



Corporate Release

Major restructuring to regain profitability and ensure value creation

- *Lundbeck is initiating a restructuring programme which will reduce the total cost base by approximately DKK 3 billion with full effect in 2017*
- *Lundbeck will restructure headquarter functions and commercial operations in Europe and other markets which are expected to lead to a reduction of around 1,000 employees*
- *In connection with the restructuring programme provisions and write-downs at the level of DKK 1.7 billion will be made in the third quarter 2015*
- *As part of the restructuring programme a reclassification of DKK 4.8 billion is included as research and development costs in the second quarter 2015. The reclassification is a change in accounting estimate based on management's reassessment of certain previously capitalized product rights*
- *Financial guidance for 2015 is revised. Lundbeck now expects revenue around DKK 14.0 billion and core EBIT to be around DKK 0.5 billion. Reported EBIT is expected to be negative at around DKK 7.0 billion*

Valby, Denmark, 19 August 2015 - H. Lundbeck A/S (Lundbeck) today announced a new restructuring programme in order to significantly improve profitability and improve the company's value creation. Lundbeck needs higher profitability to be able to invest in future profitable growth initiatives leading to better treatments for patients and secure a competitive return on investment and thereby secure value creation.

Kåre Schultz, President and CEO said:

"Together with my leadership team, I believe this programme will make Lundbeck drive sustainable value creation for all our stakeholders. We are aware that these decisions will affect many of our employees and we will strive to support these employees as we implement the changes."

In the past few years, Lundbeck has gone through major restructurings of its European commercial infrastructure. However, it is necessary to further adjust the commercial set-up primarily in Europe. Lundbeck intends to emphasize the focus on the following products: Abilify Maintena, Brintellix, Northera, Onfi and Rexulti. Furthermore, Lundbeck plans to capture savings through restructuring of all headquarter functions, further minimize G&A functions at affiliates and also expand the newly established Business Service Center in Krakow in Poland. In R&D a number of cost reduction initiatives have been identified including closure of selected early-stage projects.

Lundbeck expects that this restructuring programme will affect approximately 1,000 employees. Final estimates for programme costs, benefits and headcount impact in all areas of the business are subject to completion of applicable consultation processes.

Financial implications of the restructuring programme:

Following the proposed restructuring programme, Lundbeck expects to recognize provisions for some DKK 1.1 billion for severance payments and restructuring costs. Furthermore, in the third quarter, Lundbeck expects to recognize approximately DKK 0.6 billion in impairment loss due to changed management estimates of certain intangible rights and fixed assets.

It is expected that the programme will reduce the total cost base by approximately DKK 3 billion in 2017.

When the restructuring programme is finalized, we expect to significantly improve the company's profitability and we expect to see positive reported operating profit already in 2016 with further improvement in 2017. Further details regarding the financial outlook will be presented in connection with the announcement of the 2015 Full Year results in February 2016.

Reclassification of product rights

A reclassification due to management's reassessment of certain product rights has resulted in a change in accounting estimate for capitalization of milestone payments, which were triggered prior to receiving final market registration approval. The reclassification of certain product rights amounts to DKK 4.8 billion which has been recognized in research and development costs in the second quarter 2015.

Previously, all material milestone payments triggered by an event have been treated as a change to the fair value of the product rights. They have therefore been capitalized, and when launched, amortized over the product's life cycle. Prior to receiving final market registration approval, there is significant uncertainty as to whether the product will be approved and launched, i.e. whether a product right exists at this stage. Consequently, management now adopts a more conservative approach when these milestone payments predominantly will be triggered by or relate to research and development or pre-registration efforts.

The reassessment has not resulted in a change to Lundbeck's accounting policies.

Financial guidance

The financial guidance for the fiscal year 2015 provided in connection with the full year 2014 announcement on 5 February 2015 is revised.

For a full overview of Lundbeck's financial guidance for 2015, please refer to the corporate release concerning the financial report for the first six months of 2015 announced on 19 August 2015 (release no. 566).

Lundbeck now expects core profit from operations (core EBIT) assuming constant exchange rates to be around DKK 0.5 billion compared to the previous guidance around DKK 0 for 2015. Following the announced restructuring programme, Lundbeck is now also providing guidance for **reported operating profit** (EBIT), which is expected to be negative around DKK 7.0 billion.



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About Lundbeck

H. Lundbeck A/S (LUN.CO, LUN DC, HLUYY) is a global pharmaceutical company specialized in brain diseases. For more than 50 years, we have been at the forefront of research within neuroscience. Our key areas of focus are alcohol dependence, Alzheimer's disease, bipolar disorder, depression/anxiety, epilepsy, Huntington's disease, Parkinson's disease, schizophrenia and symptomatic neurogenic orthostatic hypotension (NOH).

An estimated 700 million people worldwide are living with brain disease 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 disease – we call this Progress in Mind.

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

Our approximately 6,000 employees in 57 countries are engaged in the entire value chain throughout research, development, production, marketing and sales. Our pipeline consists of several late-stage development programs and our products are available in more than 100 countries. We have research centres in China, Denmark and the United States and production facilities in China, Denmark, France and Italy. Lundbeck generated revenue of approximately DKK 13.5 billion in 2014 (EUR 1.8 billion; USD 2.4 billion).

Lundbeck's shares are listed on the stock exchange in Copenhagen under the symbol "LUN". Lundbeck has a sponsored Level 1 ADR program listed in the US (OTC) under the symbol "HLUYY".

For additional information, we encourage you to visit our corporate site www.lundbeck.com.

Safe Harbor/Forward-Looking Statements

The above information contains forward-looking statements that provide our expectations or forecasts of future events such as new product introductions, product approvals and financial performance.

Such forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. This may cause actual results to differ materially from expectations and it may cause any or all of our forward-looking statements here or in other publications to be wrong. Factors that may affect future results include interest rate and currency exchange rate fluctuations, delay or failure of development projects, production problems, unexpected contract breaches or terminations, government-mandated or market-driven price decreases for Lundbeck's 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 related interpretation thereof, and unexpected growth in costs and expenses.

Certain assumptions made by Lundbeck are required by Danish Securities Law for full disclosure of material corporate information. Some assumptions, including assumptions relating to sales associated with product that is prescribed for unapproved uses, are made taking into account past performances of other similar drugs for similar disease states or past performance of the same drug in other regions where the product is currently marketed. It is important to note that although physicians may, as part of their freedom to practice medicine in the US, prescribe approved drugs for any use they deem appropriate, including unapproved uses, at Lundbeck, promotion of unapproved uses is strictly prohibited.