Corporate Release
Valby, Denmark, 14 August 2019

Financial report for the period 1 January to 30 June 2019

Double-digit growth for all strategic brands and DKK 8.5 billion in revenue and DKK 2.3 billion in EBIT

HIGHLIGHTS

- Revenue reached DKK 8,480 million in the first six months of 2019 representing a decline of 9% (8% in local currencies) compared to the same period last year. The decline was expected and a result of generic competition on Onfi® - excluding Onfi, revenue grew by 4%
  - Revenue of Abilify Maintena® increased 23% to DKK 951 million (20% in local currencies)
  - Revenue of Brintellix®/Trintellix® increased 30% to DKK 1,299 million (27% in local currencies)
  - Revenue of Northera® increased 19% to DKK 1,007 million (11% in local currency)
  - Revenue of Rexulti®/Rxulti® increased 37% to DKK 1,032 million (28% in local currencies)
  - Revenue in North America declined 14% to DKK 4,562 million (19% in local currencies)
  - Revenue in International Markets increased 4% to DKK 2,004 million (5% in local currencies)
  - Revenue in Europe increased 7% to DKK 1,631 million (7% in local currencies)
- The strategic brands grew by 27% thereby reaching DKK 4,289 million or 51% of total revenue
- Core EBIT reached DKK 2,729 million corresponding to a core EBIT margin of 32.2%
- EBIT reached DKK 2,305 million in the period compared to DKK 3,006 million in 2018 and the EBIT margin reached 27.2%
- EPS reached DKK 8.48 in the period compared to DKK 11.07 the year before and core EPS declined 24% to DKK 10.41
- Lundbeck has closed the acquisition of Abide Therapeutics, Inc. Lundbeck is transitioning Abide's laboratory in La Jolla, California, into a Lundbeck drug discovery hub named Lundbeck La Jolla Research Center
- For 2019, Lundbeck maintains its revenue guidance of DKK 16.3–16.7 billion and EBIT guidance is maintained at DKK 4.2–4.6 billion. Core EBIT is expected to reach DKK 5.0–5.4 billion

In connection with the financial report, Lundbeck's President and CEO Deborah Dunsire said:
"I am very pleased with the continued strong growth of our strategic brands in all regions. We continue to invest strongly behind these brands and expect continued growth in the future. Strengthening our pipeline is our main priority and we continue to execute on the various parts of our Expand and Invest to Grow strategy. We have completed the acquisition of Abide Therapeutics – creating Lundbeck La Jolla Research Center and we will leverage our combined scientific expertise to deliver innovative treatments to patients whose medical need is not adequately met."

DKK million	**H1 2019**	**H1 2018**	***Growth***
Reported Revenue	**8,480**	9,288	*(9%)*
Reported EBIT	**2,305**	3,006	*(23%)*
Reported EPS	**8.48**	11.07	*(23%)*
Reported EBIT margin	***27.2%***	*32.4%*	-
Core Revenue*	**8,480**	9,288	*(9%)*
Core EBIT*	**2,729**	3,578	*(24%)*
Core EPS*	**10.41**	13.73	*(24%)*
*Core EBIT margin**	***32.2%***	*38.5%*	-

*For definition of the measures "Core Revenue", "Core EBIT" and "Core EPS", see note 6 *Core reporting*

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FINANCIAL HIGHLIGHTS AND KEY FIGURES

	H1 2019	H1 2018	Q2 2019	Q2 2018	FY 2018
Financial highlights (DKK million)					
Core revenue	**8,480**	9,288	4,246	4,703	18,117
Core profit from operations (core EBIT)	**2,729**	3,578	1,319	1,760	6,158
Reported revenue	**8,480**	9,288	4,246	4,703	18,117
Operating profit before depreciation and amortization (EBITDA)	**2,898**	3,547	1,403	1,657	6,436
Reported profit from operations (EBIT)	**2,305**	3,006	1,105	1,350	5,301
Net financials	**4**	6	(27)	19	(12)
Profit before tax	**2,309**	3,012	1,078	1,369	5,289
Tax	**623**	814	290	370	1,382
Profit for the period	**1,686**	2,198	788	999	3,907
Equity	**13,498**	12,559	13,498	12,559	14,251
Assets	**22,082**	21,703	22,082	21,703	23,011
Cash flows from operating and investing activities (free cash flow)	**566**	1,999	(208)	791	3,074
Purchase of property, plant and equipment, gross	**106**	83	66	51	300
Key figures					
EBIT margin (%)	**27.2**	32.4	26.0	28.7	29.3
Return on equity (%)	**12.1**	17.8	6.0	8.3	29.6
Return on equity (%) – rolling four quarters	**26.0**	31.2	26.0	31.2	29.6
Net debt/EBITDA (x)	**(1.0)**	(1.3)	(2.0)	(2.8)	(1.0)
Net debt/EBITDA (x) – rolling four quarters	**(0.5)**	(0.7)	(0.5)	(0.7)	(1.0)
Share data					
Number of shares for the calculation of EPS (millions)	**198.7**	198.6	198.7	198.7	198.7
Number of shares for the calculation of DEPS (millions)	**198.7**	198.7	198.7	198.7	198.7
Earnings per share, basic (EPS) (DKK)	**8.48**	11.07	3.96	5.03	19.66
Earnings per share, diluted (DEPS) (DKK)	**8.48**	11.06	3.96	5.03	19.66
Other					
Number of employees (FTE) – end of period	**5,458**	5,119	5,458	5,119	5,143

MANAGEMENT REVIEW

Financial guidance and forward-looking statements

Lundbeck's financial results for 2019 are expected to be driven by the continued strong growth of our four strategic brands Abilify Maintena, Brintellix/Trintellix, Northera and Rexulti/Rxulti which can partially offset the continued erosion of mature products such as Onfi.

Lundbeck has had a good start on the year and total revenue is expected to reach between DKK 16.3 billion and DKK 16.7 billion in 2019. EBIT is expected to be in the range between DKK 4.2 billion and DKK 4.6 billion. The financial guidance is based on the current hedging rates for our main currencies; i.e. USD/DKK (6.30), CNY/DKK (0.93) and CAD/DKK (4.87) and includes an expected hedging effect of a loss of DKK 200-250 million. The financial guidance is summarized below:

Financial guidance

DKK	FY 2019 guidance
Revenue	**16.3 - 16.7 billion**
EBIT	**4.2 - 4.6 billion**
Core EBIT	**5.0 - 5.4 billion**
Tax rate	***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 six months of 2019 reached DKK 8,480 million compared to DKK 9,288 million for the same period in 2018. The decline of 9% (8% in local currencies) is primarily driven by the generic erosion of Onfi, whereas products such as Abilify Maintena, Brintellix/Trintellix and Rexulti/Rxulti continues the solid performance. The strategic brands (Abilify Maintena, Brintellix/Trintellix, Northera and Rexulti/Rxulti) grew by 27% for the period thereby reaching DKK 4,289 million or 51% of total revenue. The biggest markets are the U.S., China, Canada, Spain, Italy, France and Japan.

Hedging

Lundbeck hedges a significant part of the currency risk for a period of 12-18 months. Hedging had a negative impact of DKK 93 million in the first six months of 2019, compared to a positive impact of DKK 277 million in the same period last year.

