



Corporate Release No 416

3 November 2010

### Third quarter report 2010

#### Continued strong growth in the third quarter – 2010 results to be at the high end of guidance range

H. Lundbeck A/S (Lundbeck) reports third quarter revenue of DKK 3,619 million, an increase of 7% compared to the third quarter results of 2009. Profit from operations (EBIT) was DKK 846 million, an increase of 8% compared to the same period last year. The EBIT margin for the quarter was 23.4%.

- Continued strong growth in the key products Ciprale<sup>®</sup>, Ebixa<sup>®</sup> and Azilect<sup>®</sup>, growing 11%, 9% and 28% respectively.
- Xenazine<sup>®</sup> revenue was DKK 172 million, an increase of 92% compared to the same quarter last year. Sabril<sup>®</sup> revenue for the quarter was DKK 52 million.
- Operating profit before depreciation and amortisation (EBITDA) was DKK 1,123 million, corresponding to an EBITDA margin of 31.0%.
- Financial guidance for the full year is adjusted. Lundbeck now expects revenue of DKK 14.6-14.8 billion, EBITDA of DKK 4.2-4.3 billion and EBIT of DKK 3.3-3.4 billion for 2010.

Distribution of revenue	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Growth at CER*
Ciprale <sup>®</sup>	1,391	1,258	11%	8%
Lexapro <sup>®</sup>	566	600	(6%)	(4%)
Ebixa <sup>®</sup>	597	549	9%	10%
Azilect <sup>®</sup>	250	196	28%	26%
Xenazine <sup>®</sup>	172	89	92%	75%
Sabril <sup>®</sup>	52	-	-	-
Europe	1,910	1,773	8%	7%
USA	901	959	(6%)	(8%)
International Markets	749	614	22%	16%
Total revenue	3,619	3,367	7%	5%

\* Constant exchange rates

- Lundbeck expects to generate a minimum annual revenue and EBIT of DKK 14 billion and DKK 2 billion, respectively, in the period 2012-2014.

In connection with the third quarter report, Lundbeck's President and CEO Ulf Wiinberg said: *"The strong momentum continues in our day-to-day business. Recently we have taken several steps to improve our business outlook, including the in-licensing of Sycrest<sup>®</sup> and the filing of escitalopram in Japan. Today we have delivered a floor guidance that shows Lundbeck will deliver solid profits throughout 2011-2014."*

## Management review

### Financial highlights and key figures

	2010 Q3	2009 Q3	2010 9M	2009 9M	2009 FY
<b>Financial highlights (DKK million)</b>					
Revenue	3,619	3,367	11,235	10,207	13,747
Operating profit before depreciation and amortisation (EBITDA)	1,123	977	3,807	2,928	3,728
Profit from operations (EBIT)	846	784	3,036	2,450	2,858
Net financials	(12)	(30)	(78)	(119)	(192)
Profit before tax	834	754	2,958	2,331	2,666
Tax	212	149	730	560	659
Profit for the period	622	605	2,228	1,771	2,007
Equity	10,767	8,512	10,767	8,512	8,803
Assets	18,352	17,729	18,352	17,729	17,127
Cash flows from operating and investing activities	1,141	(1,456)	3,179	(2,406)	(2,040)
Property, plant and equipment investments, gross	118	86	213	171	258
<b>Key figures</b>					
EBIT margin (%) <sup>1</sup>	23.4	23.3	27.0	24.0	20.8
Return on capital employed (%)	6.4	6.6	24.9	23.4	28.0
Research and development ratio (%)	21.1	22.8	18.7	22.7	23.2
Return on equity (%) <sup>1</sup>	5.8	7.3	22.8	22.1	24.6
Solvency ratio (%) <sup>1</sup>	58.7	48.0	58.7	48.0	51.4
Capital employed (DKK million)	12,683	12,933	12,683	12,933	12,278
<b>Share data</b>					
Number of shares for the calculation of EPS (million)	196.1	196.1	196.1	196.1	196.1
Number of shares for the calculation of DEPS (million)	196.1	196.1	196.1	196.1	196.1
Earnings per share (EPS) (DKK) <sup>1</sup>	3.17	3.08	11.36	9.03	10.24
Diluted earnings per share (DEPS) (DKK) <sup>1</sup>	3.17	3.08	11.36	9.03	10.24
Cash flow per share (DKK) <sup>1</sup>	6.20	4.63	17.21	12.24	15.47
Net asset value per share (DKK) <sup>1</sup>	54.90	43.40	54.90	43.40	44.89
Market capitalisation (DKK million)	18,935	20,758	18,935	20,758	18,582
Share price end of period (DKK)	96.55	105.85	96.55	105.85	94.75
<b>OTHER</b>					
Number of employees	5,631	5,782	5,631	5,782	5,733

1) Definitions according to the Danish Society of Financial Analysts' *Recommendations & Financial Ratios 2010*.

### **Lundbeck's development portfolio**

Lundbeck is developing a number of new and promising pharmaceuticals for the treatment of central nervous system (CNS) disorders. The pipeline projects are targeting areas where Lundbeck currently has a market presence, such as depression, anxiety and other psychiatric disorders – as well as new areas, including epilepsy, stroke and alcohol dependence.

Lundbeck's pipeline includes:

One compound under regulatory review in Japan

Five compounds in clinical phase III

Five compounds in clinical phase II

Two compounds in clinical phase I

Eight compounds in Lundbeck's pipeline have demonstrated clinical proof of concept, and two of the five compounds in phase II are expected to enter clinical phase III within the next six months.

