H. Lundbeck A/S
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Chaired by Ulf Wiinberg

Ulf Wiinberg

Welcome and thanks for calling into our second quarter earnings call. I am joined by Anders Gersel Pedersen, our Head of R&D, and Peter Vekslund, who is standing in for our CFO, Anders Götzsche.

Obviously we have the Company disclaimer and you are all aware of that, so we will now move to the next slide. This morning when I came into the office I was met with the headlines that we were disappointing the market with the performance in the quarter and I have come to realise that we maybe should have been clearer with the communications around the charge we have taken with relation to the restructuring that we announced before summer. When that is said, we are pleased with where we are after six months and we feel that we are on track to deliver on guidance, both from a revenue point of view and from an EBIT point of view. We are very happy with the performance of our US business, which is up 20% and the international markets up 8%, which is offsetting the negative momentum that we have in parts of the business in Europe. When we are looking at Lundbeck, we also said that 2012 is a transition year where we would start with patent expiries, and I want to point out that personally I think it's great that we have positive cash flow 600 million first quarter after losing Lexapro, but more importantly what we are seeing is good momentum in new products. We have sales of almost DKK 1 billion after six months, which is up 66%, so clearly what we can see is that the new products that we have in the market will exceed Lexapro and offset the losses we have in Lexapro in 2012. We have good momentum here with Lexapro in Japan, up to 5%, and obviously, August is an important month, because then the prescribing restrictions will be released and so we feel having 5% before that puts us in a good place for continued strong growth, and we are also very pleased with the performance of Onfi in the US.

I also want to say, and Anders Gersel will give much more detail to this, but we have a very high investment level both in R&D and in commercial since we have launched three products the last 12 months and we have, depending on how you define it, four to five new product launches over the next 18 months in addition to several large phase III programme. Anders will review the progress on the pipeline, but obviously I want to point out the 58054 data in Alzheimer's that we shared with you before the summer. There has been strong interest in this from many companies interested in partnering with us, and that was obviously based on the headline data that we announced, and clearly now this project is moving off to being one of the more significant in the field of Alzheimer's in general in view of the announcement from Pfizer and J&J earlier this week, so this is something we look forward to keep you abreast of during the fall.

We have basically since the financial crisis in 2008 sort of built model saying that we will have healthcare rationing, healthcare reforms and price cuts in Europe, and that model we

sort of estimated it to 4% erosion on pricing annually in Europe, and this is part of the model that we have, and that has sort of worked fine for us. However, what we have learned with Sycrest is obviously that the timing to get new product pricing and what kind of market access you get is more difficult to predict, so when you consider the very significant launch commitment that we have with the three launches we've done in the last 12 months and the additional four to five, we have to come up with a model where we have full power behind the opportunities where we have good market access.

In light of this, we announced the restructuring of the commercial organisation in Europe, which is on slide five, before summer. We think with this restructuring we should be able to have power behind the opportunities at hand for all the products and, at the same time, be able to deliver on the significant undertaking related to the new product launches. Clearly, we will continue to have a very cost level at Lundbeck in order to deliver on the product launches at hand, so you should not anticipate that although the programme creates significant flexibility for us, you should not expect it to be a major reduction in SG&A as a result of the programme.

I know you are all aware of the many product launches that we have, but clearly you can see here that we have launched Sycrest and Lexapro Japan, we have launched Onfi, we have launched Treanda towards the end of this year, Aripiprazole depot US; hopefully, we can resolve our issues with the FDA regarding sterile water quickly and come to market soon. I also want to say that we expect to file this for Europe around the year-end, which means that we have plans for a launch in early ’14, but could also come a little sooner potentially, so clearly we have a very strong new product launch focus that we expect to continue to build the new Lundbeck that we have.

On slide seven you can see the progress on Lexapro in Japan and, again, a 5% share here we think is a very good performance, but now the fall will be very interesting, because then the restrictions are loosened up and GPs can prescribe and you can give longer prescriptions, so we expect a strong performance here in the fall.

With this, I would like to hand over to Anders Gersel Pedersen, who will comment on our very broad portfolio and the progress we have had in the quarter.

Anders Gersel Pedersen

Thank you Ulf. On slide number eight we have the late-stage pipeline depicted and, as you can see, we have a number of intense activities going on both with products under registration process both in Europe and in the US, and we have filings being in preparation also for Vortioxetine and Aripiprazole depot in Europe going on, while the remaining part of the clinical programme for Vortioxetine and the other part of pipeline are ongoing; all of this according to plan.

If you go to slide number nine, I think it must be, then you will see that the completed high-dose studies that we concluded in late last year in Europe and in the US had shown activity at a good level in Vortioxetine at 10 to 20 mg dosage, with good tolerability profile. We also have data indicating an analysis that we independently of anti-depression effects see effects of the cognition of 21004 Vortioxetine and that is something that is unique that is not seen with other products, just because they have an anti-depression

effect. We are pursuing the filings according to the plan both in Europe, US, and Canada, and planning to submit the files in these areas here within the next few months.

