

Financial report for the period 1 January to 30 June 2020

Strong momentum across all strategic brands with 25% growth in the first half of 2020

HIGHLIGHTS

- Revenue reached DKK 8,934 million in the first six months of 2020, a growth of 5% (5% in local currencies) compared to 2019. Excluding sales from Onfi[®], total revenue grew by 10%
 - Revenue of Abilify Maintena[®] increased 24% to DKK 1,176 million (23% in local currencies)
 - Revenue of Brintellix[®]/Trintellix[®] increased 21% to DKK 1,575 million (21% in local currencies)
 - Revenue of Northera[®] increased 19% to DKK 1,202 million (16% in local currency)
 - Revenue of Rexulti[®]/Rxulti[®] increased 35% to DKK 1,393 million (32% in local currencies)
 - Revenue of Vyepti[®] reached DKK 14 million following the launch in the U.S. in April 2020. The initial uptake has been impacted by the COVID-19 pandemic's negative influence on HCP-administered medicines
 - Revenue in North America increased 8% to DKK 4,907 million (5% in local currencies)
 - Revenue in International Markets increased 11% to DKK 2,229 million (14% in local currencies)
 - Revenue in Europe increased 4% to DKK 1,698 million (4% in local currencies)
- Revenue of the five strategic brands combined grew by 25% (23% in local currencies), thereby reaching DKK 5,360 million or 60% of total revenue
- In the second quarter both revenue and earnings were negatively impacted by slightly lower demand and destocking related to the ongoing COVID-19 pandemic offsetting the positive effect seen in the first quarter of the year
- Core EBIT reached DKK 2,483 million corresponding to a core EBIT margin of 27.8%
- Reported EBIT reached DKK 1,085 million and the EBIT margin reached 12.1% following an impairment due to the foliglurax product rights in the first quarter
- Core EPS reached DKK 10.30 and reported EPS reached DKK 3.69
- The 2020 financial guidance for revenue is maintained at DKK 17.4 – 18.0 billion based on the current assessment of the COVID-19 impact. Lundbeck has raised the guidance for core EBIT to DKK 3.9 – 4.3 billion from previously DKK 3.5 – 4.0 billion and EBIT is raised to DKK 1.8 – 2.2 billion compared to DKK 1.4 – 1.9 billion for 2020 issued previously

In connection with the financial report, Lundbeck's President and CEO Deborah Dunsire said:

"I am very pleased with the results for the first half of the year. COVID-19 is challenging for all societies and for Lundbeck. Our top priority has been to ensure that patients who need our medicines could continue to receive them without interruption and we are proud to have been able to make that happen. The first half performance is encouraging, and the company is strong. We continue to execute on the Expand and Invest to Grow strategy. Vyepti has been launched and despite being significantly impacted by a lower number of medical procedures due to COVID-19, we remain very confident with Vyepti's ability to deliver on its promise based on how it has benefitted the patients treated."

| DKK million | H1 2020 | H1 2019 | Growth |
|----------------------|--------------|---------|--------|
| Core Revenue* | 8,934 | 8,480 | 5% |
| Core EBIT* | 2,483 | 2,729 | (9%) |
| Core EPS* | 10.30 | 10.41 | (1%) |
| Core EBIT margin* | 27.8% | 32.2% | - |
| Reported Revenue | 8,934 | 8,480 | 5% |
| Reported EBIT | 1,085 | 2,305 | (53%) |
| Reported EPS | 3.69 | 8.48 | (56%) |
| Reported EBIT margin | 12.1% | 27.2% | - |

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

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FINANCIAL HIGHLIGHTS AND KEY FIGURES

| | H1 2020 | H1 2019 | Q2 2020 | Q2 2019 | FY 2019 |
|---|---------|---------|---------|---------|---------|
| Financial highlights (DKK million) | | | | | |
| Core revenue | 8,934 | 8,480 | 4,370 | 4,246 | 17,036 |
| Core profit from operations (core EBIT) | 2,483 | 2,729 | 1,126 | 1,319 | 4,976 |
| Reported revenue | 8,934 | 8,480 | 4,370 | 4,246 | 17,036 |
| Operating profit before depreciation and amortization (EBITDA) | 2,636 | 2,898 | 1,209 | 1,403 | 4,823 |
| Reported profit from operations (EBIT) | 1,085 | 2,305 | 747 | 1,105 | 3,608 |
| Net financials | - | 4 | 97 | (27) | (127) |
| Profit before tax | 1,085 | 2,309 | 844 | 1,078 | 3,481 |
| Tax | 352 | 623 | 262 | 290 | 814 |
| Profit for the period | 733 | 1,686 | 582 | 788 | 2,667 |
| Equity | 14,492 | 13,498 | 14,492 | 13,498 | 14,554 |
| Assets | 35,090 | 22,082 | 35,090 | 22,082 | 35,757 |
| Cash flows from operating and investing activities (free cash flow) | 1,479 | 566 | 1,359 | (208) | (5,146) |
| Purchase of property, plant and equipment, gross | 95 | 106 | 48 | 66 | 356 |
| Key figures | | | | | |
| Core EBIT margin (%) | 27.8 | 32.2 | 25.8 | 31.1 | 29.2 |
| EBIT margin (%) | 12.1 | 27.2 | 17.1 | 26.0 | 21.2 |
| Return on equity (%) | 5.0 | 12.1 | 4.1 | 6.0 | 18.5 |
| Return on equity (%) – rolling four quarters | 12.2 | 26.0 | 12.2 | 26.0 | 18.5 |
| Net debt/EBITDA (x) – rolling four quarters | 1.3 | (0.5) | 1.3 | (0.5) | 1.4 |
| Share data | | | | | |
| Number of shares for the calculation of EPS (millions) | 198.8 | 198.7 | 198.8 | 198.7 | 198.7 |
| Number of shares for the calculation of DEPS (millions) | 198.8 | 198.7 | 198.8 | 198.7 | 198.7 |
| Earnings per share, basic (EPS) (DKK) | 3.69 | 8.48 | 2.93 | 3.96 | 13.42 |
| Earnings per share, diluted (DEPS) (DKK) | 3.69 | 8.48 | 2.93 | 3.96 | 13.42 |
| Other | | | | | |
| Number of employees (FTE) – end of period | 5,843 | 5,458 | 5,843 | 5,458 | 5,806 |

MANAGEMENT REVIEW

Financial guidance and forward-looking statements

Financial guidance

| DKK | FY 2019 actual | Previous 2020 guidance | Revised 2020 guidance |
|-------------------------------|----------------|------------------------|-----------------------|
| Revenue | 17,036 million | 17.4 – 18.0 billion | 17.4 – 18.0 billion |
| EBITDA | 4,823 million | 3.9 – 4.4 billion | 4.3 – 4.7 billion |
| Core EBIT | 4,976 million | 3.5 – 4.0 billion | 3.9 – 4.3 billion |
| Profit from operations (EBIT) | 3,608 million | 1.4 – 1.9 billion | 1.8 – 2.2 billion |

Due to the COVID-19 pandemic, Lundbeck sees elevated uncertainty on product performance in the short-term and the potential impact is difficult to quantify at this point of time. However, Lundbeck's long-term fundamentals remain solid and intact.

Lundbeck's financial guidance on revenue for 2020 is maintained. Lundbeck's revenue growth is expected to be driven by continued strong growth of four strategic brands: Abilify Maintena, Brintellix/Trintellix, Northera and Rexulti/Rxulti. In 2020, the U.S. roll-out of our fifth strategic brand, Vyepti, will be phased given the requirement to keep social distance. Virtual activities are ongoing, and the first patients have been treated with Vyepti. The next phases of the launch will roll out as restrictions on normal activities are lifted. We will continue to invest in Vyepti as a global brand by preparing additional filings and expanding indications for use.

The financial guidance for EBITDA, core EBIT and reported EBIT for the year have been increased as a result of one-off cost savings primarily due to reduced promotional activities and travel spend given the COVID-19 pandemic.

As communicated in company release no. 674 dated 22 October 2019, the acquisition of Alder BioPharmaceuticals (Alder) in 2019 will impact Lundbeck's financial guidance for 2020 with integration and retention costs of DKK 50 - 100 million, which will be excluded from Core EBIT.

Lundbeck's main currencies are USD, CNY, CAD and JPY. The financial guidance for 2020 is based on the current hedging rates for our main currencies; i.e. USD/DKK (6.63), CNY/DKK (0.95), CAD/DKK (5.01) and JPY/DKK (0.0633) and includes an expected hedging effect of a loss of approximately DKK 100-150 million.

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.

COVID-19 impact on Lundbeck's operations

The COVID-19 pandemic continues to pose challenges for Lundbeck during the first half of the year as it evolves in different regions. Due to COVID-19, the first half results combined are more representative of underlying performance compared to the figures for first and second quarter of the year individually.

Lundbeck's priorities during the global pandemic is the health and safety of its employees and to continue to safely supply all its medicines to the millions of patients around the world. We have successfully implemented and embraced new ways of working, including less travel activities and switching to virtual meeting solutions.

While we benefitted somewhat in the first quarter from stocking from both patients and pharmacies as a consequence of the COVID-19 pandemic, this impact has largely been reversed in the second quarter. Our product portfolio has generally been resilient, but products such as Brintellix/Trintellix have been impacted by a lower number of new patient starts and significant reduction in patient visits to physicians as well as reduced interaction between company representatives and health care providers. On a similar note, the launch of Vyepti in April has been negatively impacted by a significant reduction in medical procedures in the U.S. However, this impact improved from the latter part of the quarter.