Revenue - products and regions

DKK million	H1 2019	H1 2018	*Growth*	*Growth in local currencies*	Q2 2019	Q2 2018	*Growth*	*Growth in local currencies*	Q1 2019
Abilify Maintena	**951**	771	*23%*	*20%*	489	407	*20%*	*17%*	462
Brintellix/Trintellix	**1,299**	999	*30%*	*27%*	698	532	*31%*	*27%*	601
Cipralex/Lexapro	**1,205**	1,339	*(10%)*	*(10%)*	586	674	*(13%)*	*(13%)*	619
Northera	**1,007**	849	*19%*	*11%*	572	453	*26%*	*17%*	435
Onfi	**627**	1,762	*(64%)*	*(67%)*	302	859	*(65%)*	*(67%)*	325
Rexulti	**1,032**	752	*37%*	*28%*	551	383	*44%*	*34%*	481
Sabril	**462**	652	*(29%)*	*(34%)*	208	311	*(33%)*	*(38%)*	254
Other pharmaceuticals	**1,614**	1,601	*1%*	-	745	822	*(9%)*	*(10%)*	869
Other revenue	**376**	286	*31%*	*31%*	140	167	*(16%)*	*(17%)*	236
Effects from hedging	**(93)**	277	-	-	(45)	95	-	-	(48)
Total revenue	**8,480**	**9,288**	***(9%)***	***(8%)***	**4,246**	**4,703**	***(10%)***	***(10%)***	**4,234**
North America	**4,562**	5,287	*(14%)*	*(19%)*	2,394	2,689	*(11%)*	*(17%)*	2,168
International Markets	**2,004**	1,920	*4%*	*5%*	945	979	*(4%)*	*(3%)*	1,059
Europe	**1,631**	1,518	*7%*	*7%*	812	773	*5%*	*5%*	819

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 23% (20% in local currencies) and reached DKK 951 million. The regional distribution of sales was 42%, 8% and 50% in North America, International Markets and Europe, respectively. The largest markets are the U.S., Spain, Canada, Australia and France. 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 1,299 million following growth of 30% (27% in local currencies). The regional distribution of sales was 54%, 20% and 26% in North America, International Markets and Europe, respectively. The largest markets are the U.S., Canada, Spain, Italy, Brazil, France and South Korea. In the U.S., Trintellix is co-marketed by Takeda Pharmaceutical Company Limited (Takeda).

Cipralex®/Lexapro® (escitalopram), for the treatment of depression, decreased 10% (10% in local currencies) and revenue reached DKK 1,205 million. The regional distribution of sales was 5%, 71% and 24% in North America, International Markets and Europe, respectively. The largest markets are Japan, China, Italy, South Korea, Brazil and Canada.

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 19% (11% in local currency) and reached DKK 1,007 million.

Rexulti/Rxulti (brexpiprazole) is approved as an adjunctive therapy for the treatment of adults with major depressive disorder and as a treatment for adults with schizophrenia in markets such as the U.S., Canada and Saudi Arabia. In Australia and Europe, the product is approved for schizophrenia. Rexulti became available to patients in markets such as the U.S. (Q3 2015), Canada (Q2 2017), Australia (Q3 2017), Saudi Arabia (Q4 2018), Mexico (Q1 2019) and in the first markets in Europe in H1 2019 as Rxulti. Lundbeck's share of revenue reached DKK 1,032 million for

the first six months of 2019, corresponding to a growth of 37% (28% in local currencies). Rexulti was co-developed and is co-marketed by Otsuka and Lundbeck.

Onfi (clobazam), for the treatment of Lennox-Gastaut syndrome, generated revenue of DKK 627 million, a decline of 64% (67% in local currency) compared to the same period last year. Onfi lost exclusivity in October 2018 and is exposed to generic competition.

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 462 million in the first six months of 2019, thereby declining 29% (34% in local currency) compared to last year. Sabril lost exclusivity in 2014 and 2016 (orphan drug) for its two indications, respectively. Lundbeck has the marketing rights for Sabril in the U.S.

Revenue from **Other pharmaceuticals**, which comprise the remainder of Lundbeck's products, reached DKK 1,614 million compared to DKK 1,601 million for the first six months of 2018. The largest markets are U.S., China, France, Canada, Spain and Mexico.

Other revenue, which mainly consists of contract manufacturing, reached DKK 376 million compared to DKK 286 million for the first six months of 2018 following increased contract work at our production sites.

Figure 1 – Revenue per region H1 2019 vs H1 2018 (excluding Other revenue and effects from hedging)

Key developments in the second quarter of 2019

In the second quarter of 2019, revenue declined 10% (10% in local currencies) and reached DKK 4,246 million compared to DKK 4,703 million following generic erosion on Sabril and Onfi. The strategic brands grew by 30% for the period thereby reaching DKK 2,310 million or 54% of total revenue. Other revenue declined 16% for the quarter mainly as a consequence of timing of shipments.

North America

Revenue reached DKK 4,562 million in the first half of 2019 which is a decline of 14% (19% in local currencies) compared to DKK 5,287 million in 2018. The decline was mainly driven by the uptake of generic versions of clobazam (Onfi) which only partly is mitigated by continued growth of Abilify Maintena, Northera, Rexulti and Trintellix. The strategic brands grew by 26% for the period.

Revenue – North America

DKK million	H1 2019	H1 2018	*Growth*	*Growth in local currencies*	Q2 2019	Q2 2018	*Growth*	*Growth in local currencies*	Q1 2019
Abilify Maintena	**397**	325	*22%*	*15%*	213	174	*22%*	*14%*	184
Trintellix	**697**	542	*29%*	*21%*	386	302	*28%*	*20%*	311
Northera	**1,007**	849	*19%*	*11%*	572	453	*26%*	*17%*	435
Onfi	**627**	1,762	*(64%)*	*(67%)*	302	859	*(65%)*	*(67%)*	325
Rexulti	**1,009**	746	*35%*	*26%*	535	380	*41%*	*31%*	474
Sabril	**462**	652	*(29%)*	*(34%)*	208	311	*(33%)*	*(38%)*	254
Other pharmaceuticals	**363**	411	*(12%)*	*(16%)*	178	210	*(15%)*	*(20%)*	185
Total revenue	**4,562**	**5,287**	***(14%)***	***(19%)***	**2,394**	**2,689**	***(11%)***	***(17%)***	**2,168**

Abilify Maintena revenue grew 22% (15% in local currencies) for the period and reached DKK 397 million, which represents Lundbeck's share of total net sales. In the U.S. Abilify Maintena has a volume market share of 19.0% and in Canada it reached 27.7% by May 2019. The value share is 19.8% and 24.7%, respectively (source: IQVIA).

Trintellix sales reached DKK 697 million for Lundbeck following a growth of 29% (21% in local currencies). The volume market share in the U.S. and Canada was 0.9% and 1.2% of the total anti-depressant marked, respectively by May 2019. The value market share of the total anti-depressant market in the U.S. was 21.4%. In Canada, the value market share of the total anti-depressant market was 6.4% by May 2019 (source: IQVIA).

Northera was made available in the U.S. in 2014 for the treatment of Neurogenic Orthostatic Hypotension (nOH). Sales from Northera reached DKK 1,007 million in the first six months of 2019, representing growth of 19% (11% in local currency).

Lundbeck's share of **Rexulti** revenue reached DKK 1,009 million following a growth of 35% (26% in local currencies). In the U.S., Rexulti has achieved market shares of 1.92% and 9.05% by May 2019 in volume and value, respectively (source: IQVIA). In Canada, the product has reached volume share 1.05% and a value share of 1.58%. Patient data suggest that more than 3/4 of prescriptions in the U.S. are prescribed for MDD.

Onfi reached revenue of DKK 627 million. In October 2018, the U.S. FDA approved several versions of generic clobazam; both oral and suspension formulations and generic clobazam has taken some 77% of the market in volume (source: Symphony Health cf Bloomberg). While the demand erosion is as expected, we have recently observed a more unfavourable payer mix post-LOE, which impacted the average selling price negatively in the quarter. In the second quarter of 2019 specifically, Onfi revenue has been positively impacted by lower than expected product returns post-LOE. The trend towards more unfavourable payer mix might continue into the coming quarters, which increases the uncertainties around Onfi.

Sabril revenue for the period was DKK 462 million, declining 29% (34% in local currency). In September 2017, the first generic vigabatrin (oral solution) was introduced, and in January 2019 the first generic tablet was approved. By end of Q2 2019, generic vigabatrin was 52% of total vigabatrin. We have recently observed a more unfavourable payer mix post-LOE, which impacted the average selling price negatively in the quarter. This trend might continue into the coming quarters.

Key developments in the second quarter of 2019

Revenue reached DKK 2,394 million in the second quarter of 2019, which is a decline of 17% in local currencies, but a decline of 11% reported. The strategic brands grew by 30% for the period. Revenue in North America

contributed 58% of revenue (excluding Other revenue and effects from hedging) compared to 61% 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 2,004 million in the first six months of 2019, compared to DKK 1,920 million in 2018. The growth of 4% (5% in local currencies) was driven by Abilify Maintena and Brintellix. The strategic brands grew by 35% for the period. Markets such as Australia and South Korea are showing solid growth. The biggest markets are China, Japan, Brazil, South Korea, and Australia.

