Corporate Release
Valby, Denmark, 8 May 2018

Financial report for the period 1 January to 31 March 2018

Lundbeck realized 14% growth in revenue (local currency) and 103% growth in EPS

HIGHLIGHTS

- Revenue reached DKK 4,585 million in the first quarter of 2018 representing an increase of 9% (14% in local currencies) compared to the same period in 2017
  - Revenue of Abilify Maintena® increased 15% to DKK 364 million (23% in local currencies)
  - Revenue of Brintellix®/Trintellix® increased 25% to DKK 467 million (38% in local currencies)
  - Revenue of Northera® increased 13% to DKK 396 million (29% in local currency)
  - Revenue of Onfi® increased 27% to DKK 903 million (46% in local currency)
  - Revenue of Rexulti® increased 32% to DKK 369 million (51% in local currencies)
  - Revenue in North America increased 4% to DKK 2,598 million (19% in local currencies)
  - Revenue in International Markets decreased 5% to DKK 941 million (5% growth in local currencies)
  - Revenue in Europe increased 5% to DKK 745 million (6% in local currencies)
- EBIT increased significantly and reached DKK 1,656 million compared to DKK 1,011 million in the first quarter of 2017 and the EBIT margin reached 36.1% compared to 24.0% in 2017
- EPS grew 103% to DKK 6.03 in the period compared to DKK 2.97 the year before
- Free cash flow reached DKK 1,208 million and the net cash position improved to DKK 3,292 million compared to DKK 975 million for the same period last year
- In March 2018, Lundbeck acquired Prexton Therapeutics adding foliglurax in clinical phase II to its pipeline of innovative treatments for patients suffering from Parkinson's disease
- The Drug Committee of Ministry of Health, Labour and Welfare in Japan has accepted a 2-year extension of the market exclusivity of Lexapro®
- FDA updates Trintellix label to include data showing improvement in processing speed, an important aspect of cognitive function in acute Major Depressive Disorder (MDD)
- The financial guidance for 2018 is unchanged. Lundbeck expects revenue to reach DKK 17.2-18.0 billion and EBIT to reach DKK 4.8-5.2 billion

In connection with the financial report, Lundbeck's interim CEO and CFO, Anders Götzsche said:
"I am really pleased with the performance, which shows that we have a product range that provides a unique opportunity to improve the treatment of people with psychiatric and neurological disorders. We have realized solid revenue growth even considering headwind from exchange rates and generic erosion and continue the strong improvement in profitability. I am also pleased that we have fortified the R&D pipeline by the inclusion of foliglurax, currently in phase II clinical development. It is a good start to the year."

DKK million	Q1 2018	Q1 2017	*Growth*
Reported Revenue	**4,585**	4,211	*9%*
Reported EBIT	**1,656**	1,011	*64%*
Reported EPS	**6.03**	2.97	*103%*
Reported EBIT margin	***36.1%***	*24.0%*	-
Core Revenue*	**4,585**	4,211	*9%*
Core EBIT*	**1,818**	1,213	*50%*
Core EPS*	**6.79**	3.90	*74%*
*Core EBIT margin**	***39.6%***	*28.8%*	-

*For definition of the measures "Core Revenue", "Core EBIT" and "Core EPS", see note 8 *Core reporting*

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FINANCIAL HIGHLIGHTS AND KEY FIGURES

	Q1 2018	Q1 2017	FY 2017
Financial highlights (DKK million)			
Reported revenue	**4,585**	4,211	17,234
Core revenue	**4,585**	4,211	17,234
Operating profit before depreciation and amortization (EBITDA)	**1,890**	1,287	5,424
Reported profit from operations (EBIT)	**1,656**	1,011	4,408
Core profit from operations (core EBIT)	**1,818**	1,213	5,115
Net financials	**(13)**	(15)	(131)
Profit before tax	**1,643**	996	4,277
Tax	**444**	409	1,653
Profit for the period	**1,199**	587	2,624
Equity	**11,633**	9,821	12,181
Assets	**19,753**	20,678	19,756
Cash flows from operating and investing activities (free cash flow)	**1,208**	681	2,215
Purchase of property, plant and equipment, gross	**32**	28	245
Key figures			
EBIT margin (%)	**36.1**	24.0	25.6
Return on invested capital (ROIC) (%)	**14.4**	6.6	30.8
Annualized return on invested capital (ROIC) (%)	**57.6**	26.5	30.8
Cash to earnings (%)	**101.5**	115.9	141.8
Research and development ratio (%)	**15.5**	15.5	15.7
Return on equity (%)	**10.1**	6.0	24.0
Equity ratio (%)	**58.9**	47.5	61.7
Invested capital (DKKm)	**8,341**	8,846	8,504
Net debt/EBITDA	**(1.7)**	(0.8)	(0.7)
Share data			
Number of shares for the calculation of EPS (millions)	**198.7**	197.3	197.5
Number of shares for the calculation of DEPS (millions)	**198.7**	197.5	197.8
Earnings per share, basic (EPS) (DKK)	**6.03**	2.97	13.28
Earnings per share, diluted (DEPS) (DKK)	**6.03**	2.96	13.26
Cash flow from operating activities per share, diluted (DKK)	**10.08**	3.28	20.45
Net asset value per share, diluted (DKK)	**58.53**	49.54	61.29
Market capitalization (DKK million)	**67,241**	64,114	62,700
Share price end of period (DKK)	**337.80**	324.40	315.00
Proposed dividend per share (DKK)	**-**	-	8.00
Other			
Number of employees (FTE) end of period	**5,068**	4,921	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 should more than offset the effect of additional generic erosion on older products and the expected introduction of generic clobazam towards the end of the year. Looking at our geographical regions, we expect to realize growth in all three regions, North America, International Markets and Europe, in local currencies.

