Corporate Release
Valby, Denmark, 8 February 2017

Financial report for the period 1 January to 31 December 2016

Lundbeck continues to show solid revenue growth and strong improvement in profitability

HIGHLIGHTS

- Revenue reached DKK 15,634 million in 2016 representing an increase of 7% compared to last year
  - Revenue in the US reached DKK 8,404 million, up 32% (30% in local currency)
  - Revenue in International Markets reached DKK 3,993 million, up 4% (7% in local currencies)
  - Revenue in Europe reached DKK 2,912 million, down 25% (25% in local currencies)
- Revenue from key products grew 79% (78% in local currencies) to DKK 6,541 million in 2016 representing 42% of total revenue
  - Abilify Maintena® reached DKK 1,114 million, up 67% (67% in local currencies)
  - Brintellix®/Trintellix® reached DKK 1,105 million, up 76% (79% in local currencies)
  - Northera® reached DKK 1,087 million, up 129% (128% in local currency)
  - Onfi® reached DKK 2,409 million, up 37% (34% in local currency)
  - Rexulti® reached DKK 826 million, up 608% (608% in local currency)
- EBIT improved significantly reaching DKK 2,292 million. In 2016, the EBIT margin reached 14.7% compared to a negative EBIT margin of 46.7% in 2015. In 2015, EBIT included an impairment loss and restructuring charges of close to DKK 7 billion, and 2016 included an impairment loss of DKK 140 million relating to idalopirdine
- The free cash flow reached DKK 2,789 million compared to a cash outflow of DKK 2,645 million last year. The net position has changed from interest bearing debt of DKK 2.2 billion at the end of 2015 to a positive net cash position of DKK 326 million
- For 2017, Lundbeck expects revenue of DKK 16.3-17.1 billion and EBIT of DKK 3.4-3.8 billion
- The Board of Directors proposes to pay a dividend of DKK 2.45 per share, corresponding to a pay-out ratio of 40%. Lundbeck revises its dividend policy and increases the dividend pay-out ratio from the current 30%-40% of net profits to 60%-80% of net profits from 2017 and onwards

In connection with the financial report, Lundbeck's President and CEO, Kåre Schultz said:
"I am pleased with our strong operational performance in 2016 where we have delivered results that exceeded our own expectations. I am confident that we can deliver on our targets for the coming years."

DKK million	**FY2016**	**FY2015**	***Growth***
Reported Revenue	**15,634**	14,594	*7%*
Reported EBIT	**2,292**	(6,816)	-
Reported EPS	**6.14**	(28.96)	-
Reported EBIT margin	***14.7%***	*(46.7%)*	-
Core Revenue*	**15,634**	14,464	*8%*
Core EBIT*	**3,477**	847	*311%*
Core EPS*	**11.14**	1.56	*614%*
*Core EBIT margin**	***22.2%***	*5.9%*	-

*For definition of the measures "Core Revenue" and "Core EBIT", see note 3 *Core reporting*

H. Lundbeck A/S
Investor Relations

Ottiliavej 9
DK-2500 Valby
Copenhagen

Tel+45 36 30 13 11
www.lundbeck.com
CVR-nr.: 56759913
LEI code: 5493006R4KC2OI5D3470

CONTENTS

FINANCIAL HIGHLIGHTS AND KEY FIGURES

	FY2016	FY2015	Q4 2016	Q4 2015
Financial highlights (DKK million)				
Reported revenue	**15,634**	14,594	**4,165**	3,733
Core revenue	**15,634**	14,464	**4,165**	3,716
Operating profit before depreciation and amortization (EBITDA)	**3,846**	210	**1,162**	185
Reported profit/(loss) from operations (EBIT)	**2,292**	(6,816)	**751**	(432)
Core profit from operations (core EBIT)	**3,477**	847	**1,014**	73
Net financials	**(135)**	(190)	**(14)**	(98)
Profit/(loss) before tax	**2,157**	(7,006)	**737**	(530)
Tax	**946**	(1,312)	**264**	(82)
Profit/(loss) for the period	**1,211**	(5,694)	**473**	(448)
Equity	**9,694**	8,785	**9,694**	8,785
Assets	**20,210**	21,325	**20,210**	21,325
Cash flows from operating and investing activities (free cash flow)	**2,789**	(2,645)	**900**	655
Purchase of property, plant and equipment, gross	**238**	237	**85**	79
Key figures				
EBIT margin (%)	**14.7**	(46.7)	**18.0**	(11.6)
Return on invested capital (ROIC) (%)	**13.2**	(45.4)	**5.1**	(3.1)
Annualized return on invested capital (ROIC) (%)	**13.2**	(45.4)	**20.4**	(12.2)
Cash-to-earnings (%)	**230.3**	nm	**190.3**	nm
Research and development ratio (%)	**19.0**	55.8	**17.1**	25.4
Return on equity (%)	**13.1**	(51.1)	**5.0**	(5.0)
Equity ratio (%)	**48.0**	41.2	**48.0**	41.2
Invested capital (DKKm)	**9,368**	11,034	**9,368**	11,034
Net debt/EBITDA	**(0.1)**	10.7	**(0.3)**	12.2
Share data				
Number of shares for the calculation of EPS (millions)	**197.2**	196.5	**197.3**	197.2
Number of shares for the calculation of DEPS (millions)	**197.4**	196.7	**197.5**	197.5
Earnings per share, basic (EPS) (DKK)	**6.14**	(28.96)	**2.40**	(2.27)
Earnings per share, diluted (DEPS) (DKK)	**6.14**	(28.96)	**2.39**	(2.27)
Cash flow from operating activities per share, diluted (DKK)	**15.84**	1.00	**5.23**	3.85
Net asset value per share, diluted (DKK)	**49.08**	44.43	**49.08**	44.43
Market capitalization (DKK million)	**56,776**	46,445	**56,776**	46,445
Share price end of period (DKK)	**287.30**	235.40	**287.30**	235.40
Proposed dividend per share (DKK)	**2.45**	0.00	**-**	-
Other				
Number of employees (FTE) end of period	**4,983**	5,257	**4,983**	5.257

MANAGEMENT REVIEW

Financial guidance and forward-looking statements

In outlining the expectations for 2017, Lundbeck has made certain assumptions. Lundbeck expects further decline in sales of Xenazine® and the introduction of generic alternatives to Sabril in the US both of which have been included in the assessment of the 2017 guidance. Additionally, Lundbeck's expectations assume continued benefits from the restructuring programme initiated in 2015. For 2017, Lundbeck expects revenue to reach DKK 16.3-17.1 billion and profit from operations (EBIT) to reach DKK 3.4-3.8 billion in constant exchange rates. The financial guidance is summarized below:

Financial guidance 2017

DKK	2015 actual	2016 actual	2017 guidance
Revenue	14,594 million	15,634 million	**16.3-17.1 billion**
EBIT	(6,816) million	2,292 million	**3.4-3.8 billion**

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.

