Annual report 2010

Financial highlights

Group	2010 DKKm	2009 DKKm	2008 DKKm	2007 DKKm	2006 DKKm	2010 EURm[1]	2010 USDm[2]
Revenue	14,765	13,747	11,572	11,171	9,300	1,983	2,625
Research and development costs	3,045	3,196	2,990	2,193	1,956	409	541
Operating profit before depreciation and amortisation (EBITDA)	4,393	3,728	3,418	3,611	2,310	590	781
Profit from operations (EBIT)	3,357	2,858	2,354	2,689	1,789	451	597
Net financials	(68)	(192)	(28)	65	(17)	(9)	(12)
Profit for the year	2,466	2,007	1,663	1,881	1,162	331	438
Total assets	18,005	17,127	12,526	12,230	11,539	2,415	3,208
Equity	11,122	8,803	7,511	7,089	6,684	1,492	1,981
Cash flows from operating and investing activities	2,462	(2,040)	2,193	1,610	1,633	331	438
Investments in property, plant and equipment, gross	383	258	229	474	567	51	68
	%	%	%	%	%	%	%
EBIT margin	22.7	20.8	20.3	24.1	19.2	22.7	22.7
EBITDA margin	29.8	27.1	29.5	32.3	24.8	29.8	29.8
Return on capital employed	27.6	28.0	30.0	34.6	24.8	27.6	27.6
Return on equity	24.8	24.6	22.8	27.3	16.5	24.8	24.8
Research and development ratio	20.6	23.2	25.8	19.6	21.0	20.6	20.6
Solvency ratio	61.8	51.4	60.0	58.0	57.9	61.8	61.8
Capital turnover	82.0	80.3	92.4	91.3	80.6	82.0	82.0
Effective tax rate	25.0	24.7	27.1	29.6	31.0	25.0	25.0
	DKK	DKK	DKK	DKK	DKK	EUR[1]	USD[2]
Earnings per share (EPS)[3]	12.58	10.24	8.45	9.18	5.50	1.69	2.24
Diluted earnings per share (DEPS)[3]	12.58	10.24	8.45	9.17	5.49	1.69	2.24
Proposed dividend per share[3]	3.77	3.07	2.30	2.56	1.57	0.51	0.67
Cash flow per share[3]	16.65	15.47	14.12	13.18	6.59	2.24	2.96
Net asset value per share[3]	56.71	44.89	38.30	35.33	32.01	7.61	10.10
Market capitalisation (million)	20,788	18,582	21,657	28,605	33,060	2,789	3,703
Average number of employees	5,689	5,526	5,208	5,134	5,111		
Incidence of work-related injuries (per million working hours)	7.9	6.2	7.6	5.9	7.8		
Raw material consumption (tonnes)	6,113	6,286	6,425	7,256	6,987		
Water consumption (m^3)	373,505	314,577	296,589	329,636	322,838		
CO_2 emission (tonnes)	38,004	36,425	37,289	43,755	43,329		

1) Income statement items are translated using the average EUR exchange rate (744.73). Balance sheet items are translated at the EUR exchange rate on 31 December 2010 (745.44)
2) Income statement items are translated using the average USD exchange rate (562.44). Balance sheet items are translated at the USD exchange rate on 31 December 2010 (561.33)
3) The calculation is based on a share denomination of DKK 5

Lundbeck at a glance

- **A global pharmaceutical company** with a presence in nearly all parts of the world and with competencies and activities throughout the value chain: research, development, production, marketing and sales.
- **Founded in 1915** by Hans Lundbeck, the company was listed on NASDAQ OMX Copenhagen in 1999.
- The largest shareholder is the **Lundbeck Foundation, which holds 70% of the shares.** In 2010, the Foundation donated DKK 385 million for scientific research.
- **5,900 employees in 57 countries**[1].
- Revenue was **DKK 14,765 million** in 2010.
- **Approx. 20% of the revenue is reinvested in research and development** of new and innovative pharmaceuticals for the treatment of brain disorders.

1) Number of employees, including part-time employees at the end of 2010

Lundbeck's vision

Our vision is to become a world leader in psychiatry and neurology.

Lundbeck's mission

Our mission is to improve the quality of life of people suffering from psychiatric and neurological disorders.

Lundbeck's values

"Imaginative" underlines a need for daring to be different. Lundbeck believes in the necessity of being open to new knowledge and alternative solutions.

"Passionate" refers to a long-standing tradition of never giving up. Lundbeck has had setbacks – and will have them again – in the effort to find new treatments of brain disorders.

"Responsible" means that Lundbeck employees are expected to do the right thing and act responsibly towards colleagues, the environment and the external community.

Lundbeck is a specialty pharmaceutical company engaged in the development of pharmaceuticals for the treatment of brain disorders on the basis of in-house research.

Lundbeck has activities relating to a number of brain disorders, including:

- Depression/anxiety
- Alzheimer's disease
- Parkinson's disease
- Huntington's disease
- Epilepsy

Revenue and growth by product

Cipralex®/Lexapro®
Depression and anxiety

DKK 8,251 million
+6%

Ebixa®
Alzheimer's disease

DKK 2,403 million
+11%

Azilect®
Parkinson's disease

DKK 1,028 million
+34%

Xenazine®
Huntington's disease

DKK 610 million
+105%

Sabril®
Epilepsy

DKK 179 million
(revenue 2009 not disclosed)

Other pharmaceuticals

DKK 2,036 million
+18%

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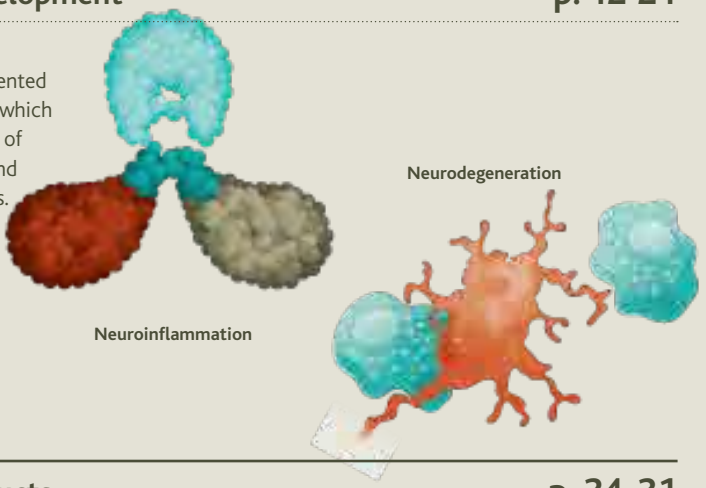
Photos
In this annual report, we include photos of people suffering from brain disorders. Read their stories in the Lundbeck Magazine 2011.

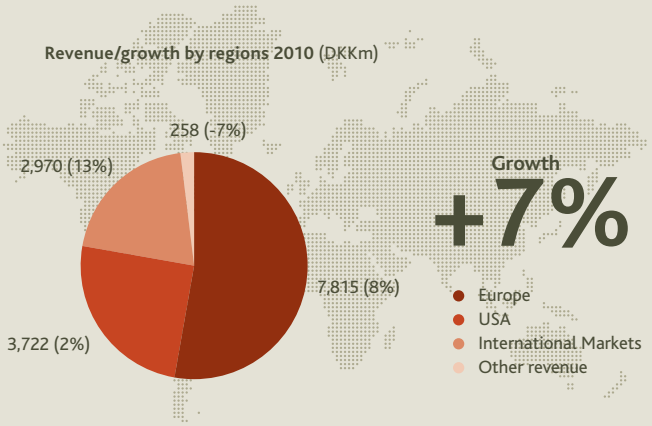
Front page photo: Melanie Baybut, South Africa

Research and development p. 12-21

In 2010, Lundbeck implemented a new research strategy in which disease biology is the basis of the development of new and innovative pharmaceuticals.



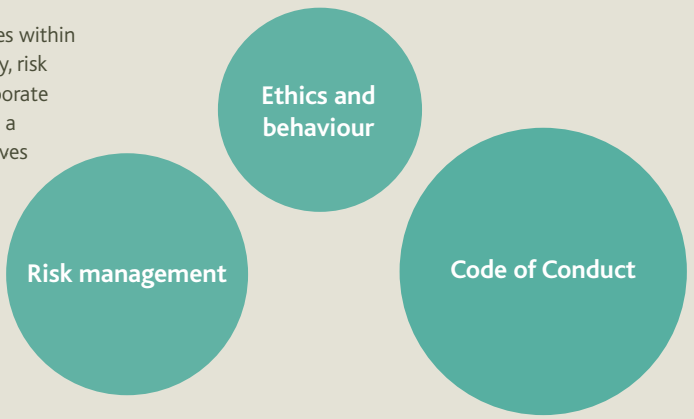
Markets and products p. 24-31



Sales of our main products grew satisfactorily in 2010, and we continued to win market shares.

Responsibility and management p. 34-49

Our dedicated activities within corporate responsibility, risk management and corporate management included a number of new initiatives and results in 2010.



Ulf Wiinberg
President and CEO

Continued focus on brain disorders

Strong revenue, solid growth and consolidated business are the key words that sum up Lundbeck's performance over the past year.

I am pleased to report satisfactory results for 2010. The results we have achieved should be viewed in the context of intensified generic competition in a number of markets and a global economic crisis that compelled governments in many countries to adopt healthcare reforms, leading to noticeable ceilings on pharmaceutical prices and reimbursement.

The progress we have achieved is attributable to our main products which continue to sell well and win market shares and the fact that we have kept our costs down in spite of a higher level of activity. Over the past few years, we have been preparing for the loss of exclusivity in a number of our key products in 2012-2014. We have been dealing with this challenge by maximising our existing business, intensifying the development of late-stage projects and sharpening our focus on acquisitions, partnering and in-licensing.

As a result of these efforts, we will continue to be a profitable company with strong cash flows in the 2012-2014 transition period. We will continue to pursue growth opportunities during this time and secure long-term growth for Lundbeck.

Brain disorders among the most disabling conditions

Lundbeck pursues a vision of being a leading provider of therapeutics for the treatment of brain disorders. Our value creation is driven by our ability to invent, develop and ensure the dissemination of innovative pharmaceuticals.

Brain disorders are among the most disabling conditions for patients and also a type of disability that absolutely costs most in societal terms, and their prevalence is expected to rise in the years ahead. By 2030, depression, dementia and alcohol dependence are expected to be among the five diseases in high-income countries that have the highest disability-adjusted life years score[1]. In Europe alone, brain disorders account for 35% of total direct and indirect healthcare costs[2], and depression-related costs to society represent 1% of the gross domestic product in Europe.

Anyone who in some way has been affected by brain disorders knows how disabling these disorders are for patients and their relatives. Each time we are approached by patients, it confirms our belief that these are truly some of the most serious disorders, and it underlines the importance of developing and offering effective treatments.

We have what it takes

In 2010, Lundbeck announced a new research strategy which will enable it, also going forward, to deliver ground-breaking pharmaceuticals that can improve the quality of life for patients suffering from brain disorders.

In recent years, research conducted around the world has produced new knowledge about disease biology and the biological relationships and mechanisms believed to be the fundamental causes of many brain disorders. This enables us to develop pharmaceuticals targeting the underlying mechanisms of these disorders, allowing us not only to treat the symptoms more effectively, but also to affect the progress of the disorders.

The new strategy is the foundation that in the long term will help us discover and develop pharmaceuticals that may help and treat biologically defined groups of patients with brain disorders. It is this type of pharmaceuticals we expect to be in demand in the future.

1) Mathers & Loncar – Projections of Global Mortality and Burden of Disease from 2002-2030, 2006
2) European Brain Council – Cost of Disorders of the Brain in Europe, June 2005

The second key element of Lundbeck's new research strategy is increased external cooperation through more partnerships, with researchers at academic institutions, colleges, universities and other biotech and pharmaceutical companies all over the world.

Research and development in the field of brain disorders involves a great deal of risk, and it takes a long time to produce results in the form of marketed pharmaceuticals. A key prerequisite for success is that we handle our shareholders' willingness to take risk and their trust with the greatest respect.

On behalf of Lundbeck's management, Supervisory Board and employees, I would like to thank our shareholders, customers and collaborative partners for the interest they have shown in Lundbeck in 2010.

Ulf Wiinberg
President and CEO

Milestones 2010

Q1

Under the name NEWMEDS, Lundbeck joins a number of Europe's leading scientists in a large depression and schizophrenia collaboration project.

Lundbeck obtains the marketing rights from Israeli Teva Pharmaceutical Industries Ltd. concerning Azilect® for the treatment of Parkinson's disease in selected Asian countries.

Lundbeck announces plans to initiate clinical phase III trials with Lu AA21004 and Lu AA24530 in depression. The clinical phase III programme with Lu AA21004 is initiated.

Desmoteplase enters clinical phase II for the treatment of ischaemic stroke in Japan.

Q2

Lu AE04621 enters clinical phase I in Parkinson's disease.

In collaboration with Mochida Pharmaceutical Co., Ltd., Japan, Lundbeck announces positive clinical phase III results with escitalopram for the treatment of depression in Japan.

Lundbeck announces positive results from clinical phase III trials with clobazam (Onfi™) for the treatment of Lennox-Gastaut syndrome. At the same time, Lundbeck announces plans to submit a new drug application for the compound in the US by the end of 2010.

Q3

The TEMPO study demonstrates the benefits of early treatment of Parkinson's disease with Azilect®.

New drug application submitted for escitalopram for the treatment of depression in Japan in collaboration with Mochida.

Lundbeck announces new research strategy based on disease biology.

Q4

Lundbeck enters into agreement with Kyowa Hakko Kirin Co., Ltd., Japan, providing Lundbeck with global rights to develop and commercialise the preclinical compound KW-6356 for the treatment of Parkinson's and other indications.

Lundbeck obtains rights from US-based Merck & Co., Ltd. to commercialise Sycrest®/Saphris® for the treatment of bipolar disorder and schizophrenia in all markets outside the US, China and Japan.

Lundbeck enters into research collaboration with Denmark/US-based Genmab A/S to create and develop human antibody therapeutics for the treatment of brain disorders.

Lundbeck announces the company's floor guidance for 2011-2014.

Lundbeck and Xian-Janssen Pharmaceuticals Ltd., China, intensifies the collaboration in China in respect of marketing and sale of Lexapro® for the treatment of depression.

Lundbeck enters into research collaboration with Zenobia Therapeutics, Inc., US, and Vernalis plc., UK, concerning a new technology to be used in research in areas such as Parkinson's disease.

Management's review

- Lundbeck had another successful and eventful year
- Annual revenue of DKK 14,765 million – the company's highest ever
- Profit for the year up by 23% to DKK 2,466 million.

2010 was characterised by solid revenue growth for Lundbeck's key products, continuing improvement in earnings and distinct progress in our clinical development pipeline. We are particularly satisfied with our operations in light of the more difficult market conditions, which, as expected, were challenging in 2010.

Satisfactory results

The Supervisory Board and Executive Management are very pleased to present full-year results for 2010 in line with expectations.

Revenue for the year was up by 7% to DKK 14,765 million. Measured at constant exchange rates, the growth rate was 4%. The improvement was driven by positive growth for our three main products, Cipralex®, Ebixa® and Azilect®, as well as by increased sales of our two most recent products, Xenazine® and Sabril®, which were launched in the US market in 2008 and 2009, respectively.

The positive and satisfactory improvement in annual revenue should be viewed especially in the light of new healthcare reforms and mandatory price reductions in a number of Lundbeck's important markets. Furthermore, we experienced intensified generic competition in 2010.

Profit from operations before depreciation and amortisation (EBITDA) amounted to DKK 4,393 million.

Profit from operations (EBIT) was DKK 3,357 million, a 17% increase on 2009. The EBIT margin was 22.7%, against 20.8% in 2009. Lundbeck recorded an increase in earnings primarily due to higher revenue and lower research and development costs compared with 2009.

With the figures above, Lundbeck thus fully met the financial guidance presented in the annual report for 2009, and revised in November 2010.

Research and development expenses amounted to DKK 3,045 million, or 20.6% of consolidated revenue, which was 5% less than in 2009. The decline was due to the fact that costs associated with two clinical phase II trials, zicronapine with the potential to treat a number of psychiatric and neurological diseases and Lu AA24530 for the treatment of depression, were lower than the year before because they were completed in 2009. In addition, Lundbeck no longer incurs expenses related to the registration application for Serdolect® for the treatment of schizophrenia in the US.

The tax percentage for 2010 was 25.0%, consistent with the expected tax rate of 24-25% that we communicated in our annual report for 2009.

Profit for the year was up by 23% to DKK 2,466 million. Lundbeck's Supervisory Board will propose to the Annual General Meeting that a dividend of 30% of net profit be paid for the year, corresponding to DKK 3.77 per share.

Lundbeck once again recorded a positive **cash flow from operating and investing activities** after the acquisition of our US subsidiary Lundbeck Inc. in 2009. We thus report a cash inflow from operating and investing activities of DKK 2,462 million in 2010, against an outflow of DKK 2,040 million in 2009.

At the end of 2010, Lundbeck had **net cash** of DKK 430 million, against DKK -1,456 million at the end of 2009.

For a detailed financial review for 2010, see p. 54.

"With the submission of a new drug application and with the potential approval of escitalopram in Japan, we will be able to offer our most successful product to date to a new large market."

Pipeline progress

In 2010, we recorded positive progress in our development projects.

In the first half, we received positive data from clinical phase III trials in Japan with **escitalopram (Lexapro®)** for the treatment of depression, and in September our partner in Japan, Mochida Pharmaceutical Co., Ltd., submitted a new drug application with the Japanese health authorities.

Towards the end of the year, based on positive clinical phase III data, we submitted a new drug application for **clobazam** for the treatment of Lennox-Gastaut syndrome with the FDA. Subject to approval, clobazam will be marketed under the brand name **Onfi™.** In addition, data from clinical phase III with **nalmefene** for the treatment of alcohol dependence supported Lundbeck's plans for submission of an MAA in Europe in the second half of 2011.

Since mid 2009, we have received positive data for **Lu AA21004** for the treatment of depression, and against that background we initiated an extended clinical phase III programme in May 2010 in collaboration with our Japanese partner Takeda Pharmaceutical Company Limited. We expect to submit a new drug application during 2012. **Lu AA24530,** also for the treatment of depression and also being developed in collaboration with Takeda, has now completed clinical phase II, where it has shown statistically significant improvements and good tolerability.

Zicronapine is a new compound with the potential to treat a number of psychiatric and neurological diseases. In clinical phase II zicronapine has demonstrated efficacy in schizophrenia combined with a low risk of extrapyramidal side effects (movement disturbances) and the compound entered clinical phase III.

We also initiated clinical phase I trials with **Lu AE04621**, a new compound for the treatment of Parkinson's disease, and within the same disease area in October we in-licensed the rights to the preclinical compound **KW-6356** from Japanese Kyowa Hakko Kirin Co., Ltd.

We discontinued the development of **Lu AE58054** in clinical phase II in schizophrenia, but the compound will continue in clinical phase II in Alzheimer's disease. Furthermore, patient enrolment was slower than anticipated in our clinical phase III programme with **desmoteplase** for the treatment of stroke.

Other clinical trials progressed according to plan.

New research strategy

In 2010, we implemented a new research strategy which will enable us, also going forward, to deliver innovative pharmaceuticals for the treatment of people suffering from brain disorders. With this new strategy, our future research and development activities will be increasingly based on the biological relationships and mechanisms in the brain believed to be the fundamental causes of many brain disorders.

One of the elements of the new strategy is increased collaboration with external parties. Consistent with this approach, in October we launched a research collaboration with Denmark/US-based Genmab A/S. The agreement provides Lundbeck with access to Genmab's broad antibody development capabilities and an opportunity to take selected antibodies into clinical development. In December, Lundbeck also entered into research collaboration with Zenobia Therapeutics, Inc., US, and Vernalis plc., UK, concerning a new technology to be used in research in areas such as Parkinson's disease.

See a detailed description of our research and development activities, including the new strategy, on p. 12.

Strengthened growth foundation

In addition to generic competition and healthcare reforms, patent expiry for some of our key products during the period 2012-2014 is an important part of our reality. We cannot avoid recording an adverse impact on our revenue in connection with these patent expiries. However, in recent years we have prepared for the situation, and in 2010 we further strengthened our foundation for future growth.

In October, we in-licensed the rights to **asenapine (Sycrest®/Saphris®)** for the treatment of bipolar disorder and schizophrenia from US-based Merck & Co., Ltd. Lundbeck has acquired the rights in all markets outside the US, China and Japan,

New research strategy
Read about our new research strategy on p. 14

Lundbeck's development pipeline
Overview of our pipeline compounds. Read more on p. 20.

and the compound is already approved in all 27 EU member states for the treatment of bipolar disorder under the name Sycrest®. Scheduled for launch in 2011, Sycrest® is expected to contribute positively to our revenue.

We also strengthened a number of our already marketed products in 2010. With the submission of a new drug application and with the potential approval of **escitalopram** for the treatment of depression in Japan, we will be able to offer our most successful product to date to a new large market. Together with our partner Mochida and Mitsubishi Tanabe Pharma Corporation[1], Japan, we hope to launch escitalopram in Japan in the second half of 2011. In December, we announced that we are strengthening our collaboration with Xian-Janssen Pharmaceutical Ltd., China, intensifying our joint marketing and sales efforts behind **Lexapro®** in the Chinese market. Finally, we hope that our new drug application for **clobazam** in the US will result in a launch at the beginning of 2012.

Furthermore, in 2010 we acquired the marketing rights to **Azilect®** for the treatment of Parkinson's disease in six Asian countries, including China and South Korea. In the course of the year, the profile of the product was further strengthened through the publication of the TEMPO study, showing clear benefits of early treatment with Azilect®.

Global presence

By acquiring our US subsidiary Lundbeck Inc. in 2009 and hereby establishing operations in the US market, Lundbeck became a truly global company with a commercial presence in largely all major markets for brain disorders. The large number of promising compounds in clinical development which we accessed through Lundbeck Inc. included **clobazam**, for which the development was completed in 2010 and a new drug application submitted. In our portfolio of already launched pharmaceuticals, **Xenazine®** for the treatment of Huntington's disease experienced satisfactory growth in 2010, whilst we experienced slower-than-anticipated patient recruitment for **Sabril®** for the treatment of epilepsy.

In 2010, we consolidated our global position by entering into a number of new partnerships/collaborative agreements: We launched a collaboration with Genmab concerning human antibodies, Kyowa Hakko in respect of KW-6356, Merck in respect of Sycrest®/ Saphris® and Zenobia and Vernalis concerning new technology for use in research in areas such as Parkinson's disease. The Xian-Janssen collaboration also regarding Lexapro® strengthened this position.

Realignment of employee performance

In 2010, Lundbeck launched a new global high performance management process, the aim of which is to ensure that the goals of each employee support the company's objectives to a greater extent than previously. As part of these endeavours, we have introduced four new types of behaviour to help us achieve the goals. This means that all employees will henceforth not only be evaluated on the basis of target fulfilment but also on the ways in which they have reached their goals. The evaluations will also be used in Lundbeck's management development programmes with a view to ensuring that our managers are equipped to demonstrate the required behaviour and assist their teams in making the behaviour relevant in their areas.

Outlook

Lundbeck's outlook is associated with great uncertainties relating to patent expiry, healthcare reforms and the economic climate in general. However, we believe that it is important to communicate our expectations for Lundbeck's financial performance in the years ahead. In November 2010, we announced our financial floor guidance for the period 2011-2014, and we now wish to specify our guidance for 2011.

Lundbeck expects that revenue for 2011 will rise to DKK 15.3-15.8 billion, EBIT is expected to be DKK 3.3-3.6 billion and profit for the year is expected to be DKK 2.3-2.6 billion.

1) In January 2010, Mochida signed an agreement with Mitsubishi on joint marketing of escitalopram in Japan

Forecast 2011

	Forecast* 2010 (DKKbn)	Actual 2010 (DKKm)	Forecast 2011 (DKKbn)
Revenue	14.6-14.8	14,765	15.3-15.8
Profit from operations before depreciation and amortisation (EBITDA)	4.2-4.3	4,393	4.3-4.6
Profit from operations (EBIT)	3.3-3.4	3,357	3.3-3.6
Profit for the year	-	2,466	2.3-2.6
Effective tax rate	24-25%	25.0%	26-28%

* As reported on 3 November 2010

The long-term guidance for 2012-2014 is of course associated with greater uncertainties than the 2011 guidance. For this reason, the forecast is expressed as a floor guidance.

Long-term forecast 2012-2014 (DKKbn)

	2012 (DKKbn)	2013 (DKKbn)	2014 (DKKbn)
Revenue	>14.0	>14.0	>14.0
Profit from operations (EBIT)	>2.0	>2.0	>2.0
Sales costs and administrative expenses as a percentage of revenue	37-40%	37-40%	37-40%
Research & development costs as a percentage of revenue	~20%	~20%	~20%

Disclaimer

Forward-looking statements are subject to risks, uncertainties and inaccurate assumptions. This may cause actual results to differ materially from expectations.

Various factors may affect future results, including interest rates 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 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 unexpected growth in expenses.

Important events reported after the end of the year

In January 2011, clinical phase III studies with nalmefene for the treatment of alcohol dependence confirm that the compound is efficacious and safe. Data support the plans for submission of an MAA in Europe in the second half of 2011.

In February 2011 Lundbeck was granted the commercial rights in Canada and Latin America to six products with indications in brain disorders and cancer from Cephalon, Inc.

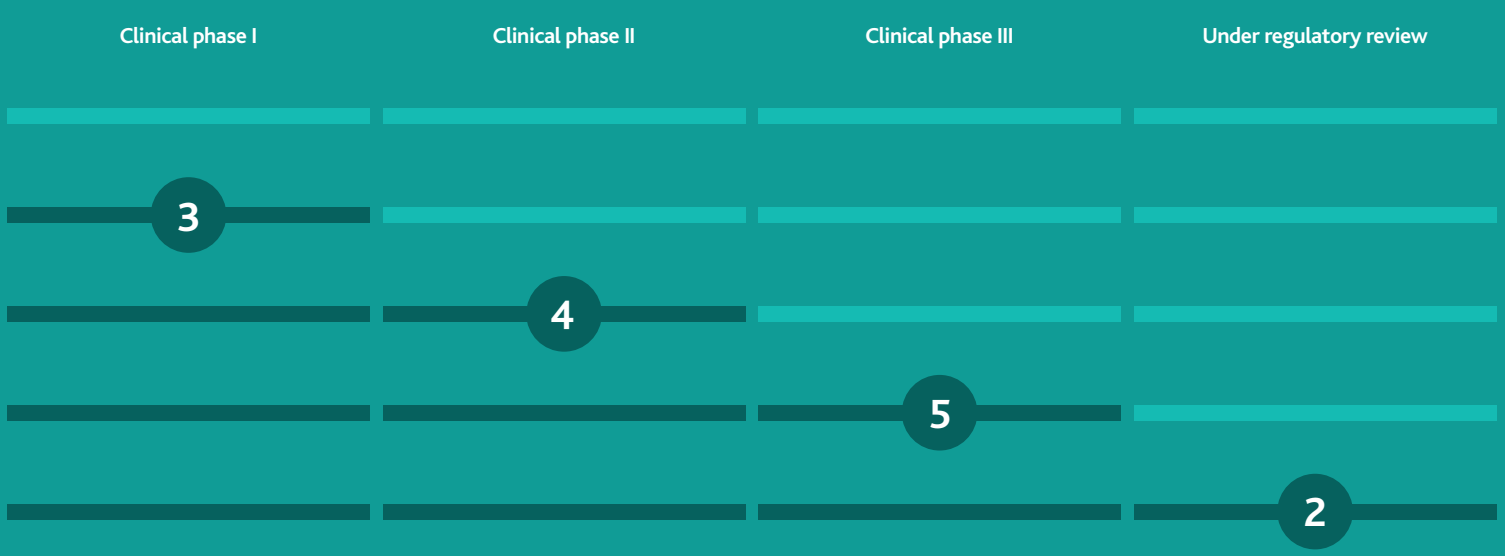
RENÉ JENSEN, DENMARK

René Jensen drank heavily for many years. Although he managed to handle his job, he felt that he isolated himself more and more. Now, seven years after he stopped drinking, he calls his life a gift.

Research and development

- Brain disorders rank among the most burdensome illnesses in high-income countries, and significant unmet needs persist
- Lundbeck has more than 50 years of experience in brain disorder research
- Lundbeck's new research strategy aims to use disease biology in the development of new and innovative pharmaceuticals.

