



13 August 2010

**First half report 2010****Lundbeck reports strongly increasing profits with EBIT growth of 30%**

H. Lundbeck A/S (Lundbeck) reports second quarter revenue of DKK 3,767 million. An increase of 7% compared to the second quarter results of 2009. Profit from operations was DKK 936 million, an increase of 30% compared to the same period last year. The EBIT margin for the quarter increased to 24.8% up from 20.4% in 2009.

- Ciprale<sup>®</sup>, Ebixa<sup>®</sup> and Azilect<sup>®</sup> continue to show solid growth, increasing 5%, 9% and 42% respectively at constant exchange rates.
- Xenazine<sup>®</sup> revenue was DKK 147 million, increasing 70% at constant exchange rates. Sabril<sup>®</sup> revenue for the quarter was DKK 37 million.
- Operating profit before depreciation and amortisation (EBITDA) was DKK 1,206 million corresponding to an EBITDA margin of 32.0% compared to an EBITDA margin of 24.7% in the second quarter of 2009.
- For the first half of 2010 revenue was DKK 7,616 million and EBIT was DKK 2,190 million.
- Financial guidance for the full year is maintained. Lundbeck expects revenue of DKK 14.3-14.8 billion, an EBITDA of DKK 3.9-4.3 billion and EBIT of DKK 3.0-3.4 billion for 2010.
- Lundbeck will provide long term financial forecasts in connection with the announcement of the third quarter results, 3 November 2010.

Distribution of revenue	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Growth at CER*
Ciprale <sup>®</sup>	1,507	1,345	12%	5%
Lexapro <sup>®</sup>	630	625	1%	(13%)
Ebixa <sup>®</sup>	610	539	13%	9%
Azilect <sup>®</sup>	267	185	44%	42%
Xenazine <sup>®</sup>	147	81	82%	70%
Sabril <sup>®</sup>	37	-	-	-
Europe	1,982	1,799	10%	9%
USA	950	1,025	(7%)	(18%)
International Markets	780	680	15%	(3%)
Total revenue	3,767	3,528	7%	(1%)

\* Constant exchange rates

In connection with the second quarter report, Lundbeck's President and CEO Ulf Wiinberg said: "We are pleased to deliver yet another quarter with continued progress in our core financials, despite challenges from health care reforms and generic competition. In development, we have also experienced significant progress during the quarter, with encouraging clinical results for both clobazam in the US and escitalopram in Japan. Furthermore, I am delighted that the development program for Lu AA21004 is progressing, and I am confident that we will bring Lu AA21004 to the market according to plan."

## Management review

### Financial highlights and key figures

	2010 Q2	2009 Q2	2010 H1	2009 H1	2009 FY
<b>Financial highlights (DKK million)</b>					
Revenue	3,767	3,528	7,616	6,840	13,747
Operating profit before depreciation and amortisation (EBITDA)	1,206	872	2,684	1,951	3,728
Profit from operations (EBIT)	936	719	2,190	1,666	2,858
Net financials	(55)	(109)	(66)	(89)	(192)
Profit before tax	881	609	2,124	1,577	2,666
Tax	220	139	518	410	659
Profit for the period	661	470	1,606	1,167	2,007
Equity	10,559	8,101	10,559	8,101	8,803
Assets	18,314	16,984	18,314	16,984	17,127
Cash flows from operating and investing activities	1,174	852	2,038	(950)	(2,040)
Property, plant and equipment investments, gross	57	44	95	85	258
<b>Key figures</b>					
EBIT margin (%) <sup>1</sup>	24.8	20.4	28.8	24.4	20.8
Return on capital employed (%)	7.8	6.8	18.5	18.1	28.0
Research and development ratio (%)	18.8	23.4	17.5	22.6	23.2
Return on equity (%) <sup>1</sup>	6.4	5.8	16.6	14.9	24.6
Solvency ratio (%) <sup>1</sup>	57.7	47.7	57.7	47.7	51.4
Capital employed (DKK million)	12,522	10,772	12,522	10,772	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>	3.37	2.40	8.19	5.95	10.24
Diluted earnings per share (DEPS) (DKK) <sup>1</sup>	3.37	2.40	8.19	5.95	10.24
Cash flow per share (DKK) <sup>1</sup>	6.35	4.60	11.02	7.61	15.47
Net asset value per share (DKK) <sup>1</sup>	53.84	41.31	53.84	41.31	44.89
Market capitalisation (DKK million)	16,444	19,761	16,444	19,761	18,582
Share price end of period (DKK)	83.85	100.37	83.85	100.37	94.75
<b>OTHER</b>					
Number of employees	5,726	5,750	5,726	5,750	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 nerve system (CNS) disorders. The pipeline projects are targeting areas where Lundbeck currently have 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:

Six 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 proof of concept, and two of the five compounds in phase II are expected to enter clinical phase III later in 2010.