Our cash collections continue to be according to our normal trade terms, and days sales outstanding are at normal levels. Lundbeck remains well positioned to meet its ongoing financial obligations and has sufficient liquidity to support our normal business activities.

The COVID-19 pandemic also continues to impact clinical and regulatory activities causing manageable disruptions. The biggest impact comes from potential delays to new study starts and recruitment to ongoing trials, however, the situation is improving as restrictions are being lifted. The impact on each trial has been different and the timelines will be assessed once the situation stabilizes.

Revenue

Revenue for the first six months of 2020 reached DKK 8,934 million compared to DKK 8,480 million for the same period in 2019. The strategic brands (Abilify Maintena, Brintellix/Trintellix, Northera, Rexulti/Rxulti and Vyepti) grew by 25% for the period, reaching DKK 5,360 million or 60% of total revenue. The COVID-19 pandemic continues to impact our business in many countries. Lundbeck, however, continues to see solid underlying demand, but the second quarter has also been impacted by destocking offsetting the positive effect seen in the first quarter of the year. The biggest markets are the U.S., China, Canada, Japan, Spain, Italy and France.

Hedging

Lundbeck hedges a significant part of the currency risk for a period of 12-18 months. Hedging had a negative impact of DKK 118 million for the first half of 2020, compared to a negative impact of DKK 93 million for the first half of 2019.

Revenue - products and regions

| DKK million | H1 2020 | H1 2019 | Growth | Growth in local currencies | Q2 2020 | Q2 2019 | Growth | Growth in local currencies | Q1 2020 |
|-----------------------|--------------|--------------|-----------|----------------------------|--------------|--------------|-----------|----------------------------|--------------|
| Abilify Maintena | 1,176 | 951 | 24% | 23% | 564 | 489 | 15% | 15% | 612 |
| Brintellix/Trintellix | 1,575 | 1,299 | 21% | 21% | 758 | 698 | 9% | 10% | 817 |
| Ciprallex/Lexapro | 1,327 | 1,205 | 10% | 11% | 605 | 586 | 3% | 6% | 722 |
| Northera | 1,202 | 1,007 | 19% | 16% | 664 | 572 | 16% | 14% | 538 |
| Onfi | 297 | 627 | (53%) | (54%) | 144 | 302 | (52%) | (53%) | 153 |
| Rexulti | 1,393 | 1,032 | 35% | 32% | 680 | 551 | 23% | 22% | 713 |
| Sabril | 393 | 462 | (15%) | (17%) | 216 | 208 | 3% | 2% | 177 |
| Vyepti | 14 | - | - | - | 14 | - | - | - | - |
| Other pharmaceuticals | 1,457 | 1,614 | (10%) | (9%) | 676 | 745 | (9%) | (7%) | 781 |
| Other revenue | 218 | 376 | (42%) | (42%) | 79 | 140 | (43%) | (43%) | 139 |
| Effects from hedging | (118) | (93) | - | - | (30) | (45) | - | - | (88) |
| Total revenue | 8,934 | 8,480 | 5% | 5% | 4,370 | 4,246 | 3% | 3% | 4,564 |
| North America | 4,907 | 4,562 | 8% | 5% | 2,522 | 2,394 | 5% | 4% | 2,385 |
| International Markets | 2,229 | 2,004 | 11% | 14% | 997 | 945 | 5% | 10% | 1,232 |
| Europe | 1,698 | 1,631 | 4% | 4% | 802 | 812 | (1%) | (1%) | 896 |

Products

Abilify Maintena (aripiprazole once-monthly injection) is approved for the treatment of schizophrenia in the EU and for both schizophrenia and bipolar I disorder in the U.S., Canada and Australia. Sales increased 24% (23% in local currencies) and reached DKK 1,176 million. The regional distribution of sales was 45%, 9% and 46% in North America, International Markets and Europe, respectively. The largest markets are the U.S., Spain, Canada, Australia and France. Abilify Maintena which was discovered by Otsuka Pharmaceutical Co., Ltd. (Otsuka) is co-marketed by Lundbeck and became available to patients in 2013.

Brintellix/Trintellix (vortioxetine) is approved for the treatment of major depressive disorder (MDD). Sales grew 21% (21% in local currencies) reaching DKK 1,575 million. The regional distribution of sales was 53%, 20% and 27% in North America, International Markets and Europe, respectively. The largest markets for the product are the U.S., Canada, Spain, Italy and Brazil. In the U.S. and Japan, Trintellix is co-marketed by Takeda Pharmaceutical Company Limited (Takeda) and became available in 2013.

Ciprallex®/Lexapro® (escitalopram) for the treatment of depression was launched in 2002. Sales increased 10% (11% in local currencies) and reached DKK 1,327 million. Sales have benefitted from the transition from Xian-Janssen to Lundbeck as Lundbeck is recognizing a larger part of the Lexapro revenue in China. The regional distribution of sales was 5%, 75% and 20% in North America, International Markets and Europe, respectively. The largest markets are Japan, China, Italy, South Korea, Canada and Brazil.

Northera (droxidopa) for the treatment of symptomatic neurogenic orthostatic hypotension (nOH) was launched in the U.S. in 2014. Sales from Northera increased 19% (16% in local currency) and reached DKK 1,202 million.

Rexulti/Rxulti (brexpiprazole) is approved as an adjunctive therapy for the treatment of adults with major depressive disorder and as a treatment for adults with schizophrenia in markets such as the U.S., Canada and Saudi Arabia. In Australia and Europe, the product is approved for schizophrenia. Rexulti became available to patients in markets

such as the U.S. (Q3 2015), Canada (Q2 2017), Australia (Q3 2017), Saudi Arabia (Q4 2018), Mexico (Q1 2019) and in the first markets in Europe in H1 2019 under the brand name Rxulti. Lundbeck's share of revenue reached DKK 1,393 million in the first half of 2020, corresponding to a growth of 35% (32% in local currencies). The regional distribution of sales was 97%, 2% and 1% in North America, International Markets and Europe, respectively. Rxulti was co-developed and is co-marketed by Otsuka and Lundbeck.

Vyepti (eptinezumab-jjmr) is approved in the U.S. for the preventive treatment of migraine in adults. The product was launched in April and reached sales of DKK 14 million.

Onfi (clobazam) for the treatment of Lennox-Gastaut syndrome, generated revenue of DKK 297 million, a decline of 53% (54% in local currency) compared to 2019. Onfi lost exclusivity in October 2018.

Sabril[®] (vigabatrin), for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS), faced the first generic competition in the third quarter of 2017. Revenue was DKK 393 million in the period, a decline of 15% (17% in local currency) compared to last year.

Revenue from **Other pharmaceuticals**, which comprise the remainder of Lundbeck's products, reached DKK 1,457 million compared to DKK 1,614 million for the same period in 2019 following lower sales of mature products such as Azilect[®], Treanda[®], Xenazine[®] and Selincro[®]. The largest markets are China, U.S., France, Spain and South Korea.

Other revenue, which mainly consists of contract manufacturing, reached DKK 218 million compared to DKK 376 million for the period in 2019. The decline in revenue is due to lower volumes shipped for one of the third-party contracts.

Figure 1 – Revenue per region H1 2020 vs H1 2019 (excluding Other revenue and effects from hedging)



Key developments in the second quarter of 2020

In the second quarter of 2020, revenue increased 3% (3% in local currencies) and reached DKK 4,370 million compared to DKK 4,246 million following generic erosion on Sabril and Onfi. In general, the quarter is negatively impacted by destocking related to the COVID-19 pandemic. The strategic brands grew by 16% for the period thereby reaching DKK 2,680 million or 61% of total revenue. Brintellix/Trintellix grew 9% in the quarter as the COVID-19 pandemic has impacted new patient enrolment negatively. Other revenue declined 43% for the quarter as a result of fewer shipments.

North America

Revenue reached DKK 4,907 million in the first half of 2020 which is an increase of 8% (5% in local currencies) compared to DKK 4,562 million in 2019. The growth was driven by all five strategic brands (Abilify Maintena, Northera, Rexulti, Trintellix and Vyepti) more than offsetting the generic erosion of mature products. Adjusting for Onfi, sales for the region increased 17%. The COVID-19 pandemic continues to impact business in the region. Lundbeck, however, continues to see solid underlying demand, but the second quarter has also been impacted by destocking offsetting the positive effect seen in the first quarter of the year. The strategic brands grew by 26% for the period, thereby reaching DKK 3,926 million.