Lundbeck's development pipeline (number of compounds)



New research strategy

- We have implemented a new research strategy
- The strategy is based on recent knowledge about disease biology
- The intention is to develop new innovative pharmaceuticals for the treatment of brain disorders.

Our principal contribution to the world around us is the knowledge that enables us to offer new medical treatments to people suffering from a brain disorder. Our products and know-how are crucial for the patients who need correct diagnosis and treatment.

Lundbeck has actively developed and marketed pharmaceuticals for the treatment of brain disorders for more than 50 years. During that period, we have contributed to many research breakthroughs and helped develop numerous new and superior treatments.

We still wish to be a leader in the area, and in order to retain this position and, by extension, our competitiveness, we need to regularly invest in the development of new and superior products. In 2010, Lundbeck invested DKK 3,045 million in research and development, corresponding to about 20% of our revenue. This is higher than the pharmaceutical industry average of approximately 15%[1].

Lundbeck's high level of investment reflects the fact that it is very expensive to conduct research and development in the field of brain disorders, and also that we have many relatively expensive late-stage projects.

1) CMR International Institute for Regulatory Science

The world's most burdensome illnesses

According to the World Health Organization (WHO), brain disorders involve one of the heaviest burdens on society. Nevertheless, treatment offers are still inadequate, and many unmet needs persist.

Because of the lack of optimum treatments for a large number of brain disorders, there is still a huge growth potential both within neurology and psychiatry. As Lundbeck's pharmaceuticals cover only a small share of the aggregate market for treatment of brain disorders, it is still very attractive for us to develop new pharmaceuticals in this area.

The world's most burdensome illnesses

1. Cancer
2. **Depression and anxiety**
3. Ischaemic heart disease
4. **Cerebrovascular disease**
5. Chronic obstructive pulmonary disease
6. Refractive errors in the eye
7. Hearing loss
8. Congenital anomalies
9. **Alcohol dependence**
10. Diabetes mellitus
11. Cataracts
12. **Schizophrenia**
13. Asthma
14. Osteoarthritis
15. **Bipolar disorder**
16. Liver cirrhosis
17. **Dementia**
18. Endocrine disorders
19. Macular degeneration
20. Nephritis and nephrosis
21. Drug abuse
22. Hypertensive heart disease
23. **Epilepsy**
24. Migraine
25. Rheumatic heart disease

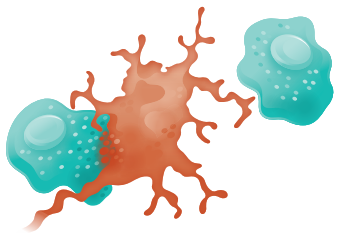
35. **Parkinson's disease**

Note: DALY (disability adjusted life years), except infectious diseases. Sources: WHO World Health Report 2004 and Lundbeck. Note: Areas in which Lundbeck has activities are in bold.

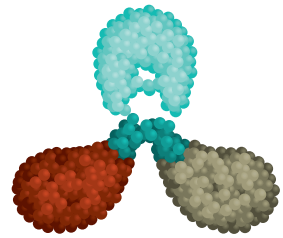
We have the capabilities

During the past year, a number of major pharmaceutical companies have announced that they intend to reduce their focus on brain disorders, especially psychiatric disorders such as depression and anxiety, but also areas such as pain treatment.

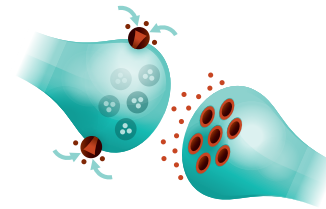
The three focus areas of Lundbeck's research strategy



Neurodegeneration
Neurodegenerative diseases are characterised by the gradual loss of neuronal structure or function. There is a large unmet medical need in the area.



Neuroinflammation
Neuroinflammatory diseases are diseases that involve inflammatory reactions in the brain. There is a vast treatment potential in the area.



Synaptic transmission
The change in the transmission of signals that occurs in and between nerve cells may result in a number of brain disorders. There is a substantial unmet medical need in the area.

As the brain is a complex organ, neurological research and development involves major challenges. This makes it difficult to develop pharmaceuticals that have the right effect, and treatments are also hampered by the challenge of getting the pharmaceuticals from the bloodstream into the brain. Finally, it is difficult to accurately diagnose brain disorders.

Lundbeck also faces great challenges in its research into and development of new pharmaceuticals for the treatment of illnesses of the brain. Based on our experience, focus and know-how, we believe we can still envision new ways of identifying pharmaceuticals. We are among the five or six largest companies conducting research into brain disorders, and we have a well-established network with other scientific groups.

New biology-focused strategy

In order to strengthen Lundbeck's initiatives in the field of brain disorders and to consistently be able to provide treatments that are valuable to others and to Lundbeck, we have for some time worked intensively to define a new research strategy.

The purpose of the strategy is to develop innovative products that will lead to improved treatments for people with brain disorders whilst also securing continued growth for Lundbeck. The strategy builds on new knowledge about disease biology and the biological relationships and mechanisms in the brain believed to be the fundamental causes of many brain disorders. This knowledge allows us to develop pharmaceuticals better capable of treating the symptoms and potentially affect the underlying mechanisms of disease progression. We are confident that improved understanding of the underlying disease biology is the next step in the development of superior therapeutics.

The implementation of the strategy was started in September 2010, and Lundbeck's future research will be focused on the three key biological areas: neurodegeneration (gradual loss of neuronal structure or function), neuroinflammation (inflammatory reactions in the brain) and synaptic transmission (transmission of signals between nerve cells). These areas are relevant for a large number of brain disorders, including depression, schizophrenia, Parkinson's, Alzheimer's and Huntington's diseases.

Increased level of external collaboration

In order to secure access to the right competencies, we increasingly seek to enter into collaborations and partnerships with external research groups and institutions and create flexibility by outsourcing activities when appropriate. We will apply our in-house resources to the most critical and value-creating parts of our research and development efforts, thereby optimising the returns on the funds we plough back into research and development.

As a result of our new research strategy, we entered into research collaboration with Denmark/US-based Genmab A/S in October. The agreement provides Lundbeck with access to Genmab's broad antibody development capabilities and an opportunity to take selected antibodies into clinical development with a view to developing biologic pharmaceuticals in the longer term. Lundbeck also entered into research collaboration with Zenobia Therapeutics, Inc., US, and Vernalis plc., UK, concerning a new technology to be used in research in areas such as Parkinson's disease.

Lundbeck's principal collaborative partners in research and development

Biotie Therapies Corp.	Nalmefene
Genmab A/S	Antibodies
Kyowa Hakko Kirin Co., Ltd.	KW-6356
Paion AG	Desmoteplase
Takeda Pharmaceutical Company Limited	Lu AA21004 and Lu AA24530
Zenobia Therapeutics, Inc. og Vernalis plc.	New technology

The future

It will take a number of years before the results of our new research strategy will benefit people with brain disorders. It will take many years until the discoveries we make now are brought to market. In the intervening period, the expected group of new products in the market will be based on discoveries derived from our previous research strategy and initiatives.

Brain disorders – an area with a substantial medical need

Brain disorders cover a number of diseases that may be classified as psychiatric and neurological disorders. Lundbeck has activities in a number of these diseases, and this broad focus allows us to capitalise on synergies and related research and development opportunities.

Psychiatry (sub-classifications)

ADDICTION
- Alcohol dependence
- Nicotine dependence
- Drug addiction
- Compulsive shopping
- Pathological gambling

ANXIETY DISORDERS
- Generalised anxiety (GAD)
- Panic disorder
- Social anxiety disorder
- Obsessive compulsive disorder (OCD)
- Post-traumatic stress disorder

PERSONALITY DISORDERS
- Paranoid personality disorder (PD)
- Borderline PD
- Schizoid PD
- Schizotypical PD

PSYCHOTIC DISORDERS
- Schizophrenia
- Bipolar disorder
- Schizoaffective disorder
- Delusional disorders

EATING DISORDERS
- Anorexia nervosa
- Bulimia nervosa
- Binge eating disorder

MOOD DISORDERS
- Major depressive disorder (MDD)
- Treatment-resistant depression (TRD)
- Seasonal affective disorder
- Melancholic depression
- Stress-related

DEVELOPMENT DISORDERS
- Autism
- ADHD
- Asperger's syndrome
- Fragile X
- Down's syndrome

Neurology (sub-classifications)

MOVEMENT DISORDERS
- Parkinson's disease
- Huntington's disease
- Friedreich's ataxia
- Restless legs syndrome
- Tourette's syndrome

CEREBROVASCULAR DISEASES
- Ischaemic stroke
- Haemorrhagic stroke
- Subarachnoid haemorrhage

DEMENTIA
- Alzheimer's disease
- Vascular dementia
- Frontotemporal dementia
- Lewy Body dementia
- Creutzfeldt-Jakob disease

EPILEPSY
- Simple partial seizures
- Complex partial seizures
- Infantile spasms
- Lennox-Gastaut syndrome
- Temporal lobe epilepsy

DEMYELINATING DISORDERS
- Multiple sclerosis
- Optic neuritis
- Guillain-Barré syndrome
- Charcot-Marie-Tooth disease

PAIN
- Acute pain
- Migraine
- Other headaches
- Diabetic polyneuropathy
- Chronic pain

SLEEP DISORDERS
- Primary insomnia
- Narcolepsy
- Sleep apnoea

TRAUMATIC INJURIES
- Traumatic brain injury
- Spinal cord injury

Unmet needs in the treatment of brain disorders[2]

Substantial unmet needs persist for a large number of brain disorders resulting in a lack of optimum treatments. Lundbeck actively seeks to identify superior treatments.

ALCOHOL DEPENDENCE

- More resources; there is an inadequate number of treatment sites and trained doctors
- Improved efficacy; 75% of patients relapse within the first year
- Improved patient compliance through patient education and increased trust in medication
- New pharmacological treatment opportunities and goals
- Greater disease awareness and better diagnostic tools

ALZHEIMER'S DISEASE

- Disease-modifying treatments
- Treatments that slow disease progression
- Improved symptomatic treatments
- Prolonged treatment of symptoms
- Better diagnostic tools

PSYCHOTIC DISORDERS

- Better treatment of functional ability (cognitive dysfunction)
- Better treatment of negative symptoms
- Better diagnostic tools
- Better side effect profile
- Better treatment of refractory patients

DEPRESSION/ANXIETY

- Treatment of non-responding patients; only 50-60% receive adequate treatment
- Disease-modifying treatments
- Enhanced onset of action; it currently takes up to four weeks before the patient feels symptomatic relief
- Fewer side effects, especially sexual side effects
- Focus on different sub-types in the treatment of mood disorders
- Improved patient compliance through patient education and increased trust in medication

EPILEPSY

- New and improved treatment of severe seizures
- Better treatment options; particular need for treatments offering different reaction mechanisms and fewer side effects
- Better conditions for clinical trials
- Better diagnostic tools
- Better patient referral
- Better training for doctors and patients

ISCHAEMIC STROKE

- Longer therapeutic window
- Therapies offering protection and/or regenerate nerve cells
- Reduced risk of brain haemorrhage due to treatment

PARKINSON'S DISEASE

- Therapies offering protection and/or regenerate nerve cells
- Control of levodopa-induced motor complications
- Treatment of Parkinson-related dementia
- Biomarkers

2) Sources: Datamonitor, Decision Resources and Lundbeck

Pipeline progress

- Strong pipeline progress in 2010
- Two new drug applications submitted in the US and Japan, respectively
- One new compound entered clinical phase I.

By maintaining a high level of investment in clinical development projects, we have secured pipeline diversification. In recent years, the bulk of our investments has been in late-stage projects, which we expect will be brought to market in the years to come. We have a number of new and exciting pharmaceutical candidates under development in depression, anxiety and psychotic disorders and in alcohol dependence, epilepsy, stroke and Parkinson's disease.

Developments in 2010

In 2010, Lundbeck submitted a new drug application for **escitalopram (Lexapro®)** for the treatment of depression in Japan together with our Japanese partner Mochida Pharmaceutical Co., Ltd. and for **clobazam (Onfi™)** for the treatment of Lennox-Gastaut syndrome (epilepsy) in the US. We received data for **nalmefene** for the treatment of alcohol dependence, supporting our plans for submission of an MAA in the second half of 2011.

We launched an extended clinical phase III programme with **Lu AA21004** for the treatment of depression in collaboration with our Japanese partner Takeda Pharmaceutical Company Limited. Also in collaboration with Takeda and for the treatment of depression, **Lu AA24530** has completed clinical phase II where the compound has produced statistically significant improvements and good tolerability. **Zicronapine**, which has shown potential in a number of psychiatric and neurological diseases, showed an effect in clinical phase II in schizophrenia combined with a low risk of extrapyramidal side effects (movement disturbances) and advanced to clinical phase III. In Parkinson's disease treatment, we launched **Lu AE04621** in clinical phase I, and from Kyowa Hakko Kirin Co., Ltd., Japan, we in-licensed **KW-6356** in preclinical research. **Lu AE58054**, which is being investigated in schizophrenia and Alzheimer's disease, was discontinued in 2010 in clinical phase II in schizophrenia, but the compound continues in clinical phase II in Alzheimer's disease. Patient enrolment was slower than anticipated in our clinical phase III programme with **desmoteplase** for the treatment of stroke. Other clinical trials progressed according to plan.

At present, our development portfolio[1] consists of:

- Two products under regulatory review
- Five projects in clinical phase III
- Four projects in clinical phase II
- Three projects in clinical phase I

Our development portfolio has the potential to bring a number of new products to market over the next few years, thereby providing patients with improved treatments and adding considerable value to Lundbeck.

Optimum product launches prepared through close collaboration

To support successful future product launches, we further intensified cooperation between our development organisation and the commercial area in 2010 by setting up a function for global product strategy and portfolio development. We also established a dedicated competency area with the aim of pooling epidemiological, medical and financial know-how. One of the initial key priorities of this cooperation will be to prepare strategy plans for Lu AA21004 and nalmefene. Other projects will follow.

Priorities in 2011

In 2011, our priority is still our late-stage projects, including:

- ensure optimum execution of the clinical phase III trials with **Lu AA21004** for the treatment of depression
- prepare the registration and optimum launch of **nalmefene** for the treatment of alcohol dependence
- ensure an optimum registration process for and launch of **clobazam** for the treatment of Lennox-Gastaut syndrome in the US
- ensure an optimum start-up of clinical phase III trials with **zicronapine** with the potential in the treatment of a number of psychiatric and neurological diseases
- further optimise the clinical development programme with **Lu AA24530** for the treatment of depression
- execute clinical phase III trials with **desmoteplase** for the treatment of stroke.

1) Lundbeck has a substantial portfolio of early-stage candidates which we do not publish for a number of reasons. However, in 2010 we announced a specific preclinical project

Facts about Lundbeck's disease areas

Acute ischaemic stroke

- An ischaemic stroke occurs when the blood supply to a part of the brain is suddenly interrupted (ischaemic) by a blood clot in the brain.
- Symptoms of a stroke include sudden numbness/weakness, especially on one side of the body, confusion, and loss of balance or coordination skills.
- Stroke is the primary reason for serious disability in the industrialised world and one of the leading causes of death.

Alcohol dependence

- Alcohol is toxic to most body organs, which can be harmed by the intake of alcohol.
- Excessive consumption of alcohol can have serious social consequences, while also increasing the risk of developing a number of diseases such as cardiovascular disease, cerebral atrophy, stomach ulcer, liver cirrhosis and certain types of cancer.
- In the Western world, one in ten deaths is alcohol-related.

Alzheimer's disease

- Alzheimer's disease is the most common form of dementia. Nerve cells in the brain are lost, causing a gradual functional deterioration of the brain.
- Alzheimer's disease primarily affects those in middle and old age.
- Symptoms in the mild stage are forgetfulness, changes in personality and confusion. Disorientation, delusions and language problems follow. In the severe stage, patients gradually lose the ability to communicate, eat and drink.

Friedreich's ataxia

- Friedreich's ataxia is a hereditary disease characterised by the degeneration of nerve tissue in the spinal cord and of nerves that control muscle movement in the arms and legs.
- The disease results in gait, speech problems and heart diseases.
- Although rare, the disease is the most prevalent hereditary ataxia. It affects one in every 50,000 people in the Caucasian population.

Depression/anxiety

- Depression is a common and partly hereditary disease with symptoms such as melancholy, loss of energy, difficulty concentrating and suicidal thoughts.
- Depression can strike anyone, but certain social and biological factors make some people more predisposed to this disorder than others.
- Patients have trouble holding on to their job, keeping up with their studies and/or maintaining their family life and social contacts.

Psychotic disorders

- Schizophrenia is the most common psychotic disorder. It is often chronic and may lead to pronounced changes in the patient's perception of reality, for example in the form of hallucinations and delusions. Cognitive dysfunction makes it difficult to think straight and convert thoughts into action.
- Bipolar disorder (manic depression) is another form of psychotic disorder that is difficult to diagnose. The mood of the patient is affected and can cycle between depression and mania. Patients often experience an impaired level of functioning, ruined personal relationships and suicide attempts.

Epilepsy

- Epilepsy is a chronic neurological disorder characterised by recurrent seizures that can vary from the briefest lapses of attention or muscle jerks to severe and prolonged convulsions.
- Infantile spasms is a difficult-to-treat form of epilepsy that strikes infants. The disease is characterised by muscle spasms and often also retarded mental and motor development.
- Lennox-Gastaut syndrome is a difficult-to-treat form of epilepsy affecting children aged 2-8 years. Characteristics of the disease are atypical absence seizures for prolonged periods and drop attacks in which the muscles suddenly lose their strength.

Huntington's disease

- Huntington's disease is a hereditary neurodegenerative disease that results in uncontrolled movements, emotional disturbances, and mental deterioration.
- The most common symptom of Huntington's disease is chorea, which is characterised by involuntary, jerky movements. As the disease progresses, the symptoms worsen, making it difficult for individuals to speak, eat and get dressed.
- The average survival time after diagnosis of the illness is 15-20 years.

Parkinson's disease

- Parkinson's disease is a chronic and progressive brain disorder that usually affects people over the age of 60.
- Typical symptoms are tremors, stiffness, slow movements and impaired balance.
- As the disease progresses, the symptoms grow worse, and the patient will most likely experience motor function problems. Ultimately, Parkinson's impairs the patient's ability to function in daily life situations.

Lundbeck's development portfolio

PSYCHIATRY

	DEPRESSION/ANXIETY	ALCOHOL DEPENDENCE	PSYCHOTIC DISORDERS
Registration/approval	**REGISTRATION APPLICATION** Registration applications for pharmaceuticals are submitted to the regulatory authorities; EMEA in Europe, MHLW in Japan and the FDA in the US.	**ESCITALOPRAM (Lexapro®)**. In September 2010, Lundbeck's Japanese partner Mochida Pharmaceutical Co., Ltd. submitted a new drug application for escitalopram for the treatment of depression with the Japanese Ministry of Health, Labour and Welfare (MHLW).	
Phase III	**THERAPEUTIC CONFIRMATORY** • 500-5,000 patients • Confirm that the pharmaceutical is safe and effective in the relevant disease and patient population • Documentation from clinical phase III forms the background of regulatory approval (registration) of the pharmaceutical.	**Lu AA21004** belongs to a new class of antidepressants. Since mid 2009, we have received positive data for Lu AA21004 and against that background we initiated an extended clinical phase III programme in May 2010 in collaboration with our Japanese partner Takeda Pharmaceutical Company Limited.	**NALMEFENE** blocks the mechanism in the brain that produces the desire to drink alcohol, thus allowing the user to control and limit the intake of alcohol. Nalmefene is to be taken according to need, whereas other pharmaceuticals must be taken following prior abstinence from alcohol and are used continuously over a longer period of time. At the end of 2010, we received data supporting our plans for submission of an MAA in Europe in the second half of 2011. The compound is in-licensed from Biotie Therapies Corp. of Finland.	**ZICRONAPINE** has shown the potential to treat a number of psychiatric and neurological diseases. In clinical phase II zicronapine has demonstrated efficacy in schizophrenia combined with a low risk of extrapyramidal side effects (movement disturbances) and the compound entered clinical phase III.
Phase II	**THERAPEUTIC EXPLORATORY** • 100-500 patients • Explore therapeutic efficacy in patients • Identify correct dosage, how to take the pharmaceutical and the length of the treatment.	**Lu AA24530** belongs to a new class of antidepressants – like Lu AA21004 – and is also a project we pursue together with Takeda. In clinical phase II, the compound has produced statistically significant improvements and good tolerability.		**Lu AA39959** has shown anti-psychotic and anti-depressant effects in early preclinical studies. The compound is expected to have an effect in bipolar disorder. The clinical trials are currently on hold.
Phase I	**HUMAN PHARMACOLOGY** • First dose in man (30-150) • Evaluate safety and tolerability of the compound • Evaluate toxicity, absorption, distribution, metabolism and excretion of the compound • First indication of therapeutic value (healthy volunteers).			

BRAIN DISORDERS

NEUROLOGY

ALZHEIMER'S DISEASE

Lu AE58054 has in preclinical trials documented its ability to improve cognition. The compound is tested in Alzheimer's disease focusing on cognitive improvements of using Lu AE58054 in combination with the most frequently used anti-Alzheimer's agent, donepezil.

PARKINSON'S DISEASE

Lu 02-750 is a dopaminergic agent acting on brain areas affected in Parkinson's disease. Lu 02-750 has been discovered in close collaboration with Professor Håkan Wikström, Groningen University, and the Dutch company Axon Biochemicals B.V.

Lu AE04621 is a novel agent for the treatment of Parkinson's disease. In animal models, the compound has demonstrated convincing effects and is expected to offer patients a higher level of disease control.

EPILEPSY

CLOBAZAM (Onfi™) is a compound for the treatment of epileptic seizures in people suffering from Lennox-Gastaut syndrome. Based on statistically significant positive findings from the clinical phase III trial, at the end of 2010 Lundbeck submitted a new drug application for clobazam with the U.S. Food and Drug Administration (FDA).

IV CARBAMAZEPINE is a new formulation of the oral anti-epileptic therapeutic, carbamazepine, which is being investigated for possible administration as an injection. The ongoing clinical phase III trial is focused on tolerability.

OTHER

DESMOTEPLASE is a compound for the treatment of acute ischaemic stroke (blood clot in the brain). Unlike existing treatments, which must be applied within a maximum of three hours after the stroke occurs, the intention with desmoteplase is that it can be administered up to nine hours after onset of stroke symptoms. The compound was in-licensed from PAION AG, Germany.

Lu AA24493 is being evaluated in respect of safety, tolerability and efficacy parameters in humans suffering from Friedreich's ataxia. This project represents an innovative approach to obtaining proof of principle, as biomarkers are to provide early indications of therapeutic efficacy.

Lu AA24493 is also being tested in ischaemic stroke in addition to the clinical phase II trials in Friedreich's ataxia.

MELANIE BAYBUT, SOUTH AFRICA

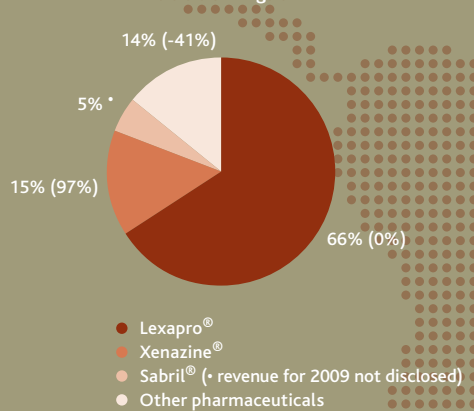
Three years ago, Melanie was diagnosed with Chronic Fatigue Syndrome and depression. She embarked on a long journey to get well. Along the way, she learned to appreciate things more and take nothing for granted.

Markets and products

- The market for pharmaceuticals to treat brain disorders remains the world's largest pharmaceutical area
- Characterised by generic competition and price pressure, the market also reflects substantial unmet medical needs
- In 2010, Lundbeck recorded satisfactory sales growth for its key products Cipralex®, Ebixa®, Azilect®, Xenazine® and Sabril®.

USA
The US is the world's largest market for pharmaceuticals for the treatment of brain disorders.

Share of revenue/growth



Revenue (DKK) 3,722 million

25% of total revenue

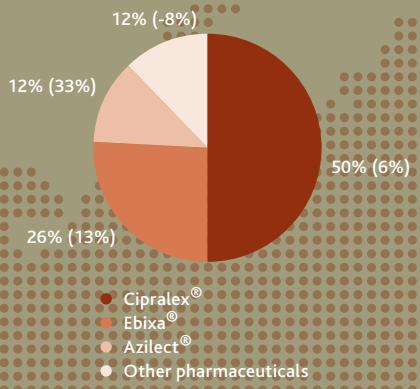
OTHER REVENUE
Revenue (DKK) 258 million

2% of total revenue

EUROPE

Europe is the world's second-largest market for pharmaceuticals for the treatment of brain disorders and represents Lundbeck's biggest market.

Share of revenue/growth



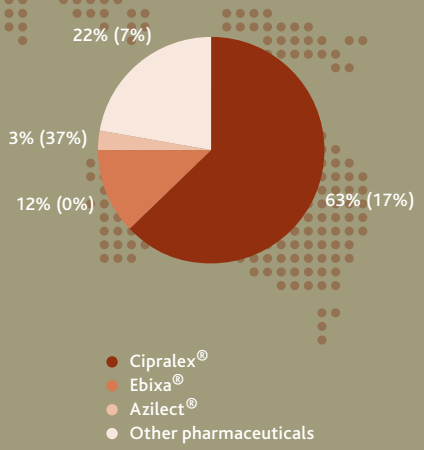
Revenue (DKK) 7,815 million

53% of total revenue

INTERNATIONAL MARKETS

Lundbeck defines International Markets as markets outside Europe and the US.

Share of revenue/growth



Revenue (DKK) 2,970 million

20% of total revenue

Sales growth despite challenges

- Satisfactory sales growth for key products
- Rising market shares
- Generic competition and price pressure in several countries.

The market for pharmaceuticals to treat brain disorders remains the world's largest pharmaceutical area. According to the most recent IMS data, the market was valued at USD 119 billion in 2009, corresponding to 16% of the global pharmaceutical market[1].

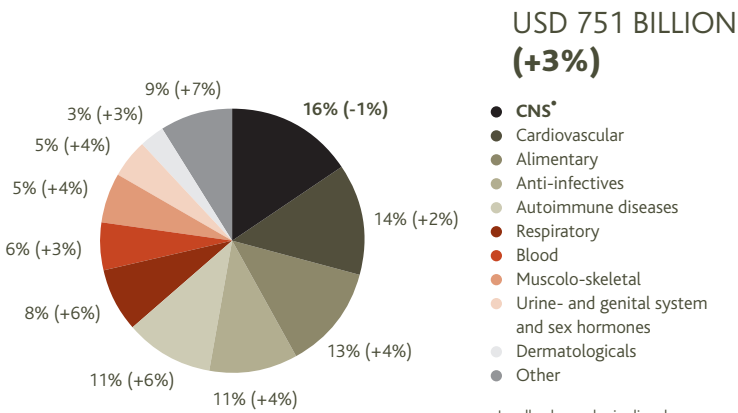
Lundbeck is currently broadly represented in the market for pharmaceuticals for the treatment of brain disorders measured in terms of geography as well as disease areas. Our pharmaceuticals for the treatment of depression, anxiety, schizophrenia, epilepsy, Huntington's, Alzheimer's and Parkinson's diseases are currently marketed around the world. Cipralex® for the treatment of depression is marketed in more than 100 countries.

Like the rest of the world, the pharmaceutical market was impacted by a challenging economic climate in 2010. In many countries around the world, the global economic crisis compelled governments to carry out healthcare reforms, leading to noticeable limitations on pharmaceutical prices and reimbursement. Lundbeck also felt the impact of these measures, and our products in Greece, Spain, Germany and a number of other countries were exposed to mandatory price reductions, which adversely affected our revenue.

We recorded satisfactory growth for most of our key products in 2010, but at the same time we are increasingly challenged by generic products. Based on our very strong patents, we successfully defended our rights and the market position of our products again in 2010. However, despite its otherwise strong market position, Cipralex® met with competition from generic products i countries such as Australia, Canada and Spain.

