



Release No 229

16 August 2006

### Interim report for the second quarter of 2006

The Supervisory Board of H. Lundbeck A/S today approved the Group's interim report for the second quarter of 2006, which in line with the previous quarter was adversely affected by Forest Laboratories, Inc. reduction of in-house escitalopram inventories in 2006.

- Second-quarter consolidated revenue amounted to DKK 2,198 million, a 4% decline relative to the year-earlier period (2% drop at CER).
- Revenue derived from **Europe** amounted to DKK 1,400 million, a 9% increase over the year-earlier period (10% growth at CER). Revenue from **International Markets** amounted to DKK 311 million, a 12% increase (11% growth at CER).
- Revenue from the **USA** amounted to DKK 430 million, a decline of 35% (29% decrease at CER), due to lower supplies of bulk escitalopram to Forest as part of Forest's reduction of in-house escitalopram inventories. However, actual sales of Lexapro<sup>®</sup> in the US market rose by 10% in the second quarter of 2006 relative to the same period of last year. At 30 June 2006, inventories had been reduced to a level corresponding to approximately 13 months of commercial supply.
- Profit from operations was DKK 269 million, a decline of 47% relative to the year-earlier period. In addition to the extraordinary decline in income from Lexapro<sup>®</sup> in 2006, the lower profit was caused by higher research and development costs and higher cost of sales and administrative expenses.
- The free cash flow amounted to DKK -72 million in Q2 2006. The negative free cash flow was triggered by a repayment to Forest concerning write-down of in-house Celexa<sup>®</sup> inventories at Forest in the amount of DKK 114 million.
- Lundbeck reiterates its full-year guidance of a profit from operations of approximately DKK 1.6 billion.



## Financial highlights for the period

*In respect of recognition and measurement, the interim report has been prepared in accordance with IFRS and related interpretations of International Accounting Standards Board (IASB) which are expected to apply for the presentation of financial statements for the full year 2006. The comparative figures have been restated due to the implementation of IAS 39 "Financial instruments: recognition and measurement" at 1 January 2005. The interim report is unaudited.*

	Q2 2006 DKKm	Q2 2005 DKKm	Growth in DKK	Growth at CER	Q1 2006 DKKm
Revenue	2,198	2,285	-4%	-2%	2,232
- CipraleX®	856	653	31%	32%	837
- Lexapro®	435	654	-34%	-26%	484
- Ebixa®	337	265	27%	27%	311
- Azilect®	17	0	-	-	8
- Serdolect®	2	-	-	-	1
- Other pharmaceuticals	495	645	-23%	-25%	536
- Other revenue	58	68	-14%	-16%	56
Costs	1,930	1,776	9%	-	1,782
- Cost of sales	437	399	10%	-	420
- Distribution and administration	1,004	955	5%	-	907
- Research and development	488	425	15%	-	455
- Other operating expenses, net	1	-2	-	-	0
Profit from operations	269	509	-47%	-	451
Net financials	-32	104	-131%	-	-82
Net profit for the period	141	452	-69%	-	225
Earnings per share, EPS (DKK)	0.67	2.03	-67%	-	1.04
Free cash flow	-72	746	-110%	-	198
Number of employees (end of period)	5,090	5,027	-	-	5,065



## Revenue in Q2 2006

The Group generated Q2 revenue of DKK 2,198 million, which was a 4% drop relative to the same period of last year and a decrease of 2% relative to Q1 2006. Adjusted for exchange rate fluctuations, Group revenue declined 2% relative to the year-earlier period.

### Lundbeck Group revenue

	Q2 2006 DKKm	Q2 2005 DKKm	Growth in DKK	Growth at CER	Q1 2006 DKKm
Cipralex <sup>®</sup>	856	653	31%	32%	837
Lexapro <sup>®</sup>	435	654	-34%	-26%	484
Ebixa <sup>®</sup>	337	265	27%	27%	311
Azilect <sup>®</sup>	17	-	-	-	8
Serdolect <sup>®</sup>	2	-	-	-	1
Other pharmaceuticals	495	645	-23%	-25%	536
Other revenue	58	68	-14%	-16%	56
<b>Total revenue, Group</b>	<b>2,198</b>	<b>2,285</b>	<b>-4%</b>	<b>-2%</b>	<b>2,232</b>

Cipralex<sup>®</sup> and Ebixa<sup>®</sup> (for the treatment of depression and Alzheimer's disease, respectively) continued to grow, and combined with the recently launched pharmaceuticals Azilect<sup>®</sup> and Serdolect<sup>®</sup> (for the treatment of Parkinson's disease and schizophrenia, respectively) these pharmaceuticals provided a 32% increase in consolidated revenue. This increase more than compensated for the decline in sales of the Group's other pharmaceuticals, which are represented by a number of mature antidepressants and antipsychotics.

As expected, Forest's reduction of its escitalopram inventories caused the Group to post lower income from Lexapro<sup>®</sup> in the USA compared with the same period of last year. Income from Lexapro<sup>®</sup> was down by 34% relative to the year-earlier period.