Following discussions with the U.S. Food and Drug Administration (FDA) regarding **Serdolect**<sup>®</sup>, Lundbeck has been given the option to perform further studies to secure an approval in the US. However, in view of the timing and the other investment opportunities in the pipeline, it has been decided to cease the project and the product has therefore been removed from the pipeline. Serdolect<sup>®</sup> continues to be marketed by Lundbeck in more than 40 countries outside the US.

Pipeline development is summarised as follows:

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

In May 2010, Lundbeck announced positive and highly statistically significant findings from the pivotal clinical phase III study with **clobazam**. A New Drug Application (NDA) for clobazam is anticipated to be submitted with the FDA before year-end 2010.

In the four-armed placebo-controlled phase III study, including add-on treatment in 238 patients with Lennox-Gastaut Syndrome, clobazam met its primary endpoint and was further supported by results for several key secondary endpoints. Top-line data demonstrated that the two highest doses of clobazam, tested versus placebo, showed a highly statistically significant reduction in the number of drop seizures (average per week) from the 4-week baseline period to the 12-week maintenance period. In the study, clobazam was generally well tolerated and the overall safety profile was positive.

Lundbeck expects clobazam to provide additional growth opportunities for the US operation as well as for the entire group.

Also in May 2010, Lundbeck announced the results from the pivotal study with **escitalopram in Japan**. The results were positive and according to expectations. The study was initiated in April 2008 by Mochida Pharmaceutical Co., Ltd. (Mochida) and was a phase III, placebo-controlled study in major depression (MDD). Approximately 480 patients with MDD were randomised to receive escitalopram (10 or 20 mg), paroxetine or a placebo.



Following the results of the pivotal trial in Japan, Mochida will proceed towards a regulatory filing of escitalopram in Japan. If approved, Lundbeck expects that escitalopram in Japan could be an important contributor to Lundbeck's financial performance in the coming years.

The new phase III programme with **Lu AA21004** in MDD has started. The programme consists of four clinical phase III studies, which will include approximately 2,000 patients with moderate to severe depression. In order to explore the full potential of Lu AA21004, the planned doses are 10 mg, 15 mg and 20 mg. The programme is 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 aims to recruit patients from Europe, as well as the US and Canada in cooperation with our partner Takeda.

The phase III programme studying the use of **nalmefene** in alcohol dependence is progressing as planned and two of the three studies are ahead of schedule and all three studies have finished recruiting patients. Data from the clinical programme is expected around year-end 2010. Expectations regarding filing in Europe in the second half of 2011 are unchanged.

The phase III studies for **desmoteplase** in ischaemic stroke, DIAS-3 and DIAS-4, have experienced slow patient recruitment. Additional centres will be opened and other initiatives are ongoing in order to speed up recruitment. Desmoteplase could be eligible for priority review by the FDA.

### ***Clinical phase II***

**Lu AA24530**, in development for the treatment of depression, is progressing according to plan. Based on the solid clinical phase II data reported in July 2009, a pivotal phase III programme is set to start in late 2010, which is planned to include approximately 2,000 patients.

Lundbeck is finalising the plans for additional clinical work with **zicronapine**, including plans for the pivotal programme. Zicronapine is in development for the treatment of schizophrenia.

**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 be concluded in the second half of 2010.

## Financial forecasts and forward-looking statements

### **Financial guidance 2010**

Financial guidance for the full year remains unchanged and reflects the guidance that was reported in the annual report 2009.

<b>Lundbeck's financial guidance</b>	2009 reported DKK million	2010 guidance DKK billion
Revenue	13,747	14.3-14.8
EBITDA	3,728	3.9-4.3
EBIT	2,858	3.0-3.4
<i>Tax rate</i>	24.7%	24-25%
<i>R&amp;D ratio</i>	23.2%	~21%

### **Long term financial forecasts**

As earlier communicated, Lundbeck plans to provide long term financial forecasts during the second half of 2010. The forecasts will be announced in connection with the third quarter results, 3 November 2010.

### **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 second quarter revenue of DKK 3,767 million, growing 7% compared to the second quarter last year, corresponding to a decrease of 1% at constant exchange rates.