On slide number 10 you will see that the highlights that we have presented earlier on 58054, the Alzheimer's add-on therapy with Donepezil, which was positive at the phase II study that we concluded earlier this year. This is a product that we obviously have had a lot of interest at the time we released the data, about this product, and we clearly see that the strength of this is significant and is now one of the few remaining Alzheimer compounds with positive proof of concept under development. We are planning to go into discussions with authorities about the nature of an adjunct programme over the next couple of months and through that be able to define more appropriately a phase III pivotal programme.

On slide number 11, we show the results of the US study that you have seen earlier on Aripiprazole Maintena and the results of that that are the foundation of the NDA. We are clearly disappointed about the Complete Response Letter, which is due to third party manufacturing issues, was not an approval, but it was good to see that there have been no issues of concern regarding the actual content of the file with respect to efficacy, safety, and tolerability. The submission in Europe is on track for filing towards the end of this year and we'll keep you posted on that, as we move along.

I would now hand it over to Peter Vekslund, who will talk more about the development of the revenue of our portfolio.

Peter Vekslund

Yes, thank you Anders. This is the first quarter following the expiry of Lexapro patent in the US and I believe that we have continued the solid traction of our non-Lexapro franchise. We are well on track to delivery on our financial guidance while operating in a continued tough environment, especially in Europe and continuing a high investment level in our products of the future. There is still a need for our products and there is also still a need for new products in the marketplace. This can also be adjusted by the fact that the gained revenue from our new products already will replace what we lost from Lexapro here in '12. The contribution from new products has doubled the last year and, following a significant growth of 66% in the quarter, now constitutes close to 14% of total revenue and we expect to have more launches in the upcoming 12 months. In several of the markets where we are not exposed to generic competition, many of our products are still seeing some traction, though the constant high-level pressure on prices in several markets also has some negative impact. We are able to maintain the decent underlying growth momentum from previous quarters at least when adjusting for the loss of Lexapro in the US, so seeing in that light we are actually pleased with the overall revenue growth in the quarter.

The loss of Lexapro in the US, I guess it's fair to say, has been highly anticipated and this is the first quarter where we see a real impact and this actually might be the last quarter where it will be worth mentioning this product at all. Excluding Lexapro, we'll see an overall flat revenue growth in the quarter. Lexapro aside, however, we still see continued pressure on prices and generic erosion also happens faster than we have historically seen, and therefore I'm very pleased that some of our more mature products continue to perform and that some of our new products, although still being early days, are living up to

expectations. As we said at the beginning, several of our more mature products are still showing nice growth and I actually once again would like to point to a country like Canada, which is our third largest country after the US and France where we see a growth of more than 20% year-on-year and on track to delivery more than DKK 1 billion in annual sales. Compared to the second quarter last year, we saw a decline of 13% in reported figures and 14% in local currency, which is as expected.

Cipralex showed a modest decline of 6% in local currency in the quarter, which was driven by solid underlying growth in several markets, especially international markets. When looking at 2012 growth for Cipralex, it will be a challenge due to healthcare reforms and generics, but a positive driver will come from the launch of Lexapro in Japan in August of last year.

Ebixa is weak due to a major price cut in France of 17%, but excluding France we still see high single-digit growth in Europe and, therefore, will continue the growth momentum from previous quarters, driven by volume and market share, and we expect to continue this trend for the remaining part of 2012.

Xenazine has shown growth of 32% in the quarter and Sabril also continued the good growth momentum year-on-year, which we're obviously quit pleased with. For these tow products we expect continued growth going forward, although at a somewhat lower level than seen in 2011. In the beginning of '12 we also started launching Onfi and thus have another growth driver in the US. We are quite pleased with the uptake and, although recognising that it's still early days, we are pleased that this product already exceeds DKK 100 million in revenue in the first six months of the year.

At first sight, Azilect seems to disappoint, but adjusting for Germany, where Teva has overtaken the distribution, we see a growth of 13% compared to the second quarter last year. Azilect continues to perform well in countries like France, Spain, and the UK.

I am aware that you are all very interested in the progress of Sycrest, but it's still very early days. We have now made the product available in some 18 countries and expect up to 15 additional countries by the end of the year. The feedback so far is positive, but we are still awaiting pricing in the all-important French market.

