clinical stage company developing treatments for chronic cough in patients with idiopathic pulmonary fibrosis and for pruritus in prurigo nodularis (TRVI Nasdaq).

Private Portfolio Companies



Akamis Bio is a clinical stage company developing immuno-oncology treatments for solid tumours using their proprietary intravenously administered T-SIGn virus platform.

CYTO*KI

CytoKi Pharma is a clinical stage biotechnology company pioneering a new class of medicines to address metabolic diseases and conditions characterised by epithelial injury, such as inflammatory diseases.

DANIA TX

Dania Therapeutics is a preclinical company developing novel small molecule therapies to treat Acute myeloid leukaemia (AML) and other life-threatening cancers.



Dysis Medical markets a high resolution digital colposcope to help with the identification of biopsy sites when cancerous and pre-cancerous cervical cancer lesions are suspected.



Enterome is a clinical stage company pioneering the development of novel microbiome-derived peptide vaccines to treat a range of solid tumours and lymphomas.



Folium Science is a company that develops feed additives using CRISPR gene technology to eliminate pathogenic bacteria in animal feed, combat food-borne illness and reduce the use of antibiotics in livestock and animal agriculture.



NMD Pharma is a clinical stage biotech company developing small molecule treatments for neuromuscular diseases.



Notify Therapeutics is a preclinical stage company that aims to develop a first-in-class, non-hormonal treatment for infertile women who do not benefit from standard hormone therapy.



SNIPR Biome is a biotech company pioneering CRISPR-based microbial gene therapies for metabolic diseases and for precision killing of bacteria.

VarmX

VarmX is a clinical stage company developing a reversal agent to safely and effectively restore haemostasis in case of bleeding or emergency surgery in patients taking oral factor Xa inhibitors.



Vesper Bio is a clinical stage biotech company developing therapies for frontotemporal dementia.



Sorriso Pharmaceuticals is a clinical stage company developing GI restricted antibodies to treat IBD and other inflammatory diseases.

Grants & Prizes

The Lundbeck Foundation’s ambition is to make Denmark a frontrunner in the field of neuroscience by funding Danish-based research that promotes an improved understanding of the brain as well as better prevention, diagnosis, and treatment of brain disorders. The Foundation also supports activities to improve collaboration between research and business.

In 2023, the Foundation continued its support of outstanding biomedical research, with a strong commitment to talent development and research in basic and clinical neuroscience. The Foundation used a wide range of funding types to support researchers at different career levels and from different research fields.

Alongside research grants and prizes, the Foundation supported activities to strengthen and facilitate networks between scientists, as well as to increase awareness about the brain and the importance of brain health among the Danish population.

The total grant sum amounted to DKK 592m, versus DKK 550m in 2022. The grant sum reflected the commitment to the ordinary programmes. Of these programmes more than DKK 110m was awarded to research in psychiatric disorder.

Discussions are ongoing with Danish universities and hospitals on larger initiatives to strengthen infrastructures supporting translational research in

DKKm	
Prizes	13
Talent development in biomedical science	86
Research benefitting neuroscience	254
Research in neuroscience	178
Science, education and communication	25
Other grants	36
Total grants in 2023	592

Other purposes include donations of DKK 196,200 to descendants.

neurology, and strategies to develop biological and clinical psychiatry.

The 2023 awards were distributed across five main groups.

Grants supporting research in neuroscience

Grants in this category support research aimed at solving a fundamental problem in neuroscience or research into brain-related diseases. A total of DKK 178m was awarded, including salaries for 208 full-time equivalents. The grants were:

- **LF Professors** supports the very best neuroscience researchers, thereby helping to build excellent research environments and programmes in Denmark. DKK 80m was awarded to three projects studying pain, hydrocephalus, and ion pumps.
- **LF Projects** in psychiatry, such as Epi-Psych, VIA-19 and VIA-family, characterising the epidemiological, developmental or treatment aspects of psychiatric disorders were awarded DKK 88m.
- Establishing a molecular and cellular atlas for glioblastomas was granted DKK 10m.

Grants supporting research with the potential to benefit neuroscience

Grants in this category broadly support research or technologies where the applicant can propose a potential benefit for neuroscience and therapies for nervous system disorders. A total of DKK 254m was awarded, including salaries for 276 full-time equivalents. The major grants were:

- **LF Postdoc grants** support postdoctoral scientists who wish to strengthen their research development through changes in research environment or topics. DKK 41m was awarded to 17 postdocs, of which 6 bring international experience to Denmark and 8 gain international experience by studying outside Denmark.
- **LF Ascending Investigators** are independent researchers leading smaller groups with projects to build the groups or redirect their research. DKK 68m was awarded to 13 investigators (six professors and seven associate professors). Four grantees used the

Total grants (DKKm)

592

Number of grants

154

Support for brain research (DKKm)

485

Number of full time employees funded

644

new option in 2023 for an additional DKK 1m to support international exchange.

- **LF Experiments** focuses on funding high-risk, groundbreaking research ideas. DKK 63m was awarded to 32 projects.
- **Pioneer Centres** is an ambitious national programme initiated by the Ministry of Higher Education and Science to attract the very best researchers to establish three to four world class research centres specialising in artificial intelligence and climate/energy. Pioneer Centres is a collaboration between the Ministry, the Danish National Research Foundation, Carlsberg Foundation, Lundbeck Foundation, Novo Nordisk Foundation and Villum Fonden. In 2023, the Lundbeck Foundation awarded DKK 80m out of DKK 240m to 'The Pioneer Centre for Statistical and Computational Methods for Advanced Research to Transform Biomedicine': SMART-Biomed.

Grants supporting talent development in biomedical and health-related science

Grants in this category support the development of talented researchers in all aspects of biomedical and health-related science. A total of DKK 86m was awarded, including salaries for 138 full-time equivalents. The major grants were:

- **Early-Career Clinician Scientist grants** aim to support talented medical doctors who, concurrent with their clinical specialisation, want to retain an active research career. DKK 16m was awarded to eight medical doctors and three of the projects were in

neuroscience (headache, psychosis and bipolar disease).

- **LF Fellows** are talented, young researchers who wish to establish or expand their own independent research groups in Denmark. DKK 60m was awarded to six scientists: one in neuroscience (role of sleep architecture for cognition), and five in other areas (implant rejection, cancer biomarkers, liver fibrosis, single cell proteomics and bioinformatics).

Prizes

The Brain Prize is the world's largest international neuroscience prize, dedicated to scientists who have made an outstanding contribution to neuroscience. The DKK 10m Brain Prize 2023 was awarded to Professors Michael Greenberg (US), Christine Holt (UK), and Erin Schuman (Germany) for their discoveries of how the synthesis of new proteins is triggered in different parts of the neuron, thereby guiding brain development and plasticity in ways that impact our behaviour for a lifetime.

His Royal Highness Crown Prince Frederik presented The Brain Prize to the 2023 winners at an awards ceremony in Copenhagen.

Brain Prize outreach activities bring the outstanding science behind each year's Brain Prize to the scientific community. Six webinars on 'mRNA transport, trafficking, localisation' were organised and chaired by the Brain Prize winners together with 15 other leading scientists who provided in-depth insights. A series of Brain Prize plenary lectures were also given at several



Professor Grith Lykke Sørensen
Frontier Grant recipient

Professor Grith Lykke Sørensen PhD, DMSc, from the University of Southern Denmark (SDU) has together with her team discovered a mechanism for pathological scarring (fibrosis) involving a protein called MFAP4. Furthermore, they have generated a novel drug that selectively blocks this disease mechanism.

A unique feature of the proposed treatment is that it prevents the initiation of fibrosis. In contrast, the current drugs in development are mainly reducing undue accumulation of lipids, a known risk factor for fibrosis in the liver.

The Frontier Grant will progress the groundbreaking research significantly closer to a novel treatment for individuals suffering from fibrosis.

There is reason to believe that as this treatment principle evolves, it can be expanded to fibrosis in other organ systems than the liver.

The grant amounts to DKK 5m over 18 months.

international meetings. A film collection covering the winners' scientific journey, patient case stories and educational films was also produced.

The Scientific Enrichment Prize is a personal prize of DKK 100,000, awarded in 2023 to Professor Nanna MacAulay, Copenhagen University, for her systematic approach to using diversity in her research group and strong efforts to build an inclusive and diverse research environment at the NeuroGrad PhD school at University of Copenhagen.

The Young Investigator Prize of DKK 1m, for promising researchers under the age of 40, was awarded to Professor Tor Biering-Sørensen, Copenhagen University, for his research on early diagnosis of cardiac dysfunction using advanced imaging technologies and his contribution to developing pragmatic randomised trials.

Five Talent Prizes of DKK 300,000 each for promising young researchers under the age of 30 were awarded to postdoc Tenna Henriksen, Aarhus University Hospital (colon cancer detection), PhD student Sia Viborg Lindskrog, Aarhus University Hospital (sub-categories of bladder cancer), MD and PhD Student Kristoffer Grundtvig Skaarup, University Hospital Herlev & Gentofte (detection of early signs of heart disease), postdoc Connor Stanley James Westgate, Rigshospitalet (headache disorder IHH), and MD and postdoc Amani Meaidi, Danish Cancer Society (medical abortion and contraception safety studies).

Science education and communication

The Foundation supports science education projects at high school level and above, which helps to promote a better understanding of the brain and brain disorders, as well as science communication projects to promote a better understanding of brain disorders and their consequences. In 2023, the Foundation granted DKK 25m to 14 projects, including the podcast Brainstorm and Bloom, and the Hearts and Minds festival. In addition to a centre for research in how to improve technology understanding. The Foundation also provided five scholarships for medical students to study for one year at Stanford University or the University of California, San Francisco, USA. In addition, more than 30 scholarships were awarded by seven scientific societies through grants totalling DKK 6m.

Other activities

Frontier Grants serve a dual purpose by supporting advanced research ideas to a stage where they can become attractive for investors while at the same time supporting the training of the lead scientists. Four grants totalling DKK 19m were awarded to explore a novel approach to treating acute myocardial infarction, Huntington’s disease, fibrosis, and prostate cancer.

Neurotorium is an open, online platform launched in 2022 aimed at clinicians and educators of clinicians, covering topics about the brain and its diseases. The scientific content is governed by a board of

internationally renowned neurologists and psychiatrists. The platform contains comprehensive slide decks covering selected indications, including in 2023 a deck on substance use disorder, videos, illustrations and a three-dimensional brain atlas.



Neurotorium Bipolar Disorder Expert Meeting, Tarragona, Spain

Active public voice

The Foundation pursues three strategic agendas in its external communication and public affairs activities: the importance of brain health, Denmark as a science hub in healthcare, and enterprise foundations as a responsible and sustainable business ownership model.

In 2023, the Foundation put a strong emphasis on the importance of talent development and diversity in the scientific community both within the academic institutions and in the business community. Attracting and nurturing the next generation of scientists is an integral part of a vibrant and world-leading scientific research community and therefore also a precondition for Denmark's ambitions to become an even stronger international science hub for healthcare and neuroscience research.

Innovation in neuroscience and other scientific disciplines requires diversity of thought and, in 2022, the Foundation instituted the LF Scientific Enrichment Prize. In 2023, the scientific enrichment prize was awarded to Professor Nanna MacAulay for her work on bringing expertise in play across different human and professional fields, and bringing universities, hospitals and industry together.



1) Folkemødet 2023 (The Democracy Festival of Denmark): The influence and role of foundations in Denmark with CEO, Lene Skole 2) CBS Corporate Governance Conference; the Foundation's CEO shares insights regarding the close link between purpose and Enterprise Foundations, November 2023 3) Brain Awareness Week March 2023 4) Folkemødet 2023: Session on memory training and brain health 5) Copenhagen Culture night October 2023: Session on memory training and brain health 6) Folkemødet 2023: Who deserves the research funds with Science Director, Jan Egebjerg 7) Folkemødet 2023: Sharing perspectives regarding the importance of international talents with the Foundation's SVP Corporate affairs, Inge Berneke

A credible and legitimate active public voice requires a sound, fact-based approach based on knowledge and insight. In 2023, the Foundation brought together representatives from the Danish universities and business communities in life science around the importance of prioritising the discipline of talent development and diversity in their organisations. This led to the publication of a comparative analysis, which compares and shares learnings across the academic and business communities regarding the work on talent development and diversity.

Together with the Novo Foundation, the Foundation also initiated a study into the current barriers experienced by international highly educated talents who move to Denmark to continue their career as scientists. The study has been carried out by the local think tank, Axcelfuture and the law firm Kromann Reumert, who reviewed the current legal framework and developed a list of potential legal solutions to current problems. The study was published and launched in January 2024.

The importance of talent development and diversity was a key topic at 'Folkemødet 2023', where the Foundation organised, facilitated and participated in multiple discussions highlighting the importance of international talent attraction as well as the need for prioritising talent development and diversity as a key discipline in a world-class innovative community.

Brain health was the underlying theme for the Foundation's two roundtable discussions with Danish patient organisations in 2023. The Spring roundtable 2023 was centred around learnings from The Brain Council in Norway (Hjernerådet) and the dialogue between patient organisation and politicians around brain health in Denmark. The Autumn roundtable 2023 was focused on the two ongoing government initiatives which review the state of the nation in Danish healthcare and also cover brain health topics. The roundtable discussions will be continued in 2024.

During 2023, the Foundation also continued its efforts to bring new insights and knowledge about brain health to a broader audience in Denmark. 'Memory' was therefore a key theme in the Foundation's external communication and was communicated broadly through a range of events, articles, and interviews with prominent sleep scientists.

Risk management

The Lundbeck Foundation’s risk management framework provides a systematic approach to identifying, monitoring, managing and reporting risks and opportunities in a changing environment.

The Lundbeck Foundation strives for a reasonable balance between value creation and risk exposure in its work to deliver on its longer-term strategic targets.

Risk assessment is an important part of the Foundation’s business procedures, allowing it to respond appropriately to changing circumstances and to integrate risk management into the development of the Foundation’s strategy. The risk management framework includes a ‘top-down’ as well as a ‘bottom-up’ approach to risk mapping, which identifies key risks that the Foundation faces.

The most important risks relate to the business risks of the Foundation’s strategic ownerships – in particular, the subsidiaries – as well as the financial risks related to its portfolio of other investments. Assessing and mitigating these risks is important for long-term value creation, as well as for the ability of the Foundation and its subsidiaries to execute on the strategy.

As a foundation with significant positions in the Danish business and research communities, reputational risk is

an important factor. In relation to grant-making, there is a strong governance framework in place to cover these activities, setting high standards designed to protect the Foundation from excessive risk.

Risk assessment and management

As a business owner and investor, risks are a natural and integral part of the Foundation’s activities. However, by incorporating risk management at both entity and group level into the risk assessment framework, and by balancing its capital allocation, the Foundation mitigates risk to what it considers to be an acceptable level.

The Foundation is faced with several types of risks, including business, operational, cyber and market risks – including fluctuations in interest rates, share prices, exchange rates and credit spreads – as well as reputational risks. Through understanding of its ownerships and of its own internal operations, other investments and grant activities, the Foundation aggregates the various risk factors and identifies the most important ones in terms of probability and potential impact.

A risk analysis report – including proposed mitigating actions – is prepared and submitted biannually to the Foundation’s Board of Directors. More frequently, updates on exposure to risk factors, such as industry and geographical concentrations, are submitted to the Investment Committee, which meets on a quarterly basis. The Foundation’s Management Team monitors

the development of current and potential risks on an ongoing basis.

The overall risk level is assessed in the risk reports. The Foundation has a long-term horizon for its activities, and the current strategy spans until 2030. Similarly, the Foundation takes a long-term view on potential risks and risk management, spanning at least 10 years.

Diversification across the Foundation’s different investments and activities is a central part of the Foundation’s approach to risk management, and this is adjusted continuously, depending on the risk assessment, to ensure that there are sufficient financial resources to support the Foundation’s activities.

The most recent risk assessment exercise resulted in the identification of a range of strategic, operational, financial, political and reputational risks that could potentially pose a threat to the Foundation. A key priority for the subsequent work has been to ensure that no single risk has the ability to materially damage the Foundation, and that the Foundation would be able to continue its operations and strategy should any one or more of the risk factors materialise. To ensure this is the case, each of the risks identified has an assigned owner who is responsible for actively managing and mitigating the risk.

The key risks that have been identified are presented in the table on page 35, together with details of the mitigation measures that have been put in place.

Risks related to the strategic ownerships

Business and financial risks associated with the operation and performance of the Foundation’s five strategic ownerships, Lundbeck, ALK, Falck, Ferrosan Medical Devices and Ellab, are most effectively managed within each business. Consequently, the boards of directors and management teams at each individual company define their own risk management policies and procedures.

The Foundation is represented on the board of directors of each strategic ownership and monitors the business performance of the companies closely. Descriptions of each company’s approach to risk management are given by each of the companies in their own annual reports.

Reports on business- and risk-related issues associated with the strategic ownerships are provided monthly to the Foundation’s Board of Directors.

Risks related to the Foundation’s other investments

The Board of Directors defines the Foundation’s investment policy, while compliance with the policy is monitored by the Investment Committee.

The Foundation manages the market risk of its investments by having limits for its exposure to individual asset classes and their underlying assets. This policy covers the whole portfolio, including investments by BioCapital.

To manage interest rate risk, limits for the duration of bond investments are defined. Derivative financial

instruments, such as swaps, options and forward contracts, are used for risk management purposes and as an alternative to buying the underlying assets. The investment policy governs the use of such instruments regarding maturity, quantity and counterparty requirements.

Weekly portfolio performance reports are prepared for the CEO and detailed monthly reports are prepared for the Board of Directors.

Finally, all investments must comply with the Foundation's environmental, social and governance (ESG) principles. The portfolio investments are monitored for issues related to ESG principles. An ESG status report is reviewed and approved by the CEO and the Investment Committee twice a year. In 2023, no investments were identified as being in violation of the ESG principles.

Risks related to IT security

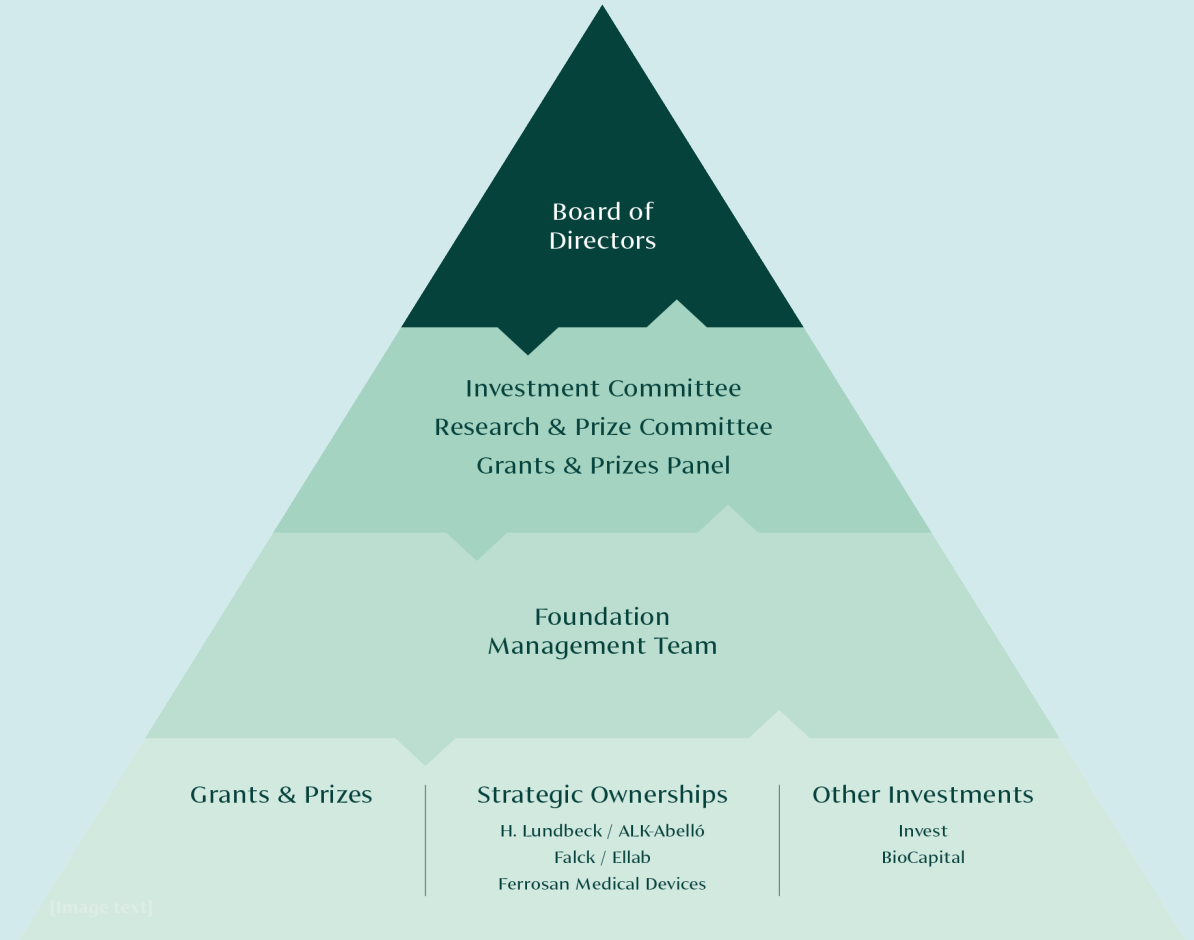
In recent years, several major cyber-attacks have been launched against companies and organisations around the world.

Each of the ownerships and the Foundation rely on their IT platforms to run their businesses and the Group owns various types of intellectual property rights. Consequently, the Group is a potential target for cyber-attacks or industrial espionage, and it is a strategic priority to continuously improve cyber-security.

As IT platforms differ across the Group, cyber-security is managed by each company and the Foundation separately. Each has programmes designed to improve resilience against cyber-attacks. In addition, cyber-risk awareness campaigns are conducted regularly throughout each organisation to minimise risks resulting from phishing emails and similar threats.

Risk reporting and management

The Foundation's risk reporting and management framework is illustrated in the figure to the right.



Risks and Mitigation

Risk	Context	Mitigation
1. Distress in the Foundation's strategic ownerships The strategic ownerships account for 59% of the Foundation's total net wealth	Poor performance, ultimately resulting in value destruction of the Foundation's shareholdings in the companies	Engaged ownership with a focus on: <ul style="list-style-type: none"> • The overall strategy and key activities • Board and executive management composition to ensure the right competencies • A sound capital structure to support the strategy • Good governance with delegation of duties • Representation on the boards • Diversification through several different companies • The companies' own risk management procedures and their mitigating actions
2. Research and development risk in pharmaceutical subsidiaries	Lack of a successful pipeline in pharmaceutical subsidiaries will limit long-term growth in the companies and result in value destruction	High quality research and development with a focus on: <ul style="list-style-type: none"> • New, innovative drugs in areas with unmet medical needs • Ongoing evaluation of the product pipelines, regulatory requirements and product benefits Active involvement through: <ul style="list-style-type: none"> • Board and executive management composition to ensure the right competencies • Representation on the scientific committees in the subsidiaries • A sound capital structure to support research and development
3. Financial market crisis effect on Invest The financial investments account for more than 39% of the Foundation's total net wealth	Financial losses due to financial turmoil and possible economic recession	Diversified portfolio Close monitoring of risks in the portfolio and dynamic hedging and adjustment of exposure Limits on market and concentration risks through investment policy
4. BioCapital – loss on investments The portfolio companies account for 5% of the Foundation's total net wealth	Unsuccessful development and/or commercial failure of portfolio companies	Close monitoring of risks in the portfolio and active participation on boards Diversified investment in a broad portfolio of life science companies Understanding the risk in portfolio companies and investing in tranches
5. Misuse of grants	Fraud or scientific misconduct by grant recipients	Transparent grants allocation processes Peer reviews by external scientists Status reports and budget follow-ups Code of conduct signed by grant recipients
6. Geographical exposure to the USA Group exposure to the US market is estimated at 39% of total revenue	Exposure to the USA through the strategic ownerships and investments	Ongoing monitoring of exposure to the USA and adjustment of exposure Hedging against exchange rate risk (USD) and financing of companies in USD (strategic subsidiaries) Lower than benchmark exposure to the USA in the Foundation's liquid investment portfolio
7. Price pressure in the healthcare sector Group exposure to healthcare accounts for 62% of the Foundation's total net wealth	Regulation or market dynamic that lowers the prices for drugs	Limit on exposure to pharmaceutical companies in the Foundation's liquid investment portfolio Focus in pharmaceutical companies on: <ul style="list-style-type: none"> • Innovation and generating strong clinical data • Cooperation with healthcare authorities to document the value of the companies' products • Stringent process for managing price changes
8. Legal and compliance	Non-compliance with applicable laws, industry standards and regulations Loss, expiration or infringement of intellectual property rights Regulatory changes may affect future profit and level of grants	Code of Conduct, Compliance Programs and training the employees Whistle-blower system Internal reviews and monitoring of compliance with laws and industry standards Policies and processes to safeguard intellectual property rights Close monitoring and evaluation of legislative proposals
9. IT security	Cyber-attacks and cyber-fraud System down-time	IT policies and procedures are in place to safeguard systems and data Cyber-defences are tested on a regular basis

Sustainability

Sustainability is embedded in the Lundbeck Foundation’s purpose, strategy, business model, and activities. With its 2030 strategy, *Bringing Discoveries to Lives*, the Foundation articulated a clear commitment to making a positive and sustainable impact on society. With the strategy, the Foundation will continue to drive sustainable outcomes in health, innovation, economic growth, and good governance.

The Foundation strives to improve lives through healthcare innovation with a specific focus on neuroscience. Over the years, the Foundation has grown to become one of Denmark’s largest enterprise foundations with close to DKK 59bn under management. The commitment to sustainable development is rooted in the founding principles, strategy, and business model of the foundation.

The Foundation’s societal impact can be seen throughout all its activities. The Foundation’s ownerships and investments generate dividends and profits, which are channelled back to society. In 2023, the Foundation awarded DKK 592m, of which DKK 485m was dedicated to top-tier science and research with a specific focus on neuroscience. The foundation contributed a total of DKK 315m in investments to the Danish life science ecosystem. The Foundation Group has more than 33,000 employees, reaches more than 19 million patients, and has spent more than DKK 4,000m on research and development. The Foundation’s position as a partner to society provides

unique opportunities and significant responsibilities, demanding a high degree of openness and transparency. As a long-term owner, the Foundation’s goal is to support sustainable business development and initiatives. Research has shown that companies with enterprise foundation ownership operate with a stronger focus on innovation and social aspects. This includes talent development, employee engagement, pay equality, and diversity.