<b>Total revenue</b>	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Growth at CER	Q1 2010 DKK million
Ciprallex <sup>®</sup>	1,507	1,345	12%	5%	1,454
Lexapro <sup>®</sup>	630	625	1%	(13%)	727
Ebixa <sup>®</sup>	610	539	13%	9%	611
Azilect <sup>®</sup>	267	185	44%	42%	240
Xenazine <sup>®</sup>	147	81	82%	70%	119
Sabril <sup>®</sup>	37	-	-	-	34
Other pharmaceuticals	514	729	(30%)	(35%)	575
Other revenue	55	24	132%	125%	89
<b>Total revenue</b>	<b>3,767</b>	<b>3,528</b>	<b>7%</b>	<b>(1%)</b>	<b>3,849</b>

Revenue from Ciprallex<sup>®</sup> (escitalopram) for the treatment of depression and anxiety rose to DKK 1,507 million, an increase of 12% or 5% at constant exchange rates. Revenue from Lexapro<sup>®</sup>, escitalopram marketed in the US by Forest Laboratories, Inc. (Forest), was DKK 630 million for the quarter. This was an increase of 1%, or a decrease of 13% at constant exchange rates compared to the same period last year.

Ebixa<sup>®</sup> (memantine), for the treatment of Alzheimer's disease, generated second quarter revenue of DKK 610 million, an increase of 13% compared to the same period last year. The increase corresponds to 9% 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 rose 44% during the period to DKK 267 million (42% at constant exchange rates). 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 147 million in the second quarter, an increase of 82% or 70% at constant exchange rates compared to the same period last year. Xenazine<sup>®</sup> was launched in November 2008 in the US.

Sabril<sup>®</sup> (vigabatrin), for the treatment of refractory complex partial seizures (rCPS) and infantile spasms (IS), generated second quarter revenue of DKK 37 million. Sabril<sup>®</sup> was launched in the US in September 2009.

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

Other pharmaceuticals, which comprise the remainder of Lundbeck's products, decreased 30% to DKK 514 million.

Other revenue was DKK 55 million, compared to DKK 24 million for the second quarter of 2009. The increase is due to income from Elaiapharm, acquired in October 2009.

### Europe

Revenue in Europe rose 9% at constant exchange rates to DKK 1,982 million. The increase was driven by solid performances by all key products, with Cipralex<sup>®</sup>, Ebixa<sup>®</sup> and Azilect<sup>®</sup> increasing 6%, 12% and 43% respectively.

Revenue from other pharmaceuticals was DKK 229 million, a decline of 11% at constant exchange rates.

Revenue Europe	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Growth at CER	Q1 2010 DKK million
Cipralex <sup>®</sup>	1,001	926	8%	6%	1,007
Ebixa <sup>®</sup>	509	448	13%	12%	514
Azilect <sup>®</sup>	243	169	44%	43%	218
Other pharmaceuticals	229	256	(11%)	(11%)	243
<b>Total revenue</b>	<b>1,982</b>	<b>1,799</b>	<b>10%</b>	<b>9%</b>	<b>1,982</b>

Cipralex<sup>®</sup> generated second quarter revenue of DKK 1,001 million in Europe and continues to gain market shares and enforce its leading position in the European antidepressant market. Revenue was driven by the continued growth in most major markets supported by the increasing understanding of Cipralex<sup>®</sup> as a leading antidepressant. At the end of May 2010, Cipralex<sup>®</sup> held a market share in value of 20.5% of the European antidepressant market, compared with a market share of 18.8% a year earlier.

Revenue from Ebixa<sup>®</sup> rose to DKK 509 million during the period, and at the end of May 2010 the product held 17.9% of the European Alzheimer's market, compared to a market share of 16.4% at the same time in 2009. In Italy, Ebixa<sup>®</sup> continues to experience very positive growth since the product obtained reimbursement in April 2009. Ebixa<sup>®</sup> has a market share of 26.3% in the Italian Alzheimer's market (May 2010) compared to a market share of 18.1% one year ago. The launch of the Ebixa<sup>®</sup> Once Daily formulation in Italy in April 2010 has supported sales even further. Memantine, the active ingredient in Ebixa<sup>®</sup>, is the second-most prescribed pharmaceutical in Europe for the treatment of Alzheimer's disease.

Second quarter revenue from Azilect<sup>®</sup> amounted to DKK 229 million, an increase of 43% at constant exchange rates. Azilect<sup>®</sup> now holds a market share in value of 9.8% of the total European Parkinson's market (May 2010). This compares to a market share of 7.6% at the same time in 2009. Azilect<sup>®</sup> continues to gain market shares in Europe, as it is increasingly recognised as an effective and easy-to-administer medication.