The financial guidance for 2018 is unchanged. **Total revenue** is expected to reach between DKK 17.2 billion and DKK 18.0 billion in 2018 and Lundbeck's **EBIT** is expected to be in the range between DKK 4.8 billion and DKK 5.2 billion. Lundbeck's main currency is the USD, and the guidance is based on the level of the USD as per end of April 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	2018 guidance
Revenue	17,234 million	**17.2-18.0 billion**
EBIT	4,408 million	**4.8-5.2 billion**
Tax rate	*38.7%*	***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 quarter of 2018 reached DKK 4,585 million compared to DKK 4,211 million for the same period of 2017. The increase of 9% (14% in local currencies) is primarily driven by Brintellix/Trintellix, Onfi and Rexulti as well as gains from hedging contracts. The revenue development has been positively impacted by seasonality due to shipments in International Markets.

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 182 million for the first quarter of 2018. The gain from hedging for the full year 2018, is expected to be DKK 300-400 million.

Revenue - products and regions

DKK million	Q1 2018	Q1 2017	*Growth*	*Growth in local currencies*	Q4 2017	FY 2017
Abilify Maintena	**364**	316	*15%*	*23%*	334	1,333
Brintellix/Trintellix	**467**	374	*25%*	*38%*	461	1,663
Cipralex/Lexapro	**665**	690	*(4%)*	*5%*	519	2,392
Northera	**396**	352	*13%*	*29%*	450	1,644
Onfi	**903**	710	*27%*	*46%*	797	3,022
Rexulti	**369**	280	*32%*	*51%*	332	1,247
Sabril	**341**	378	*(10%)*	*3%*	364	1,509
Xenazine	**112**	257	*(56%)*	*(50%)*	226	1,046
Other pharmaceuticals	**667**	842	*(21%)*	*(16%)*	687	3,028
Other revenue	**119**	74	*61%*	*62%*	178	402
Hedging	**182**	(62)	*-*	*-*	44	(52)
Total revenue	**4,585**	**4,211**	***9%***	***14%***	**4,392**	**17,234**
North America	**2,598**	2,503	*4%*	*19%*	2,765	10,673
International Markets	**941**	988	*(5%)*	*5%*	724	3,406
Europe	**745**	708	*5%*	*6%*	681	2,805

Abilify Maintena (aripiprazole once-monthly injection) for the treatment of schizophrenia and in the U.S. also for bipolar I disorder, shows steady growth. Sales grew 15% (23% in local currencies) and reached DKK 364 million. Abilify Maintena was discovered by Otsuka Pharmaceutical Co., Ltd. (Otsuka), and is co-marketed by Lundbeck and became available to patients in 2013. Abilify Maintena's share of the long-acting market for antipsychotics (atypicals) has increased from 13.7% in the first quarter of 2017 to now 15.3% (net sales). The regional distribution of sales was 42%, 8% and 50% in North America, International markets and Europe, respectively.

Revenue from **Brintellix/Trintellix** (vortioxetine), for the treatment of major depression (MDD), reached 467 million following a growth of 25% (38% in local currencies). In the U.S., Trintellix is co-marketed by Takeda Pharmaceutical Company Limited (Takeda). The regional distribution of sales was 51%, 23% and 26% in North America, International markets and Europe, respectively.

Cipralex/Lexapro (escitalopram), for the treatment of depression, declined 4% (5% growth in local currencies) due to generic competition and revenue reached DKK 665 million. The regional distribution of sales was 5%, 70% and 25% in North America, International markets and Europe, respectively.

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 13% (29% in local currencies) and reached DKK 396 million.

Onfi (clobazam), for the treatment of Lennox-Gastaut syndrome, continues to show strong growth and generated revenue of DKK 903 million, an increase of 27% (46% in local currencies) compared to 2017.

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 the U.S. in early August 2015, Canada in April 2017 and in Australia in June 2017. Rexulti

was co-developed and is co-marketed by Otsuka and Lundbeck. Lundbeck's share of revenue reached DKK 369 million for the period corresponding to a growth of 32% (51% in local currencies).

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 341 million, thereby declining 10% (3% growth in local currencies) in the quarter 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 impacted sales negatively. Revenue reached DKK 112 million compared to DKK 257 million in 2017, a decline of 56%. Lundbeck has the marketing rights for Xenazine in the U.S.