The Foundation took several steps in 2023 to enhance sustainability. A Sustainability Policy was published, defining the guiding principles for the Foundation’s work on sustainability and covering all areas. A new ESG Governance framework for the Foundation was set up anchored in the Board of Directors, with the CEO having overall responsibility and with clear responsibilities distributed throughout the organisation. The Foundation’s sustainability work was strengthened with new dedicated resources.

+33,000
employees in the group

+19 million
patients reached

+75
clinical trials performed

592 DKKm
allocated in grants

+4,000 DKKm
spent on R&D

2023 also marked the year in which the Lundbeck Foundation started preparing for reporting on impact and initiatives in line with the requirements of new ESG regulation, namely the Corporate Sustainability Reporting Directive (CSRD) which the Foundation will follow for its 2025 reporting. The new set of regulations comes with a number of challenges but is a necessary step on the way to a more transparent and data-driven approach to sustainability.

The Foundation's commitment to society

The purpose, business model, and 2030 strategy of the Foundation provide a clear foundation and direction for the societal impact that is pursued within health, innovation, economic growth, and good governance. The material sustainability issues are reflected in the following four Sustainability Development Goals (SDG) to the right.

Activity: Strategic ownerships

The Foundation is the engaged owner of five international healthcare companies. Group revenue amounts to more than DKK 36bn, employing more than 30,000 employees. This role entails a responsibility to drive sustainable economic growth, job creation, and to be a responsible employer, providing a healthy working environment. The Foundation stays committed to supporting development through long-term ownership. The goal is to help the companies become global leaders within their fields, operating with a strong focus on innovation and social aspects, such as talent development, employee engagement, pay equality, and diversity.



The Foundation's philanthropic and commercial activities, developing top-tier neuroscience and leading healthcare companies, supports SDG 3 - especially sub-target 3.4 regarding treatment of non-communicable diseases and mental health.



As part of its engaged ownership and responsible asset management, the Foundation contributes to SDG 8 through the sub-targets 8.1 - GDP growth - and 8.5 - Decent work for all men and women.



Long-term ownerships, biotech investments, and support for collaboration in research are key components of the Foundation's impact on society, with a clear link to SDG 9 and sub-target 9.5 of encouraging innovation and research development.



The footprint of the Lundbeck Foundation is primarily defined by the companies it owns, the investments it makes, and the recipients of its grants. The basis for promoting sustainable development is good governance in line with SDG 16, contributing to effective, accountable, and inclusive organisations.

Sustainability is a key pillar of the Foundation's ownership model, and while decisions are ultimately made by the companies' boards and leaderships, the Foundation encourages the companies to assess, evaluate and report on relevant sustainability measures and initiatives in their respective annual reports and as part of the sustainability reporting. The Foundation uses its Board representation to push sustainability agendas and expects the ownerships to comply with the sustainability policy's minimum standards.

The reduction targets of the five strategic ownerships are all approved by, in the process to be so, or in alignment with the Science Based Targets initiative. This provides the companies with a clearly defined path to reducing greenhouse gas emissions. The Foundation also leads initiatives to share knowledge and strategic considerations across ownerships in order to promote sustainable practices and learnings across companies, such as access to health.

Activity: Financial investments

To fulfil our purpose and pursue our strategy, the Foundation's returns on investments ensure economic robustness while enabling increasing and stable distribution of dividends to society through grants and partner activities.

The Foundation's investment decisions are made based on the view that companies that act responsibly and ethically create important financial value and are therefore relevant investment targets. The investment policy guides the Foundation's approach to asset

management, and integrates environmental, social and governance (ESG) factors into decision-making and due diligence. All financial investments must comply with the Foundation's ESG principles, and screening is conducted twice a year.

Activity: Biotech investments

By investing in people, businesses, and science at the frontiers of their fields, with the aspiration of pushing the boundaries of current insight and knowledge and identifying the health solutions of tomorrow, the Foundation invests in the future of healthcare. One of the Foundation's ambitions is to pioneer innovations and bring new treatments to patients and their relatives. This requires a dynamic biotech industry with seamless collaboration between the scientific and business communities.

Supporting the growth of Danish life science while contributing to both patient health and sustainable economic growth is at the core of the Foundation's collaboration with its investments. Through new investments and the existing portfolio of 20 international and Danish life science companies, the Foundation supports innovation in healthcare as well as ensuring the Foundation's economic robustness and continuing grant activity.

The Foundation identifies companies and teams with a relevant commercial potential that can solve unmet medical needs. By engaging in a proactive approach combining guidance, policies, advisory, and resource allocation, the Foundation works to embed sustainable

practices in the companies' early commercial development.

The Foundation is currently developing an integrated sustainability programme to strengthen collaboration on strategic sustainable development in life science investments.

Activity: Supporting new knowledge

The number of people suffering from brain diseases is growing globally and affects over 3 billion people around the world, with devastating personal consequences and significant socio-economic effects. Despite the severe health situation and the far-reaching societal challenges, brain health remains an under-prioritised scientific research area, and the world lacks biomedical knowledge about the brain.

The Lundbeck Foundation funds outstanding scientific contributions and new biomedical and health science research talents. In 2023, DKK 485m, or 82% of the total grants, was dedicated to neuroscience at all research levels. This resulted in research ranging from studies on psychoses to neurogenerative disorders with more than 650 scientific publications. To support research that may not only result in a better fundamental understanding of the brain but also provide treatments for patients, the ability to measure and document grant impact is now integral to the Foundation's grant requirements, contributing to the translation from scientific research to patient impact.

Activity: Disseminating knowledge

Bringing science to patients' lives requires not only outstanding new knowledge, but also the dissemination of knowledge to clinicians, patients, business, and the wider society, as well as strong collaboration between research and business to bring new treatments to patients.

In 2023, the Foundation's online platform, Neurotorium - which provides curated free educational material on neurology and mental diseases intended for clinicians and educators - reached more than 190,000 active users from a total of 181 countries.

In 2023, four Frontier Grants were awarded to scientists working on early commercial endeavours to bring new treatments to patients within the areas of CGRP (migraine), Huntington's disease, liver fibrosis, cardiac diseases, and more.

Activity: Improving conditions for the life science ecosystem

The Foundation aims to build partnerships that can support the Foundation's goal of driving positive change throughout society. As a partner to society, the Foundation has a responsibility to be an active voice. The aim is to contribute to the development and internationalisation of a vibrant Danish healthcare research and business culture while improving society's understanding of the brain and its diseases.

The Lundbeck Foundation works to improve the academic and public understanding of the brain and to

destigmatise patients with brain diseases. This supports the well-being of patients with brain disorders and their relatives while reducing the large cost to society of brain diseases.

By pushing for better research conditions in Denmark, the Foundation works to strengthen Denmark's position as a research and business hub in the international healthcare community. Through collaboration between business and science, active talent management, access to funding, and more, the Foundation supports the development of new research talents and fosters new discoveries and treatments.

The enterprise foundation model links the worlds of business and philanthropy and has underpinned and matured some of Denmark's largest and globally successful companies. While the model is widespread in Denmark, the general awareness of foundations - and in particular the effects of the long-term ownership model - is low. The Foundation works continuously to grow and broaden the public's knowledge of enterprise foundations and their unique ability to combine financial and societal value.

Other ESG initiatives

Reducing greenhouse gas emissions

Climate change is among the most important issues facing the planet. While the Foundation's strategic focus is on health and innovation, the Foundation recognises the shared responsibility to live and promote environmentally sustainable practices. The Foundation's climate footprint is primarily driven through scope 3

activities, but initiatives on heating, transportation, and resource management have nevertheless been taken to tackle scope 1 and 2.

The energy efficiency of the Foundation's office building remains a continuous focus area, with solar panels now contributing to 18% of the Foundation's electricity use. Focusing on emissions from airline travel emissions as a starting point, a 2022 baseline of 152 tonnes in CO2 emissions was established. In 2023, the Foundation purchased high-quality carbon offset credits based on carbon removal projects to compensate for these emissions, and this will continue in the years to come.

Additionally, the Foundation took steps to limit the emissions of grant holders by instituting restrictions on travel budgets for some of its grants. However, as international collaboration remains a key element in all scientific discovery projects, grant recipients' international travel and collaboration remain an important priority for the Foundation's grant administration.

Gender diversity

The Lundbeck Foundation presents its Statutory Report cf. Section 99b of the financial statements in line with the section's purpose of ensuring that all Danish companies of a certain size have a diversity policy. The Lundbeck Foundation is committed to building gender equality and diversity and inclusion across all areas.

The Foundation's Board of Directors comprises one woman and six men, excluding employee

representatives. Hence, the gender balance is not in accordance with the guidelines on gender equality issued by the Danish Business Authority ('Guidelines on target figures, policies and reporting on the gender composition of management').

When electing new members to the Board of Directors, the Board strives to ensure diversity in competencies as well as gender. The Board will continue to pursue equal representation in the coming elections. This was also the case in 2023.

In the short term, the Board of Directors strives towards complying with the guidelines by having at least two members of each gender among the seven members elected according to the statutes. Currently, the board expects this target will be realised by no later than 2027.

In the day-to-day operations, the management members of the Lundbeck Foundation and Lundbeckfond Invest A/S operates as one team. The Management Team comprises seven members including the CEO and counts two women and five men. Management members employed by the Foundation comprises of four persons with equal gender

representation. In total, the two entities count 23 females out of a total of 47. Diversity and inclusion will remain focus areas for the Foundation in the years to come.

Since the Foundation has less than 50 employees, it falls below the employee threshold in section 99b, and therefore no additional reporting is required.

In 2023, the Foundation awarded 51% of its grants to women, while additional measures aim to promote diversity in general in its grants administration. This was spearheaded by the launch of the first annual LF Scientific Enrichment Prize, established in 2021. This prize celebrates science leaders at Danish universities who champion diversity and inclusion in order to develop creative solutions to complex scientific problems. The prize is accompanied by the Scientific Enrichment Call, to support new initiatives harnessing and promoting diversity for the benefit of scientific progress and culture.

The diversity focus was also reflected in the Foundation's three subsidiaries, each of which has defined gender-balance targets for its board of

Gender diversity in the Lundbeck Foundation	Target 2027	2023	2022
Members of the Board of Directors	7	7	7
Board of Directors, underrepresented gender	29%	14%	29%
Members of the Management Team		7	7
Management Team, underrepresented gender		29%	29%
Underrepresented gender in the Lundbeck Foundation and Lundbeckfond Invest A/S - reported as one unit		46%	44%

management. Falck's board of management consists of 40% women. Lundbeck's and ALK's board of management and their direct reports consist of 35% and 42% women, respectively. Furthermore, Lundbeck, ALK and Falck reported individual targets in their 2023 annual reports and defined individual policies concerning gender balance at other management levels.

ESG Governance at the Lundbeck Foundation

Good governance is central to integrating sustainability considerations into day-to-day business decisions and strategy. As both owner, investor and philanthropist, the Lundbeck Foundation has many opportunities and a responsibility to promote sustainable practices both inside and outside its organisation. The Foundation does this with a clear governance model based on four key principles (see next page for more information):

- Compliance with Danish recommendations on good governance
- Board director independence
- Transparency in reporting and grant decisions
- Internal checks and balances in decision-making

In 2023, the Lundbeck Foundation implemented a clear ESG governance-framework that is anchored in the Board of Directors with the CEO having overall responsibility and with clear responsibilities distributed throughout the organisation.

Moreover, the Foundation has developed six policies to guide key activities: grant administration, investments, communication, tax, remuneration and sustainability

policy. The sustainability policy was adopted in 2023 and applies to the Foundation, grant recipients, investments, and ownerships, encouraging the strategic ownerships and direct investments to pursue ambitious sustainability agendas. The goal is for the Foundation to fulfil a role in business and society in a way that is environmentally, socially, and financially sustainable. All policies can be found on the Foundation's website. The Foundation has also implemented a whistleblower system, which can be used by external and internal parties in case of concerns involving legal or other serious risks. The whistleblower system can also be accessed via the Foundation's website. No cases were reported in 2023.

Learn more about sustainability at the Lundbeck Foundation Group

For more information on the Lundbeck Foundation's impact as well as important developments in 2023, please refer to the Foundation's Sustainability Report 2023 (<https://www.lundbeckfonden.com/en/sustainability>).

This report is the Lundbeck Foundation's statutory statement on sustainability in accordance with sections 99a and 99d of the Danish Financial Statements Act.

For information about Lundbeck, ALK and Falck's approaches to sustainability, please visit their websites.

Foundation Governance

The Lundbeck Foundation values transparency and integrity and operates with a clear governance model and relevant policies that define the operating model for the Foundation's broad range of commercial investments and philanthropic grant activities.

Enterprise foundations play an important role in Danish society. As majority owners of some of Denmark's largest business corporations, but also a significant philanthropic contributor, enterprise foundations can influence social and economic development in Denmark. Such influence comes with responsibility.

The Foundation is committed to transparency and has defined a clear governance model that seeks to comply with two sets of principles issued by two Danish governance committees. Firstly, The Committee on Foundation Governance, which issues recommendations for the governance of enterprise foundations. Secondly, the Danish Committee on Corporate Governance, which guides the listed companies in Denmark. As an enterprise foundation and the majority owner of two listed companies, both sets of recommendations are relevant and used as guiding principles by the Foundation.

The Foundation follows the recommendations issued by The Committee on Foundation Governance, with two exceptions:

- **Board members' tenure:** In accordance with the statutes of the Foundation, Board members serve for one year, which reflects the rules issued by The Danish Committee on Corporate Governance rather than the rules issued by The Committee on Foundation Governance, which recommends a tenure of two to four years.
- **CEO bonus model:** The Board of Directors has decided to incorporate a bonus model into the remuneration of the CEO. The bonus model is based on several elements, including the financial results of the subsidiaries and the Foundation's financial investment activities. The bonus elements are determined to ensure alignment between the CEO's remuneration and the long-term development of the Foundation Group.

For a full overview of the Foundation's compliance with the Recommendations on Foundation Governance, cf. section 77a of the Financial Statements Act, please use the following link: (<https://www.lundbeckfonden.com/en/foundationgovernance>).

The Foundation follows the recommendations issued by The Danish Committee on Corporate Governance where relevant, with two exceptions:

The Lundbeck Foundation's four governance principles

Compliance

- As an enterprise foundation, the Foundation strives to comply with two sets of recommendations:
 - 1) Recommendations on Foundation Governance issued by the Danish Committee on Foundation Governance
 - 2) Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance
- Where the Foundation does not comply with these recommendations, this is explicitly stated and explained

Independence

- The Foundation is headed by the Board of Directors. Seven Board members, including the Chair, are independent. Four Board members are elected by employees in the subsidiaries
- Former executives of the Foundation and its subsidiaries cannot be appointed to the Foundation's Board of Directors
- Only one Board member elected according to the statutes can hold board memberships in each individual subsidiary of the Foundation
- The Foundation's Chair cannot hold board membership positions in the Foundation's subsidiaries

Transparency

- The Foundation publishes its annual accounts in alignment with listed companies
- All key policies and governance documents are made public on the Foundation's website
- Major decisions on philanthropic grants are communicated proactively via the website, social media and the media

Checks and balances

- The Foundation's organisation and key processes are designed to prevent the concentration of decision-making power
- The majority of all grant-making decisions are subject to external reviews by international experts to ensure appropriate quality levels are met

- **Diversity policy:** The Foundation has not formulated a concrete diversity policy, but principles and priorities are stated in the Sustainability Policy, which is available on the Foundation’s website.
- **Audit Committee and internal audit function:** As an independent Foundation with no shareholders, financial information is only shared in the Annual Report but is complemented by its subsidiaries, which share information on a quarterly basis. Further, the Foundation has chosen not to have an audit committee or internal audit function.

For a full overview of the Foundation’s compliance with the Recommendations on Corporate Governance, please use the following link: (<https://www.lundbeckfonden.com/en/corporategovernance>).

The Foundation’s governance principles are described more fully on the Foundation’s website and in the box on the previous page.

The Board of Directors

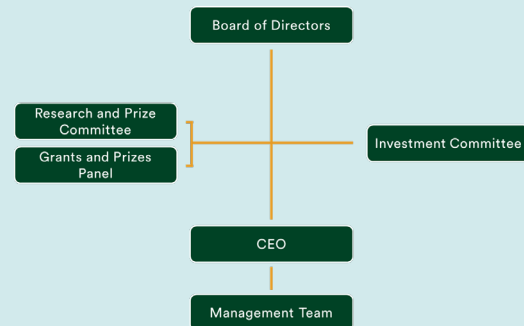
The Lundbeck Foundation is managed by the Board of Directors in collaboration with the CEO. The Board members are presented on pages 45-46.

The Board’s primary responsibilities are to:

- Decide the Foundation’s strategy
- Make decisions of major significance or of an exceptional nature
- Make final decisions on the allocation of grants
- Supervise the organisation to ensure the Foundation is managed appropriately and in accordance with applicable laws and the Foundation’s statutes
- Approve the Foundation’s policies for investments, communication, remuneration, etc.
- Appoint the Foundation’s CEO

The Board of Directors meets a minimum of four times each year and holds an annual seminar to review, discuss and refine the strategy.

The Board has set up two committees and the Grants and Prizes Panel with members from the Board of Directors to prepare the meetings of the Board of Directors. The two committees are the Research and Prize Committee and the Investment Committee. The



Board member’s attendance at meetings in 2023	Board meetings	Investment Committee meetings	Research and Prize Committee meetings	Grants and Prizes Panel meetings
Steffen Kragh, Chair of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	●●●●●●●●	●●●●●●		
Peter Schütze, Deputy Chair of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	●●●●●●○	●●●●●●		
Lars Holmqvist, Chair of the Investment Committee	●○●●●●●●	●●●●●●		
Michael Kjær, member of the Research Committee	●●●●●●●●		●●●●●●●●	●●
Susanne Krüger Kjær, Chair of the Research Committee since 27 March 2023	●●●●●●●●		●●●●●●●●	●●
Svend Andersen, member of the Investment Committee	●●●●●●●●	●●●●●●		
Thomas Mears Werge, member of the Research Committee since 27 March 2023	●●●●●●●●		●●□●□●	●
Henrik Sindal Jensen, employee representative from H. Lundbeck A/S	●●●●●●●●			
Katja Barnkob, employee representative from ALK-Abelló A/S	●●●●●●●●			
Mikkel Helmer Nielsen, employee representative from Falck A/S	●●●●●●●●			
Morten Egholm Aagaard, employee representative from Falck A/S	●●●●●●●●			
Gunhild Waldemar, former Chair of the Research Committee, stepped down on 27 March 2023	●		●●	●

● Attended ○ Did not attend □ Conflicted

two committees and the panel meet on a regular basis to prepare and discuss issues related to the Foundation’s grants and prizes, and investments, respectively.

Active involvement in strategic ownerships

The Foundation is long-term strategic shareholder of five companies: Lundbeck, ALK, Falck, Ferrosan Medical Devices and Ellab. It monitors their performances and contributes to value creation as a long-term owner

exerting influence through its representation on the companies’ boards.

As stated previously, the Foundation has a strong focus on good governance and the independence of board members. Please see page 40 for a full description.

Grant governance

The Board of Directors has established a Research and Prize Committee and appoints three committee members from among its members elected according to the statutes. The Committee meets four times a year or as required by special circumstances.

The basic criteria for the allocation of research funding are the scientific content of the application, the qualifications of the applicant, and the academic environment at the host institution, all of which must be of a high international standard.

The Lundbeck Foundation seeks to ensure the consistent and equal assessment of all applications. Consequently, all significant applications must be peer reviewed by experts. In addition to the Research and Prize Committee, the Board of Directors has established the Selection Committee to oversee The Brain Prize – as well as four permanent evaluation panels: the Grants and Prizes Panel, the Talent Panel, the Internationalisation Panel and the Scientific Enrichment Panel. Please see page 44 for information about the committees and panels.

Furthermore, ad hoc evaluation panels with international experts are established as required to assess personal and strategic applications. The members of the committees and panels must comply with the Foundation's impartiality rules.

The Research and Prize Committee and the Grants and Prizes Panel report to the Board of Directors. The

Selection Committee for The Brain Prize reports to the Board of Directors through the Research and Prize Committee to ensure that its recommendations comply with the provisions for The Brain Prize.

The Board of Directors decides on the allocation of grants in accordance with statutory requirements. However, the Foundation has developed a model that has been approved by the Danish Business Authority whereby the Board, as part of its decision-making on the allocation of grants, can issue a grant mandate to a panel formed by the Board of Directors to implement the Board's grant decisions.

The following panels allocate grants under a grant mandate:

- The Talent Panel evaluates LF Postdocs, LF Clinical Postdocs, LF Ascending Investigators and LF Experiments
- The Internationalisation Panel evaluates scientific meetings and conferences, visiting professorships and senior researcher sabbaticals

The Board of Directors has also issued a grant mandate to the CEO to implement the Board's decisions on Frontier Grants.

In general, assessment procedures for applications and recommendations are adjusted on an ongoing basis to accommodate the development and implementation of new initiatives.

Distribution of responsibility

The Senior Vice President, Grants & Prizes, Director of Science, is responsible for managing day-to-day operations in the Grants & Prizes department.

The Board of Directors approves all of the Foundation's prizes before they are awarded.

Investment governance

The Board of Directors has established an Investment Committee and appoints four committee members from among its members elected according to the statutes. The Committee meets four times a year or as required by special circumstances.

The Committee is responsible for preparing decisions and recommendations for consideration and approval by the Board of Directors, and for ensuring that the Board of Directors is informed of all material matters.

Supervision of the Foundation's investment activities is delegated to the Investment Committee in accordance with the investment policy, which is described in the Risk Management section on page 33.

☐ Policies

Each year, the Board of Directors discusses and approves a number of policies which are a vital part of the framework for the Foundation's activities.

Please find the Foundation's policies at the Foundation's website: <https://www.lundbeckfonden.com/en/policies>.

Grant policy

Statutory report cf. section 77b of the Financial Statements Act

In accordance with the statutes of the Lundbeck Foundation, the Foundation has two primary objectives:

- a. To consolidate and expand the activities of the Lundbeck Group
- b. To make distributions for the purposes mentioned in article 6 of the statutes

At the annual strategy seminar, the Board takes a position on the overall strategy and grant policy. The grant objectives of the Foundation are divided into the following categories:

- Social causes
- Research
- Cultural purposes
- Relatives of the Founder
- Employees of the Lundbeck Group
- Subsidiaries

The Foundation may, in accordance with its statutes prescribed charitable objectives, donate grants to a wide range of different charitable purposes, and the Foundations' founder has granted great flexibility to the Board of Directors to decide upon the Foundation's grants, including to decide upon which of the charitable purposes to support, as well as the individual donation terms. The Board of Directors therefore each year carefully considers which grants are to be made, including which of the charitable categories that are to be supported in light of the flexibility that the Foundation's statutes provides.

The grant objectives listed under section 6 in the statutes are categorised as follows:

Statutes	Grant objective
Article 6a (Relatives of the Founder)	The Foundation may make grants to descendants of the parents of the founder and her spouse.
Article 6b (Employees of the Lundbeck Group)	The Foundation may provide financial support to, and otherwise make distributions for the benefit of, existing and former employees of the Lundbeck Group, including for training and education, for holidays and for holiday purposes. In so far as there is no need in each individual case to make distributions at any other time of the year, such distributions will only be made once a year on 20 July, which is the birthday of the deceased Mr Hans Lundbeck, manufacturer.
Article 6c (Research)	The Foundation may grant honorary awards to physicians, scientists and others.
Article 6d (Research)	The Foundation may grant support for scientific purposes, primarily for specific projects.
Article 6e (Subsidiaries)	The Foundation may support special research projects within the Lundbeck Group.
Article 6f (Research)	The Foundation may grant support to hospitals and for disease prevention.
Article 6g (Research)	The Foundation may provide support for training and education in the widest sense of the words, if relevant, by way of interest-free loans.
Article 6h (Research)	The Foundation may make grants for nurses.
Article 6i (Social causes)	The Foundation may distribute up to 3% of the profit for the year, before tax, less retained earnings, in subsidiaries and associates, including LFI a/s, for the support of old and/or sick people, as well as those in need.
Article 6j (All categories)	The Foundation may support other purposes, as decided by the Board of Directors. However, support for such purposes may only account for 25% of the total annual distributions in each calendar year.

The aim of the grant activities is to fulfil the Foundation's grant strategy as based on the grant objectives set out in the statutes' section 6. The grant strategy is an integral part of this grant policy.

The Board of Directors has overall responsibility for the allocation of all grants. The Board of Directors has decided that the previously mentioned objectives should be met mainly through support for research in biomedicine with a focus on strengthening Danish neuroscience. The Board of Directors may decide on grants based upon recommendations from committees/expert panels or issue a grant mandate to an expert panel that will make the final decisions within certain grant programmes. Grants for the support of research are primarily awarded to projects invited through open calls for applications. Grants may also be awarded without calls for applications.

Committees

To facilitate grant and prize activities within the aforementioned categories, the Foundation has established two committees that serve as advisory bodies and submit recommendations for decisions to the Board of Directors.

Research and Prize Committee

This committee comprises the three members of the Board of Directors who are appointed for their research expertise according to the statutes. The CEO and the Senior Vice President, Grants & Prizes, Director of Science, neither of whom are members of the Research and Prize Committee, assist this committee. The

members of the Research and Prize Committee, who are also members of the Grants and Prizes Panel (see below), are tasked with the following:

- Advising and submitting recommendations for decisions to the Board of Directors regarding applications, prize nominations and strategic research policy issues
- Supervising the implementation of the Foundation's strategy within grants and prizes

The selection committee for The Brain Prize

The selection committee for The Brain Prize reviews the nominations for The Brain Prize. Its members, all of whom are external and independent of the Foundation, represent the highest possible level of expertise within the field of brain research, bringing to the committee relevant and comprehensive knowledge about the international scientific world.

Expert panels

The Foundation has set up four expert panels to evaluate applications and make decisions on grants.

The Grants and Prizes Panel

This panel comprises the three members of the Board of Directors appointed for their research expertise according to the statutes as well as three external experts from within the field of neuroscience. The panel evaluates applications for LF Fellows, LF Professors and LF Collaborative Projects, and submits recommendations for decisions to the Board of Directors.

The Talent Panel

This panel comprises 14 external experts spanning the field of biomedical research. The panel evaluates applications for LF Postdocs, Early-Career Clinician Scientist grants, LF Ascending Investigators and LF Experiments. The panel makes decisions on grants according to a grant mandate issued by the Board of Directors.

The Internationalisation Panel

This panel comprises two of the three members of the Board of Directors appointed for their research expertise according to the statutes as well as the Senior Vice President, Grants & Prizes, Director of Science, and the Senior Grant Manager. The panel evaluates applications for meetings, visiting professorships and senior researcher sabbaticals. The panel makes decisions on grants according to a grant mandate issued by the Board of Directors.