Revenue – International Markets

DKK million	H1 2019	H1 2018	*Growth*	*Growth in local currencies*	Q2 2019	Q2 2018	*Growth*	*Growth in local currencies*	Q1 2019
Abilify Maintena	**80**	61	*31%*	*32%*	38	32	*20%*	*20%*	42
Brintellix	**257**	197	*31%*	*37%*	134	92	*46%*	*52%*	123
Cipralex/Lexapro	**851**	945	*(10%)*	*(10%)*	409	476	*(14%)*	*(14%)*	442
Rexulti	**19**	6	*217%*	*211%*	13	3	*271%*	*255%*	6
Other pharmaceuticals	**797**	711	*12%*	*12%*	351	376	*(7%)*	*(6%)*	446
Total revenue	**2,004**	**1,920**	***4%***	***5%***	**945**	**979**	***(4%)***	***(3%)***	**1,059**

Abilify Maintena reached DKK 80 million in revenue in the first six months of 2019 representing a growth of 31% (32% in local currencies). Sales are mainly derived from Australia where Abilify Maintena shows solid momentum and has achieved a volume share of 25.0% and a value share of 24.5% by May 2019 (Source: IQVIA). Countries such as U.A.E., Kuwait and Saudi Arabia have also impacted positively.

Brintellix reached DKK 257 million in revenue or an increase of 31% (37% in local currencies). Brintellix realized solid growth across several markets, but the growth is also impacted by quarterly fluctuations. Brazil, South Korea, Turkey, Mexico and China are the largest markets for Brintellix in the region.

Rexulti reached DKK 19 million for the period. The product is predominantly sold in Australia where it was approved for the treatment of schizophrenia in June 2017. In Australia, Rexulti has achieved an increase in market share to 1.5% and 2.3% in volume and value, respectively (source: IQVIA). Furthermore, Rexulti has been launched in Saudi Arabia (Q4 2018) and Mexico (Q1 2019). Additionally, Rexulti has been submitted for approval in countries such as Brazil, Chile, Malaysia and South Africa.

Cipralex/Lexapro generated revenue of DKK 851 million representing a decline of 10% (10% in local currencies). The product still sees solid underlying demand but is also benefitting from inventory build-up in relation to the transition in China from Xian-Janssen to Lundbeck. Japan, China, South Korea, Brazil, Mexico and Saudi Arabia are the largest markets for Cipralex/Lexapro in the region.

Other pharmaceuticals generated revenue of DKK 797 million which represents a growth of 12% (12% in local currencies) which is primarily driven by products such as Azilect, Deanxit® and Ebixa and especially in China.

Azilect® was approved by the Chinese FDA in June 2017 and was launched in October 2017 by Lundbeck. Parkinson's disease is the second most common neurodegenerative disease following Alzheimer's disease in China.

Ebixa generated revenue of DKK 283 million representing a growth of 12% benefitting from quarterly fluctuations and underlying growth in markets such as China and South Korea.

In January 2019, **Selincro®** (nalmefene hydrochloride), received a regulatory approval in Japan for treatment to reduce alcohol consumption in alcohol-dependent patients. The product was launched in March 2019. Lundbeck Japan and Otsuka Pharmaceutical Company have jointly developed this compound in Japan following the clear positive result of a phase III study last year. The official number of the patients with alcohol dependence, who are receiving therapeutic treatment, is 40,000 in Japan. However, there is an estimation that prevalence can be as big as 1 million. Selincro is marketed by Otsuka in Japan and Lundbeck receives a royalty from the sale of the product.

Azilect, Ebixa and Selincro are included in Other pharmaceuticals.

Key developments in the second quarter of 2019

Revenue in the second quarter was DKK 945 million, corresponding to a decline of 4% reported but 3% in local currencies. The sales performance for the quarter is impacted by timing of shipments and a solid first quarter. The strategic brands grew by 45% for the period. In the second quarter, International Markets constituted 23% of revenue (excluding Other revenue and effects from hedging) representing a slight increase compared to the same period in 2018.

Europe

Revenue reached DKK 1,631 million in the first six months of 2019, representing a growth of 7% (7% in local currencies) compared to DKK 1,518 million last year. The strategic brands grew by 28% for the period. In general Europe sees a strong underlying demand and is also benefitting from some stocking.

Revenue – Europe

DKK million	H1 2019	H1 2018	*Growth*	*Growth in local currencies*	Q2 2019	Q2 2018	*Growth*	*Growth in local currencies*	Q1 2019
Abilify Maintena	**474**	385	*23%*	*23%*	238	201	*18%*	*18%*	236
Brintellix	**345**	260	*33%*	*32%*	178	138	*29%*	*29%*	167
Cipralex	**286**	323	*(11%)*	*(12%)*	145	160	*(9%)*	*(9%)*	141
Rxulti/Rexulti	**4**	-	-	-	3	-	-	-	1
Other pharmaceuticals	**522**	550	*(5%)*	*(5%)*	248	274	*(10%)*	*(10%)*	274
Total revenue	**1,631**	**1,518**	***7%***	***7%***	**812**	**773**	***5%***	***5%***	**819**

Abilify Maintena has been launched in all major markets in Europe and Abilify Maintena is Lundbeck's largest product in Europe. Sales uptake of Abilify Maintena is solid with sales reaching DKK 474 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, sales of Abilify Maintena are growing across Europe and the product has achieved a 20% or more market share (value) in all major markets – in some markets the product has reached or are approaching 30%. Abilify Maintena is the second most prescribed long acting injectable treatment for patients with schizophrenia in many markets. Spain, France and Italy are the largest European markets for Abilify Maintena.

Brintellix revenue grew 33% thereby reaching DKK 345 million. Brintellix is Lundbeck's second largest product in Europe and realized solid growth across many markets and in main countries such as France, Italy and Spain, where the product has achieved value market shares of 9.3%, 8.3% and 7.6%, respectively by May 2019 (source: IQVIA). The volume shares are 2.8%, 3.2% and 2.6%, respectively (source: IQVIA). Spain, Italy and France are the largest European markets for Brintellix.

In July 2018, Lundbeck and Otsuka announced that the European Commission approved **Rxulti** (brexpiprazole) for the treatment of schizophrenia in adults. Furthermore, Rexulti was approved in Switzerland in July 2018 and the launch commenced in January 2019 for the treatment of adult patients with schizophrenia. The launch is the first in a sequence that will make the treatment available in other European countries during 2019 and 2020 of which Denmark, Holland and Norway have taken place so far in 2019. The product will be branded as Rxulti in countries within the European Union.

Cipralex generated revenue of DKK 286 million following a decline of 11%.

Revenue from **Other pharmaceuticals** was DKK 522 million, a decline of 5% compared to the same period in 2018, following continued generic erosion of mature products.

Key developments in the second quarter of 2019
In the second quarter, revenue reached DKK 812 million which was an increase of 5% compared to DKK 773 million in the same period last year. The strategic brands grew by 24% for the period. Europe constitutes 19% of revenue (excluding Other revenue and effects from hedging) which is an increase from 17% last year.

Expenses and income

Total costs in the first six months of 2019 were DKK 6,175 million compared to DKK 6,117 million for 2018 – an increase of 1%.

Distribution of costs

DKK million	H1 2019	H1 2018	*Growth*	Q2 2019	Q2 2018	*Growth*	Q1 2019
Cost of sales	**1,640**	1,711	*(4%)*	815	885	*(8%)*	825
COS-ratio	***19.3%***	*18.4%*	-	*19.2%*	*18.8%*	-	*19.5%*
Sales and distribution	**2,644**	2,592	*2%*	1,371	1,306	*5%*	1,273
S&D-ratio	***31.2%***	*27.9%*	-	*32.3%*	*27.8%*	-	*30.0%*
Administration	**394**	342	*15%*	206	189	*8%*	188
G&A-ratio	***4.6%***	*3.7%*	-	*4.9%*	*4.0%*	-	*4.5%*
Research and development	**1,497**	1,472	*2%*	749	760	*(2%)*	748
R&D-ratio	***17.7%***	*15.8%*	-	*17.6%*	*16.2%*	-	*17.7%*
Total costs	**6,175**	**6,117**	***1%***	**3,141**	**3,140**	**-**	**3,034**

Cost of sales declined by 4% to DKK 1,640 million in 2019. The **gross margin** thereby decreased from 81.6% to 80.7%. Cost of sales is impacted by the decline in Onfi sales which is only partly mitigated by change in product mix, resulting in reduced royalty costs. Amortization of intangibles (product rights) was DKK 424 million for the period compared to DKK 407 million last year.