Pipeline development is summarised as follows:

#### ***Regulatory review***

In September, Lundbeck's partner Mochida Pharmaceutical Co., Ltd. filed a New Drug Application (NDA) for **escitalopram** for the treatment of depression with the Japanese Ministry of Health, Labour and Welfare (MHLW). If approved, Lundbeck expects escitalopram in Japan to contribute meaningfully to Lundbeck's financial performance from 2012 and onwards

#### ***Clinical phase III***

Following the positive and highly statistically significant findings from the pivotal clinical phase III study with **clobazam**, an NDA is anticipated to be submitted with the FDA by year-end 2010.

The four additional studies with **Lu AA21004** in Major Depressive Disorder (MDD) are recruiting patients according to plan. The four clinical phase III studies will include approximately 2,000 patients with moderate to severe depression. In order to explore the full potential of Lu AA21004, the doses are 10 mg, 15 mg and 20 mg. The studies are based on the clinical data obtained to date, which shows positive results for the potential efficacy and the tolerability profile of Lu AA21004.

The phase III programme studying the use of **nalmefene** in alcohol dependence is progressing as planned and all three studies have finished recruiting patients. Headline conclusions from the clinical programme are expected within the next six months. Filing in Europe is expected in the second half of 2011.

The phase III studies for **desmoteplase** in ischaemic stroke, DIAS-3 and DIAS-4, is ongoing and is expected to be filed by the end of 2012. Additional centres will be opened and other

initiatives have begun in order to speed up recruitment. Desmoteplase could be eligible for priority review by the FDA.

***Clinical phase II***

Based on the solid clinical phase II data with **Lu AA24530** reported in July 2009, the clinical phase III programme is expected to commence by the end of 2010. This clinical programme is planned to include approximately 2,000 patients and the first patients are expected to be recruited in early 2011.

Lundbeck continues to finalise plans for additional clinical work with **zicronapine**, including plans for the pivotal programme. Zicronapine is in development for the treatment of schizophrenia. The clinical phase III programme is expected to commence by the end of 2010, and the first patients are expected to be recruited in early 2011.

**Lu AA24493** is in clinical phase II in the treatment of Friedreich's ataxia and in clinical phase I in the treatment of acute ischaemic stroke. Ongoing studies in both programmes are expected to conclude in late 2010.

The development programme for **Lu AA39959** in bipolar disorder has been suspended since May 2009 as more pre-clinical work is needed to be conducted. Additional pre-clinical investigation of the drug continues in order to decide on the future clinical development programme. Lundbeck's research team is simultaneously working on identifying additional back-up compounds.

## Financial forecasts and forward-looking statements

### Financial guidance 2010

Based on the third quarter results and as fewer factors now remain unknown, Lundbeck has decided to narrow the financial guidance range. Lundbeck now expects revenue of DKK 14.6-14.8 billion and an EBIT of DKK 3.3-3.4 billion. EBIT for the first nine months of the year amounted to DKK 3,036 million, and this constitutes a significant share of the guided amount. However, the upper range of the EBIT, as well as the EBITDA guidance remains unchanged as Lundbeck continues to expect R&D costs to amount to approximately 21% of revenue for the full year. R&D costs for the first three quarters of 2010 amounted to 18.7% of total revenue.

Lundbeck's financial guidance	2009 reported DKK million	2010 previous guidance DKK billion	2010 new guidance DKK billion
Revenue	13,747	14.3-14.8	14.6-14.8
EBITDA	3,728	3.9-4.3	4.2-4.3
EBIT	2,858	3.0-3.4	3.3-3.4
Tax rate	24.7%	24-25%	24-25%
R&D ratio	23.2%	~21%	~21%

### Floor guidance 2011-2014

Today Lundbeck provided floor guidance for the Lundbeck Group for 2011-2014. The forecasts consist of floor levels for revenue and EBIT, as well as target ratios for SG&A and R&D costs. Further information, including a detailed description of the assumptions behind the forecasts, can be found in the announcement released earlier today.

(Release no 415: *Lundbeck expects to deliver solid profits during a period of new product launches and patent expiries*)

Lundbeck's floor guidance 2011-2014	2011 DKK billion	2012 DKK billion	2013 DKK billion	2014 DKK billion
Revenue	>14.5	>14.0	>14.0	>14.0
EBIT	>3.0	>2.0	>2.0	>2.0
SG&A ratio	36-37%	37-40%	37-40%	37-40%
R&D ratio	~20%	~20%	~20%	~20%

### Forward-looking statements

Forward-looking statements provide current expectations or forecasts for events, such as product launches, product approvals and financial performance. Forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. Actual results may differ from expected results. Factors that may affect future results include fluctuations in interest rates and exchange rates, a delay in or failure of development projects, production problems, unexpected contract breaches or terminations, government-mandated or market-driven price decreases for Lundbeck's products, introduction of a competing product, 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 their interpretation and unexpected growth in costs and expenses.

## Revenue

Lundbeck recorded third quarter revenue of DKK 3,619 million, growing 7% compared to the third quarter last year, and corresponding to an increase of 5% at constant exchange rates.