The Scientific Enrichment Prize Panel

This panel comprises three members with experience in handling diversity policies in a variety of research environments. The panel evaluates nominations for the Lundbeck Foundation Scientific Enrichment Prize and submits a recommendation for approval by the Board of Directors.

General terms and conditions for research grants

All grant recipients must comply with the Lundbeck Foundation's General Terms and Conditions for Research Grants.

The Foundation expects researchers who receive funding to conduct their research according to recognised codes of Good Research Practice, including the Danish Ministry of Higher Education and Science's Code of Conduct for Research Integrity, the Medical Research Council's Good Research Practice, and the International Society for Pharmacoepidemiology's Guidelines for Good Pharmacoepidemiology Practice. This also applies to interactions with other researchers, the collection, generation and analysis of data, applications for research funding, the publication of research results, and the recognition of direct and indirect contributions by colleagues, partners and others.

It is a prerequisite that researchers who receive funding from the Lundbeck Foundation are affiliated with institutions that have their own published codes and guidelines for Good Research Practice, and that grant recipients comply with such guidelines. In addition, it is a prerequisite that these institutions have formally described procedures that must be adhered to when handling any suspicion of scientific dishonesty.

To be eligible for a grant from the Foundation, the grant recipient and their host institution, as well as researchers and third parties affiliated with the research project, must also comply with all laws and rules relevant to the research project.

Board of Directors



Steffen Kragh
Chair

Considered independent

Born 1964
Male
Danish
Elected 2013



Peter Schütze
Deputy chair

Considered independent

Born 1948
Male
Danish
Elected 2015



Lars Holmqvist

Considered independent

Born 1959
Male
Swedish
Elected 2015



Michael Kjær

Considered independent

Born 1957
Male
Danish
Elected 2016

Board committee(s)	Member of the Investment Committee	Member of the Investment Committee	Chair of the Investment Committee	Member of the Research and Prize Committee and
Shareholdings	20,000 B-shares in H. Lundbeck A/S and 8,000 shares in ALK-Abelló A/S	1,360 A-shares and 5,440 B-shares in H. Lundbeck A/S and 4,000 shares in ALK-Abelló A/S	75,000 B-shares in H. Lundbeck A/S	200 shares in ALK-Abelló A/S
Other board and management positions	<ul style="list-style-type: none"> President & CEO of Egmont Foundation and Egmont International Holding A/S Chair of companies in the Egmont group Deputy chair of Tryg A/S and Tryg Forsikring A/S 	<ul style="list-style-type: none"> Chair of DSB SOV, Nordea-Fonden and Tietgenfonden. Chair of the Investment Committee at the Danish SDG Investment Fund K/S Member of the boards of Falck A/S, Axcel Future and Gösta Enboms Fond Member of The Systemic Risk Council Chair of Dronning Margrethe II's Arkæologiske Fond 	<ul style="list-style-type: none"> Chair of the board of Biovica International AB Member of the boards of H. Lundbeck A/S, ALK-Abelló A/S, Vitrolife AB (Sweden) and Life Healthcare Group Holdings Limited (South Africa) 	<ul style="list-style-type: none"> Professor, Chief Physician, DMSc. Head of Institute of Sports Medicine, Department of Orthopaedic Surgery, Bispebjerg Hospital Coordinating Professor (for Bispebjerg-Frederiksberg Hospital), Institute of Clinical Medicine, University of Copenhagen
Education and competencies	<p>MSc and MBA</p> <p>Expertise within strategy, economics, finance and accounting, capital markets, securities and funding, legal and regulatory matters of importance to financial business, corporate management and financial business management, including IT</p>	<p>MSc (Econ)</p> <p>Extensive management experience from an international financial company as well as several board positions both as chair and member. Skills in accounting, investments, IT, risk management, strategy and organisational development</p>	<p>Degree in Business Administration</p> <p>Experience in management, finance, sales and marketing in international life science companies, including medtech and pharmaceutical companies</p>	<p>MD and DMSc</p> <p>Scientific production within musculoskeletal and metabolic research. Skills in research, development and research evaluation. Experience in research management and international scientific board work</p>



Svend Andersen

Considered independent

Born 1961
Male
Danish
Elected 2020



Susanne Krüger Kjær

Considered independent

Born 1955
Female
Danish
Elected 2014



Thomas Mears Werge

Considered dependent

Born 1962
Male
Danish
Elected 2023

Board committee(s) Member of the Investment Committee

Chair of the Research and Prize Committee

Member of the Research and Prize Committee

Shareholdings

Other board and management positions · Executive Vice President and President, Consumer Self-Care International, Perrigo

- Professor, MD, DMSc. (Department of Gynaecology), Rigshospitalet, University of Copenhagen
- Head of Research, Unit of Virus, Lifestyle and Genes, Danish Cancer Institute
- Member of the Board of Johannes Clemmesens Research Foundation
- Member of the Human Papillomavirus Prevention and Control Board
- Scientific reviewer for AIRC Direzione Scientifica
- Visiting professor, Johns Hopkins University, Baltimore, USA

- Professor, Director Inst. Biol. Psychiatry, Mental Health Services, Copenhagen University Hospital
- Board member of National Genome Centre, and Member of the Strategic Research Council, Copenhagen University Hospital
- Principal Investigator, NIH & EU Initiatives on mental disorders
- Expert Witness (WADA) CAS, Court of Arbitration for Sport, Lausanne (CH)

Education and competencies BSc in Economics and Business, and Graduate Diploma in Business Administration, Sales & Marketing and Organisation

Extensive international leadership experience in several pharmaceutical sectors with a proven track record of creating sustainable value

MD and DMSc
Substantial scientific output within oncology. Skills in research, development, research evaluation and innovation. Longstanding experience within international research management

B.Sc. Biochemistry; M.Sc. Mol. Oncology; PhD, Mol. Neuroscience
Substantial scientific output on Psychiatry and Neurosciences. Skills in Genetics and epidemiology of complex traits and disorders. Longstanding experience in large-scale, international initiatives



Henrik Sindal Jensen

Born 1969
Male
Danish
Elected 2022



Katja Barnkob

Born 1969
Female
Danish
Elected 2022



Mikkel Helmer Nielsen

Born 1977
Male
Danish
Elected 2022



Morten Egholm Aagaard

Born 1976
Male
Danish
Elected 2022

Employee elected	Elected by the employees of H. Lundbeck A/S	Elected by the employees of ALK-Abelló A/S	Elected by the employees of Falck A/S	Elected by the employees of Falck A/S
Shareholdings		480 shares in ALK-Abelló A/S		
Other board and management positions	<ul style="list-style-type: none"> Senior Director in Corporate Business Development & Licensing 	<ul style="list-style-type: none"> Project Director Member of the Board of ALK-Abelló A/S 	<ul style="list-style-type: none"> Digital Program Manager 	<ul style="list-style-type: none"> Paramedic
Education	<p>PhD Neuroscience (University of Copenhagen)</p> <p>MSc Molecular Biology and BSc Chemistry (University of Aarhus)</p>	Cand. Scient Biochemistry	<p>Certified Business Economist (CBEcon)</p> <p>Lieutenant Firefighter</p>	

Management



Lene Skole

Born 1959
Female
Danish
Joined 2014



Arne Due-Hansen

Born 1962
Male
Danish
Joined 2022



Christian Elling

Born 1968
Male
Danish
Joined 2012



Inge Berneke

Born 1970
Female
Danish
Joined 2019

Management position Chief Executive Officer

Senior Vice President, Strategic Ownerships

Senior Vice President, BioCapital

Senior Vice President, Corporate Affairs

Shareholdings 61,270 B-shares in H. Lundbeck A/S and 23,000 shares in ALK-Abelló A/S

Board positions Chair of the board of Ørsted A/S and deputy chair of the boards of H. Lundbeck A/S*, ALK-Abelló A/S*, Falck A/S*, Nordea Bank Abp and The Committee on Foundation Governance

Chair of the board of Cresco Capital Services A/S and deputy chair of the board of Obel-LFI Ejendomme A/S
Member of the boards of Ferrosan Medical Devices Group, Ellab Group and LFI Silva Investments A/S

Chair of the boards of SNIPR Holdings ApS*, SNIPR Biome ApS* and CytoKi Pharma ApS*
Member of the boards of IO Biotech, Inc and NMD Pharma A/S

Member of the boards of Louisiana-Fonden, Louisiana Museumsfonden and CFL
Member of the Committee of Representatives, Forenet Kredit

* Board positions included in the position as CEO of the Lundbeck Foundation



Jan Egebjerg

Born 1962
Male
Danish
Joined 2019



Peter Rothausen

Born 1972
Male
Danish
Joined 2018



Søren Christiansen

Born 1967
Male
Danish
Joined 2017

Management position Senior Vice President, Grants & Prizes, Director of Science

Senior Vice President, Financial Investments and Head of Invest

Senior Vice President, Finance & People

Shareholdings

Board positions



Consolidated financial statements



Financial statements

Lundbeck Foundation Group

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Income statement

For the period 1 January – 31 December

DKKm	Note	2023	2022
Revenue	2	36,659	35,426
Cost of sales	3-5	-15,728	-15,905
Gross profit		20,931	19,521
Research and development costs	3-5	-4,155	-4,476
Sales and distribution costs	3-5	-9,317	-8,400
Administrative expenses	3-6	-3,663	-3,166
Other operating items, net	7	-6	-52
Operating profit		3,790	3,427
Share of net profit of associates accounted for using the equity method	15	-34	-
Financial income	8	5,413	3,242
Financial expenses	8	-2,213	-4,904
Profit before tax		6,956	1,765
Tax on profit for the year	9	-683	-554
Profit for the year		6,273	1,211
Profit attributable to:			
Lundbeckfonden		5,159	-126
Non-controlling interests	24	1,114	1,337
Profit for the year		6,273	1,211
Grants authorised, gross	10	592	550

Statement of comprehensive income

For the period 1 January – 31 December

DKKm	Note	2023	2022
Profit for the year		6,273	1,211
Actuarial gains/losses	25	-25	230
Tax	9	5	-49
Items that will not subsequently be reclassified to the income statement		-20	181
Currency translation reserve:			
Currency translation, foreign subsidiaries		-324	617
Currency translation concerning additions to net investments in foreign subsidiaries		-7	25
Hedging of net investments in foreign subsidiaries		17	-163
Deferred gains/losses on cash flow hedge, exchange rate		117	-347
Deferred gains/losses on cash flow hedge, interest rate		-19	39
Deferred gains/losses on cash flow hedge, price		-78	128
Exchange gains/losses, hedging (transferred to revenue)		-137	588
Tax on other comprehensive income	9	18	-64
Items that may subsequently be reclassified to the income statement		-413	823
Other comprehensive income for the year, net of tax		-433	1,004
Total comprehensive income for the year		5,840	2,215
Attributable to:			
Lundbeckfonden		4,864	541
Non-controlling interests	24	976	1,674
Total comprehensive income for the year		5,840	2,215

Balance sheet

At 31 December, Assets

DKKm	Note	2023	2022
Goodwill		9,977	10,037
Product rights		14,903	16,741
Brands		514	514
Customer contracts		131	191
Other intangible assets		561	469
Intangible assets	11	26,086	27,952
Property, plant and equipment	12	5,515	5,341
Right-of-use assets	13	1,717	1,682
Biological assets	14	317	289
Tangible assets		7,549	7,312
Investments in associates	15	2,619	874
Financial assets	16	23,887	21,548
Deferred tax	17	1,470	1,324
Income tax		198	193
Other financial assets		410	522
Other non-current assets		28,584	24,461
Non-current assets		62,219	59,725

DKKm	Note	2023	2022
Inventories	18	5,892	5,391
Trade receivables	19	5,004	4,660
Other receivables		980	1,278
Prepayments		373	494
Contract assets	20	408	322
Income tax		240	191
Receivables		7,005	6,945
Securities	21	536	963
Cash and bank balances	21	6,080	4,609
Current assets		19,513	17,908
Assets		81,732	77,633

Balance sheet

At 31 December, Equity and liabilities

DKKm	Note	2023	2022
Capital base	22	4,357	4,162
Other reserves	23	2,337	2,744
Retained earnings		39,165	34,665
Lundbeckfonden's share of equity		45,859	41,571
Non-controlling interests' share of equity	24	9,287	8,593
Total equity		55,146	50,164
Payable grants		1,382	1,205
Provisions	25	935	762
Deferred tax	17	2,475	2,395
Income tax		230	203
Debt to financial institutions and bond debt	26	6,533	7,585
Lease liabilities	26	1,323	1,280
Contract liabilities	27	46	51
Other payables	28	439	428
Non-current liabilities		13,363	13,909

DKKm	Note	2023	2022
Payable grants		656	648
Provisions	25	1,207	1,299
Income tax		681	622
Debt to financial institutions	26	293	395
Lease liabilities	26	476	409
Contract liabilities	27	673	732
Other payables	28	9,237	9,455
Current liabilities		13,223	13,560
Liabilities		26,586	27,469
Equity and liabilities		81,732	77,633

Cash flow statement

For the period 1 January – 31 December

DKKm	Note	2023	2022
Operating profit		3,790	3,427
Adjustment for non-cash operating items	29	3,370	2,578
Working capital changes	30	-1,213	-1,547
Cash flows from operating activities before financial receipts and payments and tax		5,947	4,458
Financial receipts		737	701
Financial payments		-419	-804
Income tax paid		-681	-381
Cash flows from operating activities		5,584	3,974
Acquisition of businesses	31	-101	-3
Contingent consideration payment from acquisition of company	31	-	-1,076
Divestment of businesses	31	-	998
Investments in intangible assets	11	-298	-516
Investments in property, plant and equipment	12	-800	-912
Investments in biological assets	14	-33	-81
Disposal of intangible assets and property, plant and equipment		129	96
Investments in associated companies		-1,778	-874
Investments in financial assets measured at fair value through profit or loss		-6,029	-5,349
Sale of financial assets measured at fair value through profit or loss		7,175	5,619
Investments in other financial assets, net		4	2
Cash flows from investing activities		-1,731	-2,096
Cash flows from operating and investing activities (free cash flow)		3,853	1,878

DKKm	Note	2023	2022
Proceeds from loans and issue of bonds	26	2,155	2,397
Repayment of loans and lease liabilities	26	-3,773	-2,484
Purchase of treasury shares in subsidiaries		-43	-91
Sale of treasury shares in subsidiaries		12	42
Capital increase from non-controlling interests		1	4
Settlement of exercised share options and warrants		-20	-11
Dividends paid to non-controlling interests		-285	-861
Other transactions with non-controlling interests		-	-57
Authorised grants paid		-395	-549
Cash flows from financing and grant-making activities		-2,348	-1,610
Cash flows from operations		1,505	268
Net cash flow for the year		1,505	268
Cash at 1 January	21	4,609	4,321
Unrealised exchange rate adjustments for the year		-34	20
Cash at 31 December	21	6,080	4,609

Statement of changes in equity

For the period 1 January – 31 December

DKKm	Capital base	Other reserves	Retained earnings	Lundbeck-fonden's share of equity	Non-controlling interests' share of equity	Total equity
Equity at 1 January 2023	4,162	2,744	34,665	41,571	8,593	50,164
Profit for the year	-	-	5,159	5,159	1,114	6,273
Other comprehensive income	-	-407	112	-295	-138	-433
Comprehensive income	-	-407	5,271	4,864	976	5,840
Grants for the year, net	-	-580	-	-580	-	-580
Provision for future grants	-	580	-580	-	-	-
Non-controlling interests' share of dividends	-	-	-	-	-285	-285
Purchase of treasury shares in subsidiaries	-	-	-30	-30	-13	-43
Sale of treasury shares in subsidiaries	-	-	7	7	5	12
Change in non-controlling interests	-	-	5	5	-5	-
Incentive programmes	-	-	30	30	18	48
Repurchase obligation of treasury shares	-	-	-8	-8	-5	-13
Other adjustments	-	-	1	1	2	3
Tax related to items recognised directly on equity	-	-	-1	-1	1	-
Other transactions	-	-	-576	-576	-282	-858
Increase of capital base	195	-	-195	-	-	-
Equity at 31 December 2023	4,357	2,337	39,165	45,859	9,287	55,146

DKKm	Capital base	Other reserves	Retained earnings	Lundbeck-fonden's share of equity	Non-controlling interests' share of equity	Total equity
Equity at 1 January 2022	3,901	1,921	35,799	41,621	7,801	49,422
Profit for the year	-	-	-126	-126	1,337	1,211
Other comprehensive income	-	823	-156	667	337	1,004
Comprehensive income	-	823	-282	541	1,674	2,215
Grants for the year, net	-	-539	-	-539	-	-539
Provision for future grants	-	539	-539	-	-	-
Non-controlling interests' share of dividends	-	-	-	-	-861	-861
Purchase of treasury shares in subsidiaries	-	-	-77	-77	-14	-91
Sale of treasury shares in subsidiaries	-	-	17	17	25	42
Change in non-controlling interests	-	-	-13	-13	-44	-57
Incentive programmes	-	-	27	27	18	45
Other adjustments	-	-	-	-	4	4
Tax related to items recognised directly on equity	-	-	-6	-6	-10	-16
Other transactions	-	-	-591	-591	-882	-1,473
Increase of capital base	261	-	-261	-	-	-
Equity at 31 December 2022	4,162	2,744	34,665	41,571	8,593	50,164

Note 1

Basis of preparation

Reporting entity

Lundbeckfonden (the Lundbeck Foundation) is domiciled in Denmark. The Foundation's registered office is at Scherfigsvej 7, 2100 Copenhagen. These consolidated financial statements comprise the Parent Foundation and its subsidiaries.

Basis of accounting

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act. The consolidated financial statements were approved by the Board of Directors on 12 March 2024.

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

Details of the Group's accounting policies are included in this note and note 36 Material accounting policy information.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

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

Principal accounting policies

The consolidated financial statements have been prepared to give a true and fair view of the Group's financial position at 31 December 2023 and financial performance for the year. The material accounting policies are described in note 36 Material accounting policy information. Management believes that the accounting policies listed in the following section, Use of judgements and estimates, are principal to the financial statements.

Use of judgements and estimates

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

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

Management believes that the accounting estimates, assumptions and judgments that appear in the table below are significant to the consolidated financial statements.

Changes in material accounting policy information

New and amended standards adopted by the group
Effective 1 January 2023, a number of amendments to the accounting standards were implemented.

None of the amendments have a material impact on the accounting policies and/or on the consolidated financial statements. Consequently, no material changes to the accounting policies or retrospective adjustments have

been made as a result of adopting these standards and/or amendments. For details, see below.

Global minimum top-up tax (Pillar II)

The Group has adopted the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about Pillar Two exposure, see note 17 Deferred tax.

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

Material accounting policy information

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

Principal accounting policies	Key accounting estimates, assumptions and judgements	Notes
Provision for discounts and rebates	Estimate of discounts and rebates in the USA	25
Income tax and deferred income taxes	Judgement and estimate of deferred tax assets and liabilities and provision for uncertain tax positions	9,17
Intangible assets	Judgement and estimates when determining the carrying amounts in connection with capitalisation of intangible assets Estimate of the value-in-use methodology for impairment of intangible assets	11
Inventory	Judgment and estimate of the provision for obsolescence	18
Financial assets	Estimate of fair value of unlisted investments	16,32
Provisions and contingent assets and liabilities	Estimate of ongoing legal disputes, environmental provisions, litigations and investigations	25,33
Other payables - contingent consideration	Assumptions and estimates used in the calculation of the fair value related to contingent consideration from the businesses acquired	28

Note 1

Basis of preparation - continued

Management reviewed the accounting policies and made updates to the information disclosed in note 36 Material accounting policy information (2022: Significant accounting policies) in certain instances in line with the amendments.

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

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

New standards and amendments issued but not yet effective

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

The amended standards are as follows:

- Classification of liabilities as current or non-current and non-current liabilities with covenants (Amendments to IAS 1 Presentation of Financial Statements)

- Supplier finance arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)
- Lease liability in a sale and leaseback (Amendments to IFRS 16 Leases)
- Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

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

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

Note 2 Revenue

DKKm	2023	2022
Europe	16,080	16,029
North America	14,428	13,273
Rest of the world	6,151	6,124
Total	36,659	35,426
Brain diseases (Lundbeck)	19,912	18,246
Allergy treatment (ALK)	4,824	4,511
Ambulance Europe, Ambulance US, Fire Services, Employee and Labour Market services, Consumer and Technical services and Community Health services (Falck)	11,913	12,647
Other	10	22
Total	36,659	35,426

Revenue includes:	2023	2022
Sale of goods	24,064	21,930
Rendering of services	11,795	12,520
Downpayments and milestone payments	7	2
Royalties	793	974
Total	36,659	35,426
Revenue in Denmark	4,049	4,813

Brain diseases (Lundbeck)

DKKm	2023	2022
Abilify Maintena*	3,187	2,964
Brintellix*/Trintellix*	4,324	4,277
Rexulti*/Rxulti*	4,525	3,890
Vyepti*	1,697	1,004
Strategic brands	13,733	12,135
Ciprallex*/Lexapro*	2,135	2,360
Sabril*	336	636
Other pharmaceuticals	3,244	3,426
Other revenue	327	277
Effects from hedging	137	-588
Total	19,912	18,246

Allergy treatment (ALK)

DKKm	2023	2022
SCIT/SLIT-drops	1,939	1,748
SLIT-tablets	2,296	2,102
Other products and services	589	661
Total	4,824	4,511

Note 2 Revenue - continued

Falck	2023	2022
DKKm		
Ambulance Europe	3,508	4,270
Ambulance US	2,691	2,412
Fire Services	1,365	1,313
Employee and Labour Market services	1,683	1,777
Consumer and Technical services	1,875	1,845
Community Health services	872	786
Eliminations	-76	-61
Total core business	11,918	12,342
Portfolio business	-	321
Eliminations	-5	-16
Total	11,913	12,647

Ambulance Europe's revenue in 2022 included testing activities of DKK 617m.

Note 3 Employee costs

DKKm	2023	2022
Wages and salaries	13,078	12,770
Share-based payments	71	59
Pensions	756	736
Other social security costs	1,418	1,391
Severance and other costs from restructuring activities	59	-
Total	15,382	14,956
The year's employee costs are specified as follows:		
Cost of sales	8,182	8,363
Research and development costs	1,326	1,301
Sales and distribution costs	3,700	3,378
Administrative expenses	2,044	1,842
Other operating items, net	49	9
Included in the cost of assets	81	63
Total	15,382	14,956
Average number of full-time employees during the year	27,350	28,083
Number of employees at year-end	33,963	33,197

DKKm	2023	2022
Remuneration in the Group including remuneration for board positions in subsidiaries:		
Total remuneration to key management of Lundbeckfonden	18.1	16.9
Total remuneration (fees) to the Board of Directors of Lundbeckfonden	9.6	8.9
Total	27.7	25.8
Key management, Lene Skole, CEO		
Salary	11.8	11.4
Cash bonus	4.3	3.8
Pension	1.7	1.4
Non-cash benefits (company car and telephone)	0.3	0.3
	18.1	16.9

Note 3

Employee costs - continued

Fees to Board of Directors, DKKm	Membership	Board			2023 Total	Board			2022 Total
		member fee	Committees	Subsidiaries		member fee	Committees	Subsidiaries	
Steffen Kragh	Chair of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	1.0	0.3	-	1.3	1.0	0.3	-	1.3
Peter Schütze	Deputy Chair of the Foundation and Lundbeckfond Invest A/S and member of the Investment Committee	0.6	0.3	0.7	1.6	0.6	0.3	0.7	1.6
Lars Holmqvist	Chair of the Investment Committee	0.3	0.4	1.0	1.7	0.3	0.4	1.0	1.7
Michael Kjær	Member of the Research Committee	0.3	0.4	-	0.7	0.3	0.3	-	0.6
Susanne Krüger Kjær	Chair of the Research Committee since 27 March 2023	0.3	0.5	-	0.8	0.3	0.3	-	0.6
Svend Andersen	Member of the Investment Committee	0.3	0.3	-	0.6	0.2	0.3	-	0.5
Thomas Mears Werge	Member of the Research Committee since 27 March 2023	0.3	0.3	-	0.6	-	-	-	-
Henrik Sindal Jensen	Employee representative from H. Lundbeck A/S	0.4	-	-	0.4	0.3	-	-	0.3
Katja Barnkob	Employee representative from ALK-Abelló A/S	0.4	-	0.3	0.7	0.3	-	0.2	0.5
Mikkel Helmer Nielsen	Employee representative from Falck A/S	0.4	-	-	0.4	0.3	-	-	0.3
Morten Egholm Aagaard	Employee representative from Falck A/S	0.4	-	-	0.4	0.3	-	-	0.3
Gunhild Waldemar	Former Chair of the Research Committee, stepped down on 27 March 2023	0.3	0.1	-	0.4	0.4	0.4	-	0.8
Ludovic Tranholm Otterbein	Employee representative from H. Lundbeck A/S stepped down on 22 March 2022	-	-	-	-	0.1	-	0.1	0.2
Vagn Flink Møller Pedersen	Employee representative from Falck A/S stepped down on 22 March 2022	-	-	-	-	0.1	-	-	0.1
Kristian Funding Andersen	Employee representative from ALK-Abelló A/S, from 30 June 2021 to 22 March 2022	-	-	-	-	0.1	-	-	0.1
Total		5.0	2.6	2.0	9.6	4.6	2.3	2.0	8.9

Note 4 Incentive programmes

Lundbeckfonden

The Executive Management of Lundbeckfonden participates in a short-term incentive programme that provides an annual bonus for the achievement of pre-determined targets. Bonuses under the programme amounted to DKK 4.3m in 2023 (DKK 3.8m in 2022), which was equivalent to 100% of the maximum, and will be paid out with a delay of 12 months.

In addition, Lundbeckfonden has incentive programmes to be able to attract and retain skilled and qualified employees. The costs related to the programmes are recognised as employee costs when there is certainty about the amount due and the time of payment.

Subsidiaries

To attract, retain and motivate key employees and align their interests with those of the shareholders, a number of incentive programmes have been established in Lundbeck, ALK and Falck. The Group uses short-term incentive programmes that provide an annual bonus for the achievement of pre-determined targets for the financial year, as well as long-term, equity-based and debt-based programmes, as described below.

Lundbeck

Lundbeck uses equity- and cash-settled programmes.

Equity-settled programmes

As from 2023, Lundbeck has established a performance share units (PSU) programme in substitution for the previous restricted share units (RSU) programme for Lundbeck's Registered Executive Management and key

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

PSU and RSU programmes ¹	2023	2022	2021	2020	2019
Number of persons included in the programme	166	176	139	135	139
Total number of PSUs/RSUs granted	1,738,514	1,592,060	801,365	695,595	639,495
Number of PSUs/RSUs granted to the registered Executive Management	407,514	385,659	173,905	149,615	140,640
Vesting date	01.02.26	01.02.2025	01.02.2024	01.02.2023	01.02.2022
Fair value at the date of grant, DKK	28.29	28.43	47.24	51.68	53.94

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

Cash-settled programmes

In 2023, the cash-settled programmes consisted of performance cash units (PCUs) and restricted cash units

(RCUs). The cash-settled programmes cannot be converted into shares as this programme is settled in cash.