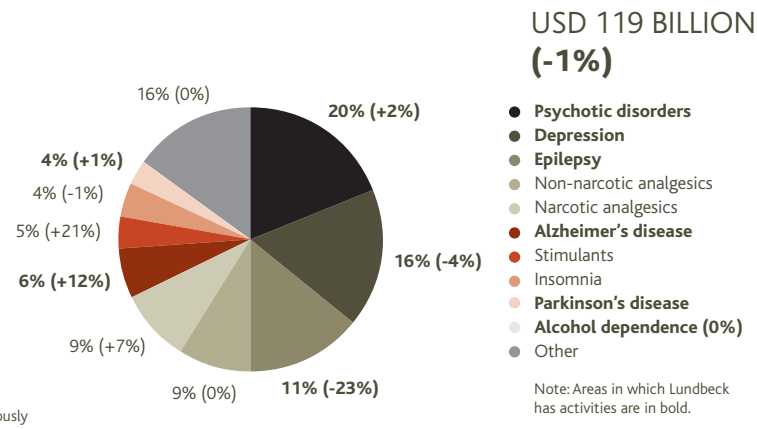
1) IMS 2009

Global market for pharmaceuticals 2009 (share of global market/growth)



• Lundbeck uses brain disorders synonymously with the central nervous system (CNS)

Global market for CNS• pharmaceuticals 2009 (share of global market/growth)

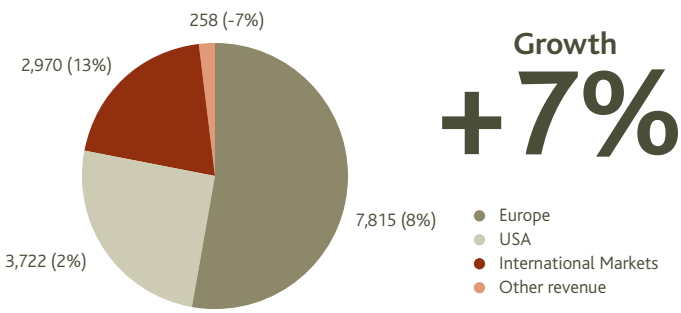


Note: Areas in which Lundbeck has activities are in bold.

Lundbeck's combined revenue rose by 7% to DKK 14,765 million in 2010. Measured at constant exchange rates, the growth rates was 4%. In terms of geography, revenue was distributed on Europe (53%), the US (25%) and International Markets (20%), which cover all Lundbeck markets outside Europe and the US. As in previous years, Cipralex®/Lexapro® represented the bulk of our revenue. This product accounted for 56% of Lundbeck's total revenue. Pharmaceuticals for the treatment of Alzheimer's disease (Ebixa®), Parkinson's disease (Azilect®) and Huntington's disease (Xenazine®) accounted for 16%, 7% and 4%, respectively. Our most recently launched product, Sabril® for the treatment of two types of epilepsy, accounted for 1% of total revenue.

Other revenue amounted to DKK 258 million in 2010, which was a decline of 7% relative to 2009.

Revenue/growth per region 2010 (DKKm)



Revenue/growth per product 2010 (DKKm)

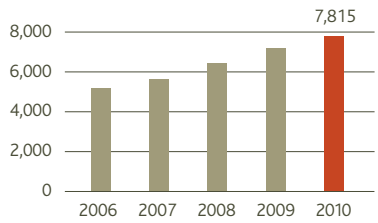
	2010	2009	Growth	Growth in local currency
Cipralex®	5,808	5,320	9%	6%
Lexapro®	2,443	2,451	0%	(7%)
Ebixa®	2,403	2,162	11%	11%
Azilect®	1,028	769	34%	32%
Xenazine®	610	298	105%	95%
Sabril®•	179	-	-	-
Other pharmaceuticals	2,036	2,469	(18%)	(21%)
Other revenue	258	278	(7%)	(8%)
Total	14,765	13,747	7%	4%

• Revenue 2009 not disclosed

Europe

Europe is the world's second-largest region for pharmaceuticals for the treatment of brain disorders, and according to the most recent IMS data, the market was valued at USD 33 billion, or 28% of the combined world market[2]. Representing 53% of total revenue, Europe remains Lundbeck's largest market, and in 2010 we generated revenue of DKK 7,815 million in the region, an increase of 8% on 2009.

Revenue Europe 2006-2010 (DKKm)



Growth
+8%

Cipralex® continues on its growth path in Europe and remains the most frequently prescribed branded antidepressant in the region. Also measured in terms of value, Cipralex® is the market's largest antidepressant, commanding a share of 20.3% of the total market for antidepressants in Europe in November 2010, as compared with a market share of 19.7% in November 2009. Cipralex® generated revenue of DKK 3,929 million in 2010, an increase of 6% on 2009. The increase was driven by rising market shares in a number of markets and continuing recognition of Cipralex® as a leading antidepressant. In 2010, generic escitalopram was launched in Finland, Norway and Spain, adversely affecting our revenue.

Ebixa® also continued its positive trend in Europe, generating revenue of DKK 2,040 million in 2010, an increase of 13% on 2009. The increase was driven both by rising market shares and growth in the underlying market. Ebixa® once again recorded strong growth in Italy, where it was made eligible for reimbursement in 2009, and in November 2010 it had a market share of 27.7%, compared to 23.5% in November 2009. In the last quarter of the year, The National Institute for Health and Clinical Excellence (NICE), which acts as counsel to the National Health Service in England and Wales, resolved to support the use of products such as Ebixa® for the treatment of Alzheimer's disease. It is expected to have a positive impact going forward. In November 2010, Ebixa® commanded a market share of 18.9% of the European Alzheimer's market, compared with a market share of 17.2% in November 2009. Memantine, the active ingredient in Ebixa®, is still the second-most prescribed pharmaceutical in Europe for the treatment of Alzheimer's disease.

Sales of **Azilect®** in Europe also surged, rising 33% on 2009 to DKK 932 million. As more and more doctors become aware of the outcome of the ADAGIO study, which substantiates that early treatment with Azilect® delays progression of Parkinson's disease[3], Azilect® is increasingly selected as first-line treatment of Parkinson's disease. The results of the TEMPO study[4] were presented in 2010, substantiating clear benefits of early treatment with Azilect®. At the end of 2009, Azilect® became eligible for reimbursement in France. Based on the most successful launch to date in France of a pharmaceutical to treat Parkinson's disease measured in terms of sales growth, Azilect® held a market share of 13.5% in November 2010. Azilect® held 10.4% of the European market for pharmaceuticals for the treatment of Parkinson's disease in November 2010. The corresponding market share in 2009 was 8.0%.

2) IMS 2009

3) New England Journal of Medicine, September 2009
4) International Journal of Neuroscience, June 2010

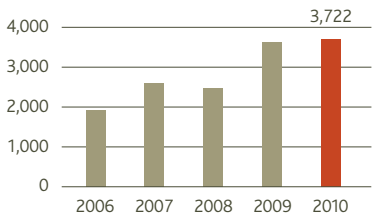
Europe (DKKm)

	2010	2009	Growth	Growth in local currency
Cipralex®	3,928	3,720	6%	5%
Ebixa®	2,040	1,800	13%	13%
Azilect®	932	699	33%	32%
Other pharmaceuticals	914	997	-8%	-8%
Total	7,815	7,216	8%	7%

USA

Representing a combined value of USD 61 billion, the US is the world's largest market for pharmaceuticals for the treatment of brain disorders[5]. The market contracted by 2% relative to 2009 and according to the latest IMS data it accounted for 54% of the total world market for pharmaceuticals for the treatment of brain disorders. The negative growth was due primarily to patent expiry for a number of pharmaceuticals and the subsequent launch of cheaper generics. Lundbeck's revenue in the US in 2010 accounted for 25% of our total revenue, rising 2% on 2009 to DKK 3,722 million.

Revenue USA 2006-2010 (DKKm)



Growth
+2%

Lundbeck's leading pharmaceutical, escitalopram, is marketed in the US by our partner Forest Laboratories, Inc. under the **Lexapro®** brand. Lexapro® generated revenue of DKK 2,443 million in 2010, which was on a level with 2009. In November 2010, Lexapro® commanded a market share of 24.4%, compared with a market share of 23.6% in November 2009.

Having acquired our US subsidiary Lundbeck Inc. in 2009, Lundbeck gained access to a number of promising compounds in clinical development, of which **clobazam (Onfi™)** for the treatment of Lennox-Gastaut syndrome is now fully developed. A new drug application has been submitted to the FDA. The acquisition also provided us with access to a number of pharmaceuticals already on the market.

Lundbeck Inc. recorded revenue of DKK 1,279 million in 2010, an increase of 8% on 2009[6]. The increase was driven by sales of the subsidiary's two most recently launched pharmaceuticals, Xenazine® and Sabril®, and as expected sales were adversely affected by declining revenue for the company's other pharmaceuticals, primarily owing to generic competition.

5) IMS 2009
6) In March 2009, Lundbeck acquired Lundbeck Inc., which thus only contributed about nine months of revenue to the Lundbeck Group in 2009

The sales improvement for **Xenazine®** was satisfactory in 2010, and relative to 2009 revenue was up 97% to DKK 577 million. At the end of 2010, more than 2,700 patients were being treated with Xenazine®, compared to just over 2,000 patients at the end of 2009.

After its first full year in the US market, **Sabril®** generated revenue of DKK 179 million in 2010. In the course of the year, we focused especially on enrolling prescribing physicians in the Risk Evaluation and Mitigation Strategy (REMS)[7] programme and increase the awareness of the new treatment among patients and caregivers. Sabril® is approved for the treatment of two types of epilepsy; infantile spasms (IS) and refractory complex partial spasms (rCPS), and we experienced extensive interest in the product for the treatment of IS in 2010. Patient accrual for the treatment of rCPS was slower than anticipated, and in 2011 we will increase our focus on reaching this difficult-to-treat patient population, who typically do not respond to treatment.

Lundbeck's other pharmaceuticals in the US generated revenue of DKK 523 million in 2010, which was a decline of 41% relative to 2009. Sales were adversely impacted by the launch of generic chlorothiazide **(Diuril®)** for the treatment of edema associated with congestive heart failure and kidney disorders in December 2009 and indomethacin **(Indocin®)** for the treatment of PDA (patent ductus arteriosus) in premature infants in February 2010. We also recorded a decline in sales of Lundbeck's mature pharmaceuticals, primarily due to generic competition.

USA (DKKm)

	2010	2009	Growth	Growth in local currency
Lexapro®•	2,443	2,451	0%	-7%
Xenazine®	577	292	97%	88%
Sabril®	179	-	-	-
Other pharmaceuticals	523	889	-41%	-44%
Total	3,722	3,632	2%	-4%

• Lundbeck's income from Forest

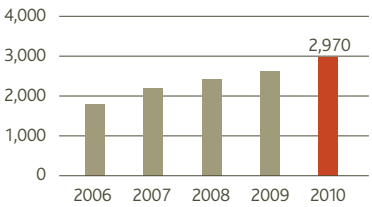
International Markets

The markets outside Europe and the US represent 18% of the total market for pharmaceuticals for the treatment of brain disorders, and according to recent IMS data these markets grew by 8% to USD 21 billion[8]. International Markets cover a number of very different countries in which the proliferation of pharmaceuticals for the treatment of brain disorders is often behind developments in the US and Europe. The region also covers more mature markets such as Canada, Australia and Japan.

Lundbeck's combined revenue in International Markets was DKK 2,970 million in 2010, an increase of 13% on 2009. The increase was driven by the underlying market growth and consistently increasing market shares in a number of markets in the region. On the negative side, International Markets sales were affected by increased competition from generic versions of Lundbeck's products.

7) Together with the FDA, Lundbeck has established a comprehensive Risk Evaluation and Mitigation Strategy (REMS) in order to manage the risk of vision loss associated with the product. The REMS programme for Sabril® comprises components such as mandatory patient evaluations, limited product distribution and requirements of periodic vision testing
8) IMS 2009

Revenue International Markets 2006-2010 (DKKm)



Growth
+13%

Lundbeck is broadly represented in the region, and in recent years we have consolidated our presence in several countries. We currently have sales subsidiaries in all the important markets in the region with the exception of Japan, where we have representation in the form of a subsidiary focusing on clinical development and regulatory activities, and where we have established partnerships with the three Japanese pharmaceutical companies Mochida Pharmaceutical Co., Ltd., Mitsubishi Tanabe Pharma Corporation[9] and Takeda Pharmaceutical Company Limited.

In view of this well-established position in International Markets and expectations of strong growth driven by the continuous proliferation of better treatment options in the region, we see a potential for highly positive growth in International Markets going forward.

Sales of **Cipralex®** in International Markets climbed 17% to DKK 1,879 million in 2010. The increase was driven by rising market shares, growth in the underlying market and positive exchange rate developments. At the end of the third quarter of 2010, Cipralex® accounted for 11.0% of the total international market for antidepressants, as compared with a market share of 10.3% in the third quarter of 2009. In Canada, Cipralex® sales continue to rise after the product received public reimbursement in the two Canadian provinces of Ontario and British Columbia in 2008 and 2009, respectively. At the end of November 2010, Cipralex® held 14.1% of the Canadian antidepressants market, compared with 11.0% at the end of November 2009. Canada is now the second-largest market for Cipralex® worldwide. In Latin America, Cipralex® continued to record decent growth in spite of the launch of generics in Brazil, driven by solid growth in a number of the other Latin American countries. Sales of Cipralex® in Australia were adversely affected in 2010 by the launch of generic escitalopram at the end of 2009.

Ebixa® generated revenue of DKK 363 million in 2010, which is on a level with 2009. Sales of Ebixa® generally improved during 2010 with growing revenue in Asia, the Middle East and Latin America, driven by strong underlying market growth. However, the positive trend was strongly affected by the launch of generic memantine in Canada, where our revenue was more than halved compared with 2009. In the third quarter of 2010, Ebixa® commanded a market share of 8.4% of the international Alzheimer's market, compared with a market share of 10.3% at the same time last year.

Azilect® has still only been launched in a few markets in the region. Lundbeck acquired the rights to Azilect® in six countries in Asia in 2010, including China and South Korea. The regulatory process is already underway in China. The Asian countries are expected to contribute positively to Azilect® sales growth in International Markets.

Other pharmaceuticals generated revenue of DKK 632 million in 2010 in International Markets, an increase of 7% on 2009. The improvement was driven by factors such as increased sales in the region of **Serdolect®** for the treatment of schizophrenia and **Cipramil®** for the treatment of depression.

International Markets (DKKm)

	2010	2009	Growth	Growth in local currency
Cipralex®	1,879	1,600	17%	7%
Ebixa®	363	362	0%	1%
Azilect®	96	70	37%	25%
Other pharmaceuticals	632	589	7%	-1%
Total	2,970	2,621	13%	5%

Lundbeck's marketing partners

Almirall, S.A.	Cipralex® (Spain)
Biovail Laboratories International	Xenazine®
Forest Laboratories Inc.	Lexapro®
Merck & Co., Ltd.	Sycrest®/Saphris®
Merz Pharmaceuticals GmbH	Ebixa®
Mitsubishi Tanabe Pharma Corporation[9]	Cipralex® (Japan)
Mochida Pharmaceutical Co., Ltd.	Cipralex® (Japan)
Teva Pharmaceutical Industries Ltd.	Azilect®
Xian-Janssen Pharmaceutical Ltd.	Lexapro® (China)

9) In January 2010, Mochida signed an agreement with Mitsubishi on joint marketing of escitalopram in Japan

Depression market

It is estimated that more than 40 million people in the Western world[10] currently suffer from depression. Estimates are that only about half of the people suffering from depression are correctly diagnosed, while about 80% of the diagnosed patients receive treatment. It is also estimated that the number of people receiving treatment for depression will grow by 1.4% each year until 2019 in the Western world[11].

The market for antidepressants was valued at approximately DKK 19 billion in 2009, a decline of 4% relative to 2008. The decline was due primarily to patent expiry for a number of pharmaceuticals and the launch of cheaper generics. Underlying volume growth remains positive.

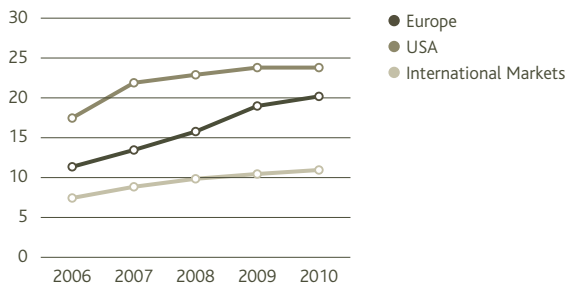
The most frequently used pharmaceuticals for the treatment of depression are selective serotonin re-uptake inhibitors (SSRIs such as citalopram, fluoxetine, paroxetine, sertraline etc.), which were launched in the 1980s. This group of antidepressants is characterised by having fewer side effects than previous pharmaceuticals.

Lundbeck launched escitalopram in 2001, which has shown good efficacy and a favourable side effect profile in numerous studies and which is currently the most frequently prescribed antidepressant in value terms.

Although current antidepressants are significantly more efficacious than the first generation launched in the 1960s, substantial unmet needs persist.

In most markets, Lundbeck markets escitalopram under the Cipralex® brand name, although it is sold under the Lexapro® brand in a few markets. Our partner in the US, Forest Laboratories Inc., markets escitalopram in the US under the Lexapro® brand name.

Cipralex®/Lexapro® market shares (value in %)



Alzheimer's market

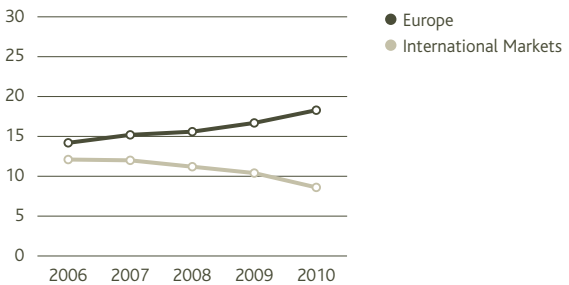
Alzheimer's disease affects 5% of the population over the age of 65. Today, about 60% of all Alzheimer's patients are correctly diagnosed, and of these about 60% are diagnosed with either moderate or severe Alzheimer's disease. It is estimated that more than seven million people in the Western world suffer from Alzheimer's disease. The number of people in the Western world being treated for Alzheimer's disease is expected to grow by 2.7% per annum until 2019[12].

The market for pharmaceuticals for the treatment of Alzheimer's disease increased by 12% in 2009 to USD 7.4 billion relative to 2008. It is a market that continues to grow strongly. There is still no treatment available to cure the disease or slow its progression, so a huge unmet medical need persists.

The most frequently used pharmaceuticals for the treatment of Alzheimer's disease are acetylcholinesterase inhibitors which can stabilise disease symptoms for a short period (donepezil, rivastigmine and galantamine), and memantine, which is an NMDA receptor antagonist that also offers symptomatic relief.

Lundbeck markets memantine under the Ebixa® brand.

Ebixa® market shares (value in %)



10) The 'Western world' refers to the five largest countries in Europe and the US and Japan
11) COGNOS Study – Major Depressive Disorder, August 2009
12) COGNOS study – Alzheimer's Disease, September 2010

Parkinson's market

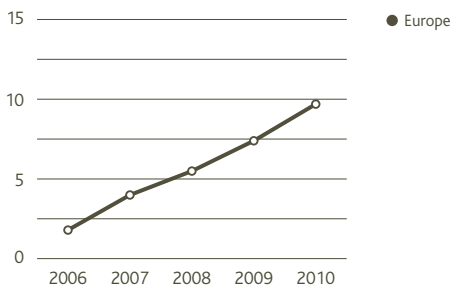
Parkinson's disease is one of the most common brain disorders in elderly people. It is estimated that in 2008 more than 3.2 million people in the Western world suffered from Parkinson's disease, of whom an estimated 70% received treatment. The number of people in the Western world being treated for Parkinson's disease is expected to grow by about 3% per annum until 2018[13].

The global market for pharmaceuticals to treat patients with Parkinson's disease represents a value of approximately USD 4 billion, growing by 1% in 2009 relative to 2008.

There is a large number of pharmaceuticals on the market that only offer symptomatic treatment in the various stages of the disease, either as monotherapy or as combination treatment. The most commonly used compound for the treatment of Parkinson's disease is levodopa, which was developed more than 40 years ago. Since then a number of pharmaceuticals have been launched, aimed at optimising the treatment at the various stages of the disease (some in combination with levodopa). In terms of value, dopamine agonists (pramipexol, ropinirol, rotigotine etc.) command the bulk of the market and have become very popular in recent years, especially for the treatment of early-stage disease. Rasagiline, a MAO-B inhibitor which is used both as monotherapy and in combination treatment with other pharmaceuticals for the treatment of Parkinson's disease, is the only pharmaceutical which in studies has substantiated a disease-modifying effect.

Rasagiline is marketed by Lundbeck under the Azilect® brand.

Azilect® market shares (value in %)



Huntington's market

In the US alone, approximately 20,000 people suffer from Huntington's disease, for which there is currently no cure, nor any effective treatment.

Tetrabenazine, approved for the treatment of chorea associated with Huntington's disease, is the only pharmaceutical approved for the treatment of symptoms associated with Huntington's disease.

In the US, tetrabenazine is marketed by Lundbeck under the Xenazine® brand.

Epilepsy market
(infantile spasms and refractory complex partial seizures)

Complex partial seizures (CPS) is the most common form of epilepsy. It is estimated that approximately 850,000 people in the US suffer from CPS, and an estimated 200-250,000 of these patients are refractory, i.e. difficult to treat.

Refractory CPS patients are patients who have received a number of different types of epilepsy treatment without achieving the intended effect and whose disease is therefore difficult to treat. Vigabatrine, marketed by Lundbeck in the US under the brand name Sabril®, is approved for this difficult to treat form of epilepsy.

Infantile spasms affect an estimated 2,500 infants every year in the US. The disease usually strikes infants between three to six months of age. There are only two pharmaceuticals for the treatment of infantile spasms, one of which is vigabatrine under the brand Sabril®.

Psychotic disorder market
(bipolar disorder)

Bipolar disorder (manic depression) is a form of psychotic disorder that is difficult to diagnose and treat. It is estimated that bipolar disorder affects 30 million people around the world, including four million in Europe. The market for adult patients suffering from bipolar disorder in Europe remains characterised by undertreatment.

The atypical antipsychotic asenapine (Sycrest®/Saphris®) is a new treatment option for the right patients in this population of undertreated patients. Under the Sycrest® brand name, the compound is approved in all 27 EU member states for the treatment of moderate to severe manic episodes in connection with bipolar disorder 1 in adults. Lundbeck expects to launch Sycrest® in the EU in early 2011. Lundbeck also has the rights to the compound in all markets outside the US, China and Japan.

13) COGNOS study – Parkinson's Disease, June 2009

ADAM TODD, USA

Life changed dramatically for the Todds when their son Adam was diagnosed with Lennox-Gastaut syndrome at the age of three. Despite years of seizures and disease, Adam has remained a happy and active boy.

Responsibility and management

- We are focusing our efforts on corporate responsibility, and in 2010 we began publishing a Communication on Progress (COP) report on our initiatives and results
- We endeavour to secure a reasonable balance between risk exposure and generation of value
- We have updated our corporate governance guidelines based on the NASDAQ OMX Copenhagen recommendations.

Our organisation

Facts

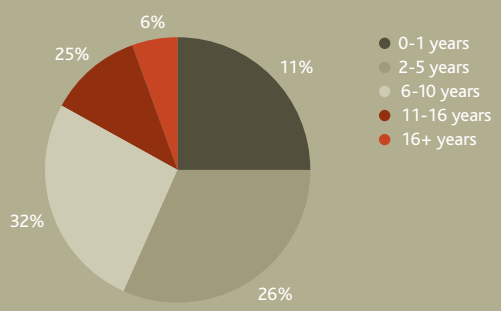
Number of employees

5,866

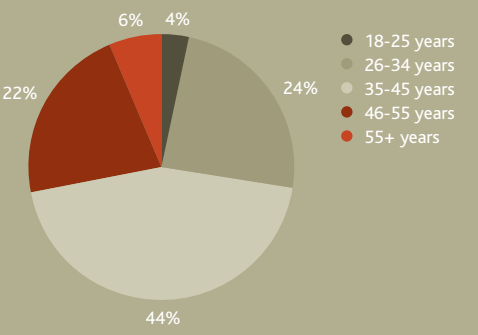
Average age (years)

40

Seniority distribution 2010

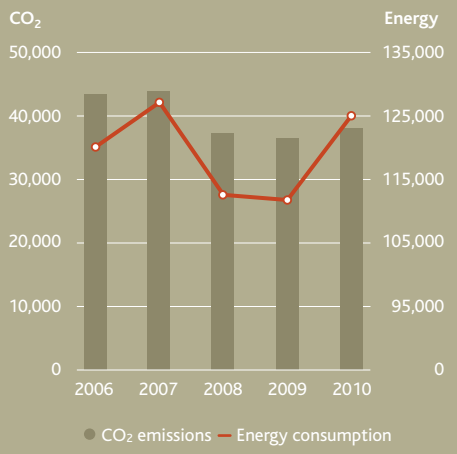


Age distribution 2010

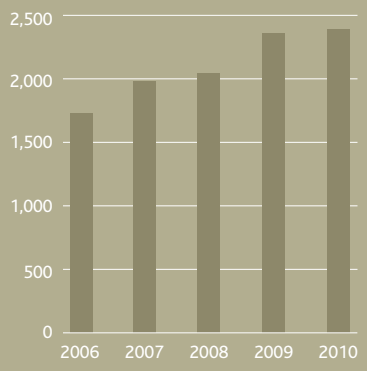


Health, safety and environment

CO_2 and energy (tonnes and MWh)[1]



Production (million units)



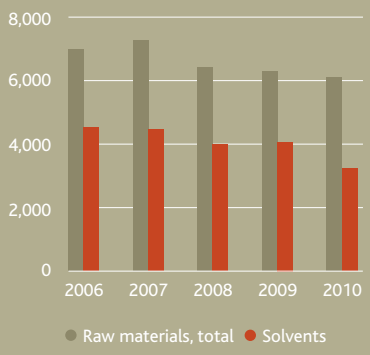
Health, safety and environment results

Over a number of years, Lundbeck has achieved positive results in the environmental field. In spite of an increase in pharmaceutical and chemical production from 2009 to 2010, we reduced our consumption of raw materials. The positive trend was also seen in our waste volumes, which declined by 9.4%.

The higher energy consumption and CO_2 emissions illustrated in the charts were attributable to the fact that Lundbeck in 2010 started including consumption data from another two production sites. In Lundbeck's CO_2 strategy we aim for our CO_2 emissions in 2016 to be 25% lower than they were in 2006. So far, our CO_2 emissions are down by 12.3% from their 2006 level.

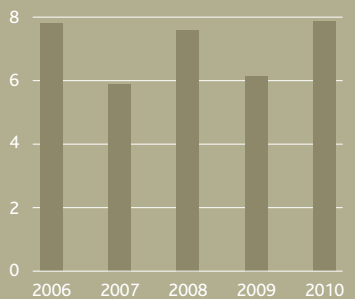
In 2010, there was an increase in the number of lost-time accidents relative to 2009. However, the number of lost workdays per accident and the severity of the accidents decreased.

Raw materials (tonnes)[2]



Waste (tonnes)

Lost-time accidents (frequency per one million work hours)



1) The 2010 data for energy consumption and CO_2 emissions include two new production sites

2) The 2010 data do not include organic solvents from our production site in France

A responsible company

- Supplier standards as a minimum in compliance with the UN Global Compact
- Ethical Code of Conduct for all employees
- Strong health, safety and environment results.

When we work to develop the best treatments for people suffering from brain disorders, it involves more than the special responsibility we have as a manufacturer of pharmaceuticals. We also have a responsibility in relation to the ethical dilemmas we encounter in our everyday work and lives. Our corporate responsibility strategy takes its starting point in a dialogue with collaborative partners and stakeholders.

