

# Financial Presentation Q3 2005



# Safe Harbour Statement

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

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Corporate website: [www.lundbeck.com](http://www.lundbeck.com)

Listed on the Copenhagen Stock Exchange

Trading code:

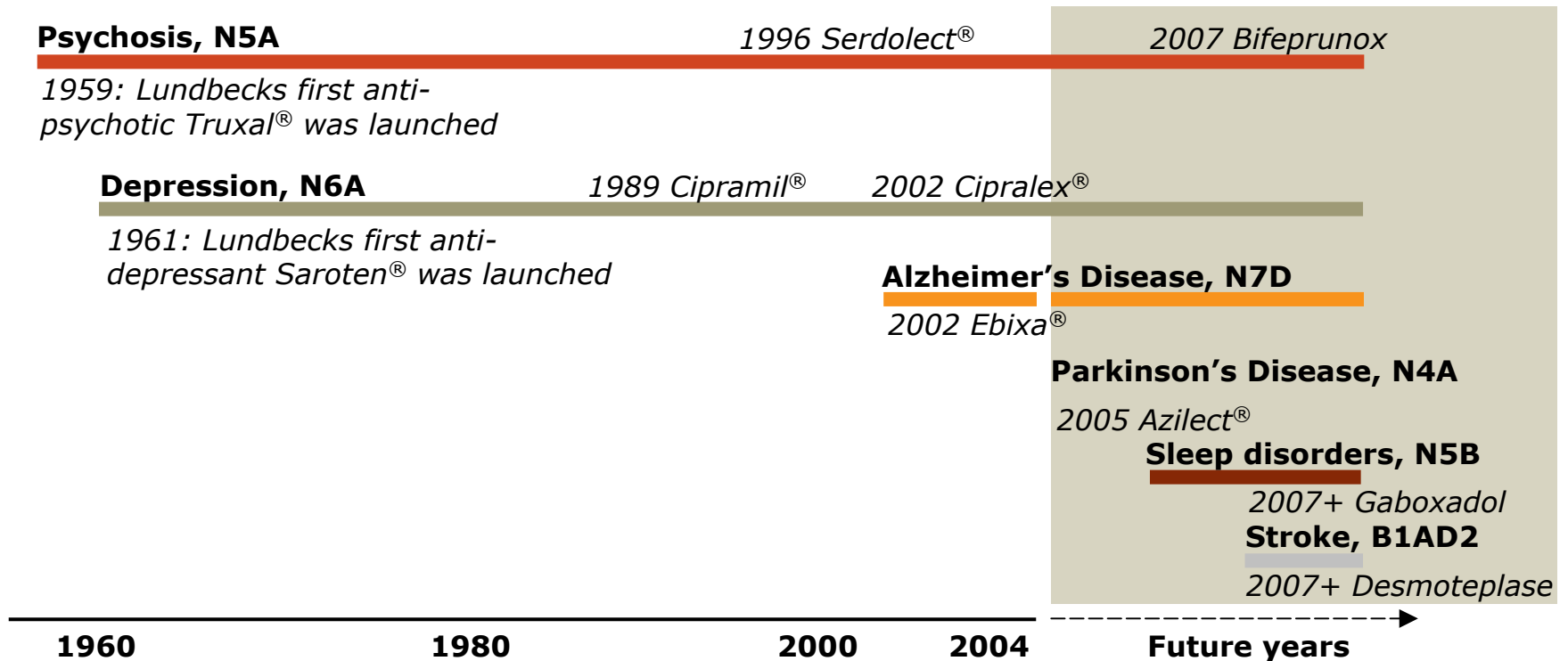
Reuters (LUN.CO)

Bloomberg (LUN DC)

ISIN number DK0010287234

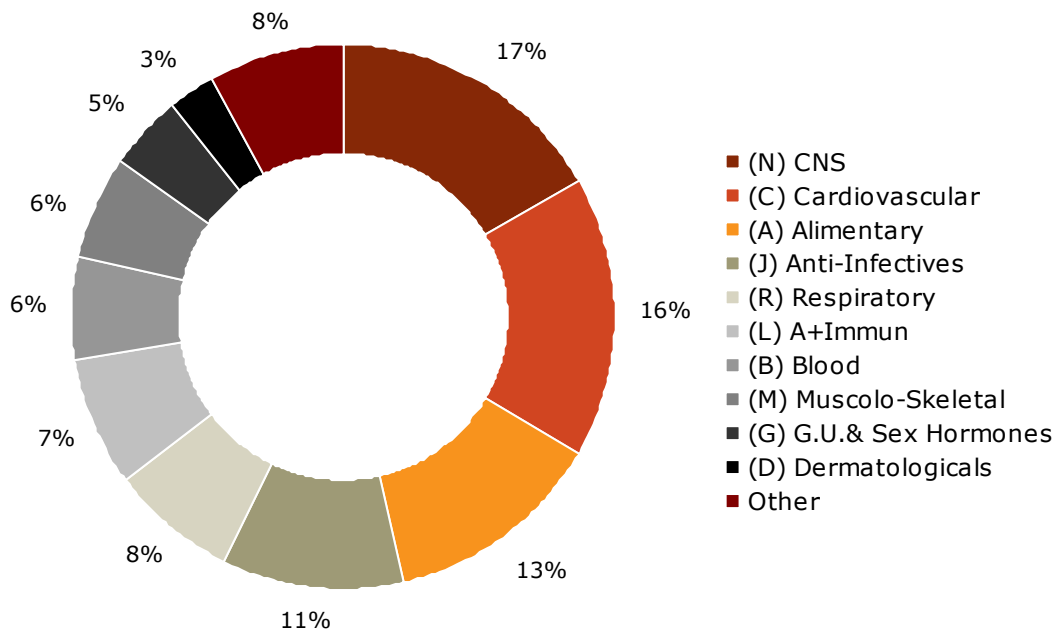


# CNS expertise for 50 years – specialist in psychiatry and pioneer in neurology



# Pipeline projects within disease areas covering more than 50% of CNS market

**World pharmaceutical market  
2004 USDbn 521.2\* (+11%)**



**Total CNS market USDbn 87.0  
(+9%)**

Therapeutic area	Share of CNS	Growth 2004
Alzheimer's Disease, N7D	3%	+20%
Depression, N6A	24%	+1%
Parkinson's Disease, N4B	3%	+7%
Psychosis, N5A	16%	+12%
Sleep disorders, N5B	4%	+11%

Source: IMS world review 2005

\* All market data are in USD - Sales including estimates of non IMS audited panels = 545,2 billion



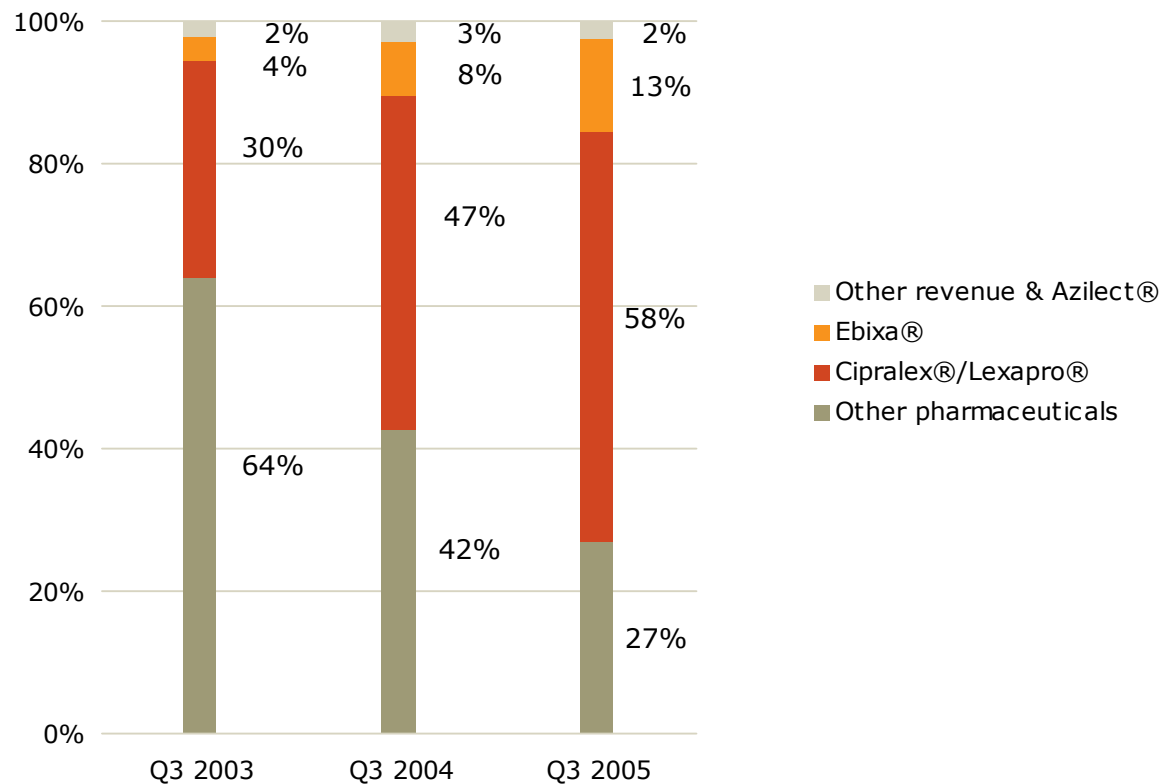


# Q3 2005 Financial Highlights

## Financial highlights – Q3 2005

- Revenue of DKKm 2,265 and EBIT of DKKm 543
- Continued growth in Europe (Y/Y 11%) and International Markets (Y/Y 27%, Q/Q 12%)
  - Continued market share growth in depression and alzheimer's franchises
- Decline in US income due to impact from generic Celexa<sup>®</sup>, slowing US market growth and market share development
- Financial guidance reiterated
  - 2005 EBIT of approximately DKK 2.2bn; EBIT margin higher than in 2004; and CAPEX of DKKm 550

# New products account for 71% of revenue – up from 55% in Q3 2004





## Markets outside the US compensate for decline in US income

DKKm	Q3 2005	Q3 2004	Growth	Growth in CER	Q2 2005	Growth Q2-Q3
Revenue	2,265	2,410	-6 %	-3 %	2,285	-1 %
- Cipralext <sup>®</sup>	693	464	50 %	48 %	653	6 %
- Income from Lexapro <sup>®</sup>	610	668	-9 %	2 %	654	-7 %
- Ebixa <sup>®</sup>	292	183	59 %	57 %	265	10 %
- Azilect <sup>®</sup>	2	0	-	-	0	-
- Other pharmaceuticals	613	1,027	-40 %	-39 %	645	-5 %
- Other revenue	56	68	-18 %	-16 %	68	-18 %

## Key figures

DKKm	Q3 2005	Q3 2004	Growth	Q2 2005	Growth Q2-Q3
COGS	384	472	-19 %	399	-4 %
SG&A	879	874	1 %	955	-8 %
R&D	459	402	14 %	425	8 %
EBIT	543	663	-18 %	509	7 %
EBIT margin (%)	24.0	27.5	-13 %	22.3	8 %
Finance income, net	19	13	43 %	90	-79 %
Net Profit	390	425	-8 %	439	-11 %
EPS (DKK per share)	1.75	1.88	-7 %	1.96	-11 %
CAPEX	205	63	228 %	98	110 %