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

the vesting date. The fair value at the time of the initial grant was DKK 28.29 per PCU (DKK 28.43 per RCU for the 2022 programme).

Fair value, liability and expense recognised in the statement of profit or loss

The PSUs/RSUs granted are recognised in profit or loss for 2023 and 2022 at an expense corresponding to the

fair value at the time of grant for the part of the vesting period attributable to each one. The total expense recognised in respect of equity-settled programmes amounted to DKK 36m (DKK 30m in 2022). At 31 December 2023, the fair value of the remaining equity-settled programmes was DKK 120m (DKK 84m at 31 December 2022).

The PCUs/RCUs granted are recognised in the statement of profit or loss at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share. The total expense recognised in respect of cash-settled programmes amounted to DKK 5m (DKK 4m in 2022) and covers all cash-settled programmes in force at 31 December 2023. At 31 December 2023, the total liability in respect of cash-settled programmes was DKK 1m (DKK 10m at 31 December 2022).

The total expense recognised in profit or loss for all incentive programmes amounted to DKK 41m in 2023 (DKK 34m in 2022).

ALK

The incentive plans consist of share options, performance share units, and restricted stock units that are considered sufficiently covered by treasury shares.

The share options entitle the holder to acquire one existing B share of DKK 0.5 nominal value in the company per share option. The performance share units and restricted stock units entitle the holder to receive one existing B share per performance share unit or restricted stock unit free of charge.

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

Note 4 Incentive programmes - continued

The vesting period for both share options, performance share units, and restricted stock units is three years after grant. Vesting of share options and performance share units is conditional upon certain targets being met and upon the participant not having resigned. Target achievement is met upon fulfilment of strategic key performance indicators. In case performance is below the threshold there will be no units vesting, and if above target, a multiplier is applied that can increase the vesting by up to 100%. Vesting of restricted stock units is conditional upon continued employment.

The exercise of share options is possible in the trading windows following the release of annual and interim reports conditional upon the share option holder not having resigned at the time of exercise. For performance share units and restricted stock units, the final transfer of ownership takes place at vesting three years after the grant.

For the 2023 plans, a cap applies to the maximum total value gain from share options, performance shares, and restricted stock units at exercise and/or vesting, respectively, granted in a calendar year. The cap is four times the annual base salary at the time of award of the share options, performance share units, and restricted stock units concerned.

Expensed in the income statement

In 2023, the total cost of share-based payments included a financial income of DKK 0m due to the exercise and cash settlement of share options (2022: DKK 0). The total cost included DKK 8m related to adjustment in the share options and performance share units expected to vest (2022: DKK 3m).

Specification of outstanding share options and performance share units:

Units	Share options				Performance share units			Restricted stock units
	Board of Management	Other key employees	Total	Weighted average exercise price, DKK	Board of Management	Other key employees	Total	Board of Management
1 January 2023	590,120	638,740	1,228,860	82	79,020	423,920	502,940	-
Additions	397,661	86,657	484,318	86	25,358	165,452	190,810	151,997
Exercised/settled	-192,320	-241,899	-434,219	48	-42,895	-202,216	-245,111	-
Change in Board of Management ¹⁾	-307,650	307,650	-	-	-8,240	8,240	-	-
Cancellations	-	-24,880	-24,880	106	-24,980	-8,280	-33,260	-
31 December 2023	487,811	766,268	1,254,079	95	28,263	387,116	415,379	151,997
Total number of vested share options			451,150					
Average remaining life at year-end (years)			2.6					
Exercise prices at year-end (DKK)			59-144					
1 January 2022	1,285,800	768,180	2,053,980	59	130,220	518,180	648,400	-
Additions	261,420	227,420	488,840	108	58,860	244,980	303,840	-
Exercised/settled	-851,200	-356,860	-1,208,060	48	-92,720	-328,540	-421,260	-
Cancellations	-105,900	-	-105,900	90	-17,340	-10,700	-28,040	-
31 December 2022	590,120	638,740	1,228,860	82	79,020	423,920	502,940	-
Total number of vested share options			507,180					
Average remaining life at year-end (years)			2.0					
Exercise prices at year-end (DKK)			41-141					

The Board of Directors decided for two trading windows in 2023 to settle share options by cash and a total of 434,219 share options were exercised and total cash payments amounted to DKK 14m. The Board of Directors decided not to open two trading windows for exercises in 2023.

The Board of Directors decided for four trading windows in 2022 to settle share options by shares and a total of 1,208,060 share options were exercised.

1) The In relation to the resignation of the previous CEO, it was agreed that he kept his outstanding share options and the related outstanding costs were accelerated, while outstanding performance share units were cancelled.

Note 4 Incentive programmes - continued

Outstanding share options and performance share units have the following characteristics:

Plan	Share options				Performance share units		Performance share units	
	Units	Exercise price, DKK	Vested as per	Exercise period (years)	Units	Vested as per	Units	Vested as per
2019 Plan	106,380	59	01.03.2022	2				
2020 Plan	344,770	75	01.03.2023	2				
2021 Plan	193,560	125	01.03.2024	2	131,860	01.03.2024		
2022 Plan	174,380	150	01.03.2025	2	124,680	01.03.2025		
2023 Plan	111,470	104	01.04.2026	4	158,839	01.04.2026		
2023 Plan, special	323,519	82	01.06.2026	4			21,925	01.03.2026
2023 Plan, special							130,072	01.11.2026
31 December 2023	1,254,079				415,379		151,997	

Fair value of share options and performance share units granted

Share options

Fair value at grant date is measured in accordance with the Black & Scholes model for valuation of share options, using the following assumptions:

	2023		
	2023 Plan	Special plan	2022 Plan
Average share price (DKK)	104	82	141
Expected exercise price (DKK)	104	82	152
Expected volatility rate, based on the historical volatility	36% p.a.	38% p.a.	35% p.a.
Expected option life	5 years	5 years	4 years
Expected dividend per share	-	-	-
Risk-free interest rate	2.57% p.a.	2.73% p.a.	0.14% p.a.
Calculated fair value of granted share options (DKK)	37	31	33

Performance share units

Performance share units have been granted at DKK 104 per share (2022: DKK 141 per share).

Restricted stock units

Restricted stock units have been granted at DKK 105 and DKK 77 per share for the respective 2023 plans. No restricted stock units were granted in 2022.

Falck

The remuneration of the members of the Executive Committee consists of three key components: base salary, a short-term incentive plan and a long-term incentive plan.

The short-term incentive programme is a cash-based one-year programme with focus on financial, commercial and ESG KPIs.

The long-term incentive programme is a cash-based incentive on a three-year performance period with a 50% EBITA target and 50% on implementation of strategic Care for more '27 initiatives at the end of the three-year period.

Group

Recognised expenses, DKKm	2023	2022
Recognised expenses concerning equity-based schemes	66	57
Recognised expenses concerning cash-based schemes	5	4
Total recognised expenses	71	61

Note 5 Depreciation, amortisation and impairment

DKKm	2023	2022
Depreciation, amortisation and impairment are specified as follows:		
Cost of sales	2,613	2,401
Research and development costs	83	95
Sales and distribution costs	132	136
Administrative expenses	124	123
Other operating items, net	-11	112
Total	2,941	2,867

The amounts include gains and losses on disposal of intangible and tangible assets.

Note 6 Fees to auditors appointed at the annual meeting

DKKm	2023	2022
Administrative expenses include fees to the Group auditors appointed at the annual meeting in the amount of:		
Statutory audit	24	22
Other assurance engagements	1	2
Tax advisory services	3	2
Other services	3	7
Total	31	33

PwC audits the consolidated financial statements of the Lundbeck Foundation and a majority of the subsidiaries' financial statements.

Revisionspartnerselskab, Denmark, consisted of consultancy services, other assurance services and other accounting and tax advisory services.

The fee for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret

Note 7 Other operating items, net

DKKm	2023	2022
Transaction costs related to acquisitions and divestments	-1	-21
Change in value of biological assets and related land	8	19
Gain on sales of assets, net	11	8
Redundancy and restructuring costs, etc.	-63	-9
Impairment of goodwill (Falck)	-	-113
Other operating income	39	64
Total	-6	-52

In 2022, the change in value of biological assets and related land included an impairment on property and land of DKK 7m.

Note 8 Financial items

DKKm	Lundbeck, ALK and Falck		BioCapital		Invest etc.		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Financial income								
Interest on financial assets measured at amortised cost	116	48	-	-	-	-	116	48
Interest on financial assets measured at fair value through profit or loss	-	-	-	-	333	218	333	218
Interest on receivables from associates	-	-	4	6	-	-	4	6
Dividends from associates	-	-	-	-	-	100	-	100
Dividends from portfolio investments	-	-	-	-	287	309	287	309
Gains on financial assets at fair value through profit or loss	4	31	1,331	165	3,317	1,425	4,652	1,621
Gains from divestments of enterprises	-	808	-	-	-	-	-	808
Fair value adjustment of contingent considerations	4	71	-	-	-	-	4	71
Exchange gains	3	21	-	-	6	16	9	37
Other financial income	3	1	-	22	5	1	8	24
Total financial income	130	980	1,335	193	3,948	2,069	5,413	3,242
Financial expenses								
Interest on financial liabilities measured at amortised cost	195	186	-	-	13	3	208	189
Interest component, discounted liabilities	31	34	-	-	-	-	31	34
Losses on financial assets at fair value through profit or loss	25	7	522	758	1,066	3,465	1,613	4,230
Fair value adjustment of contingent considerations	10	300	-	-	-	-	10	300
Exchange losses	212	36	-	-	9	16	221	52
Losses from divestment of enterprises	2	-	-	-	-	-	2	-
Other financial expenses	59	84	41	-	28	15	128	99
Total financial expenses	534	647	563	758	1,116	3,499	2,213	4,904
Net financials	-404	333	772	-565	2,832	-1,430	3,200	-1,662

Fair value adjustment of contingent consideration in 2022 comprises DKK 278m related to the increase of the probability of success of milestone payments from 83.2% to 100% which occurred in the first quarter of 2022 following the European Medicines Agency (EMA) approval. For details, see note 28 Other payables.

Note 9

Tax on profit for the year

DKKm	2023	2022
Current tax	673	542
Prior-year adjustment, current tax	34	-1
Prior-year adjustment, deferred tax	-65	-27
Change of deferred tax for the year	17	164
Change of deferred tax as a result of changed income tax rates	1	5
Total tax for the year	660	683
Tax for the year is composed of:		
Tax on profit for the year	683	554
Tax on other comprehensive income	-23	113
Tax on other transactions in equity	-	16
Total tax for the year	660	683
Tax on other comprehensive income, DKKm		
	2023	2022
Actuarial gains/losses	-5	49
Currency translation, foreign subsidiaries	4	10
Currency translation on additions to net investments in foreign subsidiaries	4	-36
Value adjustment of interest-hedging instruments	-5	9
Deferred gains/losses on cash flow hedge, price	-17	28
Adjustment, deferred exchange gains/losses, hedging	26	-76
Exchange gains/losses, hedging (transferred to the hedged items)	-30	129
Total tax on other comprehensive income	-23	113

Uncertain tax positions

The Group operates in a multinational tax environment. Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear or may change over time. In addition, transfer-pricing disputes with tax authorities may occur. Management's judgements are applied to assess the possible effect of exposures and the possible outcome of disputes or interpretational uncertainties.

The net accrual for uncertain tax positions amounts to DKK 595m (DKK 568m at 31 December 2022). Management believes that the accrual is adequate. However, the actual obligation may differ from the accrual made and depends on the outcome of litigations and settlements with the relevant tax authorities.

Explanation of the Group's effective tax rate relative to the Danish tax rate 2023	DKKm	%
Profit before tax	6,956	
Calculated tax, 22%	1,530	22
Tax effect of:		
Differences in income tax rates of foreign subsidiaries from Danish corporate income tax rate	122	2
Non-deductible/non-taxable items and other permanent differences	-157	-2
Non-capitalised tax losses etc., for the year	31	-
Research and development activities (tax credits)	-52	-1
Foreign-derived intangible income benefit	-31	-
Prior-year tax adjustments etc., total effect on operations	-31	-1
Change in valuation of net tax assets	-411	-6
Deduction for grants	-308	-4
Other taxes and adjustments	-11	-
Change of deferred tax as a result of changed income tax rates	1	-
Effective tax for the year	683	10

Explanation of the Group's effective tax rate relative to the Danish tax rate 2022	DKKm	%
Profit before tax	1,765	
Calculated tax, 22%	388	22
Tax effect of:		
Differences in income tax rates of foreign subsidiaries from Danish corporate income tax rate	44	3
Non-deductible/non-taxable items and other permanent differences	-46	-3
Non-capitalised tax losses etc., for the year	233	13
Research and development activities (tax credits)	-82	-5
Non-deductible impairment of goodwill	36	2
Foreign-derived intangible income benefit	-33	-2
Prior-year tax adjustments etc., total effect on operations	-28	-1
Change in valuation of net tax assets	22	1
Other taxes and adjustments	15	1
Change of deferred tax as a result of changed income tax rates	5	-
Effective tax for the year	554	31

Note 10 Grants

DKKm	2023	2022
LF Professorships	80	-
LF Collaborative Projects	-	174
LF Projects	98	-
LF & NIH Brain Initiative	-	6
LF Start-Up Programme	-	10
Research in neuroscience	178	190
LF Ascending Investigators	68	54
LF Experiment	63	49
LF Postdocs	41	49
LF Projects	-	3
LF Visiting Professor, LF Sabbatical leave & LF Larger international meetings and conferences	2	3
Pioneer centre	80	-
Research benefitting neuroscience	254	158
LF Early-Career Clinician Scientists	16	21
LF Fellowships	61	70
LF Pre-Graduate Scholarships	7	6
Universitetshospitalernes Center for Sundhedsfaglig Forskning	2	2
Talent development in biomedical science	86	99

DKKm	2023	2022
The Brain Prize	10	10
LF Talent Prizes	2	2
LF Young Investigator Prize	1	1
LF Scientific Enrichment Prize	-	-
Prizes	13	13
LF Frontier grants, Neurotorium, LF Investigator Network & LF Diversity	29	11
Pioneer centre	-	43
Other grants & purposes §6J	7	12
Other purposes	36	66
Science Education & Communication and Diversity	25	24
Grants authorised, gross	592	550
Descendants	-	-
Reversed grants/repayments	-12	-11
Grants for the year, net	580	539

Donations to descendants amounted to DKK 196,200 (DKK 196,200 in 2022).

Note 11

Intangible assets

DKKm	Goodwill	Product rights	Brands	Customer contracts	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2023	11,855	33,025	514	250	3,347	131	49,122
Currency translation	-138	-499	-	-17	-4	-	-658
Reclassifications/transfers	-	-	-	-	39	-39	-
Additions on acquisitions	71	-	-	-	40	-	111
Additions	-	112	-	-	80	106	298
Disposals	-22	-	-	-	-41	-	-63
Disposals on divestments	-	-	-	-	-	-	-
Cost at 31 December 2023	11,766	32,638	514	233	3,461	198	48,810
Amortisation and impairment at 1 January 2023	-1,818	-16,284	-	-59	-3,009	-	-21,170
Currency translation	7	260	-	4	4	-	275
Amortisation	-	-1,584	-	-47	-118	-	-1,749
Impairment	-	-127	-	-	-	-	-127
Amortisation and impairment on disposals	22	-	-	-	25	-	47
Amortisation and impairment at 31 December 2023	-1,789	-17,735	-	-102	-3,098	-	-22,724
Carrying amount at 31 December 2023	9,977	14,903	514	131	363	198	26,086

Product rights at 31 December 2023 included product rights not yet commercialised amounting to DKK 1,973m.

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

Additions on acquisitions are related to Falck's acquisition of MedConnect A/S. The acquisitions of goodwill, customer contracts, software, and other intangible assets have primarily been made to achieve synergies with Falck's existing business units, to further develop existing markets and to establish a presence in new markets.

Please refer to note 31.1 for information about additions on acquisitions.

Note 11

Intangible assets - continued

DKKm	Goodwill	Product rights	Brands	Customer contracts	Other intangible assets	Ongoing projects	Total
Cost at 1 January 2022	11,769	31,780	556	263	3,451	133	47,952
Currency translation	257	886	-2	-12	6	1	1,136
Reclassifications/transfers	-	-	-	-	57	-57	-
Additions on acquisitions	4	-	-	-	-	-	4
Additions	-	359	-	-	83	74	516
Disposals	-1	-	-40	-1	-209	-20	-271
Disposals on divestments	-174	-	-	-	-41	-	-215
Cost at 31 December 2022	11,855	33,025	514	250	3,347	131	49,122
Amortisation and impairment at 1 January 2022	-1,709	-14,419	-3	-12	-3,071	-	-19,214
Currency translation	4	-382	2	3	-7	-	-380
Amortisation	-	-1,396	-39	-51	-137	-	-1,623
Impairment	-114	-87	-	-	-	-	-201
Amortisation and impairment on disposals	1	-	40	1	168	-	210
Amortisation and impairment on divestments	-	-	-	-	38	-	38
Amortisation and impairment at 31 December 2022	-1,818	-16,284	-	-59	-3,009	-	-21,170
Carrying amount at 31 December 2022	10,037	16,741	514	191	338	131	27,952

Product rights at 31 December 2022 included product rights not yet commercialised amounting to DKK 1,973m.

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

Please refer to note 31.1 for information about additions on acquisitions.

Impairment testing goodwill

As required by IFRS, intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment annually, irrespective of whether there is any indication of impairment.

Management has performed impairment tests of goodwill related to the investments in the subgroups.

The impairment test for 2023 did not result in recognition of any impairment losses on goodwill.

Based on sensitivity analyses related to the impairment test for 2023, it is Management's opinion, that no probable change in any key assumptions would result in impairment losses

The impairment test for 2022 identified a need for impairment of goodwill of DKK 113m related to Ambulance US. During 2023, both revenue and earnings for Ambulance US have developed positively.

Note 11 Intangible assets - continued

Furthermore, in 2022, ALK closed down activities in Turkey which resulted in recognition of impairment of goodwill of DKK 1m.

Methodology used for Lundbeck

At 31 December 2023, goodwill related to Lundbeck amounted to DKK 5,507m.

Goodwill has been tested at an aggregated level for Lundbeck as one cash-generating unit (CGU).

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

Methodology used for ALK

At 31 December 2023, goodwill related to ALK amounted to DKK 557m.

Goodwill has been tested at an aggregated level for ALK as one CGU.

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

Methodology used for Falck

At 31 December 2023, goodwill related to Falck amounted to DKK 3,913m.

Impairment tests are carried out per business segment which is the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles, i.e. goodwill and customer contracts, can be allocated and monitored with any reasonable certainty.

Impairment tests are carried out on the business segments Ambulance Europe, Ambulance US, Fire services, Employee and Labour Market services, Consumer and Technical services and Community Health services.

Goodwill and earnings related to MedConnect A/S acquired in October 2023 are not included in the impairment test for 2023. From 2024, the business will be included in the impairment test for Employee Labour Market services.

Impairment test of the Falck brand

The carrying amount of the Falck brand is tested at Falck Group level based on Falck's Group-wide cash flows (aggregate cash flows determined for each CGU) less the total carrying amount of the goodwill and other non-current assets. The impairment test shows significant headroom from comparing the value in use to the carrying amount of all assets in the Falck Group.

Key assumptions in the impairment test

The recoverable amounts for the CGUs are determined based on the value-in-use.

In the impairment tests, the discounted values of the future net cash flows of each of the CGUs value-in-use are compared with their carrying amounts. The value-in-use is calculated using certain key assumptions for the expected future cash flows and applied discount factor.

The cash flow projections are based on financial budgets and business plans approved by Management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience. In calculating the present value, discount

rates are applied using WACC, which includes estimates and external sources.

The value-in-use calculation comprises the following key assumptions:

- Revenue growth in the forecast period
- EBITA margin
- Discount rates
- Growth rate in terminal period
- Net working capital

Revenue growth

Revenue growth projections in the financial forecast for 2024-2028 are estimated based on current operations and the expected market development for the individual CGUs.

For Ambulance Europe, a decrease in revenue is expected based on the current contract portfolio in the Swedish market, but growth is expected from other geographical areas and from pursuing new business opportunities.

For Ambulance US, revenue growth is expected due to change in contract models and extension of contracts.

Employee and Labour Market services are expecting an increase in the revenue through organic growth and launch of new products from 2024 to 2028.

Consumer and Technical services are expecting an increase in revenue in the forecast period from new services and organic growth.

Community Health services expects revenue will grow from increased number of subscribers in the forecasting period.

Fire Services also expects overall growth in the forecasting period.

EBITA margin

When estimating the CGUs EBITA margin in the financial forecast for 2024-2028, past experiences are taken into consideration.

The EBITA margin in the forecasting period in Ambulance Europe is expected to gradually improve during the forecast period.

The EBITA margin in Ambulance US is still negatively impacted by labour market conditions, but still expected to be relatively stable in the forecasting period due to revenue cycle management and other operational efficiency initiatives.

The EBITA margin for Consumer and Technical services is also expected to be stable in the forecasting period.

Employee and Labor Market services, Community Health services and Fire services expect improvement in the EBITA margin during the forecast period due to continuous operational efficiency improvements.

Net working capital is based on historical experience for each CGU and thus increases on a linear basis as the level of activity increases.

Note 11

Intangible assets - continued

Discount rates and terminal growth

The discount rates for 2023 impairment testing purposes are based on calculation of weighted average cost of capital (WACC).

The cost of equity is calculated using Capital Asset Pricing Model (CAPM). The beta applied at year-end 2023 is obtained from comparable peers. Market risk premiums have been added based on observed market data.

The cost of debt is based on Falck's debt margin plus the risk-free interest to Falck's spread plus the risk-free interest of the countries in which the CGU operates.

The terminal growth rates are equal to the International Monetary Fund (IMF) projections of inflation in 2028.

Carrying amounts and key assumptions

The carrying amount of goodwill and customer contracts, and the key assumptions used in the impairment testing at 31 December are presented for each CGU:

2023, DKKm	Carrying amount		Forecasting period		Terminal period	Applied discount rate			
	Goodwill ¹⁾	Customer contracts	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance Europe	347	-	347	2.4%	2.8%	2.0%	4.3%	7.2%	8.9%
Ambulance US	286	-	286	1.5%	7.4%	2.1%	8.8%	8.5%	10.8%
Fire Services	348	-	348	2.5%	5.9%	2.0%	7.1%	7.7%	9.4%
Employee and Labour Market services	899	131	1,030	11.0%	5.2%	2.0%	6.7%	7.3%	8.6%
Consumer and Technical services	1,534	-	1,534	6.6%	19.6%	2.0%	21.7%	7.1%	8.3%
Community Health services	499	-	499	12.3%	18.4%	3.5%	18.0%	11.9%	15.7%
Total	3,913	131	4,044						

2022, DKKm	Carrying amount		Forecasting period		Terminal period	Applied discount rate			
	Goodwill	Customer contracts	Total	Total growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance Europe	302	-	302	-2.0%	2.9%	2.0%	4.2%	7.9%	9.4%
Ambulance US	301	-	301	-9.4%	3.6%	2.0%	3.5%	8.9%	11.9%
Fire Services	346	-	346	4.9%	7.2%	2.0%	8.5%	8.6%	10.6%
Employee and Labour Market services	853	191	1,044	6.3%	5.9%	2.0%	7.0%	7.9%	9.4%
Consumer and Technical services	1,482	-	1,482	5.0%	24.7%	2.0%	27.7%	7.9%	9.4%
Community Health services	432	-	432	11.1%	17.6%	3.4%	18.3%	14.6%	19.4%
Portfolio business	96	-	96	2.6%	15.2%	2.0%	15.7%	8.3%	10.1%
Total	3,812	191	4,003						

Impairment testing of other intangible assets

Other intangible assets in use with indefinite useful lives are tested for impairment if there is any indication of impairment. Furthermore, prior impairment losses are reviewed for possible reversal at each reporting date.

Lundbeck

Material product rights

Vyepti®

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

31 December 2022). The remaining amortisation period of the Vyepti® product rights is around 12 years.

Rexulti®

Rexulti® is a prescription medication used as an adjunctive therapy to antidepressants for the treatment of MDD and as a treatment for adults with schizophrenia in certain markets. Rexulti® is co-marketed in a partnership collaboration with Otsuka Pharmaceuticals Co., Ltd. The total carrying amount of

¹⁾ The goodwill of Portfolio business has been reallocated due to the changes to the business segments. Therefore, the carrying amounts and the key assumptions are not directly comparable with 2022.

Note 11 Intangible assets - continued

the Rexulti® product rights amounted to DKK 2,143m, net of amortisation, at 31 December 2023 (DKK 2,524m at 31 December 2022). The remaining amortisation period of the Rexulti® product rights is around six years.

Family of MAGLi compounds

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

Lundbeck performs impairment tests of product rights not yet commercialised and for product rights available for use, in case an indication of impairment is identified.

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

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

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

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

- **Financial elements:** Prices, rebates, quantities, patient population, market shares, competition, fill rates, prescription rates and Lundbeck costs
- **Market elements:** Healthcare reforms, price reforms, market access, pharma restrictions, launch success, product positioning, competing pharmaceuticals and generics on the market
- **R&D elements:** R&D spend, collaborations, pipeline success rate, product labelling and liaison with regulatory bodies
- **Other elements:** Supply chain effectiveness and strength and abilities of partners

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

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

Lundbeck's impairment tests performed in 2023 and 2022 did not result in the recognition of any impairment losses.

Impact of possible changes in key assumptions (product rights not yet commercialised)

If the budgeted revenue had been 5% lower than Management's estimates, the headroom would have continued to be positive. If the discount rate after tax applied to cash flows had been 0.5% higher, the headroom would have continued to be positive.

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

DySiS

The impairment test for 2023 identified a need for impairment on product rights of DKK 127m based on a value in-use calculation. The impairment loss was related to continued lower-than-expected commercial performance. In 2022, the impairment tests resulted in an impairment of DKK 87m.

ALK and Falck

ALK's and Falck's impairment tests performed in 2023 and 2022 did not result in the recognition of any impairment losses.