Dividend and cash reallocation

The Board of Directors proposes to pay a dividend of 40% of net profit for 2016 to shareholders. This corresponds to DKK 2.45 per share. The dividend pay-out is to be approved at the Annual General Meeting on 30 March 2017.

Lundbeck's fundamentals are sound and the balance sheet is strong. Based on the strong expected cash flow generation in the coming years, Lundbeck will continue its debt reduction and in parallel establish a strategic cash reserve of approximately one year's free cash flow. Furthermore, Lundbeck revises its dividend policy communicated in February 2016 and increases the dividend pay-out ratio from the current 30%-40% of net profits to 60%-80% of net profits from 2017 and onwards.

Financial targets 2018-2020

Lundbeck introduced the following three financial targets in February 2016 in order to describe what Lundbeck strives for on the journey to realize the strategy and to govern the company's path towards increased profitability and enhanced cash flow generation.

Key figures	Definition	Financial target
EBIT margin (%)	Profit from operations as a percentage of revenue	**25%**
ROIC (%)	Profit from operations (EBIT) after tax as a percentage of average invested capital	**25%**
Cash-to-earnings	Free cash flow as a percentage of net profit	**>90%**

Revenue

Revenue for 2016 reached DKK 15,634 million compared to DKK 14,594 million for 2015. The increase of 7% is driven by a positive development for all our key products (Abilify Maintena, Brintellix/Trintellix, Northera, Onfi and Rexulti) more than mitigating the effect from the handback of Azilect® to Teva at the beginning of 2016 and generic erosion on Xenazine. The currency impact was limited. The growth of our key products was 79% (78% in local currencies) thereby reaching DKK 6,541 million or 42% of total revenue compared to 25% in 2015.

Revenue - products and regions

DKK million	FY 2016	FY 2015	*Growth*	*Growth in local currencies*	Q3 2016	Q4 2016	Q4 2015	*Growth*	*Growth in local currencies*
Abilify Maintena	1,114	669	*67%*	*67%*	271	309	211	*47%*	*47%*
Azilect	343	1,457	*(76%)*	*(77%)*	101	69	359	*(81%)*	*(81%)*
Brintellix/Trintellix	1,105	629	*76%*	*79%*	291	332	211	*57%*	*57%*
Cipralex/Lexapro	2,518	2,591	*(3%)*	*(2%)*	575	610	572	*7%*	*6%*
Northera	1,087	475	*129%*	*128%*	325	313	192	*62%*	*62%*
Onfi	2,409	1,757	*37%*	*34%*	645	636	516	*23%*	*21%*
Rexulti	826	117	*608%*	*608%*	246	271	59	*362%*	*360%*
Sabril	1,342	985	*36%*	*36%*	332	406	265	*53%*	*52%*
Xenazine	1,571	2,201	*(29%)*	*(31%)*	357	390	542	*(28%)*	*(30%)*
Other pharmaceuticals	2,994	3,195	*(6%)*	*(4%)*	753	751	702	*8%*	*9%*
Other revenue	325	518	*(37%)*	*(37%)*	52	78	104	*(25%)*	*(26%)*
Total revenue	**15,634**	**14,594**	***7%***	***7%***	**3,948**	**4,165**	**3,733**	***12%***	***11%***
US	8,404	6,353	*32%*	*30%*	2,195	2,369	1,803	*31%*	*29%*
International Markets	3,993	3,827	*4%*	*7%*	955	1,005	854	*18%*	*18%*
Europe	2,912	3,896	*(25%)*	*(25%)*	746	713	972	*(27%)*	*(25%)*

Abilify Maintena (aripiprazole once-monthly injection) for the treatment of schizophrenia shows steady sales growth. Sales grew 67% and reached DKK 1,114 million. Abilify Maintena was discovered by Otsuka, is co-marketed by Lundbeck and became available to patients in 2013.

Azilect (rasagiline) for the treatment of Parkinson's disease realized revenue of DKK 343 million. Sales in Europe and to some extent in International Markets are impacted by the handback of the product to Teva at the beginning of 2016, after which revenue was replaced by royalties based on Teva's revenue in the markets.

Revenue from **Brintellix/Trintellix** (vortioxetine) for the treatment of depression (MDD) reached DKK 1,105 million. Growth was driven by continued sales growth in the US and also from recent launches in countries such as Brazil, Italy and Spain.

Cipralex/Lexapro (escitalopram) for the treatment of depression declined in revenue by 3% due to generic competition.

Northera (droxidopa) for the treatment of symptomatic neurogenic orthostatic hypotension (nOH) was launched in the US in 2014. Sales from Northera showed strong growth and reached DKK 1,087 million.

Onfi (clobazam) for the treatment of Lennox-Gastaut syndrome continues to show strong growth and generated revenue of DKK 2,409 million, an increase of 37% compared to last year. Lundbeck has developed Onfi in the US.

Rexulti (brexpiprazole) was approved by the US Food and Drug Administration (FDA) in July 2015 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 US in early August 2015. Rexulti was co-developed and is co-marketed by Otsuka and Lundbeck. Lundbeck's share of revenue reached DKK 826 million for the year.

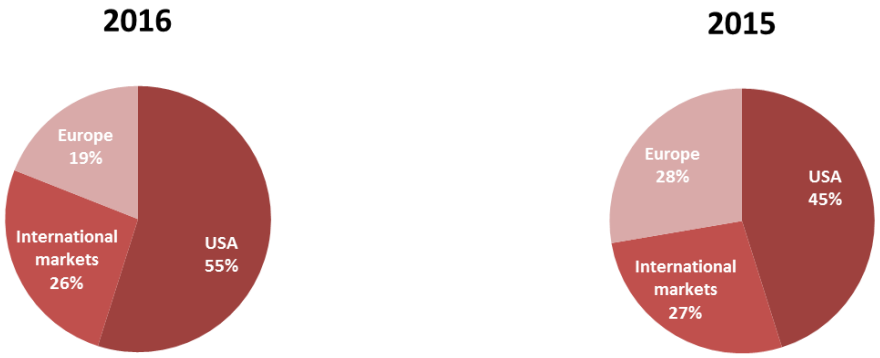
Sabril (vigabatrin) for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS) generated revenue of DKK 1,342 million, thereby increasing 36%, compared to 2015. Lundbeck has the marketing rights for Sabril in the US.

Xenazine (tetrabenazine) for the treatment of chorea associated with Huntington's disease saw the first generic introductions in the third quarter of 2015 which have impacted sales. Revenue reached DKK 1,571 million compared to DKK 2,201 million in 2015, a decline of 29%. Lundbeck has the marketing rights for Xenazine in the US.

