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Annual report 2008 – Lundbeck meets all of its financial forecasts for 2008 and expects continuing growth in 2009

- *Revenue generated in 2008 is the highest ever in Lundbeck's history*
- *Growth driven by double-digit growth rates for Cipralex®, Ebixa® and Azilect®*
- *Lundbeck meets all of its financial forecasts for 2008*
- *Lundbeck expects continuing growth in 2009 and increases its R&D investments*
- *Management has defined five strategic focus areas which will contribute to developing Lundbeck and securing growth in the medium and long term*
- *Financial guidance for 2009 including Ovation will be presented in connection with the quarterly results for second quarter 2009 at the latest*

Lundbeck presents annual accounts in which all of the financial results meet the financial guidance announced by the company in March 2008. For the first time ever, revenue exceeded DKK 11 billion in 2008, and Lundbeck's management considers the results highly satisfactory.

Revenue continued to rise in 2008 driven primarily by Lundbeck's products Cipralex® (18% increase), Ebixa® (14% increase) and Azilect® (57% increase). Europe reported the strongest growth rate of 13% (14% at constant exchange rates), with Cipralex®, Ebixa® and Azilect® continuing to win market shares. In the International Markets segment, revenue was up 10% (17% at constant exchange rates) driven especially by sales of Cipralex®, which consistently won market shares throughout the year. In the USA, revenue was impacted by a reduction of Lexapro® inventories, which pushed down revenue by DKK 256 million. Net of this reduction, Lexapro® revenue would have increased by 5%.

Revenue and earnings

Exclusive of non-recurring items

- Revenue: DKK 11,282 million (+7%)
- Profit from operations (EBIT): DKK 2,833 million (+7%)
- Investments in R&D: 22.3% of revenue and DKK 2,511 million (+15%)
- EBIT margin: 25.1%

Comments on the annual report

In connection with the annual report, Lundbeck's President and CEO Ulf Wiinberg says:

"In 2008, our financial performance was highly satisfactory and showed strong growth. Our ambition is for Lundbeck to be the company that makes the biggest difference worldwide in the treatment of patients suffering from central nervous system disorders. Lundbeck is to be a growth company and the upcoming takeover of Ovation and the in-house initiatives we have launched at Lundbeck provide us with a good starting point for accomplishing that ambition – during the period 2012-14 as well."

Financial highlights and key ratios

	2008 Q4	2007 Q4	2008 Full year	2007 Full year
Financial highlights (DKKm)				
Revenue	2,653	2,830	11,282	10,985
Profit from operations	212	267	2,352	2,695
Net financials	(197)	(67)	(185)	(50)
Profit before tax	6	166	2,123	2,562
Tax on profit for the year	(1)	73	613	792
Net profit for the period/year	7	92	1,510	1,770
Equity	7,592	7,185	7,592	7,185
Total assets	12,607	12,326	12,607	12,326
Cash flows from operating and investing activities	42	(83)	2,193	1,610
Gross investments in property, plant and equipment	118	140	229	474
Key ratios (%)				
EBIT margin	8.0	9.4	20.8	24.5
Return on capital employed	4.2	4.8	29.8	34.9
Return on equity	0.1	1.3	20.4	25.3
Research and development costs as a percentage of revenue	32.2	24.0	26.5	19.9
Solvency ratio	60.2	58.3	60.2	58.3
Capital turnover	21.0	23.0	89.5	89.1
Share data (DKK)				
Earnings per share (EPS)	0.03	0.46	7.67	8.63
Diluted earnings per share (DEPS)	0.03	0.46	7.67	8.63
Proposed dividend per share	-	-	2.30	2.56
Cash flow per share	0.28	1.02	14.12	13.18
Net asset value per share	38.71	35.81	38.71	35.81
Market capitalisation	21,657	28,605	21,657	28,605