<b>Total revenue</b>	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Growth at CER	Q2 2010 DKK million
Cipralex <sup>®</sup>	1,391	1,258	11%	8%	1,507
Lexapro <sup>®</sup>	566	600	(6%)	(4%)	630
Ebixa <sup>®</sup>	597	549	9%	10%	610
Azilect <sup>®</sup>	250	196	28%	26%	267
Xenazine <sup>®</sup>	172	89	92%	75%	147
Sabril <sup>®</sup>	52	-	-	-	37
Other pharmaceuticals	532	654	(19%)	(24%)	514
Other revenue	59	21	178%	174%	55
<b>Total revenue</b>	<b>3,619</b>	<b>3,367</b>	<b>7%</b>	<b>5%</b>	<b>3,767</b>

Revenue from Cipralex<sup>®</sup> (escitalopram) for the treatment of depression and anxiety rose to DKK 1,391 million, an increase of 11% or 8% at constant exchange rates. Revenue from Lexapro<sup>®</sup>, escitalopram marketed in the US by Forest Laboratories, Inc. (Forest), was DKK 566 million for the quarter. This was a decrease of 6%, or 4% at constant exchange rates, compared to the same period last year.

Ebixa<sup>®</sup> (memantine), for the treatment of Alzheimer's disease, generated third quarter revenue of DKK 597 million, an increase of 9% compared to the same period last year. The increase corresponds to 10% growth at constant exchange rates. Lundbeck has the marketing rights to Ebixa<sup>®</sup> in most of the world, except Japan and the US.

Revenue from Azilect<sup>®</sup> (rasagiline) for the treatment of Parkinson's disease was DKK 250 million, an increase of 28%, or 26% at constant exchange rates, compared to the third quarter last year. Lundbeck has commercial rights to Azilect<sup>®</sup> in Europe (in co-promotion with Teva Pharmaceutical Industries Inc. in France, Germany and the UK) and some markets outside Europe, including six Asian countries.

Xenazine<sup>®</sup><sup>1</sup> (tetrabenazine), for the treatment of chorea associated with Huntington's disease, generated revenue of DKK 172 million in the third quarter, an increase of 92%, or 75% at constant exchange rates compared to the same period last year. Xenazine<sup>®</sup> was launched in the US in November 2008.

<sup>1</sup> Xenazine<sup>®</sup> is a registered trademark of Biovail Laboratories International (Barbados) S.R.L.

Sabril<sup>®</sup> (vigabatrin), for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS), generated third quarter revenue of DKK 52 million. Sabril<sup>®</sup> was launched in the US in September 2009.

Other pharmaceuticals, which comprise the remainder of Lundbeck's products, decreased 19% to DKK 532 million.

Other revenue was DKK 59 million, compared to DKK 21 million for the third quarter of 2009. The increase is due to income from Elaiapharm, acquired in October 2009.

### Europe

Revenue in Europe rose 8% to DKK 1,910 million. The increase was driven by solid growth in all key products, with Cipralext<sup>®</sup>, Ebixa<sup>®</sup> and Azilect<sup>®</sup> growing 3%, 13% and 27% respectively.

Revenue Europe	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Growth at CER	Q2 2010 DKK million
Cipralext <sup>®</sup>	937	908	3%	3%	1,001
Ebixa <sup>®</sup>	516	456	13%	13%	509
Azilect <sup>®</sup>	226	178	27%	26%	243
Other pharmaceuticals	231	231	0%	(2%)	229
<b>Total revenue</b>	<b>1,910</b>	<b>1,773</b>	<b>8%</b>	<b>7%</b>	<b>1,982</b>

Cipralext<sup>®</sup> generated third quarter revenue of DKK 937 million in Europe and continues to gain market shares and reinforce its leading position in the European antidepressant market. Revenue was up 3% despite impact from generic versions of Cipralext<sup>®</sup> in Spain and Norway. At the end of August 2010, Cipralext<sup>®</sup> held a market share in value of 20.1% of the European antidepressant market, compared with a market share of 19.4% a year earlier.

Revenue from Ebixa<sup>®</sup> rose to DKK 516 million during the period, and at the end of August 2010 the product held 18.6% of the European Alzheimer's market measured in value, compared to a market share of 16.8% at the same time in 2009. Italy continues to experience high growth as a consequence of the reimbursement received in 2009 and the launch of the once-daily formulation in the country. In August 2010, Ebixa<sup>®</sup> had a market share in Italy of 28.1% compared to 20.8% a year earlier. During the quarter, Ebixa<sup>®</sup> revenue was negatively impacted by healthcare reforms in Greece and price reforms in Spain. Memantine, the active ingredient in Ebixa<sup>®</sup>, is the second-most prescribed pharmaceutical in Europe for the treatment of Alzheimer's disease.

Third quarter revenue from Azilect<sup>®</sup> amounted to DKK 226 million, an increase of 27% compared to the third quarter of 2009. Azilect<sup>®</sup> now holds a market share in value of 9.9% of the total European Parkinson's market (August 2010). This compares to a market share of 7.4% at the same time in 2009. Azilect<sup>®</sup> continues to gain market share in Europe, as it is increasingly recognised as an effective and easy-to-administer medication. The price reform in Spain had some negative impact on sales, whereas the reimbursement of Azilect<sup>®</sup> in

France early in the year continues to support sales. At the end of August, Azilect<sup>®</sup> had achieved a market share in France of 11.9%.

Revenue from other pharmaceuticals was DKK 231 million, which is unchanged compared to the same quarter last year.

### USA

Lundbeck's third quarter revenue in the US was DKK 901 million. This is a decrease of 6%, or 8% at constant exchange rates, compared to the third quarter 2009.