Revenue from **Other pharmaceuticals**, which comprise the remainder of Lundbeck's products, was DKK 667 million compared to DKK 842 million in first quarter of 2017. Other pharmaceuticals are negatively impacted by the hand back of Treanda in Canada and generic competition on Azilect® (rasagiline) and Ebixa® (memantine) in Europe. Azilect for the treatment of Parkinson's disease realized revenue of around DKK 45 million.

Other revenue, which mainly consists of contract manufacturing, reached DKK 119 million compared to DKK 74 million for 2017 following increased contract work at our production sites in France and Italy.

Figure 1 – Revenue per region Q1 2018 vs Q1 2017 (excluding Other revenue and effects from hedging)

North America

Revenue reached DKK 2,598 million in the first quarter of 2018 which is an increase of 4% (19% in local currencies) compared to DKK 2,503 million in 2017. The growth was mainly driven by the uptake of Rexulti, Onfi and Northera, offsetting the decline in sales of Xenazine. North America constitutes 61% of revenue (excluding Other revenue and effects from hedging) compared to 60% last year.

Revenue – North America

DKK million	Q1 2018	Q1 2017	*Growth*	*Growth in local currencies*	Q4 2017	FY 2017
Abilify Maintena	**151**	137	*10%*	*25%*	159	591
Trintellix	**240**	213	*13%*	*28%*	280	974
Northera	**396**	352	*13%*	*29%*	450	1,644
Onfi	**903**	710	*27%*	*46%*	797	3,022
Rexulti	**366**	280	*31%*	*50%*	331	1,245
Sabril	**341**	378	*(10%)*	*3%*	364	1,509
Xenazine	**107**	250	*(57%)*	*(51%)*	219	1,016
Other pharmaceuticals	**94**	183	*(49%)*	*(39%)*	165	672
Total revenue	**2,598**	**2,503**	***4%***	***19%***	**2,765**	**10,673**

Abilify Maintena revenue grew 10% (25% in local currencies) for the quarter and reached DKK 151 million in 2018, which represents Lundbeck's share of total net sales. In the U.S. Abilify Maintena has a value market share of around 18.2% (gross sales) and in Canada it has reached 22.9% by February 2018.

Trintellix sales reached DKK 240 million for Lundbeck following a growth of 13% (28% in local currencies). In the U.S., Trintellix' share of branded TR_x (total prescriptions) volume is still increasing and has reached 51.8% following the loss of exclusivity of Pfizer's Pristiq (desvenlafaxine). The share of branded NR_x (new prescriptions) volume reached 53.7% by the end of March 2018. The value market share in the U.S. was 17.9% by February 2018.

Northera was made available in the U.S. in the autumn of 2014. Sales from Northera reached DKK 396 million corresponding to a growth of 13% (29% in local currency). The performance in the quarter is impacted by the seasonality component of the disease and the usual phenomenon at the beginning of the year, when drug coverage reauthorization occurs and leads to increased administrative burden for doctors, as well as higher out of pocket costs for patients.

Onfi reached revenue of DKK 903 million corresponding to a growth of 27% (46% in local currency). In March 2018, the U.S. FDA tentatively approved the first version of generic clobazam. However, the market exclusivity of Onfi will not expire before October 2018.

Lundbeck's share of **Rexulti** revenue reached DKK 366 million following a growth of 31% (50% in local currencies). Rexulti had 10% value market share in the U.S. by February 2018. The TRx share of the total atypical market in the U.S. reached 1.128%. Patient data suggest that more than three quarters of prescriptions are prescribed for MDD. Rexulti has had more than 35,500 writers since launch. 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 341 million, declining 10% (3% growth in local currency). In September 2017, the first generic vigabatrin (oral solution) was introduced, and by early April 2018, generic vigabatrin had 27% of the total sales in volume.

Revenue from **Xenazine** was DKK 107 million. Revenue decreased 57% compared to the previous year. Performance was impacted by the introduction of generic products, and by early April 2018, generic tetrabenazine had 86% 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.

International Markets

Revenue from International Markets, which comprise all Lundbeck's markets outside of Europe and North America, reached DKK 941 million in the first quarter of 2018, compared to DKK 988 million in 2017. In local currencies, sales were up 5% following the positive underlying performance driven by Brintellix and Cipralex/Lexapro. International Markets constitutes 22% of revenue (excluding Other revenue and effects from hedging), compared to 23% last year. The biggest markets are China, Japan, Brazil, South Korea, Australia and Mexico.

Revenue – International Markets

DKK million	Q1 2018	Q1 2017	*Growth*	*Growth in local currencies*	Q4 2017	FY 2017
Abilify Maintena	**29**	25	*16%*	*26%*	28	105
Brintellix	**105**	80	*32%*	*49%*	77	313
Cipralex/Lexapro	**469**	469	*-*	*11%*	332	1,582
Ebixa	**141**	176	*(20%)*	*(14%)*	76	469
Other pharmaceuticals	**197**	238	*(17%)*	*(11%)*	211	937
Total revenue	**941**	**988**	***(5%)***	***5%***	**724**	**3,406**

Abilify Maintena has so far been launched in Australia, Israel and Kuwait and revenue reached DKK 29 million in the first quarter of 2018.