Second-quarter sales of new pharmaceuticals (Cipralex<sup>®</sup>/Lexapro<sup>®</sup>, Ebixa<sup>®</sup>, Azilect<sup>®</sup> and Serdolect<sup>®</sup>) made up 75% of the Group's total revenue compared with 69% in Q2 2005.



### Europe

	Q2 2006 DKKkm	Q2 2005 DKKkm	Growth in DKK	Growth at CER	Q1 2006 DKKkm
Cipralex <sup>®</sup>	697	534	31%	31%	670
Ebixa <sup>®</sup>	303	241	26%	26%	277
Azilect <sup>®</sup>	17	-	-	-	8
Serdolect <sup>®</sup>	2	-	-	-	1
Other pharmaceuticals	381	506	-25%	-25%	404
Total revenue, Europe	1,400	1,281	9%	10%	1,360

In Europe, sales continue to expand, driven primarily by Cipralex<sup>®</sup> and Ebixa<sup>®</sup>, which continue to conquer market shares. The higher revenue derived from new pharmaceuticals in Europe thus continues to compensate for the lower revenue from other products. The decline in the group of other pharmaceuticals was ascribable to the ongoing drop in sales of citalopram, which is subject to generic competition in all markets.

### Quarterly sales in Europe

(DKKkm)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
New pharmaceuticals	652	775	821	891	956	1019
Other pharmaceuticals	535	506	463	432	404	381
Revenue, Europe	1,187	1,281	1,284	1,323	1,360	1,400
Quarterly sequential growth (%)	6%	8%	0%	3%	3%	3%

As a result of the sales growth in Europe and the concurrent decline in income from Lexapro<sup>®</sup> in the USA, Europe accounts for a greater share of the Group's consolidated revenue in 2006. In Q2 2006, Europe made up 63% of the Group's total revenue, compared with 56% in the year-earlier period.

In most markets, **Cipralex<sup>®</sup>** continues to win market share supported by the Group's extensive European sales infrastructure. At the end of June 2006, Cipralex<sup>®</sup> held 11.7% of the European antidepressants market in terms of value, compared with 8.0% at 30 June 2005.

At the end of June 2006, **Ebixa<sup>®</sup>** held 14.7% of the European market for pharmaceuticals to treat Alzheimer's disease.



**Azilect**<sup>®</sup> has now been launched in a number of countries across Europe, and at the end of April 2006 the product was rolled out in Spain, which is one of the largest European markets for pharmaceuticals to treat Parkinson's disease. The launch in Spain has been a success, and after 3 months in the market, Azilect<sup>®</sup> currently holds 7.9% of the Spanish market in terms of value. In Germany, the largest market in Europe, accounting for more than 25% of the European market for pharmaceuticals to treat Parkinson's disease, Azilect<sup>®</sup> commanded 1.9% of the market at the end of June 2006.

In January, Estonia became the first country in Europe to see the launch of **Serdolect**<sup>®</sup> for the treatment of schizophrenia. Since then, the launch has been initiated in Denmark, Finland, Norway, the Czech Republic, Germany and Sweden.

#### USA

	Q2 2006 DKKm	Q2 2005 DKKm	Growth in DKK	Growth at CER	Q1 2006 DKKm
Lexapro <sup>®</sup>	435	654	-34%	-26%	484
Other pharmaceuticals	-5	4	-	-	4
Total revenue, USA	430	658	-35%	-29%	488

Lundbeck's income from sales of Lexapro<sup>®</sup> in the USA was DKK 435 million in Q2 2006, compared with DKK 654 million in the same period of last year, a decline of 34%. The lower income from Lexapro<sup>®</sup> was anticipated and was due to the reduction of Forest's in-house inventories of escitalopram. At 30 June 2006, inventories had been reduced to a level corresponding to approximately 13 months of commercial supply.

In Q2 2006, Forest generated Lexapro<sup>®</sup> sales of USD 507 million against USD 461 million in the year-earlier period.

At the end of June, Lexapro<sup>®</sup> held a market share of approximately 17.2% of total antidepressants sales in the USA (N6A), making it the second-most prescribed antidepressant in the US market. Within the foreseeable future, generic versions of the market-leading antidepressant – Zoloft<sup>®</sup> (sertraline) – are expected to be rolled out in the US market. In the weeks immediately after the launch of generic sertraline, technical factors will cause a decline in Lexapro<sup>®</sup>'s market share, but after about two months, it will return to its true and normal level. The Group expects that generic sertraline will have a neutral impact on Lexapro<sup>®</sup>'s market share.



The number of prescriptions (TRx) for Lexapro<sup>®</sup> written in the first 6 months of the year was up by approximately 6.7% relative to the same period last year. Similarly, the market in terms of the number of prescriptions (TRx) for more recent antidepressants in the USA rose by 4.8% in the same period. The US market for antidepressants is expected to post a slightly positive trend in 2006.