Revenue USA	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Growth at CER	Q2 2010 DKK million
Lexapro <sup>®</sup>	566	600	(6%)	(4%)	630
Xenazine <sup>®</sup>	160	89	79%	62%	139
Sabril <sup>®</sup>	52	-	-	-	37
Other pharmaceuticals	123	270	(54%)	(59%)	144
<b>Total revenue</b>	<b>901</b>	<b>959</b>	<b>(6%)</b>	<b>(8%)</b>	<b>950</b>

Revenue from Lexapro<sup>®</sup> was DKK 566 million, a decrease of 6%, or 4% at constant exchange rates, compared to the same quarter last year. The decrease was primarily due to lower bulk deliveries to Forest. At the end of August, Lexapro<sup>®</sup> held a market share in value of 24.7% of the US aggregate market for antidepressants, compared to a market share of 23.8% in August 2009.

Prepayments from Forest, recorded in Lundbeck's balance sheet as the difference between the invoiced price and the minimum price of Forest's inventories, was DKK 626 million as of 30 September 2010. This compares to DKK 667 million as of 30 September 2009. At the end of the third quarter, the inventory levels corresponded to approximately seven months of commercial supply.

Revenue from Xenazine<sup>®</sup> was DKK 160 million for the quarter, an increase of 79%, or 62% at constant exchange rates, compared to the third quarter last year. Xenazine<sup>®</sup> sales are progressing well and are on track to meet our expectations.

Sabril<sup>®</sup> revenue for the quarter was DKK 52 million. IS treatment guidelines were recently updated to include Sabril as a first-line therapy for patients with IS<sup>2</sup>. The inclusion emphasizes the qualities of the product and will support sales going forward. The uptake of IS patients has initially been encouraging, whereas enrolment of patients suffering from rCPS has been slower and below expectations.

Revenue from Other pharmaceuticals in the US was DKK 123 million, a decrease of 54%, or 59% at constant exchange rates, compared to same quarter last year. The decrease in sales was mainly due to the temporary withdrawal of Neoprofen from the market at the beginning of

<sup>2</sup> The updated guidelines were published in the September issue of *Epilepsia*.



the quarter and the launch of generic chlorothiazide (Diuril®) in December 2009 and indomethacin (Indocin®) in February 2010. Diuril® and Indocin® were acquired in connection with the acquisition of Lundbeck Inc.

### **International Markets**

Revenue in International Markets, which comprises all of Lundbeck's markets outside Europe and the US, was DKK 749 million. This is an increase of 22% compared to the third quarter 2009, or 16% in constant exchange rates. Ciprallex® sales increased 30%, while Ebixa® sales decreased 13% during the quarter. Azilect® continues to only be marketed by Lundbeck in a few markets in the region and therefore contributes a relatively small share.

<b>Revenue</b>	Q3 2010	Q3 2009		Growth	Q2 2010
<b>International Markets</b>	DKK million	DKK million	Growth	at CER	DKK million
Ciprallex®	454	350	30%	23%	506
Ebixa®	81	93	(13%)	(5%)	101
Azilect®	24	18	33%	21%	24
Other pharmaceuticals	190	153	24%	13%	149
<b>Total revenue</b>	<b>749</b>	<b>614</b>	<b>22%</b>	<b>16%</b>	<b>780</b>

Ciprallex® generated revenue of DKK 454 million in International Markets, an increase of 30% compared to the same quarter last year, and corresponding to an increase of 23% at constant exchange rates. Ciprallex® sales were experiencing continued growth in most International Markets. The reimbursement of Ciprallex® in the Canadian provinces of Ontario and British Columbia continues to support revenue growth in the country and the brand now holds a market share in terms of value of 12.9% in Canada (August 2010), compared to 8.9% at the same time last year. Furthermore, following the 2009 price reductions in Turkey, Ciprallex® sales in the country are now back to the same levels as before the reductions. At the end of the second quarter 2010, Ciprallex® held a market share in terms of value of 11.5% of the aggregate market for antidepressants in International Markets<sup>3</sup>, compared to a market share of 12.0% in the same period last year.

Ebixa® generated third quarter revenue of DKK 81 million, a decrease of 13%, or 5% at constant exchange rates. Revenue continues to be negatively impacted by the presence of generic versions of memantine in Canada and some other markets. In the second quarter, Ebixa® held 8.3% of the total market in terms of value of pharmaceuticals for the treatment of Alzheimer's disease in International Markets. This compares to a market share of 10.5% in Q2 2009.

Other pharmaceuticals generated revenue of DKK 190 million during the quarter, an increase of 24%, or 13% in constant exchange rates, compared to the same quarter last year. The increase was primarily due to quarterly swings in revenue.

<sup>3</sup> Market shares for International Markets are based on IMS data from Australia, Brazil, Canada, China, Mexico, Saudi Arabia, South Korea and Turkey.

## Expenses

Total costs for the quarter were DKK 2,773 million, an increase of 7% compared to the third quarter last year.

<b>Distribution of costs</b>	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Q2 2010 DKK million
Cost of sales	752	622	21%	706
Distribution	813	712	14%	914
Administration	442	480	(8%)	504
Research & Development	766	769	0%	707
<b>Total costs</b>	<b>2,773</b>	<b>2,583</b>	<b>7%</b>	<b>2,831</b>

Total cost of sales increased 21% to DKK 752 million. This corresponds to 21% of Lundbeck's total revenue, compared with 19% in the third quarter of 2009. Cost of sales for the period was affected by the higher cost of goods sold due to increasing revenue from in-licensed products (i.e. Xenazine<sup>®</sup>, Azilect<sup>®</sup> and Ebixa<sup>®</sup>).