In the beginning of January 2010, Azilect<sup>®</sup> received public reimbursement in France, and the product continues to experience a very solid uptake. The launch of Azilect<sup>®</sup> in France is now the most successful launch of a branded anti-Parkinson's medication to date, and at the end of May 2010 Azilect<sup>®</sup> had a market share in value of 9.7% in France. The Parkinson's disease market in France generates annual sales of more than DKK 750 million.

## USA

Lundbeck's second quarter revenue in the US was DKK 950 million. A decrease of 7% or 18% at constant exchange rates compared to second quarter 2009.

Revenue USA	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Growth at CER	Q1 2010 DKK million
Lexapro <sup>®</sup>	630	625	1%	(13%)	727
Xenazine <sup>®</sup>	139	81	72%	61%	107
Sabril <sup>®</sup>	37	-	-	-	34
Other pharmaceuticals	144	319	(55%)	(59%)	176
<b>Total revenue</b>	<b>950</b>	<b>1,025</b>	<b>(7%)</b>	<b>(18%)</b>	<b>1,044</b>

Revenue from Lexapro<sup>®</sup> was DKK 630 million, an increase of 1% compared to the same quarter last year, but down 13% at constant exchange rates. Revenue was impacted by lower bulk deliveries compared to the same quarter last year. At the end of May 2010, Lexapro<sup>®</sup> held a market share in value of 23.4% of the US aggregate market for antidepressants, compared to a market share of 23.8% in May 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 619 million as of 30 June 2010. This compares to DKK 563 million as of 30 June 2009. Excluding related hedging contracts, prepayments from Forest are roughly unchanged. At the end of the second quarter, the inventory levels corresponded to approximately seven months of commercial supply.

Sales from Lundbeck Inc. reached DKK 320 million in the second quarter. Revenue from Xenazine<sup>®</sup> was DKK 139 million for the quarter. An increase of 61% at constant exchange rates compared to the second quarter last year.

Sabril<sup>®</sup> revenue for the quarter was DKK 37 million. Sabril<sup>®</sup> is the first treatment approved by the FDA for the treatment of IS, and an important new adjunctive therapeutic option for the approximately 30-36% of adults with CPS whose seizures remain uncontrolled in spite of receiving many of the antiepileptic therapies already available. The primary focus in the early launch phase is to enrol prescribing physicians in the Risk Evaluation and Mitigation Strategy programme (REMS) and increase the awareness of the new treatment among patients and caregivers.

Revenue from Other pharmaceuticals in the US was DKK 144 million, a decrease of 59% at constant exchange rates compared to same quarter last year. The decrease in sales was due



to the launch of generic chlorothiazide (Diuril<sup>®</sup>) in December 2009 and indomethacin (Indocin<sup>®</sup>) in February 2010, as well as the continuous erosion of sales of more mature products. Diuril<sup>®</sup> and Indocin<sup>®</sup> were acquired in connection with the acquisition of Lundbeck Inc. (former Ovation Pharmaceuticals, Inc.)

During the quarter Lundbeck and GTC Biotherapeutics (GTC) agreed to transfer the rights to ATryn<sup>®</sup> back to GTC. Lundbeck Inc. originally purchased the US right to ATryn<sup>®</sup> from GTC in 2008. Lundbeck will receive a single-digit royalty on annual net sales from GTC beginning in two years as part of the agreement.

### **International Markets**

Revenue in International Markets, which comprises all of Lundbeck's markets outside Europe and the US, was DKK 780 million. An increase of 15% compared to the second quarter 2009. However, due to generic competition in some markets and price reductions in Turkey, revenue in International Markets is down 3% at constant exchange rates. Underlying growth in the region continues to be high and is according to expectations.

Ciprallex<sup>®</sup> sales increased 1% at constant exchange rates, while Ebixa<sup>®</sup> sales decreased 6% during the quarter. Azilect<sup>®</sup> continues to only be marketed by Lundbeck in a few markets in the region and consequently contributes a relatively small share.

Revenue from other pharmaceuticals was DKK 149 million, a decrease of 16% at constant exchange rates compared to the second quarter last year.