Distribution of revenue

	2008 Q4	Growth	2008 Full year	Growth	Growth at constant exchange rates
DKKm					
- Europe	1,564	12%	6,213	13%	14%
- International Markets	530	1%	2,409	10%	17%
- USA	509	-19%	2,464	-5%	-2%
- Cipralex®	1,151	12%	4,829	18%	22%
- Lexapro®	509	-19%	2,464	-5%	-2%
- Ebixa®	475	12%	1,879	14%	15%
- Azilect®	80	69%	263	57%	59%

Non-recurring items

Lundbeck's financial statements for 2008 were affected by two non-recurring items. The first is an impairment loss on the rights to the compound Flurizan®, the development of which was discontinued in Q2 2008. The other concerns the divestment of non-strategic investments in four private equity funds to LFI a/s (The Lundbeck Foundation) at the beginning of 2009, which has an impact on the financial statements for 2008.

	Reported	Non-recurring items	Exclusive of non-recurring items
DKKm			
Revenue	**11,282**		**11,282**
Expenses			
- Cost of sales	1,837		1,837
- Distribution	2,459		2,459
- Administration	1,651		1,651
- Research and development	2,992	Flurizan (481)	2,511
- Other operating expenses, net	(9)		(9)
Profit from operations (EBIT)	**2,352**		**2,833**
Net financials	(185)	Private equity funds (96)	(89)
Profit before tax	**2,123**		**2,700**

Dividends
The Supervisory Board proposes to pay dividend for 2008 of 30% of the net profit for the year to shareholders of the parent company, corresponding to DKK 2.30 per share.

Financial forecast for 2009
The pharmaceutical industry is inherently less cyclical than most other industries. Neither Lundbeck's operations nor its financial position were adversely affected by the global economic crisis in 2008.

At present, however, we cannot rule out that Lundbeck may be affected. Our financial guidance for 2009 is presented with the reservation that the future scope of the economic crisis remains unknown and that our expectations are based exclusively on the knowledge we have today.

On 9 February, Lundbeck announced that the company is acquiring the US company Ovation Pharmaceuticals, Inc. (Ovation). The acquisition of Ovation is subject to the approval of the US competition authorities, which is expected to be granted in March 2009. Consequently, the financial guidance provided at this time only includes Lundbeck.

The financial guidance for 2009 includes an income of DKK 124 million concerning the divestment of shares in LifeCycle Pharma A/S to LFI a/s (The Lundbeck Foundation) at the beginning of 2009.

Lundbeck expects that revenue for 2009 will rise to DKK 12-12.5 billion, and that profit from operations (EBIT) will amount to DKK 3.0-3.2 billion.

Lundbeck will increase spending on research and development, which is expected to account for 23-24% of revenue in 2009.

Lundbeck's road ahead
Lundbeck's ambition is to be a growth company. Lundbeck currently has leading pharmaceuticals that can continue to provide growth rates in the years ahead. Furthermore, our pipeline includes innovative pharmaceutical candidates that will represent a growth driver in the medium and long term.

In order to accomplish our ambition to become the world's best company in the treatment of brain disorders, we have defined five strategic focus areas, each of which is to contribute to Lundbeck's evolution. We have launched the "Decisions Now" programme, which will be pivotal in the development of Lundbeck in the years ahead. The programme is anchored throughout the organisation, whilst the day-to-day management is responsible for the activities.

<u>Products – Achieving the full potential of marketed pharmaceuticals</u>
Lundbeck's existing pharmaceuticals offer a substantial growth potential. Management has identified measures to achieve this potential and increase revenue growth during the coming

years. Moreover, the expected growth in Ovation will contribute revenue which more than offsets the expected loss in connection with the expiry of the Lexapro® patent in USA in 2012.

Pipeline – Maximising the value of new and innovative pharmaceuticals
Lundbeck currently invests more than 20% of its revenue in research and development. Innovation and medical improvements represent a cornerstone of our strategy. Our high level of investment is to ensure continuing strength and breadth in our pipeline with the aim of generating most of the long-term growth. The incremental investments target the company's late-stage projects in order to accelerate development and maximise the value of the projects.

