Corporate Release
Valby, Denmark, 7 November 2018

Financial report for the period 1 January to 30 September 2018

Lundbeck realized 12% growth in revenue (local currencies) and 56% growth in EPS in 9M 2018. Guidance for FY2018 raised

HIGHLIGHTS

- Revenue reached DKK 13,921 million in the first nine months of 2018 representing an increase of 8% (12% in local currencies) compared to the same period in 2017
  - Revenue of Abilify Maintena® increased 18% to DKK 1,180 million (23% in local currencies)
  - Revenue of Brintellix®/Trintellix® increased 28% to DKK 1,543 million (36% in local currencies)
  - Revenue of Northera® increased 7% to DKK 1,282 million (16% in local currency)
  - Revenue of Onfi® increased 20% to DKK 2,669 million (30% in local currency)
  - Revenue of Rexulti® increased 32% to DKK 1,204 million (42% in local currencies)
  - Revenue in North America increased 2% to DKK 8,072 million (10% in local currencies)
  - Revenue in International Markets increased 5% to DKK 2,806 million (13% in local currencies)
  - Revenue in Europe increased 7% to DKK 2,269 million (7% in local currencies)
- EBIT increased to DKK 4,453 million compared to DKK 3,476 million in the first nine months of 2017 and the EBIT margin reached 32.0% compared to 27.1% in 2017
- EPS grew 56% to DKK 16.38 in the period compared to DKK 10.49 the year before
- Free cash flow reached DKK 2,277 million representing an increase of 77%, and the net cash position improved to DKK 5,356 million compared to DKK 2,208 million for the same period last year
- Trintellix submitted for approval in Japan and new data added to the U.S. labelling for Trintellix demonstrated superiority over escitalopram in improving SSRI-Induced sexual dysfunction in patients with depression
- On 25 October, it was announced that Lu AF35700 showed similar anti-psychotic effects but not statistical superiority versus conventional therapy on the primary endpoint (change in Total PANSS) in patients with treatment-resistant schizophrenia (TRS). No new trials in TRS will be initiated
- Three projects have moved into phase I (Lu AF76432, Lu AF28996 and Lu AF82422) and foliglurax has entered the phase II pipeline in the first nine months of the year
- The financial guidance for 2018 is raised. Lundbeck now expects revenue to reach DKK 17.7 - 18.1 billion and profit from operations (EBIT) to reach DKK 5.1 - 5.4 billion for 2018 compared to previously DKK 17.6 - 18.0 billion and DKK 4.9 - 5.2 billion, respectively

In connection with the financial report, Lundbeck's President and CEO Deborah Dunsire said:
"The continued solid growth in revenue and profitability delivered by the company this year is commendable. Lundbeck remains on track to deliver the best-ever financial results creating the foundation to work to strengthen the pipeline for future growth."

DKK million	9M 2018	9M 2017	*Growth*
Reported Revenue	**13,921**	12,842	*8%*
Reported EBIT	**4,453**	3,476	*28%*
Reported EPS	**16.38**	10.49	*56%*
Reported EBIT margin	***32.0%***	*27.1%*	-
Core Revenue*	**13,921**	12,842	*8%*
Core EBIT*	**5,227**	3,946	*32%*
Core EPS*	**19.96**	12.69	*57%*
*Core EBIT margin**	***37.5%***	*30.7%*	-

*For definition of the measures "Core Revenue", "Core EBIT" and "Core EPS", see note 9 *Core reporting*

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FINANCIAL HIGHLIGHTS AND KEY FIGURES

	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017
Financial highlights (DKK million)					
Reported revenue	**13,921**	12,842	4,633	4,348	17,234
Core revenue	**13,921**	12,842	4,633	4,348	17,234
Operating profit before depreciation and amortization (EBITDA)	**5,302**	4,170	1,755	1,521	5,424
Reported profit from operations (EBIT)	**4,453**	3,476	1,447	1,415	4,408
Core profit from operations (core EBIT)	**5,227**	3,946	1,649	1,446	5,115
Net financials	**4**	(81)	(2)	(11)	(131)
Profit before tax	**4,457**	3,395	1,445	1,404	4,277
Tax	**1,204**	1,324	390	528	1,653
Profit for the period	**3,253**	2,071	1,055	876	2,624
Equity	**13,536**	11,545	13,536	11,545	12,181
Assets	**22,402**	20,257	22,402	20,257	19,756
Cash flows from operating and investing activities (free cash flow)	**2,277**	1,289	278	589	2,215
Purchase of property, plant and equipment, gross	**176**	107	93	48	245
Key figures					
EBIT margin (%)	**32.0**	27.1	31.3	32.5	25.6
Return on invested capital (ROIC) (%)	**39.0**	23.0	13.1	9.3	30.8
Annualized return on invested capital (ROIC) (%)	**51.9**	30.7	52.4	37.4	30.8
Cash to earnings (%)	**101.0**	110.5	73.7	124.3	141.8
Research and development ratio (%)	**16.4**	15.0	17.6	15.0	15.7
Return on equity (%)	**25.3**	19.5	8.1	7.9	24.0
Equity ratio (%)	**60.4**	57.0	60.4	57.0	61.7
Invested capital (DKKm)	**8,180**	9,337	8,180	9,337	8,504
Net debt/EBITDA	**(1.0)**	(0.5)	(3.1)	(1.5)	(0.7)
Share data					
Number of shares for the calculation of EPS (millions)	**198.7**	197.2	198.7	198.1	197.5
Number of shares for the calculation of DEPS (millions)	**198.7**	197.6	198.8	198.4	197.8
Earnings per share, basic (EPS) (DKK)	**16.38**	10.49	5.31	4.42	13.28
Earnings per share, diluted (DEPS) (DKK)	**16.37**	10.48	5.31	4.41	13.26
Cash flow from operating activities per share, diluted (DKK)	**23.02**	13.65	6.07	7.46	20.45
Net asset value per share, diluted (DKK)	**68.10**	58.07	68.10	58.07	61.28
Market capitalization (DKK million)	**78,982**	72,272	78,982	72,272	62,700
Share price end of period (DKK)	**396.70**	363.30	396.70	363.30	315.00
Proposed dividend per share (DKK)	**-**	-	-	-	8.00
Other					
Number of employees (FTE) end of period	**5,225**	4,920	5,225	4,920	4,976

MANAGEMENT REVIEW

Financial guidance and forward-looking statements

Lundbeck's results in 2018 are expected to be driven by the continued strong growth of Abilify Maintena, Brintellix/Trintellix, Northera and Rexulti which will more than offset the effect of additional generic erosion on older products, including introduction of generic clobazam during the fourth quarter of 2018. Following the approval by the U.S. FDA (Food and Drug Administration) of several generic versions of clobazam, a significant decline of Onfi has to be expected starting in the fourth quarter of 2018 and continuing into 2019.

Looking at our geographical regions, we expect to realize growth for FY 2018 in all three regions, North America, International Markets and Europe, in local currencies.

Financial guidance for the full year 2018 is revised following better-than-expected sales performance. For 2018, Lundbeck now expects revenue to reach DKK 17.7-18.1 billion and profit from operations (EBIT) to reach DKK 5.1-5.4 billion. The revised financial guidance includes the gain from a third settlement achieved by Lundbeck in Australia in its case against generic companies who it alleged have infringed Lundbeck's Lexapro® (escitalopram) patent. Lundbeck's main currency is the USD, and the guidance is based on the level of the USD as per end of October 2018. As a consequence of the U.S. tax reform, Lundbeck expects the reported **tax rate** to be 26-28% compared to 38.7% in 2017. The financial guidance is summarized below:

Financial guidance 2018

DKK	2017 actual	Previous 2018 guidance	Revised 2018 guidance
Revenue	17,234 million	17.6-18.0 billion	**17.7-18.1 billion**
EBIT	4,408 million	4.9-5.2 billion	**5.1-5.4 billion**
Tax rate	*38.7%*	*26-28%*	***26-28%***

Forward-looking statements

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

Revenue

Revenue for the first nine months of 2018 reached DKK 13,921 million compared to DKK 12,842 million for the same period of 2017. The increase of 8% (12% in local currencies) is primarily driven by Abilify Maintena, Brintellix/Trintellix, Northera, Onfi and Rexulti. The revenue development has been positively impacted by seasonality due to shipments generally in International Markets and specifically in China.

Hedging

To establish better transparency regarding the effect of hedging on revenue and profit, Lundbeck has decided to disclose hedging gains/losses (net) in a separate line item in revenue. Previously the effect from hedging was allocated to the individual products. Lundbeck hedges a significant part of the currency risk for a period of 12-18 months. Hedging had a positive impact of DKK 308 million for the first nine months of 2018. The gain from hedging for the full year 2018, is expected to be DKK 200-300 million.