As said before, we are satisfied about our top-line performance, considering the macro picture; even it's down, as expected, for the quarter following the anticipated decline in top-line as well as the 500 million in provisions for restructuring charges, as announced earlier this summer. The cost development for the quarter has been satisfying. Besides for the restructuring costs, which are all recognised as sale and distribution costs, the increase in SG&A costs has been a result of launch costs for Sycrest and Onfi, as well as pre-launch costs for Selincro. Cost of sales increased 11% for the quarter, primarily due to the gain from the sale of Sea Sands booked in Q2 last year. Increased sales of in-licensed have caused a slight increase in cost of sales, which however was offset by a decrease in cost of sales related to our own products. All in all I am pleased with the performance.

For 2012, the SG&A percentage is expected to increase by approximately 4% compared to 2011, as previously guided, both due to the decline in revenue base and the ongoing launch costs for Sycrest and Onfi, and pre-launch costs for Selincro, as well as Aripiprazole depot. This is, of course, all excluding the costs related to the restructuring

plan. Then the cost percentage is expected to be at the same level as in 2011, approximately 20%.

Who would have expected some years ago that we end this first quarter after the Lexapro expiry would be able to generate just a reasonable positive operating cash flow and, on top of that, investing heavily in our new product portfolio, let alone coping with the continued extra pressure. Clearly, our cash follow in the quarter, as well for the year, is heavily impacted by the decreased profits from Lexapro US and our continued investments in product launches, but when that is said, we are pleased with our continued solid cash generation. In this quarter we had a positive operating cash flow of DKK 593 million. Following payments of development milestones to Otsuka of $200 million and also payments of dividends, we ended the quarter with a positive interesting bearing net cash position of more than DKK 500 million.

2012 is, and will continue to be, a very exciting year with several important pipeline news, which Ulf will come back to in a minute, but also a year where several of our new products launches start to have an importance for the overall business. We are pleased with the uptake for Lexapro in Japan as well as in China. Onfi in the US is off to a good start and more countries are rolling out Sycrest. We maintain the guidance range for 2012, which we laid out in February, excluding restructuring costs, but we're also recognising that the constant pressure on prices, especially in Europe, is making it likely that it will be in the lower end of the revenue range. Please also note that the level roughly 7 to 9 percentage points higher if we exclude the expected impact from healthcare reforms, increasing pressure in some markets, and price cuts. Lundbeck continues to maximise its business and secure long-term growth by investing in new products and technologies, as well as an increased geographical presence. In order to deliver on commercial growth plans and achieve long-term growth, we plan to strengthen and expand our commercial activities. In an environment of increased generic competition and pressure form healthcare reforms, we need to maintain cost control. We believe that the entire organisation is aware of, and supportive of, this. We expect depreciation and amortisation of around DKK 1 billion and EBIT is expected in the range of 2 to DKK 2.5 billion before restructuring costs.

With that, I will hand over to Ulf for concluding remarks.

Ulf Wiinberg

Thank you Peter. When we look at key events for the balance of the year, clearly the long awaited submission of Vortioxetine both in Europe and in the US are the key aspects, and I am very pleased with the work done by the organisation during the summer to ensure that we can have timely submissions occur. We are also working intensely with the European authorities to secure approval of Selincro and that's enabling us to launch this in the beginning of next year, and, in addition, Treanda in Canada. I should also comment that we will be very focused on Abilify Maintena to both the US approval, which I can give you specific timelines for today, and the submission in Europe.

With that, all in all, just to summarise we are on track delivering '12, we are on track with our strategy to geographically, and product-wise diversify the Company. We have done several launches recently and we have several to come, as we're building a new platform

of new product sales to ensure long-term growth for Lundbeck. With that, I am happy to open up for questions.

Questions and Answers

Tim Race – Deutsche Bank

A few questions, if I may, on the pipeline first. First of all, on Aripiprazole, I appreciate you can't give exact timelines on this, but if you could just give me a little bit more colour on exactly what the next steps are and how long you suspect it may take and just generally what is the problem with the supplier? Is it a case of getting a new third party supplier or do you have to wait for them to have resolved the issues before you can move forward on this one, and effectively could we see this product on the market in the first half of '13? Next is 58054 in terms of partnering discussions, obviously this is a lot more interesting to a lot of companies now. Could you just discuss what are you are looking for in terms of partnerships, whether you are looking for big Pharma to take on the bulk of the cost here and pay a royalty or are you wanting to keep most of the value in-house and sort of looking on a regional approach? Then just maybe on Selincro, if you could just talk about how the interactions with European authorities have gone so far; presumably you've got your list of questions and outstanding issues back, is there anything surprising here, are there any questions or bulk of questions around the chosen end point for efficacy here? Just one last question on SG&A spend for 2013, I know the restructuring programme is not effectively a cost cutting programme, but could you give us a little bit of directionality of where SG&A should be in 2013 versus '12, up, down, or around about the same, obviously excluding the 500 million restructuring that's in there? That's about it, thank you.