Brintellix reached DKK 105 million in revenue or an increase of 32% (49% in local currencies) mainly driven by Brazil following the launch in March 2016. Brintellix also sees solid growth in countries such as South Korea 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. Brazil, Saudi Arabia, Turkey and South Korea are the largest markets for Brintellix in the region. The product has been launched in some 20 countries in the region including Australia, China, Mexico, Saudi Arabia and South Africa.

Cipralex/Lexapro generated revenue of DKK 469 million. Sales were unchanged compared to the same period the previous year but grew 11% in local currencies driven by shipments to countries such as China and Saudi Arabia. Japan, China, Brazil, Saudi Arabia and South Korea are the largest markets for Cipralex/Lexapro in the region.

Ebixa generated revenue of DKK 141 million representing a decline of 20% (14% 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 197 million, a decrease of 17% (11% in local currencies) compared to 2017. The decrease is explained by quarterly fluctuations and is not a permanent trend in the region. In China, however, sales have been negatively impacted by generic erosion of **Deanxit** (flupentixol and melitracen), which is used in the treatment of mild to moderate depression, anxiety and psychosomatic affections and sold by China Medical System Holdings Ltd. on license from Lundbeck. Based on IMS data for 2017, Deanxit was ranked first in market share of antidepressant drugs in China.

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 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's share of the anti-depressant market is 22%. Rexulti has been submitted for approval in countries such as Brazil, Chile, Malaysia, Mexico and South Africa during 2017. **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. Both Rexulti and Azilect are currently included in Other pharmaceuticals for the region.

Europe

Revenue reached DKK 745 million in the first quarter of 2018, representing a growth of 5% compared to DKK 708 million in 2017. Europe constitutes 17% of revenue (excluding Other revenue and effects from hedging) which is unchanged from last year.

Revenue – Europe

DKK million	Q1 2018	Q1 2017	*Growth*	*Growth in local currencies*	Q4 2017	FY 2017
Abilify Maintena	**184**	154	*19%*	*20%*	147	637
Brintellix	**122**	81	*50%*	*50%*	104	376
Cipralex	**163**	168	*(3%)*	*(2%)*	151	643
Other pharmaceuticals	**276**	305	*(9%)*	*(9%)*	279	1,149
Total revenue	**745**	**708**	***5%***	***6%***	**681**	**2,805**

Abilify Maintena has been launched in all major markets in Europe. Sales uptake of Abilify Maintena is solid with sales reaching DKK 184 million. In Europe, the penetration of long-acting atypical antipsychotics is generally higher than seen in the U.S. (volume) and Abilify Maintena has a value share of 18-23% in most markets. Spain, France, Italy and the UK are the largest European markets for Abilify Maintena.

Brintellix revenue grew 50% thereby reaching DKK 122 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 5.4%, 6.4% and 4.8%, respectively by April 2018. Spain, Italy and France are the largest European markets for Brintellix.

Cipralex generated revenue of DKK 163 million following a slight decline of 3%. The largest markets are Italy, Switzerland and France.

In March 2017, Lundbeck and Otsuka announced that the European Medicines Agency (EMA) has accepted, for review, a Marketing Authorisation Application (MAA) for **brexpiprazole** to treat schizophrenia in adults. EMA is anticipated to complete its review by mid-2018. If EMA grants regulatory approval to brexpiprazole, the brand name of the product in the EU will be **Rxulti®**.

Revenue from **Other pharmaceuticals** was DKK 276 million, a decline of 9% compared to 2017, following continued generic erosion of mature products such as Azilect and Ebixa. Selincro® realized DKK 42 million in revenue in the quarter.

Expenses and income

Total costs in the first quarter of 2018 were DKK 2,977 million compared to DKK 3,240 million for 2017 – a decline of 8%.

Distribution of costs

DKK million	Q1 2018	Q1 2017	*Growth*	Q4 2017	FY 2017
Cost of sales	**826**	965	*(14%)*	968	3,881
COS-ratio	***18.0%***	*22.9%*	*-*	*22.0%*	*22.5%*
Sales and distribution	**1,286**	1,433	*(10%)*	1,455	5,649
S&D-ratio	***28.1%***	*34.0%*	*-*	*33.1%*	*32.8%*
Administration	**153**	190	*(20%)*	257	833
G&A-ratio	***3.3%***	*4.5%*	*-*	*5.9%*	*4.8%*
Research and development	**712**	652	*9%*	780	2,705
R&D-ratio	***15.5%***	*15.5%*	*-*	*17.8%*	*15.7%*
Total costs	**2,977**	**3,240**	***(8%)***	**3,460**	**13,068**

Cost of sales decreased 14% to DKK 826 million in the first quarter of 2018. This corresponds to 18.0% of total revenue compared to 22.9% in the first quarter of 2017. 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 242 million in the first quarter of 2017 to DKK 210 million in 2018.

Sales and distribution costs were DKK 1,286 million, which was a decrease of 10% compared to 2017. Sales and distribution costs correspond to 28.1% of revenue, compared to 34.0% the year before.