Revenue – North America

| DKK million | H1 2020 | H1 2019 | Growth | Growth in local currencies | Q2 2020 | Q2 2019 | Growth | Growth in local currencies | Q1 2020 |
|-----------------------|--------------|--------------|-----------|----------------------------|--------------|--------------|-----------|----------------------------|--------------|
| Abilify Maintena | 523 | 397 | 32% | 29% | 252 | 213 | 19% | 18% | 271 |
| Trintellix | 834 | 697 | 20% | 17% | 427 | 386 | 11% | 9% | 407 |
| Northera | 1,202 | 1,007 | 19% | 16% | 664 | 572 | 16% | 14% | 538 |
| Onfi | 297 | 627 | (53%) | (54%) | 144 | 302 | (52%) | (53%) | 153 |
| Rexulti | 1,353 | 1,009 | 34% | 31% | 657 | 535 | 23% | 21% | 696 |
| Sabril | 393 | 462 | (15%) | (17%) | 216 | 208 | 3% | 2% | 177 |
| Vyepti | 14 | - | - | - | 14 | - | - | - | - |
| Other pharmaceuticals | 291 | 363 | (20%) | (21%) | 148 | 178 | (17%) | (17%) | 143 |
| Total revenue | 4,907 | 4,562 | 8% | 5% | 2,522 | 2,394 | 5% | 4% | 2,385 |

Products

Abilify Maintena revenue grew 32% (29% in local currencies) for the period and reached DKK 523 million, which represents Lundbeck's share of total net sales. In the U.S. Abilify Maintena has a volume market share of 19.4% and in Canada it reached 29.7% by May 2020. The value share is 18.9% and 26.7%, respectively (source: IQVIA).

Trintellix sales grew 20% (17% in local currencies) to DKK 834 million in revenue for Lundbeck. The volume market share in the U.S. and Canada was 0.9% and 1.3% of the total anti-depressant market, respectively by May 2020. The value market share of the total anti-depressant market in the U.S. was 23.9%. In Canada, the value market share of the total anti-depressant market was 7.4% by May 2020 (source: IQVIA).

Northera sales reached DKK 1,202 million in the first half of 2020, representing growth of 19% (16% in local currency).

Lundbeck's share of **Rexulti** revenue reached DKK 1,353 million with growth of 34% (31% in local currencies). In the U.S., Rexulti has achieved market shares of 2.1% and 10% by May 2020 in volume and value, respectively (source: IQVIA). In Canada, the product has reached volume share 2.4% and a value share of 3.5%. Patient data suggest that more than 3/4 of prescriptions in the U.S. are prescribed for MDD.

Vyepti was approved by the U.S. FDA on 21 February 2020 for the preventive treatment of migraine in adults. The product was made available on 6 April and reached sales of DKK 14 million. Vyepti can be obtained via selected specialty distributors and specialty pharmacies. It is still very early in the launch, and the uptake has been affected by the COVID-19 pandemic and the general decline in physician-administered medicines. Nonetheless, patients are being treated with Vyepti, and we are encouraged by the interest among both physicians/accounts that have administered Vyepti and patients enrolling in *Vyepti Connect* (access and reimbursement support program) and *Vyepti Go* (patient support program). There have also been several national and regional payers who have issued positive coverage policies.

Onfi revenue declined 53% (54% in local currency) to DKK 297 million. In October 2018, the U.S. FDA approved several versions of generic clobazam; both oral and suspension formulations.

Sabril revenue for the period was DKK 393 million, declining 15% (17% in local currency). In September 2017, the first generic vigabatrin (oral solution) was introduced, and in January 2019 the first generic tablet was approved.

Key developments in the second quarter of 2020

Revenue reached DKK 2,522 million in the second quarter of 2020, which was an increase of 5%. In general, the quarter is negatively impacted by less demand and destocking related to the COVID-19 pandemic. The strategic brands grew by 18% for the period reaching DKK 2,014 million. Revenue in North America contributed 58% of revenue (excluding Other revenue and effects from hedging) unchanged from last year.

International Markets

Revenue from International Markets, which comprise all Lundbeck's markets outside of Europe and North America, reached DKK 2,229 million in the first half of 2020, compared to DKK 2,004 million in 2019. The growth of 11% (14% in local currencies) was driven by Abilify Maintena, Brintellix and Cipralelex/Lexapro. The biggest markets are China, Japan, South Korea, Brazil and Australia. China grew by 14% in the first half and constitute close to 25% of the regional revenue. The strategic brands grew by 26% for the period ending at DKK 450 million or 20% of revenue from the region.

Revenue – International Markets

| DKK million | H1 2020 | H1 2019 | Growth | Growth in local currencies | Q2 2020 | Q2 2019 | Growth | Growth in local currencies | Q1 2020 |
|-----------------------|--------------|--------------|------------|----------------------------|------------|------------|-----------|----------------------------|--------------|
| Abilify Maintena | 108 | 80 | 34% | 37% | 47 | 38 | 19% | 25% | 61 |
| Brintellix | 310 | 257 | 21% | 28% | 132 | 134 | (1%) | 8% | 178 |
| Cipralelex/Lexapro | 1,000 | 851 | 18% | 19% | 451 | 409 | 10% | 13% | 549 |
| Rexulti | 32 | 19 | 66% | 71% | 19 | 13 | 47% | 53% | 13 |
| Other pharmaceuticals | 779 | 797 | (2%) | - | 348 | 351 | (1%) | 4% | 431 |
| Total revenue | 2,229 | 2,004 | 11% | 14% | 997 | 945 | 5% | 10% | 1,232 |

Products

Abilify Maintena reached DKK 108 million in revenue for the period representing a growth of 34% (37% in local currencies). Sales are mainly derived from Australia where Abilify Maintena shows solid momentum and has achieved a volume share of 26.0% and a value share of 25.5% by April 2020 (Source: IQVIA). Countries such as Saudi Arabia and Kuwait also had a positive impact.

Brintellix reached DKK 310 million in revenue or an increase of 21% (28% in local currencies). Brintellix realized solid growth across several markets, but the growth is also impacted by quarterly fluctuations. Brazil, South Korea, China, Turkey, Mexico, Russia and Australia are the largest markets for Brintellix in the region.

Rexulti reached DKK 32 million in the first half of 2020. The product has highest sales in Australia in the region and where it was approved for the treatment of schizophrenia in June 2017. In Australia, Rexulti has achieved an increase in market share to 1.8% and 2.7% in volume and value, respectively in May 2020 (source: IQVIA). Furthermore, Rexulti has been launched in Chile (Q2 2019), Mexico (Q1 2019), Saudi Arabia (Q4 2018) and has recently been approved in Brazil.

Cipralex/Lexapro generated revenue of DKK 1,000 million representing a growth of 18% (19% in local currencies). The revenue of the product shows solid growth in most countries in the region including Japan and China. Japan, China, South Korea, Brazil and Saudi Arabia are the largest markets for Cipralex/Lexapro in the region.

Other pharmaceuticals generated revenue of DKK 779 million which represents a slight decline of 2% (0% in local currencies).

Azilect was approved by the Chinese FDA in June 2017 and was launched in October 2017 by Lundbeck and is promoted by Lundbeck in some countries in Asia. Azilect generated revenue of DKK 54 million. **Ebixa®** generated revenue of DKK 284 million, which is unchanged from the same period last year. Azilect and Ebixa are included in Other pharmaceuticals.

Key developments in the second quarter of 2020

Revenue in the second quarter was DKK 997 million, corresponding to a growth of 5% reported but 10% in local currencies. In general, the quarter is negatively impacted by less demand and destocking related to the COVID-19 pandemic. The strategic brands grew by 6% for the period reaching DKK 198 million. Brintellix is impacted by slightly lower sales in countries such as Brazil, South Africa and Turkey. In the second quarter, International Markets constituted 23% of revenue (excluding Other revenue and effects from hedging) representing a slight increase compared to the same period in 2019.

Europe

Revenue reached DKK 1,698 million in the first half of 2020, representing a growth of 4% (4% in local currencies) compared to DKK 1,631 million last year. The strategic brands grew by 20% for the period thereby reaching DKK 984 million or 58% of total revenue. In general, Europe sees a solid underlying demand offsetting a continuous negative average price development. The mature portfolio is impacted by continued generic erosion.

Revenue – Europe

| DKK million | H1 2020 | H1 2019 | Growth | Growth in local currencies | Q2 2020 | Q2 2019 | Growth | Growth in local currencies | Q1 2019 |
|-----------------------|--------------|--------------|-----------|----------------------------|------------|------------|-------------|----------------------------|------------|
| Abilify Maintena | 545 | 474 | 15% | 15% | 265 | 238 | 11% | 12% | 280 |
| Brintellix | 431 | 345 | 25% | 25% | 199 | 178 | 11% | 12% | 232 |
| Cipralex | 258 | 286 | (10%) | (10%) | 119 | 145 | (18%) | (18%) | 139 |
| Rxulti/Rexulti | 8 | 4 | 110% | 100% | 4 | 3 | 63% | 56% | 4 |
| Other pharmaceuticals | 456 | 522 | (13%) | (13%) | 215 | 248 | (13%) | (13%) | 241 |
| Total revenue | 1,698 | 1,631 | 4% | 4% | 802 | 812 | (1%) | (1%) | 896 |

Products

Abilify Maintena has been launched across Europe and is Lundbeck's largest product in the region. Sales uptake of Abilify Maintena is solid with revenue reaching DKK 545 million. In Europe, the penetration of long-acting atypical antipsychotics is generally higher than seen in the U.S. (volume). Driven by increasing demand from patients, sales of Abilify Maintena are growing across Europe and the product in general has achieved a 25% or more market share (volume) in most markets. In some markets the product is approaching or has exceeded 30%. Abilify Maintena is the second most prescribed long acting injectable treatment for patients with schizophrenia in many markets. Spain, France and Italy are the largest European markets for Abilify Maintena.

Brintellix revenue grew 25% reaching DKK 431 million. Brintellix is Lundbeck's second largest product in Europe and realized solid growth across many markets. In main countries such as France, Italy and Spain, the product has

achieved value market shares of 10.1%, 9.5% and 8.7%, respectively by April 2020 (source: IQVIA). The volume shares are 3.2%, 3.7% and 3.0%, respectively (source: IQVIA).