The colour on Aripiprazole depot a bit – if I may in Canada and the US first – I mean the issue is one where the supplier of sterile water, the FDA has a problem with that, and we don't think there are any problems with the sterile water per se, but it's something else with the supplier, so clearly everything else in the file is good, so the next step for us is to have a meeting with the FDA to discuss remediation actions, and to define a timeline to bring this product to market as soon as possible, and I believe our meeting is set here during August. We should have a good...let's just say we should have a much better handle on the timeline for the next teleconference that we have. I don't think we would want to be in a position to issue a release after our meeting with the FDA since doing so might be viewed inappropriate by the FDA, but we should be in a position to give a good update, and clearly I mean this is – just to make sure everyone understands – highly irritating for us, so we have to do what it takes to get it approved as soon as possible in the best way. I should also say that the model we've had for commercial upsizing in the US that the majority of the spend is related to sales force investments, are contingent upon approval, so we are not exposed by having a big sales force sitting there. That said, we have identified the key individuals. There are some terrifically talented people and we would like to have them on board, so for that reason we want to get this resolved quickly too.

With respect to 58054, I mean I would like to say that based on the strength of the data that we presented top-line in the beginning of the summer, we had a very large degree of interest from many of the key players, who are interested in this field, so the interest in the price based on the data, what we now see is that for people who want to be competitive in

this space, there are fewer opportunities following the announcements earlier this week, so clearly the level of interest, if anything, is increasing in 58054. I think what we are looking is obviously a partner who has insights into the area and can be a good development partner. It's a partner that in markets where we acquire big sales forces can supplement us, because, for instance, we don't have a big GP sales force in the US, and then obviously we want to have a financially attractive proposition, so those are the three key aspects around this. We have an initiated the process and I can't really say much more about it until we have concluded something. The one thing I can say is that we are going full speed ahead with a clinical development programme and we will start that as soon as we are ready. We will not wait for a partner, if for some reason discussion drags out. Ideally we have a partner decision made in time for the phase III programme but if for some reason we don't we will go ahead full speed here. Clearly, I am very positive about the reaction we've had from companies who want to be in the field and also from the medical community on the announcement.
Selincro and questions, Anders do you want to comment a little bit on the regulatory process?

I can see we've had a very constructive dialogue with the European regulators on Selincro. We have received questions and we have responded to them, and we are on track, on schedule with the review process with them, so the details, I don't want to go into the specifics of that, but we're in a good mood with respect to the process going forward with the European regulators here.

Peter, do you want to say something on '13?

Yes, so the question on SG&A for 2013, two years ago we issued our flow guidance covering the period until 2014 and that we maintain, and then, as usual, when making our annual accounts public, and this will be in February '13, we will also issue more precise guidance for '13, so at this point we are not ready to comment more.

Tim, in other words, you should assume it will continue to be high in view of the launch expenses we have, based on, and you should not anticipate significant improvements as a result of ReCo. I mean ReCo is not a cost-saving programme. It's a way for us to ensure that we can be flexible and give max support to the biggest opportunity at hand from a product and geographic point of view.

Michael Novod – Nordea

Just a few questions on the products; if you take Sycrest, could you give an update on that and also the launches in different markets, and then also on Onfi where you have had a very solid start, could you give an update to both products also in terms of pre-sales potential in terms of what you have said previously, just to remind us of those numbers? Then the second one Ebixa, you saw a price cut in France of 17%, there was speculation about another cut in July of 7%, has that arrived or will it arrive during the fall or will you be able to avoid that?

On Ebixa, it's true, we had kind of expected another price cut in July of 7% and that did not materialise. The fact that it didn't materialise does not mean that it's not going to happen. We simply don't know what's going happen in France. We have a new Government and new discussions, so we are pleased that it's delayed and that's all I can

say thus far, but it would be probably foolish of me to assume the fact that it didn't happen in July means that it's not going to happen. I don't want to go that far.
On the performance of Onfi and Sycrest, I think on Onfi we are very pleased to have the uptake of the product. It has gone well with the payers and, as you know, we got good labelling on Onfi following the very successful phase III programme. It's been well received by the clinicians, so, so far, we are really happy. At the same time, there was some importation of the drug before going into the US, so I'd like to see a year before I sort of set out and revise the target, and I think we said about – Peter, help me – DKK 1 billion.

1 billion.

So, of course, if you trend where we are now, it looks like we do better than that, but based on what we experienced with Xenazine initially, I would say let's just wait before we relook at the guidance on Onfi. I think on Sycrest, I mean the nature of this launch, sort of the key here, is to get pricing and get the drug approved and what we have seen there is that we have been successful in many European countries, including Spain and Italy, but the most important market, France, we have, contrary to our expectations I should also add, not yet received price approval, and for the success of the project we need a successful launch in France. We have had several...I think we have said that peak sales are sort of maybe up to about DKK 2 billion and, of course, we are in that sense very, very early with Sycrest, so I think, again, when we get towards year-end we will have an idea of whether we've secured an approval in France and we can get a good launch off the ground there, and then how that will impact the overall guidance.