Revenue from **Other pharmaceuticals**, which comprise the remainder of Lundbeck's products, was DKK 2,994 million. Other pharmaceuticals are negatively impacted by the generic competition on Ebixa in Europe which in part is countered by growth in other mature products.

Other revenue reached DKK 325 million compared to DKK 518 million for 2015. In 2015, Lundbeck realized a divestiture gain of DKK 130 million from Allergan's acquisition of Naurex, inc. Other revenue mainly consists of income from contract manufacturing.

Figure 1 – Revenue per region 2016 vs 2015 (excluding Other revenue)



Key developments in the fourth quarter of 2016

In the fourth quarter of 2016, revenue grew 12% and reached DKK 4,165 million compared to DKK 3,733 million the year before as decline in sales of Azilect and Xenazine was more than mitigated by growth of key products such as Northera, Onfi and Rexulti. In local currencies, revenue was up 11%. In the fourth quarter, key products reached DKK 1,861 million, up 56% reported, or 55% in local currencies, and contributed with 45% of total revenue.

USA

Revenue reached DKK 8,404 million in 2016 which is an increase of 32% compared to DKK 6,353 million for 2015 driven by the uptake of Rexulti and Northera as well as growth in other US products offsetting the decline in sales of Xenazine. The US constitutes 55% of revenue (excluding Other revenue) compared to 45% last year.

Revenue – US

DKK million	FY2016	FY2015	*Growth*	*Growth in local currencies*	*Q3 2016*	Q4 2016	Q4 2015	*Growth*	*Growth in local currency*
Abilify Maintena	452	324	*40%*	*39%*	107	130	92	*43%*	*43%*
Trintellix	591	403	*47%*	*46%*	153	176	125	*41%*	*35%*
Northera	1,087	475	*129%*	*128%*	325	313	192	*62%*	*62%*
Onfi	2,409	1,757	*37%*	*34%*	645	636	516	*23%*	*21%*
Rexulti	826	117	*608%*	*608%*	246	271	59	*362%*	*360%*
Sabril	1,342	985	*36%*	*36%*	332	406	265	*53%*	*52%*
Xenazine	1,557	2,182	*(29%)*	*(31%)*	355	387	539	*(28%)*	*(30%)*
Other pharmaceuticals	140	110	*28%*	*27%*	32	50	15	*249%*	*239%*
Total revenue	**8,404**	**6,353**	***32%***	***30%***	**2,195**	**2,369**	**1,803**	***31%***	***29%***

Abilify Maintena continues to grow and sales were slightly impacted by quarterly fluctuations, but reached DKK 452 million for the period, which represents Lundbeck's 20% share of total net sales.

Trintellix (previously sold under the brand name Brintellix in the US) sales reached DKK 591 million for Lundbeck following a growth of 47%. Trintellix' share of branded TR_x (total prescriptions) volume was 25.7% and the share of branded NR_x (new prescriptions) volume was 28.7% by mid-January 2017.

Northera was made available in the US market in the Autumn 2014. Sales from Northera reached DKK 1,087 million corresponding to a growth of 129%.

Onfi reached revenue of DKK 2,409 million corresponding to a growth of 37%.

Lundbeck's 45%-share of **Rexulti** revenue reached DKK 826 million. Rexulti had 10.5% branded TR_x market share and 11.7% branded NR_x market share by mid-January 2017. Patient data suggest that more than ¾ of prescriptions are prescribed for MDD. Rexulti has had close to 20,000 writers since launch. In September 2016, Lundbeck and Otsuka announced that the FDA approved the labelling update of Rexulti to reflect clinical data for maintenance treatment of schizophrenia. The approval was based on results from a long-term randomized withdrawal trial in adults with schizophrenia.

Sabril revenue for the period was DKK 1,342 million, growing 36%. In June 2016, the FDA approved a modified Risk Evaluation and Mitigation Strategy (REMS) for Sabril. The Sabril REMS programme has been changed after the FDA determined that some of the programme's requirements are no longer necessary to ensure that the benefits of Sabril outweigh the risks. The new Sabril REMS programme has been in effect since 21 July 2016.

Revenue from **Xenazine** was DKK 1,557 million. Revenue decreased 29% compared to the previous year. Performance was impacted by the introductions of generics which have had negative impact on sales.

In connection with the financial report for the first quarter 2017, Canada, together with the US, will be included in a North America region.

Key developments in the fourth quarter of 2016

Revenue reached DKK 2,369 million in the fourth quarter of 2016, which is an increase of 29% in local currency, or 31% reported. Northera is likely negatively impacted by seasonal swings in the use of the product. Lundbeck US continues its solid growth, thereby confirming this market's strategic importance for Lundbeck. Sales of Xenazine continue to perform better than expected. Revenue in the US contributed with 58% of revenue (excluding Other revenue) compared to 50% in the same period last year.

International Markets

Revenue from International Markets, which comprise all of Lundbeck's markets outside of Europe and the US, reached DKK 3,993 million in 2016, compared to DKK 3,827 million in 2015. In local currencies, sales were up 7% as the positive underlying performance driven by Abilify Maintena and Brintellix is mitigating the reduced revenue from products like Azilect and Ebixa. International Markets constitutes 26% of revenue (excluding Other revenue) compared to 27% last year. The macro-economic situation in Venezuela is also impacting negatively and adjusted for this impact, revenue increased by approximately 9%.

Revenue – International Markets

DKK million	FY2016	FY2015	*Growth*	*Growth in local currencies*	*Q3 2016*	Q4 2016	Q4 2015	*Growth*	*Growth in local currencies*
Abilify Maintena	154	64	*140%*	*144%*	41	46	23	*96%*	*90%*
Azilect	120	175	*(31%)*	*(30%)*	29	34	45	*(25%)*	*(27%)*
Brintellix	294	121	*143%*	*159%*	80	89	40	*121%*	*121%*
Cipralex/Lexapro	1,758	1,698	*4%*	*4%*	379	425	376	*13%*	*12%*
Ebixa	490	576	*(15%)*	*(11%)*	113	112	128	*(14%)*	*(10%)*
Other pharmaceuticals	1,177	1,193	*(1%)*	*2%*	313	299	242	*25%*	*26%*
Total revenue	**3,993**	**3,827**	***4%***	***7%***	**955**	**1,005**	**854**	***18%***	***18%***

Abilify Maintena has so far been launched in Australia and Canada and reached revenue of DKK 154 million.

Azilect continues to show solid growth in e.g. Hong Kong and Korea, but Turkey and Australia are negatively impacted by the handback to Teva. All in all, sales are down 31% to DKK 120 million.

Brintellix reached DKK 294 million following an increase of 143%. The product has been launched in several countries such as Australia, Canada, Chile, Mexico and South Africa, and in March 2016 in Brazil following the approval by the Brazilian authorities in October last year. The main markets are Canada, Brazil and Mexico.