Partners – Intensifying growth through business development and partnerships
In-licensing, acquisitions and partnerships will continue to be a part of Lundbeck's strategy. We have defined targets for the value we want our business development efforts to generate, and having established a commercial platform in the USA we will also be seeking products and development projects in the US market. In addition, we will review our existing partnership agreements, seeking to maximise the opportunities they provide.

Performance – Increasing efficiency and reducing costs
We aim to release resources for investments in other areas by making our company more efficient. The project is aimed at reviewing processes, systems and procurement in the company.

People – Developing a high performance culture and ensuring consistent targets
A prerequisite for accomplishing the above-mentioned ambitions, launching the value-adding initiatives and developing our earnings is that our organisation is geared towards these challenges. Our company and employees should be committed to a high performance mentality characterised by collaboration, willingness and ability to change, innovative skills and drive.

Lundbeck's development portfolio
Lundbeck is developing a number of new and promising pharmaceuticals in our existing fields of specialties; depression, anxiety and psychotic disorders – and for new areas such as stroke and alcohol dependence. Furthermore, Ovation has a development portfolio targeting epilepsy. The acquisition of Ovation is subject to the approval of the US competition authorities.

In the coming twelve months, Lundbeck expects to announce a number of results from several of the clinical development projects, including:

- Phase III clinical data for Lu AA21004 for the treatment of depression
- Phase II clinical data for Lu AA24530 for the treatment of depression
- FDA decision concerning Serdolect® for the treatment of schizophrenia
- Phase IIb clinical data for Lu 31-130 for the treatment of psychotic disorders
- Phase II clinical data for Lu AE58054 for the treatment of psychotic disorders

Depression and anxiety

Lu AA21004 is the most advanced compound in our development of a new class of pharmaceutical candidates for the treatment of depression and anxiety. The Phase III programme currently covers 14 active trials, which are progressing as planned. Nine of these trials focus on the treatment of depression, while five focus on the treatment of generalised anxiety. Lundbeck expects that the combined Phase III programme will comprise more than 5,000 patients.

Lu AA24530 also belongs to a new class of antidepressants. Development is progressing as planned, and the ongoing Phase II studies are expected to be completed during the first half of 2009.

The above two projects and **Lu AA34893**, in Phase II, which is also being developed for the treatment of bipolar disorder, cover the entire differentiated range of mood disorders. The clinical trials for **Lu AA34893** have temporarily been put on hold for technical reasons, and Lundbeck expects these matters to be resolved during 2009.

Psychotic disorders/schizophrenia

Regarding **Serdolect®**, Lundbeck has been informed that the FDA's PDAC committee (Psychopharmacologic Drugs Advisory Committee) is planning to meet on 7 April 2009, at which meeting the registration application for Serdolect® for the treatment of schizophrenia will be discussed.

Lundbeck and Solvay Pharmaceuticals, B.V. have initiated two Phase III clinical trials with **bifeprunox** for maintenance treatment of schizophrenia. Recruitment of patients for the two trials is progressing as planned. Each trial will enrol about 450 patients, who will be treated for 12 months. Results from the trials are expected to be announced in the second half of 2010.

In 2008, Lundbeck initiated Phase II trials with **Lu AE58054**, which was acquired through the acquisition of US biotech company Saegis Pharmaceuticals, Inc. in 2006. In preclinical trials, the compound has documented its ability to improve cognition. Lu AE58054 affects other areas of the brain than traditional anti-psychotics and improves the general clinical efficacy of a combined treatment. Consequently, Lundbeck expects that Lu AE58004 will improve the daily functioning of the patients and for example improve their ability to solve practical problems in their daily lives. The trial consists of two treatment groups of 60 patients each, and preliminary results are expected by the end of 2009.

Lu 31-130 has demonstrated a positive result in a completed Phase IIa clinical tolerance trial. Lu 31-130 has a unique receptor binding profile and is expected to show efficacy in both positive and negative symptoms combined with a low risk of extrapyramidal side effects (motor disturbances). In 2008, Lundbeck initiated a Phase IIb trial in which Lu 31-130 is compared with the compound olanzapine. Lundbeck expects to report results from this trial in the second half of 2009.