## Financial guidance and mid-term targets

	FY 2003	FY 2004*	2005 Guidance	2006 target	2007 target
EBIT	2,147	2,133	Approx. DKKbn 2.2	+12% growth	+12% growth
EBIT margin	21.6%	22.9%	Higher than 2004		25% margin
CAPEX	1,479	244	Approx. DKKm 550		

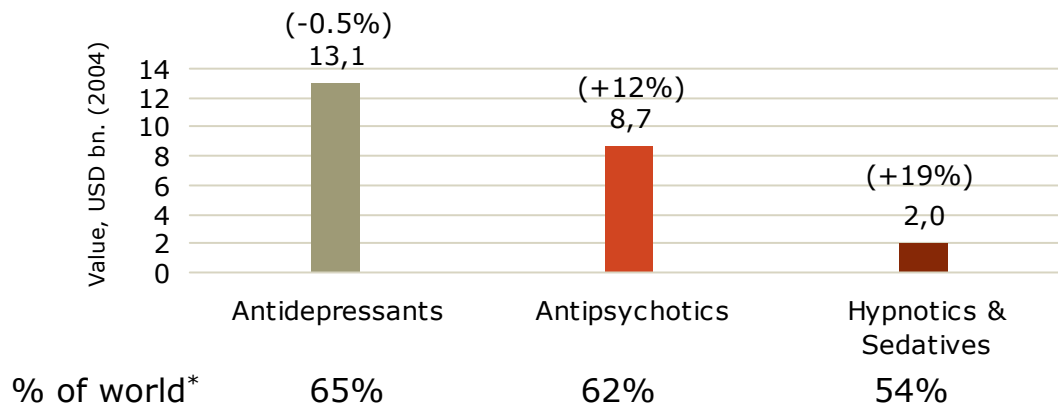
\* Excl. payment for gaboxadol



# US market

# Well established in the US antidepressant market. Possibilities within sleep and antipsychotics

**US market – 57% of world CNS market -  
Lundbeck products cover 23.8 USD bn. (2004)\***



## Lundbeck products with US rights

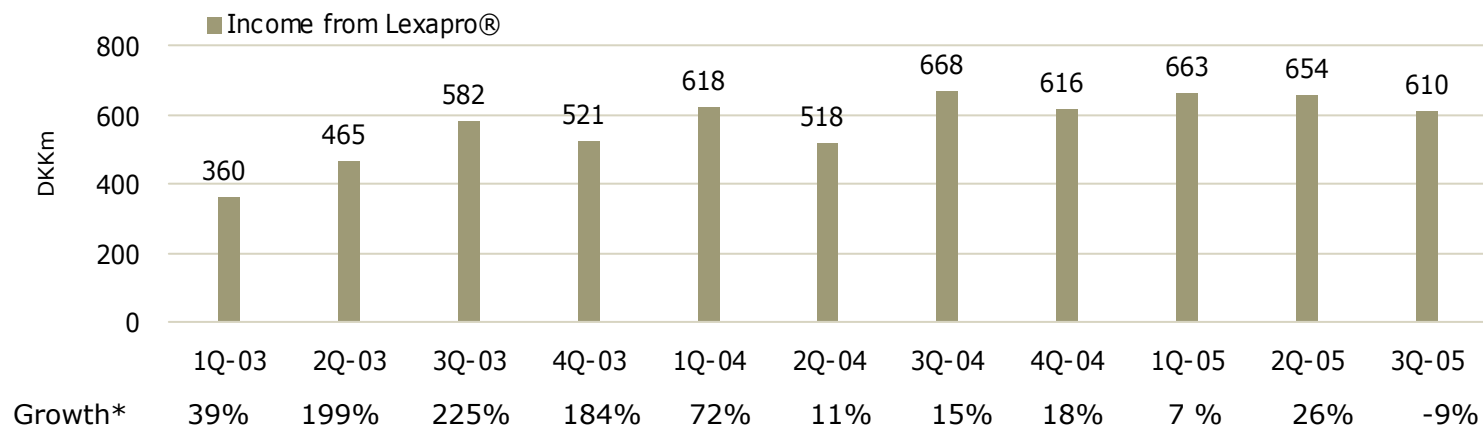
Lexapro® (launched)	Sold via Forest
Gaboxadol (Phase III)	Agreement with Merck & Co., Inc. in the US
Serdolect® (PMS)	-

\*Source: IMS World Review 2005  
Growth rates in local currency dollar 2003-2004 added in brackets



# Y-Y growth in income from Lexapro<sup>®</sup> driven by market share expansion...

<b>US</b>	Q3-05	Q3-04	Growth	Growth in CER	9M-05	9M-04	Growth
Income from Lexapro <sup>®</sup>	610	668	-9 %	2 %	1,927	1,803	7 %
Other pharmaceuticals	4	268	-99 %	-94 %	65	875	-93 %
Total revenue, US	614	936	-34 %	-25 %	1,992	2,678	-26 %

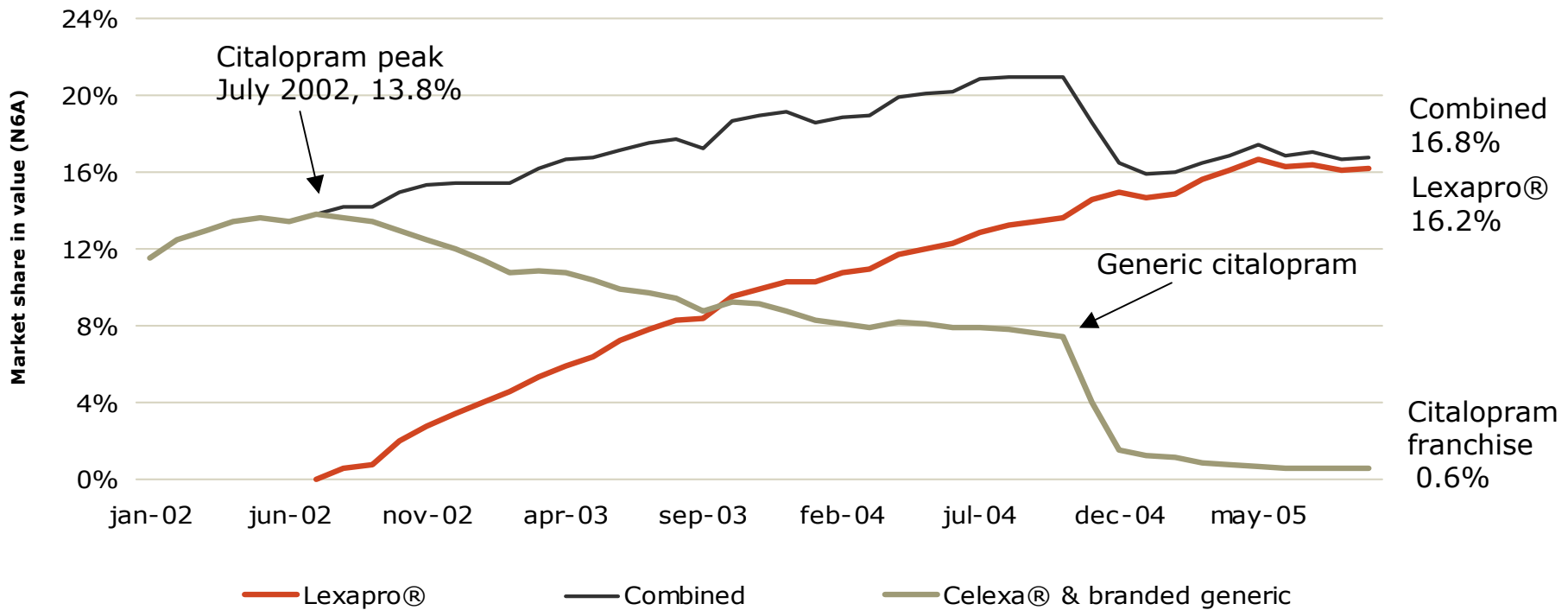


\* Quarterly growth year on year



# Lexapro® is today the second most prescribed antidepressant in the US

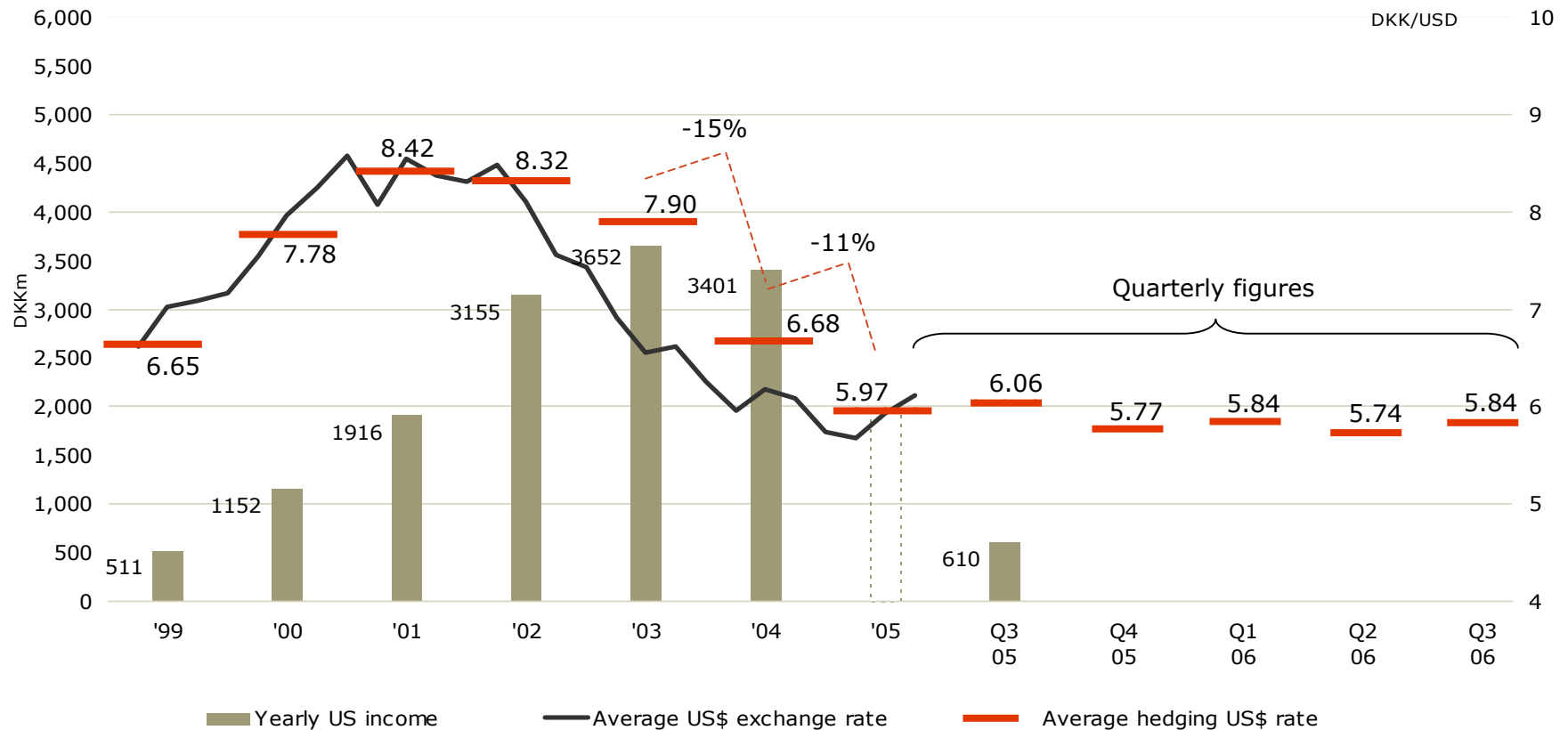
## USA anti-depressive market



Source: IMS Health, September 2005



# Lundbeck hedge the USD on a rolling basis at least 12 months ahead



Note: 1999-2004 & Q1-Q3 2005 includes value of average hedging contracts realised in the period