Matt Weston – Credit Suisse

Two questions, if I could, the first following up on Aripiprazole IM. I fully understand that without the FDA meeting, you don't understand the necessary remediation, but do you at least have some understanding of whether or not they will deal with as a Class 1 or a Class 2 resubmission; in other words, how long will they review the refilling once you actually have the necessary issues to satisfy them? Secondly, just on costs, if you could just humour me and set out again your cost guidance by line for 2012, and in particular I notice in Q2, if I take away my estimate of the royalties being paid out by you, which were included in cost of goods, the underlying manufacturing cost seems to have come down quite significantly year over year, and is that improvement in underlying COGS rightly to persist going forward.

We do not know until we have discussions with the FDA how they will manage the process, so we cannot give you a more detailed answer at this stage even if we would like to, but we need to have that meeting to be able to give a better guidance on that, so I am sorry about that. We are not withholding any knowledge about this, we just simply don't know until we have had that meeting.

On the guidance on cost for 2012, I will just go through what we have previously communicated and that is on SG&A percentage that there will be an increase of approximately 4-5 percentage points. On the R&D percentage, a slight decrease, approximately 1-2 percentage points and on the COGS percentage, also a slight increase of approximately 2 percentage points.

To your point Matthew the increase in COGS is related to the increased royalty payment and we are in general very, very pleased with the overall improvement programme that we have had at Lundbeck over the last few years in cost of goods. But going forward you have to anticipate that the royalty payments will increase and then when we go a few years more out obviously we will have a broader portfolio and a more complex portfolio, so it will be a good effort to keep the current very efficient supply operations, keep it at the same standard when you go to the outer years.

Peter Hugreffe – ABG

A couple of questions please, first of all in terms of Abilify depot in Europe, previously you guided a filing round late 2013, now you are saying 2012. What is behind this progress? Is it the similar situation we saw in the US where the trial was halted or anything else. Could you maybe also comment on the data I suppose you have seen by now. Secondly in terms of OPC-34, you previously stated that more trials would come. So far we haven't any new trials initiated, what is going on there? Secondly in the same context, most of the major trials will be completed next year, does that also imply that there will be a filing of OPC next year in certain countries. Maybe finally could you give a comment on the European Commission's statement of objection, just how do you see this case.

Let me start with the European Commission statement. We know that they are questioning some of our competitive behaviours from the past. Our opinion is that we don't believe we have done anything wrong. That said, when the European Commission raises a case against you, you take it seriously, and we are taking it seriously. We just received their write up, we are analysing and digesting that and preparing a response for it. Our view is that we don't think we have done anything wrong and hence there are no serves or anything like that planned. Other than that I can't say anything more on that right now.

With respect to Maintena in Europe, I mean obviously both with OPC and with Abilify Maintena, we are working with Otsuka and the communication strategies between the companies on what material and what needed to be communicated is sort of – we are not completely aligned always in that sense. That said, we had assumed we needed two studies for Abilify Maintena in Europe, which have the previous timeline, and now we have very strong data in the first study that enables us to have a submission towards the end of this year and hence we have communicated on the submission. I think you have to go to Otsuka and talk to them about when they plan to communicate on the data related to Abilify Maintena, because ultimately it is still a product that they are in charge of the drug.

I think with respect to OPC-34712 it is a little bit more of the same and obviously we will try to discuss with them to see how we can have a more proactive communication, because clearly this is a very important project for both companies, so far things are going well and proceeding as planned, but of course we need to have a better communication than what we have. I will meet with them this weekend in Tokyo and I will make them aware that we need to do this better.

I can add in that with respect to the fact that we have said that more studies will be initiated that programme is ongoing. As you may appreciate from the time of decision to start a study until it actually becomes active, you are talking of a time lag of at least eight to nine months. That is just the time that goes. Nothing is delayed in terms of the OPC programme, relative to what we have expected there.

I was just wondering whether – obviously that some of the trials being completed next year, some of the major trials could also indicate that if they were positive then at least in certain regions you will be able to file, but is that completely off the hook or is that Otsuka to decide.

I don't think we could do that based on the amount of long-term data that is required. Many of the studies that are being completed are short-term studies which are clinical studies for the filing, but you also need a certain amount of exposure of long-term patients, and I would not think that we would be able to reach those numbers within the timeframe that we are talking about here.