Impairment testing total

The impairment losses per intangible asset category can be specified as follows:

Impairment loss per intangible asset category, DKKm	2023	2022
Goodwill	-	114
Product rights	127	87
Impairment loss total	127	201

The impairment loss has been recognised in the income statement as follows:

Impairment loss recognised in the income statement, DKKm	2023	2022
Cost of sales	127	88
Other operating items, net	-	113
Impairment loss total	127	201

Note 12

Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments and assets under construction	Total
Cost at 1 January 2023	6,237	3,097	2,520	187	1,315	13,356
Currency translation	-11	-10	3	1	-6	-23
Reclassifications/transfers	163	202	96	-	-441	20
Additions	54	76	227	17	426	800
Disposals	-37	-48	-190	-8	-1	-284
Transferred from right-of-use assets	61	-	14	3	-	78
Cost at 31 December 2023	6,467	3,317	2,670	200	1,293	13,947
Depreciation and impairment at 1 January 2023	-3,539	-2,222	-2,112	-142	-	-8,015
Currency translation	-1	8	-2	-	-	5
Depreciation	-200	-199	-145	-15	-	-559
Impairment	-	-	-10	-	-1	-11
Depreciation and impairment on disposals	33	48	80	7	1	169
Transferred from right-of-use assets	-11	-	-10	-	-	-21
Depreciation and impairment at 31 December 2023	-3,718	-2,365	-2,199	-150	-	-8,432
Carrying amount at 31 December 2023	2,749	952	471	50	1,293	5,515
Carrying amount of property, plant and equipment provided as loan collateral	497	-	-	-	-	497

Impairment amounted to DKK 11m, of which, DKK 10m was attributable to DySiS' production equipment with no recoverable amount after impairment.

Note 12

Property, plant and equipment - continued

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments and assets under construction	Total
Cost at 1 January 2022	5,906	3,078	2,830	217	981	13,012
Currency translation	23	21	-3	3	5	49
Reclassifications/transfers	189	91	24	-	-304	-
Additions on acquisitions	-	-	1	-	-	1
Additions	66	51	156	2	637	912
Disposals	-32	-144	-356	-22	-4	-558
Disposals on divestments	-	-	-143	-13	-	-156
Transferred from right-of-use assets	85	-	11	-	-	96
Cost at 31 December 2022	6,237	3,097	2,520	187	1,315	13,356
Depreciation and impairment at 1 January 2022	-3,356	-2,160	-2,363	-158	-	-8,037
Currency translation	-4	-10	3	-2	-	-13
Depreciation	-186	-192	-147	-15	-	-540
Impairment	-10	-2	-	-	-	-12
Depreciation and impairment on disposals	30	142	283	21	-	476
Disposals on divestments	-	-	120	12	-	132
Transferred from right-of-use assets	-13	-	-8	-	-	-21
Depreciation and impairment at 31 December 2022	-3,539	-2,222	-2,112	-142	-	-8,015
Carrying amount at 31 December 2022	2,698	875	408	45	1,315	5,341
Carrying amount of property, plant and equipment provided as loan collateral	514	-	-	-	-	514

Impairment amounted to DKK 12m, of which, DKK 7m was attributable to land and buildings related to forestry activities in Scotland

Note 13

Right-of-use assets

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2023	2,395	920	3,315
Currency translation	-30	-15	-45
Re-measurement	116	7	123
Additions on acquisitions	2	-	2
Additions	256	231	487
Disposals	-155	-23	-178
Transferred to property, plant and equipment	-61	-17	-78
Cost at 31 December 2023	2,523	1,103	3,626
Depreciation and impairment at 1 January 2023	-1,112	-521	-1,633
Currency translation	10	10	20
Depreciation	-327	-165	-492
Depreciation and impairment on disposals	153	22	175
Transferred to property, plant and equipment	11	10	21
Depreciation and impairment at 31 December 2023	-1,265	-644	-1,909
Carrying amount at 31 December 2023	1,258	459	1,717

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	2,472	753	3,225
Currency translation	-42	34	-8
Re-measurement	-3	-2	-5
Additions	158	180	338
Disposals	-25	-16	-41
Disposals on divestments	-80	-18	-98
Transferred to property, plant and equipment	-85	-11	-96
Cost at 31 December 2022	2,395	920	3,315
Depreciation and impairment at 1 January 2022	-919	-396	-1,315
Currency translation	51	-9	42
Depreciation	-334	-151	-485
Reversal of impairment	7	-	7
Depreciation and impairment on disposals	13	9	22
Disposals on divestments	57	18	75
Transferred to property, plant and equipment	13	8	21
Depreciation and impairment at 31 December 2022	-1,112	-521	-1,633
Carrying amount at 31 December 2022	1,283	399	1,682

Amounts recognised in the income statement, DKKm	2023	2022
Expenses relating to short-term leases, not capitalised	39	46
Expenses related to low value leases, not capitalised	194	181
Interest expenses relating to lease liabilities	49	47
Depreciation	492	485

The total cash outflow from recognised lease agreements amounted to DKK 523m (DKK 626m in 2022) and includes repayment of lease liabilities and interest.

For disclosures of the lease liabilities, see note 26.3 Lease liabilities.

Note 14 Biological assets

DKKm	2023	2022
Fair value at 1 January	289	195
Currency translation	7	-10
Reclassifications/transfers	-20	-
Additions	33	81
Disposals	-	-3
Change in fair value	8	26
Fair value at 31 December	317	289

Biological assets comprise forestry activities in Scotland. The fair value of the biological assets was based on a calculation of the present value (by level 3 input from the fair value hierarchy) of future expected cash flows from the forests. The cash flows were calculated based on harvesting volumes according to the Group's current plan and assessments of future price and cost changes. The cash flows were discounted using discount rates of 2.20 - 3.60% (2.30 - 3.60% at 31 December 2022).

At 31 December 2023, the Group owned 3,407 hectares of forest farming land being managed actively.

The carrying amount of land related to forestry activities is recognised under property, plant and equipment.

Note 15 Investments in associates

DKKm	2023	2022
Cost at 1 January	874	-
Additions	1,778	874
Cost at 31 December	2,652	874
Adjustments at 1 January	-	-
Share of result for the year	-34	-
Other adjustments	1	-
Adjustments at 31 December	-33	-
Carrying amount at 31 December	2,619	874

Associates	Registered office	Ownership
Ferrosan Medical Devices HoldCo ApS	Søborg	30%
Echo TopCo A/S (Ellab A/S)	Hellerup	34%

The investments in Ellab and Ferrosan Medical Devices Group were completed end October 2023 and late December 2022, respectively.

Note 16

Financial assets

The Group's financial investments classified as financial assets at fair value through profit or loss primarily relate to Invest's investments. These investments are made based on an investment policy approved by the Board of Directors. The strategy aims for an appropriate diversification of investments across different asset classes and geographical markets to achieve an appropriate diversification of interest rate, exchange rate, credit and equity risks on the financial investments. The purpose is to reduce the risk of losses but also to retain the prospect of gaining a long-term return on the investments.

Financial assets include investments in listed and unlisted equity instruments and securities, including life science investments recognised at their fair value. Investments in unlisted equity instruments and securities amounted to DKK 6,190m at 31 December 2023 (DKK 5,312m at 31 December 2022).

The assessment of fair value of unlisted investments is subject to considerable uncertainty. This applies especially to life science investments because the value of these businesses is linked to the companies' often long-term investment in the development of new pharmaceuticals and technologies. Please refer to note 32.3 for information about applied valuation methods for the determination of fair value.

Credit risks

Credit risks relating to the Group's financial investments primarily relate to investment in bonds and unlisted funds investing in loans to businesses.

To limit the credit risk, a proportion of this asset class has been invested in Danish government and mortgage bonds with a high credit rating. To achieve a higher return, the Group also invests in corporate bonds.

Equity risks

Equity risks relate to the Group's holding of listed and unlisted shares, including private equity funds, as part of the Group's investment operations. Most of these investments are placed in listed shares.

To limit the risk of losses on these shares, the investments are diversified across different geographical regions and sectors in accordance with the applicable investment policy. Derivative financial instruments are used to manage the equity risk. The instruments can be used both for risk management purposes and as an alternative to selling or buying the underlying assets.

Other things being equal, a 10% decrease/increase in equity prices would decrease/increase profits after tax by DKK 1,430m and DKK 1,372m respectively (decrease by DKK 1,111m and increase by DKK 1,041m in 2022).

For further information on risks relating to the Group's financial investments, see note 21 Liquidity and note 32 Financial risks and financial instruments.

Financial assets included in Invest and BioCapital are measured at fair value through profit or loss. Other receivables are measured at amortised cost. At 31 December 2023, investments in associates included in Lundbeckfonden's investment strategy amounted to DKK 1,982m (DKK 1,236m at 31 December 2022). The associates are not individually material. Consequently, financial information about the associates are not disclosed.

Note 16

Financial assets - continued

DKKm	Danish mortgage and government bonds	Credit bonds and loans	Equities	Private equity funds and other unlisted funds	Derivative financial instruments	Other receivables	Total
Carrying amount at 1 January 2023	3,246	3,003	13,202	2,709	211	137	22,508
Additions	2,134	195	2,386	788	510	17	6,030
Disposals	-2,845	-794	-2,750	-201	-585	-	-7,175
Value adjustments, year-end	78	120	3,001	48	-93	-94	3,060
Carrying amount at 31 December 2023	2,613	2,524	15,839	3,344	43	60	24,423
Invest	2,613	2,524	13,484	3,344	43	-	22,008
BioCapital	-	-	2,355	-	-	60	2,415
	2,613	2,524	15,839	3,344	43	60	24,423
Recognised in:							
Financial assets	2,468	2,133	15,839	3,344	43	60	23,887
Securities	145	391	-	-	-	-	536
	2,613	2,524	15,839	3,344	43	60	24,423

Note 16

Financial assets - continued

DKKm	Danish mortgage and government bonds	Credit bonds and loans	Equities	Private equity funds and other unlisted funds	Derivative financial instruments	Other receivables	Total
Carrying amount at 1 January 2022	2,689	3,111	16,641	2,745	99	126	25,411
Additions	2,962	634	913	384	429	27	5,349
Disposals	-2,266	-450	-2,007	-260	-636	-	-5,619
Transferred	166	14	5	-180	-	-5	-
Value adjustments, year-end	-305	-306	-2,350	20	319	-11	-2,633
Carrying amount at 31 December 2022	3,246	3,003	13,202	2,709	211	137	22,508
Invest	3,246	3,003	11,945	2,709	211	-	21,114
BioCapital	-	-	1,257	-	-	137	1,394
	3,246	3,003	13,202	2,709	211	137	22,508
Recognised in:							
Financial assets	2,444	2,842	13,202	2,709	214	137	21,548
Securities	802	161	-	-	-	-	963
Other payables	-	-	-	-	-3	-	-3
	3,246	3,003	13,202	2,709	211	137	22,508

Please refer to note 32 for information about exchange rate and interest rate risks.

Note 17 Deferred tax

Temporary differences between the carrying amount and the tax base:

DKK m	Balance at 1 January	Currency translation	Adjustment of deferred tax at beginning of year	Addition on acquisition of businesses etc.	Movements during the year	Balance at 31 December
2023						
Non-current assets	3,731	-82	1	9	-22	3,637
Current assets	-368	3	4	-	98	-263
Other	-252	16	23	1	-55	-267
Provisions in subsidiaries	-423	-2	-51	-	-137	-613
Tax loss carry-forwards etc.	-1,480	32	-42	-1	135	-1,356
Research and development activities (tax credits)	-137	5	-	-	-1	-133
Deferred (tax assets)/tax liabilities	1,071	-28	-65	9	18	1,005
2022						
Non-current assets	3,658	104	-36	-1	6	3,731
Current assets	-449	1	-3	2	81	-368
Other	-357	-5	-14	2	122	-252
Provisions in subsidiaries	-384	-11	-32	-	4	-423
Tax loss carry-forwards etc.	-1,531	-18	58	5	6	-1,480
Research and development activities (tax credits)	-87	-	-	-	-50	-137
Deferred (tax assets)/tax liabilities	850	71	-27	8	169	1,071

Management estimates future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years, which support the recognition of deferred tax assets. When forecasting the utilisation of tax assets, the Group applies the same assumptions as for impairment testing. See note 11 Intangible assets.

Accordingly, at 31 December 2023, all deferred tax assets relating to tax losses carried forward in Denmark going back to 2015 were capitalised in the amount of DKK 961m (DKK 1,121m at 31 December 2022).

US tax losses and tax credits stemming from acquisitions have been recognised at an amount of DKK 242m (DKK 424m in 2022), equalling the expected utilisation within a foreseeable future, whereas an amount of DKK 15m (DKK 15m in 2022) has not been recognised in the balance sheet.

Global minimum top-up tax (Pillar II)

The Group is headquartered in Denmark, which has enacted new legislation to implement the global minimum top-up tax. In 2024, the Group is not expected to be materially impacted by OECD's/EU's Pillar II Model Rules and local implementation hereof.

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

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a tax payable when incurred, see note 1 Basis for preparation (changes in material accounting policy information). In 2024, the Group is not expected to be materially impacted by OECD's/EU's Pillar II Model Rules and local implementation hereof.

Note 17

Deferred tax - continued

DKKm	2023	2022
Deferred tax assets relate to the following items:		
Non-current assets	-44	-21
Current assets	368	456
Provisions and payables	164	137
Other	164	186
Provisions in subsidiaries	613	423
Tax value of tax loss carry-forwards etc.	1,356	1,480
Research and development activities (tax credits)	133	137
Offset within legal tax entities and jurisdictions	-1,284	-1,474
Total	1,470	1,324
Deferred tax liabilities relate to the following items:		
Non-current assets	3,593	3,710
Current assets	105	88
Other	61	71
Offset within legal tax entities and jurisdictions	-1,284	-1,474
Total	2,475	2,395
Deferred tax, net	-1,005	-1,071

DKKm	2023	2022
Unrecognised deferred tax assets:		
Unrecognised deferred tax assets at 1 January	396	338
Currency translation	-9	7
Prior-year adjustments	-	84
Additions	28	51
Disposals	-	-33
Recognised	-236	-51
Unrecognised deferred tax assets at 31 December	179	396

Unrecognised deferred tax assets primarily relate to net operating losses and tax credits not expected to be utilised within a foreseeable future. The majority of the tax losses have no expiry date.

Note 18 Inventories

DKKm	2023	2022
Raw materials and consumables	527	481
Work-in-progress	3,217	2,714
Manufactured goods and goods for resale	2,148	2,123
Prepayments	-	73
Total	5,892	5,391
Indirect costs of production	1,504	1,301
Impairment loss for the year	441	119
Inventories calculated at net realisable value	100	91
The total cost of goods sold is included in cost of sales in the amount of	3,574	3,165

The provision for obsolescence and write-down to net realisable value for the year amounted to DKK 560m (DKK 368m). Out of the total, DKK 312m (DKK 228m) relates to a Vyepti provision for obsolescence recognised in Cost of sales in the year as a consequence of a fixed batch quantity supply agreement effective for five years up to 30 June 2023, which was acquired as part of the acquisition of Alder BioPharmaceuticals Inc. in 2019, a planned transition of the antibody cell line, higher than originally expected production yields and a slower launch ramp-up as a consequence of the pandemic. Management's estimate takes into consideration assumptions on inventory-estimated usage, approval dates, expected shelf life, etc. Total balance of Vyepti provision for obsolescence is DKK 540m (DKK 228m at 31 December 2022).

Inventories at 31 December 2023 of DKK 2,724m (DKK 1,984m at 31 December 2022) are expected to be utilised after more than 12 months.

Note 19 Trade receivables

Trade receivables, DKKm	Receivables, gross	Loss allowance	2023 Total	Expected loss rate %
Days past due				
Not due	4,007	11	3,996	0%
1 month to 6 months	1,119	179	940	16%
6 months to 12 months	60	14	46	23%
More than 12 months	55	33	22	60%
Total	5,241	237	5,004	

Trade receivables, DKKm	Receivables, gross	Loss allowance	2022 Total	Expected loss rate %
Days past due				
Not due	3,846	10	3,836	0%
1 month to 6 months	850	128	722	15%
6 months to 12 months	101	29	72	29%
More than 12 months	56	26	30	46%
Total	4,853	193	4,660	

DKKm	2023	2022
Allowance for doubtful trade receivables:		
Allowance at 1 January	193	160
Divestments	-	-7
Losses recognised	-158	-112
Adjustment for the year	207	151
Currency translation	-5	5
Reversal	-	-4
Allowance at 31 December	237	193

Credit risks

The Group's products are sold primarily to distributors of pharmaceuticals, pharmacies and hospitals. Services are sold to public authorities, other large customers and small individual customers.

specific customers. Internal procedures for evaluating specific credit risks from new customer relationships, and changes to the risk profile of existing relationships, ensure that the risk of loss is reduced to an acceptable level.

No single customer contributed 10% or more to total revenue. The Group has no significant reliance on

Note 20

Contract assets

DKKm	2023	2022
Contract assets (not invoiced)	410	326
Contract assets impairments	-2	-4
Total	408	322
Expected loss rate	1%	1%

Note 21

Liquidity

DKKm	2023	2022
Cash and bank balances, Invest	399	613
Cash and bank balances, subsidiaries	5,681	3,996
Cash and bank balances at 31 December	6,080	4,609
Securities with a maturity of less than 3 months	85	114
Securities with a maturity of more than 3 months	451	849
Securities at 31 December	536	963
Cash, bank balances and securities at 31 December	6,616	5,572

Securities are classified as financial assets measured at fair value through profit or loss.

Liquidity and credit risk and capital structure

With the present capital structure, the Group is well-consolidated. The Group aims to retain adequate cash resources to support business development and flexibility in case of changes to the market situation, potential acquisition activities and product in-licensing opportunities. This is achieved through a combination of liquidity management, ultra-liquid assets and guaranteed and unguaranteed credit facilities. The capital structure is considered appropriate relative to the Group's strategic plans.

The credit risk of cash, bank balances and derivatives (forward exchange contracts, currency options, interest-rate options and share options) is limited because the Group only deals with banks with a high credit rating. To further limit the risk of loss, internal limits have been defined for the credit exposure accepted towards the banks with which the Group collaborates. Pursuant to the Group's policies, the credit lines are presented to the Board of Directors and boards of directors in sub-

groups, for approval. Furthermore, the Group aims to maintain counterparty diversification to avoid material concentration at individual counterparties. The Group also uses collateral agreements (e.g., International Swaps and Derivatives Association (ISDA) and Global Master Repurchase Agreement (GRMA)) and exchange of collateral with counterparties with which the Group has hedging business.

Note 22 Capital base

Capital base, DKKm	2023	2022	2021	2020	2019
Capital base at 1 January	4,162	3,901	3,461	3,236	3,114
Increase in capital base	195	261	440	225	122
Capital base at 31 December	4,357	4,162	3,901	3,461	3,236

The present statutes of Lundbeckfonden were approved by the Board of Directors on 27 March 2023. The Danish Business Authority acts as supervisory authority.

Of the Foundation's profit before tax less non-distributed earnings in the subsidiaries and associates, at least 20% must first be allocated to the capital base.

Note 23 Other reserves

DKKm	2023	2022
Reserve for future grants:		
Balance at 1 January	1,500	1,500
Grants for the year	-580	-539
Transferred to provision for future grants	580	539
Balance at 31 December	1,500	1,500
Currency translation reserve:		
Balance at 1 January	1,088	583
Currency translation for the year concerning foreign subsidiaries and additions to net investments in foreign subsidiaries	-308	479
Tax in relation hereto	-8	26
Balance at 31 December	772	1,088
Hedging reserve:		
Balance at 1 January	156	-162
Deferred gains/losses on cash flow hedge, exchange rate	117	-347
Deferred gains/losses on cash flow hedge, interest rate	-19	39
Deferred gains/losses on cash flow hedge, price	-78	128
Exchange gains/losses, hedging, transferred to revenue	-137	588
Tax in relation hereto	26	-90
Balance at 31 December	65	156
Other reserves at 31 December	2,337	2,744

Currency translation of foreign subsidiaries and currency translation concerning additions to net investments in foreign subsidiaries and tax related to these items amounted to a net loss of DKK 316m (net gain of DKK 505m in 2022), and are recognised in the currency translation reserve in equity. Other items and tax related to such items are recognised in reserve for hedging transactions at a net loss of DKK 91m (net gain of DKK 318m in 2022).

Note 24

Non-controlling interests

DKKm	2023	2022
Non-controlling interests at 1 January	8,593	7,801
Share of profit/loss for the year	1,114	1,337
Share of other comprehensive income for the year	-138	337
Incentive programmes	18	18
Dividend	-285	-861
Buyback of shares from non-controlling interests	-13	-14
Sale of treasury shares	5	25
Change in non-controlling interests	-5	-44
Repurchase obligation of treasury shares	-5	-
Capital increase	1	-
Other adjustments	1	4
Tax on other transactions in equity	1	-10
Non-controlling interests at 31 December	9,287	8,593

The minority shareholder's share of goodwill in acquired businesses in Falck is recognised in the consolidated financial statements. Thus, goodwill of DKK 1,791m (DKK 1,791m at 31 December 2022) arising at the time of the Foundation's acquisition of Falck is not recognised in the consolidated financial statements.

Lundbeckfonden's subsidiaries with significant non-controlling interests include the following:

	Non-controlling interests	Lundbeckfonden's percentage of votes	Registered office
H. Lundbeck A/S	31%	76%	Valby
ALK-Abelló A/S	60%	67%	Hørsholm
Falck A/S	42%	58%	Copenhagen

Note 24

Non-controlling interests - continued

DKKm	Lundbeck		ALK		Falck	
	2023	2022	2023	2022	2023	2022
Income statement:						
Revenue	19,912	18,246	4,824	4,511	11,913	12,647
Profit (loss) for the year	2,290	1,916	486	335	334	921
Total comprehensive income	1,848	2,913	448	466	382	808
Profit (loss) for the year attributable to non-controlling interests	704	591	289	199	141	569
Balance sheet:						
Non-current assets	24,118	26,040	3,758	3,663	6,925	6,607
Current assets	13,289	11,412	2,968	2,645	2,081	2,107
Non-current liabilities	7,372	8,474	965	921	3,637	3,105
Current liabilities	7,990	8,199	1,314	1,399	3,115	3,481
Equity	22,045	20,779	4,447	3,988	2,254	2,128
Carrying amount of non-controlling interests of equity	6,783	6,406	2,643	2,368	-153	-214
Statement of cash flows:						
Cash flows from operating activities	4,080	3,519	667	416	554	-113
Cash flows from investing activities	-498	-1,892	-375	-351	-184	882
Cash flows from financing activities	-2,085	-387	-31	-42	-384	-1,922
Net cash flow for the year	1,497	1,240	261	23	-14	-1,153
Dividends paid to the non-controlling interests during the year	178	122	-	-	107	739

Note 25 Provisions

DKKm	Note	2023	2022
Provisions can be specified as follows:			
Pensions and similar obligations	25.1	423	408
Other provisions	25.2	1,665	1,595
Total		2,088	2,003
Provisions break down as follows:			
Non-current assets		-54	-58
Non-current		935	762
Current		1,207	1,299
Total		2,088	2,003

25.1 Pensions and similar obligations

Defined contribution plans

In defined contribution plans, the employer is obliged to pay a certain contribution to a pension fund or the like but bears no risks regarding the future development in interest, inflation, mortality, disability rates etc., regarding the amount to be paid to the employee.

The cost of defined contribution plans, representing contributions to the plans, amounted to DKK 717m in 2023 (DKK 695m in 2022).

Defined benefit plans

The defined benefit plans guarantee employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. The Group bears the risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

The Group has defined benefit plans in a few countries. The most important plans comprise current and former employees in France, Germany, Switzerland and the UK.

DKKm	2023	2022
Retirement benefit obligations and similar obligations:		
Present value of defined benefit plans	631	589
Limitation due to asset ceiling	-	3
Fair value of plan assets	-315	-298
Defined benefit plans at 31 December	316	294
Other pension-like obligations	107	114
Retirement benefit obligations and similar obligations at 31 December	423	408
Retirement benefit obligations and similar obligations break down as follows:		
Non-current assets	-54	-58
Non-current liabilities	476	465
Current liabilities	1	1
Retirement benefit obligations and similar obligations at 31 December	423	408

Actuarial assumptions

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

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

Note 25 Provisions - continued

25.1 Pensions and similar obligations – continued

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

Years	2023	2022
Assumed life expectations on retirement age for current pensioners		
Female	23.10-24.20	24.00-24.30
Male	20.00-21.40	21.00-21.80
Assumed life expectations on retirement age for current employees (future pensioners)		
Female	25.30-26.40	25.60-26.00
Male	22.60-23.50	23.00-23.10

Sensitivity analysis

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate, inflation rate and assumed life expectations on retirement age for current pensioners. An increase in the discount rate of 0.25 of a percentage point would result in a decrease in the obligation of approximately DKK 19m, before tax (DKK 18m at 31 December 2022) and vice versa. An increase in the inflation rate of 0.25 of a percentage point would result

in a decrease in the obligation of approximately DKK 3m, before tax (increase of DKK 3m at 31 December 2022) and vice versa. An increase in the life expectancy of 1 year would result in an increase in the obligation of approximately DKK 22m, before tax (DKK 20m at 31 December 2022) and vice versa. The sensitivity analysis indicates how a change in the individual assumptions would change the obligation. However, the assumptions will most likely be correlated and consequently result in a different obligation.

% distribution	2023	2022
The fair value of the plan assets breaks down as follows:		
Shares	32	33
Bonds	17	16
Property	12	12
Insurance contracts	21	23
Other assets	18	16
Total	100	100

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

Note 25

Provisions - continued

25.1 Pensions and similar obligations – continued

DKKm	2023	2022
Change in present value of defined benefit plans:		
Present value of defined benefit plans at 1 January	589	815
Effect of foreign exchange differences	11	-6
Current service costs	6	9
Pension expenses	5	8
Interest expenses relating to the obligations	23	11
Experience and assumptions adjustments	22	-240
Benefits paid	-26	-17
Used provision	-1	-3
Employee contributions	1	1
Other adjustments	1	1
Additions on acquisitions	-	2
Divestments	-	8
Present value of funded pension obligations at 31 December	631	589
Change in fair value of plan assets:		
Fair value of plan assets at 1 January	298	302
Effect of foreign exchange differences	13	-7
Interest income on plan assets	14	5
Experience adjustments	-6	-7
Contributions	10	10
Benefits paid	-13	-5
Employee contributions	1	1
Administration fee	-1	-1
Return on plan assets	-1	-
Fair value of plan assets at 31 December	315	298
Realised return on plan assets	8	-2

DKKm	2023	2022
Specification of expenses recognised in the income statement:		
Current service costs	6	9
Pension expenses	5	8
Interest expenses relating to the obligations	9	6
Administration fees	1	1
Total expenses recognised	21	24
Specification of amount recognised in the statement of comprehensive income:		
Actuarial (gains)/losses	25	-230
Total expenses recognised	25	-230

The expected contribution for 2024 for the defined benefit plans was DKK 28m (DKK 28m in 2023).