Administrative expenses declined 20% to DKK 153 million, corresponding to 3.3% of total revenue in 2018.

SG&A costs for the quarter were DKK 1,439 million, compared to DKK 1,623 million in 2017. The SG&A ratio for the period was 31.4%, compared to 38.5% in the same period the year before.

Research and development costs increased by 9% to DKK 712 million for the quarter. The R&D ratio reached 15.5% which was unchanged compared to last year.

Other operating income amounted to DKK 48 million, and represents the gain from divestment of buildings in Copenhagen. In the first quarter of 2017, Lundbeck realized a gain of DKK 40 million from the divestment of office and research facilities in the U.S.

Depreciation, amortization and impairment charges

Depreciation, amortization and impairment charges, which are included in the individual expense categories, amounted to DKK 282 million in the first quarter of 2018, compared to DKK 316 million the previous year.

Depreciation, amortization and impairment charges

DKK million	Q1 2018	Q1 2017	*Growth*	Q4 2017	FY 2017
Cost of sales	**249**	276	*(10%)*	276	1,090
Sales and distribution	**11**	12	*(7%)*	12	47
Administration	**4**	6	*(28%)*	6	27
Research and development	**18**	22	*(16%)*	28	94
Total depreciation, amortization and impairment charges	**282**	**316**	***(11%)***	**322**	**1,258**

Profit from operations (EBIT)

EBIT for the first quarter of 2018 reached DKK 1,656 million compared to DKK 1,011 million for the same period last year. The **EBIT margin** increased significantly and reached 36.1% in 2018 compared to 24.0% last year.

Core EBIT increased 50% to DKK 1,818 million and the **Core EBIT margin** improved to 39.6% in 2018. The increase in EBIT and in Core EBIT is driven by strong sales especially in North America and the margin is also benefitting from hedging gains of DKK 182 million.

For definition of the measures “Core Revenue”, “Core EBIT” and “Core EPS”, see note 8 *Core reporting*.

Net financials

Lundbeck generated **net financial expenses** of DKK 13 million for the first quarter of 2018, compared to DKK 15 million for the first quarter of 2017.

Net interest expenses, including realized and unrealized gains and losses on the bond portfolio, amounted to an income of DKK 13 million for the first quarter of 2018, compared to an expense of DKK 10 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.

Net exchange gains/losses amounted to a loss of DKK 15 million for the first quarter of 2018, compared to a loss of DKK 3 million in the same period in 2017.

Fair value adjustment relating to other financial assets amounted to a net loss of DKK 10 million in the first quarter of 2018.

Tax

The **effective tax rate** for the first quarter of 2018 was 27%. 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 quarter of 2018 reached DKK 1,199 million compared to DKK 587 million last year. The reported net profit corresponds to an **EPS** of DKK 6.03 per share versus an EPS of DKK 2.97 per share for the first quarter last year. **Core EPS** was DKK 6.79 per share for 2018, compared to a Core EPS of DKK 3.90 per share in 2017 – a growth of 74%.

Cash flow

Cash flows from operating activities amounted to DKK 2,003 million in the first quarter of 2018, against DKK 651 million in 2017. The increase of 208% follows the significant increase in profitability and improved working capital e.g. following timing of payments of discounts in the U.S.

Lundbeck's **net cash flow from investing activities** was an outflow of DKK 795 million in the first quarter of 2018 as a result of the acquisition of Prexton Therapeutics BV in March 2018. **The free cash flow** reached DKK 1,208 million for the period compared to DKK 681 million for 2017.

In the first quarter 2018, the **net cash flow** was an outflow of DKK 380 million compared to an inflow of DKK 524 million in the first quarter of 2017. The net cash flow is furthermore impacted by dividend payout of DKK 1.6 billion. In 2017, the dividend payout of DKK 0.5 billion was made in the second quarter.

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 31 March 2018, Lundbeck's **total assets** amounted to DKK 19,753 million, compared to DKK 19,756 million at the end of 2017.

At 31 March 2018, Lundbeck's **equity** amounted to DKK 11,633 million, corresponding to an **equity ratio** of 58.9% compared to 61.7% at the end of 2017.

Interest bearing debt was reduced to DKK 0 million during 2017. **Net cash** has declined from DKK 3,677 million at year-end 2017 to DKK 3,292 million at the end of the first quarter of 2018.

Lundbeck's development portfolio

Lundbeck is developing several new and promising pharmaceuticals for the treatment of psychiatric and neurological disorders within the indications of Alzheimer's, depression, Parkinson's and schizophrenia. 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
- Abilify Maintena was approved in the U.S. and in Europe in February and November 2013, respectively, for the treatment of adults with schizophrenia
- Abilify Maintena was invented by Otsuka in Japan and has been co-developed and co-commercialized by the alliance between Otsuka and Lundbeck

November 2017: Lundbeck Canada and Otsuka Canada Pharmaceutical announced that Health Canada issued a Notice of Compliance for Abilify Maintena, approving a new indication for the maintenance monotherapy treatment of bipolar I disorder in adult patients.