Distribution costs were DKK 813 million, corresponding to 23% of revenue and an increase of 14% compared to the third quarter last year. The increase is mainly due to amortisation of product rights related to the acquisition of Lundbeck Inc. and LifeHealth Limited (i.e. Sabril<sup>®</sup> and Xenazine<sup>®</sup>). Administrative expenses decreased by 8% to DKK 442 million, primarily due to severance pay included in the costs for the third quarter last year. Administrative expenses corresponded to 12% of the total revenue for the period, compared to 14% for the third quarter of 2009. SG&A costs were DKK 1,255 million, compared to DKK 1,192 million in the same period last year.

R&D costs for the quarter were DKK 766 million, which is on par with the same period last year. For the full year, Lundbeck continues to expect R&D costs to amount to approximately 21% of revenue.

### Operating profit before depreciation and amortisation (EBITDA)

EBITDA was DKK 1,123 million, compared to DKK 977 million for the third quarter of 2009. EBITDA margin for the period was 31.0%, up from 29.0% in the same quarter last year.

### Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment charges, which are included in the individual expense categories, amounted to DKK 277 million, an increase of 44% compared to the same period in 2009.

<b>Depreciation, amortisation and impairment charges per expense category</b>	Q3 2010 DKK million	Q3 2009 DKK million	Growth	Q2 2010 DKK million
Cost of sales	76	52	46%	53
Distribution	117	62	88%	129
Administration	18	18	(1%)	20
Research & Development	66	61	9%	68
<b>Total depreciation, amortisation and impairment charges</b>	<b>277</b>	<b>193</b>	<b>44%</b>	<b>270</b>

The large increase in depreciation and amortisation included in distribution costs compared to the same period last year is primarily explained by amortisation of product rights acquired in connection with the acquisition of Lundbeck Inc. and LifeHealth Limited.

### Profit from operations (EBIT)

EBIT for the third quarter of 2010 amounted to DKK 846 million, which corresponds to an increase of 8% compared to the same period in 2009 (DKK 784 million).

The EBIT margin for the period was 23.4%, compared to 23.3% in the same period the year before.

### Net financials

Lundbeck generated net financial expenses of DKK 12 million in the third quarter, compared with net expenses of DKK 30 million in the third quarter of 2009.

<b>Net financials</b>	Q3 2010 DKK million	Q3 2009 DKK million	Q2 2010 DKK million
Net items relating to trading	-	2	-
Accounting translation of currency items	6	9	(35)
<b>Net currency items relating to financial items</b>	<b>6</b>	<b>11</b>	<b>(35)</b>
Realised and unrealised gains concerning other investments excl. exchange rate adjustments	-	(10)	4
Net interest income	(18)	(31)	(24)
<b>Net financials</b>	<b>(12)</b>	<b>(30)</b>	<b>(55)</b>

Accounting translation of currency items had a gain of DKK 6 million for the quarter, primarily due to the increase of the USD exchange rate in 2010.

Net interest income, including realised and unrealised gains and losses on the bond portfolio, amounted to a net expense of DKK 18 million, compared to a net expense of DKK 31 million in the same period in 2009. The difference was primarily due to a smaller loan portfolio in 2010.

### Tax

The income tax expense for the period was DKK 212 million, compared to DKK 149 million in the same period last year. The tax rate was 25%, up from 20% in the third quarter of last year.

### Profit for the period

Profit after tax for the third quarter of 2010 was DKK 622 million, compared to DKK 605 million in the same period last year.

### Cash flows

Lundbeck had a cash inflow during the quarter of DKK 1,095 million, compared to an inflow of DKK 297 million in the same period last year.

<b>Cash flows</b>	Q3 2010 DKK million	Q3 2009 DKK million	Q2 2010 DKK million
Cash flows from operating activities	1,216	907	1,245
Cash flows from investing activities	(75)	(2,363)	(71)
<b>Cash flows from operating and investing activities</b>	<b>1,141</b>	<b>(1,456)</b>	<b>1,174</b>
Cash flows from financing activities	(46)	1,753	(610)
<b>Change in cash</b>	<b>1,095</b>	<b>297</b>	<b>564</b>
Cash at beginning of period	1,920	2,256	1,330
Unrealised exchange differences for the period	(20)	1	26
<b>Cash at end of period</b>	<b>2,995</b>	<b>2,554</b>	<b>1,920</b>

Operating activities generated a third quarter cash inflow of DKK 1,216 million, compared to DKK 907 million in the same period last year. Cash flows from investing activities represented an outflow of DKK 75 million. Investing activities for the same quarter last year were impacted by the acquisition of Lundbeck Inc. and LifeHealth Limited.

Cash flows from financing activities equalled an outflow of DKK 46 million. The third quarter last year was impacted by loans related to the acquisition of Lundbeck Inc.

Cash as of 30 September 2010 was DKK 2,995 million. This compares to DKK 2,554 million at the end of September 2009 and DKK 1,960 million at 31 December 2009. At the end of September 2010, Lundbeck had a net cash position of DKK 1,131 million, compared to a net debt of DKK 1,819 million at the end of September 2009.

### Balance sheet

As of 30 September 2010, Lundbeck had total assets of DKK 18,352 million, compared to DKK 17,729 million at the end of the third quarter of 2009.

As of 30 September 2010, Lundbeck's equity amounted to DKK 10,767 million, corresponding to a solvency ratio of 58.7%, compared to 48.0% at the end of September 2009.

In the second quarter 2010, Lundbeck paid out dividend of DKK 602 million.

In the first quarter of 2010, Lundbeck finalised the purchase price allocation related to the acquisition of Lundbeck Inc. As a consequence, immaterial reclassifications were made within intangible assets in the first quarter of the year.