Cipralex/Lexapro generated revenue of DKK 1,758 million. Sales increased 4% compared to the previous year driven by solid growth in Japan.

Ebixa generated revenue of DKK 490 million representing a decline of 15% reported and 11% in local currencies primarily due to the economic situation in Venezuela.

Rexulti has been submitted for approval in schizophrenia in Australia and Canada in April 2016 and feedback from the authorities in both countries is expected during the first half of 2017.

Other pharmaceuticals generated revenue of DKK 1,177 million, a decrease of 1% compared to 2015. The decrease is explained by quarterly fluctuations and is not a permanent trend in the region. In China, however, sales are slightly negatively impacted by generic erosion on Deanxit, an antidepressant sold for Lundbeck by China Medical System Holdings Ltd.

In connection with the financial report for the first quarter 2017, Canada will be excluded from International Markets and included in a North America region together with the US.

Key developments in the fourth quarter of 2016

Revenue in the fourth quarter was DKK 1,005 million, corresponding to an increase of 18%. In the quarter, International Markets constituted 25% of revenue (excluding Other revenue) representing a slight increase compared to the same period in 2015. The macro-economic situation in Venezuela is also impacting negatively and adjusted for this impact, revenue increased by approximately 23%.

Europe

Revenue reached DKK 2,912 million in 2016, which was a decline of 25% compared to DKK 3,896 million in 2015, caused by the handback of Azilect and generic erosion on older products. Adjusted for Azilect, key products are replacing the sales decline for other mature products. Europe constitutes 19% of revenue (excluding Other revenue) compared to 28% last year.

Revenue – Europe

DKK million	FY2016	FY2015	*Growth*	*Growth in local currencies*	*Q3 2016*	Q4 2016	Q4 2015	*Growth*	*Growth in local currencies*
Abilify Maintena	508	281	*80%*	*83%*	123	133	96	*39%*	*41%*
Brintellix	220	105	*109%*	*118%*	58	67	46	*45%*	*61%*
Cipralex	760	893	*(15%)*	*(14%)*	196	185	196	*(5%)*	*(6%)*
Other pharmaceuticals	1,424	2,617	*(46%)*	*(45%)*	369	328	634	*(48%)*	*(48%)*
Total revenue	**2,912**	**3,896**	***(25%)***	***(25%)***	**746**	**713**	**972**	***(27%)***	***(25%)***

Abilify Maintena has been launched in all major markets in Europe. Sales uptake of Abilify Maintena is solid with sales reaching DKK 508 million with Spain, France and the UK being the largest markets.

Brintellix grew 109% thereby reaching DKK 220 million and has been launched in most European markets including Italy and Spain. Market access is still limited in many countries, however, in countries where Brintellix has been launched with reimbursement, we see a solid uptake. The Scottish Medicines Consortium (SMC) has accepted Brintellix for restricted use within NHS Scotland for the treatment of adults with major depressive episodes, who have experienced an inadequate response (either due to lack of adequate efficacy and/or safety concerns/intolerability) to two or more previous antidepressants. SMC states that the economic case for its use in these patients has been demonstrated. Alongside the approval from NICE in November 2015, this means that Brintellix now has national market access across all nations in the UK. In Germany, Lundbeck withdrew the product for commercial reasons as a direct result of the German AMNOG process and the now concluded pricing negotiations. No quality or safety risks have been identified and European Medicines Agency (EMA) has been informed about the withdrawal.

Lundbeck anticipates submitting a Marketing Authorization Application (MAA) to the EMA in 2017 for the use of **brexpiprazole** in the treatment of adult patients with schizophrenia.

Revenue from **Other pharmaceuticals** was DKK 1,424 million, a decline of 46% compared to same period the previous year following the handback of Azilect to Teva.

Key developments in the fourth quarter of 2016

In the fourth quarter, revenue reached DKK 713 million which was a decline compared to DKK 972 million in the same period last year. The decline is caused by generic erosion of older products following the loss of exclusivity and limited mitigating effects from new products due to timing of market access. In December 2016, **Brintellix** was introduced in France; and in Spain and Italy the product has had an encouraging initial launch. Fourth quarter revenue from **Azilect** amounted to DKK 35 million following the handback to Teva after which the revenue has been replaced by royalties. Europe constitutes 17% of revenue (excluding Other revenue) compared to 27% last year.

Expenses and income

Total costs for 2016 were DKK 13,342 million compared to DKK 21,410 million for the same period last year. Costs in 2015 included the impairment loss mainly related to Rexulti, which has been recognized under research and development costs as well as restructuring costs, in total close to DKK 7 billion. The underlying decrease in total costs of approximately 10% can primarily be ascribed to positive effects from changes in product mix and the ongoing restructuring programme initiated in August 2015.

Distribution of costs

DKK million	FY2016	FY2015	*Growth*	Q3 2016	Q4 2016	Q4 2015	*Growth*
Cost of sales	4,082	5,395	*(24%)*	946	1,042	1,271	*(18%)*
Sales and distribution	5,488	6,706	*(18%)*	1,375	1,418	1,710	*(17%)*
Administration	805	1,160	*(31%)*	187	240	234	*3%*
Research and development	2,967	8,149	*(64%)*	851	714	950	*(25%)*
Total costs	**13,342**	**21,410**	***(38%)***	**3,359**	**3,414**	**4,165**	***(18%)***

Cost of sales decreased 24% to DKK 4,082 million in 2016. This corresponds to 26% of Lundbeck's total revenue compared to 37% in the previous year. Cost of sales is positively impacted by the change in product mix and the handback of Azilect to Teva at the beginning of the year.

Sales and distribution costs were DKK 5,488 million, which was a decline of 18% compared to 2015 following the impact from the restructuring programme announced in 2015. Sales and distribution costs correspond to 35% of revenue compared to 46% the year before.

Administrative expenses were DKK 805 million corresponding to 5% of total revenue in 2016. The 31% decline in administration expenses can be attributed to the impact of the restructuring programme in 2015.

SG&A costs were DKK 6,293 million compared to DKK 7,866 million in the same period the previous year. The SG&A ratio for the period was 40%, compared to 54% in the same period the year before.

Research and development costs declined to DKK 2,967 million in the period as the costs in 2015 were impacted by impairment and restructuring charges. 2016 includes an impairment loss relating to idalopirdine amounting to DKK 130 million. Adjusted for these impairments and restructuring charges, costs increased mainly due to higher project costs related to phase III initiation of Lu AF35700. The R&D ratio reached 19% of revenue in the period compared to 56% last year. Adjusted for impairment and restructuring charges, the R&D ratio was 18% in both 2015 and 2016.

Key developments in the fourth quarter of 2016

In the fourth quarter of 2016, total costs amounted to DKK 3,414 million, which is a significant decrease compared to the same quarter last year. This decrease can mainly be explained by the factors described above.