Peter Sehested – Handelsbanken

I think most of my questions have been answered, but I will go ahead with a few follow-ups. With respect to the third party on, and regarding the water, you said that it was not the water but it was another issue with the FDA. Are you implicitly saying that there is another issue that possibility perhaps has nothing to do with the particular drug here, but another issue that the FDA has with this third party provider. With respect to the cost savings for what you get out of the instructions in Europe, I mean 1,200 reps should translate more or less to 1.2 billion Danish Kroner. Could you explain a little bit how you can deploy such a large sum within such a short period of time i.e. without us expecting this to happen let's say a positive impact in any of the quarters going forward. Thank you.

Just on the water issue, we are not part of the discussions with the FDA, but the water that we had planned to use is still sold on the US market. Hence we assume there is nothing wrong with the water because it is part of a product used in haemophilia, and so be assured that the issue is not that we have – the plan was to use bad water with the drug. There is nothing wrong with the water, there is some other technicality. In order to decide whether we can stay with the same supplier or whether we have to switch suppliers, because we will do whatever it takes to get the fastest access with the drug, then we need to have discussions, Otsuka needs to have discussions with the FDA, and that is the first priority and we expect that to happen shortly. I am sure they will come to that meeting with several different options and discuss them with the FDA in order to determine which is the best way forward. On the other hand I cannot give you more than that, because until we have the meeting we don't really know much more than that.
Could you please repeat your second question on the sales reps.

It is just with regard to your guide, your position is saying that we should not expect any cost savings from this restructuring, but 1,200 reps that corresponds more or less to a savings of 1.2 billion Danish Kroner, and I was just wondering how you can deploy such a cost saving that quickly, i.e. by us not expecting to see any let's say cost improvements in any of the subsequent quarters. How are you going to deploy 1.2 billion Danish Kroner so quickly.

Let me just correct, we are discussing 600 direct reps and then we have some... that is impacted by this. I think the reason I am saying let's not call it a saving because sometimes when my family goes to a sale they come home and say I have spent 10,000 and I saved 10,000 by buying at a lower price. In this case what we are doing, we still have a very, very high spending level, we are building up the neurology sales force in the

US this year for the () and we are going to build up psychiatry where the laws of Abilify Maintena immediately and then with Vortioxetine, we have made investments in building up infrastructure in China, and then of course as we get the market approvals and when we get pricing and market access, we will need power behind, so I am very careful not to label this avenges initiative, because from a static point of view if you take out the 700 people, and you do nothing else, you get a really significant savings, but we are doing a lot of other things. I don't want to create any expectation that this will make our ratios look beautiful in 2013, we will still have a very high SG&A next year. What this will do this programme is that we have a chance to execute these launches successfully and hence today we are presenting the programme.
I am not sure if my answer was helpful to your Peter?

Not it was okay. I just wanted to get a bit more flavour on where you are going to deploy the savings. Thanks.

Peter Welford – Jefferies

Hi, I have got a couple of questions left. Firstly on the Abilify IM in Europe, I just wanted to clarify whether or not the sterile water supplier for the Aripiprazole IM in Europe, is different to that in the US, or whether or not this issue in discussions with the FDA would need to be resolved before you can pursue a European filing.
Secondly then on Onfi, obviously a great first six months, but was there any stocking at all in those numbers or is that true in market demand that over 100 million Danish Kroner.
Then thirdly just on Otsuka – was the milestone that you have paid in the cash flow statement this quarter, is that triggered by any particular event or is that just something that will be paid over the next year and few years annually basically at this time under the terms of the agreement. Thank you.

I cannot comment on obviously we have got to prepare the European file for Abilify Maintena for Europe, and until the file is ready I cannot say exactly what we are going to do, but be sure that the water supplier will have a very top priority in deciding what to do, so that we don't have this embarrassing situation happening one again. I think on Onfi there is stocking on and off in the US. I am not sure that that is a significant issue , but what you have to be aware of is that we have direct importation from other countries here in the beginning. We don't know exactly how much that is and how much new business that we are creating and that is the reason why we reluctant to revise our sales forecast, because we want to see a full year of performance before we can decide on that. In other words the direct importation of Onfi I think is a more significant unknown factor than the stocking effect that we have in the marketplace.
Peter can you comment on the milestones.

Milestone, is not a regular payment on an annual basis, if that was your question. We are not expecting a milestone on an annualised basis.

All the milestones are success related, and this milestone payment was related to achieving goals related to Aripiprazole.

Did you say the milestone was related to Aripiprazole not related to OPC?

No to Brexpiprazole, OPC-35710.

Okay so it relates to some data that Otsuka now has in-house for OPC that obviously has met a criteria but is not yet publically available.

Yes.

Martin Parkhoi – Dansk Bank

Also a couple of questions, firstly coming back to the question earlier on with respect to Onfi, can you say a little bit about how the split of sales has been because have any of the sales been outside actually the labelling of the product. I guess that some of the peak sales that you have announced should probably come from kind of investigational use, if you can call it that. Then my second question, during your presentation you said that you are well on track to meet your guidance, but how well are you actually on track. If for example you will not receive the large milestone from Takeda at the end of the year in connection with the acceptance on filing for your anti-depressant, will you still reach the bottom of your guidance.