### **Hedging**

Lundbeck hedges income from its products through currency hedging. As a result of Lundbeck's currency hedging policy, foreign exchange losses and gains on hedging transactions are allocated directly to the hedged transaction. Hedging had a negative effect on profit of DKK 46 million in the third quarter of 2010. This is compared with a situation where income is not hedged and is instead included at the current rates of exchange during the period. The effect was a loss of DKK 76 million in the third quarter of 2009. The currency with the most financial impact in the third quarter of 2010 was the US dollar. The total effect was a loss of DKK 12 million from the hedging of the US dollar, and this compares to a loss of DKK 69 million in the third quarter of 2009.

Lundbeck hedges cash flow in US dollars on a rolling basis, approximately 12 months in advance. The average rate for the existing US dollar hedging contracts for 2010 is approximately USD/DKK 541. The corresponding rate for 2009 was approximately USD/DKK 536. For the next 12 months, the average rate for existing US dollar hedging contracts is approximately USD/DKK 564.

### **Long-Term Incentive programme**

As known, Lundbeck operates with Long-Term Incentive schemes (LTI) for the executive management and key employees in Denmark and abroad. To fund the programme Lundbeck will buy the necessary Lundbeck shares in full compliance with the existing NASDAQ OMX Copenhagen rules regarding trading with treasury shares and Lundbeck's internal rules.

The number of treasury shares included in the schemes currently amounts to less than 0.1% of the share capital per scheme. The purchases to fund the programme will be made as late as possible in order to mirror the final number needed. The 2011 distribution is estimated at 71,242 shares, equal to approximately DKK 7.5 million. For the 2012 and 2013 schemes, the corresponding figures are 90,506 and 96,355 shares, which is equal to approximately DKK 9 million and DKK 10 million at the present share price.

The schemes are charged continuously to the P&L and the purchase of treasury shares will have no effect on the P&L.

### **Events after the balance sheet date**

In October 2010, Lundbeck signed an agreement with Kyowa Hakko Kirin Co., Ltd. providing Lundbeck with exclusive rights to develop and commercialise the adenosine A<sub>2a</sub> antagonist KW-6356. Furthermore, Lundbeck entered into an agreement to create and develop human antibody therapeutics for disorders of the central nervous system (CNS) with Genmab A/S (Genmab). Lundbeck will have access to Genmab's antibody creation and development



capabilities and will have an option to take selected antibodies into clinical development at its own cost and subject to the payment of milestones and royalties to Genmab upon successful development and commercialization.

Also in October, Lundbeck and Merck & Co. signed a commercialisation agreement for Sycrest<sup>®</sup> (asenapine), an atypical antipsychotic medication. Under the terms of the agreement, Lundbeck gains commercial rights to Sycrest<sup>®</sup> in all markets outside the US, China and Japan. Lundbeck expects to launch Sycrest<sup>®</sup> in Europe, where it is already approved, at the beginning of 2011. Lundbeck will pay an undisclosed fee as well as product supply payments in exchange for commercial rights.

### **Accounting policies**

The interim report is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Accounting policies are unchanged compared to the annual report 2009, which contains a more detailed description of the Group's accounting policies.

In connection with the voluntary change of accounting policies in respect of foreign currency translation for foreign subsidiaries implemented in the first quarter of 2009, Lundbeck hereby specifies, as a result of a ruling from the Danish Commerce and Companies Agency that the change ought to have been referred to as a correction of prior financial years. The ruling does not affect figures in the consolidated financial statements of the current year or earlier years. Lundbeck disagrees with the ruling but has taken note of it.

### **Protection of patents and other intellectual property rights**

Intellectual property rights are a prerequisite for Lundbeck's continued investments in innovative pharmaceuticals. It is Lundbeck's policy to enforce its granted intellectual property rights wherever they may be violated. Lundbeck is involved in a number of trials around the world related to defending our intellectual property rights. In terms of escitalopram Lundbeck is at present time involved in pending court trials in Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hungary, Lithuania, The Netherlands, Norway, Portugal, Saudi Arabia, Spain, Taiwan, Turkey.

In September, the U.S. Federal District Court ruled in favour of Lundbeck after an in-depth review of the factual evidence and found no violation of the antitrust laws in the company's acquisition of NeoProfen<sup>®</sup> (ibuprofen lysine) Injection (10mg/mL), a drug used in premature infants with patent ductus arteriosus (PDA). Recently, Lundbeck has been informed that the FTC and State of Minnesota have decided to appeal the decision. Lundbeck continues to believe it has acted in full accordance with the antitrust laws..

**Risk factors**

Lundbeck's overall risk exposure is unchanged and reflects the risk factors described in the annual report 2009.

**Conference call**

Today at 2.00 pm (CET), Lundbeck will be hosting a conference call for the financial community. You can listen to the call online at [www.lundbeck.com](http://www.lundbeck.com) under the section "Investors – Presentations".