Rexulti/Rxulti revenue reached DKK 8 million. The product was approved for the treatment of adults with schizophrenia in July 2018. Rexulti is expected to be launched in Italy, Spain and Czech Republic later in the year. Rexulti/Rxulti is co-marketed with Otsuka Pharmaceuticals.

Cipralex generated revenue of DKK 258 million following a decline of 10%.

Revenue from **Other pharmaceuticals** was DKK 456 million, a decline of 13% compared to 2019, following continued generic erosion of mature products and higher than usual sales in the first half of 2019 driven by quarterly fluctuations.

Key developments in the second quarter of 2020

In the second quarter, revenue declined 1% and reached DKK 802 million compared to DKK 812 million in the same period last year driven by the negative effects of destocking due to COVID-19. The strategic brands grew by 12% for the period. Europe constitutes 19% of revenue (excluding Other revenue and effects from hedging) which is unchanged from last year.

Expenses and profits

Total costs in the first half of 2020 grew by 26% to DKK 7,803 million compared to DKK 6,175 million for 2019. The increase is due to 1) increased investments especially in the company's commercial infrastructure; 2) the number of employees has increased by 385 FTEs or 7%; 3) the impairment of the foliglurax product rights and R&D restructuring costs recognized in R&D costs of DKK 792 million and DKK 77 million, respectively and 4) costs associated with the Vyepti launch. Excluding the foliglurax impairment and the R&D restructuring costs, total costs increased by approximately 12%.

Distribution of costs

| DKK million | H1 2020 | H1 2019 | Growth | Q2 2020 | Q2 2019 | Growth | Q1 2020 |
|------------------------------|--------------|--------------|------------|--------------|--------------|------------|--------------|
| Cost of sales | 1,723 | 1,640 | 5% | 918 | 815 | 12% | 805 |
| <i>COS-ratio</i> | 19.3% | 19.3% | - | 21.0% | 19.2% | - | 17.6% |
| Sales and distribution costs | 2,922 | 2,644 | 11% | 1,420 | 1,371 | 4% | 1,502 |
| <i>S&D-ratio</i> | 32.8% | 31.2% | - | 32.5% | 32.3% | - | 32.9% |
| Administrative expenses | 447 | 394 | 14% | 229 | 206 | 12% | 218 |
| <i>G&A-ratio</i> | 5.0% | 4.6% | - | 5.2% | 4.9% | - | 4.8% |
| Research & development costs | 2,711 | 1,497 | 81% | 1,040 | 749 | 39% | 1,671 |
| <i>R&D-ratio</i> | 30.3% | 17.7% | - | 23.8% | 17.6% | - | 36.6% |
| Total costs | 7,803 | 6,175 | 26% | 3,607 | 3,141 | 15% | 4,196 |

Cost of sales increased by 5%, which is in line with revenue growth, to DKK 1,723 million in the first half of 2020 and the **gross margin** is therefore unchanged at 80.7%. Cost of sales is impacted by the decline in Onfi sales that is offset by changed product mix, resulting in reduced royalty costs. Amortization of product rights was DKK 560 million for the period compared to DKK 424 million last year.

Sales and distribution costs were DKK 2,922 million, an increase of 11% compared to 2019. The increase is mainly due to investments in the commercial organisation in the U.S., China and Japan related to support the continued growth of Brintellix/Trintellix and Vyepti. Sales and distribution costs correspond to 32.8% of revenue, compared to 31.2% the year before.

Administrative expenses increased 14% to DKK 447 million, corresponding to 5.0% of total revenue.

SG&A costs for the period were DKK 3,369 million, compared to DKK 3,038 million in 2019. The SG&A ratio for the period was 37.8%, compared to 35.8% the prior year.

Research & development costs increased 81% to DKK 2,711 million for the period. The R&D ratio reached 30.3%. R&D costs are impacted by increased clinical activity for Vyepti, costs related to the impairment of foliglurax of DKK 792 million announced on 27 March 2020 and R&D restructuring costs related the changes in the R&D organization announced on 9 June 2020. Adjusted for the impairment and the restructuring costs, the R&D ratio was 20.6%.

Other operating items, net amounted to an expense of DKK 46 million for the first half of 2020 as a consequence of acquisition and integration costs related to the Alder acquisition in 2019. In the same period in 2019, other operating items, net amounted to nil.

Key developments in the second quarter of 2020

In the second quarter of 2020, total costs amounted to DKK 3,607 million, which represents growth of 15% and adjusted for the R&D restructuring costs the total costs increased 12%.

Depreciation, amortization and impairment charges

Depreciation, amortization and impairment charges, which are included in the individual expense categories, amounted to DKK 1,551 million in 2020 compared to DKK 593 million in the first six months of 2019. The increase is mainly a consequence of the impairment of foliglurax product rights of DKK 792 million. Amortization of product rights was DKK 560 million for the period compared to DKK 424 million last year. For the second quarter, the amortization of product rights reached DKK 363 million compared to DKK 214 million last year as Vyepti is now being amortized.

Depreciation, amortization and impairment charges

| DKK million | H1 2020 | H1 2019 | Growth | Q2 2020 | Q2 2019 | Growth | Q1 2020 |
|--|--------------|------------|-------------|------------|------------|------------|--------------|
| Cost of sales | 656 | 504 | 30% | 411 | 254 | 62% | 245 |
| Sales and distribution cost | 50 | 43 | 14% | 26 | 21 | 16% | 24 |
| Administrative expenses | 13 | 11 | 20% | 6 | 5 | 22% | 7 |
| Research & development costs | 832 | 35 | 2,280% | 19 | 18 | 8% | 813 |
| Total depreciation, amortization and impairment charges | 1,551 | 593 | 161% | 462 | 298 | 55% | 1,089 |

Profit from operations (EBIT and core EBIT)

Core EBIT for the first six months of 2020 declined 9% to DKK 2,483 million and the **Core EBIT margin** was 27.8%. Reported **EBIT** reached DKK 1,085 million compared to DKK 2,305 million in 2019, driven by the foliglurax impairment.

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

Net financials

Lundbeck generated **net financial items** of DKK 0 million for the first half of 2020, compared to a net financial income of DKK 4 million for the first half of 2019. In the period, Lundbeck has recognized an income of DKK 96 million in connection with the listing of its investment in Imara, Inc. in which Lundbeck had a 3% stake.

Net financial items in the first half of 2020 are broken down into financial expenses, mainly consisting of interest expenses on the loan portfolio (including interest rate swaps) and exchange losses, and financial income which mainly consists of net gains in other financial assets.

Tax

The effective tax rate for the first half of 2020 is 32.5%. The tax rate is negatively impacted by the impairment of foliglurax which is not deductible for tax purposes. However, this impact is partly offset by the positive effect of the increased R&D deduction in Denmark.

Profit and EPS for the period

Profit for the period reached DKK 733 million compared to DKK 1,686 million in 2019. The reported net profit corresponds to an **EPS** of DKK 3.69 versus an EPS of DKK 8.48 last year. **Core EPS** was DKK 10.30 for the first half of 2020, compared to a Core EPS of DKK 10.41 in 2019.

In the second quarter of 2020, **profit for the period** declined by 26% compared to last year thereby reaching DKK 582 million. **Core EPS** increased from DKK 4.93 to DKK 5.41, representing an increase of 10%.

Cash flow

Cash flows from operating activities amounted to DKK 1,595 million in the first six months of 2020 compared to DKK 850 million in 2019. The positive development follows adjustments for non-cash items and an improved working capital.

Lundbeck's **net cash flows from investing activities** was an outflow of DKK 116 million compared to an outflow of DKK 284 million in 2019. The **free cash flow** reached an inflow of DKK 1,479 million for 2020 compared to an inflow of DKK 566 million for 2019.

In 2020, the **net cash flow** reached DKK 252 million compared to an outflow of DKK 1,864 million for 2019. The net cash flow is impacted by dividend payout of DKK 815 million which was approved at the Annual General Meeting in March 2020.

Net debt has decreased from DKK 6,566 million at year-end 2019 to DKK 5,991 million at the end of the first six months of 2020. **Interest bearing debt** was DKK 9,232 million at the end of the period.

Balance sheet

At 30 June 2020, Lundbeck's **total assets** amounted to DKK 35,090 million compared to DKK 35,757 million at the end of 2019 mainly following a decline in **intangible assets** due to amortizations and the impairment of foliglurax.

At 30 June 2020, Lundbeck's **equity** amounted to DKK 14,492 million, corresponding to an **equity ratio** of 41.3% compared to 40.7% at the end of 2019.