Depreciation, amortization and impairment charges

Depreciation, amortization and impairment charges, which are included in the individual expense categories, amounted to DKK 1,554 million in 2016 compared to DKK 7,026 million the previous year.

In continuation of the decision by the Danish Business Authority ("*Erhvervsstyrelsen*"), Lundbeck reversed the reclassification made in the second quarter of 2015 of certain products rights in the amount of DKK 4.8 billion and instead performed an impairment test which resulted in an impairment loss of DKK 4.8 billion recognized in the second quarter of 2015 and mainly impacting the research and development costs.

Depreciation, amortization and impairment charges

DKK million	FY2016	FY2015	*Growth*	Q3 2016	Q4 2016	Q4 2015	*Growth*
Cost of sales	1,258	1,561	*(19%)*	309	351	357	*(2%)*
Sales and distribution	46	101	*(54%)*	13	12	22	*(47%)*
Administration	22	103	*(78%)*	5	6	8	*(28%)*
Research and development	228	5,261	*(96%)*	150	42	230	*(82%)*
Total depreciation, amortization and impairment charges	**1,554**	**7,026**	***(78%)***	**477**	**411**	**617**	***(34%)***

Profit from operations (EBIT)

EBIT for 2016 reached DKK 2,292 million compared to a loss of DKK 6,816 million in 2015. **EBIT** for the fourth quarter of 2016 amounted to DKK 751 million compared to a loss of DKK 432 million in the same quarter in 2015. **EBIT margin** increased significantly and reached 14.7% in 2016 and 18.0% in the fourth quarter of the year.

Core EBIT increased by 311% to DKK 3,477 million in 2016 and 1,289% in the fourth quarter thereby reaching DKK 1,014 million. The increase in EBIT and in Core EBIT is driven by strong sales especially in the US, more than offsetting the loss in revenue due to generic erosion on mature products, and benefits from the restructuring programme.

The main reason for the difference between reported EBIT and Core EBIT in 2015 was the impairment loss and restructuring charges of around DKK 7 billion. For definition of the measures "Core Revenue", "Core EBIT" and "Core EPS", see note 3 *Core reporting*.

Net financials

Lundbeck generated a net financial expense of DKK 14 million in the fourth quarter of 2016, compared to a net financial expense of DKK 98 million in the fourth quarter of 2015.

Net interest expense, including realized and unrealized gains and losses on the bond portfolio, amounted to an expense of DKK 7 million in the fourth quarter of 2016, compared to an expense of DKK 27 million in the same period in 2015. The lower interest expense is related to lower interest rates primarily on the mortgage debt and as Lundbeck has repaid half of the EIB loan in the third quarter of 2016.

Net exchange gains/losses amounted to a loss of DKK 1 million in the fourth quarter of 2016, compared to a loss of DKK 34 million in the fourth quarter of 2015. The increase is primarily due to fluctuations in exchange rate translations of intercompany balances.

Tax

The effective tax rate declined from 48% reported for the first nine months of 2016 to 43.9% for the full year 2016. This decline was caused by the increase in profit and by a reversal of a valuation allowance on research and development credits arising from the acquisition of Northera and now acknowledged by the US tax authorities. The continued higher tax rate compared to the Danish corporate income tax rate is due to:

- Amortization of Northera product rights, which is not deductible for tax purposes and thus creates a permanent difference
- Lundbeck's increased activity in the US results in an increased profit in the US taxed at a higher tax rate in US than the Danish tax rate and not fully offset by the tax loss realized in Denmark.

Net profit/(loss) and EPS for the period

Net profit for 2016 reached DKK 1,211 million compared to a net loss of DKK 5,694 million in 2015. The reported net profit corresponds to an **EPS** of DKK 6.14 per share versus a negative EPS of DKK 28.96 per share in 2015. **Core EPS** was DKK 11.14 per share for 2016, compared to a Core EPS of DKK 1.56 per share in 2015.

Net profit for the fourth quarter of 2016 reached DKK 473 million compared to a net loss of DKK 448 million in 2015. The reported net profit corresponds to an **EPS** of DKK 2.40 per share versus a negative EPS of DKK 2.27 per share for the same period last year. **Core EPS** was DKK 3.51 per share for the fourth quarter of 2016, compared to a negative Core EPS of DKK 0.18 per share in the same quarter in 2015.

For definition of the measures "Core Revenue", "Core EBIT" and "Core EPS", see note 3 *Core reporting*.

Hedging

The main currency risk at the moment concerns fluctuations of USD, CAD and JPY. Lundbeck hedges a significant part of the company's currency risk for a period of 12-18 months using forward exchange contracts and in some cases currency options. As a result of Lundbeck's currency hedging policy, foreign exchange gains and losses on hedging transactions are allocated directly to the hedged transaction. Hedging had a negative impact on profit of DKK 26 million in the fourth quarter of 2016, compared with a situation where the income is not hedged and included at the current exchange rates during the period. The effect was a DKK 29 million loss in the fourth quarter of 2015.

Cash flow

Lundbeck had a positive **cash flow from operating and investing activities** of DKK 2,789 million in 2016 compared to a cash outflow from operating and investing activities of DKK 2,645 million in 2015. The positive development is driven by the improved profitability and a positive development in the working capital.

Cash flow

DKK million	FY2016	FY2015	Q4 2016	Q4 2015
Cash flows from operating activities	3,126	197	1,033	763
Cash flows from investing activities	(337)	(2,842)	(133)	(108)
Cash flows from operating and investing activities (free cash flow)	**2,789**	**(2,645)**	**900**	**655**
Cash flows from financing activities	(2,006)	501	(488)	(486)
Net cash flow for the period	**783**	**(2,144)**	**412**	**169**
Cash and bank balance at beginning of period	1,504	3,651	1,785	1,334
Unrealized exchange gains/losses on cash and bank balances	(87)	(3)	3	1
Net cash flow for the period	783	(2,144)	412	169
Cash and bank balances end of period	**2,200**	**1,504**	**2,200**	**1,504**
Interest-bearing debt, cash, bank balances and securities, net end of period	**326**	**(2,249)**	**326**	**(2,249)**

Investing activities generated cash outflow of DKK 337 million in the period. Financing activities generated a cash outflow of DKK 2,006 million compared to an inflow of DKK 501 million in 2015. The outflow in 2016 is mainly due to repayment of loans and purchase of treasury shares.

Balance sheet

At 31 December 2016, Lundbeck had **total assets** of DKK 20,210 million, compared to DKK 21,325 million at the end of 2015.

At 31 December 2016, Lundbeck's **equity** amounted to DKK 9,694 million, corresponding to an equity ratio of 48.0% compared to 41.2% at the end of 2015.