## Income statement

	2010 Q3	2009 Q3	2010 9M	2009 9M	2009 FY
	DKK million	DKK million	DKK million	DKK million	DKK million
Revenue	3,619	3,367	11,235	10,207	13,747
Cost of sales	752	622	2,156	1,915	2,655
Distribution costs	813	712	2,547	2,185	3,174
Administrative expenses	442	480	1,394	1,345	1,864
<b>Profit before research and development costs</b>	<b>1,612</b>	<b>1,553</b>	<b>5,138</b>	<b>4,762</b>	<b>6,054</b>
Research and development costs	766	769	2,102	2,312	3,196
<b>Profit from operations (EBIT)</b>	<b>846</b>	<b>784</b>	<b>3,036</b>	<b>2,450</b>	<b>2,858</b>
Net financials	(12)	(30)	(78)	(119)	(192)
<b>Profit before tax</b>	<b>834</b>	<b>754</b>	<b>2,958</b>	<b>2,331</b>	<b>2,666</b>
Tax on profit for the period	212	149	730	560	659
<b>Profit for the period</b>	<b>622</b>	<b>605</b>	<b>2,228</b>	<b>1,771</b>	<b>2,007</b>
Earnings per share (EPS) (DKK)	3.17	3.08	11.36	9.03	10.24
Diluted earnings per share (DEPS) (DKK)	3.17	3.08	11.36	9.03	10.24

## Statement of comprehensive income

	2010 Q3	2009 Q3	2010 9M	2009 9M	2009 FY
	DKK million	DKK million	DKK million	DKK million	DKK million
<b>Profit for the period</b>	<b>622</b>	<b>605</b>	<b>2,228</b>	<b>1,771</b>	<b>2,007</b>
Currency translation, foreign subsidiaries	(339)	(104)	204	(92)	(25)
Currency translation concerning additions to net investments in foreign subsidiaries	(368)	(134)	159	(445)	(396)
Adjustment, deferred gains/losses, hedging	152	58	(130)	65	7
Gains/losses, hedging	103	(60)	136	53	(1)
Gains/losses, trading (transferred from hedging)	-	-	-	-	22
Fair value adjustment of available-for-sale financial assets	(5)	9	(2)	11	27
Tax on other comprehensive income	38	34	(41)	82	93
<b>Other comprehensive income</b>	<b>(419)</b>	<b>(197)</b>	<b>326</b>	<b>(326)</b>	<b>(273)</b>
<b>Comprehensive income</b>	<b>203</b>	<b>408</b>	<b>2,554</b>	<b>1,445</b>	<b>1,734</b>



## Balance sheet

	30.09.2010 DKK million	30.09.2009 DKK million	31.12.2009 DKK million
<b>Assets</b>			
Intangible assets	7,621	7,688	7,724
Property, plant and equipment	2,931	3,048	3,049
Financial assets	255	202	199
<b>Non-current assets</b>	<b>10,807</b>	<b>10,938</b>	<b>10,972</b>
Inventories	1,545	1,444	1,481
Receivables	2,953	2,745	2,655
Securities	52	48	59
Cash	2,995	2,554	1,960
<b>Current assets</b>	<b>7,545</b>	<b>6,791</b>	<b>6,155</b>
<b>Assets</b>	<b>18,352</b>	<b>17,729</b>	<b>17,127</b>
<b>Equity and liabilities</b>			
Share capital	980	980	980
Share premium	224	224	224
Currency translation reserve	(494)	(973)	(857)
Retained earnings	10,057	8,281	8,456
<b>Equity</b>	<b>10,767</b>	<b>8,512</b>	<b>8,803</b>
Provisions	1,019	1,113	1,116
Debt	1,916	2,672	2,671
<b>Non-current liabilities</b>	<b>2,935</b>	<b>3,785</b>	<b>3,787</b>
Provisions	192	17	186
Bank and mortgage debt	-	1,749	804
Trade payables	1,019	711	997
Other payables	2,813	2,288	1,857
Prepayments from Forest	626	667	693
<b>Current liabilities</b>	<b>4,650</b>	<b>5,432</b>	<b>4,537</b>
<b>Liabilities</b>	<b>7,585</b>	<b>9,217</b>	<b>8,324</b>
<b>Equity and liabilities</b>	<b>18,352</b>	<b>17,729</b>	<b>17,127</b>

## Statement of changes in equity at 30 September 2010

	Share capital DKK million	Share premium DKK million	Currency translation reserve DKK million	Retained earnings DKK million	Equity DKK million
<b>2010</b>					
<b>Equity at 31.12.2009</b>	<b>980</b>	<b>224</b>	<b>(857)</b>	<b>8,456</b>	<b>8,803</b>
<b>Comprehensive income</b>	-	-	<b>363</b>	<b>2,191</b>	<b>2,554</b>
Distribution of dividends, gross	-	-	-	(602)	(602)
Incentive programmes	-	-	-	12	12
<b>Other transactions</b>	-	-	-	<b>(590)</b>	<b>(590)</b>
<b>Equity at 30.09.2010</b>	<b>980</b>	<b>224</b>	<b>(494)</b>	<b>10,057</b>	<b>10,767</b>
<b>2009</b>					
<b>Equity at 31.12.2008</b>	<b>984</b>	<b>224</b>	-	<b>6,384</b>	<b>7,592</b>
Restatement:					
Currency translation, foreign subsidiaries	-	-	(436)	355	(81)
<b>Equity at 01.01.2009</b>	<b>984</b>	<b>224</b>	<b>(436)</b>	<b>6,739</b>	<b>7,511</b>
<b>Comprehensive income</b>	-	-	<b>(537)</b>	<b>1,982</b>	<b>1,445</b>
Distribution of dividend, gross	-	-	-	(453)	(453)
Distribution of dividend, treasury shares	-	-	-	2	2
Capital reduction and cancellation of treasury shares	(4)	-	-	4	-
Incentive programmes	-	-	-	7	7
<b>Other transactions</b>	<b>(4)</b>	-	-	<b>(440)</b>	<b>(444)</b>
<b>Equity at 30.09.2009</b>	<b>980</b>	<b>224</b>	<b>(973)</b>	<b>8,281</b>	<b>8,512</b>