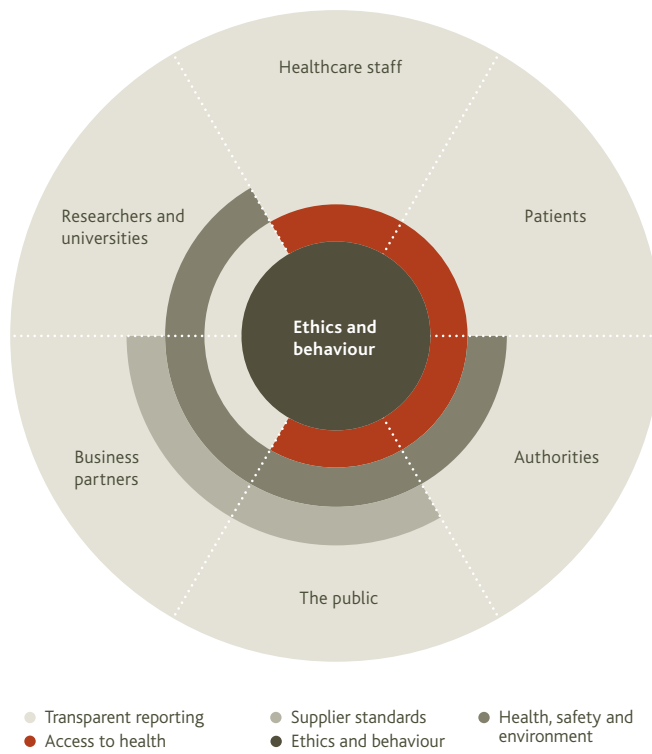
Open dialogue and continuing development

We have selected the UN Global Compact as the strategic foundation for our corporate responsibility initiatives. Our corporate strategy is consistent with the obligation to promote the Global Compact's ten principles regarding human rights, labour standards, the environment and anti-corruption and to regularly report on our progress.

Lundbeck's corporate responsibility strategy contains five prioritised areas for 2010-2012:

- **Ethics and behaviour**
  We will draw up and implement binding guidelines with the aim of ensuring that all employees perform their duties in accordance with our business ethics.
- **Supplier standards**
  We will revise the ethical standards that our suppliers must follow, and we will ensure that these standards are, at a minimum, in compliance with the UN Global Compact.
- **Access to health**
  We will define a vision for how to improve access for vulnerable groups to treatment of brain disorders. At the same time, we will regularly evaluate our efforts in this area.
- **Health, safety and environment**
  We will ensure a healthy working environment for our employees and assume responsibility for reducing our environmental footprint.
- **Transparent reporting**
  We will work with relevant stakeholders to increase transparency in Lundbeck by developing and reporting on selected indicators for our corporate responsibility.

The figure below shows the relationship between the five areas of our corporate responsibility strategy and the relevant stakeholders.



Binding guidelines on ethical conduct

In 2010, we focused our efforts on developing and implementing Lundbeck's guidelines on ethics and conduct: our Code of Conduct, a set of binding guidelines describing how we handle ethical dilemmas. The Code of Conduct applies to all employees of the Lundbeck Group and to third parties working on behalf of Lundbeck. It describes our approach to responsible business behaviour and our relationships with stakeholders such as healthcare staff, patients, the authorities, research and business partners and society at large.

Our Code of Conduct contains global requirements to the pharmaceutical industry and requirements defined by ourselves to comply with good business ethics and fulfil our stakeholders' expectations, including compliance with the principles of the UN Global Compact. To ensure relevance and clarity of the requirements, our Code of Conduct was developed in a dialogue with more than 200 in-house specialists, managers, Lundbeck's Executive Management and Supervisory Board and a number of external parties.

This dialogue was also used to create a process intended to ensure effective implementation of the Code of Conduct in the Lundbeck Group in 2010-2011. The process links our existing local procedures for compliance by our subsidiaries with applicable regulations to the procedures laid down in the Code of Conduct.

Lundbeck has long been monitoring compliance with the requirements that we are subject to, for example by performing self-evaluations and actively following up on inspections by authorities and collaborative partners. As part of the implementation of our Code of Conduct, we have reviewed and improved our procedures for in-house evaluations.

At the end of 2010, we began implementing our Code of Conduct at Lundbeck's headquarters and in six subsidiaries, covering a little over half of our employees. We will complete implementation of the Code of Conduct in 2011.

Improved supplier standards

Since 2005, Lundbeck has followed guidelines that ensure that our choice of suppliers includes a thorough, specific and balanced evaluation of business conditions, quality procedures and the protection of people and the environment. We have obtained substantial business opportunities owing to the fact that we need not compromise the protection of people and the environment when we enter into collaboration with suppliers in countries with inadequate legislation.

In 2010, we launched a large-scale project to update, improve and systematise our supplier standards to fulfil the UN Global Compact, and we will roll out the updated supplier standards throughout the Lundbeck Group in 2011. As part of this work, we will make our procedures transparent and accessible to all stakeholders.

Knowledge promotes better access to health

Our efforts to improve access to health are not only aimed at making Lundbeck's products available to more patients in the countries where we operate. We are also working to improve access for people with brain disorders to diagnosis and correct treatment and to eliminate the stigmatisation that often leads to a marginalisation of this group of patients.

We believe that dissemination of knowledge and training in diseases and treatments are key to promoting access to health. The Lundbeck Institute is one of our recognised assets in this context. The objective of the Institute is to improve, through education and information, the treatment of people suffering from brain disorders. A total of 82 international specialists collaborate with the Institute, which held eight seminars in 2010 attended by a total of 184 doctors from 23 countries. The Institute is responsible for the DepNet website, where patients, relatives and healthcare professionals can share experiences about depression and receive product-independent advice from the doctors affiliated with the service. DepNet has been launched in 18 countries.

Strong health, safety and environment results

For a number of years, our health, safety and environment strategy has yielded a number of tangible results; which means that Lundbeck now manufactures more pharmaceuticals while consuming fewer raw materials and less energy, generating lower waste volumes and emitting less CO_2 than previously. In the field of occupational health and safety, the number of accidents with time loss has gone up at Lundbeck. However, the number of lost workdays per accident and the severity of the accidents have decreased. A major factor in the positive development we have seen in recent years is the integration of health, safety and environmental considerations in decision-making processes, along with more cooperation and improved coordination across the organisation.

At our chemical production site in Lumsås, increased focus on industrial accidents and safety culture resulted in a period of more than 12 months without work-related accidents with time loss. Based on these results, Lundbeck was nominated for the Occupational Health and Safety Award in Denmark. The experience from Lumsås will be applied throughout the organisation going forward.

In our chemical production, we rolled out a new production technology in 2010 that will boost productivity, improve working environment for our employees and reduce our consumption of raw materials and energy. The technology was developed in collaboration with researchers from the Technical University of Denmark over the past few years. In simplified terms, you might say that the new technology pools more processes in one reactor instead of using one reactor for each process stage. The need for cleaning has been minimised, and handling the equipment has been automated so that operators avoid heavy lifting and uncomfortable work positions; they are also much less exposed to chemical compounds and materials than previously.

Another marked result is that we resolved in 2010 to lower the target for our CO_2 strategy further, to the effect that our 2016 goal for CO_2 emissions is 25%, or 10,832 tonnes, below the level recorded in 2006. This decision reflects our success in reducing energy consumption and CO_2 emissions where we consume most energy, which is in the research, development and manufacture of pharmaceuticals.

One of the many initiatives we implemented in production in 2010 deserves specific mention. The initiative concerns the operation of Lundbeck's boiler plant in Valby, which in 2010 was converted to run on natural gas instead of oil. This conversion has resulted in energy savings and an expected annual reduction in CO_2 emissions of 1,800 tonnes, equal to 5% of Lundbeck's total CO_2 emissions.

The ventilation systems that provide fresh air to our research laboratories also consume huge amounts of energy at our Valby location. Without compromising the safety and health of our employees, we have successfully reduced our energy consumption for ventilation purposes quite considerably, lowering CO_2 emissions simply by optimising system operations.

The positive experiences from our operations in Denmark will in 2011 be put to use at our facilities in the US, Italy and France, to which Lundbeck has allocated resources to invest in energy optimisation over the next few years.

Available reports

In 2009, Lundbeck signed the UN Global Compact, and in 2010 we published our first Communication on Progress (COP) report and were recognised by the Global Compact as a communicating participant. We will continue our reporting efforts in 2011-2012, communicating with our stakeholders to benchmark our performance against measurable indicators to make our corporate responsibility performance more visible.

Read more about Lundbeck's corporate responsibility initiatives at www.lundbeck.com/corporate_responsibility/default.asp. On our website we publish further voluntary information, including Lundbeck's COP report to the UN Global Compact, detailed case descriptions, targets for our corporate responsibility initiatives and quantitative data for Lundbeck's work in the field of health, safety and the environment.

Lundbeck commended for climate initiatives

In 2010, for the second year running, Lundbeck again ranked high in the Carbon Disclosure Project (CDP)• in the Nordic region, and we were once more listed in the index of companies with the lowest greenhouse gas emissions.

The CDP works to promote openness in corporate climate initiatives focusing on greenhouse gas emissions, reduction targets for emissions and risks and opportunities in connection with climate change. The index highlights the companies that have taken the most professional stance in climate change mitigation. The companies are assessed according to their openness, with a high ranking indicating excellent data handling and an understanding of the climate-related areas that affect the company.

• The CDP is an independent not-for-profit organisation with the world's largest database of primary corporate climate change information. Thousands of companies disclose their greenhouse gas emissions and climate change strategies in this database, and they also publicly announce their reduction targets and performance improvements.

Risk management

- Lundbeck's risk management organisation provides management with an overview and the opportunity to react
- Business entities monitor and respond to risks
- Lundbeck regularly realigns processes to support optimum risk management.

Lundbeck attempts to secure a reasonable balance between risk exposure and generation of value. Our risk management processes are consistently updated and adapted to match intra-Group and external requirements and needs. We have a risk management organisation with a centralised Risk Office, the purpose of which is to provide the Corporate Management Group with a solid basis for decisions regarding the company's overall risk exposure and give them a solid overview of the activities and resources available.

The fundamental principle is that risks, in addition to central monitoring and coordination, should be managed by decentralised units as they have the most extensive knowledge of such risks and the best possibility of mitigating the exposure. The individual business units take a systematic approach to monitoring, identifying, quantifying and responding to risks. Furthermore, we have defined reporting, decision-making and follow-up procedures and routines.

We assess the likelihood of an event occurring and the potential consequences for Lundbeck in the form of financial loss or damaged reputation. The decentralised risk evaluation in the business units is regularly reported and processed by the organisation.

Risk management at Lundbeck

Half-yearly risk reporting

Every six months, Risk Office updates Lundbeck's overall risk exposure when the business units report on the principal risks in their area. The reports contain the following:

- Description of risk
- When is the event likely to happen
- What sort of risk-hedging and mitigating initiatives and possibilities do we have
- Potential consequences if the event occurs
- Who is responsible

The Risk Office assesses Lundbeck's overall risk exposure and discusses it with the Risk Board. Subsequently, risks and risk exposure are presented to the Audit Committee. Risk reporting forms an integral part of Lundbeck's overall reporting process.

Risk exposure

The reporting and management of risk exposure follows the pharmaceutical value chain. Below we describe the risks that we have defined as particularly critical.

Research and development risks

Lundbeck relies on its ability to protect its intellectual rights in connection with new pharmaceuticals and to operate its business without infringing the rights of others. Patenting and the patent application process in pharmaceutical companies are legally and scientifically complicated processes and are thus subject to a certain degree of uncertainty. We are taking major steps to develop and retain competencies in this area, and we consistently defend our intellectual property rights.

Throughout the research and development process, there is a risk that new pharmaceuticals will be delayed or have to be abandoned altogether. In each of our late-stage projects, we thoroughly assess if factors such as the initiation of new clinical trials or support in ongoing clinical trials could lead to a more successful completion of the projects.

In 2010, Lundbeck signed research partnership agreements with Genmab A/S, Kyowa Hakko Kirin Co., Ltd. samt Zenobia Therapeutics, Inc. og Vernalis plc. These new agreements are part of the new research strategy. Before we enter into agreements, we conduct a comprehensive and detailed review of the contract and its conditions, drawing on specialists from relevant business areas in order to mitigate any risks. Lundbeck participates in a number of research and development collaborations. See p. 15.

Production risks

Managing reliability of supply is crucial in ensuring that patients constantly have access to the pharmaceuticals they need. For this reason, we carefully monitor the supply situation and as a rule maintain an inventory level that will help us overcome a production breakdown.

To mitigate production risks, Lundbeck currently has production and packing facilities at four independent sites: Lumsås and Valby (Denmark), Padua (Italy) and Sophia-Antipolis (France). In this way we enhance flexibility in our pharmaceutical production, while we also reduce our costs as we rely less on external suppliers.

In rare cases, pharmaceutical companies are forced to recall a product from the market due to a problem with the safety or quality of the pharmaceutical. Lundbeck has systems and procedures in place to ensure a swift and effective response if the need should arise.

Sales and marketing risks

The pharmaceutical market is characterised by the aim of the authorities to cap or reduce the otherwise rising healthcare costs. The authorities may opt for example to reduce prices or regulate market access as we have experienced in a number of countries in recent years.

Market changes such as price reductions may have a considerable impact on the earnings potential of pharmaceuticals. For example, Lundbeck experienced significant mandatory price reductions in 2010 in several countries in southern Europe, where higher debts have compelled the governments to cut the public budgets. These savings have resulted in a number of healthcare reforms resulting in comprehensive price reductions, especially in Greece and Spain. We consider the uncertainty surrounding public debts and the resulting savings as a risk factor in 2011.

We are working with the health authorities around the world to document the value of our pharmaceuticals, for example by preparing health-economic reports and considerations. We also seek to adjust our organisation and activities to accommodate changes in market conditions, for example by using external sales consultants.

Risks in the pharmaceutical value chain•

Research and development risks	Production risks	Sales and marketing risks
• Intellectual property rights	• Reliability of supply	• Price pressure and market access
• R&D portfolio	• Product recall	• Generic competition
• Trials and product approvals	• Regulatory risk	• Confidence in pharmaceuticals
• In-licensing	• Suppliers	• Marketing
• Out-licensing	• Distribution	• Product liability
• Technology	• Intellectual property rights	

Risks across the value chain • Partnerships, in-licensing and acquisitions • Human capital and knowledge • Corporate governance • Finance • Reputation

• The highlighted risks are those defined by Lundbeck as particularly critical

We monitor and analyse the Group's intellectual property rights and the risk of generic competition. We believe that Lundbeck's intellectual property rights are valid and enforceable, and we defend these rights, wherever they may be violated.

Lundbeck is involved in pending trials concerning intellectual property rights concerning escitalopram in Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hungary, Latvia, Lebanon, Lithuania, The Netherlands, Norway, Portugal, Saudi Arabia, Spain, Taiwan, Turkey and the UK.

New clinical trials, publications and letters to the editor may change the perception of the position of our pharmaceuticals relative to competing products. We invest considerable resources in establishing a factual and scientific foundation that allows doctors and patients to maintain confidence in our pharmaceuticals.

A growing problem in the pharmaceutical market in recent years has been the sale of counterfeit medicine, e.g. on the Internet. However, only a few cases of counterfeit Lundbeck medications have been registered, with one case in 2010 versus four cases in 2009. In 2010, we completed an in-depth analysis of security in the supply chain from the procurement of raw materials to distribution of finished goods, focusing on providing maximum security against counterfeit medicine. Lundbeck pursues all cases through its Anti-Counterfeit Task Force and is a member of the World Health Organization's (WHO) anti-counterfeit organisation IMPACT.

Risks across the value chain

Partnerships, in-licensing and acquisitions

Lundbeck's business model is based on partnerships, among other things. Partnerships offer a number of benefits, but also mean that we do not retain full control of the individual projects and products. However, through close and open dialogue with our partners we seek to ensure that our targets are met by sharing ideas and best practices in research, development, production, marketing and sales.

The in-licensing of pharmaceuticals is characterised by sharp competition. This involves the risk that prices of attractive projects are pushed up to a level that would render them unprofitable, considering the risk involved.

In 2010, Lundbeck signed an agreement with Merck & Co., Ltd., under which we in-licensed Sycrest®/Saphris® for the treatment of bipolar disorder and schizophrenia. Before we enter into such an agreement, we make comprehensive investigations in which relevant in-house and external specialists are involved, contributing analyses and assessments. Subsequently, the final recommendation is presented to the Supervisory Board for approval, and the management can close the deal within the given framework. Lundbeck has other in-licensed products in its portfolio, including Ebixa® for the treatment of Alzheimer's disease, Azilect® for the treatment of Parkinson's disease and Xenazine® for the treatment of Huntington's disease.

Human capital and knowledge

Lundbeck is a knowledge business, and that means that our success depends on our having the right employees with the right competencies. Consequently, we are taking great strides to secure our human capital.

We spend substantial resources on developing employee know-how and competencies. Employee know-how and competencies are the key to our success, but it also means that the employees are attractive to other businesses. Therefore, remuneration, employee benefits, recognition and development opportunities are key factors for us in retaining our employees.

To a company such as Lundbeck, it is crucial that we can protect the knowledge that is the basis of our success. We have sharpened our focus on information security with the aim of protecting own intellectual property rights and, not least, avoiding the infringement of third party rights. We need to keep our information secure but also need to share knowledge between employees around the world.

Financial risks

Most of Lundbeck's commercial transactions are settled in foreign currency. At the present time, the currency risk is primarily associated with movements in the US dollar (USD), but also a number of other currencies such as Canadian dollar (CAD) and Turkish lira (TRY).

At the end of 2010, Lundbeck has hedged income in these currencies for most of 2011. Accordingly, if the exchange rates change during 2011, this will only have a small impact on Lundbeck's financial results for 2011, but it may affect the financial performance from 2012 onwards.

Interest rate risks arise in connection with the company's bond portfolio, debt portfolio and cash holding. Interest rate risks are reduced by seeking short duration on both the asset side and the liabilities side.

The credit risk that arises in connection with the sale of goods, the Group's bond portfolio and cash holdings is reduced by avoiding credit risk concentration and by diversifying receivables on a large number of creditworthy trading partners. In addition, the Group exclusively deals with banks that have a high credit rating.

For more details on financial risks, see note 15 on p. 91, note 17 on p. 92 and note 25 on p. 98-103.

Other risks

Corporate governance, including risk management, is the cornerstone of Lundbeck's way of running its business. The preconditions for preventive and forward-looking risk management are in place. The organisation delivers ongoing, value-creating, valid and fast reports on issues such as Lundbeck's reputation, risk profile on marketed products and operational, tactical and strategic financial planning.

Decisions in key patent cases in 2010

Canada
At the beginning of 2009, Lundbeck won three cases concerning escitalopram in Canada. The opponents appealed these cases. The appeals for all three cases were decided in November 2010 in favour of Lundbeck. As a result, the three companies cannot market generic escitalopram in Canada. Cases are also pursued against other generic manufacturers in Canada.

France
In France, the court of first instance upheld Lundbeck's product patent for escitalopram in September 2010. The case may be appealed by the opponent.

Spain
In April 2010 Lundbeck received the outcome of a preliminary injunction case regarding infringement of the escitalopram patent in Spain. The court decided to lift the ex parte injunction made against companies preparing to market generic escitalopram. Lundbeck has appealed the decision.

Corporate governance

- Lundbeck generally complies with the new corporate governance recommendations
- The company's strategic challenges are analysed in an ongoing process, and the long-term strategy has been defined
- Lundbeck has fixed and announced its financial floor guidance for 2011-2014.

Corporate governance at Lundbeck involves the way in which the company is managed and controlled, the guidelines that regulate the interaction between our Executive Management, Supervisory Board and stakeholders as well as the internal controls in our business.

For a number of years, Lundbeck's Supervisory Board and Executive Management have focused on corporate governance. A number of components are critical to ensure corporate governance at Lundbeck. These include:

- Interaction with the company's shareholders and encouragement to active ownership with an opportunity to provide input to the articles of association and contribute items to be considered at the Annual General Meeting, etc.
- Openness and transparency in shareholder communications
- Recognition of the company's stakeholders and their importance to the company.

Lundbeck's Supervisory Board and Executive Management consistently focus on corporate governance. In 2010, our focus was dedicated to NASDAQ OMX Copenhagen's updated corporate governance recommendations. Lundbeck's Supervisory Board and Executive Management have considered the new recommendations, and against that background updated the company's corporate governance guidelines[1].

1) A detailed description of the Supervisory Board's considerations in respect of the NASDAQ OMX Copenhagen recommendations is available on www.lundbeck.com/aboutus/corporate_governance/guidelines/default.pdf.

The Supervisory Board believes that Lundbeck generally meets all of these corporate governance recommendations, with the exception of two items. We have opted not to comply with the recommendation to establish a nomination committee, which considers the qualifications and composition of the Supervisory Board and Executive Management. The reason is that our chairman and deputy chairman handle this task. Also, we do not comply with the recommendation to disclose the remuneration paid to individual members of Executive Management, as we do not believe that this provides added value to the company's stakeholders. We still only intend to disclose the individual remuneration paid to our President and CEO and the total remuneration paid to the Executive Management.

Board composition and responsibilities

Lundbeck's Supervisory Board consists of six external directors elected by the shareholders at the Annual General Meeting and three members elected by Lundbeck's Danish employees. Members elected at the Annual General Meeting are up for re-election every year, whilst the members elected by the employees are up for re-election every four years. Board members may retain their seat on Lundbeck's Supervisory Board until the Annual General Meeting held in the calendar year in which they attain the age of 70. For more information about rules and principles for election of board members, see www.lundbeck.com/aboutus/corporate_governance/constitutive_documents/articles_en.pdf.

The Supervisory Board is responsible for defining Lundbeck's general strategy, setting goals for Executive Management and ensuring that members of Executive Management and other managers consistently have the right qualifications. The Board also evaluates management and management remuneration. Furthermore, the Supervisory Board has the overall responsibility for ensuring that adequate internal controls are in place and for identifying and addressing the Group's risks. This responsibility is defined in the Danish Companies Act and stipulated in the rules of procedures for the Supervisory Board.

The Supervisory Board regularly evaluates the Group's business and financial strategies and policies and ensures that the day-to-day management of the company is made in accordance with such policies.

Pursuant to the rules of procedure for the Supervisory Board, the chairman and deputy chairman have duties aimed at ensuring that the Board functions satisfactorily and that the Board's duties are handled in the best possible manner. This involves duties such as the recruitment of new board members, coordinating the work of the Board, coordination relative to Executive Management and the company's independent auditors, defining goals and policies and following up thereon, risk and liquidity management

The Supervisory Board receives periodic reports from Executive Management, including:

- Follow-up on strategic activities approved by the Supervisory Board
- Information about principal risks, including risks associated with patenting, the research and development portfolio, regulatory, commercial and financial issues
- Recommendation for approval of large-scale investments and transactions which, according to the company's circumstances, are of an unusual nature or size
- Financial reporting, including follow-up on budgets, estimates, interim financial statements and annual reports
- Reports from the Audit Committee on matters such as internal controls in the financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information
- Processing of final long-form audit report from the independent auditors.

In 2010, the Supervisory Board had important assignments of regularly analysing the company's strategic challenges, determining the long-term strategy, defining and communicating financial floor guidance for 2011-2014 and approving major collaborative agreements including Genmab A/S, Kyowa Hakko Kirin Co., Ltd., Merck & Co., Ltd. and Xian-Janssen Pharmaceutical Ltd.

The Supervisory Board held 10 ordinary meetings and one extraordinary meeting in 2010, plus a two-day strategy seminar together with Executive Management.

Board independence

NASDAQ OMX Copenhagen recommends that half of a company's board members be independent persons. The issue of board member independence is particularly relevant for Lundbeck, which has a single principal shareholder, the Lundbeck Foundation, holding 70% of the Group's shares. Based on the definition from NASDAQ OMX Copenhagen, four of the six board members elected at the general meeting are considered independent, whilst two members, due to their close affiliation with the Foundation, are not considered independent. In this context, it should be noted that the Foundation does not nominate the chairman of Lundbeck's Supervisory Board but only recommends members for the position as deputy chairman and one ordinary board member.

In addition, more than half the members of each of the Supervisory Board's three committees are independent, the chairman of the Board does not act as chairman of the Audit Committee, and no board member is a member of Lundbeck's Executive Management.

Board competencies

It is important that the combined members of the Supervisory Board possess the required competencies. The individual board members each have special competencies, and the current Board members are believed to possess the financial, strategic and business competencies required to serve on the board of an international pharmaceutical company.

Board information

Board members elected at the Annual General Meeting	Special competencies	Independent members	Audit Committee	Remuneration Committee	Scientific Committee
Per Wold-Olsen (Chairman)	• Management within the global pharmaceutical industry • Product development and commercialisation • US and emerging markets	●		Chairman	
Thorleif Krarup (Deputy Chairman)	• Management within international organisations • The Lundbeck Group's business and practices • Global financial management	Recommended by the Lundbeck Foundation	●		
Egil Bodd	• Pharmaceutical research and development • European and US markets • Corporate acquisitions and divestments	●	●		Chairman
Peter Kürstein	• Management and financial management within global corporations • Development and implementation of strategies • Business development and HR	●	Chairman		
Mats Pettersson	• Management within international corporations • Pharmaceutical research and development • Business development	●		●	●
Jes Østergaard	• Management within international research enterprises • The Lundbeck Group's business and practices • Business development and HR	Recommended by the Lundbeck Foundation		●	●
Board members elected by the employees					
Kim Rosenville Christensen					
Mona Elisabeth Elster					
Jørn Mayntzhusen					

To ensure that the Supervisory Board retains the necessary competencies, and in order to review strengths and weaknesses of the work performed by the Board, Lundbeck's Supervisory Board conducts an evaluation of the work and competencies of the Supervisory Board and Executive Management every year.

In 2010, the evaluation was facilitated by an external party. The conclusion of the evaluation showed a rewarding cooperation in the Executive Management team and the Supervisory Board and between the two bodies, as well as satisfactory individual efforts and performance. Another conclusion was that the strategic focus of Executive Management and the Supervisory Board is important.

Board committees

The Supervisory Board has set up three committees: the Audit Committee, the Remuneration Committee and, most recently, a Scientific Committee, which was set up in 2009. These committees advise the Supervisory Board in connection with financial information and reporting, remuneration of Executive Management and the company's compensation strategy, and research and development, respectively.

Audit Committee

The Audit Committee has an advisory role relative to the Supervisory Board, including on matters such as internal controls in the financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information and risk management.

The Audit Committee fulfils its duties by way of the following activities:

- Meetings with the Corporate Management Group, internal and independent auditors
- Consideration of management's recommendation concerning accounting policies, accounting estimates with significant impact on the financial reporting process, new accounting standards and significant single transactions
- Approval of new and revision of critical guidelines and policies for internal controls and financial reporting procedures
- Approval of Internal Audit's annual strategy and audit plans and review of status on audit procedures performed
- Review of communication from independent auditors to the Supervisory Board, including monitoring and control of independent auditors' independence, review of audit planning and drafting long-form audit reports
- Systematic review of the company's risk exposure
- Review of cases received through the whistleblower system.

The Audit Committee held three meetings in 2010.

Internal audit and whistleblower system

Lundbeck has set up an Internal Audit function, which reports directly to the Audit Committee and which is thus independent of the Corporate Management Group. Based on the audit plan approved by the Audit Committee, Internal Audit performs audit assignments in all business entities after a plan of rotation to ensure compliance with the company's policies and procedures and to assist management by recommending ongoing improvements to existing internal controls. Furthermore, we have established a whistleblower system that all employees can use anonymously to contact Internal Audit if they experience non-compliance with Lundbeck's business ethics policies.

Remuneration Committee

The purpose of the Remuneration Committee is to provide the Supervisory Board with the best possible basis for making decisions on the remuneration provided to the members of the Executive Management and on the company's overall remuneration policy. The Committee also handles assignments related to recruitment and appointments to Lundbeck's senior management.

In 2010, the Remuneration Committee held seven meetings. In 2010, the Committee's principal activities involved following up on Executive Management's targets for 2009 and defining targets for 2011.

Scientific Committee

Since 2009, Lundbeck's Supervisory Board has had a scientific committee, the purpose of which is to provide the Supervisory Board with the best possible basis for supporting strategic R&D decisions.

The Scientific Committee held two two-day meetings in 2010. The Scientific Committee's principal activities in 2010 involved Lundbeck's new research strategy, the establishment of a scientific advisory board and recommendations relating to the company's late-stage projects.

Remuneration – Supervisory Board

Members of the Supervisory Board receive a fixed remuneration and are not included in the company's bonus and incentive programmes, neither in the form of cash bonus, options or shares. In addition, the members of the Audit, Remuneration and Scientific Committees receive a separate fee.