Revenue - products and regions

DKK million	9M 2018	9M 2017	*Growth*	*Growth in local currencies*	Q3 2018	Q3 2017	*Growth*	*Growth in local currencies*	Q2 2018
Abilify Maintena	**1,180**	999	*18%*	*23%*	409	332	*23%*	*24%*	407
Brintellix/Trintellix	**1,543**	1,202	*28%*	*36%*	544	408	*33%*	*36%*	532
Cipralex/Lexapro	**1,894**	1,873	*1%*	*7%*	555	559	*(1%)*	*3%*	674
Northera	**1,282**	1,194	*7%*	*16%*	433	460	*(6%)*	*(6%)*	453
Onfi	**2,669**	2,225	*20%*	*30%*	907	748	*21%*	*21%*	859
Rexulti	**1,204**	915	*32%*	*42%*	452	328	*38%*	*38%*	383
Sabril	**983**	1,145	*(14%)*	*(7%)*	331	365	*(9%)*	*(9%)*	311
Xenazine	**333**	820	*(59%)*	*(56%)*	103	269	*(62%)*	*(61%)*	118
Other pharmaceuticals	**2,059**	2,341	*(12%)*	*(9%)*	688	735	*(6%)*	*(4%)*	704
Other revenue	**466**	224	*108%*	*108%*	180	87	*107%*	*105%*	167
Hedging	**308**	(96)	-	-	31	57	-	-	95
Total revenue	**13,921**	**12,842**	***8%***	***12%***	**4,633**	**4,348**	***7%***	***9%***	**4,703**
North America	**8,072**	7,908	*2%*	*10%*	2,785	2,698	*3%*	*3%*	2,689
International Markets	**2,806**	2,682	*5%*	*13%*	886	813	*9%*	*15%*	979
Europe	**2,269**	2,124	*7%*	*7%*	751	693	*8%*	*8%*	773

Abilify Maintena (aripiprazole once-monthly injection) for the treatment of schizophrenia and in the U.S., Canada and Australia also for bipolar I disorder, shows steady growth. Sales grew 18% (23% in local currencies) and reached DKK 1,180 million. Abilify Maintena's share of the long-acting market for antipsychotics (atypicals) has increased from 14.9% in the third quarter of 2017 to 16.1% (net sales) in the third quarter of 2018. The regional distribution of sales was 42%, 8% and 50% in North America, International Markets and Europe, respectively. The largest markets are Australia, Canada, France, Spain and the U.S. Abilify Maintena was discovered by Otsuka Pharmaceutical Co., Ltd. (Otsuka), and is co-marketed by Lundbeck and became available to patients in 2013.

Revenue from **Brintellix/Trintellix** (vortioxetine), for the treatment of major depression (MDD), reached DKK 1,543 million following growth of 28% (36% in local currencies). The regional distribution of sales was 55%, 19% and 26% in North America, International Markets and Europe, respectively. The largest markets are Brazil, Canada, France, Italy, Spain and the U.S. In the U.S., Trintellix is co-marketed by Takeda Pharmaceutical Company Limited (Takeda).

Cipralex/Lexapro (escitalopram), for the treatment of depression, increased 1% (7% growth in local currencies) mainly due to large shipments to our partner in China, Xian-Janssen, and revenue reached DKK 1,894 million. The regional distribution of sales was 5%, 70% and 25% in North America, International Markets and Europe, respectively. The largest markets are Brazil, Canada, China, Italy and Japan.

Northera (droxidopa), for the treatment of symptomatic neurogenic orthostatic hypotension (nOH), was launched in the U.S. in 2014. Sales from Northera showed growth of 7% (16% in local currencies) and reached DKK 1,282 million.

Onfi (clobazam), for the treatment of Lennox-Gastaut syndrome, continues to show strong growth and generated revenue of DKK 2,669 million, an increase of 20% (30% in local currencies) compared to the same period last year.

Rexulti (brexpiprazole) is approved by the U.S. FDA (Food and Drug Administration) as an adjunctive therapy for the treatment of adults with major depressive disorder and as a treatment for adults with schizophrenia, and became available to patients in markets such as the U.S. (Q3 2015), Canada (Q2 2017), Australia (Q3 2017) and in Saudi Arabia (Q4 2018). Lundbeck's share of revenue reached DKK 1,204 million for the period, corresponding to a growth of 32% (42% in local currencies). Rexulti was co-developed and is co-marketed by Otsuka and Lundbeck.

Sabril® (vigabatrin), for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS), saw the first generic introduction in the third quarter of 2017. Revenue reached DKK 983 million, thereby declining 14% (7% in local currencies) compared to last year. Lundbeck has the marketing rights for Sabril in the U.S.

Xenazine® (tetrabenazine) for the treatment of chorea associated with Huntington's disease saw the first generic introduction in the third quarter of 2015 which impacts sales negatively. Revenue reached DKK 333 million compared to DKK 820 million in 2017, a decline of 59%. Lundbeck has the marketing rights for Xenazine in the U.S.

Revenue from **Other pharmaceuticals**, which comprise the remainder of Lundbeck's products, reached DKK 2,059 million compared to DKK 2,341 million in first nine months of 2017. Other pharmaceuticals are negatively impacted by generic competition on Azilect® (rasagiline) and Ebixa® (memantine) in Europe.

Other revenue, which mainly consists of contract manufacturing, reached DKK 466 million compared to DKK 224 million for the period in 2017 following increased contract work at our production sites in France and Italy.

Figure 1 – Revenue per region 9M 2018 vs 9M 2017 (excluding Other revenue and effects from hedging)

Key developments in the third quarter of 2018

In the third quarter of 2018, revenue grew 7% (9% in local currencies) and reached DKK 4,633 million compared to DKK 4,348 million the year before as the decline in sales of Xenazine and Sabril was more than mitigated by growth of Abilify Maintena, Brintellix/Trintellix, Onfi and Rexulti.

North America

Revenue reached DKK 8,072 million in the first nine months of 2018 which is an increase of 2% (10% in local currencies) compared to DKK 7,908 million in 2017. The growth was mainly driven by the uptake of Abilify Maintena, Northera, Onfi, Rexulti and Trintellix, offsetting the decline in sales of Sabril and Xenazine. North America constitutes 62% of revenue (excluding Other revenue and effects from hedging) which is unchanged compared to last year.

Revenue – North America

DKK million	9M 2018	9M 2017	*Growth*	*Growth in local currencies*	Q3 2018	Q3 2017	*Growth*	*Growth in local currencies*	Q2 2018
Abilify Maintena	**499**	432	*16%*	*24%*	174	141	*24%*	*25%*	174
Trintellix	**853**	694	*23%*	*31%*	311	244	*27%*	*28%*	302
Northera	**1,282**	1,194	*7%*	*16%*	433	460	*(6%)*	*(6%)*	453
Onfi	**2,669**	2,225	*20%*	*30%*	907	748	*21%*	*21%*	859
Rexulti	**1,193**	914	*30%*	*40%*	447	327	*36%*	*37%*	380
Sabril	**983**	1,145	*(14%)*	*(7%)*	331	365	*(9%)*	*(9%)*	311
Xenazine	**316**	797	*(60%)*	*(57%)*	96	259	*(63%)*	*(63%)*	113
Other pharmaceuticals	**277**	507	*(45%)*	*(42%)*	86	154	*(45%)*	*(43%)*	97
Total revenue	**8,072**	**7,908**	***2%***	***10%***	**2,785**	**2,698**	***3%***	***3%***	**2,689**

Abilify Maintena revenue grew 16% (24% in local currencies) for the period and reached DKK 499 million, which represents Lundbeck's share of total net sales. In the U.S. Abilify Maintena has a value market share of 21.9% and in Canada it has reached 25% by August 2018.

Trintellix sales reached DKK 853 million for Lundbeck following a growth of 23% (31% in local currencies). In the U.S., Trintellix' share of TR_x (total prescriptions) volume is still increasing and has reached 0.8% following the loss of exclusivity of Pfizer's Pristiq (desvenlafaxine). The share of branded NR_x (new prescriptions) volume reached 56.2% by early September 2018. The value market share of the total anti-depressant market in the U.S. was 21.4% and in Canada, the value market share of the total anti-depressant market was 5.3% and the volume share was 1% by August 2018.

Northera was made available in the U.S. in the autumn of 2014 for the treatment of Neurogenic Orthostatic Hypotension (nOH). Sales from Northera reached DKK 1,282 million in the first nine months of the year, representing growth of 7% (16% in local currency). The sales growth in the third quarter was negatively impacted by inventory fluctuations, continued administrative burden for doctors, high out of pocket costs for patients, and a temporary backlog of patients in process awaiting therapy, that is expected to be cleared in Q4. Despite these challenges, Northera still experienced increased underlying demand, which highlights the unmet need in the nOH market and Northera's strong clinical profile.

Onfi reached revenue of DKK 2,669 million corresponding to a growth of 20% (30% in local currency). In October 2018, the U.S. FDA approved several versions of generic clobazam and both oral and suspension formulations.