Prepayments from Forest recorded in Lundbeck's balance sheet – the difference between the invoiced price and the minimum price of Forest's inventories – was DKK 1,070 million at 30 June 2006 compared with DKK 1,393 million at year-end 2005. Lundbeck still expects prepayments from Forest to be approximately DKK 900 million at the end of 2006, corresponding to about 10 months of commercial supply.

After the end of the reporting period, on 14 July 2006 Lundbeck and Forest announced that the U.S. District Court for the District of Delaware had determined that the U.S. patent covering escitalopram, the active ingredient in Lexapro<sup>®</sup>, is both valid, enforceable and infringed by Ivax/Teva's proposed generic product, thereby confirming Lundbeck's and Forest's patent rights in the USA, which expire in March 2012. The patent at issue in the lawsuit is U.S. Patent No. Re 34,712, which is set to expire in March 2012 and covers escitalopram.

Lundbeck hedges income from Lexapro<sup>®</sup> and other products using 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. The hedging of the Group's foreign exchange income means that this income is in reality included in the financial statements at the forward rates. The effect on the profit was DKK 7 million in Q2 2006 against DKK 24 million in the year-earlier period compared to a situation where the income is included at the current rates of exchange during the period. Of the total effect, DKK 11 million compared with DKK 25 million in Q2 2005 stems from the hedging of USD. The gain from the USD hedging has primarily been added to income from sales of Lexapro<sup>®</sup>.

At 30 June 2006, forward exchange and option contracts had been entered into to hedge foreign currency cash flows, primarily in EUR and USD, equivalent to a value of approximately DKK 2.8 billion. Of this amount, DKK 2.3 billion is accounted for as hedging contracts. The average forward rates at 30 June 2006 were for euro 746.27 DKK/EUR and for US dollars 592.07 DKK/USD. Deferred recognition of net currency losses and gains amounted to DKK 34 million at 30 June 2006 against DKK -156 million at 30 June 2005 and DKK -53 million at 31 March 2006.



The average forward rate for the first six months of 2007 for US dollars will be approximately 590 DKK/USD, using the existing hedging contracts. The corresponding forward rate for the first six months of 2006 was approximately 583 DKK/USD. For the 2006 financial year, the average forward rate for US dollars is approximately 584 DKK/USD.

### International Markets

	Q2 2006 DKKm	Q2 2005 DKKm	Growth in DKK	Growth at CER	Q1 2006 DKKm
Cipralex <sup>®</sup> /Lexapro <sup>®</sup>	159	119	34%	32%	167
Ebixa <sup>®</sup>	34	24	41%	35%	34
Other pharmaceuticals	119	135	-12%	-13%	128
Total revenue, International Markets	311	278	12%	11%	329

Revenue outside Europe and the USA rose 12% relative to the year-earlier period. Relative to Q1 2006, there was a slight drop in revenue. Cipralex<sup>®</sup> is one of the three best-selling branded antidepressants in several markets, and Ebixa<sup>®</sup> had gained a share of 8.5% of the anti-Alzheimer's market in terms of value by the end of June 2006.

### Expenses

Lundbeck's total expenses, exclusive of net financials and tax, were DKK 1,930 million in Q2 2006, up 9% over the year-earlier period and 8% relative to Q1 2006.

Cost of sales were DKK 437 million in Q2, representing approximately 20% of total revenue, up 10% on the same quarter of last year and 4% on Q1 2006. Second-quarter cost of sales was affected by quarterly variation in indirect production costs allocated to inventories and higher royalty payments in respect of Ebixa<sup>®</sup>.

Distribution costs amounted to DKK 646 million, an increase of 1% on the year-earlier period and a 10% increase on Q1 2006.

Administrative expenses amounted to DKK 358 million, an increase of 14% on the year-earlier period and a 12% increase relative to Q1 2006. The increase in costs of distribution relative to Q1 2006 was primarily attributable to higher sales-promoting activities in France, while the higher administrative expenses were driven by cost allocation from other parts of the organisation and a generally higher level of expenses.



Second-quarter research and developments costs amounted to DKK 488 million, which was a 15% increase on the same period of last year and 7% higher than in Q1 2006.

Research and development costs accounted for 22% of revenue compared to 19% in Q2 2005. As previously announced, Lundbeck expects that research and development costs will account for more than 20% of total consolidated revenue for 2006 because R&D costs are kept unchanged in spite of the extraordinary decline in income from Lexapro<sup>®</sup> sales in the USA in 2006.

Depreciation and amortisation charges, which are included in the individual expense categories, totalled DKK 124 million in Q2 2006, up from DKK 121 million in the same period of last year.