<b>Revenue</b>	Q2 2010	Q2 2009		Growth	Q1 2010
<b>International Markets</b>	DKK million	DKK million		at CER	DKK million
Ciprallex <sup>®</sup>	506	419	21%	1%	447
Ebixa <sup>®</sup>	101	91	11%	(6%)	97
Azilect <sup>®</sup>	24	16	43%	30%	22
Other pharmaceuticals	149	154	(3%)	(16%)	168
<b>Total revenue</b>	<b>780</b>	<b>680</b>	<b>15%</b>	<b>(3%)</b>	<b>734</b>

Ciprallex<sup>®</sup> generated revenue of DKK 506 million in International Markets, an increase of 21% compared to the same quarter last year, and corresponding to an increase of 1% at constant exchange rates. Ciprallex<sup>®</sup> sales were experiencing continued growth in most International Markets, but were negatively affected by price reductions in Turkey at the end of 2009. However, the recent trend in the Turkish market has been positive and sales are improving. Ciprallex<sup>®</sup> sales were further impacted by the entrance of generic versions of escitalopram in Australia during 2009. At the end of the second quarter Ciprallex<sup>®</sup> held a market share in terms of value of 11.6% of the aggregate market for antidepressants in International Markets<sup>2</sup>, compared to a market share of 12.0% in the same period last year.

<sup>2</sup> Market shares for International Markets are based on IMS data from: Australia, Brazil, Canada, China, Mexico, Saudi Arabia, South Korea and Turkey

The reimbursement of Cipralex<sup>®</sup> in Canada continues to support revenue growth in the country and the brand now holds a market share in terms of value of 11.4% in Canada (May 2010) compared to 8.8% at the same time last year. Cipralex<sup>®</sup> in Canada now represents more than 25% of Cipralex<sup>®</sup> sales in International Markets.

Ebixa<sup>®</sup> generated second quarter revenue of DKK 101 million, a decrease of 6% at constant exchange rates. Revenue continues to be negatively impacted by the presence of generic versions of memantine in Canada as well as lower prices in the Turkish market. In the second quarter Ebixa<sup>®</sup> held 8.4% 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 10.4% in Q2 2009.

### Expenses

Total costs for the quarter were DKK 2,831 million, an increase of 1% compared to the second quarter last year.

Distribution of costs	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Q1 2010 DKK million
Cost of sales	706	720	(2%)	698
Distribution	914	800	14%	820
Administration	504	464	9%	448
Research & Development	707	825	(14%)	629
<b>Total costs</b>	<b>2,831</b>	<b>2,809</b>	<b>1%</b>	<b>2,595</b>

Total cost of sales decreased 2% to DKK 706 million. This corresponding to 19% of Lundbeck's total revenue, compared with 21% in the second quarter of 2009. Cost of sales in Lundbeck Inc. and LifeHealth was DKK 103 million lower than in the same period last year, as costs for the second quarter 2009 were impacted negatively by DKK 98 million, as a result of the purchase price accounting used in connection with the acquisition of Ovation. Furthermore, 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 914 million, corresponding to 24% of revenue and an increase of 14% compared to the second quarter last year. The increase is mainly due to amortisation of rights related to the acquisition of Lundbeck Inc. and LifeHealth (i.e. Sabril<sup>®</sup> and Xenazine<sup>®</sup>). Administrative expenses increased by 9% to DKK 504 million primarily due to costs related to Lundbeck Inc. Administrative expenses corresponded to 13% of the total revenue for the period, which is on par with the second quarter of 2009. SG&A costs were DKK 1,418 million, compared to DKK 1,264 million in the same period in the previous year.

R&D costs for the quarter were DKK 707 million, a decrease of 14% compared to the same period last year. The decrease is driven by a difference in the timing of costs over the quarters, primarily due to development costs related to Lu AA21004. Furthermore, the closure of development activities related to Serdolect<sup>®</sup> contributed to the decrease. R&D costs for the period corresponded to 19% of total revenue, compared to 23% in 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 1,206 million, compared to DKK 872 million for the second quarter of 2009. EBITDA margin for the period was 32.0%, up from 24.7% 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 270 million, increasing 77% compared to the same period of 2009.

<b>Depreciation, amortisation and impairment charges per expense category</b>	Q2 2010 DKK million	Q2 2009 DKK million	Growth	Q1 2010 DKK million
Cost of sales	53	50	7%	53
Distribution	129	28	365%	85
Administration	20	18	12%	20
Research & Development	68	58	18%	66
<b>Total depreciation, amortisation and impairment charges</b>	<b>270</b>	<b>154</b>	<b>77%</b>	<b>224</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 Ovation (Lundbeck Inc.) and LifeHealth Limited.