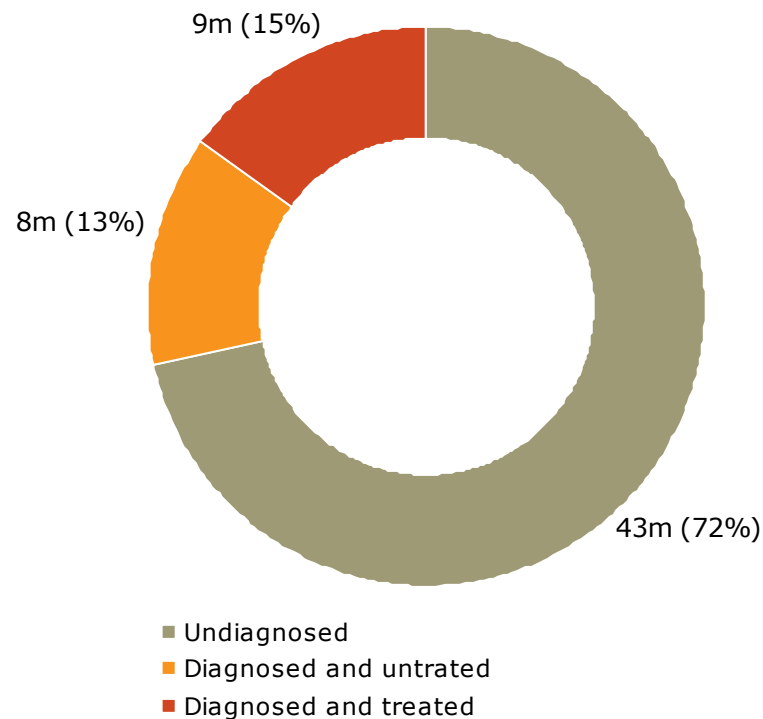




# Gaboxadol – a new treatment for sleep disorder

## Over 60 million Americans suffer from insomnia

- with 85% undiagnosed or untreated



Source: Merck & Co., Inc. 2004

## Market size of 3.8 USDbn in 2004 (+11%)

- **Gaboxadol (Phase III)**
  - Selective Extrasynaptic GABA agonist
  - Not a Benzodiazepine – not a Z-compound
- Desired clinical profile:
  - Induce sleep that is qualitatively close to normal sleep cycles
  - Minimal risk of abuse – devoid of rebound and withdrawal effects



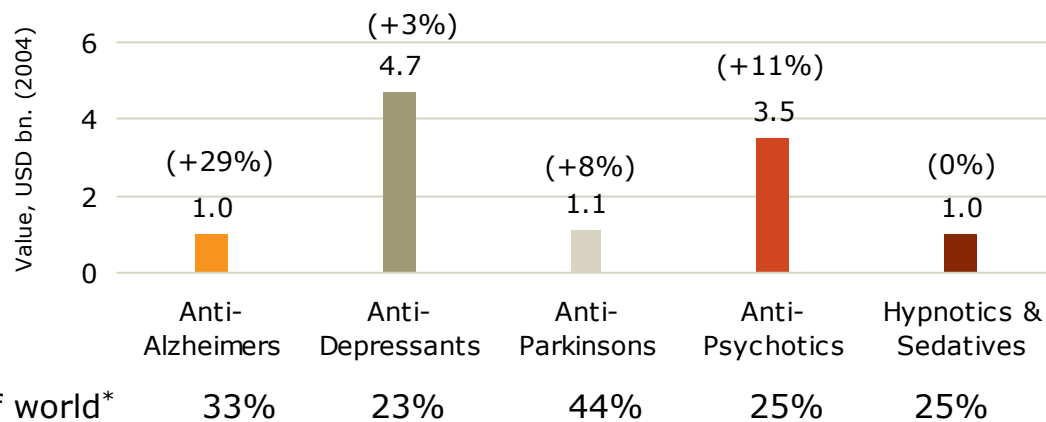
# Agreement with Merck & Co., Inc. on gaboxadol ensures establishment of a Lundbeck US sales infrastructure

- **Support business model with specialist focus**
  - Merck & Co., Inc. provides large scale sales force
  - Merck & Co., Inc. support Lundbeck's build-up of sales force (Maxalt<sup>®</sup> co-promotion, training & financial)
- **Reduce overall financial risk**
  - Merck & Co., Inc. funding the majority of the remaining development activities
  - Lundbeck receives milestones of USDm 270. Whereof USDm 70 was received in 1Q 2004. Remaining milestones will be received in two instalments
  - Limited investment in support functions e.g. managed care, administrative

# European market

# European infrastructure in place. Significant leverage from new product launches

**Europe – 27% of world CNS market -  
Lundbeck products cover USDbn 11.3 (2004)\***



**Lundbeck products with  
European rights**

Cipralex® (launched)	-
Ebixa® (launched)	-
Azilect® (Approved)	-
Serdolect® (PMS)	-
Bifeprunox (phase III)	-
Gaboxadol (phase III)	-

\*Source: IMS World Review 2005  
Growth rates in local currency dollar 2003-2004 added in brackets

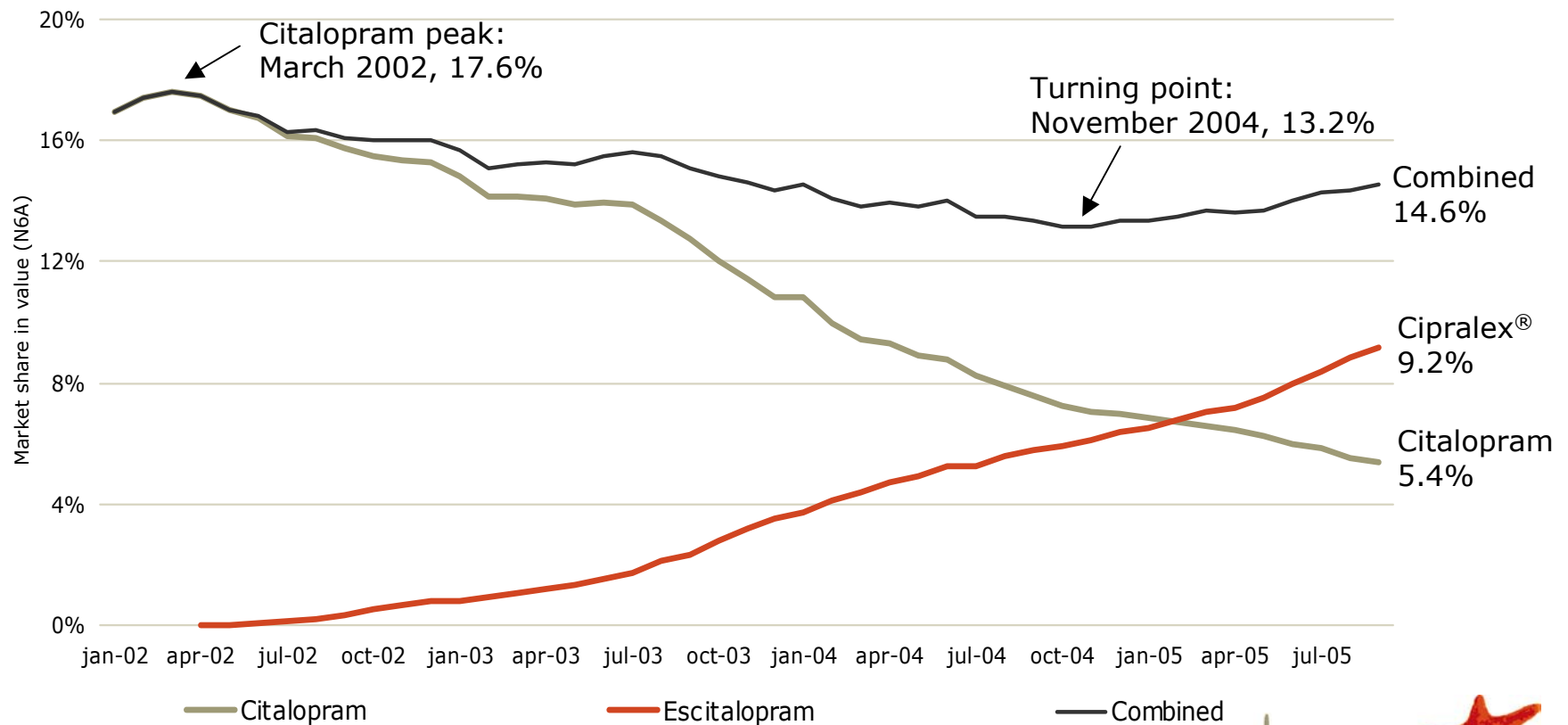


## Europe continuing growth – new products more than compensate loss in mature products

<b>Europe</b>	Q3-05	Q3-04	Growth	Growth in CER	9M-05	9M-04	Growth
Cipralex®	557	381	46 %	46 %	1,520	1,027	48 %
Ebixa®	262	170	55 %	54 %	727	467	56 %
Azilect®	2	0	-	-	2	0	-
Other pharmaceuticals	463	610	-24 %	-24 %	1,504	1,973	-24 %
<b>Total revenue, Europe</b>	<b>1,284</b>	<b>1,161</b>	<b>11 %</b>	<b>10 %</b>	<b>3,753</b>	<b>3,467</b>	<b>8 %</b>

# Combined depression market share in net growth driven by successful Cipralex® roll-out – still significant potential for growth