Depreciation/amortisation per expense group	Q2 2006 DKKm	Q2 2005 DKKm	Growth in DKK	Q1 2006 DKKm
Cost of sales	56	69	-19%	51
Distribution and administration	21	16	28%	26
Research and development	47	36	30%	45
Total depreciation/amortisation	124	121	2%	122

### Share buyback

In August 2005, Lundbeck launched a share buyback programme of DKK 6 billion, scheduled to be completed by the end of 2007. The programme is being implemented in accordance with the provisions of the European Commission's regulation no. 2273/2003 of 22 December 2003 ("safe harbour"), which protects listed companies against violation of insider legislation in connection with share buybacks. At the Group's general meeting in 2007, the Supervisory Board intends to submit a proposal to reduce the share capital by a nominal amount that corresponds to the nominal value of the share capital bought back under the programme.

Once every seven trading day, Lundbeck will issue an announcement concerning transactions made under the share buyback programme, and as announced in release no. 224 of 10 July 2006, a total of 14,977,879 shares had been bought back at 30 June 2006, corresponding to a transaction value of DKK 2,011,541,733 and an average purchase price of DKK 134.3008.





## Research and development

Lundbeck has decided to move Lu AA21004 in phase II clinical trials for the treatment of depression in patients. Lu AA21004 is the most advanced project in Lundbeck within a new chemical class, the bis-aryl-sulphonyl amines. The pharmacology of these projects is markedly different from any currently marketed antidepressants.

Compared with currently approved antidepressants preclinical models have demonstrated Lu AA21004 to address important unmet needs for patients on both fast onset of effect and increased efficacy.

On 24 May, Lundbeck and Merck & Co., Inc. announced results from two phase II clinical trials with gaboxadol at the 159<sup>th</sup> Annual Meeting of the American Psychiatric Association (APA). Gaboxadol demonstrated improvement on several clinical end-points as well as enhancement of slow wave sleep in studies in primary insomnia and transient insomnia.

Gaboxadol is an investigational agent in phase III for the treatment of insomnia and the first Selective Extrasynaptic GABA<sub>A</sub> Agonist (SEGA) constituting a new class of sleep agents.

Finally, on 28 April, Lundbeck announced that the Group had filed an application for approval of CipraleX<sup>®</sup> (escitalopram) for the treatment of Obsessive-Compulsive Disorder (OCD) in the EU with the health authorities in Sweden, which acts as reference country in the European mutual recognition procedure.

The application is based on studies involving more than 750 patients, showing that CipraleX<sup>®</sup> is effective in acute treatment and long-term treatment of OCD as well as reducing the risk of relapse significantly. In Europe, CipraleX<sup>®</sup> is currently approved for the treatment of depression, generalised anxiety disorder, panic disorder and social anxiety disorder.

## Net financials

In Q2 2006, the Group's net financials were a net expense of DKK 32 million compared with a net income of DKK 104 million in the same period of last year.



	Q2 2006 DKKm	Q2 2005 DKKm	Q1 2006 DKKm
Net financials	-32	104	-82
Net interest income/expenses	-17	41	-17
Unrealised gains concerning other investments excl. exchange rate adjustments	0	1	0
Net currency income relating to financial items, specified as follows:	-15	62	-65
Net income relating to trading	32	-3	-35
Accounting translation of currency items	-47	65	-30

Net interest income, including realised and unrealised gains and losses on the bond portfolio, amounted to DKK -17 million in Q2 2006. The change relative to last year was due to losses on the bond portfolio.

Second-quarter foreign currency translation amounted to an expense of DKK 15 million, driven primarily by an equity decline in subsidiaries made up in foreign currency.

Net income relating to trading derives from income and expenses from instruments that do not meet the criteria for hedging and is recognised directly under net financials at market value. As a result of the revised profit forecast caused by Forest's changed inventory levels, announced in February 2006, hedging contracts have been transferred to trading contracts. The unrealised profit impact, which is recognised in Q2 2006, is approximately DKK 38 million.

## Tax

The income tax expense amounted to DKK 82 million in Q2 2006 against DKK 149 million in the year-earlier period. The effective tax rate was 37% as compared with 25% in Q2 2005 and 36% in Q1 2006. The tax rate for Q2 2006 was driven primarily by losses on translation of foreign exchange items and losses in associates.

For the 2006 financial year, Lundbeck projects an effective tax rate of about 36%, subject to unchanged exchange rates.



### **Net profit for the period**

At DKK 269 million, profit from operations in Q2 2006 was 47% lower than in the year-earlier period.

At DKK 222 million, profit before tax fell by 63% relative to the year-earlier period, while the net profit for the period after tax was DKK 141 million, which was 69% lower than in Q2 2005.

### **Investments**

Lundbeck's total net investments in Q2 2006 amounted to DKK 207 million, up from DKK 98 million in Q2 2005 and DKK 96 million in Q1 2006. In Q2 2006, the Group invested primarily in research facilities in Lundbeck Research USA.

### **Cash flows**

Lundbeck's operating activities generated a cash inflow of DKK 135 million in Q2 2006, compared with an inflow of DKK 843 million in the year-earlier period and DKK 294 million in Q1 2006.