July 2017: Lundbeck and Otsuka announced the U.S. FDA approval of Abilify Maintena for the maintenance monotherapy treatment of bipolar I disorder (BP-I). The approval is based on results from a 52-week, phase III, double-blind, randomized-withdrawal study in adults (aged 18 to 65) with BP-I (NCT01567527).

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
- Brexpiprazole is distributed and marketed under the brand name Rexulti
- Brexpiprazole was discovered by Otsuka and is being co-developed and co-commercialized by Otsuka and Lundbeck

November 2017: Lundbeck and Otsuka announced that the two companies will initiate a third clinical phase III study for brexpiprazole, in the treatment of agitation in patients with dementia of the Alzheimer's type. The trial is expected to commence during the first half of 2018.

October 2017: Lundbeck and Otsuka 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 is planned to finalize around year-end 2018.

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.

March 2017: Lundbeck and Otsuka announced that the European Medicines Agency (EMA) has accepted, for review, a Marketing Authorisation Application (MAA) for brexpiprazole to treat schizophrenia in adults. If EMA grants regulatory approval to brexpiprazole, the brand name of the product in the EU will be Rxulti.

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, at this time, we do not have an adequate solution. Therefore, Lundbeck has decided to cease further activities on the product and will be exploring divestment opportunities.

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. The clinical relevance of this is unknown
- Vortioxetine was discovered by Lundbeck researchers in Copenhagen, Denmark. 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 60 markets (including Europe, Brazil, Canada, Chile, China, Mexico, Argentina, South Korea, Turkey, Australia, Hong Kong, Singapore and South Africa)

May 2018: 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.

December 2017: Lundbeck announced that it further enhances its leading position within treatments for Major Depressive Disorder (depression) in China as Brintellix (vortioxetine) has been approved by China Food and Drug Administration.

June 2017: Lundbeck and Takeda announced that after providing additional analysis, the U.S. FDA issued a second Complete Response Letter (CRL) regarding the supplemental new drug application (sNDA) to include new data in the clinical trials section of the U.S. prescribing information of vortioxetine for treating aspects of cognitive dysfunction in adults with MDD.

April 2015: Takeda started a clinical phase III study (NCT02389816) with vortioxetine in Japanese individuals. The study is planned to recruit 480 patients who will receive vortioxetine (10 or 20 mg) or placebo. The study is expected to be finalized in 2018.

Lu AF35700

- Lu AF35700 has a novel pharmacological profile with predominant D_1 vs. D_2 dopamine receptor occupancy, and a high occupancy of 5-HT_{2A} and 5-HT_6 serotonin receptors
- The relatively low dopamine D_2 receptor occupancy of Lu AF35700 is expected to result in reduced burden of adverse events, such as extrapyramidal symptoms (EPS), prolactin elevation, dysphoria/anhedonia, and depressed mood
- In completed safety trials, Lu AF35700 was generally well tolerated with a beneficial safety profile
- U.S. FDA has granted Fast Track designation for Lu AF35700 - a first important step to ensure a potential expedited approval of the compound

July 2017: Lundbeck initiated the *Anew*-study (NCT03230864) to evaluate the efficacy of 10 mg/day Lu AF35700 on symptoms of schizophrenia in patients with early-in-disease (ED) or late-in-disease (LD) treatment-resistant schizophrenia. The study is expected to recruit around 300 patients and is planned to finalize during first half of 2019.

August 2016: Lundbeck initiated an open-label, flexible-dose, long-term safety study of Lu AF35700 in adult patients with schizophrenia (NCT02892422).

March 2016: Lundbeck initiated the phase III programme on Lu AF35700 which is currently planned to consist of two pivotal trials. Two doses of Lu AF35700 (10 and 20 mg) will be tested in patients with treatment resistant schizophrenia. The first study, *DayBreak* (NCT02717195) is planned to enrol around 1,000 patients in approximately 15 countries including the U.S. and Canada and is expected to continue into early 2019.

Foliglurax

- 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 (how the drug is processed in the body).
- 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

- 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

December 2013: Lundbeck and Otsuka announced that they will further expand their collaboration to include the development of Lu AF20513. The agreement covers the development of Lu AF20513 through clinical phase I. Following completion of the clinical phase I study the parties have an option to enter a co-commercialisation and co-development agreement under terms to be agreed upon.

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 2018.

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) and remains pending.

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

In January 2016, Lundbeck LLC, USA, received a subpoena from the US Attorney's Office for the District of Rhode Island relating to an investigation of Xenazine sales, marketing and related practices. Lundbeck LLC is cooperating with the relevant authorities on this investigation.

In May 2016, Lundbeck NA Ltd. (formerly known as Chelsea Therapeutics, Inc.) received a subpoena from the US Attorney's Office in Boston, Massachusetts, relating to an investigation of payments to charitable organizations providing financial assistance to patients taking Lundbeck products, and to Northera and Xenazine sales, marketing and related practices. Lundbeck LLC is cooperating with the relevant authorities on this investigation.