Sales and distribution costs were DKK 2,644 million, an increase of 2% compared to the same period in 2018. Sales and distribution costs correspond to 31.2% of revenue, compared to 27.9% the year before.

Administrative expenses increased 15% to DKK 394 million, corresponding to 4.6% of total revenue in the first half of 2019 compared to 3.7% last year.

SG&A costs for the period were DKK 3,038 million, compared to DKK 2,934 million in 2018. The SG&A ratio for the period was 35.8%, compared to 31.6% the year before. The increase in the SG&A ratio is mainly due to the revenue decline as a consequence of the loss of exclusivity for Onfi.

Research and development costs increased 2% to DKK 1,497 million for the period. The R&D ratio reached 17.7% compared to 15.8% last year. R&D costs for the period is impacted by provisions made for the termination of the phase I pipeline compound Lu AF20513 of DKK 45 million recognized in the first quarter of 2019.

Other operating items, net amounted to DKK 0 million in the first half of 2019 compared to an expense of DKK 165 million in the first half last year. In June 2018, Lundbeck LLC reached an agreement to resolve the U.S. Department of Justice (DOJ) investigation. The settlement was recognized in Other operating items, net which also included a gain from divestment of buildings in Copenhagen realized in the first quarter of 2018 and income from settlements in Australia.

Key developments in the second quarter of 2019

In the second quarter of 2019, total costs amounted to DKK 3,141 million, which is unchanged 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 593 million in the first six months of 2019, compared to DKK 589 million in 2018.

Depreciation, amortization and impairment charges

DKK million	H1 2019	H1 2018	*Growth*	Q2 2019	Q2 2018	*Growth*	Q1 2019
Cost of sales	**504**	485	*4%*	254	236	*7%*	**250**
Sales and distribution	**43**	21	*109%*	21	10	*116%*	**22**
Administration	**11**	10	*11%*	5	6	*(2%)*	**6**
Research and development	**35**	73	*(52%)*	18	55	*(68%)*	**17**
Total depreciation, amortization and impairment charges	**593**	**589**	***1%***	**298**	**307**	***(3%)***	**295**

Profit from operations (EBIT and core EBIT)

EBIT for the first six months of 2019 reached DKK 2,305 million compared to DKK 3,006 million in 2018 – a decline of 23% driven by the decline in revenue. The **EBIT margin** declined from 32.4% in the first half of 2018 to 27.2% in 2019.

Core EBIT declined 24% to DKK 2,729 million and the **Core EBIT margin** reached 32.2%.

EBIT and Core EBIT are negatively impacted by the expected generic erosion of mature products, especially Onfi, and hedging losses of DKK 93 million in 2019 compared to a gain of DKK 277 million last year. Other operating items, net amounted to DKK 0 million in first half 2019 compared to a loss of DKK 165 million in 2018.

Key developments in the second quarter of 2019

In the second quarter of 2019, EBIT amounted to DKK 1,105 million, which is a decline of 18% compared to the same quarter last year. The EBIT margin declined to 26.0% in the quarter compared to 28.7% last year.

For definition of the measures “Core Revenue”, “Core EBIT” and “Core EPS”, see note 6 *Core reporting*.

Net financials

Lundbeck generated **net financial income** of DKK 4 million for the first half year of 2019, compared to DKK 6 million for the first half year of 2018.

Net interest, including realized and unrealized gains and losses on the bond portfolio and interest expenses relating to lease liabilities, amounted to a net income of DKK 15 million for the first half year of 2019, compared to a net income of DKK 19 million for the first half year of 2018. The **net interest income** in 2019 primarily relates to interest received on the bond portfolio, whilst the net interest income in 2018 primarily relates to income received from the Danish tax authorities regarding tax reassessment in US and Italy.

Net exchange gains/losses amounted to a gain of DKK 13 million for the first half year of 2019, compared to a loss of DKK 4 million for the first half year of 2018.

Fair value adjustment of other financial assets amounted to a net loss of DKK 18 million in the first half year of 2019, compared to a net loss of DKK 6 million in the first half year of 2018.

Tax

The effective tax rate for the first half of 2019 is 27.0%. The effective tax rate is 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 of around 2-3 percentage points.

Net profit and EPS for the period

Net profit for the first six months of 2019 reached DKK 1,686 million compared to DKK 2,198 million for 2018. The reported net profit corresponds to an **EPS** of DKK 8.48 versus an EPS of DKK 11.07 last year. **Core EPS** was DKK 10.41 for the first half of 2019, compared to a Core EPS of DKK 13.73 in 2018 – a decline of 24%.

In the second quarter of 2019, **Net profit** declined by 21% compared to last year thereby reaching DKK 788 million. **Core EPS** decreased from DKK 6.93 to DKK 4.93, representing a decline of 29%.

Cash flow

Cash flows from operating activities amounted to DKK 850 million in the first six months of 2019, against DKK 3,369 million in 2018. The lower level in 2019 is mainly driven by the declining revenue and corresponding lower gross-to-net accruals in the U.S. following quarterly fluctuations of these accruals and declining sales of especially Onfi. In addition, the payment to the Department of Justice of USD 52.6 million was made in April 2019 which impacted cash flow from working capital negatively.

Lundbeck's **net cash flow from investing activities** was an outflow of DKK 284 million compared to an outflow of DKK 1,370 million in 2018. In 2019, the cash flow was impacted by the acquisition of Abide Therapeutics, Inc. in May and sale of securities. The cash flow for 2018 was impacted by the acquisition of Prexton Therapeutics BV in March. The **free cash flow** reached DKK 566 million for the period compared to DKK 1,999 million for 2018.

In 2019, the **net cash outflow** reached DKK 1,864 million compared to an inflow of DKK 416 million for 2018. The net cash flow is additionally impacted by dividend payout of DKK 2,384 million which was approved at the Annual General Meeting in March 2019.

Balance sheet

At 30 June 2019, Lundbeck's **total assets** amounted to DKK 22,082 million, compared to DKK 23,011 million at the end of 2018. The increase in **intangible assets** is due to recognition of product rights and goodwill related to the acquisition of Abide Therapeutics, Inc.

At 30 June 2019, Lundbeck's **equity** amounted to DKK 13,498 million, corresponding to an **equity ratio** of 61.1% compared to 61.9% at the end of 2018.

Net cash has decreased from DKK 6,635 million at year-end 2018 to DKK 2,820 million at the end of June 2019 due to dividend payout of DKK 2.4 billion and the acquisition of Abide Therapeutics. **Interest bearing debt** is DKK 461 million. Interest bearing debt includes liabilities relating to lease agreements recognized in accordance with IFRS 16 *Leases* (cf. note 1 *Accounting policies*).

Lundbeck's development portfolio

Lundbeck is developing several new and promising medicines for the treatment of brain diseases. Pipeline developments are summarized below.

Project	Indication	Phase I	Phase II	Phase III
Brexpiprazole[1)]	Agitation in Alzheimer's			
Brexpiprazole[1)]	PTSD*			
Brexpiprazole[1)]	Borderline personality disorder*			
Foliglurax (MGLUR4 PAM)	Parkinson's			
Lu AF11167 (PDE10 inhibitor)	Schizophrenia			
ABX-1431 (MGLLi)[2)]	Tourette's			
Abilify Maintena 2-mth	Schizophrenia			
Lu AF82422 (Alpha-synuclein mAb)	Parkinson's			
Lu AF28996 (D_1/D_2 agonist)	Parkinson's			
ABX-1431 (MGLLi)[2)]	Neuropathic pain			

1) Acts as a partial agonist at 5-HT_{1A} and dopamine D_2 receptors at similar potency, and an antagonist at 5-HT_{2A} and noradrenaline $alpha_{1B/2C}$ receptors. *) Expected to commence during Q4 2019
2) MGLL: Monoacylglycerol lipase.