## European anti-depression franchise

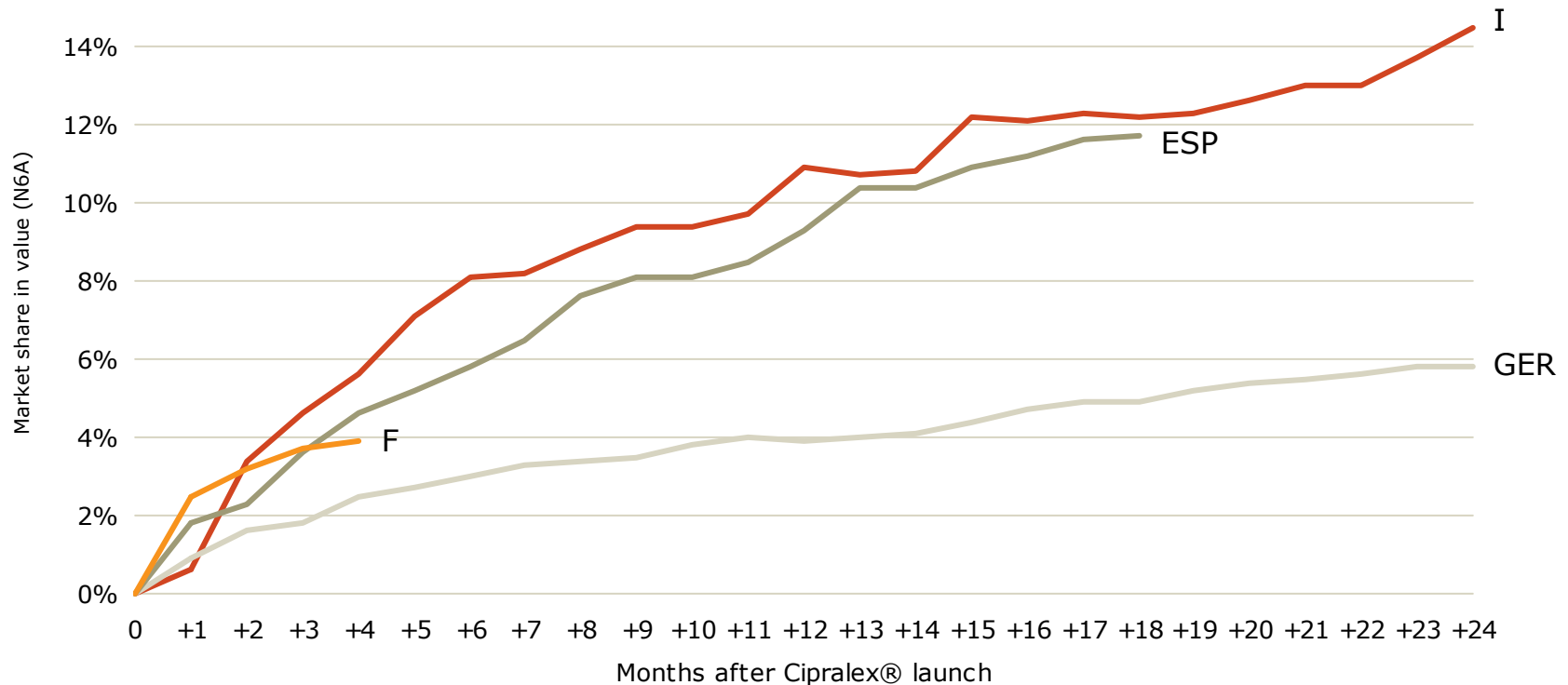


Source: IMS Health, September 2005



# Recent launches of Cipralex® in Europe - France reaching 3.9%

Top 3 branded compounds	MS% (Sep. 05)
Effexor®	18.5%
Zoloft®	12.6%
Paxil®	10.2%



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GER

ESP

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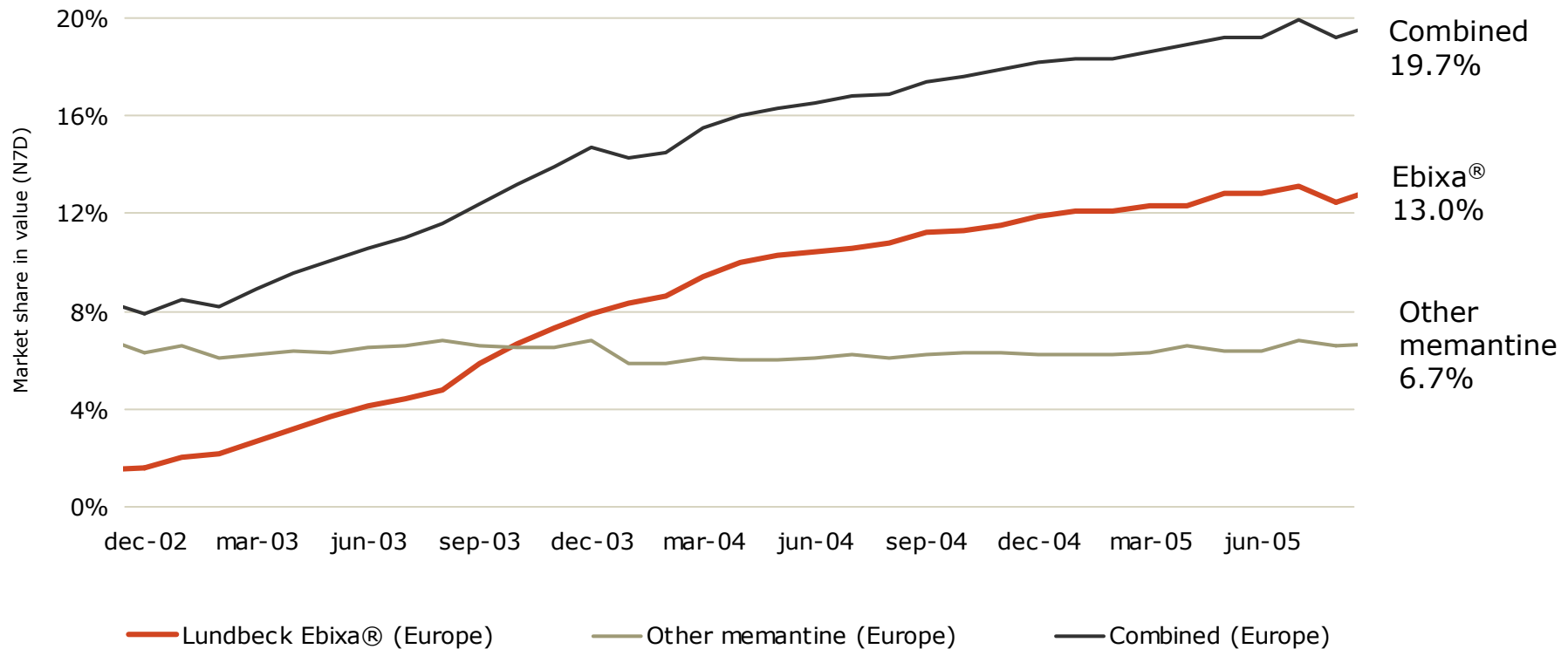


From launch with reimbursement

Source: IMS Health, September 2005

# Memantine 2<sup>nd</sup> most used Alzheimer's drug in Europe – primarily driven by growth in Ebixa®

## European anti-Alzheimer's franchise



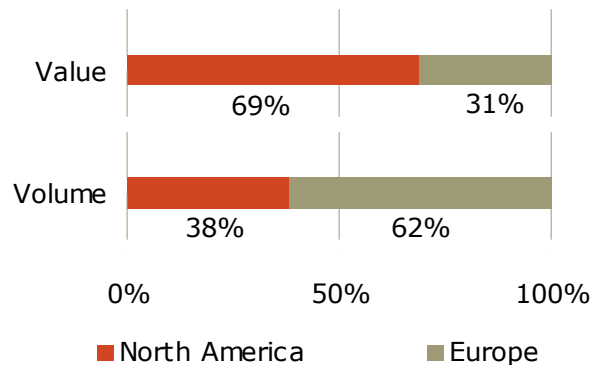
Source: IMS Health, September 2005



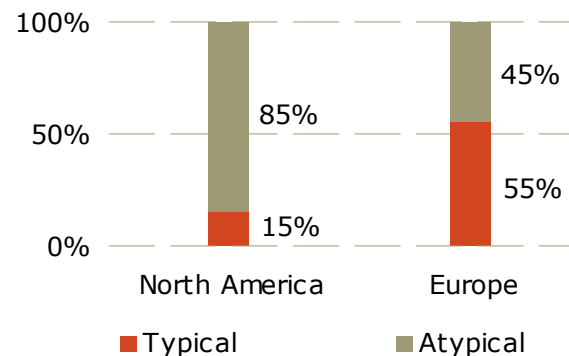


# Conversion in Europe will continue to drive high growth in the USDbn 3.5 anti-psychotics market...

N5A – Value and volume, MAT 08-2005



N5A - Split in volume, MAT 08-2005



- European atypical antipsychotic volumes grow faster than typical – conversion is progressing
- Conversion from typical to atypical anti-psychotics will drive growth in market in the coming years

## ...and two new compounds will position Lundbeck in the atypical antipsychotic market

### **Serdolect (PMS)**

- Balanced inhibitory effect on central dopamine D<sub>2</sub> and serotonin 5HT<sub>2</sub> receptors as well as on alpha-adrenergic receptors
- Efficacious on both positive and negative symptoms – significant more effective than haloperidol and risperidone on negative symptoms

#### Advantages:

- Placebo-level EPS
- Limited weight gain
- No sedation
- Improved cognitive function
- Administered once daily

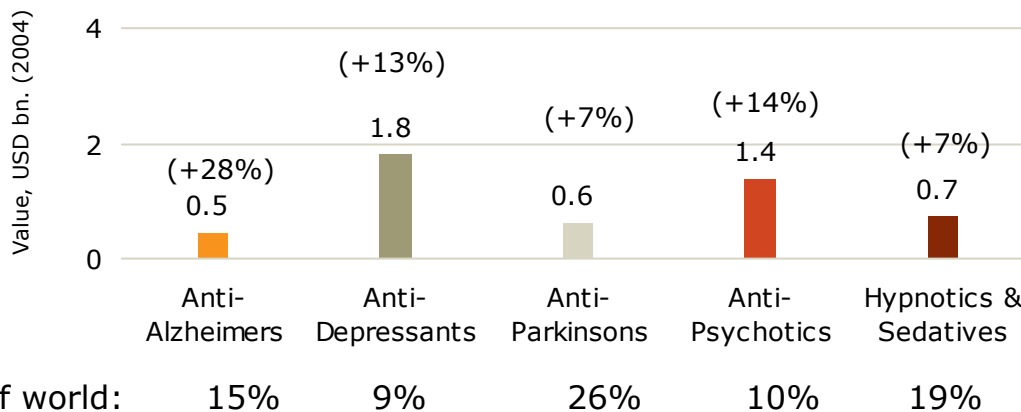
### ▪ **Bifeprunox (Phase III)**

- Partial dopamine D<sub>2</sub>-receptor-agonist and serotonin 5-HT<sub>1A</sub>-agonist
- Expected advantages:
  - No weight gain
  - No increase in prolactin
  - Favourable lipid profile
  - No QTc prolongation
  - No glucose dysregulation
  - EPS comparable to placebo

# International Markets

# Establishment in International Markets ensures access to future expected growth

## International Markets – 13,5% of world CNS market - Lundbeck products cover USDbn 5.5 (2004)\*



% of world:      15%      9%      26%      10%      19%

### Lundbeck products with International Markets rights

Cipralex® (launched)	-
Ebixa® (launched)	Outside Japan
Azilect (NDA)®	Australia & South Africa
Serdolect® (PMS)	-
Bifeprunox (phase III)	Outside Canada, Japan & Mexico
Gaboxadol (phase III)	Agreement with Merck & Co. in Japan

\*Source: IMS World Review 2005  
Growth rates in local currency dollar 2003-2004 added in brackets