Martin let me start with your last question. We gave a guidance at the beginning of the year, an EBIT range between 2 and 2.5 million EBIT, for the year and the reason we gave such a wide range was that whether we get the Takeda milestone in '12 or '13. If we do get it in '12 you should expect us to be at the top of the range for EBIT, excluding the restructuring charges we previously communicated, and if we get it in '13 we will still deliver on the guidance.
As it relates to Onfi and prescribing and use we cannot comment on the question that you are asking, but what I can say is that almost all states except one has it on the recommendation list and it has been very well accepted in the specialist communities for drop seizures.

Can I just follow up on that because in your statement you of course say that you now expect to hit at the lower end of your sales guidance for 2012, but you would make no changes to your EBIT guidance. Is that correct? the lower sales do not impact your EBIT at all.

We may not have lower sales. We may be in the middle of the guidance on sales. What we are saying on sales is we will deliver on guidance but we may be in the lower end of the range.
With respect to EBIT we have good cost controls in place in addition to the sales and we have our contingency plannings. Should we be in the lower end we should be able to deliver on the guidance.

Okay then just on your floor guidance, how comfortable are you on the floor guidance now. I guess that when you gave the floor guidance initially you felt very comfortable. Are you still as comfortable as then, or should we start to look at it as more as an actual guidance not as floor guidance.

I think I will be honest with you and say that when we gave the floor guidance we did not know we were going to do a deal with Otsuka which is a very significant investment programme, and we also did not know that the European healthcare reforms would take the turns they have taken. We had very significant margins at the time. As you know we

have delivered on the guidance in ’11, we plan to do it in ’12 and we are planning to do that going forward as well.

Carsten Madsen – Carnegie Bank

Could I just ask one question here regarding Japan, we are now halfway through the year and you have a 4% margin. I guess we know the market was around $1.5 billion in value. Is it reasonable to assume that you so far received maybe around 40 million in royalties and that this number could exceed 100 million for the full year. I know it is a very specific question but could you give some colour on where we are.

We actually had 5% in July, but we don't want to give specific sales. I am sure your maths skills are pretty good, but we don't want to give specific sales guidance.

Then just on Cipralex in Europe, we see Cipralex down 14% this quarter. If we look into 2013, do you mind sharing your thoughts on how Europe will look in 2013. Also I know it is difficult.

I think it is very difficult to see. There were two events that impacted us negatively one is that we lost the business in Spain as a result of the generic competition coming in too early, and we’re not going to lose that business twice and I don't see a reversal of that situation. The situation in Germany where we lost the situation because of the negative recommendation which then was overturned and we are now back on reimbursement, so I would expect the comparison in Germany to improve going forward instead of driving us down as...
Other than that, we will give more guidance on ’13 when we get into ’13, but I think those are sort of the two key events that you can focus on. Then in general we continue to take market share, besides that factor.

When will the comparable numbers for Spain begin to look more reasonable. When did the Spanish Government initiate this very aggressive switch.

I would expect that it is going to go through the full year or maybe come back in Q4 and then Spain is out when we get into ’13 and Germany we are seeing an improvement as we speak.

Elanor Fung – Goldman Sachs

A few questions to follow up please. Firstly on your 2012 guidance, could you provide a little bit more colour on what cost controls you mentioned that you will be able to maintain your EBIT guidance despite lowering your revenue guidance range for 2012. Secondly, what should we assume for the Proximagen sale, and can you confirm that this will be booked in revenues during the third quarter. Finally, do you assume any upfront revenue for a potential partnership in your guidance for 2012 please.

We have obviously maintained our guidance for the year both in terms of sales and EBIT. That said, when we plan the year then this is no secret. We establish a contingency plan for the business should we have healthcare reforms, drive us down to adverse territory and we have that in place. On the basis of where we stand now, we feel confident that we will deliver on the results for this year. Then of course we are on top of all the details of the

business with respect to what we spend and commitments we make, so we try to avoid negative surprises of the kind that you can control yourself.
I am not sure I can give you more granularity than that, but be assured that we are on top of it I can tell you.
What was your other question?

For the Proximagen sale, could you give us a little bit of colour on how much we should assume for this and whether or not it will be booked into the third quarter.

We will book the transaction when it happens, and we will announce the impact of the transaction when it happens. That is the assumption you should make. If it happens in the third quarter we will book it in the third quarter. I don't think we want to give you the details on the numbers until the final deal is done. Who knows if there any upsides or downsides to the thoughts being communicated by Proximagen. We should wait till then.
You had a third question too?

Yes please, do you assume any upfront revenue for a potential 054 partnership n 2012. If you don't mind me just following up on the Proximagen sale, do you assume any revenue for that in your 2012 guidance for revenues please.