Lundbeck's share of **Rexulti** revenue reached DKK 1,193 million following a growth of 30% (40% in local currencies). In the U.S., Rexulti has achieved market shares of 1.32% and 13.2% in volume and value, respectively. In Canada, the product has reached volume share 0.57% and a value share of 0.75%. Patient data suggest that more than 3/4 of prescriptions are prescribed for MDD. In February 2017, Lundbeck and Otsuka announced that Health Canada issued a Notice of Compliance for Rexulti for the treatment of schizophrenia, and the product became commercially available in Canada during the second quarter of 2017.

Sabril revenue for the period was DKK 983 million, declining 14% (7% in local currency). In September 2017, the first generic vigabatrin (oral solution) was introduced, and so far, no generic tablet versions have been approved. By end-September 2018, generic vigabatrin had 39% of the total sales in volume.

Revenue from **Xenazine** was DKK 316 million. Revenue decreased 60% compared to the previous year. Performance was impacted by the introduction of generic products, and by end-September 2018, generic tetrabenazine had 91% of the sales in volume.

Other pharmaceuticals are negatively impacted by the hand back of Treanda in Canada in the fourth quarter of 2017, after which Treanda revenue is replaced by a royalty agreement.

Key developments in the third quarter of 2018

Revenue reached DKK 2,785 million in the third quarter of 2018, which is an increase of 3% both reported and in local currencies. Northera declined by 6% to DKK 433 million reflecting a very strong third quarter last year, some destocking and bottlenecks in the distribution chain. Revenue in North America contributed 63% of revenue (excluding Other revenue and effects from hedging) compared to 64% in the same period last year.

International Markets

Revenue from International Markets, which comprise all Lundbeck's markets outside of Europe and North America, reached DKK 2,806 million in the first nine months of 2018, compared to DKK 2,682 million in 2017. In local currencies, sales were up 13% driven by Brintellix and Cipralex/Lexapro in particular. In general, Lundbeck has realized strong growth in China which is benefitting from stocking of around DKK 150 million. Regions such as the Middle East and South East Asia are also showing solid momentum. International Markets constitutes 21% of revenue (excluding Other revenue and effects from hedging), which is at the same level as last year. The biggest markets are Australia, Brazil, China, Japan, Mexico and South Korea.

Revenue – International Markets

DKK million	9M 2018	9M 2017	*Growth*	*Growth in local currencies*	Q3 2018	Q3 2017	*Growth*	*Growth in local currencies*	Q2 2018
Abilify Maintena	**94**	77	*22%*	*31%*	33	27	*20%*	*28%*	32
Brintellix	**294**	236	*25%*	*40%*	97	71	*35%*	*52%*	92
Cipralex/Lexapro	**1,324**	1,250	*6%*	*14%*	379	363	*4%*	*10%*	476
Ebixa	**367**	393	*(7%)*	*(1%)*	114	113	*1%*	*5%*	112
Other pharmaceuticals	**727**	726	-	*6%*	263	239	*11%*	*15%*	267
Total revenue	**2,806**	**2,682**	***5%***	***13%***	**886**	**813**	***9%***	***15%***	**979**

Abilify Maintena reached DKK 94 million in revenue in the first nine months of 2018 representing a growth of 22% (31% in local currencies). Sales are mainly derived from Australia where Abilify Maintena shows solid momentum and has achieved a volume share of 22%.

Brintellix reached DKK 294 million in revenue or an increase of 25% (40% in local currencies). Brintellix sees solid growth in countries such as South Korea where Brintellix now has 2.9% volume share and Turkey. The recent launch of Brintellix in China in April 2018 enables Lundbeck to make an even bigger difference for the many patients and caregivers affected by depression. Already today, Lundbeck is the market leader in the anti-depressant market in China as approximately 26% of all medicines prescribed for treating depression in China are invented by Lundbeck. In September 2018, Brintellix was launched in India for the treatment of patients suffering from Major Depressive Disorder (MDD) after receiving approval from Drug Controller General of India (DCGI). As per a large-scale survey conducted by National Institute of Mental Health & Neuro Sciences (NIMHANS), an estimated 1 in 20

people in India suffers from depression and the Indian market constitute approximately USD 125 million. Brazil, China, Mexico, South Africa, South Korea and Turkey are the largest markets for Brintellix in the region.

Cipralex/Lexapro generated revenue of DKK 1,324 million representing a growth of 6% (14% in local currencies). Growth is driven by shipments moved forward especially to China and Lundbeck's partner Xian-Janssen in China in first half of 2018. Brazil, China, Japan, Saudi Arabia and South Korea are the largest markets for Cipralex/Lexapro in the region.

Ebixa generated revenue of DKK 367 million representing a decline of 7% (1% in local currencies) following stocking in China up to license renewal by the end of 2017. China and South Korea are the largest markets for Ebixa in the region.

Other pharmaceuticals generated revenue of DKK 727 million which is unchanged from last year but a growth of 6% in local currencies.

Rexulti has been approved for the treatment of schizophrenia in Australia in June 2017 and the product was launched during the third quarter of 2017. In Australia, Rexulti has achieved a market share of 0.94% and 1.63% in volume and value respectively. In April 2018, Rexulti received regulatory and pricing approval in Saudi Arabia which is the only market other than U.S. so far to approve Rexulti as treatment for both schizophrenia and adjunctive therapy in depression (MDD). In Saudi Arabia, Lundbeck has a leading position with a share of the anti-depressant market of around 22%. Recently, Rexulti was approved in Mexico. Additionally, Rexulti has been submitted for approval in countries such as Brazil, Chile, Malaysia and South Africa.

Azilect was approved by the Chinese FDA in late June 2017 and has been launched in October 2017 by Lundbeck. Parkinson's disease is the second most common neurodegenerative disease following Alzheimer's disease in China. Both Rexulti and Azilect are currently included in Other pharmaceuticals for the region.

Key developments in the third quarter of 2018

Revenue in the third quarter was DKK 886 million, corresponding to an increase of 9% reported but 15% in local currencies. Revenue was positively impacted by quarterly fluctuations including shipments of Cipralex to Saudi Arabia and a few countries in South East Asia. In the third quarter, International Markets constituted 20% of revenue (excluding Other revenue and effects from hedging) representing a slight increase compared to the same period in 2017.

Europe

Revenue reached DKK 2,269 million in the first nine months of 2018, representing a growth of 7% (7% in local currencies) compared to DKK 2,124 million in the same period last year due to the growth of key products. Europe constitutes 17% of revenue (excluding Other revenue and effects from hedging) which is unchanged from last year.

Revenue – Europe

DKK million	9M 2018	9M 2017	*Growth*	*Growth in local currencies*	Q3 2018	Q3 2017	*Growth*	*Growth in local currencies*	Q2 2018
Abilify Maintena	**587**	490	*20%*	*20%*	202	164	*23%*	*23%*	201
Brintellix	**396**	272	*45%*	*46%*	136	93	*47%*	*47%*	138
Cipralex	**467**	492	*(5%)*	*(4%)*	144	156	*(7%)*	*(7%)*	160
Other pharmaceuticals	**819**	870	*(6%)*	*(6%)*	269	280	*(4%)*	*(4%)*	274
Total revenue	**2,269**	**2,124**	***7%***	***7%***	**751**	**693**	***8%***	***8%***	**773**

Abilify Maintena has been launched in all major markets in Europe. Sales uptake of Abilify Maintena is solid with sales reaching DKK 587 million. In Europe, the penetration of long-acting atypical antipsychotics is generally higher than seen in the U.S. (volume). Driven by increasing demand from patients, Abilify Maintena is growing sales all over Europe and has reached or surpassed a 20% market share (volume) in all major markets in Europe. Abilify Maintena is the second most prescribed long acting injectable treatment for patients with schizophrenia in many markets. France, Italy and Spain are the largest European markets for Abilify Maintena.

Brintellix revenue grew 45% thereby reaching DKK 396 million, and has been launched in most European markets. Brintellix realized solid growth in main countries such as France, Italy and Spain, where the product has achieved value market shares of 6.9%, 6.9% and 5.9%, respectively by August 2018. The volume shares are 2.15%, 2.7% and 2.0%, respectively. France, Italy and Spain are the largest European markets for Brintellix.

Cipralex generated revenue of DKK 467 million following a slight decline of 5%. The largest markets are France, Italy and Switzerland.

In July 2018, Lundbeck and Otsuka announced that the European Commission has approved **Rxulti®** (brexpiprazole) for the treatment of schizophrenia in adults. Furthermore, Rxulti has been approved in Switzerland. Lundbeck and Otsuka will now work with local pricing and reimbursement bodies in countries throughout Europe to help ensure that eligible patients are able to access Rxulti. The medicine is expected to be made available in the first EU markets during the first half of 2019.

Revenue from **Other pharmaceuticals** was DKK 819 million, a decline of 6% compared to 2017, following continued generic erosion of mature products.