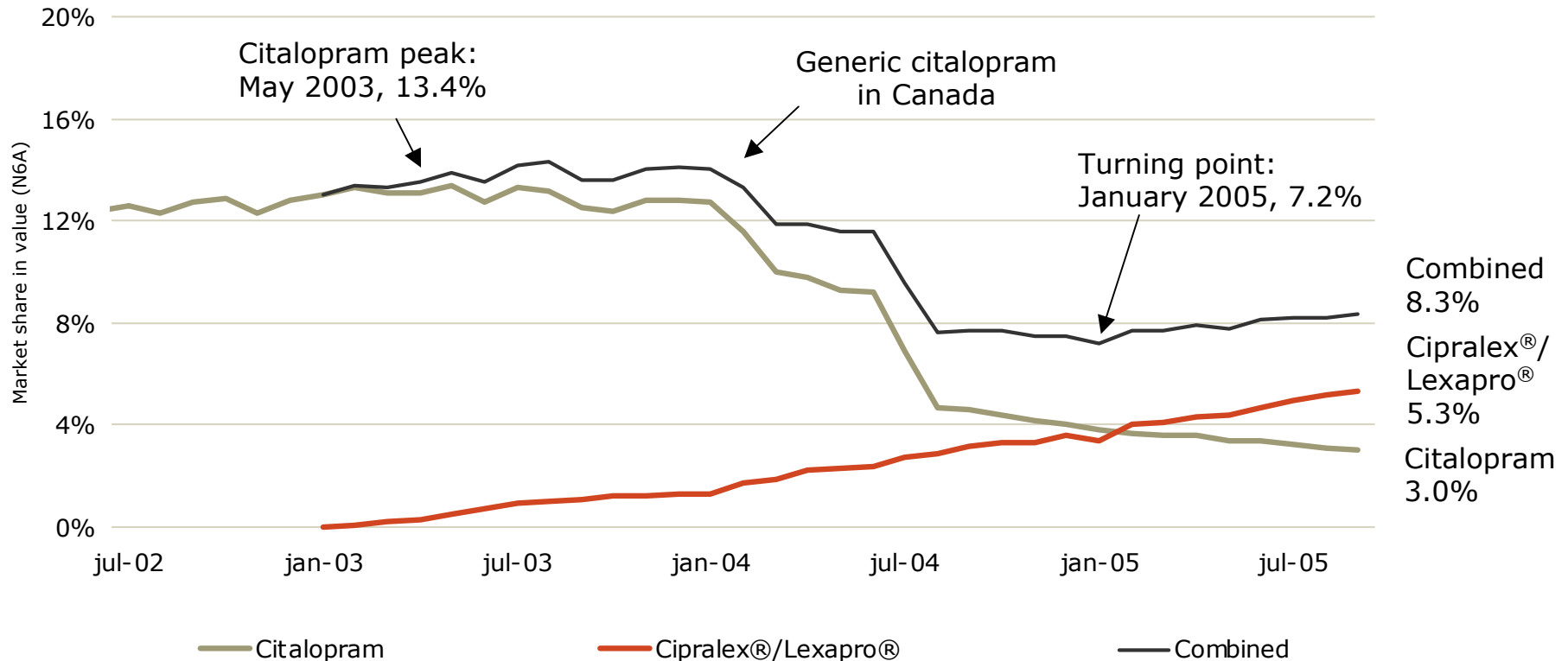


## Region back to Y-Y growth – loss to generics among Other pharmaceuticals is limited

<b>International Markets</b>	Q3-05	Q3-04	Growth	Growth in CER	9M-05	9M-04	Growth
Cipralex®	136	82	66 %	57 %	360	187	93 %
Ebixa®	29	13	123 %	98 %	72	28	154 %
Other pharmaceuticals	146	149	-2 %	-6 %	413	666	-38 %
Total revenue, International Markets	312	245	27 %	21 %	844	881	-4 %

# Significant growth expected for Cipralex®/Lexapro® in International Markets\* - contributed by recent launches...

## International Markets anti-depression franchise

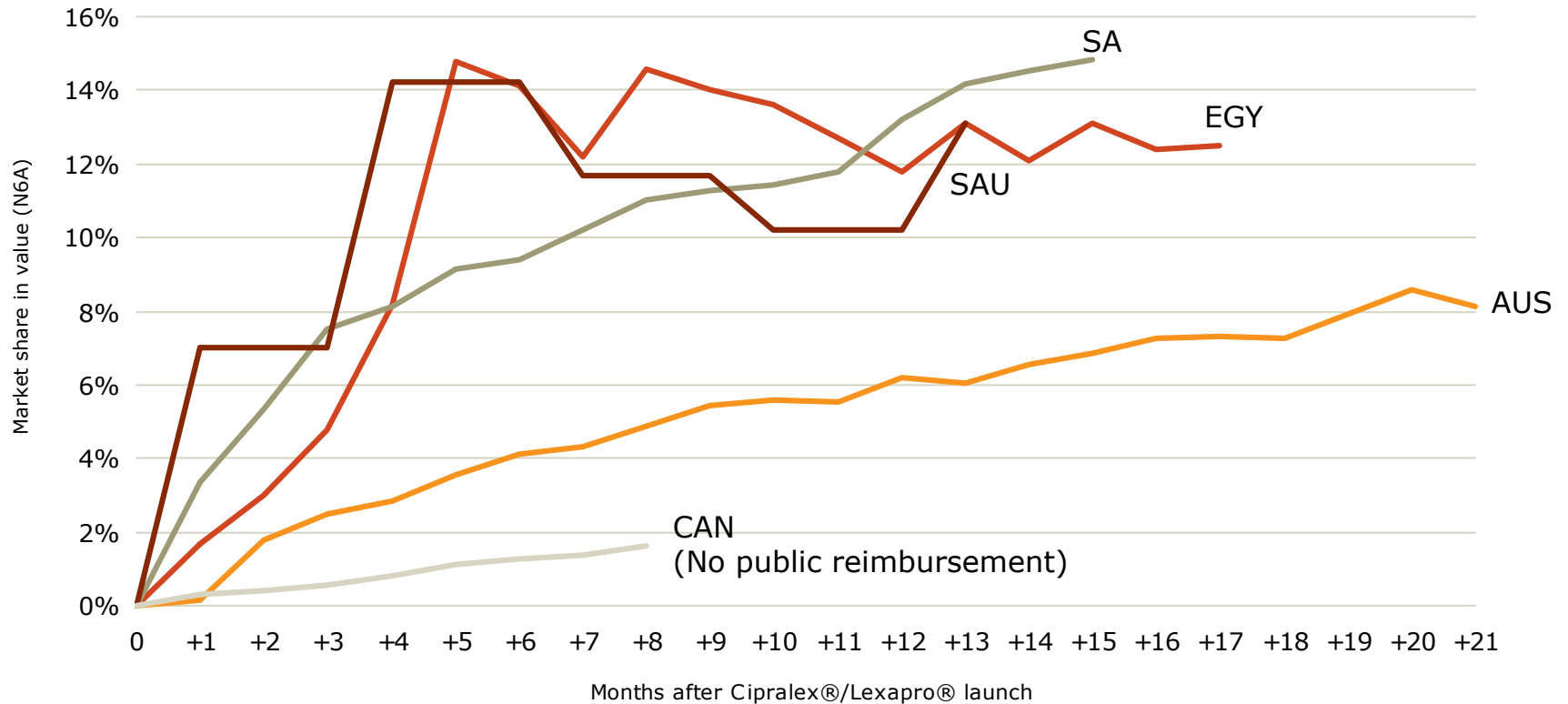


\*Includes the following countries: Australia, Brazil, Canada, Mexico & South Africa.

Source: IMS Health, September 2005



# ...Cipralex®/Lexapro® gained more than 10% market share in several markets



EGY

AUS

SA

SAU

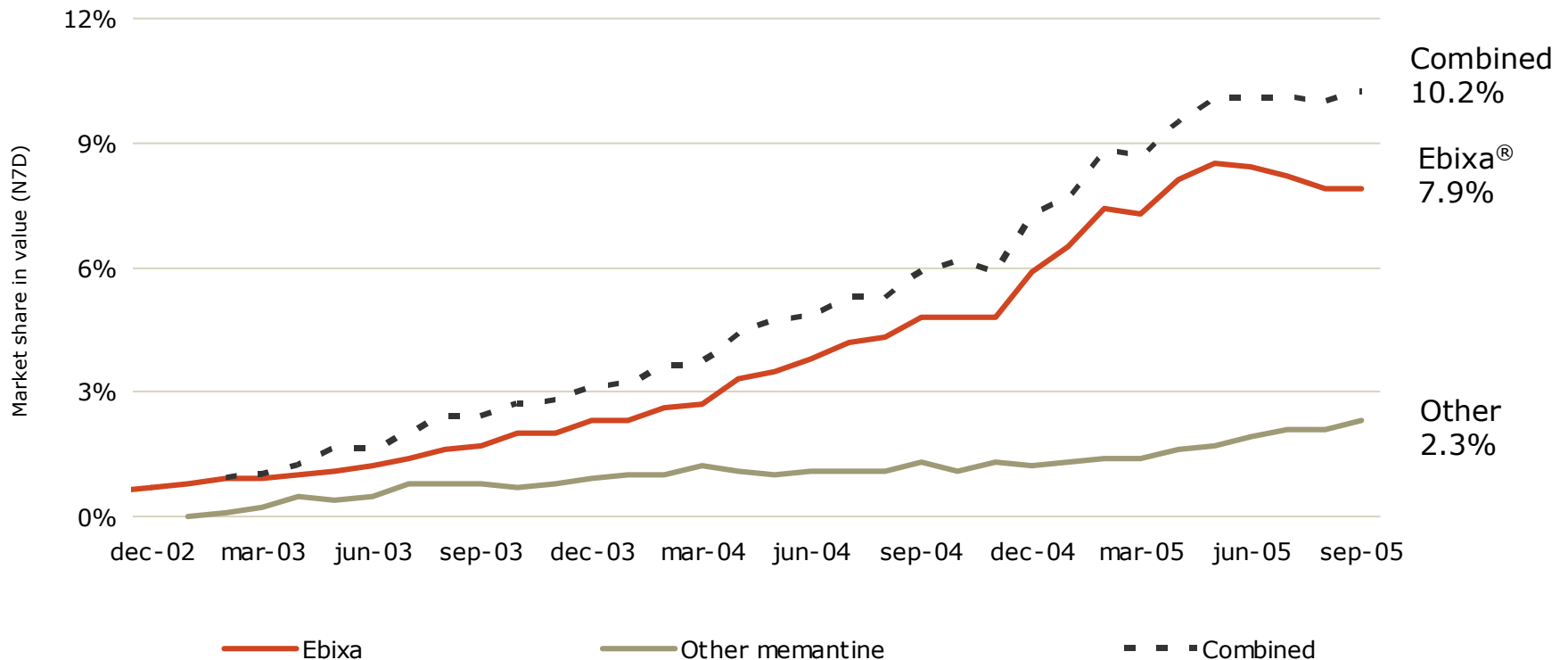
CAN

Source: IMS Health, September 2005, Retail figures only



# Ebixa<sup>®</sup> market share expected to grow primarily driven by recent launches in key markets

## International Markets anti-Alzheimer's franchise



\*Includes the following countries: Australia, Brazil, Canada & Mexico.