The free cash flow amounted to DKK -72 million in Q2 2006 as compared with DKK 746 million in the same period of last year. In addition to the relatively low profit from operations, the free cash flow for the period was affected by the repayment to Forest concerning the write-down of Celexa<sup>®</sup> inventories in the amount of DKK 114 million, realised losses on the Group's bond portfolio and a higher level of investment compared with the year-earlier period.

Financing activities generated a cash inflow of DKK 532 million, consisting primarily of the raising of long-term debt of DKK 1,100 million as part of the ongoing financial resources, and dividend payments of DKK 445 million.

Financing activities generated a cash outflow of DKK 448 million in the year-earlier period and an outflow of DKK 1,018 million in Q1 2006.

Lundbeck's interest-bearing net cash (the Group's holding of cash and cash equivalents less interest-bearing debt) was DKK 661 million at 30 June 2006 against DKK 2,457 million at 30 June 2005 and DKK 1,375 million at 31 March 2006. In addition to interest-bearing net cash, Lundbeck has unutilised credit facilities of DKK 2.0 billion.

Unutilised credit facilities consist of drawing rights on the Group's banks (overdraft facilities) and guaranteed committed loans.



## Equity

Equity at 30 June 2006 amounted to DKK 6,332 million compared with DKK 7,496 million at 30 June 2005 and DKK 6,759 million at 31 March 2006.

In Q2 2006, return on equity was 2.1% compared with 6.0% in the same period of last year and 3.2% in Q1 2006.  
The changes in equity are shown in appendix 4.

## Incentive plans

Lundbeck has established incentive plans for senior employees and key employees, which are comprised by the provisions of IFRS 2 "Share-based payment".

### *Equity-settled schemes*

In September 2005, Lundbeck granted warrants (equity-settled remuneration scheme), which are comprised by the provisions of IFRS 2, to members of H. Lundbeck A/S' Executive Management and Danish and foreign executives appointed by H. Lundbeck A/S' Executive Management who are employed by H. Lundbeck A/S or H. Lundbeck A/S' subsidiaries.

Under the provisions of IFRS 2, this scheme is comprised by the requirement on cost recognition at the date of grant. Accordingly, no regular value adjustments will be made, and the scheme will not affect the consolidated financial statements.

In January 2004, Lundbeck allocated warrants (equity-settled remuneration scheme) to the management and a number of key employees. These warrants are covered by the transitional provisions of IFRS 2, as this scheme was established after 7 November 2002 with a vesting date before 1 January 2005. Under the transitional provisions of IFRS 2, this scheme is not comprised by the requirement on cost recognition and will therefore not affect the consolidated financial statements.

The liability based on the Black Scholes formula was DKK 54 million at 30 June 2006.

### *Debt plans*

In 2002, a share price based plan for employees of the foreign companies was set up, and in 2004 a new share price based plan for key employees of US companies was established.



The value adjustment at 30 June 2006 of the "debt plans", including exercised plans, is recognised as a marginal cost in the income statement in Q2 2006. The liability for the debt-based remuneration plans based on the Black & Scholes formula was DKK 7 million at 30 June 2006.

### Financial forecasts for 2006 and financial target for 2007

Lundbeck retains its expectations of a profit from operations of approximately DKK 1.6 billion in 2006 and the financial target for 2007 of an EBIT margin of 25% as most recently announced at the presentation of the interim report for the first quarter of 2006 on 9 May 2006.

#### Financial forecast and targets

	2006 forecast	2007 target
Profit from operations	Approx. DKK 1.6bn	-
EBIT margin	-	25%*

\* Excluding potential milestone payment of USD 75m from Merck & Co., Inc.

### Conference call

Today at 3.00 pm (CET), Lundbeck will be hosting a conference call for the financial community. You can listen to the conference on the Group's website [www.lundbeck.com](http://www.lundbeck.com) under the section "Investors – Presentations – Teleconference".

### Forward-looking statements

This announcement contains forward-looking statements that provide current expectations or forecasts of events such as new product launches, product approvals and financial performance.

Such forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. This may cause actual results to differ materially from expectations. Factors that may affect future results include interest rate and exchange rate fluctuations, delay 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 competing products, Lundbeck's ability to successfully market both new and existing products, exposure to product liability and other lawsuits, changes in reimbursement rules and governmental laws and related interpretation thereof and unexpected growth in costs and expenses.



## **Management statement**

The Supervisory Board and Executive Management have considered and adopted the interim report of H. Lundbeck A/S.

The interim report, which is unaudited, has been prepared in accordance with the guidelines issued by the Copenhagen Stock Exchange and, in respect of recognition and measurement, has been prepared in accordance with IFRS and related interpretations of International Accounting Standards Board (IASB), which are expected to apply for the presentation of financial statements for the full year 2006.

In our opinion, the interim report gives a true and fair view of the Group's financial position at 30 June 2006 and of the results of the Group's operations and cash flows for the period 1 April – 30 June 2006.