The Board of Directors recommends to the shareholders at the Annual General Meeting that the basic fees to the Supervisory Board remain unchanged in 2011. An ordinary board member receives DKK 300,000, while the chairman and deputy chairman each receive three times and twice the basic fee, respectively. It is also recommended that the members of the Audit, Remuneration and Scientific Committees receive DKK 200,000 in 2011. The chairmen of the committees will receive 1.5 times the basic amount.

Executive Management

Lundbeck's Executive Management consists of six members and represents all links of the pharmaceutical value chain; research, development, production, marketing, sales and administration. Corporate Management Group also includes the function areas Business Development, HR and Legal.

Executive Management is responsible for establishing the necessary procedures and internal controls based on the Supervisory Board's guidelines, and has implemented the following:

- Segregation of functions and limits on powers to sign for the company and approve authorisations to prevent fraud and financial losses
- Policies in areas such as IT security, insurance, investment, procurement, cash management and financial reporting
- Regular follow-up on and reports on status for targets and results achieved relative to approved budgets
- Regular meetings at which the Corporate Management Group reviews and evaluates progress and risks in the research and development portfolio
- Weekly reports to the Corporate Management Group on cash and financial positions

- A statement to the extent to which the company's policies have been implemented and complied with, signed by the management in the reporting entities in connection with financial reporting.

Remuneration – Executive Management

The composition of the remuneration to Executive Management reflects Lundbeck's ambition to be a research-based company dedicated to brain disorders and aiming for long-term financial growth.

To a company such as Lundbeck, it is important that the overall remuneration package for the members of Executive Management is composed in such a manner that it rewards the achievement of ambitious short-term goals and clearly provides an incentive to focus on the long term based on the company's performance relative to peer companies in Scandinavia and in the European pharmaceutical industry. The overall remuneration package consists of a base salary, short-term and long-term incentive programmes and pension.

The base salary of the members of Executive Management is slightly below the average of the group of peer companies. On the other hand, the package includes short-term and long-term incentive programmes with a potential for a substantial reward for exceptional results.

The pension scheme for Executive Management is a defined contribution scheme which corresponds to the market level. The scheme includes both a savings part and the insurance coverage associated with general practice for pension schemes.

The short-term incentive programme for the members of Executive Management is an annual bonus awarded for the achievement of pre-determined targets for the preceding financial year. The CEO may receive up to nine months' base salary as a bonus on condition of achievement of exceptional results. The other members of Executive Management may receive up to six months' base salary as a bonus on condition of achievement of exceptional results. The bonus scheme is based on group targets and individual targets.

On termination of employment, members of the Executive Management will receive less than two years' salary. However, the CEO will receive three years' salary on termination of employment before 1 June 2011. On termination of employment after this date, he will receive less than two years' salary.

In addition, the members of Executive Management participate in a three-year revolving long-term incentive programme that includes shares and share-based instruments such as warrants and share options. The programme is based on value generation to shareholders. Executive Management can access these shares and share-based instruments after a three-year period, depending on results achieved in respect of overall shareholder return relative to a defined peer group.

Executive Management remuneration is based on the guidelines approved at the Annual General Meeting in 2008. These guidelines, which specify the components of the remuneration package for Executive Management members, are available at www.lundbeck.com/aboutus/corporate_governance/remuneration/remuneration_en.pdf.

Controls and risk management in relation to the financial reporting process

The purpose of Lundbeck's internal control and risk management system, as used in the financial reporting process, is to mitigate the risk of material errors and omissions in the financial reporting. The system can be divided into the following areas:

Control environment
The Supervisory Board and Executive Management are responsible for establishing and approving general policies, procedures and controls in relation to financial reporting. At the same time, they regularly assess the company's organisational structure and staffing in key areas, including areas of relevance to financial reporting.

Risk assessment
The Supervisory Board and Executive Management regularly assess the company's risk exposure, including risks relating to financial reporting.

Control activities
The control activities are based on a risk assessment. The objective is to ensure compliance with policies, manuals and procedures laid down by management and timely prevention/identification of errors and omissions.

Information and communication
Lundbeck has established information and communication systems which set out the requirements for financial reporting and the external financial reporting in accordance with current legislation.

Monitoring
The risk assessment and control activities are monitored in an ongoing process. The monitoring comprises formal and informal procedures, including a review of results, budgets and estimates and ongoing assessments of key financial highlights and ratios.

For more information, see www.lundbeck.com/aboutus/corporate_governance/internal_control/default.asp.

Lundbeck's corporate governance model

The Lundbeck share

- The Lundbeck share closed the year at DKK 106,00
- Proposed dividend is DKK 3.77 per share
- Increasing interest in Lundbeck as an investment opportunity.

In 2010, the Lundbeck share yielded a positive return of 11.9%. In the same period, the MSCI Europe Pharmaceuticals Index was down by 3.8%. In comparison, the combined OMXC20 index rose 33.9% in 2010.

The share price closed the year at DKK 106.00 and peaked at a year-high closing price of DKK 108.50 on 1 November 2010. The lowest closing price was DKK 82.80 on 1 July 2010.

Turnover

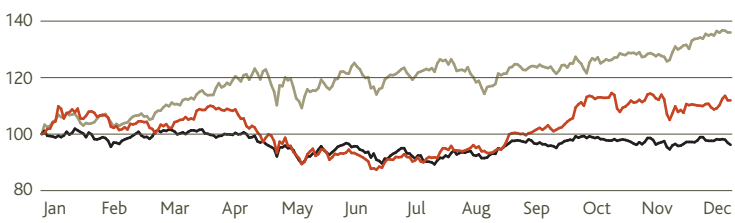
Total trading in Lundbeck shares amounted to DKK 11.9 billion in 2010, whilst the average daily turnover was 487,753 shares. A total of 122.4 million shares were traded in 2010.

Lundbeck exited the Danish OMXC20 share index in connection with the latest rebalancing in December 2010. As a result of the IPO of two large Danish companies on the Copenhagen stock exchange (NASDAQ OMX Copenhagen), these two companies became a component of the index even though trading in Lundbeck shares was higher compared with previous periods.

Dividend of 30%

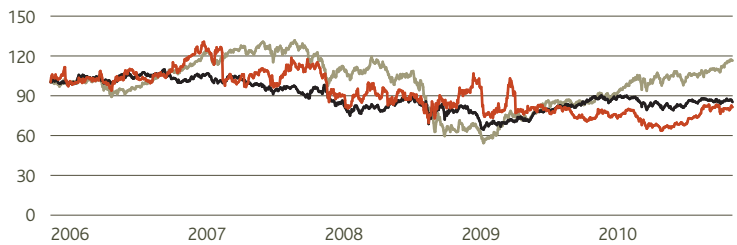
It is our policy to pay a dividend of 25-35% of the profit for the year after tax, with due consideration to the company's growth plans, possible acquisitions and other liquidity requirements. For the financial year 2010, the Supervisory Board proposes a dividend of 30% of profit for the year after tax, corresponding to DKK 3.77 per share. This translates into dividend yield of 3.6%, against 3.2% in 2009.

Stock performance 2010



- Lundbeck
- MSCI Europe Pharmaceutical Index
- OMXC20

Stock performance 2006-2010 (Index 30 December 2005 = 100)



- Lundbeck
- MSCI Europe Pharmaceutical Index
- OMXC20

Lundbeck shares are traded ex-dividend the day after the Annual General Meeting, which will be held on 30 March 2011.

The dividend will be paid automatically via the Danish Securities Centre on 5 April 2011.

Composition of shareholders

Through LFI a/s, the Lundbeck Foundation, which is the company's largest shareholder, held 137,351,918 shares at the end of 2010, corresponding to 70% of the shares and votes in H. Lundbeck A/S[1]. LFI a/s is the only shareholder that has notified the company that it holds more than 5% of the share capital.

Institutional investors in North America held 38% of the free float at the end of 2010, which is an increase from 28% in 2009. The share of European institutional investors (excluding Danish institutional investors) rose relative to 2009, and at the end of 2010 they held 24% of the total capital, up from 17% at the end of 2009. At 31 December 2010, Danish institutional investors held 16% of the total share capital, against 20% at the end of 2009.

Composition of free float ownership, 2006-2010

	2010	2009	2008	2007	2006
Institutional, Denmark	16%	20%	22%	24%	33%
Institutional, rest of Europe	24%	17%	18%	20%	24%
Institutional, North America	38%	28%	32%	28%	9%
Private, Denmark	16%	17%	14%	15%	21%
Others, incl. non-identified	6%	18%	14%	13%	13%

The share of the free float held by private, Danish investors decreased to 16% at the end of 2010 from 17% at 31 December 2009.

At the end of 2010, H. Lundbeck A/S held no shares in its own treasury.

At the end of 2010, members of Lundbeck's Supervisory Board and Executive Management had, directly and indirectly, a total holding of Lundbeck shares of 46,072 and 58,582 respectively.

The company's shares are registered by name and are entered in the register of shareholders. At the end of 2010, 30,148 registered shareholders held 98% of the share capital.

Lundbeck and the equity market

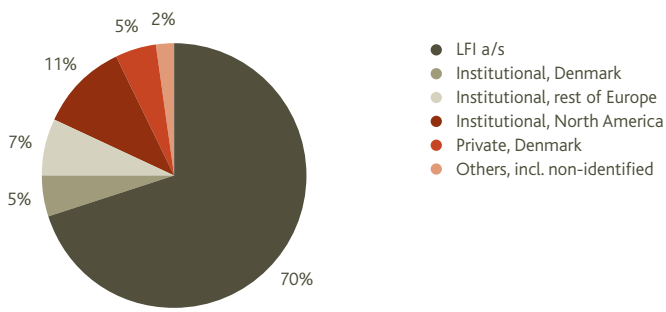
Through ongoing communications with the company's potential and existing shareholders and equity analysts, Lundbeck aims to give a true and fair view of the company's activities. We seek to provide the optimum insight to the equity market by conveying relevant and consistent information about Lundbeck's plans and goals, business areas and financial developments.

This is done through ongoing dialogue with equity market stakeholders, including frequent meetings with investors and analysts. In 2010, Investor Relations held about 250 investor meetings, primarily in Europe and the US, participating in more than 10 investor conferences.

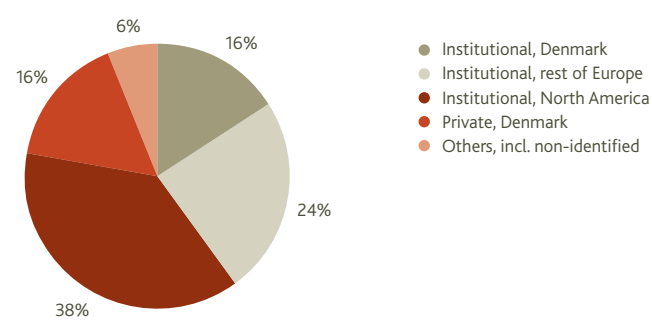
At the presentation of Lundbeck's interim reports, we hold roadshows at which our Investor Relations department and senior management inform investors and analysts about the latest company developments. The investor presentations are available on www.lundbeck.com/investor/presentations/financial_presentations/default.asp.

1) Read more about the Lundbeck Foundation on the back cover of this annual report

Composition of share capital, end 2010



Composition of free float ownership, end 2010



Share ratios

	2010	2009	2008
Earnings per share (EPS) (DKK)	12.58	10.24	8.45
Diluted earnings per share (DEPS) (DKK)	12.58	10.24	8.45
Cash flow per share (DKK)	16.65	15.47	14.12
Net asset value per share (DKK)	56.71	44.89	38.30
Dividend (DKK)	3.77	3.07	2.30
Dividend pay-out ratio (%)	30	30	30
Dividend yield (%)	3.6	3.2	2.1
Market price, year-end	106.00	94.75	110.00
High market price	108.50	141.50	138.75
Low market price	82.80	90.75	90.50
Price/Earnings	8.43	9.26	13.02
Price/Cash flow	6.37	6.12	7.79
Price/Net asset value	1.87	2.11	2.87
Market capitalisation, year-end (DKKbn)	20.8	18.6	21.7
Annual trading, million shares	122.4	102.8	86.1
Average trading per trading day, thousands of shares	487.8	412.7	344.3

Share facts

Number of shares, (end 2010)	196,116,634
Share capital (end 2010) (DKK)	980,583,170
Nominal value (DKK)	5
Holding of treasury shares (%)	0
Free float (%)	30
IPO	18 June 1999
Stock exchange	NASDAQ OMX Copenhagen
ISIN code	DK0010287234
Ticker	LUN.CO (Reuters)
	LUN DC (Bloomberg)
ADR programme	Unsponsored
ADR trading code	HLUKY
CUSIP number	40422M107
Sector (ICB)	Pharma and biotech
SIC code	2833
GICS	3520
SEDOL	7085259
Large indices	Dow Jones STOXX 600
	FTSE4Good Europe

Financial calendar

30 March 2011	Annual General Meeting
5 April 2011	Distribution of annual dividend
4 May 2011	Interim report for the first quarter of 2011
10 August 2011	Interim report for the second quarter of 2011
9 November 2011	Interim report for the third quarter of 2011

Analyst coverage

Company	Name	Website
ABG Sundal Collier	Peter Hugreffe Ankersen	www.abgsc.com
Alm. Brand Markets	Michael Friis Jørgensen	www.markets.almbrand.dk
Bank of America- Merrill Lynch	Brigitte de Lima	www.ml.com
Carnegie Bank	Carsten Lønborg Madsen	www.carnegie.dk
Credit Suisse	Yasir Al-Wakeel	www.credit-suisse.com
Danske Equities	Martin Parkhøi	www.danskeequities.com
Deutsche Bank	Tim Race	www.gm.db.com
Exane BNP Paribas	Florent Cespedes	www.exane.com
Goldman Sachs	Eleanor Fung	www.gs.com
Jeffries International Ltd.	Peter Welford	www.jeffries.com
	Philippa Gardner	
Jyske Bank	Frank H. Hansen	www.jyskemarkets.com
Macquarie	Christian Peter	www.macquarie.com
Morgan Stanley	Andrew Baum	www.morganstanley.com
	Liav Abraham	
Nordea	Michael Novod	www.nordea.com
Nykredit	Peter Høgsted	www.nykredit.dk
Redburn Partners	Paul Major	www.redburn.com
	Anita Vasu	
SEB Enskilda	Henrik D. Simonsen	www.enskilda.com
Société Générale	Caroline Valldecabres	www.sgresearch.com
	Marietta Miemietz	
UBS	Andrew Whitney	www.ubs.com
	Gbola Amusa	

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jtl@lundbeck.com

Supervisory Board•

1

Per Wold-Olsen
CHAIRMAN

- Chairman Remuneration Committee
- Elected at the 2007 Annual General Meeting
- Born on 6 November 1947

Directorships
- Exiqon A/S
- Gilead Science Inc.
- GN Store Nord (chairman)
- Medicines for Malaria Venture

Holding of shares
- 30,000

2

Thorleif Krarup
DEPUTY CHAIRMAN

- Member Audit Committee
- Elected at the 2004 Annual
- General Meeting
- Born on 28 August 1952

Directorships
- ALK-Abelló A/S (deputy chairman)
- Exiqon A/S (chairman)
- Group 4 Securicor plc
- LFI a/s (deputy chairman)
- Lundbeck Foundation
- Sport One Danmark A/S (chairman)

Holding of shares
- 673

3

Egil Bodd

- Member Audit Committee, chairman Scientific Committee
- Elected at the 2008 Annual General Meeting
- Born on 15 March 1955
- Managing partner, Lindsay Goldberg Nordic AS

Directorships
- Lindsay Goldberg Nordic AS (chairman)
- Mininaste AS (chairman)
- Scandza Holdings (chairman)
- Synnøve Finden AS (chairman)
- Sørlandschips AS (chairman)

Holding of shares
- 8,000

4

Kim Rosenville Christensen

- Elected by the employees in 2006
- Born on 17 April 1959
- Synthesis Operator

Holding of shares
- 1,502

5

Mona Elisabeth Elster

- Elected by the employees in 2010
- Born on 28 June 1962
- Senior Laboratory Technician

Holding of shares
- 0

6

Peter Kürstein

- Chairman Audit Committee
- Elected at the 2001 Annual General Meeting
- Born on 28 January 1956
- President and CEO, Radiometer Medical A/S

Directorships
- Foss A/S (chairman)
- Radiometer Medical ApS (chairman)

Holding of shares
- 1,075

7

Jørn Mayntzhusen

- Elected by the employees in 2008
- Born on 4 April 1966
- Senior Manager Supply Optimisation and Launches

Holding of shares
- 822

8

Mats Pettersson

- Member Remuneration Committee and Scientific Committee
- Elected at the 2003 Annual General Meeting
- Born on 7 November 1945

Directorships
- Ablynx NV
- Moberg Derma AB (chairman)
- NsGene AS (chairman)
- Photocure AS
- to-BBB Holding B.V.

Holding of shares
- 2,000

9

Jes Østergaard

- Member Remuneration Committee and Scientific Committee
- Elected at the 2003 Annual General Meeting
- Born on 5 March 1948

Directorships
- AquaLife A/S
- LFI a/s
- Lundbeck Foundation
- Scion-DTU a/s

Holding of shares
- 2,000

• Information per 31 December 2010


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Executive Management•

1

Ulf Wiinberg
PRESIDENT AND CEO

• Born on 29 November 1958

Directorships
- EFPIA
- Business politics committee, Confederation of Danish Industry

2

Peter Høngaard Andersen
EXECUTIVE VICE PRESIDENT, RESEARCH

• Born on 3 October 1956

Directorships
- Biotech Research & Innovation Centre, Copenhagen University (chairman)
- EFPIA Research Directors Group (deputy chairman)
- EpiTherapeutics ApS
- Serendex Aps

3

Lars Bang
EXECUTIVE VICE PRESIDENT, SUPPLY OPERATIONS & ENGINEERING

• Born on 31 July 1962

Directorships
- Fertin Pharma A/S

4

Anders Götzsche
EXECUTIVE VICE PRESIDENT, CFO

• Born on 31 December 1967

Directorships
- LifeCycle Pharma A/S

5

Anders Gersel Pedersen
EXECUTIVE VICE PRESIDENT, DRUG DEVELOPMENT

• Born on 12 September 1951

Directorships
- ALK-Abelló A/S
- Bavarian Nordic A/S
- Genmab A/S (deputy chairman)
- Topotarget A/S

6

Stig Løkke Pedersen
EXECUTIVE VICE PRESIDENT, COMMERCIAL OPERATIONS

• Born on 17 July 1961

Directorships
- ChemoMetec A/S (chairman)
- Nuevolution A/S (chairman)

• Information per 31 December 2010


1


2


3


4


5


6

Financial statements 2010

- Revenue for the year DKK 14,765 million
- Profit from operations DKK 3,357 million
- Profit for the year DKK 2,466 million.

Consolidated financial statements

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Summary for the Group 2006-2010

	2010	2009	2008	2007	2006
Income statement, DKKm					
Revenue	14,765	13,747	11,572	11,171	9,300
Profit before research and development costs	6,402	6,054	5,344	4,882	3,745
Research and development costs	3,045	3,196	2,990	2,193	1,956
Operating profit before depreciation and amortisation (EBITDA)	4,393	3,728	3,418	3,611	2,310
Profit from operations (EBIT)	3,357	2,858	2,354	2,689	1,789
Net financials	(68)	(192)	(28)	65	(17)
Profit before tax	3,289	2,666	2,283	2,670	1,684
Profit for the year	2,466	2,007	1,663	1,881	1,162
Assets, DKKm					
Non-current assets	11,249	10,972	5,386	5,631	6,012
Inventories	1,491	1,481	837	924	1,155
Receivables	2,917	2,655	2,222	2,367	1,994
Cash and securities	2,348	2,019	3,876	3,308	2,378
Assets held for sale	-	-	205	-	-
Total assets	**18,005**	**17,127**	**12,526**	**12,230**	**11,539**
Equity and liabilities, DKKm					
Equity	11,122	8,803	7,511	7,089	6,684
Non-current liabilities	2,848	3,787	2,594	2,502	2,160
Current liabilities	4,035	4,537	2,421	2,639	2,695
Total equity and liabilities	**18,005**	**17,127**	**12,526**	**12,230**	**11,539**
Cash flow statement, DKKm					
Cash flows from operating activities	3,265	3,034	2,780	2,705	1,394
Cash flows from investing activities	(803)	(5,074)	(587)	(1,095)	239
Cash flows from operating and investing activities	2,462	(2,040)	2,193	1,610	1,633
Cash flows from financing activities	(2,162)	1,065	(1,016)	(1,013)	(901)
Interest-bearing net cash at year-end	430	(1,456)	1,949	1,405	876
Key figures					
EBIT margin (%)	22.7	20.8	20.3	24.1	19.2
EBITDA margin (%)	29.8	27.1	29.5	32.3	24.8
Return on capital employed (%)	27.6	28.0	30.0	34.6	24.8
Return on equity (%)	24.8	24.6	22.8	27.3	16.5
Research and development ratio (%)	20.6	23.2	25.8	19.6	21.0
Solvency ratio (%)	61.8	51.4	60.0	58.0	57.9
Capital employed (DKKm)	13,039	12,278	9,438	8,992	8,185
Capital turnover (%)	82.0	80.3	92.4	91.3	80.6
Effective tax rate (%)	25.0	24.7	27.1	29.6	31.0
Investments in intangible assets, gross (DKKm)	444	980	817	274	190
Investments in property, plant and equipment, gross (DKKm)	383	258	229	474	567
Investments in financial assets, gross (DKKm)	8	11	1,033	844	3,556
Average number of employees	5,689	5,526	5,208	5,134	5,111

	2010	2009	2008	2007	2006
Share data					
Average number of shares, excl. treasury shares (millions)[1]	196.1	196.1	196.8	205.0	211.1
Earnings per share (EPS) (DKK)[1]	12.58	10.24	8.45	9.18	5.50
Diluted earnings per share (DEPS) (DKK)[1]	12.58	10.24	8.45	9.17	5.49
Proposed dividend per share (DKK)[1]	3.77	3.07	2.30	2.56	1.57
Cash flow per share (DKK)[1]	16.65	15.47	14.12	13.18	6.59
Net asset value per share (DKK)[1]	56.71	44.89	38.30	35.33	32.01
Market capitalisation (DKKm)	20,788	18,582	21,657	28,605	33,060
Price/Earnings (DKK)	8.43	9.26	13.02	15.05	28.39
Price/Cash flow (DKK)	6.37	6.12	7.79	10.47	23.66
Price/Net asset value (DKK)	1.87	2.11	2.87	3.91	4.87

Definitions

Interest-bearing net cash	Cash and securities less interest-bearing debt
EBIT margin[2]	Profit from operations as a percentage of revenue
EBITDA margin[2]	Profit before interest, tax, depreciation and amortisation as a percentage of revenue
Return on capital employed	Profit from operations plus financial income as a percentage of average capital employed
Return on equity[2]	Profit attributable to shareholders in the parent company as a percentage of average equity, H. Lundbeck A/S' shareholders
Solvency ratio[2]	Equity, year-end, as a percentage of equity and liabilities, year-end
Capital employed	Total equity and liabilities less non-interest bearing liabilities
Capital turnover	Revenue as a percentage of total assets, year-end
Earnings per share (EPS)[2]	Profit attributable to shareholders in the parent company divided by average number of shares, excl. treasury shares
Diluted earnings per share (DEPS)[2]	Profit attributable to shareholders in the parent company divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Cash flow per share[2]	Cash flow from operating activities divided by average number of shares, excl. treasury shares, incl. warrants, fully diluted
Net asset value per share[2]	Equity, H. Lundbeck A/S' shareholders, divided by number of shares, year-end, excl. treasury shares, incl. warrants, fully diluted
Market capitalisation	Total number of shares, year-end, multiplied by the official price quoted on NASDAQ OMX Copenhagen, year-end
Price/Earnings[2]	The official price quoted on NASDAQ OMX Copenhagen, year-end, divided by diluted earnings per share
Price/Cash flow[2]	The official price quoted on NASDAQ OMX Copenhagen, year-end, divided by cash flow per share
Price/Net asset value[2]	The official price quoted on NASDAQ OMX Copenhagen, year-end, divided by equity per share

1) The calculation is based on a share denomination of DKK 5.
2) Definitions according to the Danish Society of Financial Analysts' *Recommendations & Financial Ratios 2010*.

Financial review

Income statement

The Group generated revenue of DKK 14,765 million in 2010, an increase of 7% relative to 2009. Measured at constant exchange rates, revenue was up 4%.

Sales of the Group's pharmaceuticals Cipralex®/Lexapro®, Ebixa® and Azilect® amounted to DKK 11,682 million, an increase of DKK 980 million, or 9%, on 2009.

Total revenue in the US market amounted to DKK 3,722 million, against DKK 3,632 million in 2009. Income from Forest Laboratories, Inc (Forest) amounted to DKK 2,443 million, which was on a level with the 2009 income of DKK 2,451 million.

Revenue in Europe was up by DKK 599 million to DKK 7,815 million, equal to an increase of 8% in DKK-terms, or 7% at constant exchange rates. The increase primarily reflects a revenue increase in the major markets, especially France and Italy.

Revenue from International Markets rose to DKK 2,970 million from DKK 2,621 million in 2009. The increase in revenue was 13% in DKK-terms, or 5% at constant exchange rates. A substantial part of the increase was achieved in Mexico, Canada and China.

Hedging had a negative DKK 10 million net impact on consolidated revenue. Hedging gains concerning hedging of USD income from Lexapro® amounted to DKK 77 million. This amount related to hedging of the inventories consumed by Forest in 2010, which Lundbeck hedged against exchange rate fluctuations and delivered in 2008-2010. Hedging losses on other currencies amounted to DKK 87 million.

Lundbeck's total costs, exclusive of net financials and tax, were DKK 11,408 million, an increase of DKK 519 million. Of this amount, DKK 341 million can be attributed to Lundbeck Inc. (previously Ovation Pharmaceuticals Inc.). As the company was acquired in March of last year, the 2009 financial statements only included costs from the acquisition date, corresponding to approximately 9 months.

Overall cost of sales increased by DKK 303 million to DKK 2,958 million. Cost of sales represented 20% of revenue, against 19% in 2009, primarily due to higher sales of in-licensed products, including Xenazine®, Azilect® and Ebixa®.

The Group's distribution costs rose by DKK 322 million, which equals a 10% increase relative to the year before, primarily caused by pre-launch costs and costs incurred by Lundbeck Inc. Administrative expenses amounted to DKK 1,909 million, up DKK 45 million, or 2%, on the previous year. This increase was driven primarily by costs incurred in Lundbeck Inc. Distribution costs and administrative expenses amounted to 36% of revenue in 2010, which was consistent with the level in 2009.

Total research and development costs were DKK 3,045 million. Compared with 2009, costs were down by DKK 151 million, or 5%. The reason for the decline is that costs were incurred in 2009 among other things for registration of the anti-schizophrenic agent Serdolect® and for two projects, which completed clinical phase II in 2010, but for which the costs for clinical phase III have so far been limited.

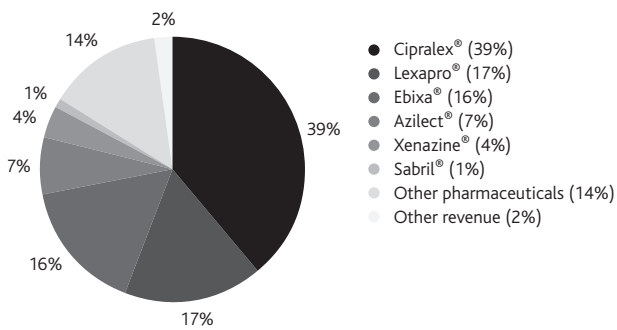
Profit from operations was DKK 3,357 million, corresponding to an EBIT margin of 22.7%, against 20.8% in 2009.

Net financials amounted to an expense of DKK 68 million, against DKK 192 million in 2009.

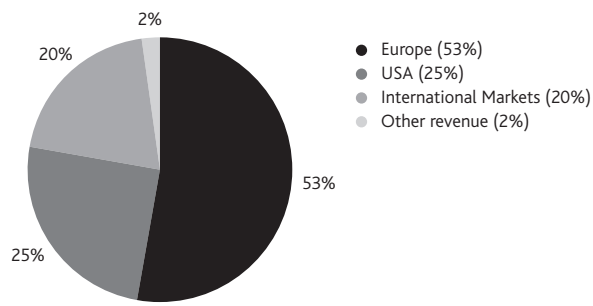
Net interest expenses in respect of financial assets and financial liabilities and other financial expenses amounted to DKK 112 million, against DKK 127 million in 2009. The remaining financials, which primarily cover exchange rate gains and losses, amounted to a net income of DKK 44 million, against a net expense of DKK 65 million in 2009.