Source: IMS Health, September 2005





# News flow & Pipeline

## Expected news flow in 2005

	Timing
Approval of Azilect® in Europe	22 February 2005
Approval of Serdolect® in Europe	25 April 2005
Cipralex® launched in France	18 May 2005
Gaboxadol, phase II clinical data	22 June 2005
Azilect® launched in first European Country	27 June 2005
Cipralex®, approval of GAD in Europe	22 September 2005
Ebixa®, approved for moderate indication in Europe	13 October 2005

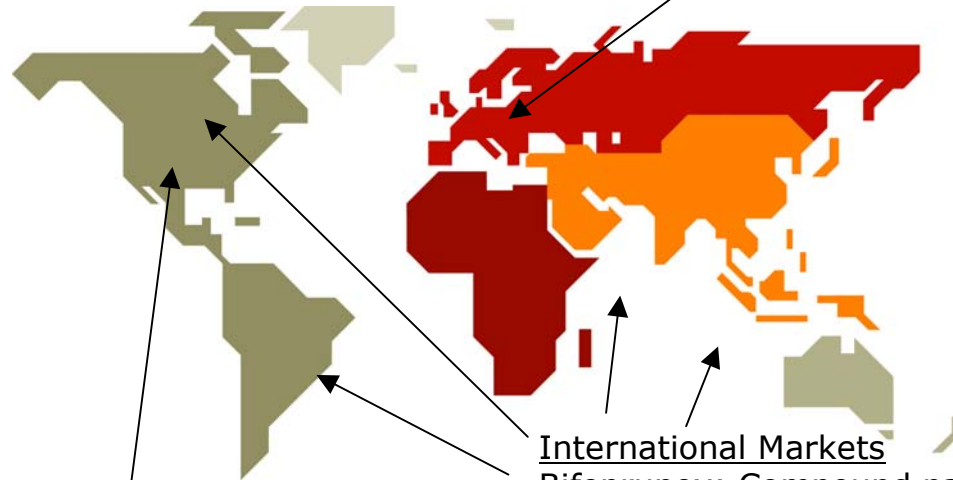
### **Bifeprunox**

- Phase III clinical data, head line results 2005

# Pipeline

Compound	Activity	Indication	Dev. stage	2005	2006	2007	2007+
Sertindole	D <sub>2</sub> -5HT <sub>2</sub>	Schizophrenia	PMS		Launch		
Bifeprunox	Dopamine/ serotonin	Schizophrenia	III		NDA	Launch	
Gaboxadol	Selective Extra- synaptic GABA agonist	Sleep disorder	III			NDA	Launch
Desmoteplase	Plasminogen activator	Stroke	III				NDA
Lu AA21004	Multiple target	Depression	I				--
Lu 31-130	Monoaminergic	Psychosis	I				--

# Global IP position



## Europe

Bifeprunox: Compound patent in majority of countries to Feb. 2022

Escitalopram: Compound patent in majority of countries to May-June 2014. Process patent in majority of countries to June 2014

Gaboxadol: Use patent in majority of countries to July 2021

Memantine: Data exclusivity until 2012. Use patent in major countries to April 2014

Rasagiline: Compound patent to 2011, excl. possibility of 5 year extension

Sertindole: Compound patent in majority of countries to March 2011

## International Markets

Bifeprunox: Compound patent in major markets to Feb. 2022

Escitalopram: Compound patent in major markets to 2009, excl. extensions

Gaboxadol: Use patent in major markets to July 2016, excl. extensions

Memantine: Use patent to April 2010

Rasagiline: Compound patent to 2011, excl. extensions

Sertindole: Use patent in major markets to March/April 2010, excl. extensions

## USA

Escitalopram: Compound patent to March 2012 (incl. extension)

Gaboxadol: Use patent to March 2016, excl. extensions

Sertindole: Use patent to April 2010, excl. extensions

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# Appendix

## Revenue by region by quarter, DKKm

<b>Europe</b>	<b>FY 2003</b>	<b>Q1 04</b>	<b>Q2 04</b>	<b>Q3 04</b>	<b>Q4 04</b>	<b>FY 2004</b>	<b>Q1 05</b>	<b>Q2 05</b>	<b>Q3 05</b>
Ciprallex®	579	306	339	381	377	1,404	429	534	557
Ebixa®	276	136	162	170	208	675	223	241	262
Azilect®	-	-	-	-	-	-	-	-	2
Other pharmaceuticals*	3,841	693	670	610	538	2,511	535	506	463
<b>Total revenue, Europe</b>	<b>4,696</b>	<b>1,135</b>	<b>1,171</b>	<b>1,161</b>	<b>1,123</b>	<b>4,590</b>	<b>1,187</b>	<b>1,281</b>	<b>1,284</b>
<b>US**</b>	<b>FY 2003</b>	<b>Q1 04</b>	<b>Q2 04</b>	<b>Q3 04</b>	<b>Q4 04</b>	<b>FY 2004</b>	<b>Q1 05</b>	<b>Q2 05</b>	<b>Q3 05</b>
Lexapro®	1,927	618	518	668	617	2,420	663	654	610
Other pharmaceuticals*	1,725	346	261	268	106	981	57	4	4
<b>Total revenue, US</b>	<b>3,652</b>	<b>964</b>	<b>779</b>	<b>936</b>	<b>723</b>	<b>3,401</b>	<b>720</b>	<b>658</b>	<b>614</b>
<b>International Markets***</b>	<b>FY 2003</b>	<b>Q1 04</b>	<b>Q2 04</b>	<b>Q3 04</b>	<b>Q4 04</b>	<b>FY 2004</b>	<b>Q1 05</b>	<b>Q2 05</b>	<b>Q3 05</b>
Ciprallex®	66	45	59	82	70	257	105	119	136
Ebixa®	10	6	9	13	19	47	18	24	29
Other pharmaceuticals*	1,253	269	247	149	141	807	132	135	146
<b>Total revenue, International Markets</b>	<b>1,329</b>	<b>320</b>	<b>315</b>	<b>245</b>	<b>230</b>	<b>1,111</b>	<b>255</b>	<b>278</b>	<b>312</b>
Other revenue	264	474	60	68	29	631	57	68	56
<b>Total group revenue</b>	<b>9,941</b>	<b>2,893</b>	<b>2,325</b>	<b>2,410</b>	<b>2,105</b>	<b>9,733</b>	<b>2,219</b>	<b>2,285</b>	<b>2,265</b>

\* Incl. income from citalopram; \*\* US (incl. income from Forest)

\*\*\* Asia, Australia, Africa, Americas, Canada, Middle East

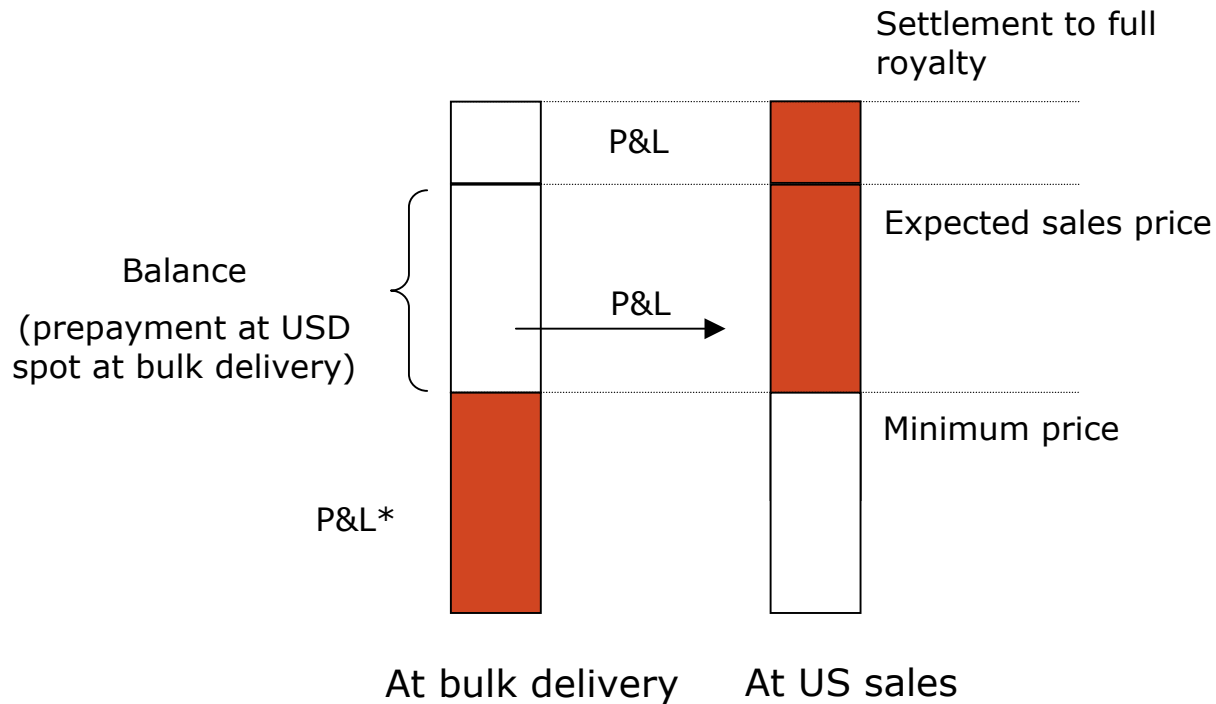
## Impact from IFRS 2 & 3 on financial accounts

- IFRS 3: Goodwill will be subject to impairment test once a year
  - Depreciation of DKKm 56 in 2004
  - Goodwill amounts to DKKm 883 as of 31 Dec. 2004
  
- IFRS 2: Options and other share based incentive schemes
  - Share price based programs of 1999 and 2002 for employees of foreign subsidiaries and SAR program of 2004

<b>IFRS 2 effect, DKKm</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Effect on earnings	-16	15	-21
Tax effect	6	-5	6
<b>Earnings, in IFRS 2</b>	<b>1,259</b>	<b>1,387</b>	<b>1,709</b>
EPS, diluted, in IFRS 2	5.45	5.99	7.39
EPS, diluted, reported	5.49	5.95	7.46
Effect on equity, after tax	-31	-21	-36
<b>Equity, in IFRS 2</b>	<b>5,790</b>	<b>6,893</b>	<b>7,840</b>