Valby, 16 August 2006

## ***Supervisory Board***

Flemming Lindeløv  
Chairman

Thorleif Krarup  
Deputy Chairman

Lars Bruhn

Kim Rosenville Christensen  
Elected by the employees

Peter Kürstein

Mats Pettersson

Birgit Bundgaard Rosenmeier  
Elected by the employees

William Watson  
Elected by the  
employees

Jes Østergaard

## ***Executive Management***

Claus Bræstrup  
President and CEO

Lars Bang  
Executive Vice President

Ole Chrintz  
Executive Vice  
President

Hans Henrik Munch-Jensen  
Executive Vice President,  
CFO

Stig Løkke Pedersen  
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## About Lundbeck

H. Lundbeck A/S is an international pharmaceutical company engaged in the research and development, production, marketing and sale of drugs for the treatment of psychiatric and neurological disorders. In 2005, the company's revenue was DKK 9.1 billion (approximately EUR 1.2 billion or USD 1.5 billion). The number of employees is approx. 5000 globally. For more information, visit [www.lundbeck.com](http://www.lundbeck.com).



## Appendix 1 – key figures

Group	2006	2005	2006	2006	2005	2006
	Q2	Q2	Q2	6 months	6 months	6 months
	DKKm	DKKm ****	EURm *	DKKm	DKKm ****	EURm *
<b>FINANCIAL HIGHLIGHTS</b>						
Revenue	2,198.2	2,284.7	294.6	4,430.7	4,503.2	593.9
Profit from operations	268.6	508.6	36.0	719.4	1,145.4	96.4
Net financials	(32.2)	103.8	(4.3)	(113.9)	154.1	(15.3)
Profit before tax	222.4	601.3	29.8	571.7	1,286.5	76.6
Tax	81.8	149.0	11.0	205.8	381.6	27.6
Profit for the period	140.6	452.3	18.8	365.9	904.9	49.0
Equity	6,331.5	7,496.3	848.8	6,331.5	7,496.3	848.8
Total assets	10,976.7	11,698.1	1,471.6	10,976.7	11,698.1	1,471.6
Cash flows from operating activities	134.5	843.3	18.0	428.1	1,107.8	57.4
Free cash flow	(72.2)	745.5	(9.7)	125.6	962.4	16.8
<b>RATIOS **</b>						
	%	%	%	%	%	%
EBIT margin	12.2	22.3	12.2	16.2	25.4	16.2
Return on assets	3.7	7.9	3.7	9.8	16.7	9.8
R&D costs as a percentage of revenue	22.2	18.6	22.2	21.3	17.4	21.3
Return on equity	2.1	6.0	2.1	5.3	11.9	5.3
Solvency ratio	57.7	64.1	57.7	57.7	64.1	57.7
<b>SHARE DATA***</b>						
	DKK	DKK	EUR	DKK	DKK	EUR
Earnings per share (EPS)	0.67	2.03	0.09	1.71	4.05	0.23
Diluted earnings per share (DEPS)	0.67	2.02	0.09	1.71	4.04	0.23
Cash flow per share	0.64	3.76	0.09	2.00	4.90	0.27
Net asset value per share	30.10	33.25	4.04	30.10	33.25	4.04
Market capitalisation (million)	30,322	36,270	4,065	30,322	36,270	4,065
Market price, end of period	133.38	154.93	17.88	133.38	154.93	17.88
Price / Earnings	200.55	76.62	200.55	77.92	38.33	77.92
Price / Cash flow	209.65	41.20	209.65	66.59	31.62	66.59
Price / Net asset value	4.43	4.66	4.43	4.43	4.66	4.43

\* Income statement items are translated into EUR at the average exchange rates during the period (1 Jan. - 30 June 2006 rate 746.09)  
Balance sheet items are translated at the exchange rates at the balance sheet date (30 June 2006, rate 745.92).

\*\* Financial ratios are calculated according to the Danish Society of Financial Analysts' "Recommendations & Ratios 2005"

\*\*\* Comparative figures involving number of shares have been restated using a factor of 0.9995 for the effect of employees' exercise of warrants.

\*\*\*\* The comparative figures for 2005 have been restated due to the implementation of a change to IAS 39 "Financial instruments: Recognition and measurement".