Tax on profit for the year amounted to DKK 823 million, corresponding to an effective tax rate of 25.0%, against 24.7% in 2009.

Revenue per product 2010



Revenue per region 2010



Profit for the year amounted to DKK 2,466 million, up 23% on 2009. Earnings per share amounted to DKK 12.58, against DKK 10.24 in 2009. Proposed dividends for 2010 amount to 30% of the profit for the year, and the total amount of the proposed dividends is thus DKK 739 million, or DKK 3.77 per share.

Incentive programmes in 2010

In 2010, the Group established incentive programmes for the Executive Management and key employees in Denmark and abroad. The programmes consist of warrants and shares and share price-based schemes for persons employed with the Group's subsidiaries in the USA. The vesting period is three years, and for the Executive Management vesting depends on Lundbeck's ranking in a peer group of companies. The total cost recognised in the consolidated income statement for 2010 amounted to DKK 13 million, against DKK 15 million in 2009.

Currency hedging

At 31 December 2010, exchange contracts had been entered into to hedge foreign currency cash flows, primarily in USD, equivalent to a value of approximately DKK 4.8 billion, of which DKK 3.5 billion was classified as hedging contracts. Deferred recognition of net currency losses and gains amounted to a loss of DKK 5 million at 31 December 2010, against a gain of DKK 44 million at 31 December 2009.

The average forward rate for USD at 31 December 2010 was approximately USD/DKK 567 for the hedging contracts concluded (USD/DKK 541 at 31 December 2009). The hedging of USD cash flows will have a profit impact primarily at the time in 2011 when Forest uses the bulk deliveries to which the hedging relates. For 2011, this corresponds to an average exchange rate of approxi-mately USD/DKK 562, against USD/DKK 556 in 2010.

Balance sheet

At 31 December 2010, the Group's total assets amounted to DKK 18,005 million, which was DKK 878 million higher than at the end of 2009.

Intangible assets amounted to DKK 8,012 million, against DKK 7,724 million in 2009, primarily relating to goodwill and product rights. The increase was partly due to capitalisation of acquired rights in connection with the agreements signed with Merck & Co., Ltd. and Kyowa Hakko Kirin Co., Ltd., partly to Lundbeck Inc. because of a higher DKK/USD exchange rate.

Property, plant and equipment amounted to DKK 3,046 million, against DKK 3,049 million in 2009. The investments primarily concerned the expansion of production facilities in Denmark and France. Depreciation for the year amounted to DKK 367 million, which was consistent with the level in 2009.

The Group's combined inventories amounted to DKK 1,491 million, against DKK 1,481 million in 2009.

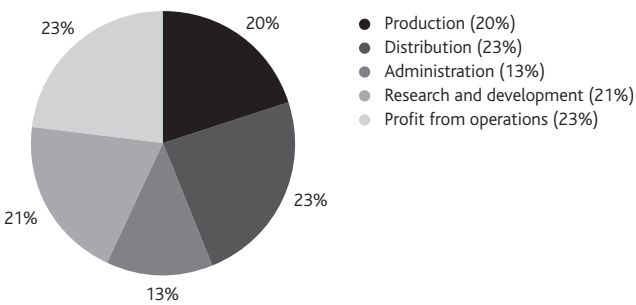
The Group's receivables were up 10% to DKK 2,917 million, against DKK 2,655 million in 2009. The increase was attributable to generally higher sales.

Lundbeck's portfolio of securities and cash rose by DKK 329 million to DKK 2,348 million, against DKK 2,019 million in 2009. The increase was primarily due to accumulated cash flows from the year's operations.

Equity amounted to DKK 11,122 million, against DKK 8,803 million in 2009, equalling an increase of 26%, or DKK 2,319 million. Equity thus amounted to 62% of total assets, against 51% in 2009. Dividends paid in respect of 2009 reduced equity by DKK 602 million in 2010.

Non-current liabilities amounted to DKK 2,848 million, compared with DKK 3,787 million in 2009, and current liabilities at the end of the year were DKK 4,035 million, down from DKK 4,537 million in 2009. The decline in total liabilities was due primarily to the repayment of bank loans raised in connection with the acquisition of Ovation Pharmaceuticals Inc. (Ovation) in 2009.

Costs and profit from operations as a percentage of revenue 2010



Cash flow statement

The Group's total cash flows were an inflow of DKK 300 million, against an outflow of DKK 975 million in 2009.

Operating activities generated a cash inflow of DKK 3,265 million in 2010, against DKK 3,034 million in 2009. The increase was primarily caused by a DKK 499 million increase in profit from operations in 2010, which was partly offset by increased tax payments.

Investing activities generated a cash outflow of DKK 803 million, against an outflow of DKK 5,074 million in 2009, which was impacted by the acquisition of Ovation.

Cash flows from financing activities were an outflow of DKK 2,162 million, against an inflow of DKK 1,065 million in 2009. 2010 was materially affected by the repayment of loans raised in connection with the acquisition of Ovation.

Income statement

1 JANUARY – 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm	2008 DKKm
Revenue	2	14,765	13,747	11,572
Cost of sales	3, 4	2,958	2,655	2,127
Gross profit		**11,807**	**11,092**	**9,445**
Distribution costs	3, 4	3,496	3,174	2,459
Administrative expenses	3-5	1,909	1,864	1,642
Profit before research and development costs		**6,402**	**6,054**	**5,344**
Research and development costs	3, 4	3,045	3,196	2,990
Profit from operations		**3,357**	**2,858**	**2,354**
Income from investments in associates	6	-	-	(43)
Financial income	7	137	178	407
Financial expenses	7	205	370	435
Profit before tax		**3,289**	**2,666**	**2,283**
Tax on profit for the year	8	823	659	620
Profit for the year	9	**2,466**	**2,007**	**1,663**
Earnings per share (EPS) (DKK)	10	12.58	10.24	8.45
Diluted earnings per share (DEPS) (DKK)	10	12.58	10.24	8.45

Statement of comprehensive income

1 JANUARY – 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm	2008 DKKm
Profit for the year		**2,466**	**2,007**	**1,663**
Currency translation, foreign subsidiaries		295	(25)	(138)
Currency translation concerning additions to net investments in foreign subsidiaries		240	(396)	-
Adjustments, deferred exchange gains/losses, hedging		(213)	7	43
Exchange gains/losses, hedging (transferred to the hedged items)		163	(1)	(104)
Exchange gains/losses, trading (transferred from hedging)		1	22	(16)
Accumulated exchange loss on divestment of associate	25	2	-	-
Other equity entries concerning associates		-	-	1
Fair value adjustment of available-for-sale financial assets	11	(4)	27	(7)
Tax on other comprehensive income	8	(47)	93	19
Other comprehensive income[1]		**437**	**(273)**	**(202)**
Comprehensive income		**2,903**	**1,734**	**1,461**

1) Currency translation of foreign subsidiaries and currency translation concerning additions to net investments in foreign subsidiaries and tax relating to these items, a total of DKK 476 million (DKK -321 million in 2009 and DKK -138 million in 2008), are recognised in the currency translation reserve in equity. Other items and related tax, a total of DKK -39 million (DKK 48 million in 2009 and DKK -64 million in 2008), are recognised in retained earnings in equity.

Balance sheet – assets

AT 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm	2008 DKKm
Goodwill		3,792	3,520	819
Patent rights		191	221	232
Product rights		3,591	3,552	606
Other rights		311	350	231
Projects in progress		127	81	128
Intangible assets	12	**8,012**	**7,724**	**2,016**
Land and buildings		2,186	2,153	2,178
Plant and machinery		374	460	422
Other fixtures and fittings, tools and equipment		231	289	319
Prepayments and plant and equipment in progress		255	147	204
Property, plant and equipment	12	**3,046**	**3,049**	**3,123**
Investments in associates	6	-	-	-
Available-for-sale financial assets	11	21	26	31
Other receivables	11	57	45	56
Deferred tax	13	113	128	160
Financial assets		**191**	**199**	**247**
Non-current assets		**11,249**	**10,972**	**5,386**
Inventories	14	**1,491**	**1,481**	**837**
Trade receivables	15	2,105	1,962	1,527
Income taxes	16	190	139	57
Other receivables	15	389	348	406
Prepayments		233	206	232
Receivables		**2,917**	**2,655**	**2,222**
Securities	17	**54**	**59**	**955**
Cash	17	**2,294**	**1,960**	**2,921**
Assets held for sale		**-**	**-**	**205**
Current assets		**6,756**	**6,155**	**7,140**
Assets		**18,005**	**17,127**	**12,526**

Balance sheet – equity and liabilities

AT 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm	2008 DKKm
Share capital	18	980	980	984
Share premium	18	224	224	224
Currency translation reserve		(281)	(757)	(436)
Retained earnings		10,199	8,356	6,739
Equity		**11,122**	**8,803**	**7,511**
Pension obligations and similar obligations	19	224	203	180
Deferred tax	13	576	784	426
Other provisions	3, 20	130	129	84
Bank debt	21	-	750	-
Mortgage debt	21	1,858	1,856	1,853
Employee bonds and other debt		60	65	51
Non-current liabilities		**2,848**	**3,787**	**2,594**
Other provisions	3, 20	216	186	18
Bank debt	21	-	804	23
Trade payables		1,237	997	867
Income taxes	16	75	121	31
Other payables		1,990	1,736	885
Prepayments from Forest	2, 27	517	693	597
Current liabilities		**4,035**	**4,537**	**2,421**
Liabilities		**6,883**	**8,324**	**5,015**
Equity and liabilities		**18,005**	**17,127**	**12,526**

Statement of changes in equity

AT 31 DECEMBER 2010

	Share capital DKKm	Share premium DKKm	Currency translation reserve DKKm	Retained earnings DKKm	Equity DKKm
2010					
Equity at 01.01.2010	**980**	**224**	**(757)**	**8,356**	**8,803**
Profit for the year	-	-	-	2,466	2,466
Other comprehensive income	-	-	476	(39)	437
Comprehensive income	**-**	**-**	**476**	**2,427**	**2,903**
Distributed dividends[1]	-	-	-	(602)	(602)
Incentive programmes	-	-	-	18	18
Other transactions	**-**	**-**	**-**	**(584)**	**(584)**
Equity at 31.12.2010	**980**	**224**	**(281)**	**10,199**	**11,122**
2009					
Equity at 31.12.2008	984	224	-	6,384	7,592
Restatement: Currency translation, foreign subsidiaries	-	-	(436)	355	(81)
Equity at 01.01.2009	**984**	**224**	**(436)**	**6,739**	**7,511**
Profit for the year	-	-	-	2,007	2,007
Other comprehensive income	-	-	(321)	48	(273)
Comprehensive income	**-**	**-**	**(321)**	**2,055**	**1,734**
Distributed dividends, gross	-	-	-	(453)	(453)
Distributed dividends, treasury shares	-	-	-	2	2
Capital reduction and cancellation of treasury shares	(4)	-	-	4	-
Incentive programmes	-	-	-	9	9
Other transactions	**(4)**	**-**	**-**	**(438)**	**(442)**
Equity at 31.12.2009	**980**	**224**	**(757)**	**8,356**	**8,803**
2008					
Equity at 31.12.2007	1,036	224	-	5,925	7,185
Restatement: Currency translation, foreign subsidiaries	-	-	(298)	202	(96)
Equity at 01.01.2008	**1,036**	**224**	**(298)**	**6,127**	**7,089**
Profit for the year	-	-	-	1,663	1,663
Other comprehensive income	-	-	(138)	(64)	(202)
Comprehensive income	**-**	**-**	**(138)**	**1,599**	**1,461**
Distributed dividends, gross	-	-	-	(531)	(531)
Distributed dividends, treasury shares	-	-	-	27	27
Capital reduction and cancellation of treasury shares	(52)	-	-	52	-
Buyback of treasury shares	-	-	-	(538)	(538)
Incentive programmes	-	-	-	3	3
Other transactions	**(52)**	**-**	**-**	**(987)**	**(1,039)**
Equity at 31.12.2008	**984**	**224**	**(436)**	**6,739**	**7,511**

1) Lundbeck had no treasury shares at the time of distribution.

Cash flow statement

1 JANUARY – 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm	2008 DKKm
Profit from operations		3,357	2,858	2,354
Adjustments	22	1,080	699	1,030
Working capital changes	23	88	312	(88)
Cash flows from operations before financial receipts and payments		**4,525**	**3,869**	**3,296**
Financial receipts		60	129	209
Financial payments		(138)	(239)	(198)
Cash flows from ordinary activities		**4,447**	**3,759**	**3,307**
Income tax paid for the year	16	(1,131)	(749)	(502)
Income tax paid/received regarding previous years	16	(51)	24	(25)
Cash flows from operating activities		**3,265**	**3,034**	**2,780**
Company acquisitions	24	-	(5,110)	-
Change in receivables from associates		9	-	(8)
Investments in intangible assets		(444)	(980)	(817)
Investments in property, plant and equipment		(383)	(258)	(229)
Sale of property, plant and equipment		3	4	3
Investments in financial assets		(8)	(11)	(1,033)
Sale of financial assets		20	1,281	1,497
Cash flows from investing activities		**(803)**	**(5,074)**	**(587)**
Cash flows from operating and investing activities		**2,462**	**(2,040)**	**2,193**
Loan proceeds		-	2,507	20
Repayment of loans		(1,560)	(999)	(12)
Buyback of treasury shares		-	-	(538)
Employee bonds		-	8	18
Dividends paid in the financial year		(602)	(451)	(504)
Cash flows from financing activities		**(2,162)**	**1,065**	**(1,016)**
Change in cash		**300**	**(975)**	**1,177**
Cash at 01.01.		1,960	2,921	1,772
Unrealised exchange adjustments for the year		34	14	(28)
Change for the year		300	(975)	1,177
Cash at 31.12.	17	**2,294**	**1,960**	**2,921**
Interest-bearing net cash and cash equivalents is composed as follows:				
Cash		2,294	1,960	2,921
Securities		54	59	955
Interest-bearing debt		(1,918)	(3,475)	(1,927)
Interest-bearing net cash and cash equivalents at 31.12.		**430**	**(1,456)**	**1,949**

Note 1

1. Accounting policies

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, including the disclosure requirements imposed by NASDAQ OMX Copenhagen on annual reports of listed companies and the Danish Statutory Order on Adoption of IFRS.

The consolidated financial statements are presented in Danish kroner (DKK), which also is the functional currency of the parent company.

The consolidated financial statements are presented in accordance with the new and revised standards (IFRS/IAS) and interpretations (IFRIC) which apply for the financial year. This has not resulted in any changes in accounting policies that have affected recognition and measurement in the current or previous years.

Implementation of new and revised standards and interpretations
IFRS 3 *Business combinations* has been implemented in the current financial year and will be applied to business combinations with an acquisition date on or after 1 January 2010. The principal changes in IFRS 3 have the following consequences:
- The possibility of recognising 100% of the goodwill from the acquired enterprise, regardless of the acquired stake being lower than 100%.
- Changes to contingent consideration on acquisitions will henceforth be recognised in the income statement.
- Acquisition costs are recognised in the income statement when incurred.

In the current financial year, Lundbeck has not been a party to business combinations encompassed by IFRS 3.

Changes to IAS 27 *Consolidated and Separate Financial Statements* and IAS 28 *Investments in Associates* primarily relate to accounting for transactions that lead to changes in the Group's investments in subsidiaries and associates. As Lundbeck has not made transactions covered by the changes to IAS 27 and 28, the implementation of these standards did not affect the annual report.

Lundbeck has also implemented a change to IFRS 8 *Operating Segments*, under which non-current assets are no longer shown distributed on geographical areas because this information is not included in the internal management reports.

Finally, Lundbeck has opted for early implementation of a change to IAS 1 *Presentation of financial statements*, which enters into force at 1 January 2011. The presentation of comprehensive income and statement of changes in equity has been adjusted to reflect the new requirements.

Future IFRS changes
At the date of the publication of these consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not included in the consolidated financial statements. None of these changes are expected to have a material impact on future consolidated financial statements.

Accounting policies and estimates critical to financial reporting

Management believes that the following accounting policies and accounting estimates are critical to the Group's financial reporting.

Income from Forest
The invoiced price is agreed between Forest and Lundbeck at the beginning of each calendar year. The price is calculated on the basis of expectations for the coming year's development in the components included in the royalty calculation. These components are: Forest's net selling prices, quantities used in sold products, quantities used in samples, quantities wasted during processing, and the various dosage levels of the finished goods. Income from sales of escitalopram to Forest is recognised as follows:
- Sales of escitalopram are invoiced at the agreed price, but only a proportion (the minimum price) of the invoiced price is recognised as income at the time of delivery.
- The difference between the invoiced price and the minimum price of Forest's inventories is recognised in the balance sheet as prepayments.
- After the end of each quarter, the final settlement price is calculated. The difference between the final calculated settlement price and the invoiced price is recognised as income and settled with Forest, and the difference between the invoiced price and the minimum price recognised in the balance sheet as prepayment at the time of delivery is recognised as income.

In connection with a potential launch of generic escitalopram in the USA, the agreement allows Forest to convert escitalopram inventories into generic escitalopram. In connection with a conversion of escitalopram inventories, the minimum price will be adjusted by any repayment to Forest of part of the recognised minimum payment. This adjustment will be expensed in the financial statements.

License income and income from research collaborations
License income and royalties from outlicensed products as well as non-refundable downpayments and milestone payments relating to research collaborations are recognised in the income statement under revenue when the following criteria have been met:
- The payment relates to research results already obtained.
- The most significant risks and benefits associated with the asset sold are transferred to the buyer.
- Lundbeck does not retain management control of the asset sold.
- Revenue from the individual payments in an overall agreement can be clearly separated and calculated reliably at fair value.
- It is probable that Lundbeck will receive payment for the asset sold.
- There are no further delivery obligations for Lundbeck concerning the asset sold.

Development costs
Development costs are capitalised if the criteria for such capitalisation are deemed to have been met and it is found to be probable that future earnings will cover the development costs. Due to a very long development period and significant uncertainty in relation to the development of new products, in the opinion of Lundbeck, development costs should not normally be capitalised in the balance sheet until the development of the product has been completed and all the necessary public registration and marketing approvals have been obtained. Otherwise, development costs are recognised in the income statement as they are incurred.

Note 1

Intangible assets
Goodwill and product rights represent a significant part of the Group's total assets. The majority of the value of these items arose through the acquisition of companies. In connection with acquisitions, the individual assets and liabilities are re-assessed to ensure that both recognised and unrecognised values are measured at fair value. Especially for intangible assets for which there is often no active market, the calculation of fair value may involve uncertainty. Intangible assets with indefinite lives and intangible assets in progress are tested for impairment at least once a year or if there is evidence of impairment. The value in use of the assets is calculated by discounting the estimate made by management over the expected cash flows during a budget period of at least five years with due consideration to patent expiry. For the calculation of the value in use of the assets, the Group uses its discount rate and management's expectations for growth and terminal value in the period over and above the five years. These factors are crucial for the assessment of any impairment and thus for the final calculation of the fair value of intangible assets.

It is a precondition for the retention of the value of the Group's rights that such rights are respected. It is Lundbeck's policy to defend these rights wherever they may be violated.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet if they are probable and can be measured reliably.

On initial recognition, assets and liabilities are measured at cost or fair value. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and financial liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus/less the accumulated amortisation of any difference between cost and the nominal amount. Recognition and measurement take into consideration gains, losses and risks that arise before the time of presentation of the consolidated financial statements and that confirm or invalidate matters existing at the balance sheet date.

Income is recognised in the income statement as earned and includes value adjustments of financial assets and financial liabilities measured at fair value or amortised cost. In addition, expenses incurred to generate the income for the year are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals of amounts previously recognised in the income statement as a result of changed accounting estimates.

Consolidated financial statements
The consolidated financial statements comprise the parent company H. Lundbeck A/S and subsidiaries controlled by the parent company. Control is achieved where the parent company directly or indirectly holds more than 50% of the voting rights or is otherwise able to exercise or actually exercises control.

Companies in which the Group holds between 20% and 50% of the voting rights and exercises significant influence but not control are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

The consolidated financial statements are prepared by adding together uniform items and eliminating intra-group income and expenses, investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated companies. Account is taken of the tax effect of these eliminations.

Business combinations
Newly acquired companies are recognised in the consolidated financial statements from the date of acquisition. Companies sold or discontinued are recognised in the consolidated income statement up to the time of sale or discontinuance. Expected costs related to divestment or discontinuance are included in the calculation of gains or losses.

Acquired businesses are accounted for using the purchase method of accounting, according to which the identifiable assets, liabilities and contingent liabilities of the acquired companies are measured at fair value at the time of acquisition. Account is taken of the tax effect of the revaluations made. The cost of a business is generally the fair value of the consideration paid. If the final determination of the consideration is contingent on one or more future events, the value thereof will be recognised at fair value at the date of acquisition. Changes to contingent considerations are recognised in the income statement. Costs directly attributable to the business combination are recognised in the income statement as incurred.

Positive differences (goodwill) between the cost of the acquired business and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised under intangible assets. Negative differences (negative goodwill) between the cost of the acquired business and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised in the income statement at the time of acquisition. Goodwill arising from acquired businesses is adjusted within a maximum period of 12 months from the acquisition if additional information about the fair value at the time of acquisition of assets, liabilities and contingent liabilities acquired is obtained after the acquisition. However, goodwill will not be recognised by an amount exceeding the expectations of future income from the acquiree.

Goodwill and fair value adjustments in connection with the acquisition of independent foreign entities (subsidiaries or associates) are accounted for as assets and liabilities in the acquiree and translated at the exchange rate at the balance sheet date.

Gains or losses on disposal or discontinuance of subsidiaries and associates
Gains or losses on the disposal or discontinuance of subsidiaries and associates are calculated as the difference between the selling price or the discontinuance amount and the carrying amount of net assets at the time of sale as well as anticipated costs relating to sale or discontinuance. The resulting gain or loss is recognised in the income

Note 1

statement together with accumulated currency translation adjustments previously recognised in other comprehensive income.

Translation of foreign currency
On initial recognition, transactions denominated in foreign currencies are translated at standard rates which approximate the actual exchange rates at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as net financials except in case of hedge accounting. In case of hedge accounting, such differences are recognised in the same item as the hedged item.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the rates at the time the receivable or payable is created or recognised in the latest consolidated financial statements is recognised in the income statement under net financials in respect of unhedged items and under the same item for hedged items.

On recognition of foreign subsidiaries having a functional currency different from that used by the parent company, non-monetary as well as monetary items are translated at the exchange rates at the balance sheet date. Exchange differences arising from the translation of both the balance sheets and the income statements of the foreign subsidiaries are recognised in the Group's statement of comprehensive income under other comprehensive income.

Foreign exchange adjustment of receivables from or debt to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question is recognised in the Group's statement of comprehensive income under other comprehensive income.

On recognition of foreign associates having a functional currency different from that used by the parent company, assets and liabilities are translated at the exchange rates at the balance sheet date, while the income statement is translated at average exchange rates for the year. Exchange differences arising from the translation of foreign associates are recognised in the Group's statement of comprehensive income under other comprehensive income.

Financial instruments
Forward exchange contracts and other derivatives are initially recognised in the balance sheet at fair value on the value date and are subsequently remeasured at fair value at the balance sheet date. Positive and negative fair values are included in other receivables and other payables respectively.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging future cash flows are recognised in the Group's statement of comprehensive income under other comprehensive income. Income and expenses related to such hedging transactions are transferred from other comprehensive income on invoicing of the hedged item and included in the same item as the hedged item.

Changes in the fair value of derivatives classified as hedging instruments and meeting the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

For derivatives which do not qualify for hedge accounting, changes in fair value are recognised in the income statement under net financials as they arise.

Changes in the fair value of derivatives used to hedge net investments in independent foreign subsidiaries or associates and which otherwise meet the relevant criteria are recognised in the Group's statement of comprehensive income under other comprehensive income.

Securities, available-for-sale financial assets and derivatives measured at fair value are classified as belonging to levels 1-3 depending on the pricing method applied. Level 1 includes financial assets for which the fair value is measured on the basis of quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured on the basis of directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair value is measured on the basis of valuation techniques which include inputs not based on observable market data.

Assets held for sale
Non-current assets and groups of assets held for sale are presented as a separate item in the balance sheet as current assets. Non-current assets are not depreciated or amortised, but are written down to fair value less expected costs to sell where this is lower than the carrying amount.

Income statement

Revenue
Revenue comprises invoiced sales for the year less returned goods and revenue-based taxes consisting mainly of value added taxes and foreign revenue-based drug taxes.

Sales subject to a price adjustment clause are included in revenue at the time of delivery at the minimum price. The balance of the invoiced price is recognised in the balance sheet as a prepayment and is subsequently included in revenue when the price has been finally determined. The price is finally determined as the product is resold by the customer.

Moreover, revenue includes license income and royalties from outlicensed products as well as non-refundable downpayments and milestone payments relating to research and development collaborations.

In addition, income from the reduction of investments in research enterprises considered to represent the sale of research results is recognised as revenue.

See *Accounting policies and estimates critical to financial reporting* on page 68 for a description of the accounting treatment of income from Forest and of license income and income from research collaborations.

Note 1

Cost of sales
Cost of sales comprises the cost of goods sold. Cost includes the cost of raw materials, transport costs, consumables and goods for resale, direct labour and indirect costs of production, including operating costs, amortisation/depreciation and impairment losses relating to manufacturing facilities. Cost of sales moreover includes expenses in connection with quality assurance of products and any writedown to net realisable value of unsaleable and slow-moving items.

Distribution costs
Distribution costs comprise expenses incurred in connection with the distribution of the Group's products sold during the year and in connection with sales campaigns, etc. launched during the year under review, including direct distribution and marketing costs, salaries etc. for the sales and marketing functions, as well as amortisation/depreciation and impairment and other indirect costs.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for the management and administration of the Group, including expenses in connection with the administrative functions, management, office premises and office expenses, as well as amortisation/depreciation and impairment and other indirect costs.

Research and development costs
Research and development costs comprise expenses incurred during the year in connection with the Group's research and development functions, including wages and salaries, amortisation/depreciation and impairment and other indirect costs as well as costs relating to research and development collaborations on in-licensed products.

Research costs are always recognised in the income statement as they are incurred.

Development costs are capitalised if a number of specific criteria for capitalising these costs are deemed to have been met. Otherwise, development costs will be recognised in the income statement as they are incurred.

See *Accounting policies and estimates critical to financial reporting* on page 68 for a description of conditions for capitalising development costs.

Results of investments in associates
The proportionate share of the results of associates is recognised in the consolidated income statement after tax and elimination of the proportionate share of any intra-group gains and losses and after deduction of any writedowns of the equity investments.

Net financials
Net financials include interest income and expenses which are recognised in the income statement at the amounts relating to the financial year. Value adjustments of financial assets and realised and unrealised gains and losses on investments, unhedged items denominated in foreign currencies as well as forward contracts and other derivatives not used for hedge accounting are also included in net financials.

Tax
The Group's Danish subsidiaries are jointly taxed with the principal shareholder LFI a/s and its Danish subsidiaries. The current Danish income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the net profit or loss for the year and directly in the statement of comprehensive income under other comprehensive income as regards the amount that can be attributed to items under other comprehensive income. Exchange rate adjustments of deferred tax are recognised as part of the movements in deferred tax.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date.

Balance sheet

Intangible assets
Goodwill
On initial recognition, goodwill is measured and recognised as the excess of the cost or fair value of the acquired business over the fair value of the acquired assets, liabilities and contingent liabilities. On recognition of goodwill, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash-generating units).

Goodwill is not amortised, but is tested for impairment at least once a year (impairment test), or if there is evidence of impairment.

Development projects
Clearly defined and identifiable development projects are recognised as intangible assets where the technical rate of utilisation of the project, the availability of adequate resources and a potential future market or development opportunity in the company can be demonstrated and where the intention is to manufacture, market or use the project if the cost can be measured reliably and it is probable that the future earnings can cover production and selling expenses, administrative expenses as well as the development costs. Other development costs are recognised in the income statement as the costs are incurred.