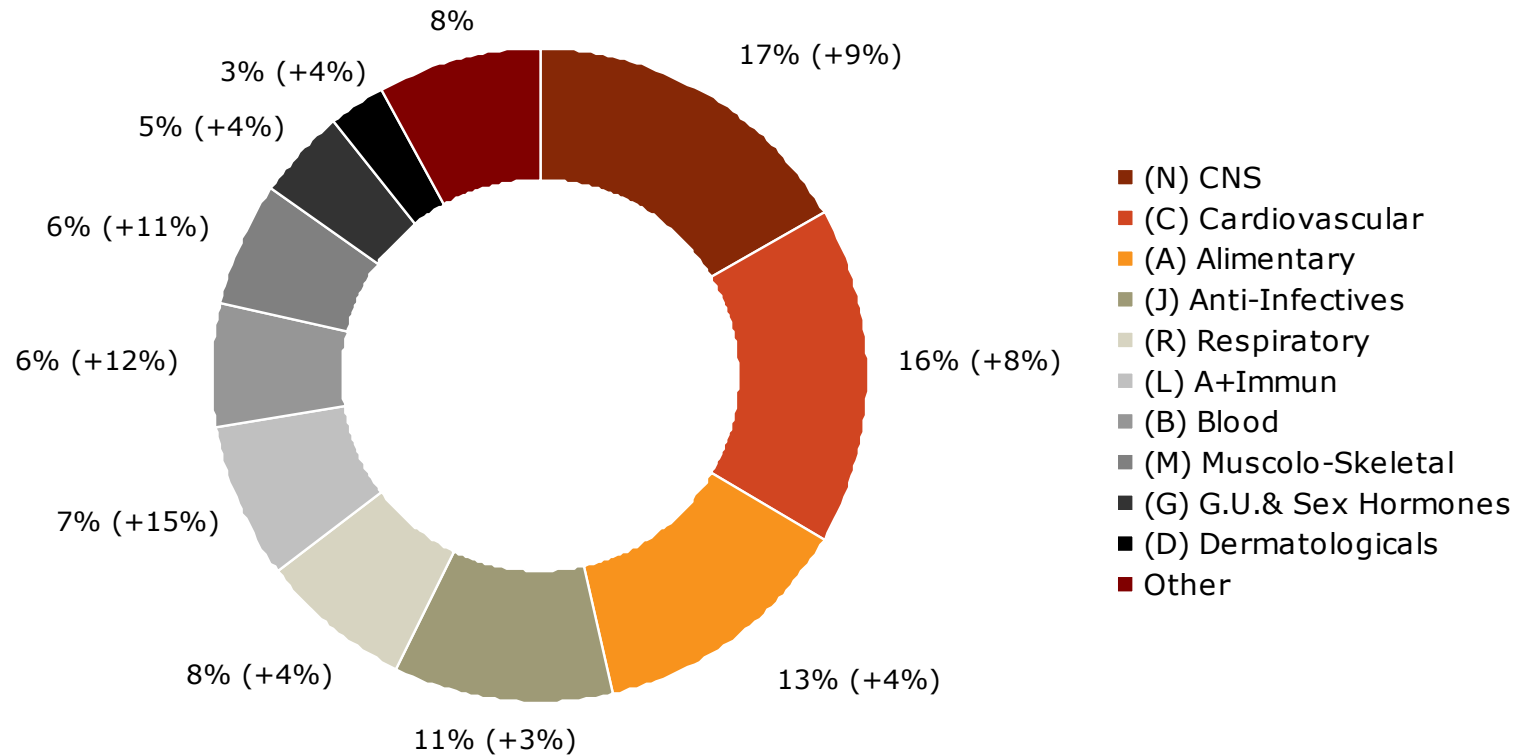


# Lundbeck recognition of income from Forest



\* Hedging effect at bulk delivery recognised on P&L:  
Gain/loss from difference in delivery at expected sales price at forward rate difference to spot rate at delivery

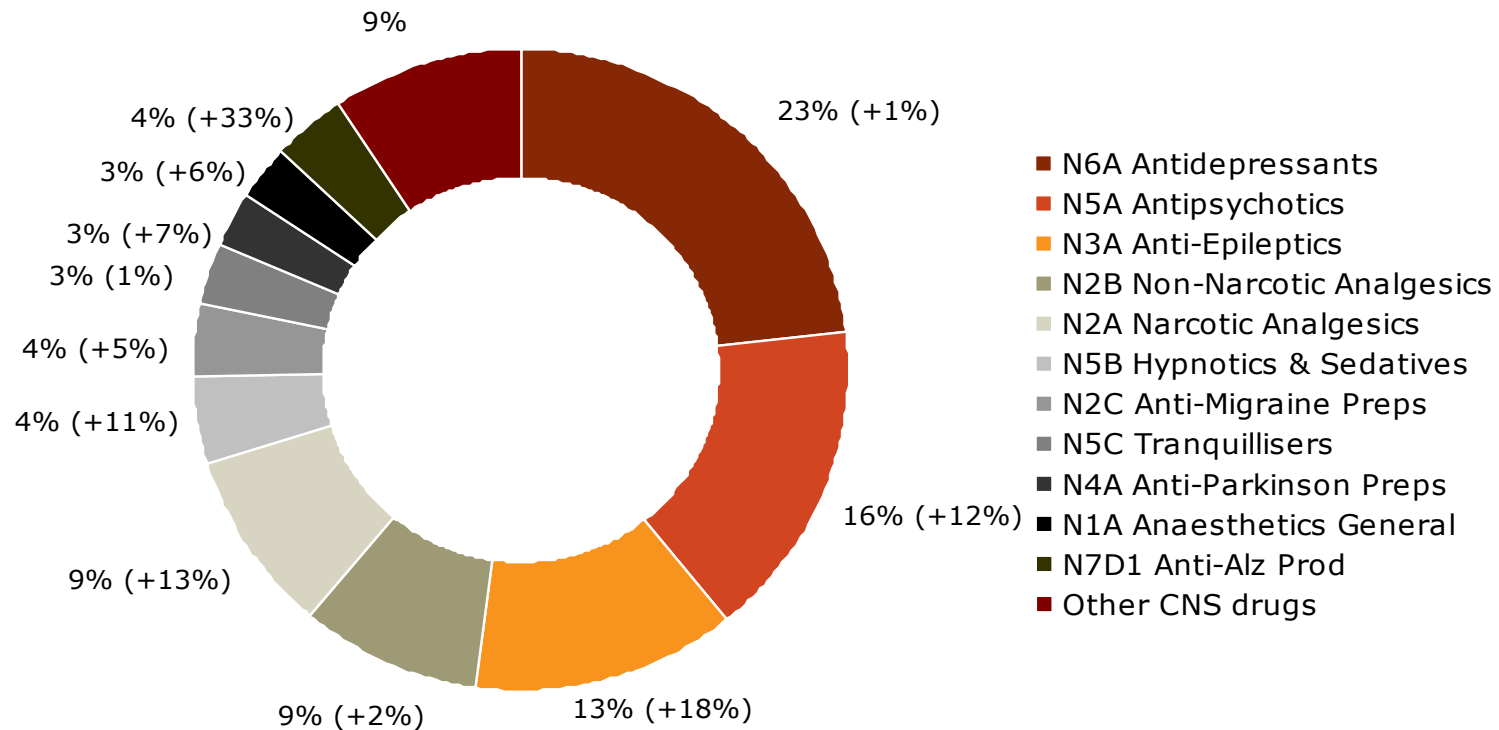
# Worldwide pharmaceutical market 2004 USD 521.2 billion\*, (+11%)



Source: IMS World Review 2005  
Growth rates in local currency dollar 2003-2004 added in brackets  
\* Sales including estimates of non IMS audited panels = 545 billion



# Worldwide CNS market 2004 USD 87.0 billion, (+9%)

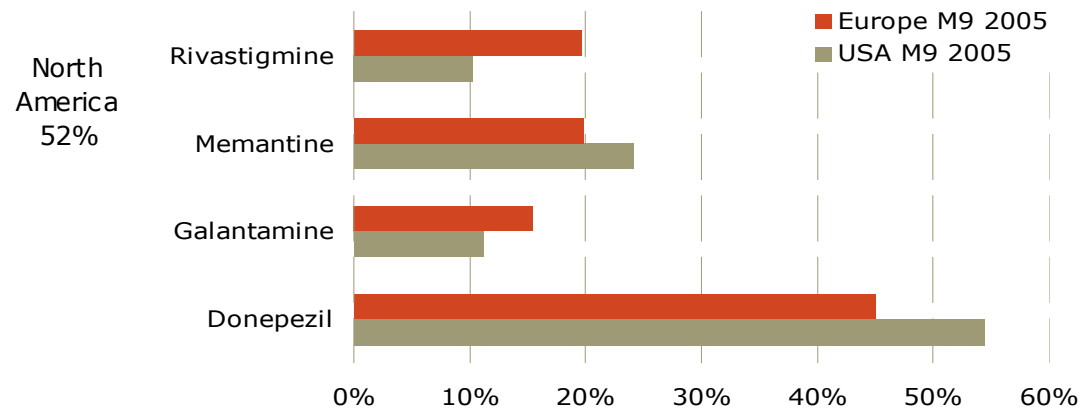
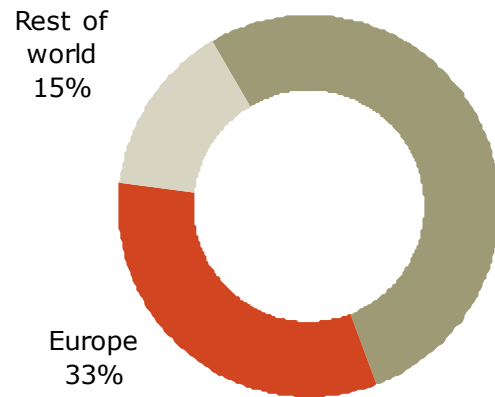


Source: IMS World Review 2005  
Growth rates in local currency dollar 2003-2004 added in brackets



# Alzheimer's (N7D-2004) – 3.2 bill. USD (+33%)

Value Market Shares of N7D

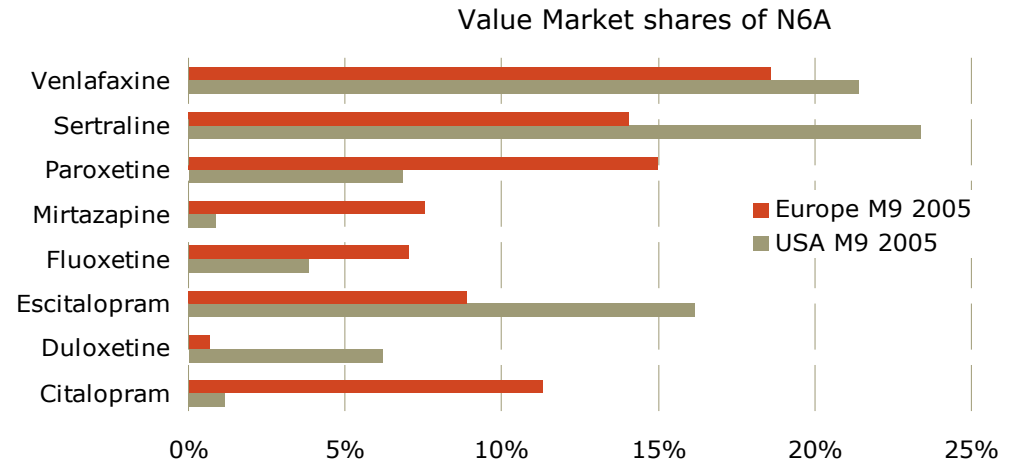
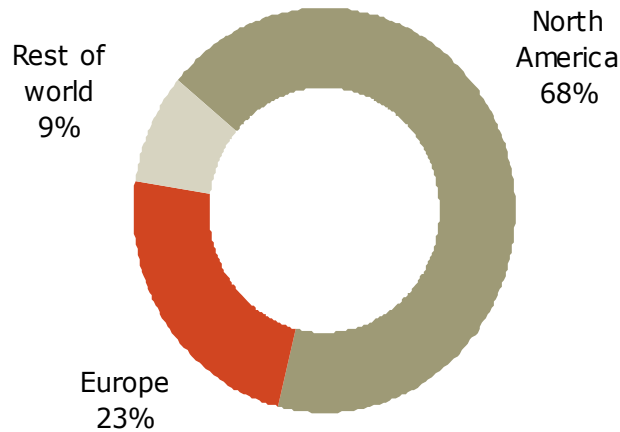