## Appendix 2 – profit & loss

DKKm	2006 Q2	2005 Q2	2006 6 months	2005 6 months	2005 Full year
Revenue	2,198.2	2,284.7	4,430.7	4,503.2	9,069.8
Cost of sales	437.2	398.8	857.2	810.6	1,487.6
Distribution costs	645.8	640.7	1,233.5	1,157.7	2,336.7
Administrative expenses	358.4	313.9	677.8	614.1	1,302.5
<b>PROFIT BEFORE RESEARCH COSTS</b>	<b>756.8</b>	<b>931.3</b>	<b>1,662.2</b>	<b>1,920.8</b>	<b>3,943.0</b>
Research and development costs	487.6	425.1	942.3	785.4	1,781.9
<b>PROFIT BEFORE OTHER OPERATING ITEMS</b>	<b>269.2</b>	<b>506.2</b>	<b>719.9</b>	<b>1,135.4</b>	<b>2,161.1</b>
Other operating income/(expenses)	(0.6)	2.4	(0.5)	10.0	8.4
<b>PROFIT FROM OPERATIONS</b>	<b>268.6</b>	<b>508.6</b>	<b>719.4</b>	<b>1,145.4</b>	<b>2,169.5</b>
Income from investments in associates	(14.0)	(11.1)	(33.8)	(13.0)	(35.4)
Net financials	(32.2)	103.8	(113.9)	154.1	129.5
<b>PROFIT BEFORE TAX</b>	<b>222.4</b>	<b>601.3</b>	<b>571.7</b>	<b>1,286.5</b>	<b>2,263.6</b>
Tax on profit for the period	81.8	149.0	205.8	381.6	667.4
<b>PROFIT FOR THE PERIOD</b>	<b>140.6</b>	<b>452.3</b>	<b>365.9</b>	<b>904.9</b>	<b>1,596.2</b>
Profit for the period allocated to:					
Shareholders in the parent company	140.6	453.4	365.9	914.0	1,605.3
Minority interests	0.0	(1.1)	0.0	(9.1)	(9.1)
<b>NET PROFIT FOR THE PERIOD</b>	<b>140.6</b>	<b>452.3</b>	<b>365.9</b>	<b>904.9</b>	<b>1,596.2</b>
Earnings per share (EPS) (DKK)	0.67	2.03	1.71	4.05	7.15
Diluted earnings per share (DEPS) (DKK)	0.67	2.02	1.71	4.04	7.13

### Number of shares for calculating EPS and DEPS

EPS, Q2 2006	211,133,473
DEPS, Q2 2006	211,459,555
EPS, H1 2006	213,424,050
DEPS, H1 2006	213,760,350



## Appendix 3 – balance sheet

DKKkm	30.06.2006	30.06.2005	31.12.2005
<b>ASSETS</b>			
Intangible assets	1,639.5	1,598.4	1,671.2
Property, plant and equipment	3,551.2	3,379.8	3,480.4
Financial assets	226.8	442.6	445.3
<b>Non-current assets</b>	<b>5,417.5</b>	<b>5,420.8</b>	<b>5,596.9</b>
Inventories	1,201.7	1,285.4	1,267.1
Receivables	1,898.4	1,911.5	1,938.3
Available-for-sale financial assets	163.3	141.6	157.1
Other securities	1,788.0	24.0	2,210.6
Cash	507.8	2,914.8	458.1
<b>Current assets</b>	<b>5,559.2</b>	<b>6,277.3</b>	<b>6,031.2</b>
<b>Assets</b>	<b>10,976.7</b>	<b>11,698.1</b>	<b>11,628.1</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1,136.7	1,170.5	1,136.1
Share premium	80.9	37.4	69.5
Retained earnings	5,113.9	6,288.4	6,286.1
<b>Equity, H. Lundbeck A/S' shareholders</b>	<b>6,331.5</b>	<b>7,496.3</b>	<b>7,491.7</b>
Minority interests	0.0	0.0	0.0
<b>Equity</b>	<b>6,331.5</b>	<b>7,496.3</b>	<b>7,491.7</b>
Provisions	506.7	384.6	522.5
Debt	1,432.8	383.4	377.8
<b>Non-current liabilities</b>	<b>1,939.5</b>	<b>768.0</b>	<b>900.3</b>
Provisions	1.0	26.3	8.1
Bank and mortgage debt	202.1	98.0	50.9
Trade payables	613.2	633.0	740.2
Prepayments from Forest	1,070.1	1,276.3	1,393.1
Other payables	819.3	1,400.2	1,043.8
<b>Current liabilities</b>	<b>2,705.7</b>	<b>3,433.8</b>	<b>3,236.1</b>
<b>Total liabilities</b>	<b>4,645.2</b>	<b>4,201.8</b>	<b>4,136.4</b>
<b>Total equity and liabilities</b>	<b>10,976.7</b>	<b>11,698.1</b>	<b>11,628.1</b>