After completion of the development work, development costs are amortised on a straight-line basis over the expected useful life. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining term of the rights concerned. Ongoing development projects are tested for impairment at least once a year, or if there is evidence of impairment.

Other intangible assets
Acquired intellectual property rights in the form of product rights, patents, licenses, customer relationships and software are measured at cost less accumulated amortisation and impairment. The cost of software comprises the cost of planning, including labour and costs directly attributable to the project. Product rights are amortised on a straight-line basis over the economic lives of the underlying products. Patents are amortised, as a maximum, over the remaining patent period, and licenses are amortised

Note 1

over the period of agreement. Amortisation commences when the asset is ready to be brought into use, which means at the time of commercialisation.

Amortisation is recognised in the income statement under cost of sales, distribution costs, administrative expenses and research and development costs, respectively.

Other intangible assets with indeterminable useful lives are not amortised but tested for impairment at least once a year, or if there is evidence of impairment.

Borrowing costs to finance the manufacture of other intangible assets are recognised in the cost price if such borrowing costs relate to the production period. Other borrowing costs are taken to the income statement.

Gains and losses on the disposal of development projects, patents and licenses are measured as the difference between the selling price less cost to sell and the carrying amount at the time of sale.

See *Accounting policies and estimates critical to financial reporting* on page 68 for a description of the calculation of the fair value of intangible assets.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost includes the costs of purchase and expenses directly attributable to the purchase until the asset is ready for use. In the case of assets manufactured by the company, cost includes expenses directly attributable to the manufacture of the asset, including materials, components, subsupplies and labour.

Borrowing costs to finance the manufacture of property, plant and equipment are recognised in the cost price if such borrowing costs relate to the production period. Other borrowing costs are taken to the income statement.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets, which are expected to be as follows:

Buildings	30 years
Installations	10 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	max. 10 years

The depreciation base is cost less the estimated residual value at the end of the expected useful life. The cost of a total asset is divided into smaller components that are depreciated separately if such components have different useful lives. Depreciation methods, useful lives and residual values are re-assessed annually.

Depreciation is recognised in the income statement under cost of sales, distribution costs, administrative expenses and research and development costs, respectively.

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred, either directly in the income statement or as part of indirect costs of production.

Costs incurred that increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and are depreciated over the expected useful life of the improvement.

Gains or losses on the sale or retirement of items of property, plant and equipment are calculated as the difference between the carrying amount and the selling price reduced by costs relating to divestment or discontinuance. Gains and losses are recognised in the income statement under the same item as the associated depreciation.

Impairment
Goodwill is written down through the income statement in those cases where the carrying amount exceeds the future net income expected from the cash-generating unit (CGU) to which the goodwill relates (recoverable amount). In the impairment test, the discounted expected future cash flows (value in use) for each CGU are compared to the carrying amounts of goodwill and other net assets.

The carrying amount of intangible assets and property, plant and equipment is analysed in connection with the preparation of the consolidated financial statements if there are indications that the carrying amount of an asset may exceed the expectations of future income from the asset (recoverable amount). If this analysis concludes that the future expected net income from the asset will be lower than the carrying amount, the carrying amount will be reduced to the higher of fair value less cost to sell and value in use. Impairment losses are recognised in the income statement under the same items as the associated depreciation or amortisation.

Investments in associates
Investments in associates are recognised and measured in the consolidated financial statements according to the equity method, which entails that the investments are measured in the balance sheet at the proportionate share of the associate's net asset value calculated in accordance with the Group' accounting policies less or plus unrealised intra-group gains and losses and plus the carrying amount of goodwill.

The proportionate share of the result of the associate is recognised in the income statement after tax and elimination of the proportionate share of any intra-group gains and losses and after deduction of any writedowns of the investments. The proportionate share of all transactions and events recognised directly in the associate's other comprehensive income is recognised in the Group's statement of comprehensive income under other comprehensive income.

Investments in associates with a negative carrying amount are recognised at DKK 0. Receivables and other long-term financial assets considered to form part of the overall investment in the associate are written down by any remaining negative net asset value. Trade receivables and other receivables are written down only to the extent they are deemed to be irrecoverable. A provision to cover the remaining negative net asset value will only be made if the Group has a legal or constructive obligation to cover the liabilities of the relevant associate.

Note 1

Other financial assets
Other investments that are included in the Group's documented investment strategy in accordance with the fair value option of IAS 39 *Financial Instruments: Recognition and Measurement* are recognised on the basis of the value date and are measured at market price or estimated fair value at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under net financials.

Other investments outside the scope of the documented investment strategy are available for sale, and on initial recognition these investments are measured at fair value with the addition of directly attributable costs. Other investments are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised in the statement of comprehensive income under other comprehensive income with the exception of impairment losses and dividends, which are taken to the income statement. When other investments are sold or settled, the accumulated fair value adjustments are recognised in the income statement.

Other receivables with a fixed maturity are measured at amortised cost less writedowns as a result of diminution in value. Other receivables without a fixed maturity are measured at cost.

Inventories
Raw materials, packaging and goods for resale are measured at the latest known cost at the balance sheet date, which equals cost computed according to the FIFO method. Work in progress and finished goods manufactured by the company are measured at cost, i.e. the cost of raw materials, consumables, direct labour and indirect costs of production. Indirect costs of production include materials and labour as well as maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory administration and management. Indirect costs of production are allocated based on the normal capacity of the production plant.

Inventories are written down to net realisable value if it is lower than the cost price. The net realisable value of inventories is calculated as the selling price less costs of conversion and costs incurred to execute the sale, and it is determined having regard to marketability, obsolescence and expected selling price developments.

Receivables
Current receivables arising in the Group's normal course of business are measured at nominal value less writedowns to counter the risk of loss calculated on the basis of an individual evaluation. A provision account is used for this purpose.

Prepayments
Prepayments consist of expenses relating to subsequent financial years. Prepayments are measured at cost.

Other securities
Other securities, including the bond portfolio, that are included in the Group's documented investment strategy and recognised under current assets are recognised on the basis of the value date and are measured at the market price at the balance sheet date. Both realised and unrealised gains and losses are recognised in the income statement under net financials.

On initial recognition, other securities outside the scope of the documented investment strategy are measured at fair value with the addition of directly attributable costs. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised in the statement of comprehensive income under other comprehensive income with the exception of impairment losses and dividends, which are taken to the income statement. When securities are sold or settled, the accumulated fair value adjustments are recognised in the income statement.

Equity
Dividends
Proposed dividends are recognised as a liability at the time of adoption of the dividend resolution at the annual general meeting (the time of declaration). Dividends expected to be paid in respect of the year are included in the line item *Profit for the year* in the statement of changes in equity.

Treasury shares
Cost and selling prices of treasury shares as well as dividends are recognised directly in equity. Gains and losses on sales are therefore not recognised in the income statement.

Share-based payments
Share-based incentive programmes in which employees may opt to buy shares in the parent company and in which shares are allocated to employees (equity schemes) are measured at the equity instruments' fair value at the date of grant and recognised in the income statement under staff costs when or as the employee obtains the right to buy/receive the shares. The balancing item is recognised directly in equity under other transactions.

Share price-based incentive programmes in which employees have the difference between the agreed price and the actual share price settled in cash (debt schemes) are measured at fair value at the date of grant and recognised in the income statement under staff costs when or as the employee obtains the right to such difference settlement. The incentive programmes are subsequently remeasured on each balance sheet date and upon final settlement, and any changes in the fair value of the programmes are recognised in the income statement under staff costs. The balancing item is recognised under provisions.

Pension obligations
The Group has entered into pension agreements and similar agreements with the majority of the Group's employees.

Periodical payments to defined contribution plans are recognised in the income statement at the due date and any contributions payable are recognised in the balance sheet under current liabilities.

The present value of the Group's liabilities relating to future pension payments according to defined benefit plans is measured on an actuarial basis at intervals of not more than three years on the basis of the pensionable period of employment up to the time of the actuarial valuation. The Projected Unit Credit Method is applied to determine the present value. The present value is calculated based on assumptions of the future developments of salary, interest, inflation, mortality and disability rates and other

Note 1

factors. Actuarial gains and losses are recognised in the income statement as they are calculated.

The present value of the liability according to defined benefit plans is measured less the fair value of the plan assets, and any net obligation is recognised in the balance sheet under non-current liabilities. Any net asset is recognised in the balance sheet as a financial asset.

The year's changes in the provisions relating to defined benefit plans are recognised in the income statement.

Income tax and deferred tax
Current tax liabilities and receivables are recognised in the balance sheet, computed as tax calculated on the taxable income for the year, adjusted for provisional tax paid.

Tax on items in other comprehensive income is recognised in the statement of comprehensive income under other comprehensive income.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities and their tax base, except for temporary differences arising either on initial recognition of goodwill or a transaction that is not a business combination and with the temporary difference ascertained at the time of the initial recognition affecting neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of each asset.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the parent company has a possibility of controlling when the deferred tax is to be realised and it is likely that the deferred tax will not materialise as current tax.

Deferred tax is measured on the basis of the tax rates and tax rules in force in the respective countries on the balance sheet date. Changes in deferred tax as a result of changed tax rates or tax rules are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net assets.

Changes in deferred tax concerning the cost of share-based payments are generally recognised in the income statement.

Deferred tax in respect of recaptured losses previously deducted in foreign subsidiaries is recognised on the basis of a specific assessment of the intention with each individual subsidiary.

Balances calculated according to the rules on interest deductibility limitations in the Danish Corporate Income Tax Act are allocated between the jointly-taxed companies according to a joint taxation agreement and are allocated between the companies that are subjected to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognised in the balance sheet, whereas deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

Other provisions
Other provisions are recognised when the Group has a legal or constructive obligation that arises from past events and it is probable that an outflow of financial resources will be required to settle the obligation.

Other provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

Return obligations imposed on the industry are recognised in the balance sheet under other provisions.

Debt
Mortgage debt and debt to credit institutions are recognised at the time of the raising of the loan at proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value when the effective rate of interest is used, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Debt included in the short-term financial liquidity is also measured at amortised cost in subsequent periods.

Other payables, which include trade payables and debt to public authorities etc. are measured at amortised cost.

Cash flow statement

The consolidated cash flow statement is presented according to the indirect method and shows the composition of cash flows, divided into operating, investing and financing activities respectively, and the cash and cash equivalents at the beginning and at the end of the year.

Cash flows from acquisitions and divestments of companies are shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired companies from the date of acquisition and cash flows from divested companies until the time of divestment.

Cash flows from operating activities are calculated as the Group's profit from operations, adjusted for non-cash operating items, working capital changes, financial receipts and payments and income taxes paid.

Cash flows from investing activities include payments in connection with purchases and sales of intangible assets, property, plant and equipment and financial assets, including equity investments in companies. Also included are securities classified as current assets.

Notes 1-2

Cash flows from financing activities include payments to and from shareholders and related expenses as well as the raising of and repayments on loans, mortgage debt and other long-term debt.

Cash comprises cash less current bank debt falling due on demand.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates during the year because they approximate the actual exchange rates at the date of payment. Cash at year-end is translated at the exchange rates at the balance sheet date, and the effect of exchange rate adjustments on cash is shown as a separate item in the cash flow statement.

Segment information

Lundbeck is engaged in research, development, production and marketing of pharmaceuticals for the treatment of brain disorders.

In accordance with IFRS 8 *Operating Segments*, segments must be identified based on internal management reporting. In Lundbeck, the internal management reporting follows the Group's accounting policies. In accordance with the internal management reporting, on the basis of which management evaluates and allocates resources, the Group's activities are in the business segment of 'Pharmaceuticals for the treatment of brain disorders'.

The Group's senior operational management is the Corporate Management Group (CMG), which consists of the Group's Executive Management registered with the authorities and persons in charge of the function areas Business Development, HR and Legal. CMG makes decisions in respect of the future strategy, draws up action plans and defines targets for the Group's future operations.

The geographic distribution is shown for revenue and is based on the external customers' geographical location.

Key figures

Financial key figures are calculated according to *Recommendations and Financial Ratios 2010* issued by the Danish Society of Financial Analysts.

For definitions of key figures see *Summary for the Group 2006-2010*, p. 58-59.

Change in accounting policies made in 2009

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

2. Segment information

The Group is engaged in research, development, production and marketing of pharmaceuticals for the treatment of brain disorders. The business segment reflects the internal management reporting.

2010	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Cipralex®	3,929	-	1,879	5,808
Lexapro®	-	2,443	-	2,443
Ebixa®	2,040	-	363	2,403
Azilect®	932	-	96	1,028
Xenazine®	33	577	-	610
Sabril®	-	179	-	179
Other pharmaceuticals	881	523	632	2,036
Other revenue				258
Total revenue	**7,815**	**3,722**	**2,970**	**14,765**
Of this amount:				
Downpayments and milestone payments				37
Royalty				619

Of total revenue, DKK 104 million derived from sales in Denmark.

Notes 2-3

2. Segment information – continued

2009	Europe DKKm	USA DKKm	Int. Markets DKKm	Group DKKm
Cipralex®	3,720	-	1,600	5,320
Lexapro®	-	2,451	-	2,451
Ebixa®	1,800	-	362	2,162
Azilect®	699	-	70	769
Xenazine®	6	292	-	298
Other pharmaceuticals	991	889	589	2,469
Other revenue				278
Total revenue	**7,216**	**3,632**	**2,621**	**13,747**
Of this amount:				
Downpayments and milestone payments				28
Royalty				620
Income from sale of ownership interest in LifeCycle Pharma A/S				124

Of total revenue, DKK 221 million derived from sales in Denmark incl. DKK 124 million concerning the sale of Lundbeck's ownership interest in LifeCycle Pharma A/S.

Income from Forest in the USA
Income from sales of citalopram and escitalopram to Forest amounted to DKK 2,443 million in 2010 (DKK 2,451 million in 2009) based on the minimum price for this year's shipments and adjustments of prepayments concerning prior-year shipments. Prepayments, which is the difference between the invoiced price and the minimum price, were DKK 517 million at 31 December 2010 (DKK 693 million in 2009). See Note 1 *Accounting policies* for a more elaborate description hereof.

The agreement with Forest takes into consideration the expiry of the escitalopram patent protection in the USA in 2012. Prior to any launch of generic escitalopram, Forest is expected to reduce its escitalopram inventories to a low level.

Developments in Forest's inventories and net selling price are monitored closely, and the risk of the price adjustment clause and repayment of the prepayment being applied is regularly assessed. Inventories at 31 December 2010 corresponded to approximately 6 months of commercial supply (approximately 6 months of commercial supply at 31 December 2009). It is believed that there is presently no repayment risk.

3. Staff costs

Wages and salaries, etc.

	2010 DKKm	2009 DKKm
Short-term staff benefits	2,962	2,709
Pension benefits	215	205
Other social security costs	369	329
Share-based payments	13	15
Total	**3,559**	**3,258**
The year's staff costs are specified as follows:		
Cost of sales	458	422
Distribution costs	1,120	969
Administrative expenses	1,021	936
Research and development costs	960	931
Total	**3,559**	**3,258**
Executives		
Short-term staff benefits	65	62
Pension benefits	11	9
Share-based payments	6	5
Total	**82**	**76**
Executive Management		
Short-term staff benefits	30	30
Pension benefits	6	5
Share-based payments	4	1
Total	**40**	**36**

The total remuneration of the CEO, including bonus, which is a combination of company strategic and individual targets, and share-based payments, amounted to DKK 11.5 million for the 2010 financial year (DKK 10.0 million in 2009).

The fair value of the warrant and share schemes for the Executive Management, vested and calculated according to the Black-Scholes method, was DKK 16.0 million at 31 December 2010 (DKK 0.5 million in 2009).

The members of the Executive Management participate in a short-term incentive programme that provides an annual bonus for the achievement of pre-determined targets of the preceding financial year. The CEO may receive up to nine months' base salary as a bonus on condition of achievement of exceptional results. The other members of the Executive Management may receive up to six months' base salary as a bonus on condition of achievement of exceptional results.

Note 3

3. Staff costs – continued

Supervisory Board

The total remuneration of the Supervisory Board for 2010 amounted to DKK 5.7 million (DKK 5.2 million in 2009). The amount includes remuneration for participation in the Audit Committee of DKK 0.7 million (DKK 0.7 million in 2009), for participation in the Remuneration Committee of DKK 0.7 million (DKK 0.7 million in 2009) and for participation in the Scientific Committee of DKK 0.7 million (DKK 0.2 million in 2009). The Scientific Committee was established at the end of 2009. The remuneration for 2010 is consistent with that presented at the Annual General Meeting held on 20 April 2010.

The members of the Supervisory Board held a total of 46,072 Lundbeck shares at 31 December 2010 (49,334 shares in 2009).

The total remuneration for 2010 of the chairman of the Supervisory Board amounted to DKK 1.2 million (DKK 1.2 million in 2009), including remuneration for participation in the Remuneration Committee. The total remuneration for 2010 of the deputy chairman of the Supervisory Board amounted to DKK 0.8 million (DKK 0.8 million in 2009), including remuneration for participation in the Audit Committee.

Number of employees

	2010	2009
Average number of full-time employees in the financial year	**5,689**	**5,526**
Number of full-time employees at 31.12.		
In Denmark	1,982	1,974
Abroad	3,662	3,759
Total	**5,644**	**5,733**

Incentive programmes

In order to attract, retain and motivate key employees and align their interests with those of the shareholders, Lundbeck has established a number of incentive programmes. Lundbeck uses equity-based as well as debt-based schemes, and the tables below show all the incentive programmes in place in 2009 and 2010.

Equity-based schemes

In the 2010 financial year, equity-based schemes consisted of warrant schemes and share schemes granted in the period 2007-2010.

No warrants were exercised in 2010 as the schemes were either out-of-the-money or had not vested. At 31 December 2010, the total number of warrants which were exercisable and in-the-money was 0 (0 in 2009).

The performance of the Lundbeck share in 2010 is illustrated in the chart on page 46 in the section *The Lundbeck share*.

In March 2010, the company established a warrant scheme and a share scheme for the Executive Management and a number of key employees in Denmark and abroad. 101 employees were granted a total of 765,979 warrants and 96,355 shares, of which the Executive Management was allocated 507,885 warrants and 22,308 shares. The warrants and shares will vest at 16 March 2013 subject to the employee still being employed with Lundbeck. For members of the Executive Management, award of the number of warrants and shares is also subject to H. Lundbeck A/S' ranking in a peer group of companies. The ranking in a peer group of companies is based on the Total Shareholder Return over a three-year period. The warrants are exercisable during the period 16 March 2013 to 15 March 2018 at an exercise price of DKK 97.00.

The fair value per warrant at the time of grant is calculated using the Black-Scholes method and is based on a volatility of 32.29%, a dividend payout ratio of 1.50%, a risk-free interest rate of 2.60%, an average maturity of approximately 66 months and a share price of DKK 99.55. This translates into a fair value of DKK 29.86 per warrant. The volatility is based on daily data during the period 18 January 2005 to 31 December 2009.

The fair value at the time of grant was DKK 99.55 per share.

In October 2010, the company established a warrant scheme and a share scheme for key employees in Denmark and abroad. 16 employees were granted a total of 24,971 warrants and 6,334 shares. The warrants and shares will vest at 16 March 2013 subject to the employee still being employed with Lundbeck. The warrants are exercisable during the period 16 March 2013 to 15 March 2018 at an exercise price of DKK 97.00.

The fair value per warrant at the time of grant is calculated using the Black-Scholes method and is based on a volatility of 31.70%, a dividend payout ratio of 1.50%, a risk-free interest rate of 1.73%, an average maturity of approximately 60 months and a share price of DKK 95.70. This translates into a fair value of DKK 24.30 per warrant. The volatility is based on daily data during the period 18 January 2005 to 31 December 2009.

The fair value at the time of grant was DKK 95.70 per share.

Note 3

3. Staff costs – continued

Warrant schemes	2005	2007	2008	2008	2009	2010	2010
Number of employees covered by the scheme	76	80	87	1	98	101	16
Total number of warrants granted	647,000	844,500	405,234	134,310	534,058	765,979	24,971
Number of warrants granted to the Executive Management	160,000	173,000	219,618	134,310	333,811	507,885	-
Vested at	immediately	immediately	06.05.11	02.06.11	16.03.12	16.03.13	16.03.13
Exercise period begins	02.10.06	01.08.08	06.05.11	02.06.11	16.03.12	16.03.13	16.03.13
Exercise period ends	31.03.09	31.03.11	05.05.16	01.06.16	15.03.17	15.03.18	15.03.18
Exercise price, DKK	179.00	156.00	115.00	115.00	102.00	97.00	97.00

Share schemes	2008	2008	2009	2010	2010
Number of employees covered by the scheme	87	1	98	101	16
Total number of shares granted	71,870	2,739	92,627	96,355	6,334
Number of shares granted to the Executive Management	12,429	2,739	20,794	22,308	-
Vested at	06.05.11	02.06.11	16.03.12	16.03.13	16.03.13
Fair value at date of grant, DKK	120.25	117.75	98.75	99.55	95.70

2010

Year of grant	01.01. Number	Grant Number	Reclassification Number	Cancellation Number	31.12. Number
Executive Management					
2007, warrants	180,000	-	-	-	180,000
2008, warrants	353,928	-	-	-	353,928
2008, shares	15,168	-	-	-	15,168
2009, warrants	333,811	-	-	-	333,811
2009, shares	20,794	-	-	-	20,794
2010, warrants	-	507,885	-	-	507,885
2010, shares	-	22,308	-	-	22,308
Total, Executive Management	**903,701**	**530,193**	**-**	**-**	**1,433,894**
Executives					
2007, warrants	303,100	-	(72,100)	-	231,000
2008, warrants	65,783	-	(7,431)	-	58,352
2008, shares	21,310	-	(2,492)	-	18,818
2009, warrants	77,020	-	(1,893)	-	75,127
2009, shares	24,338	-	(833)	-	23,505
2010, warrants	-	85,481	(6,075)	-	79,406
2010, shares	-	24,525	(1,744)	-	22,781
Total, executives	**491,551**	**110,006**	**(92,568)**	**-**	**508,989**

Note 3

3. Staff costs – continued

2010

Year of grant	01.01. Number	Grant Number	Reclassification Number	Cancellation Number	31.12. Number
Other					
2007, warrants	361,400	-	72,100	-	433,500
2008, warrants	109,406	-	7,431	-	116,837
2008, shares	34,764	-	2,492	-	37,256
2009, warrants	118,014	-	1,893	-	119,907
2009, shares	45,374	-	833	-	46,207
2010, warrants	-	197,584	6,075	-	203,659
2010, shares	-	55,856	1,744	-	57,600
Total, other	**668,958**	**253,440**	**92,568**	**-**	**1,014,966**
Total	**2,064,210**	**893,639**	**-**	**-**	**2,957,849**

2009

Year of grant	01.01. Number	Grant Number	Reclassification Number	Cancellation Number	31.12. Number
Executive Management					
2005, warrants[1]	105,000	-	-	(105,000)	-
2007, warrants	180,000	-	-	-	180,000
2008, warrants	353,928	-	-	-	353,928
2008, shares	15,168	-	-	-	15,168
2009, warrants	-	333,811	-	-	333,811
2009, shares	-	20,794	-	-	20,794
Total, Executive Management	**654,096**	**354,605**	**-**	**(105,000)**	**903,701**
Executives					
2005, warrants[1]	177,000	-	-	(177,000)	-
2007, warrants	303,100	-	-	-	303,100
2008, warrants	76,731	-	(10,948)	-	65,783
2008, shares	24,689	-	(3,379)	-	21,310
2009, warrants	-	76,269	751	-	77,020
2009, shares	-	24,032	306	-	24,338
Total, executives	**581,520**	**100,301**	**(13,270)**	**(177,000)**	**491,551**
Other					
2005, warrants[1]	365,000	-	-	(365,000)	-
2007, warrants	361,400	-	-	-	361,400
2008, warrants[2]	105,858	-	10,948	(7,400)	109,406
2008, shares[2]	33,774	-	3,379	(2,389)	34,764
2009, warrants[2]	-	123,978	(751)	(5,213)	118,014
2009, shares[2]	-	47,801	(306)	(2,121)	45,374
Total, other	**866,032**	**171,779**	**13,270**	**(382,123)**	**668,958**
Total	**2,101,648**	**626,685**	**-**	**(664,123)**	**2,064,210**

1) The warrant scheme established in 2005 expired at 31 March 2009.
2) Warrants and shares were cancelled as the vesting conditions were not met due to termination of employment in foreign subsidiaries.

Note 3

3. Staff costs – continued

Preconditions for warrant schemes at 31.12.2010	2007	Executive Management 2008	CEO 2008	Employees 2008	Executive Management 2009	Employees 2009	Executive Management 2010	Employees 2010	Employees 2010
Exercise price, DKK	156.00	115.00	115.00	115.00	102.00	102.00	97.00	97.00	97.00
Share price, DKK	106.00	106.00	106.00	106.00	106.00	106.00	106.00	106.00	106.00
Volatility, %	20.95	31.40	31.40	31.40	31.40	31.40	31.40	31.40	31.40
Dividend payout ratio, %	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Risk-free interest rate, %	1.12	1.70	1.70	1.34	2.06	2.06	2.06	2.06	2.06
Fair value per warrant, DKK	-	-	-	17.00	7.40	28.70	18.40	30.30	30.30

Preconditions for warrant schemes at 31.12.2009	2007	Executive Management 2008	CEO 2008	Employees 2008	Executive Management 2009	Employees 2009
Exercise price, DKK	156.00	115.00	115.00	115.00	102.00	102.00
Share price, DKK	94.75	94.75	94.75	94.75	94.75	94.75
Volatility, %	38.40	32.30	32.30	32.30	32.30	32.30
Dividend payout ratio, %	1.50	1.50	1.50	1.50	1.50	1.50
Risk-free interest rate, %	1.15	2.80	2.80	2.52	3.07	2.80
Fair value per warrant, DKK	3.01	4.00	4.10	17.80	12.00	24.00

Debt-based schemes

The existing debt-based schemes consist of Stock Appreciation Rights and Restricted Cash Units awarded during the period 2008-2010.

In 2010, a few employees of US subsidiaries were granted Stock Appreciation Rights (SARs), a share price-based scheme with conditions and award criteria similar to those of the warrant scheme granted in 2010 to a number of key employees of the parent company and its non-US subsidiaries. The allocated SARs will vest at 16 March 2013 subject to the employee still being employed with Lundbeck. The allocated SARs are exercisable during the period 16 March 2013 to 15 March 2018. The size of the amount depends on how much the price of the Lundbeck share at the exercise date exceeds DKK 97.00 per share. The share price-based scheme for employees of the Group's US subsidiaries cannot be converted into shares because the value of the scheme is distributed as a cash amount.

The fair value per SAR at the time of grant is calculated using the Black-Scholes method and is based on a volatility of 32.29%, a dividend payout ratio of 1.50%, a risk-free interest rate of 2.60%, an average maturity of approximately 66 months and a share price of DKK 99.55. This translates into a fair value of DKK 29.86 per SAR. The volatility is based on daily data during the period 18 January 2005 to 31 December 2009, which corresponds to the expected outstanding duration of the scheme.

Moreover, in 2010, a few employees of US subsidiaries were granted Restricted Cash Units (RCUs), a share price-based scheme with conditions and award criteria similar to those of the share scheme granted in 2010 to a number of key employees of the parent company and its non-US subsidiaries. The allocated RCUs will vest at 16 March 2013 subject to the employee still being employed with Lundbeck, after which time they are settled. The size of the amount depends on the value of the Lundbeck share at the vesting date. The share price-based scheme for employees of the Group's US subsidiaries cannot be converted into shares because the value of the scheme is distributed as a cash amount.

The fair value per RCU at the time of grant was calculated at DKK 99.55.

The fair value calculations do not take any employee attrition into consideration.