Key developments in the third quarter of 2018
In the third quarter, revenue reached DKK 751 million which was an increase of 8% compared to DKK 693 million in the same period last year. Europe constitutes 17% of revenue (excluding Other revenue and effects from hedging) which is a slight increase from last year. The Danish Medicines Agency has approved an application regarding general covenanted financial aid for treatments with Rxulti, which was approved for use in Europe this summer. The decision means that schizophrenia patients can receive financial aid for the treatment, if they previously have been treated with a different anti-psychotic drug without effect.

Expenses and income

Total costs in the first nine months of 2018 were DKK 9,303 million compared to DKK 9,608 million for the same period in 2017 – a decline of 3%.

Distribution of costs

DKK million	9M 2018	9M 2017	*Growth*	Q3 2018	Q3 2017	*Growth*	Q2 2018
Cost of sales	**2,606**	2,913	*(11%)*	895	956	*(7%)*	885
COS-ratio	***18.7%***	*22.7%*	-	*19.3%*	*22.0%*	-	*18.8%*
Sales and distribution	**3,880**	4,194	*(7%)*	1,288	1,330	*(3%)*	1,306
S&D-ratio	***27.9%***	*32.6%*	-	*27.8%*	*30.6%*	-	*27.8%*
Administration	**528**	576	*(8%)*	186	198	*(6%)*	189
G&A-ratio	***3.8%***	*4.5%*	-	*4.0%*	*4.6%*	-	*4.0%*
Research and development	**2,289**	1,925	*19%*	817	651	*25%*	760
R&D-ratio	***16.4%***	*15.0%*	-	*17.6%*	*15.0%*	-	*16.2%*
Total costs	**9,303**	**9,608**	***(3%)***	**3,186**	**3,135**	***2%***	**3,140**

Cost of sales decreased 11% to DKK 2,606 million in the first nine months of 2018. The **gross margin** thereby increased from 77.3% to 81.3%. Cost of sales is positively impacted by the change in product mix, which resulted in reduced royalty costs. Furthermore, amortization of intangibles has declined from DKK 712 million in the first nine months of 2017 to DKK 609 million in 2018.

Sales and distribution costs were DKK 3,880 million, which was a decrease of 7% compared to 2017. Sales and distribution costs correspond to 27.9% of revenue, compared to 32.6% the year before.

Administrative expenses declined 8% to DKK 528 million, corresponding to 3.8% of total revenue in 2018 compared to 4.5% last year.

SG&A costs for the period were DKK 4,408 million, compared to DKK 4,770 million in first nine months of 2017. The SG&A ratio for the period was 31.7%, compared to 37.1% in the same period the year before.

Research and development costs increased 19% to DKK 2,289 million for the period. The R&D ratio reached 16.4% compared to 15.0% last year.

Other operating items, net amounted to an expense of DKK 165 million. In June 2018, Lundbeck LLC reached an agreement in principle to resolve the U.S. Department of Justice (DOJ) investigation related to Lundbeck LLC's relationship with, and donations to, independent patient assistance charitable foundations. As part of the agreement, Lundbeck LLC will pay DOJ USD 52.6 million (DKK 334 million). The settlement is recognized in Other operating items, net which also includes the gain from divestment of buildings in Copenhagen realized in the first quarter of 2018 and income from settlements in Australia.

Key developments in the third quarter of 2018

In the third quarter of 2018, total costs amounted to DKK 3,186 million, which is a slight increase compared to the same quarter last year.

Depreciation, amortization and impairment charges

Depreciation, amortization and impairment charges, which are included in the individual expense categories, amounted to DKK 897 million in the first nine months of 2018, compared to DKK 936 million the previous year. R&D is impacted by a write-down of the product rights for Carnexiv™ in the second quarter of 2018.

Depreciation, amortization and impairment charges

DKK million	9M 2018	9M 2017	*Growth*	Q3 2018	Q3 2017	*Growth*	Q2 2018
Cost of sales	**750**	814	*(8%)*	265	268	*(1%)*	236
Sales and distribution	**31**	35	*(11%)*	10	11	*(5%)*	10
Administration	**20**	21	*(4%)*	10	7	*49%*	6
Research and development	**96**	66	*44%*	23	22	*1%*	55
Total depreciation, amortization and impairment charges	**897**	**936**	***(4%)***	**308**	**308**	**-**	**307**

Profit from operations (EBIT)

EBIT for the first nine months of 2018 reached DKK 4,453 million compared to DKK 3,476 million for the same period last year – a growth of 28%, but was to some extent impacted by Other Operating items, net declining from a gain of DKK 242 million in the first nine months of 2017 to an expense of DKK 165 million in the first nine months of 2018. The **EBIT margin** increased significantly and reached 32.0% in 2018 compared to 27.1% last year.

Core EBIT increased 32% to DKK 5,227 million and the **Core EBIT margin** improved to 37.5% in the period. EBIT and Core EBIT is impacted by solid sales development and hedging gains of DKK 308 million.

Key developments in the third quarter of 2018

In the third quarter of 2018, EBIT amounted to DKK 1,447 million, which is an increase of 2% compared to the same quarter last year, which, however, was positively impacted by divestment gain from sale of buildings of DKK 202 million recognized in Other operating items, net. The EBIT margin declined slightly from 32.5% to 31.3% in the quarter compared to last year.

For definition of the measures “Core Revenue”, “Core EBIT” and “Core EPS”, see note 9 *Core reporting*.

Net financials

Lundbeck generated **net financial income** of DKK 4 million in the first nine months of 2018, compared to a net expense of DKK 81 million in the first nine months of 2017.

Net interest expenses, including realized and unrealized gains and losses on the bond portfolio, amounted to an income of DKK 12 million in the first nine months of 2018, compared to an expense of DKK 39 million in the same period in 2017. The interest income in 2018 primarily relates to income received from the Danish tax authorities regarding tax reassessment in U.S. and Italy.

Net exchange gains/losses amounted to a loss of DKK 27 million in the first nine months of 2018, compared to a loss of DKK 36 million in the first nine months of 2017.

Fair value adjustment relating to other financial assets amounted to a net gain of DKK 22 million in the first nine months of 2018.

Tax

The effective tax rate for the first nine months of 2018 was 27.0%. The effective tax rate has decreased significantly compared to 2017 due to the reduced U.S. federal tax rate. The effective tax rate is still higher than the Danish income tax rate due to amortization of Northera product rights, which is not deductible for tax purposes and thus creates a permanent difference.

Net profit and EPS for the period

Net profit for the first nine months of 2018 reached DKK 3,253 million compared to DKK 2,071 million for the same period last year. The reported net profit corresponds to an **EPS** of DKK 16.38 per share versus an EPS of DKK 10.49 per share for the same period last year. **Core EPS** was DKK 19.96 per share for the first nine months of 2018, compared to a Core EPS of DKK 12.69 per share in 2017 – a growth of 57%.

In the third quarter of 2018, **Net profit** increased by 20% y/y thereby reaching DKK 1,055 million. **Core EPS** increased from DKK 4.64 to DKK 6.23, representing a growth of 34%.

Cash flow

Cash flows from operating activities amounted to DKK 4,575 million in the first nine months of 2018, against DKK 2,698 million in 2017. The increase of 70% is mainly driven by the significant increase in profitability.

Lundbeck's **net cash flow from investing activities** was an outflow of DKK 2,298 million in the first nine months of 2018 as a result of the acquisition of Prexton Therapeutics BV in March 2018, payment of an approval milestone to Otsuka connected to the European approval of Rxulti of USD 50 million and of purchase of securities of DKK 500 million. The **free cash flow** reached DKK 2,277 million for the period compared to DKK 1,289 million for 2017.

In the first nine months of 2018, the **net cash flow** reached DKK 694 million compared to an outflow of DKK 91 million for the same period of 2017. The net cash flow is furthermore impacted by dividend payout of DKK 1.6 billion.

At the Annual General Meeting in March 2018, the proposed **dividend** for 2017 of DKK 8.00 per share or DKK 1,592 million was approved. The dividend was paid to the shareholders in March 2018.

Balance sheet

At 30 September 2018, Lundbeck's **total assets** amounted to DKK 22,402 million, compared to DKK 19,756 million at the end of 2017.

At 30 September 2018, Lundbeck's **equity** amounted to DKK 13,536 million, corresponding to an **equity ratio** of 60.4% compared to 61.7% at the end of 2017.

Net cash has increased from DKK 3,677 million at year-end 2017 to DKK 5,356 million at the end of the third quarter of 2018. **Interest bearing debt** was reduced to DKK 0 during 2017.

Return on invested capital (annualized) has increased to 51.9% compared to 30.8% by the end of 2017.

Lundbeck's development portfolio

Lundbeck is developing several new and promising medicines for the treatment of psychiatric and neurological disorders within the indications of Alzheimer's, mood disorders, Parkinson's and psychotic disorders. Pipeline developments are summarized below.