Brexpiprazole – to enter phase III for PTSD

Post-Traumatic Stress Disorder (PTSD) is a psychiatric disorder that can develop as a response to traumatic events, such as interpersonal violence, combat, life-threatening accidents or natural disasters. Core features of PTSD include a variety of symptoms, such as re-experiencing phenomena (i.e. flashbacks and nightmares), avoidance behavior, numbing (i.e. amnesia, anhedonia, withdrawal, negativism) and increased arousal (i.e. insomnia, irritability, poor concentration, hypervigilance. Psychiatric co-morbidities are common, and PTSD sufferers can also present with substance abuse, mood and other anxiety disorders, impulsive and dangerous behavior and self-harm.

Lundbeck and Otsuka reported positive phase II data for the combination treatment of brexpiprazole and sertraline for the treatment of PTSD in November 2018. The companies have concluded an End of Phase II meeting with the US Food and Drug Administration (FDA) in May 2019. Subsequently, Lundbeck and Otsuka have decided to initiate

a pivotal phase III programme investigating the use of brexpiprazole in combination with sertraline in the treatment of PTSD. The study is expected to commence in the fourth quarter of 2019.

Brexpiprazole – to enter phase II for borderline personality disorder

Borderline personality disorder (BPD) is characterized by a pervasive pattern of instability in affect regulation, impulse control, interpersonal relationships, and self-image. The clinical signs of the disorder include emotional dysregulation, impulsive aggression, repeated self-injury, and chronic suicidal tendencies, which make these patients frequent users of mental health resources. There is no medication approved for BPD. Lundbeck and Otsuka have decided to initiate a proof-of-concept study investigating the use of brexpiprazole in the treatment of BPD subsequent to Type B meeting with the US Food and Drug Administration (FDA) in May 2019. The study is expected to commence in the fourth quarter of 2019.

Lu AF11167 – phase II

In January 2019, Lundbeck initiated a phase II-study (n = ~240) with Lu AF11167 (NCT03793712). Lu AF11167 in monotherapy represents a new approach to treat negative symptoms of schizophrenia, working by inhibiting the activity of the PDE10-enzyme in the brain. This affects the signalling of the neurotransmitter dopamine in a manner that may specifically improve negative symptoms while positive symptoms remain controlled. Lu AF11167 is invented by Lundbeck.

ABX-1431

ABX-1431 is a first-in-class, small-molecule inhibitor of monoacylglycerol lipase (MGLL) currently being investigated in clinical trials for the treatment of neurological disorders. MGLL is a serine hydrolase which regulates one of the body's key natural activators of the cannabinoid receptors, 2-arachidonoylglycerol (2-AG), which signals through the cannabinoid receptors CB1 and CB2 to modulate neurotransmission and inflammatory signalling, respectively. Potent and selective inhibition of MGLL by ABX-1431 prevents the breakdown of 2-AG and amplifies cannabinoid receptor signalling in neural circuits, which are often dysregulated in disease states.

Direct cannabinoid receptor activation by cannabis derivatives and synthetic agonists has demonstrated clinical benefits in several central nervous system (CNS) diseases associated with overactive neurotransmission, including spasticity associated with multiple sclerosis, chronic pain, and Tourette Syndrome. However, exocannabinoid use is limited by its broad activity and concomitant CNS adverse effects, and by challenges with administration and dosing precision. ABX-1431, as an investigational oral therapy, provides the ability to modulate the endocannabinoid receptors selectively in areas where circuits are activated. The ability to correct aberrant neurotransmission suggests that ABX-1431 may have broad utility in a wide range of neurological diseases.

This phase IIa multi-center clinical trial of ABX-1431 (NCT03625453), conducted in the European Union, is designed to evaluate the efficacy, safety, tolerability, and dosing regimen of ABX-1431 in treating up to 48 adult patients with TS or Chronic Motor Tic Disorder (CMTD). It is a double-blind, randomized, placebo-controlled trial that will evaluate ABX-1431, dosed once daily for up to 8 weeks, with an open-label extension arm for an additional 4 weeks.

The primary endpoint of this trial is the change from baseline in Total Tic Score of the Yale Global Tic Severity Scale (YGTSS) compared with placebo. The study includes additional measures of tics from the patient and clinician perspective and will measure the premonitory urge preceding tics. The study will also explore the potential impact of ABX-1431 on additional psychological problems that can accompany TS, such as attention-deficit hyperactivity disorder, obsessive-compulsive disorder, anxiety, and depression.

Lu AF20513 – phase I

In the first quarter of 2019, it was decided to discontinue the development project, which was in phase I, following increased uncertainty around the biological rationale. Lundbeck continues to be committed to developing treatments for Alzheimer's.

Lu AF35700

Following a thorough analysis to assess commercially viable paths to further develop Lu AF35700 in indications beyond schizophrenia, Lundbeck has terminated the Lu AF35700-project.

Sustainability update

Lundbeck has been supporting UN Global Compact since 2009 and we continue to promote initiatives that demonstrate our commitment to these principles. Lundbeck's sustainability framework aims to ensure that our business activities are conducted in a way that mitigates the related significant risks and supports the UN Global Compact Principles and the relevant UN Sustainable Development Goals (SDG).

Lundbeck promotes environmental responsibility by optimizing manufacturing processes, recycling solvents, controlling pharmaceuticals in the environment and minimizing our emissions to the air of CO_2 and other pollutants. By innovative re-design of manufacturing processes, Lundbeck is now able to recycle and reuse 76% of its most used solvents thus eliminating the need for acquisition and use of 5,600 tonnes of new chemical solvents every year. Since 2006, Lundbeck has reduced its CO_2 emission by 66% mainly by reducing the company's use of energy across all facilities. In the first half of 2019, Lundbeck has seen a slight increase in CO_2 due to temporary maintenance use of gas-oil instead of bio-oil in Lumsås. Gas-oil has a higher CO_2 emission factor than bio-oil. Lundbeck remains determined to reduce our overall CO_2 emissions, targeting a 3% reduction in 2019 compared to 2018.

Lundbeck strives to minimize the number of work-related accidents and occupational diseases. The company systematically registers and analyse the root causes of any work-related accidents to implement preventive actions at our sites. In the first half of 2019, the frequency of work-related accidents with absence has declined slightly.

The number of employees has increased by 339 to 5,458 since the first half of 2018 following the acquisition of Abide Therapeutics and growth initiatives in the commercial organization foremost in China.

General corporate matters

Pending legal proceedings

The Group is involved in a number of legal proceedings, including patent disputes. In the opinion of Management, the outcome of these proceedings will either not have a material impact on the Group's financial position or cash flows beyond the amount already provided for in the financial statements, or the outcome is too uncertain to enable the Group to make a reliable provision. Such proceedings will, however, develop over time, and new proceedings may occur 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 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. An oral hearing was conducted by the European Court of Justice on 24 January 2019 and a final judgment is expected during 2019. So-called "follow-on claims" for reimbursement of alleged losses, resulting from alleged violation of competition law, often arise when decisions and fines issued by the European Commission are upheld by the European Court of Justice. On 19 June 2019 the UK health authorities (more specifically the Secretary of State for Health and Social Care, the National Health Service Business Services Authority and NHS Wales) issued protective proceedings against Lundbeck with the principal purpose of preventing potential claims from being time-barred under the applicable statutes of limitation. Lundbeck expects no further material development in regard hereto until after the European Court of Justice has issued its final judgment.

H. Lundbeck A/S and Lundbeck Canada Inc. are involved in three product liability class-action lawsuits relating to Cipralex/Celexa®, 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 had 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, which called for a payment of USD 52.6 million. In April of 2019, Lundbeck finalized this settlement, executed a Settlement Agreement, and made a payment of USD 52.6 million. Lundbeck LLC is pleased to have reached final resolution that will allow the company to put this matter behind it. The Settlement Agreement does not include any admission by Lundbeck LLC that it violated any law. The resolution of this matter will allow Lundbeck LLC to continue its focus on providing innovative medications to patients.