### Profit from operations (EBIT)

EBIT for the second quarter of 2010 amounted to DKK 936 million, corresponding to an increase of 30% compared to the same period in 2009 (DKK 719 million). The increase was primarily due to lower R&D costs, as well as increased sales.

The EBIT margin for the period was 24.8%, compared to 20.4% in the same period the year before.

## Net financials

Lundbeck generated net financial expenses of DKK 55 million in the second quarter, compared with net expenses of DKK 109 million in the second quarter of 2009.

Net financials	Q2 2010 DKK million	Q2 2009 DKK million	Q1 2010 DKK million
Net items relating to trading	-	(19)	-
Accounting translation of currency items	(35)	(56)	23
<b>Net currency items relating to financial items</b>	<b>(35)</b>	<b>(75)</b>	<b>23</b>
Realised and unrealised gains concerning other investments excl. exchange rate adjustments	4	1	-
Net interest income	(24)	(35)	(34)
<b>Net financials</b>	<b>(55)</b>	<b>(109)</b>	<b>(11)</b>

Accounting translation of currency items was a loss of DKK 35 million for the quarter, primarily due to negative movements on balance sheet items.

Net interest income, including realised and unrealised gains and losses on the bond portfolio, amounted to a net expense of DKK 24 million, as compared to a net expense of DKK 35 million in the same period in 2009. The difference was primarily due to the interest on loans related to the acquisition of Ovation (Lundbeck Inc.) paid in the second quarter last year. The loans were repaid in full in the first quarter 2010.

## Tax

The income tax expense for the period was DKK 220 million, as compared to DKK 139 million in the same period last year. The tax rate was 25%, up from 23% in the second quarter of last year.

## Profit for the period

Profit after tax for the second quarter of 2010 was DKK 661 million compared to DKK 470 million in the same period last year.

## Cash flows

Lundbeck had a cash inflow during the quarter of DKK 564 million, compared to an inflow of DKK 1,129 million in the same period last year.

<b>Cash flows</b>	Q2 2010 DKK million	Q2 2009 DKK million	Q1 2010 DKK million
Cash flows from operating activities	1,245	902	915
Cash flows from investing activities	(71)	(50)	(51)
<b>Cash flows from operating and investing activities</b>	<b>1,174</b>	<b>852</b>	<b>864</b>
Cash flows from financing activities	(610)	277	(1,511)
<b>Change in cash</b>	<b>564</b>	<b>1,129</b>	<b>(647)</b>
Cash at beginning of period	1,330	1,123	<b>1,960</b>
Unrealised exchange differences for the period	26	4	17
<b>Cash at end of period</b>	<b>1,920</b>	<b>2,256</b>	<b>1,330</b>

Operating activities generated a second quarter cash inflow of DKK 1,245 million compared to DKK 902 million in the same period last year. Cash flows from investing activities represented an outflow of DKK 71 million, compared to an outflow of DKK 50 million in the same period in 2009.

Cash flows from financing activities were an outflow of DKK 610 million, which was primarily due to the payment of dividends.

Cash as of 30 June 2010 was DKK 1,920 million. This compares to DKK 2,256 million at the end of June 2009 and DKK 1,960 million at 31 December 2009. At the end of the June 2010 Lundbeck had a net cash position of DKK 13 million compared to a net debt of DKK 365 million at the end of June 2009.

### Balance sheet

As of 30 June 2010, Lundbeck had total assets of DKK 18,314 million, compared to DKK 16,984 million at the end of the second quarter of 2009.

As of 30 June 2010, Lundbeck's equity amounted to DKK 10,559 million, corresponding to a solvency ratio of 57.7%, compared to 47.7% at the end of June 2009.

In the first quarter of 2010 Lundbeck finalised the purchase price allocation related to the acquisition of Ovation (Lundbeck Inc.). As a consequence immaterial reclassifications have been 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 positive effect on profit of DKK 18 million in the second quarter of 2010, compared with a situation where the income is not hedged and included at the current rates of exchange during the period. The effect was a DKK 9 million loss in the second quarter 2009. The currency with the most

financial impact in the second quarter of 2010 was the US dollar and of the total effect, DKK 42 million stems from the hedging of the US dollar. This compares to a loss of DKK 9 million in the second 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 the existing US dollar hedging contracts is approximately USD/DKK 549.

### **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.

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

The respect of intellectual property rights is a prerequisite for Lundbeck's continued investments in innovative pharmaceuticals. As the Lundbeck Group's intellectual property rights are valid and therefore enforceable, it is Lundbeck's policy to enforce its intellectual property rights wherever they may be violated. In terms of escitalopram Lundbeck is involved in pending patent trials in Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hungary, The Netherlands, Norway, Portugal, Rumania, Slovenia, Spain and UK.