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 Executive Management have discussed and adopted the interim report of H. Lundbeck A/S for the period 1 January - 31 March 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 31 March 2018, and of the results of the Group's operations and cash flows for the period, which ended on 31 March 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, 8 May 2018

Registered Executive Management

Anders Götzsche Interim CEO, Executive Vice President and CFO	Lars Bang Executive Vice President, Supply Operations & Engineering
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	Q1 2018	Q1 2017	FY 2017
Revenue	4,585	4,211	17,234
Cost of sales	826	965	3,881
Gross profit	**3,759**	**3,246**	**13,353**
Sales and distribution costs	1,286	1,433	5,649
Administrative expenses	153	190	833
Research and development costs	712	652	2,705
Other operating income	48	40	242
Profit from operations (EBIT)	**1,656**	**1,011**	**4,408**
Net financials	(13)	(15)	(131)
Profit before tax	**1,643**	**996**	**4,277**
Tax on profit for the period	444	409	1,653
Profit for the period	**1,199**	**587**	**2,624**
Earnings per share, basic (EPS) (DKK)	6.03	2.97	13.28
Earnings per share, diluted (DEPS) (DKK)	6.03	2.96	13.26

Statement of comprehensive income

DKK million	Q1 2018	Q1 2017	FY 2017
Profit for the period	**1,199**	**587**	**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	(83)	(37)	(447)
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	(10)	(25)	(107)
Deferred exchange gains/losses, hedging	84	47	817
Exchange gains/losses, hedging (transferred to the hedged items)	(182)	80	(33)
Fair value adjustment of available-for-sale financial assets	-	(5)	16
Tax	24	(22)	(143)
Items that may be reclassified subsequently to profit or loss	**(167)**	**38**	**103**
Other comprehensive income	**(167)**	**38**	**131**
Comprehensive income	**1,032**	**625**	**2,755**

Balance sheet

DKK million	31.03.2018	31.03.2017	31.12.2017
Assets			
Intangible assets	7,933	8,507	7,565
Property, plant and equipment	1,950	1,974	1,990
Financial assets	1,310	1,463	1,357
Non-current assets	**11,193**	**11,944**	**10,912**
Inventories	1,390	2,130	1,376
Receivables	3,878	3,734	3,791
Securities	1,521	17	1,522
Cash and bank balances	1,771	2,728	2,155
Assets held for sale	-	125	-
Current assets	**8,560**	**8,734**	**8,844**
Assets	**19,753**	**20,678**	**19,756**
Equity and liabilities			
Share capital	995	988	995
Foreign currency translation reserve	543	1,108	634
Currency hedging reserve	306	(131)	382
Retained earnings	9,789	7,856	10,170
Equity	**11,633**	**9,821**	**12,181**
Provisions	1,066	1,032	1,039
Debt	59	1,690	57
Non-current liabilities	**1,125**	**2,722**	**1,096**
Provisions	577	701	491
Debt	-	85	-
Trade payables	2,826	3,829	3,203
Other payables	3,592	3,520	2,785
Current liabilities	**6,995**	**8,135**	**6,479**
Liabilities	**8,120**	**10,857**	**7,575**
Equity and liabilities	**19,753**	**20,678**	**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	-	-	-	1,199	1,199
Other comprehensive income	-	(91)	(76)	-	(167)
Comprehensive income	**-**	**(91)**	**(76)**	**1,199**	**1,032**
Distributed dividends, gross	-	-	-	(1,592)	(1,592)
Dividends received, treasury shares	-	-	-	3	3
Capital increase through exercise of warrants		-	-	1	1
Incentive programmes	-	-	-	6	6
Tax on other transactions in equity	-	-	-	2	2
Other transactions	**-**	**-**	**-**	**(1,580)**	**(1,580)**
Equity at 31 March 2018	**995**	**543**	**306**	**9,789**	**11,633**

DKK million					
Equity at 1 January 2017	**988**	**1,164**	**(230)**	**7,772**	**9,694**
Profit for the period	-	-	-	587	587
Other comprehensive income	-	(56)	99	(5)	38
Comprehensive income	**-**	**(56)**	**99**	**582**	**625**
Distribution of dividends, gross	-	-	-	(484)	(484)
Dividends received, treasury shares	-	-	-	1	1
Capital increase through exercise of warrants	-	-	-	2	2
Buyback of treasury shares	-	-	-	(35)	(35)
Incentive programmes	-	-	-	18	18
Other transactions	**-**	**-**	**-**	**(498)**	**(498)**
Equity at 31 March 2017	**988**	**1,108**	**(131)**	**7,856**	**9,821**