## Appendix 4 – equity

	Share capital DKKm	Share premium DKKm	Retained earnings DKKm	H. Lundbeck A/S' shareholders total DKKm	Minority interests DKKm	Equity Group DKKm
<b>2006</b>						
<b>Equity at 31.3.2006</b>	<b>1,136.3</b>	<b>73.6</b>	<b>5,548.9</b>	<b>6,758.8</b>	-	<b>6,758.8</b>
Adjustment, deferred gains/losses, hedging	-	-	75.3	75.3	-	75.3
Realised gains/losses, hedging	-	-	11.7	11.7	-	11.7
Realised gains/losses, trading (transferred from hedging)	-	-	-	-	-	-
Exchange adjustment, associates	-	-	(3.1)	(3.1)	-	(3.1)
Fair value adjustment of available-for-sale financial assets	-	-	13.4	13.4	-	13.4
Tax on equity entries	-	-	(24.4)	(24.4)	-	(24.4)
<b>Recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>72.9</b>	<b>72.9</b>	<b>-</b>	<b>72.9</b>
Retained earnings	-	-	140.6	140.6	-	140.6
<b>Total net income</b>	<b>-</b>	<b>-</b>	<b>213.5</b>	<b>213.5</b>	<b>-</b>	<b>213.5</b>
Distribution of dividend, 24.4.2006, gross	-	-	(477.2)	(477.2)	-	(477.2)
Distribution of dividend, 24.4.2006, treasury shares	-	-	32.7	32.7	-	32.7
Capital increase through exercise of warrants	0.4	7.3	-	7.7	-	7.7
Buyback of treasury shares	-	-	(204.0)	(204.0)	-	(204.0)
<b>Other transactions</b>	<b>0.4</b>	<b>7.3</b>	<b>(648.5)</b>	<b>(640.8)</b>	<b>-</b>	<b>(640.8)</b>
<b>Equity at 30.6.2006</b>	<b>1,136.7</b>	<b>80.9</b>	<b>5,113.9</b>	<b>6,331.5</b>	<b>-</b>	<b>6,331.5</b>
<b>2006</b>						
<b>Equity at 1.1.2006</b>	<b>1,136.1</b>	<b>69.5</b>	<b>6,286.1</b>	<b>7,491.7</b>	-	<b>7,491.7</b>
Adjustment, deferred gains/losses, hedging	-	-	133.8	133.8	-	133.8
Realised gains/losses, hedging	-	-	57.7	57.7	-	57.7
Realised gains/losses, trading (transferred from hedging)	-	-	33.2	33.2	-	33.2
Exchange adjustment, associates	-	-	(5.7)	(5.7)	-	(5.7)
Fair value adjustment of available-for-sale financial assets	-	-	19.0	19.0	-	19.0
Tax on equity entries	-	-	(62.9)	(62.9)	-	(62.9)
<b>Recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>175.1</b>	<b>175.1</b>	<b>-</b>	<b>175.1</b>
Retained earnings	-	-	365.9	365.9	-	365.9
<b>Total net income</b>	<b>-</b>	<b>-</b>	<b>541.0</b>	<b>541.0</b>	<b>-</b>	<b>541.0</b>
Distribution of dividend, 24.4.2006, gross	-	-	(477.2)	(477.2)	-	(477.2)
Distribution of dividend, 24.4.2006, treasury shares	-	-	32.7	32.7	-	32.7
Capital increase through exercise of warrants	0.6	11.4	-	12.0	-	12.0
Buyback of treasury shares	-	-	(1,268.7)	(1,268.7)	-	(1,268.7)
<b>Other transactions</b>	<b>0.6</b>	<b>11.4</b>	<b>(1,713.2)</b>	<b>(1,701.2)</b>	<b>-</b>	<b>(1,701.2)</b>
<b>Equity at 30.6.2006</b>	<b>1,136.7</b>	<b>80.9</b>	<b>5,113.9</b>	<b>6,331.5</b>	<b>-</b>	<b>6,331.5</b>



## Appendix 5 – cash flow statement

DKKm	2006 Q2	2005 Q2	2006 6 months	2005 6 months	2005 Full year
Cash flows from operating activities	134.5	843.3	428.1	1,107.8	2,071.5
Cash flows from investing activities	(206.7)	(97.8)	(302.5)	(145.4)	(634.8)
<b>Free cash flow</b>	<b>(72.2)</b>	<b>745.5</b>	<b>125.6</b>	<b>962.4</b>	<b>1,436.7</b>
Cash flows from financing activities	532.0	(448.1)	(485.5)	(935.8)	(1,681.9)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>459.8</b>	<b>297.4</b>	<b>(359.9)</b>	<b>26.6</b>	<b>(245.2)</b>
Cash and cash equivalents at 1.1.	1,845.8	2,634.7	2,668.7	2,902.3	2,902.3
Unrealised exchange differences for the period	(9.8)	6.7	(13.0)	9.9	11.6
Increase/(decrease) for the period	459.8	297.4	(359.9)	26.6	(245.2)
<b>Cash and cash equivalents at 30.6.</b>	<b>2,295.8</b>	<b>2,938.8</b>	<b>2,295.8</b>	<b>2,938.8</b>	<b>2,668.7</b>

### Interest-bearing net cash is composed as follows:

Cash and securities exclusive of treasury shares	2,295.8	2,938.8	2,295.8	2,938.8	2,668.7
Interest-bearing debt	(1,634.9)	(481.4)	(1,634.9)	(481.4)	(428.7)
<b>Interest-bearing net cash at 30.6.</b>	<b>660.9</b>	<b>2,457.4</b>	<b>660.9</b>	<b>2,457.4</b>	<b>2,240.0</b>