The Group has entered into settlements with three of the four generic companies involved in an Australian federal court case, where Lundbeck is pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck received AUD 51.7 million (DKK 242 million) in 2018. In Lundbeck's case against the final generic company, Sandoz Pty Ltd, the Federal Court found that Sandoz Pty Ltd had infringed Lundbeck's escitalopram patent between 2009 and 2012 and awarded Lundbeck AUD 26.3 million in damages. Sandoz' appeal of the decision was heard on 8-10 May 2019 and a decision is expected within 6 months after the hearing. In the meantime, the Australian Patent Office has issued a license to exploit the patent to Sandoz for the entire period of infringement. The license may potentially remove the damages awarded to Lundbeck. Lundbeck has appealed this license decision. A decision is expected within the next year.

Lundbeck has instituted patent infringement proceedings against 16 generic companies that have applied for marketing authorization for generic versions of Trintellix in the U.S. One counterpart has now withdrawn and the cases against the remaining 15 parties continue. Decisions are expected shortly before the end of March 2021. Lundbeck has strong confidence in its vortioxetine patents. The FDA cannot grant marketing authorizations to the generic companies unless they receive a decision in their favour. The compound patent, including patent term extensions, will expire in the U.S. on 17 December 2026. Lundbeck has other patents relating to vortioxetine with expiry in the period until 2032.

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 June 2019. 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 June 2019, and of the results of the Group's operations and cash flows for the period, which ended on 30 June 2019.

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, 14 August 2019

Registered Executive Management

Deborah Dunsire President and CEO	Lars Bang Executive Vice President, Product Development & Supply	Anders Götzsche Executive Vice President, CFO
Per Johan Luthman 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	Henrik Sindal Jensen Employee representative	Ludovic Tranholm Otterbein Employee representative

FINANCIAL STATEMENTS

Income statement

DKK million	H1 2019	H1 2018	Q2 2019	Q2 2018	FY 2018
Revenue	8,480	9,288	4,246	4,703	18,117
Cost of sales	1,640	1,711	815	885	3,456
Gross profit	**6,840**	**7,577**	**3,431**	**3,818**	**14,661**
Sales and distribution costs	2,644	2,592	1,371	1,306	5,277
Administrative expenses	394	342	206	189	762
Research and development costs	1,497	1,472	749	760	3,277
Other operating items, net	-	(165)	-	(213)	(44)
Profit from operations (EBIT)	**2,305**	**3,006**	**1,105**	**1,350**	**5,301**
Net financials	4	6	(27)	19	(12)
Profit before tax	**2,309**	**3,012**	**1,078**	**1,369**	**5,289**
Tax on profit for the period	623	814	290	370	1,382
Profit for the period	**1,686**	**2,198**	**788**	**999**	**3,907**
Earnings per share, basic (EPS) (DKK)	8.48	11.07	3.96	5.03	19.66
Earnings per share, diluted (DEPS) (DKK)	8.48	11.06	3.96	5.03	19.66

Statement of comprehensive income

DKK million	H1 2019	H1 2018	Q2 2019	Q2 2018	FY 2018
Profit for the period	**1,686**	**2,198**	**788**	**999**	**3,907**
Actuarial gains/losses	-	-	-	-	15
Tax	-	-	-	-	(2)
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**-**	**13**
Exchange rate gains/losses on investments in foreign subsidiaries	30	171	(111)	254	287
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	(42)	(94)	50	(84)	(151)
Deferred exchange gains/losses, hedging	(140)	(180)	40	(264)	(319)
Exchange gains/losses, hedging (transferred to the hedged items)	76	(277)	28	(95)	(242)
Tax	23	121	(27)	97	157
Items that may be reclassified subsequently to profit or loss	**(53)**	**(259)**	**(20)**	**(92)**	**(268)**
Other comprehensive income	**(53)**	**(259)**	**(20)**	**(92)**	**(255)**
Comprehensive income	**1,633**	**1,939**	**768**	**907**	**3,652**

Balance sheet

DKK million	30.06.2019	30.06.2018	31.12.2018
Assets			
Intangible assets	9,870	7,989	8,023
Property, plant and equipment	2,450	1,946	2,018
Financial assets	1,184	1,253	1,321
Non-current assets	**13,504**	**11,188**	**11,362**
Inventories	1,764	1,971	1,753
Receivables	3,533	3,956	3,261
Securities	1,538	2,027	3,030
Cash and bank balances	1,743	2,561	3,605
Current assets	**8,578**	**10,515**	**11,649**
Assets	**22,082**	**21,703**	**23,011**
Equity and liabilities			
Share capital	996	995	996
Foreign currency translation reserve	801	732	804
Currency hedging reserve	(106)	25	(56)
Retained earnings	11,807	10,807	12,507
Equity	**13,498**	**12,559**	**14,251**
Provisions	1,308	1,024	1,112
Debt	493	68	72
Non-current liabilities	**1,801**	**1,092**	**1,184**
Provisions	344	557	442
Debt	158	-	-
Trade payables	3,621	4,057	4,078
Other payables	2,660	3,438	3,056
Current liabilities	**6,783**	**8,052**	**7,576**
Liabilities	**8,584**	**9,144**	**8,760**
Equity and liabilities	**22,082**	**21,703**	**23,011**

Statement of changes in equity

DKK million	Share capital	Foreign currency translation reserve	Currency hedging reserve	Retained earnings	Equity
Equity at 1 January 2019	**996**	**804**	**(56)**	**12,507**	**14,251**
Profit for the period	-	-	-	1,686	1,686
Other comprehensive income	-	(3)	(50)	-	(53)
Comprehensive income	**-**	**(3)**	**(50)**	**1,686**	**1,633**
Distributed dividends, gross	-	-	-	(2,389)	(2,389)
Dividends received, treasury shares	-	-	-	5	5
Capital increase through exercise of warrants	-	-	-	4	4
Buyback of treasury shares	-	-	-	(20)	(20)
Incentive programmes	-	-	-	15	15
Tax on other transactions in equity	-	-	-	(1)	(1)
Other transactions	**-**	**-**	**-**	**(2,386)**	**(2,386)**
Equity at 30 June 2019	**996**	**801**	**(106)**	**11,807**	**13,498**

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	-	-	-	2,198	2,198
Other comprehensive income	-	98	(357)	-	(259)
Comprehensive income	**-**	**98**	**(357)**	**2,198**	**1,939**
Distribution of dividends, gross	-	-	-	(1,592)	(1,592)
Dividends received, treasury shares	-	-	-	3	3
Capital increase through exercise of warrants	-	-	-	6	6
Incentive programmes	-	-	-	14	14
Tax on other transactions in equity	-	-	-	8	8
Other transactions	**-**	**-**	**-**	**(1,561)**	**(1,561)**
Equity at 30 June 2018	**995**	**732**	**25**	**10,807**	**12,559**

Cash flow statement

DKK million	H1 2019	H1 2018	Q2 2019	Q2 2018	FY 2018
Profit from operations (EBIT)	**2,305**	**3,006**	**1,105**	**1,350**	**5,301**
Adjustments for non-cash operating items etc.	335	609	82	268	1,243
Change in working capital	(1,309)	81	(749)	5	563
Cash flows from operations before financial receipts and payments	**1,331**	**3,696**	**438**	**1,623**	**7,107**
Financial receipts and payments	22	8	4	12	6
Cash flows from ordinary activities	**1,353**	**3,704**	**442**	**1,635**	**7,113**
Income taxes paid	(503)	(335)	(429)	(269)	(1,132)
Cash flows from operating activities	**850**	**3,369**	**13**	**1,366**	**5,981**
Acquisition of business*	(1,649)	-	(1,649)	-	-
Acquisition of subsidiary**	-	(745)	-	-	(745)
Purchase and sale of securities and other financial assets	1,504	(508)	1,513	(501)	(1,524)
Purchase and sale of intangible assets and property, plant and equipment	(139)	(117)	(85)	(74)	(638)
Cash flows from investing activities	**(284)**	**(1,370)**	**(221)**	**(575)**	**(2,907)**
Cash flows from operating and investing activities (free cash flow)	**566**	**1,999**	**(208)**	**791**	**3,074**
Capital increase through exercise of warrants	4	6	3	5	7
Dividends paid in the financial year, net	(2,384)	(1,589)	-	-	(1,589)
Other financing activities	(50)	-	(15)	-	(25)
Cash flows from financing activities	**(2,430)**	**(1,583)**	**(12)**	**5**	**(1,607)**
Net cash flow for the period	**(1,864)**	**416**	**(220)**	**796**	**1,467**
Cash and bank balances at beginning of period	3,605	2,155	1,967	1,771	2,155
Unrealized exchange gains/losses on cash and bank balances	2	(10)	(4)	(6)	(17)
Net cash flow for the period	(1,864)	416	(220)	796	1,467
Cash and bank balances at end of period	**1,743**	**2,561**	**1,743**	**2,561**	**3,605**
Interest-bearing debt, cash, bank balances and securities, net, is composed as follows:					
Cash and bank balances	1,743	2,561	1,743	2,561	3,605
Securities	1,538	2,027	1,538	2,027	3,030
Interest-bearing debt	(461)	-	(461)	-	-
Interest-bearing debt, cash, bank balances and securities, net, end of period – net cash/(net debt)	**2,820**	**4,588**	**2,820**	**4,588**	**6,635**