Other obligations of a retirement benefit nature

An obligation at 31 December 2023 of DKK 107m (DKK 114m at 31 December 2022) was recognised to cover other obligations of a retirement benefit nature, which primarily include post-employment benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

Note 25 Provisions - continued

25.2 Other provisions

DKKm	Discount and rebates	Product returns	Other	Total
Other provisions at 1 January 2023	890	146	559	1,595
Currency translation	-24	-6	-8	-38
Provisions charged	1,629	86	437	2,152
Provisions used during the year	-1,877	-20	-105	-2,002
Unused provisions reversed	-	-	-73	-73
Reclassified to and from other balance sheet accounts	-	-	31	31
Other provisions at 31 December 2023	618	206	841	1,665
Other provisions at 31 December can be specified as follows:				
Non-current provisions	-	113	346	459
Current provisions	618	93	495	1,206
Total	618	206	841	1,665

Discounts and rebates

The most significant sales deductions are in the USA and comprise discounts and rebates given in connection with sales under US Federal and State Government Healthcare programmes, primarily Medicaid.

Management's estimate of discounts and rebates is based on a calculation which includes a combination of historical product/population utilisation mix, price increases, program/market growth and state-specific information. Further, the calculation of rebates involves legal interpretation of relevant regulations and is subject to changes in interpretive guidance from governmental authorities. The obligations for discounts and rebates are incurred at the time the sale is recorded; however, the actual rebate related to a specific sale may be invoiced by the authorities six to nine months later. In addition to this billing time lag, there is

no statute of limitations for states to submit rebate claims; thus, rebate adjustments in any particular period may relate to sales from a prior period. Moreover, when a product loses exclusivity, shifts in payer mix may cause Medicaid claims/estimates to be more volatile.

Other

At 31 December 2023, other comprised liabilities for legal disputes, environmental provisions, obligations in relation to employee benefits, restructuring provision, etc.

DKKm	Discount and rebates	Product returns	Other	Total
Other provisions at 1 January 2022	923	85	897	1,905
Currency translation	59	3	15	77
Divestments	-	-	-12	-12
Provisions charged	2,096	171	216	2,483
Provisions used during the year	-2,166	-112	-301	-2,579
Unused provisions reversed	-22	-1	-256	-279
Other provisions at 31 December 2022	890	146	559	1,595
Other provisions at 31 December can be specified as follows:				
Non-current provisions	-	68	229	297
Current provisions	890	78	330	1,298
Total	890	146	559	1,595

Note 26

Bank debt, bond debt and borrowings

DKKm	Note	2023	2022
Debt to financial institutions and others can be specified as follows:			
Debt to financial institutions etc.		6,826	7,980
Lease liabilities		1,799	1,689
Total		8,625	9,669
Can be specified as follows:			
Non-current liabilities			
Mortgage debt	26.1	520	551
Bank debt and bond debt	26.2	6,013	7,034
Lease liabilities	26.3	1,323	1,280
Total		7,856	8,865
Current liabilities			
Mortgage debt	26.1	29	28
Bank debt etc.	26.2	264	367
Lease liabilities	26.3	476	409
Total		769	804
Total debt		8,625	9,669

Note 26

Bank debt, bond debt and borrowings - continued

26.1 Mortgage debt

DKKm	2023	2022
Mortgage debt by maturity:		
Within 1 year	29	28
Between 1 and 5 years	166	112
More than 5 years	354	439
Mortgage debt at 31 December	549	579

DKKm	Currency/expiry	Fixed/floating	Weighted average effective interest rates	Amortised cost	Nominal value	Fair value
2023						
Falck	DKK/2035-2045	Floating	5.0%	259	259	259
Falck	DKK/2027-2041	Fixed/floating	1.9%	87	87	77
ALK	DKK/2035	Floating	0.2%	203	203	206
Total				549	549	542
2022						
Falck	DKK/2035-2045	Floating	2.50%	262	262	262
Falck	DKK/2027-2041	Fixed/floating	1.90%	96	96	96
ALK	DKK/2035	Floating	0.20%	221	221	225
Total				579	579	583

Fair value was calculated by applying the market value of the underlying bonds at 31 December and therefore measured by level 1 input.

Note 26

Bank debt, bond debt and borrowings - continued

26.2 Bank debt and bond debt etc.

DKKm	2023	2022
Bank debt and bond debt by maturity:		
Within 1 year	264	367
Between 1 and 5 years	3,714	6,214
More than 5 years	2,299	820
Total	6,277	7,401

DKKm	Currency	Expiry	Fixed/floating	Weighted average effective interest rates	Carrying amount	Fair value
2023						
Bank debt, Falck	DKK	2029	Floating	5.80%	1,121	1,121
Bank debt, Falck	EUR	2024	Floating	5.80%	1,181	1,181
Issued bonds, Lundbeck	EUR	2027	Fixed	0.88%	3,714	3,385
Other bank and finance loans, ALK	Various	2024	fixed	4.50%	261	261
Total					6,277	5,948
2022						
Bank debt, Falck	DKK	2027	Floating	3.54%	979	979
Bank debt, Falck	EUR	2024	Floating	2.88%	1,118	1,115
Bank debt, Lundbeck	USD	2026	Floating	5.09%	1,393	1,393
Issued bonds, Lundbeck	EUR	2027	Fixed	0.88%	3,703	3,155
Other bank and finance loans, ALK	Various	2023	fixed	2.80-3.30%	208	208
Total					7,401	6,850

Falck

Falck's primary debt financing is a syndicated Revolving Credit Facility of EUR 350m (DKK 2,610m) expiring January 2029.

Lundbeck

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

Fair value of issued bonds was calculated by level 1 input. Please refer to note 32.5 for information about interest rate swaps.

Note 26 Bank debt, bond debt and borrowings - continued

26.3 Lease liabilities

DKKm	2023	2022
Leasing liabilities by maturity:		
Within 1 year	476	409
Between 1 and 5 years	956	831
More than 5 years	367	449
Total	1,799	1,689

In 2023, the Group paid DKK 523m (DKK 626m in 2022) for lease agreements, of which, interest expenses amounted to DKK 49m (DKK 47m in 2022). See also note 13 Right-of-use assets.

26.4 Development in mortgage debt, bank debt and bond debt, etc.

DKKm	Balance at 1 January	Cash flow, net	Non-cash changes	Balance at 31 December
2023				
Long-term borrowings	7,585	-1,042	-10	6,533
Short-term borrowings	395	-102	-	293
Lease liabilities	1,689	-474	584	1,799
Total	9,669	-1,618	574	8,625
2022				
Long-term borrowings	7,088	361	136	7,585
Short-term borrowings	263	131	1	395
Lease liabilities	1,959	-579	309	1,689
Total	9,310	-87	446	9,669

Note 27 Contract liabilities

DKKm	2023	2022
Stepped-pricing contracts	1	18
Prepayments	718	765
Total	719	783
Within 1 year	673	732
More than 1 year	46	51
Total	719	783
Revenue recognised from amounts included in contract liabilities at the beginning of the year	712	1,112
Revenue recognised from performance obligations satisfied in previous years	-17	-16

Note 28 Other payables

DKKm	2023	2022
Trade payables	5,256	5,267
Contingent consideration	338	344
Derivative financial instruments	51	207
Other	4,031	4,065
Total	9,676	9,883
Other payables break down as follows:		
Non-current	439	428
Current	9,237	9,455
Total	9,676	9,883

At 31 December 2023, other payables included debt related to salaries and holiday payment of DKK 1,943m (DKK 1,798m at 31 December 2022), VAT and other taxes of DKK 644m (DKK 454m at 31 December 2022) and discounts and rebates of DKK 860m (DKK 774m at 31 December 2022).

Contingent consideration recognised through acquisitions

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

As part of the acquisition of Abide Therapeutics, Inc., (subsequently renamed Lundbeck La Jolla Research Center, Inc.), Lundbeck has recognised a payable related to sales milestones dependent on predefined milestones being reached. At 31 December 2023, the fair value of

the contingent consideration amounted to DKK 32m (DKK 38m at 31 December 2022).

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

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

Note 29 Adjustment for non-cash operating items

DKKm	2023	2022
Depreciation, amortisation and impairment	2,941	2,867
Incentive programmes	68	56
Change in other provisions	104	-344
Change in valuation of biological assets	-8	-26
Other adjustments	265	25
Total	3,370	2,578

Note 30 Working capital changes

DKKm	2023	2022
Change in inventories	-886	-1,022
Change in contract assets	-85	-23
Change in receivables	-146	-697
Change in contract liabilities	-59	-223
Change in liabilities	-37	418
Total	-1,213	-1,547

Note 31

Acquisitions and divestments

31.1 Acquisitions of businesses etc.

DKKm	2023	2022
Assets:		
Product rights	40	-
Property, plant and equipment, including right-of-use assets	2	1
Trade receivables	2	2
Cash and bank balances	7	5
Equity and liabilities:		
Deferred tax	-9	-
Lease liabilities	-2	-
Trade payables	-1	-
Other payables	-2	-4
Net assets acquired	37	4
Goodwill	71	4
Purchase price	108	8
Adjustment for cash and bank balances acquired	-7	-5
Cash consideration for acquisitions	101	3

The amounts in the table represent the purchase price allocation to the identifiable assets and liabilities, and consequently also to goodwill at the acquisition date.

Acquisitions in 2023

In October 2023, Falck signed an agreement to acquire all shares in MedConnect A/S. The acquisition was completed by payment of agreed consideration on 31 October 2023 and from this point in time Falck assumed control of MedConnect A/S.

Additional contingent and deferred consideration has been agreed for payment 18 months after the closing date.

MedConnect A/S is a leading company within online medical consultations in Denmark via the digital platform Hejdoktor which connects users with doctors and healthcare specialists. Hejdoktor has around 1.7 million users. The acquisition is in line with the strategy to strengthen the digital healthcare solutions.

MedConnect A/S is included in the business unit Employee and Labour Market services from the date of the acquisition.

The consideration paid on the closing date amounted to DKK 108m. Adjusted for cash of DKK 7m, the net consideration amounted to DKK 101m.

The additional contingent and deferred consideration, which the sellers are entitled to under certain conditions according to the Share Purchase Agreement amounts to up to DKK 51m.

The contingent and deferred consideration depends on the receivers' continued employment in Falck, which means that this part of the consideration will be recognised as salary costs in special items on a straight line basis over the 18 months after the closing date.

Transaction costs related to the acquisition amounted to DKK 1m and have been included in special items.

Besides the value of the digital platform amounting to DKK 40m, no assets or liabilities have been identified which were not recognised in the company acquired on the date of acquisition. Goodwill of DKK 71m has been calculated. The recognised goodwill is not tax deductible. Goodwill mainly represents the value of operational synergies from the integration of MedConnect A/S into Falck Group and the experienced and knowledgeable MedConnect A/S workforce.

Net assets, goodwill, contingent assets and liabilities recognised at the reporting date are to some extent still provisional. Adjustments can be made for a period of 12 months from the acquisition date.

Valuation of intangible assets

An assessment was made of the value of the digital platform in MedConnect A/S. The valuation thereof was based on the "Multi Period Excess Earnings Method" (MEEM-method) in which the value was calculated on the basis of expected future cash flow. The principle

assumptions were expected earnings generated from the acquired digital platform and the discounting rate.

It has been assessed that the value of the customer agreements and the brand Hejdoktor cannot be separated from the value of the digital platform.

Acquired assets included receivables from sales at fair value of DKK 2m. The contractual gross receivable was DKK 2m of which DKK 0 was deemed to be unrecoverable as of the date of takeover.

MedConnect A/S's revenue after the date of acquisition amounted to DKK 6m, and the company was recognised at a profit of DKK 1m in the consolidated financial statements for 2023.

Had the company been consolidated at 1 January 2023, the Group's consolidated revenue and net profit for 2023 would have been DKK 36,687m and DKK 6,276m, respectively.

Acquisitions in 2022

In March 2022, Falck signed an agreement to acquire all shares in the Norwegian company Ringvoll Bedriftshelsetjeneste AS. The acquisition was completed by payment of the full consideration in March 2022, from which point control was gained.

The acquisition was a strategic add-on to the acquisition of Frisk Gruppen in 2021.

The total consideration amounted to DKK 8m. Adjusted for cash of DKK 5m, the total net consideration amounted to DKK 3m. There were no contingent or deferred consideration arrangements and

Note 31

Acquisitions and divestments - continued

indemnifications and there were no transaction costs related to the acquisition.

No net assets were identified which were not recognised in the company acquired on the date of acquisition. Goodwill of DKK 4m was calculated. The recognised goodwill was not tax deductible. Goodwill represented the strategic strengthening of the market presence in Østfold to secure an important nationwide presence in Norway. During 2023, the provisional purchase Price Allocations was completed. No adjustments were applied to the provisional amounts.

Ringvoll Bedriftshelsetjeneste's revenue after the date of acquisition amounted to DKK 12m, and the company was recognised at a profit of DKK 0 in the consolidated financial statements for 2022.

Had the company been consolidated at 1 January 2022, the Group's consolidated revenue and net profit for 2022 would have been DKK 35,430m and DKK 1,211m, respectively.

31.2 Divestment of businesses

DKKm	2023	2022
Assets		
Goodwill	-	293
Property, plant and equipment	-	24
Right-of-use assets	-	23
Other current assets	-	234
Cash and bank balances	-	86
Equity and liabilities		
Provisions	-	-4
Current liabilities	-	-249
Net assets divested	-	407
Recirculation of exchange rate adjustments from divestments	-	12
Gains and losses on divestment of businesses, net	-	655
Sales price	-	1,074
Adjustment for cash and bank balances transferred	-	-86
Adjustments related to prior years' divestments	-	10
Cash flows from divestment of subsidiaries and operations	-	998

In 2022, Falck divested the Roadside Assistance business in Sweden, Norway, Finland, Estonia and Lithuania. Falck also divested the Patient Transport Services in the UK.

Net assets divested amounted to DKK 407m. A total gain from divestment of enterprises of DKK 808m was recognised in the income statement.

Note 32 Financial risks and financial instruments

The Group's business activities imply that the results and balance sheet may be affected by various financial risks. The management of these risks is decentralised and handled in Lundbeckfonden and in Lundbeck, ALK and Falck based on policies and guidelines approved by the Board of Directors or the boards of directors in the subsidiaries.

See also note 16 Financial assets, note 19 Trade receivables, and note 21 Liquidity for descriptions of risks and the management thereof and note 32.5 for information about derivative financial instruments.

32.1 Exchange rate risks

Exchange rate risks arise because the Group's expenses and income in different currencies do not match and because the Group's assets and liabilities denominated in foreign currency do not balance, among other things, due to Invest's and BioCapital's investment assets. The management of these risks is focused on risk mitigation.

The Group applies various derivative financial instruments to manage these risks. Some of these instruments are classified as hedging instruments and meet the accounting criteria for hedging future cash flows. Changes in the fair value of these contracts are recognised 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 inclusion 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 recognised

as financial items as they arise. The need for hedging is assessed separately in Lundbeck, ALK and Falck and in Invest.

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

DKKm	CAD	CNY	USD
2023			
Profit	6	2	402
Equity	-17	-27	173
2022			
Profit	4	-	355
Equity	-17	-35	-16

The shown sensitivities only comprise impact from financial instruments and reflect a relative change of the exchange rates at 31 December 2023 and 2022.

The sensitivity analysis includes derivatives, bank loans, trade receivables, trade payables, intercompany lending and borrowing, as those are the financial instruments where the Group has the most currency exposure.

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

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

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

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

32.2 Interest rate risks

Interest rate risk relates to the Group's interest-bearing assets and liabilities and, principally, to the Group's bonds classified as financial assets measured at fair value through profit or loss. See note 26 Bank debt, bond debt and borrowings and note 32.3 Fair value hierarchy for financial assets and liabilities, measured at fair value.

Interest income

The duration of the investments when selecting financing and investment instruments is used to manage the interest rate risk. In addition, the Group uses derivative financial instruments to mitigate the

interest rate exposure. The use of financial instruments to manage interest rate risk does not qualify for hedge accounting, and the changes in fair value are therefore recognised as financial income or expenses in an ongoing process.

At 31 December 2023, the Group's portfolio of bonds had a duration of 3.00 years (0.27 years at 31 December 2022). Other things being equal, an increase of 1 percentage point in interest rates would increase the Group's profit after tax by DKK 103m (increase of DKK 15m at 31 December 2022).

At 31 December 2023, there were no derivatives at 31 December 2023 to manage interest rate risks because the distribution of investments carrying floating and fixed interest at the given times was deemed to be satisfactory.

Interest expenses

Interest rate risk is primarily related to Lundbeck and Falck. Lundbeck's exposure to interest rate risk is low, as the EUR 500m bond has a fixed coupon. For more information about interest rate swaps, see note 26.2.

Falck's exposure to interest rate risk relates to the part of the mortgage loans which carry a floating interest rate, and the syndicated loan of DKK 2,097m, which carries variable interest.

32.2 Interest rate risks - continued

An interest rate change on bank debt and bond debt, including interest rate swaps, of +/-1 percentage point would decrease/increase profit for the year after tax by

Note 32

Financial risks and financial instruments - continued

DKK 28m (DKK 22m in 2022) and increase/decrease equity by DKK 28m in 2023 (DKK 27m at 31 December 2022) on an annual basis.

32.3 Fair value hierarchy for financial assets and liabilities, measured at fair value

Level 1 includes financial assets for which the fair value is measured based on quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured based on directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair value is measured based on valuation methods which include inputs not based on observable market data.

The requirement for reclassifications between the levels is evaluated continually during the year. For individual financial assets and liabilities, it is evaluated whether the most critical input variable in connection with determination of fair value has changed from unobservable to observable or the other way round. If this is the case the asset or liability is reclassified from the recent relevant level to new level from the time when the change in input variable occurs.

Level 3 liabilities are determined on the basis of profit prior to the right being exercised, multiplied by an already agreed multiple, typically less net debt in the relevant companies. When recognised in the balance sheet, this liability is made up on the basis of earnings and net debt at the time when the non-controlling interests are expected to exercise their right to sell their

shares to the Group. The calculated liability typically assumes an increase in earnings and a decrease in net debt in the relevant companies as compared with the value recognised in the financial statements.

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

The fair value of contingent consideration is calculated as the discounted cash outflows from future milestone payments, taking probability of success into consideration.

Note 32

Financial risks and financial instruments - continued

32.3 Fair value hierarchy for financial assets and liabilities, measured at fair value - continued

Financial assets and liabilities measured at fair value through profit or loss

31 December 2023, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets, Invest				
Danish mortgage and government bonds	2,468	-	-	2,468
Credit bonds and loans	2,084	-	49	2,133
Equities	12,638	-	846	13,484
Private equity funds and other unlisted funds	-	135	3,209	3,344
Derivative financial instruments	-	43	-	43
Total financial assets, Invest	17,190	178	4,104	21,472
BioCapital				
Equities	665	-	1,690	2,355
Receivables from sale of companies	-	-	13	13
Other receivables	-	-	47	47
Total BioCapital	665	-	1,750	2,415
Other financial assets	33	-	27	60
Securities (current assets)	536	-	-	536
Total financial assets	18,424	178	5,881	24,483
Financial liabilities				
Derivative financial instruments	-	-	-	-
Contingent consideration (see note 28)	-	-	338	338
Total financial liabilities	-	-	338	338

Financial assets and liabilities measured at fair value through other comprehensive income

31 December 2023, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	84	49	133
Financial liabilities				
Derivative financial instruments	-	51	-	51

Financial assets and liabilities measured at fair value through profit or loss

31 December 2022, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets, Invest				
Danish mortgage and government bonds	2,444	-	-	2,444
Credit bonds and loans	2,638	-	204	2,842
Equities	11,082	-	863	11,945
Private equity funds and other unlisted funds	-	277	2,432	2,709
Derivative financial instruments	-	214	-	214
Total financial assets, Invest	16,164	491	3,499	20,154
BioCapital				
Equities	504	-	753	1,257
Receivables from sale of companies	-	-	59	59
Other receivables	-	-	78	78
Total BioCapital	504	-	890	1,394
Other financial assets	54	-	27	81
Securities (current assets)	963	-	-	963
Total financial assets	17,685	491	4,416	22,592
Financial liabilities				
Derivative financial instruments	-	3	-	3
Contingent consideration (see note 28)	-	-	344	344
Total financial liabilities	-	3	344	347

Financial assets and liabilities measured at fair value through other comprehensive income

31 December 2022, DKKm	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	277	128	405
Financial liabilities				
Derivative financial instruments	-	204	-	204

Note 32

Financial risks and financial instruments - continued

32.3 Fair value hierarchy for financial assets and liabilities, measured at fair value – continued

Financial assets measured at fair value according to level 3, DKKm	2023	2022
Carrying amount at 1 January	4,416	4,691
Additions	954	561
Disposals	-502	-662
Reclassification, from level 3 to level 1 in connection with IPOs	41	-126
Fair value adjustment	972	-48
Carrying amount at 31 December	5,881	4,416

Applied valuation methods for the determination of fair value of the material categories above are as follows:

	Valuation method used	Used unobservable inputs	Sensitivity in fair value in case of changes in unobservable inputs
Danish mortgage and government bonds and credit bonds (listed)	Closing prices according to exchange markets	N/A	N/A
Equities (listed)	Closing prices according to exchange markets	N/A	N/A
Equities, real assets (unlisted)	Capitalisation model	Required rates on return 4.0-4.5% or cost if under construction	If required rate of return is reduced by 0.25pp the fair value will be increased by DKK 103m
Equities, BioCapital (unlisted)	Trading multiples, relative adjustment based on predefined value triggers/business plans, cost at recent transaction and price at financing round	Trading multiples, value trigger assumptions, cost at recent transaction and price at financing round	If group of investments increase by 1% the fair value will be increased by DKK 17m
Private equity funds and other unlisted funds	Adjusted reported net asset value (NAV)	Latest reported NAV adjusted for capital calls, capital returns and pricing development (if relevant)	Data not accessible
Receivables including receivables from sale of portfolio companies	Expected discounted cash flow	N/A	N/A
Securities (current assets)	Closing prices according to exchange markets	N/A	N/A
Derivative financial instruments	Fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves. Fair value of foreign exchange contracts is determined using forward exchange rate at the balance sheet date. Fair value for share and index options is based on closing prices according to exchange markets	N/A	N/A

Note 32

Financial risks and financial instruments - continued

32.4 Maturity dates for financial assets and financial liabilities

31 December 2023, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	53	586	4,129	4,768	2,468	-1-4%
Credit bonds and loans	504	2,038	204	2,746	2,133	0-44%
Derivative financial instruments	43	-	-	43	43	-
Financial assets, BioCapital						
Receivables from sale of portfolio companies	-	13	-	13	13	-
Other receivables	17	57	1	75	47	10-16%
Securities (current assets)	580	-	-	580	536	-
Financial assets at fair value through profit or loss	1,197	2,694	4,334	8,225	5,240	
Derivatives to hedge future cash flows – exchange rate	85	-	-	85	85	-
Derivatives to hedge future cash flows – interest rate	-	-	-	-	-	-
Derivatives to hedge future cash flows - price	10	39	-	49	49	-
Financial assets at fair value through other comprehensive income	95	39	-	134	134	
Receivables	5,468	257	-	5,725	5,725	0-1%
Cash and bank balances	6,080	-	-	6,080	6,080	-1-10%
Financial assets measured at amortised cost	11,548	257	-	11,805	11,805	
Total financial assets	12,840	2,990	4,334	20,164	17,179	

31 December 2023, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial liabilities						
Derivatives included in the trading portfolio	-	-	-	-	-	-
Contingent consideration	-	-	338	338	338	-
Financial liabilities at fair value through profit or loss	-	-	338	338	338	
Derivatives to hedge future cash flows – exchange rate	51	-	-	51	51	-
Derivatives to hedge future cash flows – interest rate	-	-	-	-	-	-
Financial liabilities at fair value through other comprehensive income	51	-	-	51	51	
Bank debt and bond debt etc.	476	4,563	2,707	7,746	6,826	0-6%
Leasing liabilities	519	1,034	394	1,947	1,799	0-13%
Other payables and non-disbursed grants	8,532	1,483	-	10,015	10,015	2-4%
Financial liabilities measured at amortised cost	9,527	7,080	3,101	19,708	18,640	
Total financial liabilities	9,578	7,080	3,439	20,097	19,029	

The amounts in the tables are including interest.

Note 32

Financial risks and financial instruments - continued

32.4 Maturity dates for financial assets and financial liabilities

31 December 2022, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial assets						
Financial assets, Invest						
Danish mortgage and government bonds	14	1,637	1,374	3,025	2,444	-2-4%
Credit bonds and loans	161	1,055	2,064	3,280	2,842	0-13%
Derivative financial instruments	214	-	-	214	214	-
Financial assets, BioCapital						
Receivables from sale of portfolio companies	-	47	12	59	59	-
Other receivables	88	20	1	109	78	8-16%
Securities (current assets)	1,022	-	-	1,022	963	-2-14%
Financial assets at fair value through profit or loss	1,499	2,759	3,451	7,709	6,600	
Derivatives to hedge future cash flows – exchange rate						
	167	-	-	167	167	-
Derivatives to hedge future cash flows – interest rate						
	30	-	-	30	30	4-6%
Derivatives to hedge future cash flows - price						
	36	76	16	128	128	-
Financial assets at fair value through other comprehensive income	233	76	16	325	325	
Receivables	5,268	291	-	5,559	5,559	0%
Cash and bank balances	4,609	-	-	4,609	4,609	-1-10%
Financial assets measured at amortised cost	9,877	291	-	10,168	10,168	
Total financial assets	11,609	3,126	3,467	18,202	17,093	

31 December 2022, DKKm	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Effective interest
Financial liabilities						
Derivatives included in the trading portfolio						
	3	-	-	3	3	-
Contingent consideration						
	-	-	344	344	344	-
Financial liabilities at fair value through profit or loss	3	-	344	347	347	
Derivatives to hedge future cash flows – exchange rate						
	114	-	-	114	114	-
Derivatives to hedge future cash flows – interest rate						
	9	-	-	9	9	0-2%
Financial liabilities at fair value through other comprehensive income	123	-	-	123	123	
Bank debt and bond debt etc.						
	576	7,646	572	8,794	7,980	0-6%
Leasing liabilities						
	434	668	675	1,777	1,689	1-8%
Other payables and non-disbursed grants						
	8,772	1,283	-	10,055	10,055	-
Financial liabilities measured at amortised cost	9,782	9,597	1,247	20,626	19,724	
Total financial liabilities	9,908	9,597	1,591	21,096	20,194	

The amounts in the tables are including interest.