Lundbeck's development portfolio

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

| Project | Area | Phase I | Phase II | Phase III | Filing |
|---|----------------------------------|---------|----------|-----------|---------|
| Eptinezumab (anti CGRP-mAb) | Migraine prevention | | | | Ex-U.S. |
| Brexpiprazole ¹⁾ | Agitation in Alzheimer's disease | | | | |
| Brexpiprazole ¹⁾ | PTSD | | | | |
| Brexpiprazole ¹⁾ | Borderline personality disorder | | | | |
| Aripiprazole 2-months injectable | Schizophrenia/bipolar I disorder | | | | |
| Lu AF82422 (alpha-synuclein mAb) | Synucleinopathies | | | | |
| Lu AF28996 (D ₁ /D ₂ agonist) | Parkinson's disease | | | | |
| Lu AG06466 (MAGLi) ²⁾ | Neurology/psychiatry | | | | |
| Lu AF88434 (PDE1B inhibitor) | Cognitive dysfunction | | | | |
| Lu AF87908 (Tau mAb) | Tauopathies | | | | |
| Lu AG09222 (PACAP mAb) ³⁾ | Migraine | | | | |
| Lu AG06479 (MAGLi) ²⁾ | Neurology/psychiatry | | | | |

1) Acts as a partial agonist at 5-HT_{1A} and dopamine D₂ receptors at similar potency, and an antagonist at 5-HT_{2A} and noradrenaline alpha_{1B/2C} receptors.
2) MAGLi: Monoacylglycerol lipase inhibitor ("MAGlipase").
3) PACAP: inhibits pituitary adenylate cyclase-activating polypeptide

Eptinezumab – approved by FDA on 21 February 2020

Lundbeck announced in February 2020, that Vyepti (eptinezumab-ijmr) was approved by the U.S. Food and Drug Administration (FDA) for the preventive treatment of frequent episodic and chronic migraine in adults. The recommended dose is 100 mg every 3 months; some patients may benefit from a dose of 300 mg. Vyepti is the first FDA-approved intravenous (IV) treatment for migraine prevention.

Vyepti is a monoclonal antibody (mAb) that is administered as a quarterly 30-minute IV infusion. Eptinezumab provides immediate and complete bioavailability and binds to calcitonin gene-related peptide (CGRP), a neuropeptide believed to play a key role in mediating and initiating migraines, with high specificity and potency.

In November 2019, Lundbeck initiated the *RELIEF* study (NCT04152083). The purpose of this study is to assess the efficacy of eptinezumab during an acute migraine attack, defined as an active intercurrent migraine occurring in those patients who are candidates for preventive therapy. Subjects is randomized to receive a single dose of eptinezumab or placebo in a 1:1 ratio (n = 485). The study has finalized recruiting.

In June 2020, Lundbeck initiated the *DELIVER* study (NCT04418765). The purpose of this study is to evaluate eptinezumab in the prevention of migraine in patients with unsuccessful prior preventive treatments. The patient must have documented evidence of treatment failure (must be supported by medical record or by physician's confirmation specific to each treatment) in the past 10 years of 2-4 different migraine preventive medications and have a history of either previous or active use of triptans for migraine. The total study duration from the screening visit to the completion visit is approximately 76 weeks and includes a screening period (28-30 days), a placebo-controlled treatment period (24 weeks) and a treatment extension period (48 weeks). The patient will start treatment at the baseline visit and follow a 12-week dosing schedule with either eptinezumab (100 or 300 mg) or placebo by intravenous (IV) infusion. Patients who were assigned to placebo in the placebo-controlled treatment period, will be randomly allocated to one of two treatment groups: eptinezumab 300 mg or eptinezumab 100 mg (n = 840).

Brexpiprazole – phase III in Alzheimer’s agitation commenced in 2013

Lundbeck and Otsuka Pharmaceutical initiated a third clinical phase III study (NCT03548584) of brexpiprazole in the treatment of agitation in patients with dementia of the Alzheimer's type in June 2018. Results from the two completed trials were announced in May 2017 and presented in poster sessions at the American Association for Geriatric Psychiatry annual meeting in March 2018.

Brexpiprazole – phase III in PTSD commenced in October 2019

Lundbeck and Otsuka have initiated a pivotal phase III programme (n = ~577) investigating the use of brexpiprazole in combination with sertraline in the treatment of PTSD (NCT04124614) subsequent to an *End of Phase II* meeting with the US Food and Drug Administration (FDA) in May 2019.

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

Lundbeck and Otsuka reported positive phase II data for the combination treatment of brexpiprazole and sertraline for the treatment of PTSD in November 2018.

Brexpiprazole – phase II for borderline personality disorder commenced in October 2019

Lundbeck and Otsuka have initiated a proof-of-concept study (n = ~240) investigating the use of brexpiprazole in the treatment of borderline personality disorder (BPD) subsequent to Type B meeting with the FDA in May 2019 (NCT04100096). BPD is characterized by a pervasive pattern of instability in affect regulation, impulse control, interpersonal relationships, and self-image. The clinical signs of the disorder include emotional dysregulation, impulsive aggression, repeated self-injury, and chronic suicidal tendencies, which make these patients frequent users of mental health resources. There is no medication approved for BPD. In October 2019, FDA has designated as a *Fast Track* development program the investigation of brexpiprazole for borderline personality disorder.

Lu AF88434 – phase I commenced in August 2019

Lu AF88434 is an inhibitor of the phosphodiesterase type 1 (subtype specific for PDE1B) enzyme that is naturally present in the human brain where it plays an important role in the communication between brain cells. Inhibiting the enzyme increases the presence of a chemical messenger within the cells that improves the communication, in turn improving cognitive function. The phase I-study (n = ~66) is designed to provide information about safety and tolerability, general pharmacokinetic characteristics and to identify maximum tolerated dose (NCT04082325).

Lu AF87908 – phase I commenced in September 2019

Lu AF87908 is a monoclonal antibody (mAb) targeting the pathological form of the protein tau that is believed to play a pivotal role in the development and progression of Alzheimer's disease and other neurodegenerative disorders. By targeting pathological tau with an antibody that will inhibit aggregation and potentially clear pathological tau from the brain, the project aims to demonstrate delay of disease progression with a therapeutic effect on disease burden and function. The ability to offer a treatment that will change the course of the disease will offer a fundamental improvement compared to currently available symptomatic treatments. The purpose of this study (n = ~100) is to investigate the safety of a single dose of Lu AF87908, how well it is tolerated and what the body does to the drug in healthy subjects and patients with Alzheimer's Disease (NCT04149860).

Lu AG09222 (former ALD 1910) – phase I commenced in October 2019

Lu AG09222 is a monoclonal antibody (mAb) designed to inhibit pituitary adenylate cyclase-activating polypeptide (PACAP) for migraine prevention. PACAP has emerged as an important signalling molecule in the pathophysiology of migraine and represents an attractive novel target for treating migraine. Lu AG09222 may hold potential as a migraine prevention treatment for those who have an inadequate response to other therapies and could provide another mechanism-specific therapeutic option for migraine patients and their physicians. The phase I double-blind, placebo-controlled study of Lu AG09222 will enrol approximately 100 healthy men and women between the ages of 18 and 55 and will assess the safety, tolerability and pharmacokinetic profile of Lu AG09222 at various doses (NCT04197349).

Lu AF82422 – phase I commenced in July 2018

Lu AF82422 is a monoclonal antibody (mAb) targeting the pathological form of the protein alpha-synuclein that is believed to play a pivotal role in the development and progression of e.g. multiple system atrophy (MSA) and Parkinson's disease and other neurodegenerative disorders. By targeting pathological alpha-synuclein with an antibody that will inhibit aggregation and potentially clear pathological alpha-synuclein from the brain, the project aims to demonstrate delay of disease progression with a therapeutic effect on disease burden and function. The ability to offer a treatment that will change the course of the disease will offer a fundamental improvement compared to currently available symptomatic treatments. The purpose of this study (n = ~100) is to investigate the safety of a single dose of Lu AF82422, how well it is tolerated and what the body does to the drug in healthy subjects and patients with Parkinson's disease (NCT03611569).

Lu AG06479 (former ABX1762) – phase I commenced in July 2020

Lu AG06479 is an inhibitor of the monoacylglycerol lipase (MAGL) and selective modulator of the endocannabinoid system, and thereby works to reduce excessive neurotransmission and neuroinflammation that are known pathophysiological hallmarks for a range of psychiatric and neurological disorders. The purpose of this study (n = ~66) is to investigate the safety, tolerability and pharmacokinetic of Lu AG06479 after single dose administration to healthy volunteers (NCT04473651).

Closed studies

In August 2020, Lundbeck announced the decision to discontinue the phase II proof of concept clinical study of **Lu AF11167** (PDE10 inhibitor) in patients with schizophrenia, who were experiencing persistent negative symptoms. The decision to stop the trial was based on the results of a futility interim analysis, which concluded that the trial is unlikely to achieve statistical significance on its primary endpoint. The recommendation to stop the trial was not based on safety concerns.

In March 2020, Lundbeck announced that the phase IIa study (*AMBLEMED*) of its novel selective positive allosteric modulator of the glutamate 4 receptor (mGlu4 PAM), **foliglurax**, for the treatment of Parkinson's disease did not meet the primary study endpoint. There was no statistically significant difference in change from baseline in OFF time versus placebo after a 4-week treatment period. The difference in change from baseline versus placebo was 0.27h and 0.44h for the 10 and 30 mg doses (twice daily) respectively, as assessed by the Hauser diary. Neither of the foliglurax doses separated from placebo on dyskinesia (secondary endpoint). The study showed an acceptable clinical safety and tolerability profile in patients with Parkinson's disease. The development programme of foliglurax has been terminated.

In March 2020, Lundbeck announced clinical results of a phase IIa investigational study with **Lu AG06466** for the treatment of adult patients with Tourette Syndrome (TS). The randomized, double blind, placebo controlled and with individual dose titration clinical trial enrolled 48 patients at multiple sites in Europe. In this study the primary endpoint, Yale Global Tic Severity Scale (YGTSS-TTS) was not statistically significant in favoring Lu AG06466 compared to

placebo after 28 and 56 days of treatment. The study did not show any adverse events that prohibit development in other indications.