Interest bearing debt has been reduced to DKK 1,891 million compared to DKK 3,770 million at the end of 2015. **Net debt** has therefore been reduced from DKK 2,249 million at year-end 2015 to a positive net cash position of DKK 326 million at the end of 2016.

Lundbeck's development portfolio

Lundbeck is developing a number of 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 as follows:

Approved or under regulatory review

In March 2016, Lundbeck and Takeda Pharmaceutical Company (Takeda) announced that the FDA issued a complete response letter (CRL) for the supplemental new drug application (sNDA) to include new data in the clinical trials section of the US label of **Brintellix** for treating certain aspects of cognitive dysfunction in adults with major depressive disorder (MDD). The dialogue with the agency to resolve the CRL is ongoing.

Clinical phase III

In August 2012, Lundbeck and Otsuka Pharmaceuticals (Otsuka) initiated a randomized, double-blind, placebo-controlled trial (NCT01567527) to assess the time to recurrence of any mood episode in stabilized patients with bipolar I disorder randomized to 52 weeks of treatment with either placebo or **Abilify Maintena**. The clinical phase III maintenance study, which enrolled in total 731 patients, met its primary endpoint and data was presented at 2016 Annual Meeting of the American College of Neuropsychopharmacology (ACNP) in Hollywood, Florida in December 2016. In November 2016, Lundbeck and Otsuka announced that the FDA had determined that the supplemental New Drug Application (sNDA) for the expanded labeling of Abilify Maintena for the maintenance treatment of Bipolar I disorder in adult patients is sufficiently complete to permit a substantive review and is considered filed. Under the Prescription Drug User Fee Act (PDUFA), the FDA has set a target date of 28 July 2017, to complete its review.

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

In the second half of 2013, Lundbeck and Otsuka initiated two pivotal studies with **Rexulti** (brexpiprazole) in individuals with agitation associated with dementia of the Alzheimer's type. The two studies are expected to recruit around 420 and 230 patients respectively (NCT01862640, NCT01922258). Enrolment of patients has progressed as planned, and the studies are expected to finalize in the second quarter of 2017. FDA has granted Fast Track designation for this programme.

Lundbeck and Otsuka have now finalized the two remaining studies (*STARBEAM* and *STARBRIGHT*) in the phase III programme evaluating the safety and efficacy of the investigational drug **idalopirdine** for the symptomatic treatment of patients with mild to moderate Alzheimer's disease. In line with the results seen in the first study (*STARSHINE*), idalopirdine was safe and well tolerated. The efficacy profile with idalopirdine observed in these studies and in the *STARSHINE* study do not demonstrate efficacy to support a regulatory submission. The phase III study results will be made available in the form of presentations at scientific meetings later in 2017 as well as through peer-reviewed publication.

In 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 approximately 1,000 patients in approximately 15 countries including the US and Canada and is expected to last around three years. Lu AF35700 has been granted Fast Track designation in treatment resistant schizophrenia by the FDA. Additionally, a long-term open label safety study has been initiated (NCT02892422) in August 2016.

For **Selincro** (nalmefene) a clinical phase III study (NCT02364947) was initiated in Japan in December 2014. The study is run by Otsuka and is expected to recruit some 660 patients. The study is planned to finalize during 2017. Additionally, a long-term open label study has been initiated in Japan (NCT02382276).

Clinical phase II

In December 2014, Lundbeck and Takeda initiated a clinical phase II study (NCT02327013) on **Brintellix/Trintellix** (vortioxetine) with the purpose to determine the effect of vortioxetine on ADHD symptoms in adult patients with ADHD in a 12 week study. In the trial, vortioxetine failed to achieve significance in separating from placebo. The study was compromised by more than 30% of the patients having extremely low or no exposure to vortioxetine. For patients with exposure to vortioxetine, a clear signal versus placebo was seen, suggesting vortioxetine treatment could be efficacious in this population.

General corporate matters

Lundbeck is involved in legal proceedings in a number of countries against a number of businesses, including patent disputes. In the Annual Report 2016 (page 52), Lundbeck provided an overview of pending legal proceedings.

Incentive programmes in the Lundbeck Group

In May 2016, Lundbeck offered participation in a Restricted Share Unit (RSU) programme to members of Lundbeck´s Executive Management not participating in the 2014 one-off warrant programme and to key employees in Denmark and abroad. The RSUs will be granted in February 2017 and will vest three years after grant. A similar programme will be offered to members of Lundbeck´s Executive Management and key employees (approximately 130) in Denmark and abroad in February 2017. Grant and vesting are subject to Lundbeck achieving certain targets specified by the Board of Directors and to continued employment with the Lundbeck Group in the period from grant until the RSUs vest. The fair value of the RSUs will be calculated on the basis of Lundbeck's average share price in the first 10 banking days after publication of Lundbeck's Annual Report for 2016 reduced by an expected dividend yield of 2.00% p.a. The estimated value of the programme is approximately DKK 40 million.

Purchase of shares to fund long-term incentive programmes

Long-term incentive programme 2014

To fund Lundbeck's long-term incentive programme granted to Executive Management and key employees in Denmark and abroad in 2014 with vesting in 2017, Lundbeck will purchase 190,049 shares in compliance with the Danish Securities Trading Act, the Danish Companies Act, the Danish Financial Statements Act, the NASDAQ Copenhagen rules and Lundbeck's internal rules on trading with shares in Lundbeck. The number of shares to be purchased currently corresponds to less than 0.1% of the share capital. The purchase will be made after the announcement of the first quarter results for 2017 in order to mirror the final number of shares needed. The value of the shares is equivalent to DKK 55 million at the year-end share price of DKK 287.30.

Long-term incentive programme 2015

To fund Lundbeck's long-term incentive programme, granted in 2015 with vesting in 2018, 123,340 shares were purchased in 2016.

Long-term incentive programme 2016

The estimated number of shares of 118,822 for the 2016 RSU programme was purchased in 2016 to cover the programme.

Long-term incentive programme 2017

Lundbeck has decided to bring forward the purchase of shares to cover the obligation regarding the RSU programme that will be offered to key employees in Denmark and abroad in February 2017. Lundbeck will purchase 111,975 shares, which at year-end share price is equivalent to DKK 32 million. The number of shares to be purchased corresponds to less than 0.1% of Lundbeck's share capital. The shares will be purchased following the announcement of the annual report for 2016 and in compliance with the Danish Securities Trading Act, the Danish Companies Act, the Danish Financial Statements Act, the NASDAQ Copenhagen rules and Lundbeck's internal rules on trading with shares in Lundbeck.