Psychosis/bipolar disorder

Lundbeck has initiated Phase II clinical trials with the compound **Lu AA39959**, which is a first-in-class compound with a unique profile. Preclinical studies in animal models have shown anti-psychotic and anti-depressant-like effects. Lundbeck expects that Lu AA39959 will show clear and convincing effects in patients with bipolar disorder (manic depression) and is likely to have additional positive features such as a low switch-rate to mania. The Phase II study is placebo-controlled and includes 180 patients with Bipolar I or II disorder.

Lu AA34893 is being investigated in Phase II trials as treatment of both bipolar disorder and depression.

Acute ischemic stroke

Lundbeck has initiated a Phase III trial with **desmoteplase** for the treatment of acute ischemic stroke (cerebral thrombosis), in which the blood supply to a part of the brain is interrupted.

The Phase III trial consists of two placebo-controlled trials, each enrolling approximately 320 patients. Lundbeck is recruiting patients for the studies at sites in Europe, the USA, Canada, South America and Asia. Following consultations with health authorities, the trials have been designed with the aim of measuring efficacy of one dosage of desmoteplase three to nine hours after the stroke occurred. The efficacy of the treatment is assessed after 90 days.

Alcohol dependence

Lundbeck has launched three Phase III trials enrolling more than 1,800 patients in total receiving **nalmefene** and placebo respectively. In the first two trials, the patients are treated over a period of six months, primarily to demonstrate efficacy, whilst patients in the other trial are treated for 12 months to confirm that the compound is well-tolerated. The first data are expected in the first half of 2011.

Nalmefene builds on a novel principle of treating alcohol dependence. Unlike existing therapies, the treatment with nalmefene is not aimed at keeping the patients from drinking. Instead, the compound blocks the mechanism in the brain that produces the desire to drink more, thereby controlling and limiting the patient's intake of alcohol. In addition, nalmefene is available as a tablet formulation to be taken only according to need, whereas existing pharmaceuticals must be taken continuously over a longer period of time.

Other development projects

In 2008, Lundbeck initiated Phase I trials with **Lu AA38466** to investigate the safety, tolerability and pharmacokinetic profile of the compound in humans. Lu AA38466 is a ion channel modulator and has demonstrated convincing effects in a number of animal models of neurological disorders.

Protection of patents and other intellectual property rights

A prerequisite for Lundbeck's continued substantial investments in innovative pharmaceuticals is that intellectual property rights are respected. Lundbeck believes that the

Group's intellectual property rights are valid and enforceable, and it is Lundbeck's policy to enforce its intellectual property rights energetically, wherever they may be violated. Lundbeck is involved in pending patent trials in Australia, Belgium, Canada, Denmark, France, the Netherlands, Norway, Portugal, the UK, Germany, the USA and Austria in respect of the Group's intellectual property rights concerning escitalopram.

Decisions in key patent cases

At the beginning of 2009, Lundbeck has won three cases in Canada. As a result of the decisions, generic escitalopram cannot be marketed in Canada before the patent for escitalopram expires. The composition-of-matter patent will expire in 2014. The decisions can be appealed.

In 2009, Lundbeck also won an appeals case before the supreme court in England. Unanimously adopted by all the judges in the case before the House of Lords, the ruling determines that the composition-of-matter patent behind escitalopram is valid and enforceable. The ruling is final and conclusive.

Incentive plan

The Supervisory Board of H. Lundbeck A/S has resolved, pursuant to the authorisation in article 4.4 of the company's articles of association, to issue warrants for a nominal value of up to DKK 3,000,000, corresponding to 600,000 shares.