## Cash flow statement

	2010 Q3 DKK million	2009 Q3 DKK million	2010 9M DKK million	2009 9M DKK million	2009 FY DKK million
<b>Profit from operations (EBIT)</b>	<b>846</b>	<b>784</b>	<b>3,036</b>	<b>2,450</b>	<b>2,858</b>
Adjustments	276	110	753	225	699
Working capital changes	130	86	(196)	(13)	312
<b>Cash flows from operations before financial receipts and payments</b>	<b>1,252</b>	<b>980</b>	<b>3,593</b>	<b>2,662</b>	<b>3,869</b>
Financial receipts and payments	(8)	(24)	(38)	(38)	(110)
<b>Cash flows from ordinary activities</b>	<b>1,244</b>	<b>956</b>	<b>3,555</b>	<b>2,624</b>	<b>3,759</b>
Income tax paid	(28)	(49)	(179)	(224)	(725)
<b>Cash flows from operating activities</b>	<b>1,216</b>	<b>907</b>	<b>3,376</b>	<b>2,400</b>	<b>3,034</b>
Company acquisitions	-	(1,472)	-	(5,007)	(5,110)
Investments in and sale of bonds	-	(2)	9	942	1,270
Investments in and sale of intangible assets, property, plants and equipment and other financial assets	(75)	(889)	(206)	(741)	(1,234)
<b>Cash flows from investing activities</b>	<b>(75)</b>	<b>(2,363)</b>	<b>(197)</b>	<b>(4,806)</b>	<b>(5,074)</b>
<b>Cash flows from operating and investing activities</b>	<b>1,141</b>	<b>(1,456)</b>	<b>3,179</b>	<b>(2,406)</b>	<b>(2,040)</b>
<b>Cash flows from financing activities</b>	<b>(46)</b>	<b>1,753</b>	<b>(2,167)</b>	<b>2,029</b>	<b>1,065</b>
<b>Change in cash</b>	<b>1,095</b>	<b>297</b>	<b>1,012</b>	<b>(377)</b>	<b>(975)</b>
Cash at beginning of period	1,920	2,256	1,960	2,921	2,921
Unrealised exchange differences for the period	(20)	1	23	10	14
Change for the period	1,095	297	1,012	(377)	(975)
<b>Cash at end of period</b>	<b>2,995</b>	<b>2,554</b>	<b>2,995</b>	<b>2,554</b>	<b>1,960</b>

### Interest-bearing net cash and cash equivalents is composed as follows

Cash	2,995	2,554	2,995	2,554	1,960
Securities	52	48	52	48	59
Interest-bearing debt	(1,916)	(4,421)	(1,916)	(4,421)	(3,475)
<b>Interest-bearing net cash and cash equivalents, end of period</b>	<b>1,131</b>	<b>(1,819)</b>	<b>1,131</b>	<b>(1,819)</b>	<b>(1,456)</b>

### **Management statement**

The Supervisory Board and the Executive Management have discussed and adopted the interim report of H. Lundbeck A/S for the period 1 January – 30 September 2010. 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 September 2010, and of the results of the Group’s operations and cash flows for the first nine months of 2010, which ended on 30 September 2010.

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 account of the significant risks and uncertainty factors that may affect the Group.

The interim report is unaudited.

Valby, 3 November 2010

### ***Executive Management***

Ulf Wiinberg President and CEO	Peter Høngaard Andersen Executive Vice President	Lars Bang Executive Vice President
Anders Götzsche Executive Vice President, CFO	Anders Gersel Pedersen Executive Vice President	Stig Løkke Pedersen Executive Vice President

### ***Supervisory Board***

Per Wold-Olsen Chairman	Thorleif Krarup Deputy Chairman	Egil Bodd
Kim Rosenville Christensen	Mona Elizabeth Elster	Peter Kürstein
Jørn Mayntzhusen	Mats Pettersson	Jes Østergaard



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## **About Lundbeck**

H. Lundbeck A/S (LUN.CO, LUN DC, HLUKY) is an international pharmaceutical company highly committed to improving the quality of life for people suffering from central nervous system (CNS) disorders. For this purpose, Lundbeck is engaged in the research, development, production, marketing and sale of pharmaceuticals across the world. The company's products are targeted at disorders such as depression and anxiety, schizophrenia, insomnia, epilepsy and Huntington's, Alzheimer's and Parkinson's diseases.

Lundbeck was founded in 1915 by Hans Lundbeck in Copenhagen, Denmark. Today Lundbeck employs approximately 5,900 people worldwide. Lundbeck is one of the world's leading pharmaceutical companies working with CNS disorders. In 2009, the company's revenue was DKK 13.7 billion (approximately EUR 1.8 billion or USD 2.6 billion). For more information, please visit [www.lundbeck.com](http://www.lundbeck.com).



### Recent Corporate Releases from H. Lundbeck A/S

- |                   |  |
|-------------------|--|
| 3 November 2010   | Lundbeck expects to deliver solid profits during a period of new product launches and patent expiries  |
| 13 October 2010   | Lundbeck and Genmab enter into a research collaboration  |
| 12 October 2010   | Lundbeck and Merck sign exclusive commercialisation agreement for SYCREST <sup>®</sup> (asenapine) sublingual tablets in all markets outside of the United States, China and Japan |
| 5 October 2010    | Lundbeck enters into license agreement with Kyowa Hakko Kirin for A <sub>2a</sub> antagonists for Parkinson's and other indications  |
| 15 September 2010 | Escitalopram filed in Japan  |
| 9 September 2010  | Lundbeck wins Federal Trade Commission case in Federal District Court  |

Please visit [www.lundbeck.com](http://www.lundbeck.com) for more information.