Aripiprazole for prolonged release injectable suspension (Abilify Maintena)

- Abilify Maintena is an atypical anti-psychotic for intra-muscular, once-monthly use and a dopamine D_2 partial agonist
- Approved in the U.S. and in Europe in February and November 2013, respectively, for the treatment of adults with schizophrenia
- Abilify Maintena has been approved for the maintenance monotherapy treatment of bipolar I disorder (BP I) in adults in the U.S., Canada and Australia
- Invented by Otsuka in Japan and has been co-developed and co-commercialized by Otsuka and Lundbeck

June 2017: Lundbeck together with Otsuka, initiated a phase I, open-label study to determine the pharmacokinetics and tolerability of aripiprazole 2-month intramuscular depot administered gluteal in adult subjects with schizophrenia.

Brexpiprazole (Rexulti)

- The efficacy of brexpiprazole may be mediated through a combination of partial agonist activity at serotonin 5-HT_{1A} and dopamine D_2 receptors, and antagonist activity at serotonin 5-HT_{2A} receptors. Brexpiprazole exhibits high affinity (sub-nanomolar) for these receptors as well as for noradrenaline $alpha_{1B/2C}$ receptors
- Brexpiprazole was approved by the U.S. FDA in July 2015 for treating patients with schizophrenia and as an adjunctive treatment for patients with MDD
- Brexpiprazole was also approved in February 2017 by Health Canada, and in May 2017 by the Australian Department of Health, for the treatment of schizophrenia
- Discovered by Otsuka and co-developed and co-commercialized by Otsuka and Lundbeck

July 2018: Lundbeck and Otsuka Pharmaceutical announced that the European Commission has approved Rxulti (brexpiprazole) for the treatment of schizophrenia in adults. The approval follows the positive opinion issued by the Committee for Medicinal Products for Human Use (CHMP) on 31 May 2018.

May 2018: Lundbeck and Otsuka Pharmaceutical announced that the two companies' third clinical phase III study (NCT03548584) of brexpiprazole in the treatment of agitation in patients with dementia of the Alzheimer's type commenced in June. Approximately 300 patients are expected to be enrolled in this 12-week, randomized, double-blind, placebo-controlled trial. The decision to initiate a third trial follows discussions with the U.S. Food and Drug Administration (FDA) regarding two phase III clinical trials for the agitation in Alzheimer's disease indication that were completed by Otsuka and Lundbeck in 2017. Results for the two completed trials were announced in May of last year and presented in poster sessions at the American Association for Geriatric Psychiatry annual meeting in March of this year.

October 2017: Lundbeck and Otsuka Pharmaceutical announced that patient enrolment has been initiated in two global phase III clinical trials (NCT03259555 and NCT03257865) to evaluate brexpiprazole for the treatment of patients with manic episodes associated with bipolar I disorder. Both studies are expected to recruit around 320 patients, and are planned to finalize in the beginning of 2019.

May 2017: Lundbeck and Otsuka announced top-line results from two pivotal studies with brexpiprazole in individuals with agitation associated with dementia of the Alzheimer's type (NCT01862640, NCT01922258). In both studies, patients treated with brexpiprazole showed improvements in symptoms of agitation relative to placebo. In the first study, the improvements in the primary endpoint of CMAI for 2 mg brexpiprazole were statistically better than placebo ($p<0.05$) and appeared more robust than the improvements on the key secondary endpoint of CGI-S ($p>0.05$). In the second study, the improvements in the primary endpoint of CMAI ($p>0.05$) appeared less robust than the improvements on the key secondary endpoint of CGI-S ($p<0.05$). Regarding safety and tolerability, both studies confirmed the profile of brexpiprazole as observed in the clinical trials for schizophrenia and for adjunctive treatment of major depressive disorder. U.S. FDA has granted Fast Track designation for this programme.

January 2017: A phase II trial (NCT03033069) using brexpiprazole as monotherapy, or as combination therapy in the treatment of adults with Post-Traumatic Stress Disorder (PTSD) was initiated. The study is expected to enrol around 330 patients.

January 2017: A phase I open-label study (NCT02968121) to determine the pharmacokinetics and tolerability of **brexpiprazole LAI** (long-acting injectable) administered subcutaneously or intramuscularly was initiated. Part A of the study was completed per protocol. Evaluation of Part A data and subsequent clinical program is ongoing.

Carnexiv (carbamazepine) injection

In October 2016, the U.S. FDA approved Carnexiv (carbamazepine) injection as a short-term replacement therapy for oral carbamazepine formulations in adults with certain seizure types when oral administration is temporarily not feasible. In our preparation for the launch of Carnexiv, we discovered a manufacturing challenge that impacted our commercialization of the product. Since that time, we have worked diligently to determine the root cause of the manufacturing challenge and to identify the appropriate resolution; however, we do not currently have an adequate solution.

Nalmefene (Selincro)

- Nalmefene is an opioid receptor antagonist
- Nalmefene has been marketed in Europe by Lundbeck since April 2013 under the brand name Selincro as treatment for the reduction of alcohol consumption
- In October 2013, Otsuka was named as Lundbeck's partner for nalmefene in Japan
- A clinical phase III study (NCT02364947) was initiated in Japan in December 2014
- It is estimated that 800,000 people in Japan have been diagnosed with alcohol dependency

October 2017: Lundbeck (Japan) and Otsuka announced the Japanese submission by Otsuka of a new drug application (NDA) for nalmefene for patients with alcohol dependency.

June 2017: Lundbeck (Japan) and Otsuka announced positive topline results from the comparative clinical trial and a follow-on, long-term extension study in participants with an alcohol dependency.

Vortioxetine (Brintellix/Trintellix)

- Vortioxetine is an inhibitor of serotonin (5-HT) reuptake and that is thought to be a mechanism of its action. It is also an agonist at 5-HT_{1A} receptors, a partial agonist at 5-HT_{1B} receptors and an antagonist at 5-HT_3, 5-HT_{1D} and 5-HT_7 receptors
- Vortioxetine is considered to be the first and only compound with this combination of pharmacodynamic activity
- Vortioxetine was discovered by Lundbeck. The clinical trial program in the U.S. was conducted jointly by Lundbeck and Takeda, and Takeda holds the new drug application for the U.S. market

- The U.S. FDA approved vortioxetine for the treatment of MDD in adults in 2013. Vortioxetine is furthermore approved in more than 80 markets (including Europe, Brazil, Canada, Chile, China, Mexico, Argentina, South Korea, Turkey, Australia, Hong Kong, Singapore and South Africa)

October 2018: Lundbeck and Takeda Pharmaceutical announced that the Trintellix U.S. prescribing information now includes head-to-head clinical study data that demonstrated superiority to a commonly-used selective serotonin reuptake inhibitor (SSRI), Lexapro (escitalopram) in improving treatment-emergent sexual dysfunction (TESD).

September 2018: Lundbeck and Takeda Pharmaceutical announced the submission of a New Drug Application ("NDA") to the Japanese Ministry of Health, Labour and Welfare for vortioxetine for the treatment of Major Depressive Disorder in adults. Lundbeck and Takeda will co-commercialize vortioxetine in Japan once approved and both companies are currently in the process of evaluating and planning the commercialization strategy.

June 2018: Lundbeck and Takeda Pharmaceutical announced positive results from the pivotal study with vortioxetine in adults with Major Depressive Disorder conducted in Japan.

May 2018: Lundbeck and Takeda Pharmaceutical announced that U.S. FDA has approved a supplemental new drug application for Trintellix. The clinical trials section of the U.S. label now includes data from the largest replicated clinical studies on an important aspect of cognitive function in acute major depressive disorder (MDD, depression). The *FOCUS* and *CONNECT* studies show Trintellix has a positive effect on processing speed, an important aspect of cognitive function observed in some patients with MDD. Additionally, a sNDA has been submitted in the U.S. for Trintellix to include data on treatment emergent sexual dysfunction in depression (TESD). PDUFA is scheduled on 21 October 2018.

Lu AF35700 – phase III

In October 2018, Lundbeck announced that *DAYBREAK*, the first phase III study for Lu AF35700, an investigational, novel, once-daily, oral antipsychotic drug candidate for the potential treatment of treatment-resistant schizophrenia, showed similar effect, but did not meet the primary endpoint of statistical superiority, compared to conventional therapy. Lu AF35700 was safe and generally well-tolerated in the study with no unexpected adverse events reported

No additional trials in TRS will be initiated. Analysis is ongoing to evaluate whether there is a viable commercial path forward in an appropriate indication for this molecule.