On Proximagen, we have a number of items, positives, and negatives that is part of our financial planning and we are working with rolling forecasts and then we make decisions accordingly. That is the model that we are using. I can't give you more granularities on Proximagen than that. I think you should not assume any milestones on 58 or 54 in '12. The likelihood that we will have reached an agreement and drafted everything and done everything, the trigger of a milestone in '12 is unlikely. I will also say that it would be very disappointing if there wasn't any in '13. That is all I can say.

Lars Havreng – SEB

Thanks, on pricing impact overall for the Group, could you mention anything about the impact you saw in the second quarter, not only in France etc, but any overall figure for the Company.

Yes for the full year of 2012, we have assumed impact from generics in the range of 2-4% and from healthcare reforms and price cuts around 5%. In total between 7-9%.

How much was it in the second quarter?

We give the figures for the full year and are not ready to break it down by quarters.

We are wary, we are happy to, I shouldn't say happy but we are very open with sharing the events of the company and the market, but we are wary of tracking a figure in the impact... it quickly gets very, very complicated if we are trying to do that. We are not doing that and hence we are reducing the overall figure in terms of guidance.

Then just on Lexapro international sales, could you mention something more about the deceleration of growth in the second quarter compared to the 15-20% sales growth you have seen for many quarters before that.

We have generics in Brazil coming on Lexapro which impacts us negatively, and I think that is the main...

In international markets we are also impacted by the shipment on Ebixa in Q1, and also on price cuts in Turkey.

We shouldn't anticipate any re-acceleration of Lexapro international sales in the quarters ahead.

It is so hard to... for the year we expect that Cipralex for the total Group will be flat for the year.

Florance Cespedes – Exane BNP

Good afternoon gentlemen, thank you for taking my questions. The first one on 21004, when will you have internally new data, I understand quite soon with the US trial, and when will you communicate at least deadlines. The second question on Desmoteplase, could you give us some colour on why you have decided to expand the enrolment and why there is no impact on filing timeframe. A quick one on Selincro, could you just refresh our memory regarding potential partnership. Will you wait until the final approval of the product or would you consider a partnership in between. Thank you.

Thanks for calling in. Just on Selincro, I mean initially we had thought of doing a Pan-European deal, but when we saw the building scenarios and having discussions, we realised that that was pretty inefficient for us, because many countries we don't really need external help. There are some countries where we expect you may need big sales forces, and previously we had established a model with Cipralex, so for instance we have had a great partnership with Almirall in Spain for instance, and we have other local partners. We are more likely to follow the model used for Cipralex for Selincro.
Then I think you know depending on the exact label, it depends on how long time it will take guidelines established with the specialists, will sort of determine the timing to go out to the GPs in the respective countries. That will be very label and country dependent, and hence it is hard to give a general answer for when we will have a certain partnership.

But is it fair to assume that it won't be before the green light from the European authorities.

We will not do that before. It could also be that you know we get the label and then we work on getting the local recommendations in place in a given country and that could take 3 months, it could 18 months, and then once we have that then we will ask a partner to work with us in the mass promotion. It is all very speculative right now and hence we are opting for a model where we have maximum flexibility with respect to sourcing. That approach we take to partnering with Selincro, we are likely to do with Vortioxetine, and it is perfectly consistent with the model we have which is the driving force of Project Rico, which is the restructuring that we are doing of our own business operations in Europe today.
I think Anders Gersel Pedersen will answer your other questions on Vortioxetine and Desmoteplase.

First and foremost the Vortioxetine data – we have disclosed data earlier on for Phase III studies, they were critical and essential for the filing so that we could keep you appraised of where we were in that respect, but since the ongoing studies beyond the ones that we have already analysis that are not critical for the filings, we will not disclose them until they will be reported at conferences. We will not disclose any more data on that?

Can you confirm that you will even not disclose the cognitive and sexual dysfunction trials results.

Most likely not until we have the med conferences yes.
With respect to the Desmoteplase – the expansion of the study programme is driven by our desire, when looking at the reported () data and our own programme and our analytical systems, in terms of what are driving forces in your analysis, we wanted to make sure that we have sufficient number of patients that are not only included but are eligible for the appropriate analysis that we have to do. As you can't always determine an entry, but until after a little into the study, because there is a central reading process that drives that, we have decided to expand the number of patients to be able to secure the read out. The reason it doesn't have any impact on our filing time is that we have had a pick up in the recruitment over the past year that has enabled us to absorb that within the timeframe that we have communicated.

Closing Comments

That concludes the teleconference. I want to thank you all for calling in and following us and again just to confirm, we are on track to deliver guidance for the year and we are very pleased with the overall progress that we have with new products and we look forward to sharing news as we move forward. Thank you very much.