Lu AG06466 is an inhibitor of the monoacylglycerol lipase (MAGL) and selective modulator of the endocannabinoid system, and thereby works to reduce excessive neurotransmission and neuroinflammation that are known pathophysiological hallmarks for a range of psychiatric and neurological disorders.

Following the terminated programme in TS, Lundbeck has no additional milestone obligations related to this project. Lundbeck is planning investigational studies in other indications in neurology and psychiatry both with Lu AG06466 and with additional compounds generated by Lundbeck La Jolla Research Center.

In April 2020, Lundbeck stopped the phase I study of **Lu AF95245** (NCT04199585) as the drug did not have the desired pharmacokinetic profile and that safety margins were unfavourable.

Sustainability update

Lundbeck's Executive Management has in its latest quarterly review evaluated the sound progress made on achieving Lundbeck's Sustainability targets for 2020. In addition to the directed efforts, we are responsible and act with agility in line with our longstanding commitment to serve societal needs where we can make a difference. The following examples illustrate the depth of our commitment and how we seek partnerships to help increase the overall impact.

We are proud to contribute to the AMR Action Fund aimed to address the silent health crisis that is the rise of superbugs resistant to antibiotics. We are hopeful that the fund will help bring two to four new antibiotics to patients by the end of the decade, which would combat the antibiotic-resistance that kills more than 700,000 people each year. Even if Lundbeck is specialized in brain disorders and as such not involved in antibiotics research today, we feel an obligation to participate in relevant partnerships aiming to address health issues.

Lundbeck is dedicated to finding a validated method to diagnose Parkinson's disease. Today, there is no single test that can diagnose Parkinson's disease. A method based on a biomarker can potentially lead to earlier diagnosis of patients and better outcomes for people living with Parkinson's disease. In March, Lundbeck received a grant from The Michael J. Fox Foundation for Parkinson's Research (MJFF) to fund this important research.

Lundbeck is committed to achieving zero-carbon economy and setting science-based targets. In May, Lundbeck's CEO together with more than 150 global corporations and backed by global NGOs encouraged governments around the world to align their COVID-19 economic aid and recovery efforts with ambitious climate action. This initiative amplifies our participation in the global movement "Business Ambition for 1.5°C" of companies aligning their business actions with the Paris Agreement.

Lundbeck's actions to reduce energy consumption and CO₂ emission by optimizing our facilities and replacing conventional fuel with bio-fuels will in the coming months be extended to include emissions from our entire value chain. These Scope 3 emissions represent most of our total climatic impact and derive from the supply of goods and services we need, distribution of our products, travel and waste treatment. With support from experienced advisors Lundbeck will define initiatives and in collaboration with our strategic business partners drive our business model towards a zero emissions future.

You can read our most recent sustainability report on <https://www.lundbeck.com/global/sustainability>.

| Category | H1 2020 | H1 2019 | Change (%) |
|---|---------|---------|------------|
| Energy (MWh)* | 49,857 | 48,535 | 3% |
| CO ₂ (tonnes)* | 8,164 | 8,539 | (4%) |
| Work related accidents with absence (accidents per 1 mill working hours)* | 5.4 | 6.1 | (11%) |
| Number of employees (FTE) | 5,843 | 5,458 | 7% |

* This data only covers our headquarters and larger affiliates with research, development and manufacturing activities.

General corporate matters

Pending legal proceedings and regulatory

The Group is involved in a number of legal proceedings, including patent disputes, the most significant of which are described below. The outcome of these proceedings will not have a material impact on the Group's financial position or cash flows beyond the amount already provided for in the financial statements, or it is too uncertain to make a reliable provision. Such proceedings will, however, develop over time, and new proceedings may occur which could have a material impact on the Group's financial position and/or cash flows.

In June 2013, Lundbeck received the European Commission's decision that the company's agreements concluded with four generic competitors concerning citalopram violated competition law. The decision included fining Lundbeck EUR 93.8 million (approximately DKK 700 million). In September 2016, Lundbeck announced that the General Court of the European Union had delivered its judgment concerning Lundbeck's appeal against the European Commission's 2013 decision. Lundbeck's appeal was rejected by the General Court. Lundbeck has appealed the judgment to the European Court of Justice. Lundbeck paid and expensed the fine in the third quarter of 2013. An oral hearing was conducted by the European Court of Justice in January 2019. The Advocate General delivered her opinion to the European Court of Justice on 4 June 2020. In the opinion, the Advocate General proposes that the European Court of Justice should uphold the fine of EUR 93.8 million imposed on Lundbeck. A final judgment is expected during 2020. So-called "follow-on claims" for reimbursement of alleged losses, resulting from alleged violation of competition law, often arise when decisions and fines issued by the European Commission are upheld by the European Court of Justice. Health authorities in the UK and the Netherlands have taken formal protective steps against Lundbeck with the principal purpose of preventing potential claims from being time-barred under the applicable statutes of limitation. Lundbeck expects no further material development in these matters until after the European Court of Justice has issued its final judgment.

In Canada, Lundbeck and its subsidiary Lundbeck Canada Inc. are involved in three product liability class-action lawsuits relating to CipraleX/Celexa® (two cases alleging various Celexa-induced birth defects and one case against several SSRI manufacturers (incl. Lundbeck) alleging that SSRI (Celexa/Lexapro) induces autism birth defect); three relating to Abilify Maintena (alleging i.a. failure to warn about compulsive behaviour side effects), and one relating to Rexulti (also alleging i.a. failure to warn about compulsive behaviour side effects). The cases are in the preliminary stages and as such there is significant uncertainty as to how these lawsuits will be resolved. Lundbeck strongly disagrees with the claims raised.

In 2018, the Group entered into settlements with three of the four generic companies involved in an Australian federal court case, in which Lundbeck was pursuing patent infringement and damages claims over the sale of escitalopram products in Australia. Lundbeck received AUD 51.7 million (DKK 242 million) in 2018. In Lundbeck's case against the final generic company, Sandoz Pty Ltd, the Federal Court found that Sandoz Pty Ltd had infringed Lundbeck's escitalopram patent between 2009 and 2012 and awarded Lundbeck AUD 26.3 million in damages.

Sandoz' appeal of the decision was heard on 8-10 May 2019 and the Full Federal Court has on 4 August 2020 allowed Sandoz' Appeal and decided that Sandoz is not liable for damages. Lundbeck may seek special leave to appeal the decision to the High Court.

Together with Takeda, Lundbeck has instituted patent infringement proceedings against 16 generic companies that have applied for marketing authorization for generic versions of Trintellix in the U.S. Two opponents have now withdrawn and Lundbeck has now settled with four opponents. The cases against the remaining 10 opponents continue. Decisions are expected shortly before the end of March 2021. Lundbeck has strong confidence in its vortioxetine patents. The FDA cannot grant marketing authorization to the generic companies unless they receive a decision in their favour. The compound patent, including patent term extensions, will expire in the U.S. on 17 December 2026. Lundbeck has other patents relating to vortioxetine with expiry in the period until 2032.

Together with Otsuka, Lundbeck has instituted patent infringement proceedings against several generic companies that have applied for marketing authorization for generic versions of Rexulti in the U.S. Lundbeck has strong confidence in the Rexulti patents. The FDA cannot grant marketing authorization in the U.S. to the generic companies before the patents expire unless the generic companies receive decisions in their favour.

In February 2019, Alder BioPharmaceuticals, Inc. (now a wholly owned subsidiary of Lundbeck LLC and since renamed Lundbeck Seattle BioPharmaceuticals, Inc.) terminated a Development and Manufacturing Services Agreement (DMSA) with Lonza Ltd. (Lonza), based on material breaches of that agreement by Lonza. In April 2019, Lonza filed a claim for arbitration with the American Arbitration Association (AAA), asserting claims for breach of contract and declaratory judgment arising from the termination. Lonza disputed the material breaches asserted by Alder, denying that Alder is entitled to terminate the DMSA without further payment, and is seeking monetary damages representing Lonza's calculation of the fee due upon termination for convenience. In May 2019, Alder filed an answer to Lonza's claim with the AAA, in which Alder disputed Lonza's claims and asserted counterclaims arising from Lonza's breach of the DMSA. In June 2019, Lonza filed its reply to the counterclaims. The date of the arbitration hearing, previously scheduled for September 2020, is currently set for April 2021.

Lundbeck received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") on 9 March 2020. The CID seeks information regarding the sales, marketing, and promotion of Trintellix. Lundbeck is cooperating with the DOJ.

In 2015 Lundbeck recognized an impairment of the Rexulti product rights. Lundbeck is periodically re-assessing the basis for this impairment. The Danish Business Authority (Erhvervsstyrelsen) has recently requested a new impairment assessment for 2017. Currently it is not possible to conclude on the outcome of the discussion.

Conference call

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

MANAGEMENT STATEMENT

The Board of Directors and the registered Executive Management have discussed and adopted the interim report of H. Lundbeck A/S for the period 1 January - 30 June 2020. The interim report is presented in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report gives a true and fair view of the Group's assets, liabilities and financial position as of 30 June 2020, and of the results of the Group's operations and cash flows for the period, which ended on 30 June 2020.