*) In 2019, Lundbeck acquired Abide Therapeutics, Inc. The acquisition of Abide Therapeutics, Inc. is considered a business combination in accordance with IFRS 3 *Business combinations*. Please see note 2 for further details.
**) In 2018, Lundbeck acquired Prexton Therapeutics BV. 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 (H1)

H1 2019

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	8,480	-	-	-	-	-	8,480
Cost of sales	1,640	(424)	-	-	-	-	1,216
Gross profit	**6,840**	**424**	**-**	**-**	**-**	**-**	**7,264**
Sales and distribution costs	2,644	-	-	-	-	-	2,644
Administrative expenses	394	-	-	-	-	-	394
Research and development costs	1,497	-	-	-	-	-	1,497
Other operating items, net	-	-	-	-	-	-	-
Profit from operations (EBIT)	**2,305**	**424**	**-**	**-**	**-**	**-**	**2,729**
Net financials	4	-	-	-	-	-	4
Profit before tax	**2,309**	**424**	**-**	**-**	**-**	**-**	**2,733**
Tax on profit for the period	623	41	-	-	-	-	664
Profit for the period	**1,686**	**383**	**-**	**-**	**-**	**-**	**2,069**
Earnings per share, basic (EPS) (DKK)	8.48	1.93	-	-	-	-	10.41

H1 2018

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	9,288	-	-	-	-	-	9,288
Cost of sales	1,711	(407)	-	-	-	-	1,304
Gross profit	**7,577**	**407**	**-**	**-**	**-**	**-**	**7,984**
Sales and distribution costs	2,592	-	-	-	-	-	2,592
Administrative expenses	342	-	-	-	-	-	342
Research and development costs	1,472	-	-	-	-	-	1,472
Other operating items, net	(165)	-	-	-	213	(48)	-
Profit from operations (EBIT)	**3,006**	**407**	**-**	**-**	**213**	**(48)**	**3,578**
Net financials	6	-	-	-	-	-	6
Profit before tax	**3,012**	**407**	**-**	**-**	**213**	**(48)**	**3,584**
Tax on profit for the period	814	41	-	-	13	(11)	857
Profit for the period	**2,198**	**366**	**-**	**-**	**200**	**(37)**	**2,727**
Earnings per share, basic (EPS) (DKK)	11.07	1.84	-	-	1.00	(0.18)	13.73

Income statement – Core results reconciliation (Q2)

Q2 2019

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,246	-	-	-	-	-	4,246
Cost of sales	815	(214)	-	-	-	-	601
Gross profit	**3,431**	**214**	**-**	**-**	**-**	**-**	**3,645**
Sales and distribution costs	1,371	-	-	-	-	-	1,371
Administrative expenses	206	-	-	-	-	-	206
Research and development costs	749	-	-	-	-	-	749
Other operating items, net	-	-	-	-	-	-	-
Profit from operations (EBIT)	**1,105**	**214**	**-**	**-**	**-**	**-**	**1,319**
Net financials	(27)	-	-	-	-	-	(27)
Profit before tax	**1,078**	**214**	**-**	**-**	**-**	**-**	**1,292**
Tax on profit for the period	290	21	-	-	-	-	311
Profit for the period	**788**	**193**	**-**	**-**	**-**	**-**	**981**
Earnings per share, basic (EPS) (DKK)	3.96	0.97	-	-	-	-	4.93

Q2 2018

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,703	-	-	-	-	-	4,703
Cost of sales	885	(197)	-	-	-	-	688
Gross profit	**3,818**	**197**	**-**	**-**	**-**	**-**	**4,015**
Sales and distribution costs	1,306	-	-	-	-	-	1,306
Administrative expenses	189	-	-	-	-	-	189
Research and development costs	760	-	-	-	-	-	760
Other operating items, net	(213)	-	-	-	213	-	-
Profit from operations (EBIT)	**1,350**	**197**	**-**	**-**	**213**	**-**	**1,760**
Net financials	19	-	-	-	-	-	19
Profit before tax	**1,369**	**197**	**-**	**-**	**213**	**-**	**1,779**
Tax on profit for the period	370	19	-	-	13	-	402
Profit for the period	**999**	**178**	**-**	**-**	**200**	**-**	**1,377**
Earnings per share, basic (EPS) (DKK)	5.03	0.90	-	-	1.00	-	6.93

Notes

Note 1: Accounting policies

The Financial Report for the period 1 January – 30 June 2019 has been prepared as condensed financial statements in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the EU and additional Danish disclosure requirements for interim reports of listed companies.

Changes in accounting policies

Lundbeck implemented IFRS 16 *Leases* from 1 January 2019 and recognizes material lease agreements in accordance with the standard.

Lease liabilities are recognized at the present value of future payments in accordance with the lease agreements and include the present value of future payments relating to reasonably certain extensions. Interest on the lease liabilities is calculated using Lundbeck's incremental borrowing rate and recognized under net financials. The lease liabilities are reduced by any instalments paid to the lessor.

Lundbeck uses the same incremental borrowing rate for lease agreements with similar characteristics. At the time of implementation, the weighted average incremental borrowing rate was 1.3%.

Right-of-use assets are recognized at the present value of future payments reduced by lease incentives and upfront payments. Right-of-use assets are depreciated over the lease term and depreciation is recognized in the income statement. Right-of-use assets are presented as part of property, plant and equipment.

Changes to a lease agreement after initial recognition result in a remeasurement of the lease agreement and recognition of an adjustment to the lease liability and right-of-use asset.

Short-term, low-value and immaterial lease agreements are recognized as operating expenses on a straight-line basis over the lease term.

At the time of implementation, Lundbeck used the modified retrospective method. Consequently, material lease agreements with a remaining lease period of more than 12 months resulted in an increase in total assets and total liabilities of DKK 439 million at 1 January 2019. Comparative figures are not restated.

Total depreciation and interest for the first half of 2019 recognized in accordance with IFRS 16 *Leases* amounted to DKK 32 million and DKK 3 million respectively, whereas rental expenses at an estimated amount of DKK 35 million are no longer recognized in the income statement.

Differences between contractual obligations as disclosed in the annual report for 2018 and the value of lease liabilities at initial recognition include mainly short-term leases, reasonably certain extension periods and service components.

Lundbeck implemented IFRIC 23 *Uncertainty over Income Tax Treatments* from 1 January 2019. Lundbeck followed most of the guidelines in IFRIC 23 for accounting for uncertainty over income tax treatments before the implementation date. However, as the provision for uncertainties over tax treatments is now recognized on a gross basis, and not as previously at a net amount, total assets and total liabilities have increased by DKK 63 million at 1 January 2019. At the same time, the provision for uncertainties over tax treatments was reclassified from deferred tax liabilities to income taxes payable.

Business combinations

Newly acquired or newly formed companies are recognized in the consolidated financial statements from the date of acquisition. Acquired businesses are accounted for using the acquisition method, according to which identifiable assets, liabilities and contingent liabilities of the acquired companies are measured at fair value at the time of the acquisition. Account is taken of the tax effect of the revaluations made. The cost of the company is the fair value of the consideration paid. Transaction costs are recognized in the income statement.