### **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 Q2	2009 Q2	2010 H1	2009 H1	2009 FY
	DKK million	DKK million	DKK million	DKK million	DKK million
Revenue	3,767	3,528	7,616	6,840	13,747
Cost of sales	706	720	1,404	1,293	2,655
Distribution costs	914	800	1,734	1,473	3,174
Administrative expenses	504	464	952	865	1,864
<b>Profit before research and development costs</b>	<b>1,643</b>	<b>1,544</b>	<b>3,526</b>	<b>3,209</b>	<b>6,054</b>
Research and development costs	707	825	1,336	1,543	3,196
<b>Profit from operations (EBIT)</b>	<b>936</b>	<b>719</b>	<b>2,190</b>	<b>1,666</b>	<b>2,858</b>
Income from investments in associates	-	(1)	-	-	-
Net financials	(55)	(109)	(66)	(89)	(192)
<b>Profit before tax</b>	<b>881</b>	<b>609</b>	<b>2,124</b>	<b>1,577</b>	<b>2,666</b>
Tax on profit for the period	220	139	518	410	659
<b>Profit for the period</b>	<b>661</b>	<b>470</b>	<b>1,606</b>	<b>1,167</b>	<b>2,007</b>
Earnings per share (EPS) (DKK)	3.37	2.40	8.19	5.95	10.24
Diluted earnings per share (DEPS) (DKK)	3.37	2.40	8.19	5.95	10.24

## Statement of comprehensive income

	2010 Q2	2009 Q2	2010 H1	2009 H1	2009 FY
	DKK million	DKK million	DKK million	DKK million	DKK million
<b>Profit for the period</b>	<b>661</b>	<b>470</b>	<b>1,606</b>	<b>1,167</b>	<b>2,007</b>
Currency translation, foreign subsidiaries	330	(27)	543	12	(25)
Currency translation concerning additions to net investments in foreign subsidiaries	337	(163)	527	(311)	(396)
Adjustment, deferred gains/losses, hedging	(150)	96	(282)	7	7
Realised gains/losses, hedging	65	56	33	113	(1)
Realised gains/losses, trading (transferred from hedging)	-	-	-	-	22
Fair value adjustment of available-for-sale financial assets	-	1	3	2	27
Tax on other comprehensive income	(63)	1	(79)	47	93
<b>Other comprehensive income</b>	<b>519</b>	<b>(36)</b>	<b>745</b>	<b>(130)</b>	<b>(273)</b>
<b>Comprehensive income</b>	<b>1,180</b>	<b>434</b>	<b>2,351</b>	<b>1,037</b>	<b>1,734</b>

## Balance sheet

	30.06.2010 DKK million	30.06.2009 DKK million	31.12.2009 DKK million
<b>Assets</b>			
Intangible assets	8,423	7,219	7,724
Property, plant and equipment	3,004	3,064	3,049
Financial assets	260	219	199
<b>Non-current assets</b>	<b>11,687</b>	<b>10,502</b>	<b>10,972</b>
Inventories	1,707	1,342	1,481
Receivables	2,944	2,834	2,655
Securities	56	50	59
Cash	1,920	2,256	1,960
<b>Current assets</b>	<b>6,627</b>	<b>6,482</b>	<b>6,155</b>
<b>Assets</b>	<b>18,314</b>	<b>16,984</b>	<b>17,127</b>
<b>Equity and liabilities</b>			
Share capital	980	984	980
Share premium	224	224	224
Currency translation reserve	213	(735)	(857)
Retained earnings	9,142	7,628	8,456
<b>Equity</b>	<b>10,559</b>	<b>8,101</b>	<b>8,803</b>
Provisions	1,071	1,322	1,116
Debt	1,915	1,920	2,671
<b>Non-current liabilities</b>	<b>2,986</b>	<b>3,242</b>	<b>3,787</b>
Provisions	199	20	186
Bank and mortgage debt	48	751	804
Trade payables	850	840	997
Other payables	3,053	3,467	1,857
Prepayments from Forest	619	563	693
<b>Current liabilities</b>	<b>4,769</b>	<b>5,641</b>	<b>4,537</b>
<b>Liabilities</b>	<b>7,755</b>	<b>8,883</b>	<b>8,324</b>
<b>Equity and liabilities</b>	<b>18,314</b>	<b>16,984</b>	<b>17,127</b>