Considering the relatively small amount of shares concerned, the purchase will be carried out as a share buy-back outside of the EU Commission Regulation on share buy-back. However, to secure market integrity the purchase is subject to the following rules:

- The purchase will be carried out by a bank (lead manager) on an arm's-length basis and independently of Lundbeck,
- The bank must not purchase shares at a price higher than the higher of the price of the last independent trade and the highest current independent bid on Nasdaq Copenhagen at the time of the purchase,
- The bank must not purchase more than 20% of the daily volume of the shares on NASDAQ Copenhagen on the day the purchase is carried out.

Conference call

Today at 13.00 pm (CET), Lundbeck will be hosting a conference call for the financial community. You can listen to the call online at www.lundbeck.com under the investor section.

FINANCIAL STATEMENTS

Income statement

DKK million	FY 2016	FY 2015	Q4 2016	Q4 2015
Revenue	**15,634**	14,594	**4,165**	3,733
Cost of sales	**4,082**	5,395	**1,042**	1,271
Gross profit	**11,552**	**9,199**	**3,123**	**2,462**
Sales and distribution costs	**5,488**	6,706	**1,418**	1,710
Administrative expenses	**805**	1,160	**240**	234
Research and development costs	**2,967**	8,149	**714**	950
Profit/(loss) from operations (EBIT)	**2,292**	**(6,816)**	**751**	**(432)**
Net financials	**(135)**	(190)	**(14)**	(98)
Profit/(loss) before tax	**2,157**	**(7,006)**	**737**	**(530)**
Tax on profit/(loss) for the period	**946**	(1,312)	**264**	(82)
Profit/(loss) for the period	**1,211**	**(5,694)**	**473**	**(448)**
Earnings per share, basic (EPS) (DKK)	**6.14**	(28.96)	**2.40**	(2.27)
Earnings per share, diluted (DEPS) (DKK)	**6.14**	(28.96)	**2.39**	(2.27)

Statement of comprehensive income

DKK million	FY2016	FY2015	Q4 2016	Q4 2015
Profit/(loss) for the period	**1,211**	**(5,694)**	**473**	**(448)**
Actuarial gains/losses	**(42)**	16	**(42)**	16
Tax	**3**	(4)	**3**	(4)
Items that will not be reclassified subsequently to profit or loss	**(39)**	**12**	**(39)**	**12**
Exchange rate gains/losses on investments in foreign subsidiaries	**(180)**	341	**138**	92
Exchange rate gains/losses on additions to net investments in foreign subsidiaries	**241**	555	**139**	130
Deferred exchange gains/losses, hedging	**(308)**	(93)	**(273)**	(62)
Exchange gains/losses, hedging (transferred to the hedged items)	**15**	80	**26**	29
Exchange gains/losses, transferred from hedging to financial items	**3**	5	**3**	5
Fair value adjustment of available-for-sale financial assets	**8**	79	**2**	44
Tax	**8**	(140)	**22**	(36)
Items that may be reclassified subsequently to profit or loss	**(213)**	**827**	**57**	**202**
Other comprehensive income	**(252)**	**839**	**18**	**214**
Comprehensive income	**959**	**(4,855)**	**491**	**(234)**

Balance sheet

DKK million	31.12.2016	31.12.2015
Assets		
Intangible assets	**8,839**	9,794
Property, plant and equipment	**2,162**	2,246
Financial assets	**1,685**	1,625
Non-current assets	**12,686**	**13,665**
Inventories	**1,528**	2,217
Receivables	**3,779**	3,922
Securities	**17**	17
Cash and bank balances	**2,200**	1,504
Current assets	**7,524**	**7,660**
Assets	**20,210**	**21,325**
Equity and liabilities		
Share capital	**988**	987
Share premium	**-**	349
Foreign currency translation reserve	**1,164**	1,157
Currency hedging reserve	**(230)**	(4)
Retained earnings	**7,772**	6,296
Equity	**9,694**	**8,785**
Provisions	**1,032**	1,105
Debt	**1,708**	3,687
Non-current liabilities	**2,740**	**4,792**
Provisions	**745**	986
Debt	**188**	83
Trade payables	**3,650**	4,349
Other payables	**3,193**	2,330
Current liabilities	**7,776**	**7,748**
Liabilities	**10,516**	**12,540**
Equity and liabilities	**20,210**	**21,325**

Statement of changes in equity

DKK million	Share capital	Share premium	Foreign currency translation reserve	Currency hedging reserve	Retained earnings	Equity
Equity at 1 January 2016	**987**	**349**	**1,157**	**(4)**	**6,296**	**8,785**
Profit/(loss) for the period	-	-	-	-	1,211	1,211
Other comprehensive income	-	-	7	(226)	(33)	(252)
Comprehensive income	**-**	**-**	**7**	**(226)**	**1,178**	**959**
Capital increase through exercise of warrants	1	36	-	-	-	37
Buyback of treasury shares	-	-	-	-	(155)	(155)
Incentive programmes	-	-	-	-	53	53
Tax on other transactions in equity	-	-	-	-	15	15
Reclassified to retained earnings	-	(385)	-	-	385	-
Other transactions	**1**	**(349)**	**-**	**-**	**298**	**(50)**
Equity at 31 December 2016	**988**	**-**	**1,164**	**(230)**	**7,772**	**9,694**

DKK million						
Equity at 1 January 2015	**982**	**252**	**392**	**2**	**11,898**	**13,526**
Profit/(loss) for the period	-	-	-	-	(5,694)	(5,694)
Other comprehensive income	-	-	765	(6)	80	839
Comprehensive income	**-**	**-**	**765**	**(6)**	**(5,614)**	**(4,855)**
Capital increase through exercise of warrants	5	97	-	-	-	102
Buyback of treasury shares	-	-	-	-	(22)	(22)
Incentive programmes	-	-	-	-	34	34
Other transactions	**5**	**97**	**-**	**-**	**12**	**114**
Equity at 31 December 2015	**987**	**349**	**1,157**	**(4)**	**6,296**	**8,785**