Positive differences (goodwill) between the cost of a company and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognized under intangible assets. Negative differences (negative goodwill) between the cost of a company and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognized in the income statement at the time of acquisition. Goodwill arising from an acquired company is adjusted until the end of the year following the acquisition if additional information about the fair value at the time of acquisition of assets, liabilities and contingent liabilities acquired is obtained after the acquisition. However, goodwill will not be recognized by an amount exceeding the expectations of future income from the acquiree.

Product rights are measured based on expected future cash flows using the discounted cash flow method (DCF-method). The expected future cash flows are estimated based on key parameters like probability of success, revenue, earnings, working capital and discount rate. These key parameters are based on market research, historic data and analogues (comparable products).

The contingent consideration is measured at fair value at the time of acquisition. Any subsequent remeasurements will be recognized in financial items. The contingent consideration is calculated as the discounted cash outflows (DCF-method) from future milestone payments, taking probability of success into consideration.

Goodwill and adjustments to fair value are accounted for as assets and liabilities in the acquiree and translated at the exchange rate at the balance sheet date.

Apart from the above, the accounting policies remain unchanged compared with the 2018 Annual Report, to which reference is made.

For accounting estimates, see note 2 *Significant Accounting Estimates and Judgments* in the 2018 Annual Report.

For risks, see the 2018 Annual Report.

Note 2: Business combinations

On 29 May 2019, Lundbeck acquired the US company Abide Therapeutics, Inc. by acquiring all shares in the company. The company has subsequently changed its name to Lundbeck La Jolla Research Center, Inc.

Lundbeck has acquired a company with a unique discovery platform and employees with specialist knowledge as well as a lead compound for the treatment of Tourette Syndrome in exploratory phase IIa. The entity will continue as a drug discovery company and the acquisition is consequently considered a business combination in accordance with IFRS 3 *Business Combinations*.

In compliance with the requirements in IFRS 3 *Business Combinations*, the following information is disclosed.

Name

Lundbeck La Jolla Research Center, Inc.

Principal activity
Development of pharmaceuticals

Ownership interest acquired
100%

Voting share acquired
100%

Due to the timing of the acquisition, the figures below represent a preliminary purchase price allocation to the identifiable assets, liabilities and contingent consideration and consequently also to goodwill.

Lundbeck made a net upfront payment of approximately USD 250 million (DKK 1,649 million) to the former owners of Abide Therapeutics, Inc. In addition, Lundbeck is required to pay up to USD 150 million in future development and sales milestones. The development milestone will be triggered when statistically significant results in a phase II clinical trial for Tourette Syndrome indication or first patient enrolled in a phase III clinical trial in Tourette Syndrome indication, in each case for a MGLL product that contains the lead compound. The sales milestones will be triggered at first commercial sale and when product revenue reach a certain threshold. The future milestone payments may consequently be in the range USD 0-150 million. Based on the preliminary calculation, the fair value of the contingent consideration is USD 20 million (DKK 137 million).

The measurement of product rights is based on expected future cash flows, using the discounted cash flow method (DCF-method). The estimation of expected future cash flows is based on key parameters like probability of success, revenue, earnings, working capital and discount rate. These key parameters are based on market research, historic data and analogues.

Financial assets and financial liabilities include other assets, receivables, trade payables, lease liabilities and other payables. Financial assets and financial liabilities are recognized in the opening balance at the carrying amount, which corresponds to fair value at the closing date.

The future development and sales milestones are recognized as a contingent consideration and are recognized at fair value at the acquisition date. Key inputs to the DCF-model are probability of success and the expected timing of payments using a discount rate of 8.07%. The probability of success is 29.7% for the R&D milestone and 11.6% for the two sales milestones and is based on the BIO/MedTracker 2016 publication. The fair value of the contingent consideration is adjusted at each reporting date. No material fair value adjustments have been recognized in the second quarter of 2019. Due to the nature of contingent consideration, the calculation involves judgments and estimates. Consequently, the liability recognized in the balance sheet is subject to uncertainty

The acquisition price paid for Abide Therapeutics, Inc. exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities and accordingly the positive difference of DKK 415 million has been recognized as goodwill. The goodwill is primarily explained by the acquisition of the unique discovery platform and the specialist knowledge and networks of the employees. Goodwill is not expected to be tax-deductible.

Lundbeck La Jolla Research Center, Inc. is a research entity and the consolidated revenue for 2019 is not impacted by the activities performed by the entity. Lundbeck La Jolla Research Center, Inc. is recognized in the consolidated income statement for Q2 2019 at a loss of DKK 24 million. If the company had been acquired as of 1 January 2019, the consolidated net profit for the first half of 2019 would have been approximately DKK 1,631 million.

The total consolidated carrying amount of goodwill was DKK 4,300 million at 31 December 2018. No impairment losses have been recognized. Apart from the recognition of goodwill relating to the acquisition of Abide Therapeutics, Inc., the only change in the carrying amount of goodwill is exchange rate adjustments of DKK 17 million. After recognition of goodwill on the acquisition of Abide Therapeutics, Inc., total consolidated goodwill amounts to DKK 4,732 million.

Transaction costs relating to the acquisition of Abide Therapeutics, Inc. amount to approximately DKK 6 million and are recognized in the income statement.

	Fair value (DKKm)
Assets	
Product rights	1,853
Property, plant and equipment, including right-of-use assets	22
Non-current assets	**1,875**
Receivables	9
Cash	80
Current assets	**89**
Total assets	**1,964**
Liabilities	
Deferred tax	484
Lease liabilities	10
Non-current liabilities	**494**
Trade payables	12
Lease liabilities	5
Other payables	2
Current liabilities	**19**
Total liabilities	**513**
Net assets	**1,451**
Goodwill on acquisition	415
Adjustment, cash	(80)
Total consideration	**1,786**
Contingent payment[1)]	(137)
Cash consideration paid as per Q2 2019	**1,649**

1) The contingent consideration is recognized as debt

Note 3: Dividends for 2018

Please see Cash flow; page 12.

Note 4: Fair value measurement

Financial assets and financial liabilities measured or disclosed at fair value	Level 1 (DKKm)	Level 2 (DKKm)	Level 3 (DKKm)
2019:			
Financial assets			
Securities[1]	1,538	-	-
Other financial assets[1]	11	-	36
Derivatives[1]	-	18	-
Total	**1,549**	**18**	**36**
Financial liabilities			
Contingent consideration	-	-	135
Derivatives[1]	-	153	-
Total	**-**	**153**	**135**
2018:			
Financial assets			
Securities[1]	2,027	-	-
Other financial assets[1]	26	-	34
Derivatives[1]	-	141	-
Total	**2,053**	**141**	**34**
Financial liabilities			
Derivatives[1]	-	109	-
Total	**-**	**109**	**-**

1) Measured at fair value.

The fair value of securities is based on publicly quoted prices of the invested assets. The fair value of derivatives is calculated by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date. The fair value of the contingent consideration is calculated as the discounted cash outflows (DCF-method) from future milestone payments, taking probability of success into consideration.

The carrying amount of other receivables, trade receivables, prepayments, other debt, trade payables and other payables is believed to be equal to or close to fair value.

Note 5 EBITDA calculation

DKK million	H1 2019	H1 2018	Q2 2019	Q2 2018
EBIT	2,305	3,006	1,105	1,350
+ Depreciation, amortization and impairment charges	593	589	298	307
- Gain from divestment of properties recognized in Other operating items, net	-	(48)	-	-
= EBITDA	**2,898**	**3,547**	**1,403**	**1,657**

Note 6 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 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 global pharmaceutical company specialized in brain diseases. For more than 70 years, we have been at the forefront of neuroscience research. We are tirelessly dedicated to restoring brain health, so every person can be their best.

An estimated 700 million people worldwide are living with brain diseases and far too many suffer due to inadequate treatment, discrimination, a reduced number of working days, early retirement and other unnecessary consequences. Every day, we strive for improved treatment and a better life for people living with brain diseases – we call this *Progress in Mind*.

Read more at www.lundbeck.com/global/about-us/progress-in-mind.

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