## Statement of changes in equity at 30 June 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>1,070</b>	<b>1,281</b>	<b>2,351</b>
Distribution of dividends, gross	-	-	-	(602)	(602)
Incentive programmes	-	-	-	7	7
<b>Other transactions</b>	-	-	-	<b>(595)</b>	<b>(595)</b>
<b>Equity at 30.06.2010</b>	<b>980</b>	<b>224</b>	<b>213</b>	<b>9,142</b>	<b>10,559</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>
Change in accounting policies:					
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>(299)</b>	<b>1,336</b>	<b>1,037</b>
Distribution of dividends, gross	-	-	-	(453)	(453)
Distribution of dividends, treasury shares	-	-	-	2	2
Incentive programmes	-	-	-	4	4
<b>Other transactions</b>	-	-	-	<b>(447)</b>	<b>(447)</b>
<b>Equity at 30.06.2009</b>	<b>984</b>	<b>224</b>	<b>(735)</b>	<b>7,628</b>	<b>8,101</b>

## Cash flow statement

	2010 Q2 DKK million	2009 Q2 DKK million	2010 H1 DKK million	2009 H1 DKK million	2009 FY DKK million
<b>Profit from operations (EBIT)</b>	<b>936</b>	<b>719</b>	<b>2,190</b>	<b>1,666</b>	<b>2,858</b>
Adjustments	225	135	477	116	699
Working capital changes	141	189	(326)	(100)	312
<b>Cash flows from operations before financial receipts and payments</b>	<b>1,302</b>	<b>1,043</b>	<b>2,341</b>	<b>1,682</b>	<b>3,869</b>
Financial receipts and payments	(9)	(84)	(30)	(14)	(110)
<b>Cash flows from ordinary activities</b>	<b>1,293</b>	<b>959</b>	<b>2,311</b>	<b>1,668</b>	<b>3,759</b>
Income tax paid	(48)	(57)	(151)	(175)	(725)
<b>Cash flows from operating activities</b>	<b>1,245</b>	<b>902</b>	<b>2,160</b>	<b>1,493</b>	<b>3,034</b>
Company acquisitions	-	-	-	(3,535)	(5,110)
Investments in and sale of bonds	-	3	9	944	1,270
Investments in and sale of intangible assets, property, plant and equipment and other financial assets	(71)	(53)	(131)	148	(1,234)
<b>Cash flows from investing activities</b>	<b>(71)</b>	<b>(50)</b>	<b>(122)</b>	<b>(2,443)</b>	<b>(5,074)</b>
<b>Cash flows from operating and investing activities</b>	<b>1,174</b>	<b>852</b>	<b>2,038</b>	<b>(950)</b>	<b>(2,040)</b>
<b>Cash flows from financing activities</b>	<b>(610)</b>	<b>277</b>	<b>(2,121)</b>	<b>277</b>	<b>1,065</b>
<b>Change in cash</b>	<b>564</b>	<b>1,129</b>	<b>(83)</b>	<b>(673)</b>	<b>(975)</b>
Cash at beginning of period	1,330	1,123	1,960	2,921	2,921
Unrealised exchange differences for the period	26	4	43	8	14
Change for the period	564	1,129	(83)	(673)	(975)
<b>Cash at end of period</b>	<b>1,920</b>	<b>2,256</b>	<b>1,920</b>	<b>2,256</b>	<b>1,960</b>

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

Cash	1,920	2,256	1,920	2,256	1,960
Securities	56	50	56	50	59
Interest-bearing debt	(1,963)	(2,671)	(1,963)	(2,671)	(3,475)
<b>Interest-bearing net cash and cash equivalents, end of period</b>	<b>13</b>	<b>(365)</b>	<b>13</b>	<b>(365)</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 June, 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 June, 2010 and of the results of the Group’s operations and cash flows for the first half of 2010, which ended on 30 June 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, 13 August 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

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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, 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

- 5 August 2010      TEMPO study further demonstrates the benefits of Azilect® in early Parkinson's disease patients
- 27 May 2010      First patients recruited in the extended phase III programme using Lu AA21004 in MDD
- 25 May 2010      Lundbeck will submit an NDA for clobazam for patients with Lennox-Gastaut syndrome with the FDA before year end 2010
- 17 May 2010      Positive pivotal results on escitalopram in Japan - Lundbeck's partner Mochida plans to file escitalopram for regulatory approval in first quarter 2011 at the latest
- 10 May 2010      Announcement of transactions with shares and linked securities in H. Lundbeck A/S made by executives and their closely associated persons and legal entities

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