Leading product	Marketing Corporation	Sales 2004 (USDm)	Growth in %
Aricept®	Eisai	1,818	25
Exelon®	Novartis	437	11
Reminyl®	Johnson & Johnson	411	38
Namenda®	Forest	247	>999
Ebixa®	Lundbeck	119	225

Source: IMS World Review 2005 & IMS Health September, 2005

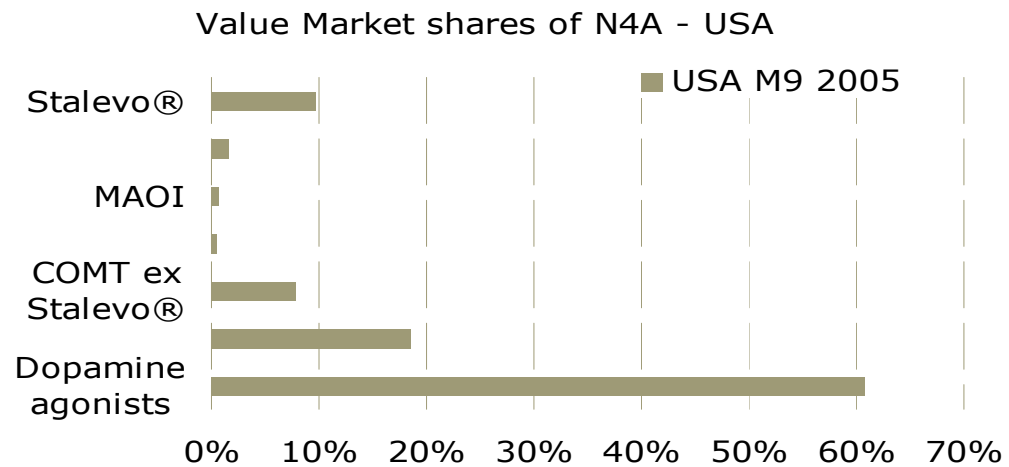
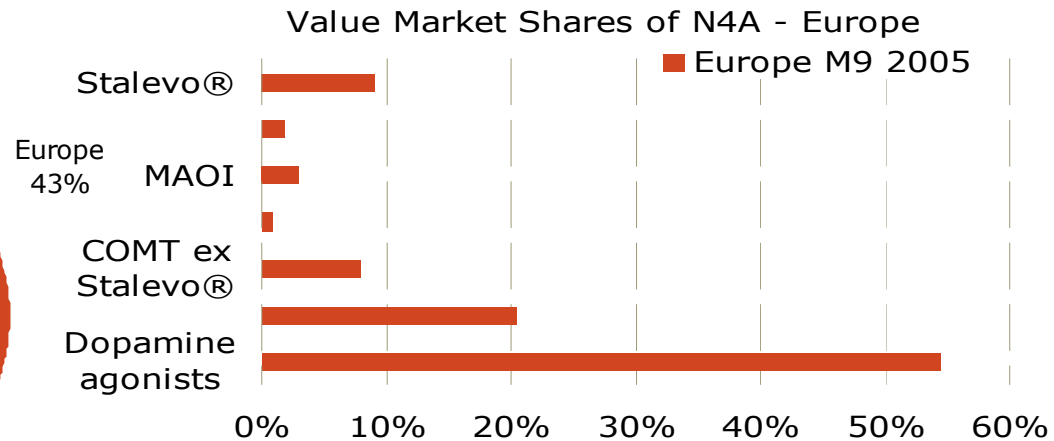
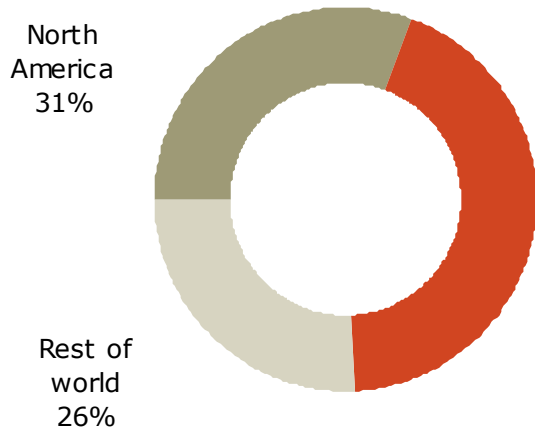
\*) Not including hospital sales, which account for approximately 10% of sales of anti-Alzheimer's drugs

# Depression (N6A-2004) – 20.3 bill. USD (+1%)

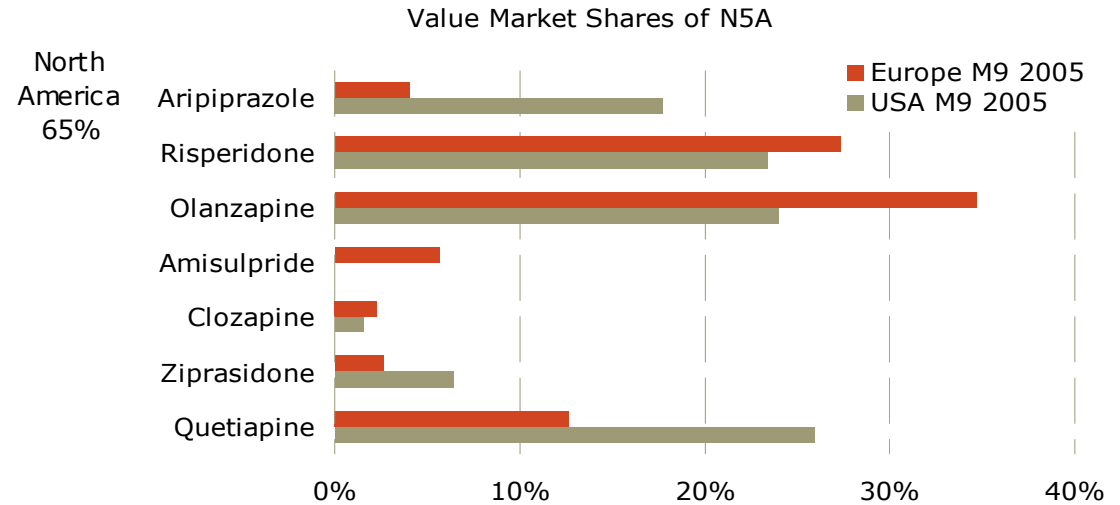
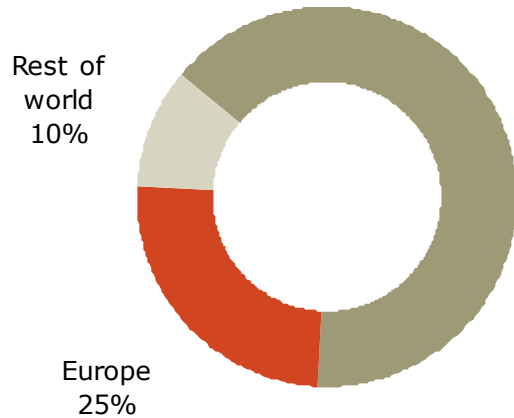


Leading product	Marketing Corporation	Sales 2004 (USDm)	Growth in %
Effexor®	Wyeth	3,734	23
Zoloft®	Pfizer	3,698	9
Seroxat®/Paxil®	GlaxoSmithKline	1,933	-40
Lexapro®/Cipralextm®	Lundbeck/Forest	1,914	84
Wellbutrin®	GlaxoSmithKline	1,664	-10
Cipramil®/Celexa®	Lundbeck/Forest	1,377	-30
Prozac®	Lilly	510	-19
Remeron®	Akzo Nobel	468	-28
Paroxetine Par®	Par Pharm	376	97
Paroxetine APTX®	Apotex	253	161

# Anti-Parkinson's (N4A - 2004) – 2.5 bill. USD (+7%)

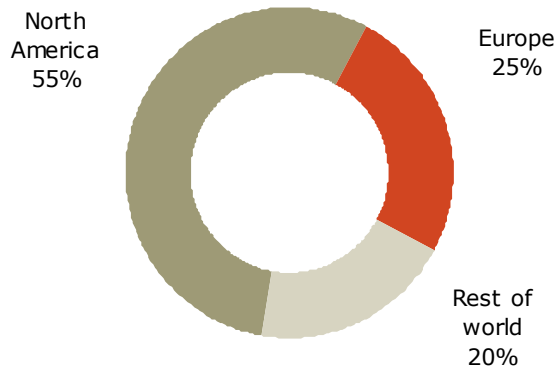


# Antipsychotics (N5A-2004) – 14.1 bill. USD (+12%)

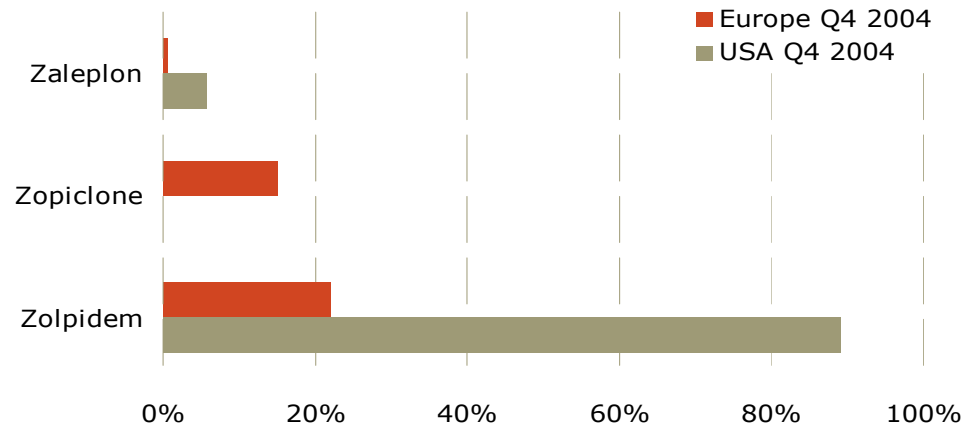


Leading product	Marketing Corporation	Sales 2004 (USDm)	Growth in %
Zyprexa®	Eli Lilly	4804	-1
Risperdal®	Johnson & Johnson	3460	15
Seroquel®	AstraZeneca	2484	35
Abilify®	Otsuka/BMS	1004	113
Zeldox®	Pfizer	566	44
Leponex®	Novartis	319	-3
Solian®	Sanofi-Synthelabo	216	23

# Worldwide sales of hypnotics (N5B - 2004) – 3.8 bill. USD (+11%)



Value Market Shares of N5B



Leading product	Marketing Corporation	Sales 2004 (USDm)	Growth in %
Stilnox®	Sanofi-Synthelabo	2,136	15
Lendormin®	Boehringer Ingelheim	124	9
Sonata®	Wyeth	121	7
Halcion®	Pfizer	98	6
Imovane®	Aventis	85	0
Noctamid®	Roche	62	14