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 relative to the disclosures in the Annual Report 2019.

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

Valby, 13 August 2020

Registered Executive Management

Deborah Dunsire
President and CEO

Lars Bang
Executive Vice President,
Product Development & Supply

Anders Götzsche
Executive Vice President,
CFO

Per Johan Luthman
Executive Vice President,
R&D

Jacob Tolstrup
Executive Vice President,
Commercial Operations

Board of Directors

Lars Søren Rasmussen
Chairman of the Board

Lene Skole-Sørensen
Deputy Chairman of the Board

Henrik Andersen

Jeffrey Berkowitz

Lars Erik Holmqvist

Jeremy Max Levin

Rikke Kruse Andreasen
Employee representative

Henrik Sindal Jensen
Employee representative

Ludovic Tranholm Otterbein
Employee representative

FINANCIAL STATEMENTS

Income statement

| DKK million | H1 2020 | H1 2019 | Q2 2020 | Q2 2019 | FY 2019 |
|--|--------------|--------------|--------------|--------------|---------------|
| Revenue | 8,934 | 8,480 | 4,370 | 4,246 | 17,036 |
| Cost of sales | 1,723 | 1,640 | 918 | 815 | 3,385 |
| Gross profit | 7,211 | 6,840 | 3,452 | 3,431 | 13,651 |
| Sales and distribution costs | 2,922 | 2,644 | 1,420 | 1,371 | 5,514 |
| Administrative expenses | 447 | 394 | 229 | 206 | 899 |
| Research and development costs | 2,711 | 1,497 | 1,040 | 749 | 3,116 |
| Other operating items, net | (46) | - | (16) | - | (514) |
| Profit from operations (EBIT) | 1,085 | 2,305 | 747 | 1,105 | 3,608 |
| Net financials | - | 4 | 97 | (27) | (127) |
| Profit before tax | 1,085 | 2,309 | 844 | 1,078 | 3,481 |
| Tax on profit for the period | 352 | 623 | 262 | 290 | 814 |
| Profit for the period | 733 | 1,686 | 582 | 788 | 2,667 |
| Earnings per share, basic (EPS) (DKK) | 3.69 | 8.48 | 2.93 | 3.96 | 13.42 |
| Earnings per share, diluted (DEPS) (DKK) | 3.69 | 8.48 | 2.93 | 3.96 | 13.42 |

Statement of comprehensive income

| DKK million | H1 2020 | H1 2019 | Q2 2020 | Q2 2019 | FY 2019 |
|--|------------|--------------|--------------|-------------|--------------|
| Profit for the period | 733 | 1,686 | 582 | 788 | 2,667 |
| Actuarial gains/losses | - | - | - | - | (61) |
| Tax | - | - | - | - | 6 |
| Items that will not be reclassified subsequently to profit or loss | - | - | - | - | (55) |
| Exchange rate gains/losses on investments in foreign subsidiaries | (101) | 30 | (293) | (111) | 135 |
| Exchange rate gains/losses on additions to net investments in foreign subsidiaries | 135 | (42) | (2) | 50 | (136) |
| Hedging of net investments in foreign subsidiaries | (11) | - | 120 | - | 62 |
| Deferred exchange gains/losses, hedging | 58 | (140) | 53 | 40 | (337) |
| Deferred fair value of interest rate swaps | (131) | - | (9) | - | 8 |
| Exchange gains/losses, hedging (transferred to the hedged items) | 118 | 76 | 30 | 28 | 305 |
| Tax | (37) | 23 | (42) | (27) | 22 |
| Items that may be reclassified subsequently to profit or loss | 31 | (53) | (143) | (20) | 59 |
| Other comprehensive income | 31 | (53) | (143) | (20) | 4 |
| Comprehensive income | 764 | 1,633 | 439 | 768 | 2,671 |

Balance sheet

| DKK million | 30.06.2020 | 30.06.2019 | 31.12.2019 |
|--------------------------------------|---------------|---------------|---------------|
| Assets | | | |
| Intangible assets | 21,955 | 9,870 | 23,399 |
| Property, plant and equipment | 2,637 | 2,450 | 2,674 |
| Financial assets | 1,090 | 1,184 | 646 |
| Non-current assets | 25,682 | 13,504 | 26,719 |
| Inventories | 2,433 | 1,764 | 2,204 |
| Receivables | 3,734 | 3,533 | 3,822 |
| Securities | - | 1,538 | 4 |
| Cash and bank balances | 3,241 | 1,743 | 3,008 |
| Current assets | 9,408 | 8,578 | 9,038 |
| Assets | 35,090 | 22,082 | 35,757 |
| Equity and liabilities | | | |
| Share capital | 996 | 996 | 996 |
| Foreign currency translation reserve | 878 | 801 | 882 |
| Hedging reserve | (40) | (106) | (75) |
| Retained earnings | 12,658 | 11,807 | 12,751 |
| Equity | 14,492 | 13,498 | 14,554 |
| Provisions | 2,147 | 1,308 | 2,237 |
| Debt | 10,389 | 493 | 8,686 |
| Non-current liabilities | 12,536 | 1,801 | 10,923 |
| Provisions | 779 | 344 | 1,008 |
| Debt | 76 | 158 | 2,175 |
| Trade payables | 3,592 | 3,621 | 3,933 |
| Other payables | 3,615 | 2,660 | 3,164 |
| Current liabilities | 8,062 | 6,783 | 10,280 |
| Liabilities | 20,598 | 8,584 | 21,203 |
| Equity and liabilities | 35,090 | 22,082 | 35,757 |

Statement of changes in equity

| DKK million | Share capital | Foreign currency translation reserve | Hedging reserve | Retained earnings | Equity |
|---|---------------|---|--------------------|----------------------|----------------|
| Equity at 1 January 2020 | 996 | 882 | (75) | 12,751 | 14,554 |
| Profit for the period | - | - | - | 733 | 733 |
| Other comprehensive income | - | (4) | 35 | - | 31 |
| Comprehensive income | - | (4) | 35 | 733 | 764 |
| Distributed dividends, gross | - | - | - | (816) | (816) |
| Dividends received, treasury shares | - | - | - | 1 | 1 |
| Capital increase through exercise of warrants | - | - | - | 1 | 1 |
| Buyback of treasury shares | - | - | - | (29) | (29) |
| Incentive programmes | - | - | - | 16 | 16 |
| Tax on other transactions in equity | - | - | - | 1 | 1 |
| Other transactions | - | - | - | (826) | (826) |
| Equity at 30 June 2020 | 996 | 878 | (40) | 12,658 | 14,492 |
| DKK million | Share capital | Foreign currency translation reserve | Hedging reserve | Retained earnings | Equity |
| Equity at 1 January 2019 | 996 | 804 | (56) | 12,507 | 14,251 |
| Profit for the period | - | - | - | 1,686 | 1,686 |
| Other comprehensive income | - | (3) | (50) | - | (53) |
| Comprehensive income | - | (3) | (50) | 1,686 | 1,633 |
| Distribution of dividends, gross | - | - | - | (2,389) | (2,389) |
| Dividends received, treasury shares | - | - | - | 5 | 5 |
| Capital increase through exercise of warrants | - | - | - | 4 | 4 |
| Buyback of treasury shares | - | - | - | (20) | (20) |
| Incentive programmes | - | - | - | 15 | 15 |
| Tax on other transactions in equity | - | - | - | (1) | (1) |
| Other transactions | - | - | - | (2,386) | (2,386) |
| Equity at 30 June 2019 | 996 | 801 | (106) | 11,807 | 13,498 |

Cash flow statement

| DKK million | H1 2020 | H1 2019 | Q2 2020 | Q2 2019 | FY 2019 |
|--|----------------|----------------|----------------|--------------|----------------|
| Profit from operations (EBIT) | 1,085 | 2,305 | 747 | 1,105 | 3,608 |
| Adjustments for non-cash items | 1,306 | 335 | 313 | 82 | 1,075 |
| Change in working capital | (545) | (1,309) | 457 | (749) | (1,394) |
| Cash flows from operations before financial receipts and payments | 1,846 | 1,331 | 1,517 | 438 | 3,289 |
| Financial receipts and payments | (131) | 22 | (57) | 4 | (10) |
| Cash flows from ordinary activities | 1,715 | 1,353 | 1,460 | 442 | 3,279 |
| Income taxes paid | (120) | (503) | (53) | (429) | (670) |
| Cash flows from operating activities | 1,595 | 850 | 1,407 | 13 | 2,609 |
| Acquisition of businesses* | - | (1,649) | - | (1,649) | (10,496) |
| Purchase and sale of securities and other financial assets | 23 | 1,504 | 23 | 1,513 | 3,181 |
| Purchase and sale of intangible assets and property, plant and equipment | (139) | (139) | (71) | (85) | (440) |
| Cash flows from investing activities | (116) | (284) | (48) | (221) | (7,755) |
| Cash flows from operating and investing activities (free cash flow) | 1,479 | 566 | 1,359 | (208) | (5,146) |
| Loan proceeds | - | - | - | - | 11,095 |
| Repayment of bank loans and borrowings | (341) | - | (341) | - | (4,080) |
| Capital increase through exercise of warrants | 1 | 4 | - | 3 | 4 |
| Dividends paid in the financial year, net | (815) | (2,384) | - | - | (2,384) |
| Other financing activities | (72) | (50) | (50) | (15) | (87) |
| Cash flows from financing activities | (1,227) | (2,430) | (391) | (12) | 4,548 |
| Net cash flow for the period | 252 | (1,864) | 968 | (220) | (598) |
| Cash and bank balances at beginning of period | 3,008 | 3,605 | 2,283 | 1,967 | 3,605 |
| Unrealized exchange gains/losses on cash and bank balances | (19) | 2 | (10) | (4) | 1 |
| Net cash flow for the period | 252 | (1,864) | 968 | (220) | (598) |
| Cash and bank balances at end of period | 3,241 | 1,743 | 3,241 | 1,743 | 3,008 |
| Interest-bearing debt, cash, bank balances and securities, net, is composed as follows: | | | | | |
| Cash and bank balances | 3,241 | 1,743 | 3,241 | 1,743 | 3,008 |
| Securities | - | 1,538 | - | 1,538 | 4 |
| Interest-bearing debt | (9,232) | (461) | (9,232) | (461) | (9,578) |
| Net cash/(net debt) | (5,991) | 2,820 | (5,991) | 2,820 | (6,566) |

*) Lundbeck acquired Abide Therapeutics, Inc. in Q2 2019 and Alder BioPharmaceuticals, Inc. in Q4 2019. Both acquisitions are considered business combinations in accordance with IFRS 3 *Business combinations*.