Cash flow statement

DKK million	Q1 2018	Q1 2017	FY 2017
Profit from operations (EBIT)	**1,656**	**1,011**	**4,408**
Adjustments for non-cash operating items etc.	341	270	871
Change in working capital	76	(484)	291
Cash flows from operations before financial receipts and payments	**2,073**	**797**	**5,570**
Financial receipts and payments	(4)	(12)	(96)
Cash flows from ordinary activities	**2,069**	**785**	**5,474**
Income taxes paid	(66)	(134)	(1,429)
Cash flows from operating activities	**2,003**	**651**	**4,045**
Acquisition of subsidiary*	(745)	-	-
Purchase and sale of securities and other financial assets	(7)	(4)	(1,509)
Purchase and sale of intangible assets and property, plant and equipment	(43)	34	(321)
Cash flows from investing activities	**(795)**	**30**	**(1,830)**
Cash flows from operating and investing activities (free cash flow)	**1,208**	**681**	**2,215**
Capital increase through exercise of warrants	1	2	214
Dividends paid in the financial year, net	(1,589)	-	(483)
Other financing activities	-	(159)	(1,966)
Cash flows from financing activities	**(1,588)**	**(157)**	**(2,235)**
Net cash flow for the period	**(380)**	**524**	**(20)**
Cash and bank balances at beginning of period	2,155	2,200	2,200
Unrealized exchange gains/losses on cash and bank balances	(4)	4	(25)
Net cash flow for the period	(380)	524	(20)
Cash and bank balances at end of period	**1,771**	**2,728**	**2,155**
Interest-bearing debt, cash, bank balances and securities, net is composed as follows:			
Cash and bank balances	1,771	2,728	2,155
Securities	1,521	17	1,522
Interest-bearing debt	-	(1,770)	-
Interest-bearing debt, cash, bank balances and securities, net end of period – Net cash/(net debt)	**3,292**	**975**	**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 (Q1)

Q1 2018

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,585	-	-	-	-	-	4,585
Cost of sales	826	(210)	-	-	-	-	616
Gross profit	**3,759**	**210**	**-**	**-**	**-**	**-**	**3,969**
Sales and distribution costs	1,286	-	-	-	-	-	1,286
Administrative expenses	153	-	-	-	-	-	153
Research and development costs	712	-	-	-	-	-	712
Other operating income	48	-	-	-	-	(48)	-
Profit from operations (EBIT)	**1,656**	**210**	**-**	**-**	**-**	**(48)**	**1,818**
Net financials	(13)	-	-	-	-	-	(13)
Profit before tax	**1,643**	**210**	**-**	**-**	**-**	**(48)**	**1,805**
Tax on profit for the period	444	22	-	-	-	(11)	455
Profit for the period	**1,199**	**188**	**-**	**-**	**-**	**(37)**	**1,350**
Earnings per share, basic (EPS) (DKK)	6.03	0.94	-	-	-	(0.18)	6.79

Q1 2017

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,211	-	-	-	-	-	4,211
Cost of sales	965	(242)	-	-	-	-	723
Gross profit	**3,246**	**242**	**-**	**-**	**-**	**-**	**3,488**
Sales and distribution costs	1,433	-	-	-	-	-	1,433
Administrative expenses	190	-	-	-	-	-	190
Research and development costs	652	-	-	-	-	-	652
Other operating income	40	-	-	-	-	(40)	-
Profit from operations (EBIT)	**1,011**	**242**	**-**	**-**	**-**	**(40)**	**1,213**
Net financials	(15)	-	-	-	-	-	(15)
Profit before tax	**996**	**242**	**-**	**-**	**-**	**(40)**	**1,198**
Tax on profit for the period	409	33	-	-	-	(16)	426
Profit for the period	**587**	**209**	**-**	**-**	**-**	**(24)**	**772**
Earnings per share, basic (EPS) (DKK)	2.97	1.05	-	-	-	(0.12)	3.90

Notes

Note 1 Accounting policies

The Financial Report for the period 1 January – 31 March 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.

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 income

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 12.

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]	1,521	-	-
Other financial assets[1]	23	-	34
Derivatives[1]	-	449	-
Total	**1,544**	**449**	**34**
Financial liabilities			
Derivatives[1]	-	57	-
Total	**-**	**57**	**-**
2017:			
Financial assets			
Securities[1]	17	-	-
Available-for-sale financial assets[1]	2	-	45
Derivatives[1]	-	41	-
Total	**19**	**41**	**45**
Financial liabilities			
Mortgage debt[2]	1,749	-	-
Derivatives[1]	-	208	-
Total	**1,749**	**208**	**-**

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

The fair value of securities is based on officially 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 Events after the balance sheet date

2 May 2018: U.S. FDA updates Trintellix label to include data showing improvement in processing speed, an important aspect of cognitive function in acute Major Depressive Disorder (MDD)

27 April 2018: Lundbeck announced that Lexapro (escitalopram oxalate), which is distributed by Mochida Pharmaceutical Co., Ltd. (Mochida) and Mitsubishi Tanabe Pharma Corporation (Mitsubishi Tanabe) in Japan, is expected to receive a final confirmation of the two-year extension of the eight-year market exclusivity by the Japanese Ministry of Health, Labour and Welfare (MHLW).

Note 7 EBITDA calculation

DKK million	Q1 2018	Q1 2017	Q4 2017	FY 2017
EBIT	1,656	1,011	932	4,408
+ Depreciation, amortization and impairment charges	282	316	322	1,258
- Gain from divestment of properties recognized in Other operating income	(48)	(40)	-	(242)
= EBITDA	**1,890**	**1,287**	**1,254**	**5,424**

Note 8 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 2018

8 August 2018: Financial statements for the first six months of 2018
7 November 2018: Financial statements for the first nine months of 2018

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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.