Foliglurax – phase II

- Foliglurax works by stimulating a specific glutamatergic target (mGluR4), which activates a compensatory neuronal system in the brain which is largely unaffected in Parkinson's disease. Animal models have convincingly demonstrated positive effects in models of Parkinson's disease. The aim is to treat the motor symptoms of Parkinson's disease, such as resting tremor, muscle rigidity and uncontrolled movements (dyskinesia)
- A single- and multiple-ascending oral dose phase I trial (NCT02639221) in healthy volunteers using foliglurax was successfully completed in 2016. The results showed that foliglurax appears well-tolerated with a satisfactory pharmacokinetic profile
- In July 2017, Prexton initiated a phase II clinical trial (NCT03162874) with foliglurax. The trial will enroll around 165 Parkinson's patients in sites across six European countries (U.K., Germany, France, Austria, Spain, and Italy). The double-blinded, randomized, placebo-controlled, parallel-arm study will assess the effectiveness, safety, and tolerability of foliglurax in reducing motor complications of levodopa therapy in patients experiencing end-of-dose wearing-off and levodopa-induced dyskinesia

March 2018: Lundbeck announced signing of a definitive agreement in which Lundbeck acquires Prexton Therapeutics BV. Under terms of the agreement, Lundbeck paid EUR 100 million (DKK 745 million) upfront and is required to pay up to EUR 805 million (approximately DKK 6 billion) under certain conditions in development and sales milestones to the group of former owners. More than half of the EUR 805 million is connected to sales milestones. The upfront payment was capitalized in the balance sheet as an intangible asset and will be tested for impairment annually or whenever there is indication of impairment.

Lu AF20513 – phase I

- Lu AF20513 is an active vaccine inducing high affinity polyclonal antibodies that target beta-amyloid (Aß), for the potential injectable prevention of progression of Alzheimer's
- Lu AF20513 is expected to provide an enhanced and heterogeneous immunogenic response towards Aβ peptides in comparison to mono-clonal antibody treatment strategies, as it may activate the body's immune system to fight the formation of the plaques which are believed to be involved in the disease

May 2015: An open-label, dose escalation, multiple immunisation phase I study (NCT02388152) was initiated, to assess the safety, tolerability and immunogenicity of Lu AF20513 in patients with mild Alzheimer's disease.

Lu AF76432 – phase I

- Phosphodiesterase type 1 (PDE1) is an enzyme naturally present in the human brain where it plays an important role in the communication between brain cells. Inhibiting the enzyme increases the presence of a chemical messenger within the cells that improves the communication, in turn improving the cognitive function
- Addresses impaired communication between cells in certain parts of the brain that causes cognitive/functional deficits, e.g. the loss of concentration, loss of memory, the ability to learn and planning of daily tasks. Such cognitive symptoms are prominent in diseases like schizophrenia and Alzheimer's disease, and Lu AF76432 has the potential to help ease these symptoms in patients suffering from these diseases

May 2018: A phase I-study (NCT03531229) in healthy volunteers (n = ~48) with the compound, invented by Lundbeck, has just begun. The phase I-study is designed to provide information about safety and tolerability, general pharmacokinetic characteristics and to identify maximum tolerated dose.

Lu AF28996 – phase I

In June 2018, Lundbeck initiated a phase I study (NCT03565094) of a potential new treatment of Parkinson's disease (n = ~20 healthy young men).

Lu AF28996 is a D_1/D_2 agonist with the potential to treat common symptoms in patients with moderate/advanced Parkinson's disease. Typically, patients gradually develop fluctuations in the control of their symptoms with poor or absent motor function (so called *OFF* episodes) and experience involuntary movements (dyskinesia). Both these symptoms are thought to be treated effectively with Lu AF28996.

Lu AF82422 – phase I

In August 2018, Lundbeck initiated a single-ascending-dose (SAD), first-in-human study (n=~45) to evaluate the safety and tolerability of Lu AF82422 in healthy volunteers and Parkinson's patients.

Lu AF82422 is a human IgG1 mAb that recognizes all major alpha-synuclein forms including aggregated/misfolded forms involved in the pathogenesis of Parkinson's. There is compelling evidence that alpha-synuclein may play a role in progression of Parkinson's and other synucleinopathies.

General corporate matters

Lundbeck is involved in legal proceedings in several countries against a number of businesses, including patent disputes. In the Annual Report 2017 (page 50), Lundbeck provided an overview of pending legal proceedings.

In June 2013, Lundbeck received the European Commission's decision that the company's agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining Lundbeck EUR 93.8 million (approximately DKK 700 million). On 8 September 2016, Lundbeck announced that the General Court of the European Union had delivered its judgment concerning Lundbeck's appeal against the European Commission's 2013 decision. Lundbeck's appeal was rejected by the General Court. Lundbeck has appealed the judgment to the European Court of Justice. Lundbeck paid and expensed the fine in the third quarter of 2013. A final judgment is expected during 2019.

In December 2011, the Brazilian antitrust authorities SDE (Secretariat of Economic Law) initiated administrative proceedings to investigate whether Lundbeck's enforcement of data protection rights could be viewed as anticompetitive conduct. In January 2012, Lundbeck submitted a response to the authorities. Due to a change in the Brazilian Antitrust Law, handling of the case has shifted from SDE to CADE (Administrative Council for Economic Defense). In April, May and June 2018 CADE's Superintendence, CADE's General Attorney and the Federal Public Prosecutor, respectively, issued opinions stating that Lundbeck in defending its data protection rights had not acted in violation of Brazilian competition law regulation and recommended that the case should be closed. On 3 October 2018, the members of CADE's Tribunal unanimously decided to end the case without any consequences for Lundbeck.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in three product liability class-action lawsuits relating to Cipralex®/Celexa® and three relating to Abilify Maintena and one relating to Rexulti in Canada. The cases are in the preliminary stages and as such associated with significant uncertainties. Lundbeck strongly disagrees with the claims raised.

In June 2018 Lundbeck announced that its U.S. subsidiary Lundbeck LLC has reached an agreement in principle to resolve the U.S. Department of Justice (DOJ) investigation related to Lundbeck LLC's relationship with, and donations to, independent patient assistance charitable foundations. The final terms of agreement are subject to further negotiation with DOJ. As part of the agreement, Lundbeck LLC will pay DOJ USD 52.6 million (DKK 334 million). Lundbeck LLC is pleased to have reached an agreement that will allow the company to put this matter behind it. The agreement does not include any admission by Lundbeck LLC that it violated any law. The agreement will allow Lundbeck LLC to continue its focus on providing innovative medications to the patients.

Lundbeck Australia has entered another settlement in its case against generic companies who it alleged infringed Lundbeck's Lexapro patent. The latest settlement with Apotex means that settlements have now been reached with three of the four generic companies involved in a federal court case, where Lundbeck is pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck's case against the final generic company, Sandoz, is continuing. Lundbeck alleges that Sandoz infringed its Lexapro patent between 2009 and 2012 and is seeking damages for losses incurred by sales of a generic version of the antidepressant in Australia.

Changes in Executive Management

In July 2018, Lundbeck announced that the Board of Directors has appointed Dr. Deborah Dunsire as new president and CEO of Lundbeck. Dr. Dunsire started in her new position on 1 September 2018.

Conference call

Today at 13.00 CET, Lundbeck will be hosting a conference call for the financial community. You can find dial-ins and a link for webcast online at www.lundbeck.com under the Investor section.

MANAGEMENT STATEMENT

The Board of Directors and the registered Executive Management have discussed and adopted the interim report of H. Lundbeck A/S for the period 1 January - 30 September 2018. The interim report is presented in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report gives a true and fair view of the Group's assets, liabilities and financial position as of 30 September 2018, and of the results of the Group's operations and cash flows for the period, which ended on 30 September 2018.

In our opinion, the Management's report gives a true and fair view of activity developments, the Group's general financial position and the results for the period. It also gives a fair view of the significant risks and uncertainty factors that may affect the Group.

The interim report has not been subject to audit or review.

Valby, 7 November 2018

Registered Executive Management

Deborah Dunsire President and CEO	Lars Bang Executive Vice President, Supply Operations & Engineering	Anders Götzsche Executive Vice President, CFO
Anders Gersel Pedersen Executive Vice President, R&D	Jacob Tolstrup Executive Vice President, Commercial Operations	

Board of Directors

Lars Søren Rasmussen Chairman of the Board	Lene Skole-Sørensen Deputy Chairman of the Board	Henrik Andersen
Jeffrey Berkowitz	Lars Erik Holmqvist	Jeremy Max Levin
Rikke Kruse Andreasen Employee representative	Jørn Møller Mayntzhusen Employee representative	Ludovic Tranholm Otterbein Employee representative

FINANCIAL STATEMENTS

Income statement

DKK million	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017
Revenue	13,921	12,842	4,633	4,348	17,234
Cost of sales	2,606	2,913	895	956	3,881
Gross profit	**11,315**	**9,929**	**3,738**	**3,392**	**13,353**
Sales and distribution costs	3,880	4,194	1,288	1,330	5,649
Administrative expenses	528	576	186	198	833
Research and development costs	2,289	1,925	817	651	2,705
Other operating items, net	(165)	242	-	202	242
Profit from operations (EBIT)	**4,453**	**3,476**	**1,447**	**1,415**	**4,408**
Net financials	4	(81)	(2)	(11)	(131)
Profit before tax	**4,457**	**3,395**	**1,445**	**1,404**	**4,277**
Tax on profit for the period	1,204	1,324	390	528	1,653
Profit for the period	**3,253**	**2,071**	**1,055**	**876**	**2,624**
Earnings per share, basic (EPS) (DKK)	16.38	10.49	5.31	4.42	13.28
Earnings per share, diluted (DEPS) (DKK)	16.37	10.48	5.31	4.41	13.26