Note 32

Financial risks and financial instruments - continued

32.5 Net outstanding forward exchange rate transactions, currency options, interest rate swaps and equity options

	Contractual value according to hedge accounting	Fair value at year-end recognised in other comprehensive income	Realised exchange gains/losses for the year recognised in the income statement/ balance sheet	Average hedge prices of existing forward exchange contracts	Maturity
Forward contracts, DKKm					
2023					
CAD (sell position)	550	-2	6	502.33	Nov 2024
CNY (sell position)	364	11	43	98.04	Oct 2024
KRW (sell position)	230	1	4	0.53	Dec 2024
USD (sell position)	4,009	49	120	676.06	Nov 2024
Other currencies	1,123	-19	-34	-	Dec 2024
Forward contracts	6,276	40	139		
2022					
CAD (sell position)	237	9	-36	526.29	Nov 2023
CNY (sell position)	584	11	-55	102.83	Nov 2023
KRW (sell position)	227	-4	28	0.56	Dec 2023
USD (sell position)	4,896	81	-263	711.45	Oct 2023 / Dec 2023
Other currencies	1,057	-12	-87	-	Dec 2023
Forward contracts	7,001	85	-413		

Hedging part

The Group uses forward exchange contracts to hedge its risks related to exchange rates. The fair value of the effective part of the outstanding foreign exchange contracts as at 31 December used as hedging instruments and qualifying for hedge accounting in respect of future transactions has been recognised directly in equity through other comprehensive income until the hedged transactions are recognised in the income statement. Forward exchange contracts are used to hedge investments in subsidiaries with a functional currency other than Danish kroner.

Note 32

Financial risks and financial instruments - continued

32.5 Net outstanding forward exchange rate transactions, currency options, interest rate swaps and equity options - Continued

	Contractual value according to hedge accounting	Fair value at year-end recognised in other comprehensive income	Realised exchange gains/losses for the year recognised in the income statement/ balance sheet	Average hedge prices of existing forward exchange contracts	Maturity
Currency option contracts, DKKm					
2023					
CAD (sell position)	137	-3	8	482.97-495.64	Apr 2024
USD (sell position)	1,855	-3	-11	654.31-708.61	Nov 2024
Other	204	-	1		
Currency option contracts	2,196	-6	-2		
2022					
CAD (sell position)	214	1	-9	525.87 – 567.14	Nov 2023
USD (sell position)	1,028	-31	-84	665.42 – 728.74	Sep 2023
Other	-	-	-2		
Currency option contracts	1,242	-30	-95		
	Contractual value	Market value 31 December	Gains/losses recognised in other comprehensive income	Fixed interest rate	Expiry
Interest rate collar/interest rate swap, DKKm					
2022					
USD interest rate swap	1,325	-9	39	1.56	Jul 2023
DKK interest rate swap	400	65	65	1.80	May 2052
DKK interest rate swap	250	-	-	2.60	Nov 2052
Interest rate collar/interest rate swap	1,975	56	104		

Note 32 Financial risks and financial instruments - continued

32.5 Net outstanding forward exchange rate transactions, currency options, interest rate swaps and equity options - Continued

Trading part

Equity contracts, DKKm	Contractual value	Gains/losses recognised in the income statement	Market value 31 December	Expiry
2023				
Options on indices	618	-176	21	Mar/Apr 2024
Options on shares	847	34	22	Jan/Mar/Sep/Dec 2024
Total	1,465	-142	43	
2022				
Options on indices	91	11	69	Apr/May 2023
Options on shares	-158	-1	-3	Mar 2023
Options on shares	593	-17	-	May 2023/Dec 2024
Total	526	-7	66	

Note 33 Contractual obligations, contingent assets and liabilities, and collaterals

DKKkm	2023	2022
Purchase obligations relating to property, plant and equipment	692	32
Research and development milestone obligations	1,106	1,095
Guarantee for a third party's debt	92	199
Capital contribution obligations	1,863	1,543

Contingent Assets and liabilities

Pending legal proceedings

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

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

European Commission are upheld by the European Court of Justice. The below mentioned 'follow-on claims' are ongoing or threatened. Lundbeck disagrees with all claims and intends to defend itself against them.

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

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

Note 33

Contractual obligations, contingent assets and liabilities, and collaterals - continued

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

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

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

court will have to decide if such a license can have impact on the damage awarded by the High Court.

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

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

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

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

In June 2023 in the USA, Humana Inc., an insurer, filed a complaint against Lundbeck US legal entities. The

complaint alleges that Lundbeck engaged in an illegal kickback scheme to increase the sales and sale price of Lundbeck's Xenazine[®]. The complaint alleges that Lundbeck's activities targeted Humana Inc. and other private Medicare insurers who were forced to bear the costs of the alleged illegally subsidised drug sales. Lundbeck denies the allegations in the complaint and intends to defend itself.

Product return obligations

The Group has product return obligations that are normal for the industry. Management does not expect any major losses from these obligations apart from the amount already recognised.

Usual representations and warranties are made in connection with the divestment of enterprises and operations. There are no significant outstanding claims that are not sufficiently recognised in the balance sheet.

Research and development milestones and collaborations

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

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

Sales milestones, royalties and other payments

The Group is committed to paying certain commercial sales milestones, royalties or other payments based on a percentage of sales generated from the sale of goods

Note 33

Contractual obligations, contingent assets and liabilities, and collaterals - continued

following marketing approval. These amounts are excluded from the contractual obligations because of their contingent nature, being dependent on future sales.

Other purchase obligations

The Group has undertaken purchase obligations relating to property, plant and equipment in the amount of DKK 692m (DKK 32m at 31 December 2022).

Environmental obligations

Falck has been involved in a few investigations by Danish environmental authorities and may, at some point in the future, be involved in more investigations regarding PFOS contamination in the portfolio of properties owned by Falck. Falck does not consider it probable that the investigations will result in a liability for Falck.

Collaterals

Land and buildings provided as security for mortgage debt amounted to DKK 497m (DKK 514m at 31 December 2022) out of mortgage debt of DKK 548m (DKK 579m at 31 December 2022).

Note 34

Related parties

Lundbeckfonden is an enterprise foundation established by Grete Lundbeck in 1954. As a foundation, no party controls Lundbeckfonden.

Related parties to Lundbeckfonden:

- The Foundation's Executive Management and Board of Directors
- Companies in which the Foundation's Executive Management and Board of Directors exercise controlling influence
- Associates

See note 3 Employee costs for information about remuneration received by the Board of Directors and the Executive Management.

Note 35

Group overview

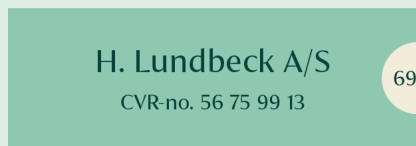
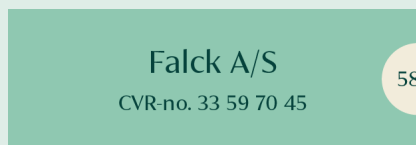
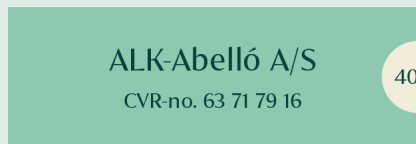
Lundbeckfonden



100%



- Lundbeckfonden Strategic Ownerships
- Lundbeckfonden Invest
- Lundbeckfonden BioCapital



1) Voting rights 67%

2) Voting rights 76%

Company name

Country

Ownership

Subsidiaries of Lundbeckfonden

Lundbeckfond Invest A/S, including

- H. Lundbeck A/S

- ALK-Abelló A/S

- Falck A/S

- LFI Equity A/S

- LFI Silva Investments A/S

- LFI Silva Investments Ltd.

- DySIS Medical Ltd., including

- Forth Photonics Trustees Limited

- Forth Photonics Limited

- DYSIS Medical Inc

- Forth Photonics Hellas S.A

Vesper Bio ApS

Associates of Lundbeckfond Invest A/S

Ferrosan Medical Devices HoldCo ApS

Echo TopCo A/S (Ellab A/S)

Obel-LFI Ejendomme A/S

Cresco Capital Services A/S

CytoKi Pharma ApS ^{a)}

IO Biotech, Inc. ^{a)}

SNIPR Biome ApS ^{a)}

Subsidiaries of H. Lundbeck A/S

Lundbeck Argentina S.A.

Lundbeck Australia Pty Ltd, including

- CNS Pharma Pty Ltd, Australia

Lundbeck Austria GmbH

Lundbeck S.A.

Lundbeck Brasil Ltda.

Lundbeck Canada Inc.

Denmark 100%

Denmark 69% (76% of the votes)

Denmark 40% (67% of the votes)

Denmark 58%

Denmark 100%

Denmark 97%

United Kingdom 100%

United Kingdom 90%

United Kingdom 100%

United Kingdom 100%

United States 100%

Greece 100%

Denmark 75%

Denmark 30%

Denmark 34%

Denmark 50%

Denmark 25%

Denmark 29%

United States 21%

Denmark 29%

Argentina 100%

Australia 100%

Australia 100%

Austria 100%

Belgium 100%

Brazil 100%

Canada 100%

Note 35

Group overview - continued

Company name	Country	Ownership
Lundbeck Chile Farmacéutica Ltda.	Chile	100%
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd.	China	100%
Lundbeck Colombia S.A.S.	Colombia	100%
Lundbeck Croatia d.o.o.	Croatia	100%
Lundbeck Czech Republic s.r.o.	Czech Republic	100%
Lundbeck Export A/S	Denmark	100%
Lundbeck Pharma A/S	Denmark	100%
Lundbeck Eesti A/S	Estonia	100%
OY H. Lundbeck AB	Finland	100%
Lundbeck SAS	France	100%
Sofipharm SAS, including	France	100%
- Elaiapharm SAS	France	100%
Lundbeck GmbH	Germany	100%
Lundbeck Hellas S.A.	Greece	100%
Lundbeck HK Limited	Hong Kong	100%
Lundbeck Hungária KFT	Hungary	100%
Lundbeck India Private Limited	India	100%
Lundbeck (Ireland) Ltd.	Ireland	100%
Lundbeck Israel Ltd.	Israel	100%
Lundbeck Italia S.p.A.	Italy	100%
Lundbeck Pharmaceuticals, Italy S.p.A., including	Italy	100%
- Archid S.A.	Luxembourg	100%
Lundbeck Japan K.K.	Japan	100%
Lundbeck Korea Co., Ltd.	Republic of Korea	100%
SIA Lundbeck Latvia	Latvia	100%
UAB Lundbeck Lietuva	Lithuania	100%
Lundbeck Malaysia SDN. BHD.	Malaysia	100%
Lundbeck México, SA de CV	Mexico	100%
Lundbeck B.V.	Netherlands	100%
Prexton Therapeutics B.V., including	Netherlands	100%
- Prexton Therapeutics S.A.	Switzerland	100%
Lundbeck New Zealand Limited	New Zealand	100%
H. Lundbeck AS	Norway	100%

Company name	Country	Ownership
Lundbeck Pakistan (Private) Limited	Pakistan	100%
Lundbeck America Central S.A.	Panama	100%
Lundbeck Peru S.A.C.	Peru	100%
Lundbeck Philippines Inc.	Philippines	100%
Lundbeck Business Service Centre Sp.z.o.o.	Poland	100%
Lundbeck Poland Sp.z.o.o.	Poland	100%
Lundbeck Portugal - Produtos Farmacêuticos Unipessoal Lda	Portugal	100%
Lundbeck Romania SRL	Romania	100%
Lundbeck RUS LLC	Russia	100%
Lundbeck Singapore PTE. LTD.	Singapore	100%
Lundbeck Slovensko s.r.o.	Slovakia	100%
Lundbeck Pharma d.o.o.	Slovenia	100%
Lundbeck South Africa (Pty) Limited, including	South Africa	100%
- H. Lundbeck (Proprietary) Limited	South Africa	100%
Lundbeck España S.A.	Spain	100%
H. Lundbeck AB	Sweden	100%
Lundbeck (Schweiz) AG	Switzerland	100%
Lundbeck İlaç Ticaret Limited Şirketi	Turkey	100%
Lundbeck Group Ltd. (Holding), including	United Kingdom	100%
- Lundbeck Limited	United Kingdom	100%
- Lundbeck Pharmaceuticals Ltd.	United Kingdom	100%
- Lifehealth Limited	United Kingdom	100%
- Lundbeck UK LLP ^{b)}	United Kingdom	100%
Lundbeck USA Holding LLC, including	United States	100%
- Lundbeck LLC, including	United States	100%
- Chelsea Therapeutics International, Ltd., including	United States	100%
- Lundbeck NA Ltd.	United States	100%
- Lundbeck Pharmaceuticals LLC	United States	100%
- Lundbeck Research USA, Inc.	United States	100%
- Lundbeck La Jolla Research Center, Inc., including	United States	100%
- Abide Therapeutics (UK) Limited	United Kingdom	100%
- Lundbeck Seattle BioPharmaceuticals, Inc., including	United States	100%
- Alder Biopharmaceuticals Pty., Ltd.	Australia	100%

Note 35

Group overview - continued

Company name	Country	Ownership
- Alderbio Holdings LLC ("ANEV")	United States	100%
Lundbeck de Venezuela, C.A.	Venezuela	100%
Subsidiaries of ALK-Abelló A/S		
Europe		
ALK-Abelló Allergie-Service GmbH	Austria	100%
ALK-Abelló Nordic A/S	Denmark	100%
ALK S.A.S.	France	100%
ALK-Abelló Arzneimittel GmbH	Germany	100%
ALK-Abelló B.V.	Netherlands	100%
ALK-Abelló Sp. z o.o.	Poland	100%
ALK Slovakia s.r.o.	Slovakia	100%
ALK-Abelló S.A., including	Spain	100%
- ALK-Abelló S.p.A.	Italy	100%
ALK AG (in liquidation)	Switzerland	100%
ALK-Abelló AG	Switzerland	100%
ALK-Abelló Ltd.	United Kingdom	100%
North America		
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%
ALK-Abelló, Inc., including	United States	100%
- OKC Allergy Supplies, Inc.	United States	100%
ALK-Abelló Source Materials, Inc., including	United States	100%
- OKC Crystal Laboratory, Inc.	United States	100%
International markets		
ALK (Shanghai) Medical Technology Co., Ltd., including	China	100%
- ALK (Guangzhou) Medical Technology Co., Ltd.	China	100%
Tasfiye Halinde ALK Ilac ve Alerji Ürünleri Ticaret Anonim Sirketi (in liquidation)	Turkey	100%
Subsidiaries of Falck A/S		
Falck (Victoria) Pty. Ltd.	Australia	100%
Falck Pty. Ltd.	Australia	100%
Falck Fire Services BE NV	Belgium	100%
Falck Brasil 747 Participações Ltda.	Brazil	100%

Company name	Country	Ownership
Falck Fire & Safety do Brasil S.A.	Brazil	100%
Falck Global Assistance (China) Limited	China	100%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada – Grupo EMI S.A.	Colombia	100%
Falck Servicios Logísticos S.A.S.	Colombia	100%
Haces Inversiones y Servicios S.A.S	Colombia	100%
Falck Danmark A/S	Denmark	100%
Falck Digital Technology Denmark A/S	Denmark	100%
Falck Global Assistance A/S	Denmark	100%
Falck Healthcare A/S	Denmark	100%
MedConnect A/S	Denmark	100%
EMI Ecuador S.A.- Emergencia Medica Integral	Ecuador	100%
EMI El Salvador S.A. de C.V.	El Salvador	100%
Falck Global Assistance Oy	Finland	100%
Falck France SAS	France	100%
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	100%
Falck Fire Services DE GmbH	Germany	100%
Falck Notfallrettung und Katastrophenschutz gGmbH	Germany	100%
Falck Notfallrettung und Krankentransport Dortmund GmbH	Germany	100%
Falck Notfallrettung und Krankentransport GmbH	Germany	100%
Falck Notfallrettung und Krankentransport Spree-Neiße GmbH	Germany	100%
Falck Operations Services DE GmbH	Germany	100%
Falck Rettungsdienst GmbH	Germany	100%
Falck Rettungsdienst Hanse GmbH	Germany	100%
Falck Rettungsdienst Holding GmbH	Germany	100%
Falck Rettungsdienst Nord GmbH	Germany	100%
Falck India Pvt. Ltd. (India)	India	100%
Falck Servizi Industriali di Emergenza S.r.l.	Italy	100%
Falck Brann og Redningstjeneste AS	Norway	100%
Falck Global Assistance Norway AS	Norway	100%
Falck Helseformidling AS	Norway	100%
Falck Norge AS	Norway	100%
EMI Holdings Management S.A.	Panama	100%

Note 35

Group overview - continued

Company name	Country	Ownership
EMI Panama S.A.	Panama	100%
Falck Fire Services Polska Sp. z.o.o.	Poland	100%
Falck IT Poland Spółka Z Ograniczoną Odpowiedzialnością	Poland	100%
Falck Medycyna Sp. z.o.o.	Poland	100%
Falck SCI Portugal – Segurança Contra Incêndios, SA.	Portugal	100%
Falck Fire Services S.R.L.	Romania	100%
Falck Global Assistance Singapore Pte. Ltd.	Singapore	100%
Falck Emergency AS	Slovakia	100%
Falck Fire Services a.s.	Slovakia	100%
Falck SK a.s.	Slovakia	100%
Falck Záchraná a.s.	Slovakia	100%
Falck Global Assistance Spain S.L.	Spain	100%
Falck SCI, S.A.	Spain	100%
Falck Servicios Sanitarios, S.L.	Spain	100%
Falck Sverige AB	Sweden	100%
Alviva AB	Sweden	100%
Falck Ambulans AB	Sweden	100%
Falck Global Assistance AB	Sweden	100%
Falck Healthcare AB	Sweden	100%
Falck Hälsopartner AB	Sweden	100%
Falck Räddningstjänst AB	Sweden	100%
Falck Global Assistance (Thailand) Ltd.	Thailand	49%
Falck Global Assistance Ltd.	Thailand	49%
Falck Eurasia B.V.	The Netherlands	100%
Falck Holding B.V.	The Netherlands	100%
Falck Sağlık AŞ	Turkey	100%
Falck Fire Services UK Limited	United Kingdom	100%
Luvtel S.A.	Uruguay	100%
Portovenus S.A.	Uruguay	16%
UCM Uruguay S.A.	Uruguay	100%
Falck Global Assistance, LLC	United States	100%

Company name	Country	Ownership
Falck HealthNet, Inc.	United States	100%
Falck Mobile Health Corp.	United States	100%
Falck Northern California Corp.	United States	100%
Falck Northwest Corp.	United States	100%
Falck Rocky Mountain, Inc.	United States	100%
Falck USA, Inc.	United States	100%

- a Associates of Lundbeckfond Invest A/S are recognised in Financial assets - Invest or Financial assets - Lundbeckfonden BioCapital
- b Lundbeck UK LLP is owned by Lundbeck Group Ltd, (Holding), Lundbeck Limited and Lifehealth Limited, all of which have H, Lundbeck A/S as the direct or ultimate parent company

Note 36

Material accounting policy information

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise mentioned (see note 1 for information about new standards and amendments issued but not yet effective).

Basis of consolidation

The consolidated financial statements comprise the Parent Foundation Lundbeckfonden and entities controlled by the Parent Foundation.

Business combinations

Acquisitions are evaluated to determine whether they constitute a business combination in accordance with IFRS 3 Business Combinations or a purchase of individual assets and liabilities.

Acquired assets and liabilities that do not constitute a business are recognised at cost, i.e., no goodwill or negative goodwill is recognised.

Newly acquired or newly established companies or operations are recognised in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the Group. Companies sold or discontinued are recognised in the consolidated income statement up to the date of disposal. The date of disposal is the date when control of the company actually passes to a third party.

Acquisitions are accounted for using the purchase method, according to which, the identifiable assets, liabilities and contingent liabilities of companies

acquired are measured at fair value at the date of acquisition.

Restructuring costs are only recognised in the takeover balance sheet if they represent a liability to the acquired company. The tax effect of revaluations is taken into account.

The cost of a company is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events, these are recognised at their fair value at the date of acquisition.

Costs that can be attributed directly to the transfer of ownership are recognised in the income statement when they are incurred. Adjustments to estimates of conditional consideration are recognised directly to the income statement.

If the fair value of the acquired assets or liabilities subsequently proves different from the values calculated at the date of acquisition, cost is adjusted for up to 12 months after the date of acquisition.

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill), is recognised as an asset under intangible assets and tested for impairment at least annually.

Gains or losses on disposal of subsidiaries are stated as the difference between the disposal amount and the carrying amount of net assets including goodwill at the date of disposal, accumulated foreign exchange adjustments recognised in other comprehensive income,

and anticipated disposal costs. The disposal amount is measured as the fair value of the consideration received.

Divestments

Companies divested or discontinued are recognised in the income statement until the date of divestment or discontinuation. Divested activities are shown separately as discontinued operations.

Gains and losses on divestment or winding up of subsidiaries and associates are stated as the difference between the sales price and the carrying amount of the net assets, including goodwill at the time of sale, accumulated foreign exchange adjustments recognised in other comprehensive income and anticipated disposal costs. In addition, any retained non-controlling interests are measured at fair value. Gains and losses on the disposal and the effect of renewed measurement of any retained non-controlling interests are recognised in the income statement.

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 recognised in the income statement under financial items.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The differences between the exchange rates at the time of recognition and the exchange rates at the balance sheet

date or recognition of settlement are recognised in the income statement under financial items.

On translation of foreign subsidiaries having a functional currency different from the one used by the Foundation, items in the income statement are translated at monthly average exchange rates, and non-monetary and monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising when translating the income statements and the balance sheets of foreign subsidiaries are recognised in other comprehensive income.

Exchange gains/losses on translation of receivables from, or payables to, subsidiaries that are considered part of the Group's net overall investment in the subsidiaries are recognised in other comprehensive income.

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

Financial instruments

Forward exchange contracts, interest rate swaps, equity options and other derivatives are initially recognised in the balance sheet at fair value on the contract date and subsequently remeasured at fair value at the balance sheet date. The fair value of derivatives is determined by applying recognised measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date. Positive and

Note 36

Material accounting policy information - continued

negative fair values are included in other receivables and other payables, respectively.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedge accounting are recognised in other comprehensive income. On recognition of hedged items, income and expenses related to such hedging transactions are transferred from other comprehensive income and recognised in the same line 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 recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

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

Changes in the fair value of derivatives not qualifying for hedge accounting are recognised in the income statement under financial items as they arise.

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

Incentive programmes

Share-based incentive programmes (equity-settled share-based payments) which comprise share option plans, conditional share plans, and performance shares

are measured at the grant date at fair value and recognised in the income statement under the respective functions over the vesting period and offset in equity.

The fair value of share options is determined using the Black-Scholes model.

If the share option agreements entitle the Group to demand cash settlement of the options, the cash-settled share options are recognised as other liabilities and adjusted to fair value when the Group has an obligation to settle in cash. The subsequent adjustment to fair value is recognised in the income statement under financial items.

Warrants regarding warrant programmes for the executive management boards of subsidiaries are issued at the market value on the date of grant. Payments received and made in relation to the warrant programmes are recognised in equity.

Non-controlling interests

On initial recognition, non-controlling interests are measured either at fair value (including the fair value of goodwill related to non-controlling interests in the acquired company) or at the non-controlling interests' proportionate share of the acquired company's identifiable assets, liabilities and contingent liabilities measured at fair value (excluding the fair value of goodwill related to non-controlling interests in the acquired company). The measurement basis for non-controlling interests is selected for each individual transaction.

Acquisition and divestment of non-controlling interests

Increases and reductions of non-controlling interests are accounted for as transactions with shareholders, in their capacity as shareholders. Thus, any differences between adjustment to the carrying amount of non-controlling interests and the fair value of the consideration received or paid are recognised directly in equity.

Income statement

Revenue Lundbeck and ALK

Revenue comprises invoiced sales less expected return of goods for the year less returned goods, sales, discounts, rebates and revenue-based taxes. Revenue is recognised when the goods are delivered at the agreed destination (point in time), meaning that control of products has transferred to the buyer, and it is probable that the Group will collect the consideration to which it is entitled for transferring the products.

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

Moreover, revenue includes licence income and royalties from out-licensed products as well as non-refundable down payments and milestone payments relating to research and development collaborations and income from collaborations on the commercialisation of products.

Sales-based licensing income and royalties from out-licensed products is recognised in profit or loss under

revenue, when the Group provides access to its product rights as they exist throughout the licence period.

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

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

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

Revenue Falck

Revenue includes services and goods delivered together with invoiced subscriptions attributable to the financial period. Revenue is recognised in the income statement if the control of the services or goods are transferred to the customer. Services are recognised over time when the customer receives and consumes the benefits as the service is delivered by Falck.

For long-term contracts with fixed price and subscriptions, revenue is recognised on a straight-line basis over the contract period. For pay-by-use contracts, revenue is recognised in connection with the actual delivery of the individual service.

Note 36

Material accounting policy information - continued

Services related to long-term contracts with fixed price and subscriptions are usually prepaid by the customers (prepayment usually occurs between one and twelve months before the start of the service period). For pay-by-use contracts, the payment term is usually between one and three months after the service has been delivered.

For contracts with predetermined price reductions, the transaction price will be recalculated to an average price covering the total contract period.

For contracts where Falck acts as an agent (mainly claims handling), the revenue is recognised as the net amount that Falck is entitled to retain in return for its services as agent. For contracts where Falck acts as a principal, the revenue is recognised as the gross amount to which Falck expects to be entitled.

Revenue is measured at the fair value of the agreed consideration excluding VAT and other taxes collected on behalf of third parties. All discounts granted are recognised in revenue.

Contracts with variable considerations are measured using the most likely amount and re-measured on a monthly basis.

Cost of sales

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

royalty payments for in-licensed products, expenses for quality assurance of products and write-downs to net realisable value of obsolete and slow-moving goods.

Cost of sales also includes external assistance used to generate the revenue for the year.

Research and development costs

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

Research costs are always recognised in the income statement as they incur.

Due to a very long development period and the significant uncertainties inherent in the development of new products, development costs are expensed as incurred in line with industry practice. Consequently, the development costs do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the sale and distribution of the Group's products sold during the year. This includes costs incurred for sales campaigns, training and administration of the sales force and direct distribution, marketing and promotion. Sales and distribution also include salaries and other costs for the sales, distribution and marketing

functions, amortisation/depreciation and impairment losses, and other indirect costs.

Administrative expenses

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

Other operating items

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

Special items

Special items comprise significant income and expenses of a special nature in terms of the Group's revenue-generating operating activities such as impairment of goodwill and product rights.

Results of investments in associates measured using the equity method

The proportionate share of the results of associates is recognised in the income statement after tax.