Members of H. Lundbeck A/S' Executive Management, and executives appointed by H. Lundbeck A/S' Executive Management who are employed by H. Lundbeck A/S or H. Lundbeck A/S' subsidiaries are eligible to receive warrants. The above-mentioned subsidiaries comprise Danish and foreign enterprises in which H. Lundbeck A/S directly or indirectly holds at least 50% of the shares. The members of the company's Supervisory Board are not comprised by the scheme.

The right to subscribe for warrants pursuant to the applicable terms and conditions will be granted on 16 March 2009.

All of the warrants subscribed or a part thereof will be available to members of the Executive Management on 16 March 2012 subject to H. Lundbeck A/S' ranking in a peer group of companies, including H. Lundbeck A/S, based on total shareholder return performance, and also subject to the Executive Management member's continuing employment in the period from 16 March 2009 until and including 16 March 2012.

The Supervisory Board has fixed the number of warrants that each member of the Executive Management may subscribe as the number, which market value corresponds to 8 months' worth of base salary in 2009 for the Executive Management member in question, however 12 months worth salary in 2009 for the President and CEO, less 10% of 12 months' worth of base salary in 2009.

Each warrant under the plan entitles the holder to subscribe 1 (one) Lundbeck share of DKK 5 nominal value. The subscription of shares will take place at a price per share of DKK 5 nominal value, corresponding to the average closing price of the H. Lundbeck A/S share on OMX Nordic Exchange Copenhagen (all trades) on the business days during the period from 4 March 2009 - 10 March 2009, inclusive, however, the price per DKK 1 nominal value must not be lower than 85% of the market price of the H. Lundbeck A/S share at the date of grant, 16 March 2009, all trades, divided by 5 and rounded up to the nearest whole number of kroner (exercise price). The warrants may be exercised in the period from the date of availability, 16 March 2012, until and including 15 March 2017.

The number of warrants granted to the members of the Executive Management is calculated and determined when the exercise price is known, however not later than on 13 March 2009. The maximum value on 16 March 2009 is calculated using the Black & Scholes formula based on the assumption that H. Lundbeck A/S ranks number one in the above-mentioned peer group.

The market value per warrant at the time of the award on 3 March 2009 is calculated at approximately DKK 52,00 based on the Black & Scholes formula on the following assumptions: an exercise price of DKK 122.00, a volatility of the Lundbeck share of 42.22%, a dividend payout ratio of 1.50%, a risk-free interest rate of 3,24% and an average holding period of approximately 91 months.

The Supervisory Board also resolved to grant the individual Executive Management members a number of free shares in H. Lundbeck A/S, the number of which is calculated by dividing 10% of each Executive Member's base salary in 2009 by the exercise price applicable to the warrants. However, the number of shares will be adjusted where necessary to comply with the 10% value limit stipulated by section 7 H(2)(ii) b of the Danish Tax Assessment Act. The shares are granted on terms and conditions consistent with the remuneration guidelines for the Executive Management of H. Lundbeck A/S that were adopted at the company's annual general meeting held on 22 April 2008. The same applies to other executive employees.

In the financial statements, the awarded shares and warrants will be recognised in the income statement at fair value, and a probability calculation will be made in respect of H. Lundbeck A/S' ranking in the above-mentioned peer group in terms of the warrants granted to the Executive Management. Shares and warrants will be granted to Executive Management members subject to these members achieving market goals, and the value of the award is therefore recognised in the income statement over the vesting period (three years).

Conference call

Today at 2.00 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 under the section “Investors – Presentations”.

Further information
An electronic version of the annual report for 2008 and further information about Lundbeck is available from the company's website www.lundbeck.com. The print version of the annual report for 2008 will be available on 2 April 2009.

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About Lundbeck
H. Lundbeck A/S (LUN.CO, LUN DC, HLUKY) is an international pharmaceutical company engaged in the research and development, production, marketing and sale of pharmaceuticals for the treatment of psychiatric and neurological disorders. In 2008, the company's revenue was DKK 11.3 billion (approximately EUR 1.5 billion or USD 2.2 billion). The number of employees is approx 5,500 globally. For more information, please visit www.lundbeck.com.