Statement of comprehensive income

DKK million	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017
Profit for the period	**3,253**	**2,071**	**1,055**	**876**	**2,624**
Actuarial gains/losses	-	-	-	-	33
Tax	-	-	-	-	(5)
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**28**
Exchange rate gains/losses on investments in foreign subsidiaries	206	(378)	35	(94)	(447)
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	(119)	(122)	(25)	(36)	(107)
Deferred exchange gains/losses, hedging	(278)	660	(98)	99	817
Exchange gains/losses, hedging (transferred to the hedged items)	(308)	16	(31)	(84)	(33)
Fair value adjustment of available-for-sale financial assets	-	8	-	(8)	16
Tax	156	(117)	35	5	(143)
Items that may be reclassified subsequently to profit or loss	**(343)**	**67**	**(84)**	**(118)**	**103**
Other comprehensive income	**(343)**	**67**	**(84)**	**(118)**	**131**
Comprehensive income	**2,910**	**2,138**	**971**	**758**	**2,755**

Balance sheet

DKK million	30.09.2018	30.09.2017	31.12.2017
Assets			
Intangible assets	8,151	7,784	7,565
Property, plant and equipment	1,954	1,923	1,990
Financial assets	1,047	1,253	1,357
Non-current assets	**11,152**	**10,960**	**10,912**
Inventories	1,853	1,533	1,376
Receivables	4,041	4,657	3,791
Securities	2,525	1,020	1,522
Cash and bank balances	2,831	2,087	2,155
Current assets	**11,250**	**9,297**	**8,844**
Assets	**22,402**	**20,257**	**19,756**
Equity and liabilities			
Share capital	995	995	995
Foreign currency translation reserve	748	691	634
Currency hedging reserve	(75)	297	382
Retained earnings	11,868	9,562	10,170
Equity	**13,536**	**11,545**	**12,181**
Provisions	923	996	1,039
Debt	70	860	57
Non-current liabilities	**993**	**1,856**	**1,096**
Provisions	541	585	491
Debt	-	43	-
Trade payables	4,095	3,130	3,203
Other payables	3,237	3,098	2,785
Current liabilities	**7,873**	**6,856**	**6,479**
Liabilities	**8,866**	**8,712**	**7,575**
Equity and liabilities	**22,402**	**20,257**	**19,756**

Statement of changes in equity

DKK million	Share capital	Foreign currency translation reserve	Currency hedging reserve	Retained earnings	Equity
Equity at 1 January 2018	**995**	**634**	**382**	**10,170**	**12,181**
Profit for the period	-	-	-	3,253	3,253
Other comprehensive income	-	114	(457)	-	(343)
Comprehensive income	**-**	**114**	**(457)**	**3,253**	**2,910**
Distributed dividends, gross	-	-	-	(1,592)	(1,592)
Dividends received, treasury shares	-	-	-	3	3
Capital increase through exercise of warrants	-	-	-	6	6
Incentive programmes	-	-	-	22	22
Tax on other transactions in equity	-	-	-	6	6
Other transactions	**-**	**-**	**-**	**(1,555)**	**(1,555)**
Equity at 30 September 2018	**995**	**748**	**(75)**	**11,868**	**13,536**

DKK million					
Equity at 1 January 2017	**988**	**1,164**	**(230)**	**7,772**	**9,694**
Profit for the period	-	-	-	2,071	2,071
Other comprehensive income	-	(473)	527	13	67
Comprehensive income	**-**	**(473)**	**527**	**2,084**	**2,138**
Distribution of dividends, gross	-	-	-	(484)	(484)
Dividends received, treasury shares	-	-	-	1	1
Capital increase through exercise of warrants	7	-	-	189	196
Buyback of treasury shares	-	-	-	(93)	(93)
Incentive programmes	-	-	-	34	34
Tax on other transactions in equity	-	-	-	59	59
Other transactions	**7**	**-**	**-**	**(294)**	**(287)**
Equity at 30 September 2017	**995**	**691**	**297**	**9,562**	**11,545**

Cash flow statement

DKK million	9M 2018	9M 2017	Q3 2018	Q3 2017	FY 2017
Profit from operations (EBIT)	**4,453**	**3,476**	**1,447**	**1,415**	**4,408**
Adjustments for non-cash operating items etc.	917	563	308	54	871
Change in working capital	(38)	(356)	(119)	290	291
Cash flows from operations before financial receipts and payments	**5,332**	**3,683**	**1,636**	**1,759**	**5,570**
Financial receipts and payments	(7)	(48)	(15)	(7)	(96)
Cash flows from ordinary activities	**5,325**	**3,635**	**1,621**	**1,752**	**5,474**
Income taxes paid	(750)	(937)	(415)	(271)	(1,429)
Cash flows from operating activities	**4,575**	**2,698**	**1,206**	**1,481**	**4,045**
Acquisition of subsidiary*	(745)	-	-	-	-
Purchase and sale of securities and other financial assets	(1,008)	(1,004)	(500)	(500)	(1,509)
Purchase and sale of intangible assets and property, plant and equipment	(545)	(405)	(428)	(392)	(321)
Cash flows from investing activities	**(2,298)**	**(1,409)**	**(928)**	**(892)**	**(1,830)**
Cash flows from operating and investing activities (free cash flow)	**2,277**	**1,289**	**278**	**589**	**2,215**
Capital increase through exercise of warrants	6	196	-	72	214
Dividends paid in the financial year, net	(1,589)	(483)	-	-	(483)
Other financing activities	-	(1,093)	-	(10)	(1,966)
Cash flows from financing activities	**(1,583)**	**(1,380)**	**-**	**62**	**(2,235)**
Net cash flow for the period	**694**	**(91)**	**278**	**651**	**(20)**
Cash and bank balances at beginning of period	2,155	2,200	2,561	1,443	2,200
Unrealized exchange gains/losses on cash and bank balances	(18)	(22)	(8)	(7)	(25)
Net cash flow for the period	694	(91)	278	651	(20)
Cash and bank balances at end of period	**2,831**	**2,087**	**2,831**	**2,087**	**2,155**
Interest-bearing debt, cash, bank balances and securities, net is composed as follows:					
Cash and bank balances	2,831	2,087	2,831	2,087	2,155
Securities	2,525	1,020	2,525	1,020	1,522
Interest-bearing debt	-	(899)	-	(899)	-
Interest-bearing debt, cash, bank balances and securities, net end of period – Net cash/(net debt)	**5,356**	**2,208**	**5,356**	**2,208**	**3,677**

*) The acquisition of Prexton Therapeutics BV, which is considered a purchase of assets, consists of the foliglurax product rights valued at DKK 712 million, tax assets of DKK 39 million, as well as net liabilities totaling DKK 6 million.

Income statement – Core results reconciliation (first nine months)

9M 2018

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	13,921	-	-	-	-	-	13,921
Cost of sales	2,606	(609)	-	-	-	-	1,997
Gross profit	**11,315**	**609**	**-**	**-**	**-**	**-**	**11,924**
Sales and distribution costs	3,880	-	-	-	-	-	3,880
Administrative expenses	528	-	-	-	-	-	528
Research and development costs	2,289	-	-	-	-	-	2,289
Other operating items, net	(165)	-	-	-	213	(48)	-
Profit from operations (EBIT)	**4,453**	**609**	**-**	**-**	**213**	**(48)**	**5,227**
Net financials	4	-	-	-	-	-	4
Profit before tax	**4,457**	**609**	**-**	**-**	**213**	**(48)**	**5,231**
Tax on profit for the period	1,204	59	-	-	13	(11)	1,265
Profit for the period	**3,253**	**550**	**-**	**-**	**200**	**(37)**	**3,966**
Earnings per share, basic (EPS) (DKK)	16.38	2.76	-	-	1.00	(0.18)	19.96

9M 2017

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	12,842	-	-	-	-	-	12,842
Cost of sales	2,913	(712)	-	-	-	-	2,201
Gross profit	**9,929**	**712**	**-**	**-**	**-**	**-**	**10,641**
Sales and distribution costs	4,194	-	-	-	-	-	4,194
Administrative expenses	576	-	-	-	-	-	576
Research and development costs	1,925	-	-	-	-	-	1,925
Other operating items, net	242	-	-	-	-	(242)	-
Profit from operations (EBIT)	**3,476**	**712**	**-**	**-**	**-**	**(242)**	**3,946**
Net financials	(81)	-	-	-	-	-	(81)
Profit before tax	**3,395**	**712**	**-**	**-**	**-**	**(242)**	**3,865**
Tax on profit for the period	1,324	97	-	-	-	(60)	1,361
Profit for the period	**2,071**	**615**	**-**	**-**	**-**	**(182)**	**2,504**
Earnings per share, basic (EPS) (DKK)	10.49	3.13	-	-	-	(0.93)	12.69