Financial items

Financial items comprise:

- Interest income and expenses
- Net gain or loss on financial assets, including dividends
- Fair value adjustment of contingent consideration
- Fair value adjustment of other financial liabilities
- Interest expenses and income related to uncertain tax positions are recognised on the balance sheet as tax liabilities and tax assets, respectively, upon the receipt of rulings from the tax authorities, and correspondingly reflected in the income statement as financial items, net
- Foreign currency gain and loss
- Other financial income and expenses

Interest income and expenses are accrued based on the principal and the effective rate of interest.

Income tax

Lundbeckfonden's Danish subsidiaries are jointly taxed with Lundbeckfond Invest A/S as the administration company. The current Danish corporate income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Lundbeckfonden has the option to use section 3(4) of the Danish Corporation Tax Act. Under these rules, the taxable income of Lundbeckfond Invest A/S is considered to have been earned by Lundbeckfonden if the taxable income is distributed as a dividend to Lundbeckfonden. Since Lundbeckfonden's taxable income is regularly offset against grants for the year

Note 36

Material accounting policy information - continued

and tax provisions for future grants, no deferred tax asset or liability is recognised owned by Lundbeckfonden.

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

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

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

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

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

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

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

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

Changes in deferred tax concerning expenses for share-based payments are generally recognised in profit or

loss. However, if the amount of the tax deduction exceeds the related cumulative expense, it indicates that the tax deduction relates not only to an operating expense, but also to an equity item. In such a case, the excess of the associated current or deferred tax is recognised directly in equity.

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

Balance sheet

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost 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).

Development projects

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

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

Product rights and other intangible assets

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

Product rights are amortised over the economic lives of the underlying products, which in all material aspects follow the patent terms, which are currently between five and 15 years. Other rights are amortised over the period of agreement. Intangible assets acquired on acquisition are amortised over the expected economic life, estimated to be three-to-10 years. Software is amortised over the expected economic life, estimated to be three-to-five years. Amortisation commences when the asset is ready to be brought into use.

Amortisation is recognised in the income statement under cost of sales, and research and development costs, respectively.

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

Note 36

Material accounting policy information - continued

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

Property, plant and equipment

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

Cost includes the cost of acquisition and expenses directly attributable to the acquisition until the asset is ready for use. The cost of self-constructed assets includes costs directly attributable to the construction of the asset. Borrowing costs to finance the manufacture of property, plant and equipment are recognised in the cost price, if such borrowing costs relate to the production period. Other borrowing costs are recognised in the income statement.

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

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term unless it is reasonably certain that a purchase option will be exercised at the end of the lease term. In that case, the assets are depreciated over the full, expected useful life.

Items of property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets:

	Years
Buildings	25-50
Installations	10
Plant and machinery	3-10
Vehicles according to category	5-12
Dispatch centres, radio systems, major administrative systems and networks	8
Fire extinguishers and similar equipment installed at customers' locations	3-5
Other fixtures and fittings, tools and equipment	3-10
Leasehold improvements, max.	10

Depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate.

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

Gains or losses on the sale or retirement of items of property, plant and equipment are calculated as the difference between the carrying amount and the selling

price less cost to sell or discontinuance costs. Gains and losses are recognised in profit or loss; normally in other operating items, net or, if considered immaterial to the understanding of the consolidated financial statements, in the same line item as the associated depreciation.

Biological assets

Forest assets are divided into growing forests, which are recognised as biological assets at fair value less cost to sell, and land, which is measured at cost. The valuation of biological assets is based on discounted cash flow models.

Changes in the fair value of biological assets are recognised in the income statement under other operating items.

Impairment

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

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

Impairment losses are reversed only if the assumptions and estimates underlying the impairment calculation have changed. Indications of impairment or reversal of impairment include the following:

- Research and development results for a product
- Changes in expected cash flows due to lower sales expectations
- Changes in technology
- Changes in assumptions about future use
- Changes in market and legal risks
- Changes in cost structure

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

Investments in associates

Investments in associates, except for investments in associates that are included in Lundbeckfonden's investment strategy, are measured in the consolidated financial statements using the equity method and recognised at the proportionate share of the equity of the relevant enterprise, made up in accordance with the Group's accounting policies, with the addition of values added on acquisition, including goodwill.

Investments in associates that are included in Lundbeckfonden's investment strategy are measured at fair value and presented together with the investment

Note 36

Material accounting policy information - continued

assets. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Financial assets

At initial recognition, securities that are included in the group's investment strategy are measured at its fair value. Transaction costs of financial assets are expensed under financial items.

Subsequently, securities are measured at fair value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under financial items.

Bonds with a term to maturity of less than one year are recognised in current assets. Bonds forming part of repo transactions, i.e., the selling of bonds to be repurchased at a later date, remain on the balance sheet as financial assets, and the amount received on repo transactions is recognised as repo debt. Returns on such bonds are recognised under financial items.

The fair value of listed investments is calculated using market prices at the balance sheet date. The calculation of fair value of unlisted investments, including biotech investments, is made on the basis of relevant valuation methods based on discounted cash flows or trading multiples. If the fair value cannot be determined with sufficient reliability, the investments in question are recognised at cost at recent transaction, or price at financing round, taking into account whether or not the companies live up to predefined value triggers/business plans.

Equity investments that are not included in the Group's investment strategy are classified as other financial assets. On initial recognition, these investments are measured at cost, corresponding to fair value. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised in the income statement or other comprehensive income according to an individual decision for each equity investment.

Inventories

Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which is equivalent to cost computed according to the FIFO method. Work in progress and finished goods manufactured by the Group are measured at cost, i.e., the cost of raw materials, goods for resale, consumables and direct labour and indirect costs of production.

Indirect costs of production include materials and labour, 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 realisable value if it is lower than the cost price. The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to execute the sale. The net realisable value is determined having regard to marketability, obsolescence and expected selling price developments.

Receivables and contract assets

Current receivables comprise trade receivables and other receivables arising in the Group's normal course of business. Other receivables recognised in financial assets are financial assets with fixed or determinable cash flow that are not quoted on an active market and are not derivative financial instruments.

Contract assets comprise the Group's right to consideration regarding completed services which have not been invoiced at the reporting date.

On initial recognition, receivables and contract assets are measured at fair value, subsequently at amortised costs.

Impairments for lifetime expected credit losses (ECL) are recognised in the income statement upon initial recognition of the receivable/contract asset. The expected credit losses are calculated on the portfolio of receivables/contract assets grouped by shared credit risk characteristics. Provision matrices are established based on historical developments in trade receivables/contract assets and the historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment.

An impairment loss or reversal of prior impairment loss is recognised in the income statement.

Prepayments

Prepayments comprise prepaid costs which are measured at cost.

Securities

On initial recognition, securities including the bond portfolio, which are included in the Group's investment strategy for excess liquidity, or bonds with a term to maturity of less than one year, are recognised under current assets and measured at cost, corresponding to fair value. The securities are subsequently measured at fair value at the balance sheet date. The fair value is based on publicly quoted prices of the invested assets. Both realised and unrealised gains and losses are recognised in the income statement.

Equity

Authorised grants

Grants are considered equity movements and are recognised as a liability at the time when the grant has been authorised by the Board of Directors and announced to the recipient. Authorised grants not yet disbursed are recognised in non-current or current liabilities, respectively.

Reserve for future grants

In accordance with the Danish Act on Commercial Foundations, a reserve for future grants has been set up in order for Board of Directors to be able to donate grants during the period until the approval of the annual report for the subsequent financial year. The reserve does not have to be used, but is continuously reduced with donated grants. Every year at the annual meeting, the Board of Directors will re-evaluate the size of the reserve.

Hedging reserve

Hedge transactions that meet the criteria for hedging future cash flows, and for which the hedged transaction

Note 36

Material accounting policy information - continued

has yet to be realised, are recognised in equity through other comprehensive income under the hedging reserve.

Foreign exchange adjustments concerning hedging transactions used to hedge the Group's net investment in such entities are recognised in equity through other comprehensive income under the hedging reserve.

Currency translation reserve

Foreign exchange adjustments arising on the translation of financial statements for subsidiaries and associates which are not part of Lundbeckfonden's investment strategy and have a functional currency other than DKK, and foreign exchange adjustments relating to financial assets and liabilities representing a part of the Group's net investment in such entities, are recognised in equity through other comprehensive income under the currency translation reserve.

On full or partial realisation of a net investment, foreign exchange adjustments are recognised in the income statement.

Treasury shares in subsidiaries

Acquisition and sale of treasury shares held by subsidiaries as well as dividends are recognised directly in equity under retained earnings.

Non-controlling interests

The proportionate shares of the profit and equity of subsidiaries attributable to non-controlling interests are recognised as a separate item under equity. On initial recognition, non-controlling interests are recognised as described under 'Business combinations'.

Share-based payments

Share-based incentive programmes in which shares are granted to employees and in which employees may opt to buy shares in H. Lundbeck A/S and ALK-Abelló A/S, and in which shares are granted to employees (equity-settled programmes), are measured at the equity instruments' fair value at the date of grant and recognised under employee costs, as and when the employees obtain the right to receive/buy the shares. The offsetting item is recognised directly in equity, under retained earnings.

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

Retirement benefit obligations and similar obligations

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

The present value of the Group's liabilities relating to future pension payments under defined benefit plans is measured on an actuarial basis once a year based on the pensionable period of employment up to the time of

the actuarial valuation. The calculation of present value is based on assumptions of future developments of salary, interest, inflation, mortality and disability rates and other factors. Present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with the Group. Pension expenses, finance costs and administration fees are recognised in the income statement under employee costs. Actuarial gains and losses are recognised in other comprehensive income as they are calculated and cannot subsequently be recycled through profit or loss.

The present value of the defined benefit plan liability is recognised less the fair value of the plan assets, and any net obligation is recognised in the balance sheet under non-current liabilities. Any net asset is recognised in the balance sheet as a financial asset, considering, where relevant, the provisions of IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Provisions

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

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

Return obligations imposed on the Group are recognised as provisions in the balance sheet.

Amounts relating to pending lawsuits are recognised when the outflow is probable and the amount is measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

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

Contract liabilities

Prepayments mainly include accrued subscriptions and prepayment according to contracts. Contract liabilities also comprise the recalculated transaction price from predetermined price reductions, where the service is transferred over time, and are recognised at the same average consideration over the term of the contract.

Debt

Mortgage debt, bank debt and bond debt are recognised at the time of the raising of a loan/issuing of bonds at the fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, which is equivalent to the capitalised value when the effective rate of interest is used. The difference between the proceeds and the nominal value is recognised in the income statement under financial items over the loan period. Debt included in the short-term financial liquidity is measured at amortised cost in subsequent periods.

Repo debt relates to bonds included in repo transactions. Repo debt is recognised at amortised cost, and accumulated repo interest has been accrued.

Note 36 Material accounting policy information - continued

Other payables

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

Contingent consideration is recognised as part of the business combination and is recognised at fair value considering the passage of time and changes in the applied probability of success. The fair value is assessed at each reporting date and the effect of any adjustments relating to the timing of payment and the probability of success is recognised under financial income or financial expenses.

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

Lease liabilities

On initial recognition, lease liabilities are measured as the present value of future payments, including payments relating to reasonably certain extensions. The lease payments contain fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement over the term of the lease as a finance charge.

If the interest rate cannot be determined in the agreement, the lease payments are discounted using the Group's incremental borrowing, adjusted for the functional currency and length of the lease term. The

lease liability is remeasured if, or when, the future payment or lease term changes.

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

Short-term lease expenses and low value assets are not recognised as part of lease liabilities. They are recognised in the income statement when incurred as an operating expense.

Cash flow statement

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

Cash flows include cash flows from companies acquired as from the date of acquisition and cash flows from companies divested until the date of divestment.

Cash comprises cash and bank balances.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates for the year as they approximate the actual exchange rates at the date of payment. Cash and bank balances at year-end are translated at the exchange rates at the balance sheet date, and the effect of exchange gains/losses on cash

and bank balances is shown as a separate item in the cash flow statement.

Key figures

The key figures are calculated according to the Danish Finance Society's Recommendations & Financial Ratios.

Operating profit:	Defined as the profit before special items, financial items and tax
Operating profit margin:	$\text{Operating profit} \times 100 / \text{Revenue}$
Return on equity:	$\text{Profit for the year} \times 100 / \text{Average equity}$

Net wealth

Lundbeckfonden's net wealth is estimated based on fair value at the balance sheet date. For the valuation of Lundbeckfonden's investment activities, please refer to the accounting policies above under financial assets. The fair value of Lundbeckfonden's shares in H. Lundbeck A/S and ALK-Abelló A/S is based on market prices. The fair value of Lundbeckfonden's shares in other strategic ownerships are an estimated value based on a trading multiple model using historical accounting numbers for the relevant company and a peer group.

Note 37 Events after the balance sheet date

On 2 January 2024, the ALK Group acquired the operating assets of AllerQuest for a total cash consideration of DKK 125m. The consideration amount includes an escrow amount of DKK 10m which serves as reserve for potential indemnifications over 18 months from acquisition date.

AllerQuest was a US-based company dedicated to manufacturing PRE-PEN® Skin Antigen Test. This acquisition makes ALK the sole manufacturer and distributor of PRE-PEN in the USA and Canada, with global ownership rights to all assets of AllerQuest. PRE-PEN is the only FDA-approved diagnostic skin test for the evaluation of penicillin allergy and is indicated for the assessment of sensitization to penicillin in patients suspected to have clinical penicillin hypersensitivity. AllerQuest was previously a supplier of the ALK Group and will be fully integrated into ALK during 2024.

The transaction is on a debt and cash free basis. At the time the financial statements were authorised for issue, the ALK Group had not yet completed the accounting for the acquisition as the transaction has just happened. In particular, the fair values of the assets disclosed above have only been determined provisionally as the independent valuations have not been finalised. A preliminary purchase price allocation has been prepared. Operating tangible assets and inventories amount to DKK 7m. Product rights, including production processes, formulations, approvals and trademarks, amount to DKK 118m. No liabilities were transferred.



Parent financial statements



Financial statements

Parent Foundation

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Income statement

For the period 1 January – 31 December

DKKm	Note	2023	2022
Dividend from Lundbeckfond Invest A/S		-	2,192
Financial income	2	1,217	270
Financial expenses	2	-154	-1,079
Profit from investment activities		1,063	1,383
Employee costs	3	-46	-42
Other external costs	4-5	-37	-33
Depreciation and amortisation		-5	-5
Profit before tax		975	1,303
Tax on profit for the year	6	-6	-6
Profit for the year	7	969	1,297

Balance sheet

At 31 December

Assets, DKKm	Note	2023	2022
Other intangible assets		2	2
Intangible assets	8	2	2
Property and equipment		61	65
Tangible assets	9	61	65
Investments in subsidiaries	10	4,075	4,048
Receivables from subsidiaries		135	81
Other securities and investments	11, 14	5,874	5,991
Financial assets		10,084	10,120
Non-current assets		10,147	10,187
Receivables from subsidiaries		2,539	1,812
Income tax		1	-
Other receivables		19	20
Receivables		2,559	1,832
Cash and bank balances		62	177
Current assets		2,621	2,009
Assets		12,768	12,196

Equity and liabilities, DKKm	Note	2023	2022
Capital base	12	4,357	4,162
Reserve for future grants		1,500	1,500
Retained earnings		4,855	4,661
Equity		10,712	10,323
Pension obligations etc.	13	4	4
Provisions		4	4
Payable grants, long-term		1,382	1,205
Non-current liabilities		1,382	1,205
Payable grants, short-term		656	648
Income tax		-	3
Other payables	14	14	13
Current liabilities		670	664
Liabilities		2,052	1,869
Equity and liabilities		12,768	12,196

Statement of changes in equity for the period 1 January – 31 December

DKKm	Note	Capital base	Reserve for future grants	Retained earnings	Total
Equity at 1 January 2023		4,162	1,500	4,661	10,323
Grants, net	15	-	-580	-	-580
Profit for the year	7	195	580	194	969
Equity at 31 December 2023		4,357	1,500	4,855	10,712
Equity at 1 January 2022		3,901	1,500	4,164	9,565
Grants, net	15	-	-539	-	-539
Profit for the year	7	261	539	497	1,297
Equity at 31 December 2022		4,162	1,500	4,661	10,323

Note 1

Accounting policies

The financial statements for Lundbeckfonden (the Parent Foundation) for 2023 have been prepared in accordance with the Danish Financial Statements Act for large reporting enterprises class C.

Other securities and investments are accounted for using the fair value through the income statement and accounted for in accordance with IFRS 9.

The financial statements are presented in Danish kroner (DKK), which is also the functional currency of Lundbeckfonden. All amounts have been rounded to millions, unless otherwise indicated.

The accounting policies are unchanged from the previous year.

Differences relative to the accounting policies for the consolidated financial statements

The Parent Foundation's accounting policies for recognition and measurement are consistent with the policies for the consolidated financial statements with the exceptions stated below.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Costs include the consideration at fair value plus direct acquisition costs.

Subsequently, investments in subsidiaries that suffered an impairment are reviewed for possible reversal of the impairment at the end of each balance sheet date. Reversal of impairment is recognised in financial income.

If there is an indication of impairment, an impairment test is performed. Where the carrying amount exceeds the recoverable amount, the investments are written down to this lower value. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

Dividends are recognised in the income statement.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and the consolidated financial statements of Lundbeckfonden, the parent has not prepared a cash flow statement.

Note 2

Financial income and expenses

DKKm	2023	2022
Financial income		
Fair value adjustments on financial assets	988	144
Interest on financial assets	77	35
Interest on receivables from subsidiaries	70	12
Reversal of impairment of investments in subsidiaries	27	-
Dividends from portfolio investments	55	66
Exchange gains	-	13
Total financial income	1,217	270
Financial expenses		
Fair value adjustments on financial assets	145	1,072
Interest expenses	2	1
Exchange losses	5	2
Other financial expenses	2	4
Total financial expenses	154	1,079

Note 3

Employee costs

DKKm	2023	2022
Wages and salaries	40.3	37.8
Pensions	5.0	4.3
Other social security costs	0.2	0.2
Total employee costs	45.5	42.3
Average number of employees during the year	28	25
Number of employees at year-end	30	29
DKKm	2023	2022
Remuneration of the Executive Management (excluding remuneration received from subsidiaries)	6.1	5.5
Fees to the Board of Directors, including committee fees (excluding fees received from subsidiaries)	4.5	4.1

Members of Executive Management and the Board of Directors, who also serve as board members in subsidiaries also receive board remuneration directly from such subsidiaries. For a complete description hereof, see note 3 in the consolidated financial statements.

Note 4

Total operating costs of Lundbeckfonden and Lundbeckfond Invest A/S

DKKm	2023	2022
Lundbeckfonden - Employee costs, other external costs, and depreciation and amortisation	88	80
Lundbeckfond Invest A/S - Employee costs and other external costs	74	90
Total costs	162	170
The costs can be allocated to Lundbeckfonden's activities as follows:		
Grants & Prizes	31	28
Invest	21	23
Lundbeckfonden BioCapital	29	36
Corporate functions	81	83
Total costs	162	170

Note 5

Fees to auditors appointed at the annual meeting

DKKm	2023	2022
Statutory audit	0.3	0.3
Tax assistance	0.5	-
Other services	0.7	-
Total fees	1.5	0.3

Other external costs include fees to auditors appointed by the Board of Directors.

Note 6

Tax on profit for the year

DKKm	2023	2022
Current tax	8	11
Prior-year adjustments	-2	-5
Tax on profit for the year	6	6

When calculating the taxable income, Lundbeckfonden has deducted grants and tax provisions for future grants. No deferred taxes are recognised for accounting purposes concerning tax provisions for future grants as these are not expected to materialise. Deferred tax liabilities not recognised amounted to DKK 1,018m (DKK 631m at 31 December 2022).

Note 7

Proposed distribution of profit

DKKm	2023	2022
Capital base	195	261
Reserve for future grants	580	539
Retained earnings	194	497
Profit for the year	969	1,297

Note 8

Intangible assets

Other intangible assets, DKKm	2023	2022
Cost at 1 January	8	7
Additions	1	1
Cost at 31 December	9	8
Amortisation at 1 January	-6	-5
Amortisation	-1	-1
Amortisation at 31 December	-7	-6
Carrying amount at 31 December	2	2

Note 9

Tangible assets

Property and equipment, DKKm	2023	2022
Cost at 1 January	100	100
Cost at 31 December	100	100
Depreciation at 1 January	-35	-31
Depreciation	-4	-4
Depreciation at 31 December	-39	-35
Carrying amount at 31 December	61	65

Note 10

Investments in subsidiaries

DKKm	Lundbeckfond		Total
	Invest A/S	Vesper Bio ApS	
Cost at 1 January 2023	4,046	29	4,075
Cost at 31 December 2023	4,046	29	4,075
Impairment at 1 January 2023	-	-27	-27
Reversal of impairment	-	27	27
Impairment at 31 December 2023	-	-	-
Carrying amount at 31 December 2023	4,046	29	4,075

DKKm	Lundbeckfond		Total
	Invest A/S	Vesper Bio ApS	
Cost at 1 January 2022	4,046	29	4,075
Cost at 31 December 2022	4,046	29	4,075
Impairment at 1 January 2022	-	-27	-27
Impairment at 31 December 2022	-	-27	-27
Carrying amount at 31 December 2022	4,046	2	4,048
Dividend received in 2022	2,192	-	2,192

Subsidiaries, DKKm	Registered office	Ownership	Profit for the year 2023	Equity at
				31 December 2023
Lundbeckfond Invest A/S	Copenhagen	100%	3,954	27,751
Vesper Bio ApS	Copenhagen	75%	-53	-113

Note 11 Other securities and investments

DKKkm	Bonds and corporate loans	Equities	Unlisted investment funds	Derivative financial instruments	Total
Carrying amount at 1 January 2023	2,742	3,136	113	-3	5,988
Additions	1,075	761	61	5	1,902
Disposals	-2,277	-560	-8	-14	-2,859
Value adjustments	40	776	15	12	843
Carrying amount at 31 December 2023	1,580	4,113	181	-	5,874
Recognised in:					
Financial assets	1,580	4,113	181	-	5,874
Carrying amount at 31 December 2023	1,580	4,113	181	-	5,874
Carrying amount at 1 January 2022	2,728	3,889	67	-	6,684
Additions	2,586	201	34	-2	2,819
Disposals	-2,267	-318	-2	-	-2,587
Value adjustments	-305	-636	14	-1	-928
Carrying amount at 31 December 2022	2,742	3,136	113	-3	5,988
Recognised in:					
Financial assets	2,742	3,136	113	-	5,991
Other Payables	-	-	-	-3	-3
Carrying amount at 31 December 2022	2,742	3,136	113	-3	5,988

Note 12 Capital base

DKKkm	2023	2022	2021	2020	2019
Capital base at 1 January	4,162	3,901	3,461	3,236	3,114
Increase in capital base	195	261	440	225	122
Capital base at 31 December	4,357	4,162	3,901	3,461	3,236

Note 13 Pension obligations

DKKkm	2023	2022
Obligations at 1 January	4	4
Adjustment for the year	-	-
Obligations at 31 December	4	4

Note 14 Financial instruments

Equity contracts, DKKm	Contractual value	Share option gains/losses recognised in the income statement	Market value 31 December	Expiry
2022				
Options on shares	-158	-1	-3	Mar 23
Equity contracts	-158	-1	-3	

Note 15 Grants, net

DKKm	2023	2022
Grants for the year	592	550
Reversed grants/repayments	-12	-11
Net grants for the year	580	539

Note 16 Contractual obligations

Lundbeckfonden has contractual capital contribution obligations amounting to DKK 27m at 31 December 2023 (DKK 89m at 31 December 2022).

Note 17 Related parties

Lundbeckfonden defines related parties as Lundbeckfonden's Board of Directors and Executive Management, its wholly-owned investment and holding company Lundbeckfond Invest A/S and this company's subsidiaries H. Lundbeck A/S, ALK-Abelló A/S, Falck A/S, LFI Equity A/S, LFI Silva Investments A/S, DySIS Medical Ltd., and Vesper Bio ApS, including their subsidiaries and associates.

Lundbeckfond Invest A/S shares the same address as Lundbeckfonden, and there is duality of membership between the Executive Management, administration (partly) and Boards of Directors. Lundbeckfonden receives dividends from Lundbeckfond Invest A/S, which are recognised in the income statement.

Lundbeckfonden received payment for administration costs, net amount DKK 11m in 2023 (DKK 7m in 2022) from Lundbeckfond Invest A/S. At 31 December 2023 Lundbeckfonden has a receivable from Lundbeckfond Invest A/S of DKK 2,539m (DKK 1,812m at 31 December 2022) and a receivable from Vesper Bio ApS of DKK 141m (DKK 83m at 31 December 2022). Lundbeckfonden received interest on receivables from Lundbeck Invest A/S and Vesper Bio ApS of DKK 61m (DKK 8m) and DKK 9m (DKK 4m), respectively.

In 2022, Lundbeckfonden received dividend from Lundbeckfond Invest A/S of DKKm 2,192m.

For information on remuneration paid to the members of the Executive Management and Board of Directors, see note 3 in the consolidated financial statements.

Other than the above, there have only been a few transactions of immaterial importance with related parties.

The Foundation has not entered into any transactions with related parties that were not on an arm's length basis.

Note 18 Events after the balance sheet date

No events of importance to the annual report have occurred during the period from the balance sheet date until the presentation of the financial statements.

Management statement

The Executive Management and the Board of Directors have today considered and adopted the annual report of Lundbeckfonden for the financial year 1 January - 31 December 2023.

The consolidated financial statements is prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Foundation Financial Statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Foundation Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Group and the Parent Foundation, and of the results of the Group's and the Parent Foundation's operations and the Group's cash flows for 2023.

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

We recommend that the Annual Report be adopted at the Board of Directors Meeting.

Copenhagen, 12 March 2024

Executive Management

Lene Skole
CEO

Board of Directors

Steffen Kragh
Chair

Peter Schütze
Deputy Chair

Lars Holmqvist

Michael Kjær

Susanne Krüger Kjær

Svend Andersen

Thomas Mears Werge

Henrik Sindal Jensen
Elected by the employees

Katja Barnkob
Elected by the employees

Mikkel Helmer Nielsen
Elected by the employees

Morten Egholm Aagaard
Elected by the employees

Independent Auditor's Report

To the Board of Directors of Lundbeckfonden

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Foundation Financial Statements give a true and fair view of the Parent Foundation's financial position at 31 December 2023 and of the results of the Parent Foundation's operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Foundation Financial Statements of Lundbeckfonden for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for both the Group and the Parent Foundation, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management Review

Management is responsible for Management Review.

Our opinion on the financial statements does not cover Management Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management Review and, in doing so, consider whether Management Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management Review is in accordance with the Consolidated Financial Statements and the Parent Foundation Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Foundation Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 12 March 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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