Cash flow statement

DKK million	FY 2016	FY 2015	Q4 2016	Q4 2015
Profit/(loss) from operations (EBIT)	**2,292**	**(6,816)**	**751**	**(432)**
Adjustments for non-cash operating items etc.	**1,154**	7,878	**352**	402
Change in working capital	**463**	(534)	**60**	780
Cash flows from operations before financial receipts and payments	**3,909**	**528**	**1,163**	**750**
Financial receipts and payments	**(63)**	(99)	**(17)**	(26)
Cash flows from ordinary activities	**3,846**	**429**	**1,146**	**724**
Income taxes paid	**(720)**	(232)	**(113)**	39
Cash flows from operating activities	**3,126**	**197**	**1,033**	**763**
Purchase of and proceeds from sale of bonds and other financial assets	**(3)**	(5)	**0**	(1)
Purchase of and proceeds from sale of intangible assets and property, plant and equipment	**(334)**	(2,837)	**(133)**	(107)
Cash flows from investing activities	**(337)**	**(2,842)**	**(133)**	**(108)**
Cash flows from operating and investing activities (free cash flow)	**2,789**	**(2,645)**	**900**	**655**
Capital increase through exercise of warrants	**37**	102	**-**	15
Other financing activities	**(2,043)**	399	**(488)**	(501)
Cash flows from financing activities	**(2,006)**	**501**	**(488)**	**(486)**
Net cash flow for the period	**783**	**(2,144)**	**412**	**169**
Cash and bank balances at beginning of period	**1,504**	3,651	**1,785**	1,334
Unrealized exchange gains/losses on cash and bank balances	**(87)**	(3)	**3**	1
Net cash flow for the period	**783**	(2,144)	**412**	169
Cash and bank balances at end of period	**2,200**	**1,504**	**2,200**	**1,504**
Interest-bearing debt, cash, bank balances and securities, net is composed as follows:				
Cash and bank balances	**2,200**	1,504	**2,200**	1,504
Securities	**17**	17	**17**	17
Interest-bearing debt	**(1,891)**	(3,770)	**(1,891)**	(3,770)
Interest-bearing debt, cash, bank balances and securities, net end of period	**326**	**(2,249)**	**326**	**(2,249)**

Income statement – Core results reconciliation (Q4)

Q4 2016

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	4,165	-	-	-	-	-	4,165
Cost of sales	1,042	(263)	-	-	-	-	779
Gross profit	**3,123**	**263**	**-**	**-**	**-**	**-**	**3,386**
Sales and distribution costs	1,418	-	-	-	-	-	1,418
Administrative expenses	240	-	-	-	-	-	240
Research and development costs	714	-	-	-	-	-	714
Profit/(loss) from operations (EBIT)	**751**	**263**	**-**	**-**	**-**	**-**	**1,014**
Net financials	(14)	-	-	-	-	-	(14)
Profit/(loss) before tax	**737**	**263**	**-**	**-**	**-**	**-**	**1,000**
Tax on profit/(loss) for the period	264	43	-	-	-	-	307
Profit/(loss) for the period	**473**	**220**	**-**	**-**	**-**	**-**	**693**
Earnings per share, basic (EPS) (DKK)	2.40	1.11	-	-	-	-	3.51

Q4 2015

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	3,733	-	-	-	-	(17)	3,716
Cost of sales	1,271	(319)	-	-	-	-	952
Gross profit	**2,462**	**319**	**-**	**-**	**-**	**(17)**	**2,764**
Sales and distribution costs	1,710	-	(2)	-	-	-	1,708
Administrative expenses	234	-	-	-	-	-	234
Research and development costs	950	-	(201)	-	-	-	749
Profit/(loss) from operations (EBIT)	**(432)**	**319**	**203**	**-**	**-**	**(17)**	**73**
Net financials	(98)	-	-	-	-	-	(98)
Profit/(loss) before tax	**(530)**	**319**	**203**	**-**	**-**	**(17)**	**(25)**
Tax on profit/(loss) for the period	(82)	56	41	-	-	(4)	11
Profit/(loss) for the period	**(448)**	**263**	**162**	**-**	**-**	**(13)**	**(36)**
Earnings per share, basic (EPS) (DKK)	(2.27)	1.33	0.82	-	-	(0.06)	(0.18)

Income statement – Core results reconciliation (FY)

FY 2016

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	15,634	-	-	-	-	-	15,634
Cost of sales	4,082	(1,045)	(10)	-	-	-	3,027
Gross profit	**11,552**	**1,045**	**10**	**-**	**-**	**-**	**12,607**
Sales and distribution costs	5,488	-	-	-	-	-	5,488
Administrative expenses	805	-	-	-	-	-	805
Research and development costs	2,967	-	(130)	-	-	-	2,837
Profit/(loss) from operations (EBIT)	**2,292**	**1,045**	**140**	**-**	**-**	**-**	**3,477**
Net financials	(135)	-	-	-	-	-	(135)
Profit/(loss) before tax	**2,157**	**1,045**	**140**	**-**	**-**	**-**	**3,342**
Tax on profit/(loss) for the period	946	169	31	-	-	-	1,146
Profit/(loss) for the period	**1,211**	**876**	**109**	**-**	**-**	**-**	**2,196**
Earnings per share, basic (EPS) (DKK)	6.14	4.44	0.56	-	-	-	11.14

FY 2015

DKK million	Reported result	Intangible amortization	Impairment	Major restructuring	Legal fees and settlements	Divestments / sales milestones	Core result
Revenue	14,594	-	-	-	-	(130)	14,464
Cost of sales	5,395	(1,007)	(404)	(55)	-	-	3,929
Gross profit	**9,199**	**1,007**	**404**	**55**	**-**	**(130)**	**10,535**
Sales and distribution costs	6,706	-	(40)	(554)	-	-	6,112
Administrative expenses	1,160	-	(58)	(203)	-	-	899
Research and development costs	8,149	-	(5,150)	(322)	-	-	2,677
Profit/(loss) from operations (EBIT)	**(6,816)**	**1,007**	**5,652**	**1,134**	**-**	**(130)**	**847**
Net financials	(190)	-	-	-	-	-	(190)
Profit/(loss) before tax	**(7,006)**	**1,007**	**5,652**	**1,134**	**-**	**(130)**	**657**
Tax on profit/(loss) for the period	(1,312)	149	1,266	278	-	(31)	350
Profit/(loss) for the period	**(5,694)**	**858**	**4,386**	**856**	**-**	**(99)**	**307**
Earnings per share, basic (EPS) (DKK)	(28.96)	4.37	22.30	4.36	-	(0.51)	1.56

Notes

Note 1 Accounting policies

Lundbeck's accounting policies are explained in detail in the 2016 Annual Report also published 8 February 2016.

Note 2 From reclassification of product rights to impairment testing

Please see "Depreciation, amortization and impairment charges" on page 11.

Note 3 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 2017

30 March 2017:	Annual General Meeting
10 May 2017:	First quarter results 2017
9 August 2017:	Second quarter results 2017
8 November 2017:	Third quarter results 2017

Lundbeck contacts

Investors:

Palle Holm Olesen
Vice President, Investor Relations
palo@lundbeck.com
+45 30 83 24 26

Media:

Mads Kronborg
Senior Director, Corporate Communication
mavk@lundbeck.com
+45 36 43 40 00

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 depression, schizophrenia, Parkinson's disease and Alzheimer's disease.

An estimated 700 million people worldwide are living with psychiatric and neurological disorders and far too many suffer due to inadequate treatment, discrimination, a reduced number of working days, early retirement and other unnecessary consequences.

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 research centres in China and Denmark and production facilities in Denmark, France and Italy. Lundbeck generated revenue of DKK 15.6 billion in 2016 (EUR 2.1 billion; USD 2.2 billion).

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