Income statement – Core results reconciliation (Q3)

Q3 2018

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,633	-	-	-	-	-	4,633
Cost of sales	895	(202)	-	-	-	-	693
Gross profit	**3,738**	**202**	**-**	**-**	**-**	**-**	**3,940**
Sales and distribution costs	1,288	-	-	-	-	-	1,288
Administrative expenses	186	-	-	-	-	-	186
Research and development costs	817	-	-	-	-	-	817
Other operating items, net	-	-	-	-	-	-	-
Profit from operations (EBIT)	**1,447**	**202**	**-**	**-**	**-**	**-**	**1,649**
Net financials	(2)	-	-	-	-	-	(2)
Profit before tax	**1,445**	**202**	**-**	**-**	**-**	**-**	**1,647**
Tax on profit for the period	390	18	-	-	-	-	408
Profit for the period	**1,055**	**184**	**-**	**-**	**-**	**-**	**1,239**
Earnings per share, basic (EPS) (DKK)	5.31	0.92	-	-	-	-	6.23

Q3 2017

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,348	-	-	-	-	-	4,348
Cost of sales	956	(233)	-	-	-	-	723
Gross profit	**3,392**	**233**	**-**	**-**	**-**	**-**	**3,625**
Sales and distribution costs	1,330	-	-	-	-	-	1,330
Administrative expenses	198	-	-	-	-	-	198
Research and development costs	651	-	-	-	-	-	651
Other operating items, net	202	-	-	-	-	(202)	-
Profit from operations (EBIT)	**1,415**	**233**	**-**	**-**	**-**	**(202)**	**1,446**
Net financials	(11)	-	-	-	-	-	(11)
Profit before tax	**1,404**	**233**	**-**	**-**	**-**	**(202)**	**1,435**
Tax on profit for the period	528	32	-	-	-	(44)	516
Profit for the period	**876**	**201**	**-**	**-**	**-**	**(158)**	**919**
Earnings per share, basic (EPS) (DKK)	4.42	1.02	-	-	-	(0.80)	4.64

Notes

Note 1 Accounting policies

The Financial Report for the period 1 January – 30 September 2018 has been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the EU and additional Danish disclosure requirements for interim reports for listed companies.

As of 1 January 2018, Lundbeck has implemented IFRS 9 *Financial Instruments*.

The implementation has an impact on the presentation of fair value adjustments on equity investments previously classified as available-for-sale financial assets. These fair value adjustments were previously recognized in other comprehensive income. As from 1 January 2018, Lundbeck will irrevocably and on an individual basis classify such fair value adjustments of each equity investment either in the income statement under financial items or in other comprehensive income. For all equity investments held at 1 January 2018, Lundbeck has decided to recognize fair value adjustments in the income statement under financial items. Comparative figures have not been restated. However, if IFRS 9 *Financial Instruments* had been implemented for the financial year 2017, profit for the year would have been DKK 20 million higher, but the implementation would not have had any impact on total comprehensive income, total equity or total assets and liabilities. For the first nine months of 2018, the impact on profit for the year is a net gain of DKK 21 million.

Further, in accordance with IFRS 9 *Financial Instruments* write-downs on receivables are calculated using the 'full lifetime expected credit losses'-method, whereby the likelihood of non-fulfilment is taken into consideration. Comparative figures have not been restated as the change does not have any impact.

The implementation of IFRS 9 *Financial Instruments* does not have any impact on hedging.

In addition, also as of 1 January 2018, Lundbeck has implemented IFRS 15 *Revenue from Contracts with Customers*. The new standard does not have any impact on current revenue contracts except for the timing of recognition of some future milestone payments from collaborations and licensing arrangements. Earlier recognition may apply when it is highly probable that no significant reversal of the revenue will occur. We do not expect this to have any material impact in 2018.

Further, Lundbeck has changed the accounting policies for 'Translation of foreign currency' and 'Net financials'. The previous exception whereby currency translation related to hedged items was recognized in the same item as the hedged items no longer applies and such exchange differences are now recognized in financial items. Comparative figures have not been restated as the impact is considered immaterial.

Apart from the above, accounting policies remain unchanged compared to the 2017 Annual Report, to which reference is made.

For accounting estimates, see note 2 *Significant accounting estimates and judgements* in the 2017 Annual Report.

For risks, see the 2017 Annual Report.

Note 2 Other operating items, net

Please see Expenses and income; page 10.

Note 3 Acquisition of Prexton Therapeutics BV

In March 2018, Lundbeck announced signing of a definitive agreement in which Lundbeck acquired Prexton Therapeutics BV. Under terms of the agreement, Lundbeck paid EUR 100 million (DKK 745 million) upfront and is furthermore required to later pay up to EUR 805 million (approximately DKK 6 billion) under certain conditions in development and sales milestones to the group of former owners. The acquisition is considered a purchase of assets, mainly the foliglurax product rights and tax assets.

Note 4 Dividends for 2017

Please see Cash flow; page 13.

Note 5 Fair value measurement

Financial assets and financial liabilities measured or disclosed at fair value	Level 1	Level 2	Level 3
2018:			
Financial assets			
Securities[1]	2,525	-	-
Other financial assets[1]	56	-	31
Derivatives[1]	-	74	-
Total	**2,581**	**74**	**31**
Financial liabilities			
Derivatives[1]	-	170	-
Total	**-**	**170**	**-**
2017:			
Financial assets			
Securities[1]	1,020	-	-
Available-for-sale financial assets[1]	28	-	31
Derivatives[1]	-	513	-
Total	**1,048**	**513**	**31**
Financial liabilities			
Mortgage debt[2]	914	-	-
Derivatives[1]	-	131	-
Total	**914**	**131**	**-**

1) Measured at fair value. 2) Disclosed at fair value

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

The fair value of derivatives is calculated by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing date.

Note 6 Contingent assets and contingent liabilities

Except for the agreement reached in principle to resolve the U.S. Department of Justice (DOJ) investigation as mentioned in the section General corporate matters (page 18), no material changes to contingent assets and contingent liabilities have occurred since 31 December 2017.

Note 7 Events after the balance sheet date

25 October 2018: Lundbeck announced that DAYBREAK, the first phase III study for Lu AF35700, an investigational, novel, once-daily, oral antipsychotic drug candidate for the potential treatment of treatment-resistant schizophrenia (TRS), did not meet the primary endpoint of statistical superiority vs conventional therapy.

Note 8 EBITDA calculation

DKK million	9M 2018	9M 2017	Q3 2018	Q3 2017
EBIT	4,453	3,476	1,447	1,415
+ Depreciation, amortization and impairment charges	897	936	308	308
- Gain from divestment of properties recognized in Other operating items, net	(48)	(242)	-	(202)
= EBITDA	**5,302**	**4,170**	**1,755**	**1,521**

Note 9 Core reporting

In general, Lundbeck has adjusted for each non-recurring item, including milestones that are accumulated, or are expected to accumulate, to an amount exceeding a DKK 100 million threshold within the year that Lundbeck's management deems it exceptional. Lundbeck's core reporting is a non-IFRS performance measurement. Lundbeck's core results – including core operating income (core EBIT) and core EPS – exclude:

Amortization and impairments:

- Amortization of intangible assets
- Impairment of intangible assets and property, plant and equipment

Acquisitions and integration activities:

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

Divestments and reorganizations:

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

Legal and litigation costs:

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

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

Financial calendar 2019

5 February 2019:	Deadline for the company's receipts of shareholder proposals for the Annual General Meeting 2018
5 February 2019:	Financial statements for 2018 and PDF version of Annual Report 2018
26 March 2019:	Lundbeck Annual General Meeting 2019
29 March 2019:	Dividends for 2018 at the disposal of shareholders
8 May 2019:	Financial statements for the first three months of 2019
14 August 2019:	Financial statements for the first six months of 2019
5 November 2019:	Financial statements for the first nine months of 2019

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About Lundbeck

H. Lundbeck A/S (LUN.CO, LUN DC, HLUYY) is a global pharmaceutical company specialized in psychiatric and neurological disorders. For more than 70 years, we have been at the forefront of research within neuroscience. Our key areas of focus are Alzheimer's disease, depression, Parkinson's disease and schizophrenia.

Our approximately 5,000 employees in 55 countries are engaged in the entire value chain throughout research, development, manufacturing, marketing and sales. Our pipeline consists of several late-stage development programmes and our products are available in more than 100 countries. We have production facilities in Denmark, France and Italy. Lundbeck generated revenue of DKK 17.2 billion in 2017 (EUR 2.3 billion; USD 2.6 billion).

For additional information, we encourage you to visit our corporate site www.lundbeck.com and connect with us on Twitter at @Lundbeck.