Income statement – Core results reconciliation (H1)**H1 2020**

| DKK million | Reported result | Amortization of product rights | Impairment | Major restructuring | Acquisition and integration costs | Legal fees and settlements | Divestments / sales milestones | Core result |
|--------------------------------------|-----------------|--------------------------------|------------|---------------------|-----------------------------------|----------------------------|--------------------------------|--------------|
| Revenue | 8,934 | - | - | - | - | - | - | 8,934 |
| Cost of sales | 1,723 | (560) | - | - | - | - | - | 1,163 |
| Gross profit | 7,211 | 560 | - | - | - | - | - | 7,771 |
| Sales and distribution costs | 2,922 | - | - | - | - | - | - | 2,922 |
| Administrative expenses | 447 | - | - | - | - | - | - | 447 |
| Research and development costs | 2,711 | - | (792) | - | - | - | - | 1,919 |
| Other operating items, net | (46) | - | - | - | 46 | - | - | - |
| Profit from operations (EBIT) | 1,085 | 560 | 792 | - | 46 | - | - | 2,483 |
| Net financials | - | - | - | - | - | - | - | - |
| Profit before tax | 1,085 | 560 | 792 | - | 46 | - | - | 2,483 |
| Tax on profit for the period | 352 | 72 | - | - | 11 | - | - | 435 |
| Profit for the period | 733 | 488 | 792 | - | 35 | - | - | 2,048 |
| Earnings per share, basic (EPS) | 3.69 | 2.46 | 3.98 | - | 0.17 | - | - | 10.30 |

H1 2019

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

Income statement – Core results reconciliation (Q2)**Q2 2020**

| DKK million | Reported result | Amortization of product rights | Impairment | Major restructuring | Acquisition and integration costs | Legal fees and settlements | Divestments / sales milestones | Core result |
|--------------------------------------|-----------------|--------------------------------|------------|---------------------|-----------------------------------|----------------------------|--------------------------------|--------------|
| Revenue | 4,370 | - | - | - | - | - | - | 4,370 |
| Cost of sales | 918 | (363) | - | - | - | - | - | 555 |
| Gross profit | 3,452 | 363 | - | - | - | - | - | 3,815 |
| Sales and distribution costs | 1,420 | - | - | - | - | - | - | 1,420 |
| Administrative expenses | 229 | - | - | - | - | - | - | 229 |
| Research and development costs | 1,040 | - | - | - | - | - | - | 1,040 |
| Other operating items, net | (16) | - | - | - | 16 | - | - | - |
| Profit from operations (EBIT) | 747 | 363 | - | - | 16 | - | - | 1,126 |
| Net financials | 97 | - | - | - | - | - | - | 97 |
| Profit before tax | 844 | 363 | - | - | 16 | - | - | 1,223 |
| Tax on profit for the period | 262 | 56 | (174) | - | 4 | - | - | 148 |
| Profit for the period | 582 | 307 | 174 | - | 12 | - | - | 1,075 |
| Earnings per share, basic (EPS) | 2.93 | 1.54 | 0.87 | - | 0.06 | - | - | 5.41 |

Q2 2019

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

Notes

Note 1: Accounting policies

Lundbeck's accounting policies and methods of computation are unchanged and explained in detail in the 2019 Annual Report published 6 February 2020. A number of new or amended standards came into effect from 1 January 2020. None of the amendments have a material impact on the accounting policies and/or on the consolidated financial statements.

Note 2: Business combinations

In the first quarter of 2020, Lundbeck changed the initial purchase price allocation relating to the acquisition of Lundbeck Seattle BioPharmaceuticals, Inc. (previously named Alder BioPharmaceuticals, Inc.) due to prepayments to a supplier expensed prior to the acquisition date. This has resulted in a decrease in goodwill and an increase in prepayments of DKK 164 million. The total consolidated carrying amount of goodwill was DKK 5,117 million at 30 June 2020 (DKK 5,278 million at 31 December 2019).

Note 3: Fair value measurement

| Financial assets and financial liabilities measured or disclosed at fair value | Level 1 (DKKm) | Level 2 (DKKm) | Level 3 (DKKm) |
|--|-------------------|-------------------|-------------------|
| 2020: | | | |
| Financial assets | | | |
| Other financial assets ¹ | 127 | - | 40 |
| Derivatives ¹ | - | 231 | - |
| Total | 127 | 231 | 40 |
| Financial liabilities | | | |
| Contingent consideration ¹ | - | - | 1,173 |
| Derivatives ¹ | - | 247 | - |
| Total | - | 247 | 1,173 |
| 2019: | | | |
| Financial assets | | | |
| Securities ¹ | 1,538 | - | - |
| Other financial assets ¹ | 11 | - | 36 |
| Derivatives ¹ | - | 18 | - |
| Total | 1,549 | 18 | 36 |
| Financial liabilities | | | |
| Contingent consideration ¹ | - | - | 135 |
| Derivatives ¹ | - | 153 | - |
| Total | - | 153 | 135 |

1) Measured at fair value.

The fair value of securities is based on publicly quoted prices of the invested assets. The fair value of derivatives is calculated by applying recognized measurement techniques, whereby assumptions are based on the market conditions prevailing at the balance sheet date. The fair value of contingent consideration is calculated as the discounted cash outflows (DCF method) from future milestone payments, taking probability of success into consideration. The fair value adjustment of contingent consideration amounts to a net gain of DKK 53 million and is the result of changes in the time value of money and the milestone relating to the phase IIa study results of Lu AG06466 not being met. Total contingent consideration amounted to DKK 1,173 million at 30 June 2020 (DKK 1,224 million at 31 December 2019). Besides the fair value adjustment, the only change in contingent consideration is exchange rate adjustments of DKK 2 million.

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

Note 4: EBITDA calculation

| DKK million | H1 2020 | H1 2019 | Q2 2020 | Q2 2019 |
|---|---------|---------|---------|---------|
| EBIT | 1,085 | 2,305 | 747 | 1,105 |
| + Depreciation, amortization and impairment charges | 1,551 | 593 | 462 | 298 |
| = EBITDA | 2,636 | 2,898 | 1,209 | 1,403 |

Note 5: Events after the balance sheet date

5 August 2020: Lundbeck announced the decision to discontinue the phase II proof of concept clinical study of Lu AF11167 in patients with schizophrenia, who were experiencing persistent negative symptoms. The decision to stop the trial was based on the results of a futility interim analysis, which concluded that the trial is unlikely to achieve statistical significance on its primary endpoint. The recommendation to stop the trial was not based on safety concerns.

Note 6: Core reporting

As a general rule, Lundbeck adjusts for amortization of product rights and for each non-recurring item that Management deems exceptional and which accumulates or is expected to accumulate to an amount exceeding a DKK 100 million threshold. 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 of product rights

Impairment of intangible assets and property, plant and equipment

Major restructuring costs

Acquisition and integration costs, including:

- Accounting adjustments relating to the consolidation of material acquisitions and disposals of associates, products and businesses
- Costs associated with the integration of newly acquired companies
- Retention costs
- Transaction costs

Legal fees and settlements, including:

- Legal costs (external), charges (net of insurance recoveries) and expenses related to settlement of litigations, government investigations and other disputes
- Income from settlements of litigations and other disputes

Divestments/milestones, including:

- Income/expenses from discontinued operations
- Gains/losses on divestments of assets
- Received or expensed upfront sales and development milestones

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

Financial calendar 2020

3 November 2020: Financial statements for the first nine months of 2020

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About Lundbeck

H. Lundbeck A/S (LUN.CO, LUN DC, HLUYY) is a global pharmaceutical company specialized in brain diseases. For more than 70 years, we have been at the forefront of neuroscience research. We are tirelessly dedicated to restoring brain health, so every person can be their best.

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

Our approximately 5,800 employees in more than 50 countries are engaged in the entire value chain throughout research, development, production, marketing, and sales. Our pipeline consists of several R&D programs, and our products are available in more than 100 countries. We have research centers in Denmark and the US, and our production facilities are located in Denmark, France, and Italy. Lundbeck generated revenue of DKK 17 billion in 2019 (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 and via LinkedIn.