Note 3

3. Staff costs – continued

2010

Year of grant	01.01. Number	Grant Number	Reclassification Number	Cancellation[1] Number	31.12. Number
Executives					
2008, SARs	2,258	-	-	-	2,258
2008, RCUs	814	-	-	-	814
2009, SARs	89,182	-	7,236	(43,415)	53,003
2009, RCUs	19,055	-	7,804	(5,203)	21,656
2010, SARs	-	35,171	-	(17,103)	18,068
2010, RCUs	-	10,091	-	(4,907)	5,184
Total, executives	**111,309**	**45,262**	**15,040**	**(70,628)**	**100,983**
Other					
2009, SARs	79,596	-	(7,236)	(14,472)	57,888
2009, RCUs	277,683	-	(7,804)	(45,871)	224,008
2010, SARs	-	889	-	-	889
2010, RCUs	-	255	-	-	255
Total, other	**357,279**	**1,144**	**(15,040)**	**(60,343)**	**283,040**
Total	**468,588**	**46,406**	**-**	**(130,971)**	**384,023**

2009

Year of grant	01.01. Number	Grant Number	Reclassification Number	Cancellation[1] Number	31.12. Number
Executives					
2008, SARs	2,258	-	-	-	2,258
2008, RCUs	814	-	-	-	814
2009, SARs	-	118,126	43,415	(72,359)	89,182
2009, RCUs	-	21,656	5,203	(7,804)	19,055
Total, executives	**3,072**	**139,782**	**48,618**	**(80,163)**	**111,309**
Other					
2009, SARs	-	123,011	(43,415)	-	79,596
2009, RCUs	-	317,319	(5,203)	(34,433)	277,683
Total, other	**-**	**440,330**	**(48,618)**	**(34,433)**	**357,279**
Total	**3,072**	**580,112**	**-**	**(114,596)**	**468,588**

1) SARs and RCUs were cancelled as vesting conditions were not met due to termination of employment in US subsidiaries.

Preconditions for debt-based schemes at 31.12.2010	SARs 2008	RCUs 2008	SARs 2009	RCUs 2009	SARs 2010	RCUs 2010
Exercise price, DKK	119.76	-	102.00	-	97.00	-
Share price, DKK	106.00	106.00	106.00	106.00	106.00	106.00
Volatility, %	31.40	31.40	31.40	31.40	31.40	31.40
Dividend payout ratio, %	1.50	1.50	1.50	1.50	1.50	1.50
Risk-free interest rate, %	1.34	1.34	2.06	2.06	2.06	2.06
Fair value per SAR/RCU, DKK	18.00	104.40	29.60	102.80	30.30	102.60
Vested at	11.08.11	11.08.11	01.07.12	01.07.12	16.03.13	16.03.13
Exercise period begins	11.08.11	-	01.07.12	-	16.03.13	-
Exercise period ends	10.08.16	-	30.06.17	-	15.03.18	-

Preconditions for debt-based schemes at 31.12.2009	SARs 2008	RCUs 2008	SARs 2009	RCUs 2009
Exercise price, DKK	119.76	-	102.00	-
Share price, DKK	94.75	94.75	94.75	94.75
Volatility, %	32.30	32.30	32.30	32.30
Dividend payout ratio, %	1.50	1.50	1.50	1.50
Risk-free interest rate, %	2.52	2.52	3.07	3.07
Fair value per SAR/RCU, DKK	17.50	91.90	27.50	90.60
Vested at	11.08.11	11.08.11	01.07.12	01.07.12
Exercise period begins	11.08.11	-	01.07.12	-
Exercise period ends	10.08.16	-	30.06.17	-

Fair value, liability and expense recognised in the income statement

The warrants and shares granted are recognised in the income statement for 2010 at an expense corresponding to the fair value at the time of grant calculated according to the Black-Scholes method for the vesting period to date. For the warrants and shares in the 2008, 2009 and 2010 programmes that depend on the Lundbeck share's ranking in the peer group of companies, the recognised expense was calculated with due consideration to fulfilment of the vesting conditions.

The SARs granted are recognised in the income statement for 2010 at an expense corresponding to the value adjustment for the year based on the Black-Scholes method, and the RCUs granted are recognised in the income statement for 2010 at an expense corresponding to the value adjustment for the year based on the performance of the Lundbeck share.

Notes 3-5

3. Staff costs – continued

2010	Fair value 31.12. DKKm	Expense recognised in the income statement DKKm
Equity-based schemes		
2008, warrants	3	2
2008, shares	7	3
2009, warrants	8	3
2009, shares	9	3
2010, warrants	18	4
2010, shares	11	3
Total	**56**	**18**

2010	Liability 31.12. DKKm	Expense recognised in the income statement DKKm
Debt-based schemes		
2009, SARs	-	(1)
2009, RCUs	-	(5)
2010, SARs	1	1
Total	**1**	**(5)**

The total expense recognised in the income statement for all incentive programmes amounted to DKK 13 million for 2010.

2009	Fair value 31.12. DKKm	Expense recognised in the income statement DKKm
Equity-based schemes		
2007, warrants	3	-
2008, warrants	5	2
2008, shares	6	2
2009, warrants	8	2
2009, shares	8	3
Total	**30**	**9**

2009	Liability 31.12. DKKm	Expense recognised in the income statement DKKm
Debt-based schemes		
2009, SARs	1	1
2009, RCUs	5	5
Total	**6**	**6**

The total expense recognised in the income statement for all incentive programmes amounted to DKK 15 million for 2009.

4. Amortisation, depreciation and impairment

2010	Intangible assets DKKm	Property, plant and equipment DKKm	Total DKKm
Amortisation, depreciation and impairment for the year are specified as follows:			
Cost of sales	93	165	258
Distribution costs	418	9	427
Administrative expenses	19	55	74
Research and development costs	115	162	277
Total	**645**	**391**	**1,036**

Distribution costs include a DKK 48 million impairment loss concerning product rights.

Losses and gains on the sale of intangible assets and property, plant and equipment are recognised at a net loss of DKK 33 million.

2009	Intangible assets DKKm	Property, plant and equipment DKKm	Total DKKm
Amortisation, depreciation and impairment for the year are specified as follows:			
Cost of sales	65	145	210
Distribution costs	332	10	342
Administrative expenses	16	54	70
Research and development costs	92	156	248
Total	**505**	**365**	**870**

Distribution costs include a DKK 157 million impairment loss concerning the product rights to Circadin®.

Losses and gains on the sale of intangible assets and property, plant and equipment are recognised at a net loss of DKK 14 million.

5. Audit fees

Deloitte Statsautoriseret Revisionsaktieselskab	2010 DKKm	2009 DKKm
Statutory audit	7	7
Other assurance engagements	-	1
Tax consulting	1	1
Other services	4	4
Total	**12**	**13**

A few small foreign subsidiaries are not audited by the parent company's auditors, a foreign business partner of the auditors, or by a recognised, international accountancy firm.

Notes 6-7

6. Investments in associates

2010	Cost DKKm	Accumulated revaluation/ impairment losses DKKm	Total DKKm
Carrying amount at 01.01.	84	(84)	-
Disposals	(84)	84	-
Carrying amount at 31.12.	**-**	**-**	**-**

Based on an impairment test performed in 2007, the value of the investment in CF Pharma Gyógyszergyártó Kft. was written down to DKK 0. The ownership interest was divested on 21 December 2010.

2009	Cost DKKm	Accumulated revaluation/ impairment losses DKKm	Total DKKm
Carrying amount at 01.01.	84	(84)	-
Carrying amount at 31.12.	**84**	**(84)**	**-**

Based on an impairment test performed in 2007, the value of the investment in CF Pharma Gyógyszergyártó Kft. was written down to DKK 0. A reassessment of the company's expected future development did not give rise to any change in the valuation, and the impairment loss was therefore retained.

2009	Share of voting rights and ownership
CF Pharma Gyógyszergyártó Kft., Hungary	47.1%

Financial highlights of associates	2009 DKKm
Assets	212
Liabilities	136
Net assets	**76**
Lundbeck's share of net assets	**36**
Revenue	**56**
Profit/(loss) for the year	**2**
Lundbeck's share of profit/(loss) for the year	**1**

7. Net financials

	2010 DKKm	2009 DKKm
Financial income		
Interest on financial assets measured at amortised cost	14	59
Gains on available-for-sale financial assets, incl. dividends	5	5
Gains on financial instruments measured at fair value through profit or loss	-	14
Gains on impaired loan to associate	9	-
Gains on financial instruments included in the trading portfolio	2	7
Exchange gains	107	93
Total financial income	**137**	**178**
Financial expenses		
Interest on financial liabilities measured at amortised cost	109	137
Other financial expenses	17	49
Losses on available-for-sale financial assets	-	34
Losses on financial instruments included in the trading portfolio	3	28
Exchange losses	76	122
Total financial expenses	**205**	**370**
Net financials	**(68)**	**(192)**

At 31 December 2010, Lundbeck recorded a net gain on available-for-sale financial assets of DKK 5 million (net loss of DKK 29 million in 2009). The profit impact of financial instruments measured at fair value through profit or loss amounted to DKK 0 million at 31 December 2010 (a net gain of DKK 14 million in 2009). The net loss on financial instruments included in the trading portfolio was DKK 1 million (DKK 21 million in 2009) and the net exchange gain at 31 December 2010 was DKK 31 million (net exchange loss of DKK 29 million in 2009).

Notes 8-10

8. Tax on profit for the year

	2010 DKKm	2009 DKKm
Current tax	1,037	725
Prior-year adjustments, current tax	49	4
Prior-year adjustments, deferred tax	(24)	1
Change of deferred tax for the year	(192)	(164)
Total tax for the year	**870**	**566**
Tax for the year is composed of:		
Tax on profit for the year	823	659
Tax on other comprehensive income	47	(93)
Total tax for the year	**870**	**566**
Tax on other comprehensive income is specified as follows:		
Currency translation concerning additions to net investments in foreign subsidiaries	59	(100)
Adjustment, deferred exchange gains/losses, hedging	(53)	1
Exchange gains/losses, hedging (transferred to the hedged items)	41	-
Exchange gains/losses, trading (transferred from hedging)	-	6
Tax on other comprehensive income	**47**	**(93)**

Explanation of the Group's effective tax rate relative to the Danish tax rate	DKKm	%
2010		
Profit before tax	**3,289**	
Calculated tax, 25%	822	25.0
Tax effect of:		
Differences in the tax rates of foreign subsidiaries from the Danish tax rate of 25%	(50)	(1.5)
Non-deductible expenses/non-taxable income and other permanent differences	118	3.6
Research and development activities (tax credits)	(94)	(2.9)
Prior-year tax adjustments, etc., total effect on operations	25	0.8
Effective tax for the year before market value adjustment of other investments	**821**	**25.0**
Non-deductible losses/non-taxable gains on shares and other equity investments	2	0.0
Effective tax for the year	**823**	**25.0**

Explanation of the Group's effective tax rate relative to the Danish tax rate	DKKm	%
2009		
Profit before tax	**2,666**	
Calculated tax, 25%	667	25.0
Tax effect of:		
Differences in the tax rates of foreign subsidiaries from the Danish tax rate of 25%	3	0.1
Non-deductible expenses/non-taxable income and other permanent differences	92	3.4
Research and development activities (tax credits)	(78)	(2.9)
Prior-year tax adjustments, etc., total effect on operations	5	0.2
Effective tax for the year before market value adjustment of other investments	**689**	**25.8**
Non-deductible losses/non-taxable gains on shares and other equity investments	(30)	(1.1)
Effective tax for the year	**659**	**24.7**

9. Distribution of profit

Proposed distribution of profit for the year	2010 DKKm	2009 DKKm
Proposed dividends for the year	739	602
Transferred to distributable reserves	1,727	1,405
Total profit for the year	**2,466**	**2,007**

The Supervisory Board proposes distribution of dividends for 2010 of 30% (30% in 2009) of the net profit for the year allocated to the shareholders of the parent company, equivalent to DKK 739 million (DKK 602 million in 2009 inclusive of dividends on treasury shares) or DKK 3.77 per share (DKK 3.07 in 2009).

10. Earnings per share

	2010	2009
Profit for the year (DKKm)	**2,466**	**2,007**
Average number of outstanding shares ('000 shares)	196,117	196,574
Average number of treasury shares ('000 shares)	-	(457)
Average number of shares excl. of treasury shares ('000 shares)	**196,117**	**196,117**
Average number of warrants, fully diluted, ('000 warrants)	-	-
Average number of shares, fully diluted ('000 shares)	**196,117**	**196,117**
Earnings per share (EPS) (DKK)	**12.58**	**10.24**
Diluted earnings per share (DEPS) (DKK)	**12.58**	**10.24**

Notes 10-11

10. Earnings per share – continued

Warrants comprised by the warrant scheme established in 2007 for the Executive Management and Danish and foreign executives, a total of 844,500 warrants, were not in-the-money in 2010 and were therefore not exercised.

Warrants covered by the warrant scheme established in 2008 for the Executive Management and Danish and foreign key employees, a total of 529,117 warrants, vest at 6 May 2011 for the Executive Management (excl. the CEO) and key employees and at 2 June 2011 for the CEO.

Warrants covered by the warrant scheme established in 2009 for the Executive Management and Danish and foreign key employees, a total of 528,845 warrants, vest at 16 March 2012.

Warrants covered by the warrant schemes established in 2010 for the Executive Management and Danish and foreign key employees, a total of 790,950 warrants, vest at 16 March 2013.

The warrants are not included in the calculation of earnings per share (EPS) and diluted earnings per share (DEPS). Longer term, the warrants may have a dilutive effect on earnings per share and diluted earnings per share.

Warrants comprised by the warrant schemes established in 2007 may be exercised within the given subscription periods if the price of the Lundbeck share exceeds the fixed exercise price of DKK 156.00. At 31 December 2010, 844,500 warrants (844,500 at 31 December 2009) from the 2007 scheme remained outstanding.

See note 3 *Staff costs* for additional information on incentive programmes.

11. Other investments and other receivables

	Available-for-sale financial assets DKKm	Other receivables[1] DKKm
2010		
Carrying amount at 01.01.	26	45
Currency translation	-	2
Additions	-	20
Disposals	(4)	(9)
Value adjustment	(1)	(1)
Carrying amount at 31.12.	**21**	**57**
2009		
Carrying amount at 01.01.	31	56
Additions	1	4
Disposals	-	(16)
Value adjustment	(6)	1
Carrying amount at 31.12.	**26**	**45**

1) At 31 December 2010, other receivables were not believed to involve any material credit risk.

Reserve for fair value adjustment of available-for-sale financial assets	2010 DKKm	2009 DKKm
Fair value adjustment at 01.01.	6	(21)
Fair value adjustment	(1)	(6)
Realised gain on disposal	(3)	-
Prolonged impairment losses recognised in the income statement	-	33
Fair value adjustment at 31.12.	**2**	**6**

Fair value hierarchy for financial assets and financial liabilities measured at fair value

Level 1 includes financial assets for which the fair value is measured on the basis of quoted prices (unadjusted) in active markets for identical assets. Level 2 includes financial assets and financial liabilities for which the fair value is measured on the basis of directly or indirectly observable inputs other than the quoted prices included in level 1. Level 3 includes financial assets for which the fair value is measured on the basis of valuation techniques which include inputs not based on observable market data.

Financial assets and financial liabilities measured at fair value	Level 1 DKKm	Level 2 DKKm	Level 3 DKKm
2010			
Financial assets			
Securities	17	37	-
Available-for-sale financial assets	2	-	19
Derivatives	-	42	-
Financial assets measured at fair value	**19**	**79**	**19**
Financial liabilities			
Derivatives	-	63	-
Financial liabilities measured at fair value	**-**	**63**	**-**
2009			
Financial assets			
Securities	24	35	-
Available-for-sale financial assets	3	-	23
Derivatives	-	71	-
Financial assets measured at fair value	**27**	**106**	**23**
Financial liabilities			
Derivatives	-	27	-
Financial liabilities measured at fair value	**-**	**27**	**-**

Financial assets measured at fair value according to level 3	2010 DKKm	2009 DKKm
Carrying amount at 01.01.	23	26
Additions	-	1
Fair value adjustment	(4)	(4)
Carrying amount at 31.12.	**19**	**23**

Financial assets measured at fair value according to level 3 comprise shares in Privathospitalet Hamlet A/S, Warren Pharmaceuticals Inc. and Cross Atlantic Partners K/S IV.

Note 12

12. Intangible assets and property, plant and equipment

Intangible assets	Goodwill DKKm	Patent rights DKKm	Product rights DKKm	Other rigths[1] DKKm	Projects in progress[1] DKKm	Intangible assets DKKm
2010						
Cost at 01.01.2010	3,520	525	4,059	1,025	81	9,210
Currency translation	235	-	243	2	(1)	479
Reclassification	37	-	(37)	25	2	27
Additions	-	-	305	94	103	502
Disposals	-	-	-	(42)	(58)	(100)
Cost at 31.12.2010	**3,792**	**525**	**4,570**	**1,104**	**127**	**10,118**
Amortisation at 01.01.2010	-	304	507	675	-	1,486
Currency translation	-	-	10	-	-	10
Reclassification	-	-	-	7	-	7
Amortisation	-	30	414	144	-	588
Impairment	-	-	48	-	-	48
Disposals	-	-	-	(33)	-	(33)
Amortisation at 31.12.2010	**-**	**334**	**979**	**793**	**-**	**2,106**
Carrying amount at 31.12.2010	**3,792**	**191**	**3,591**	**311**	**127**	**8,012**
2009						
Cost at 31.12.2008	882	506	917	830	128	3,263
Restatement: Currency translation, foreign subsidiaries	(63)	-	-	-	-	(63)
Cost at 01.01.2009	819	506	917	830	128	3,200
Currency translation	(135)	-	(316)	(1)	-	(452)
Additions through acquisitions	2,836	-	2,810	35	-	5,681
Additions	-	21	822	184	75	1,102
Disposals	-	(2)	(174)	(23)	(122)	(321)
Cost at 31.12.2009	**3,520**	**525**	**4,059**	**1,025**	**81**	**9,210**
Amortisation at 31.12.2008	-	274	311	599	-	1,184
Restatement: Currency translation, foreign subsidiaries	-	-	-	-	-	-
Amortisation at 01.01.2009	-	274	311	599	-	1,184
Currency translation	-	-	(4)	-	-	(4)
Amortisation	-	30	217	98	-	345
Impairment	-	-	157	-	-	157
Disposals	-	-	(174)	(22)	-	(196)
Amortisation at 31.12.2009	**-**	**304**	**507**	**675**	**-**	**1,486**
Carrying amount at 31.12.2009	**3,520**	**221**	**3,552**	**350**	**81**	**7,724**

1) Other rights and projects in progress include items such as the IT system SAP. The amounts include capitalised directly attributable internal expenses.

Note 12

12. Intangible assets and property, plant and equipment – continued

Goodwill impairment test

The carrying amount of goodwill of DKK 3,792 million (DKK 3,520 million in 2009) relates to the acquisition of Lundbeck Research USA, Inc., USA, Lundbeck Pharmaceuticals, Italy S.p.A., Italy, Lundbeck GmbH, Germany, Laboratoire Elaiapharm SA, France and Lundbeck Inc., USA. The annual impairment tests are submitted to the Audit Committee for subsequent approval by the Supervisory Board. Based on the impairment tests performed in 2010, it was concluded that there is no need for writing down the goodwill.

Revised CGU definition

Compared with 2009, Lundbeck has revised its definition of cash-generating units (CGU), which are the smallest identifiable groups of assets that generate independent income. The reason for this revision is that the production and distribution flow of the products and the joint sales and management force are considered one joint and integral part of the Group.

As a result of the revised CGU definition, as from 2010 goodwill will be tested at an aggregated group level, with the exception, however, of Lundbeck Inc., which in respect of some of the parameters used in the group CGU definition is not yet fully integrated and therefore is considered an independent CGU in 2010. Within a couple of years, Lundbeck Inc. is expected to be fully integrated from a CGU viewpoint.

Methodology

In the impairment test, the discounted expected future cash flows (value in use) for each CGU are compared to the carrying amounts of goodwill and other net assets. The future cash flows are based on Lundbeck's specific business plans for the next 6-8 years with due consideration to patent expiry. The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the terminal period. Negative growth is projected in the terminal period due to patent expiry. The calculation of the value in use for the Group, excl. Lundbeck Inc., is based on a discount rate of 9.5% (restated comparative figure of 8.9% in 2009). For Lundbeck Inc. a discount rate of 11.6% (restated comparative figure of 10.8% in 2009) was used. The discount rate is before tax, and the result of [WACC/(1 - tax rate)] and the applied cash flows are also pre-tax figures.

Impairment of other intangible assets

Impairment of product rights amounted to DKK 48 million, which has been recognised in the income statement under distribution costs. The recoverable amount was calculated on the basis of management's re-assessed estimate of the value in use of the assets. In 2009, Lundbeck wrote down the product rights to Circadin® by DKK 157 million. The impairment loss was recognised under distribution costs. The recoverable amount was calculated on the basis of management's re-assessed estimate of the value in use of the asset.

Note 12

12. Intangible assets and property, plant and equipment – continued

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment DKKm	Prepayments and plant and equipment in progress DKKm	Property, plant and equipment DKKm
2010					
Cost at 01.01.2010	3,486	1,654	1,044	147	6,331
Currency translation	26	29	11	3	69
Reclassification	(2)	-	(1)	(24)	(27)
Additions	178	35	41	222	476
Disposals	(18)	(29)	(110)	(93)	(250)
Cost at 31.12.2010	**3,670**	**1,689**	**985**	**255**	**6,599**
Depreciation at 01.01.2010	1,333	1,194	755	-	3,282
Currency translation	9	24	8	-	41
Reclassification	(1)	(6)	-	-	(7)
Depreciation	153	121	93	-	367
Disposals	(10)	(18)	(102)	-	(130)
Depreciation at 31.12.2010	**1,484**	**1,315**	**754**	**-**	**3,553**
Carrying amount at 31.12.2010	**2,186**	**374**	**231**	**255**	**3,046**
2009					
Cost at 31.12.2008	3,375	1,518	1,052	205	6,150
Restatement: Currency translation, foreign subsidiaries	(25)	(7)	(2)	(1)	(35)
Cost at 01.01.2009	3,350	1,511	1,050	204	6,115
Currency translation	6	23	8	-	37
Additions through acquisitions	-	31	8	-	39
Reclassification	29	-	(29)	-	-
Additions	103	119	93	133	448
Disposals	(2)	(30)	(86)	(190)	(308)
Cost at 31.12.2009	**3,486**	**1,654**	**1,044**	**147**	**6,331**
Depreciation at 31.12.2008	1,173	1,090	732	1	2,996
Restatement: Currency translation, foreign subsidiaries	(1)	(1)	(1)	(1)	(4)
Depreciation at 01.01.2009	1,172	1,089	731	-	2,992
Currency translation	8	26	5	-	39
Reclassification	1	-	(1)	-	-
Depreciation	153	104	97	-	354
Disposals	(1)	(25)	(77)	-	(103)
Depreciation at 31.12.2009	**1,333**	**1,194**	**755**	**-**	**3,282**
Carrying amount at 31.12.2009	**2,153**	**460**	**289**	**147**	**3,049**

Note 13

13. Deferred tax

Temporary differences between assets and liabilities as stated in the financial statements and as stated in the tax base

2010	Balance at 01.01. DKKm	Currency translation DKKm	Adjustment of deferred tax at beginning of year DKKm	Movement during the year DKKm	Balance at 31.12. DKKm
Intangible assets	2,778	143	(23)	(49)	2,849
Property, plant and equipment	948	(2)	13	(132)	827
Inventories	(78)	(16)	(3)	(23)	(120)
Prepayments from Forest	(693)	-	-	176	(517)
Other items	(48)	(21)	(1)	174	104
Provisions in subsidiaries	(31)	3	-	(24)	(52)
Tax loss carry-forwards, etc.	(328)	(22)	(37)	(306)	(693)
Total temporary differences	**2,548**	**85**	**(51)**	**(184)**	**2,398**
Deferred (tax assets)/tax liabilities	764	32	(27)	(120)	649
Research and development activities (tax credits)	(108)	(9)	3	(72)	(186)
Deferred (tax assets)/tax liabilities	**656**	**23**	**(24)**	**(192)**	**463**

2009	Balance at 31.12.08 DKKm	Restatement, currency translation, foreign subsidiaries DKKm	Balance at 01.01.09 DKKm	Currency translation DKKm	Adjustment of deferred tax at beginning of year DKKm	Additions through acquisitions DKKm	Movement during the year DKKm	Balance at 31.12.09 DKKm
Intangible assets	1,050	(1)	1,049	(227)	5	2,045	(94)	2,778
Property, plant and equipment	928	(30)	898	(3)	(10)	1	62	948
Inventories	(38)	-	(38)	(16)	2	32	(58)	(78)
Prepayments from Forest	(597)	-	(597)	-	-	-	(96)	(693)
Other items	105	-	105	33	7	(241)	48	(48)
Provisions in subsidiaries	(12)	-	(12)	2	-	(5)	(16)	(31)
Tax loss carry-forwards, etc.	(149)	-	(149)	2	(17)	(34)	(130)	(328)
Total temporary differences	**1,287**	**(31)**	**1,256**	**(209)**	**(13)**	**1,798**	**(284)**	**2,548**
Deferred (tax assets)/tax liabilities	279	(13)	266	(74)	1	671	(100)	764
Research and development activities (tax credits)	-	-	-	8	-	(52)	(64)	(108)
Deferred (tax assets)/tax liabilities	**279**	**(13)**	**266**	**(66)**	**1**	**619**	**(164)**	**656**

Notes 13-14

13. Deferred tax – continued

Deferred (tax assets)/tax liabilities	2010 Deferred tax assets DKKm	2010 Deferred tax liabilities DKKm	2010 Net DKKm	2009 Deferred tax assets DKKm	2009 Deferred tax liabilities DKKm	2009 Net DKKm
Intangible assets	(47)	945	898	(13)	903	890
Property, plant and equipment	(7)	223	216	(8)	246	238
Inventories	(116)	63	(53)	(109)	81	(28)
Prepayments from Forest	(129)	-	(129)	(173)	-	(173)
Other items	(165)	161	(4)	(154)	121	(33)
Provisions in subsidiaries	(15)	2	(13)	(16)	7	(9)
Tax loss carry-forwards, etc.	(266)	-	(266)	(121)	-	(121)
Research and development activities (tax credits)	(186)	-	(186)	(108)	-	(108)
Deferred (tax assets)/tax liabilities	**(931)**	**1,394**	**463**	**(702)**	**1,358**	**656**
Set-off within legal tax entities and jurisdictions	818	(818)	-	574	(574)	-
Total net deferred (tax assets)/tax liabilities	**(113)**	**576**	**463**	**(128)**	**784**	**656**

Of the recognised deferred tax assets, DKK 452 million (DKK 229 million in 2009) related to tax losses etc. and research and development activities (tax credits) to be carried forward. Utilisation of these is based on a future positive income that exceeds realisation of the deferred tax liabilities.

Unrecognised deferred tax assets	2010 DKKm	2009 DKKm
Unrecognised deferred tax assets at 01.01.	50	49
Currency translation	4	-
Prior-year adjustments	7	10
Additions	47	-
Utilised	(14)	(9)
Unrecognised deferred tax assets at 31.12.	**94**	**50**

14. Inventories

	2010 DKKm	2009 DKKm
Raw materials and consumables	138	133
Work in progress	440	508
Finished goods and goods for resale	913	840
Total	**1,491**	**1,481**
Indirect costs of production	**339**	**383**
Impairment for the year	**17**	**67**
Inventories calculated at net realisable value	**4**	**3**

The total cost of goods sold included in cost of sales for 2010 amounted to DKK 1,904 million (DKK 1,888 million in 2009).

Notes 15-16

15. Trade receivables and other receivables

	2010 DKKm	2009 DKKm
Trade receivables		
Receivables	2,123	1,975
Writedowns	(18)	(13)
Total	**2,105**	**1,962**
Specification of trade receivables by due date		
Not due	1,798	1,696
Overdue by up to 3 months	174	193
Overdue by more than 3 months and up to 6 months	62	25
Overdue by more than 6 months and up to 12 months	44	24
Overdue by more than 12 months	45	37
Total	**2,123**	**1,975**
Development in writedowns of trade receivables		
Writedowns at 01.01	13	4
Additions through acquisitions	-	2
Actual writedowns	(2)	(3)
Reversed, unrealised writedowns	(1)	-
Change in writedowns	8	10
Writedowns at 31.12.	**18**	**13**
Specification of other receivables by due date		
Not due	358	331
Overdue by up to 3 months	25	1
Overdue by more than 3 months and up to 6 months	5	16
Overdue by more than 6 months and up to 12 months	-	-
Overdue by more than 12 months	1	-
Total	**389**	**348**

As no losses are expected on other receivables, no writedowns have been made.

Credit risks

Lundbeck's products are sold primarily to distributors of pharmaceuticals and hospitals. Historically, the losses sustained have been insignificant. This was also the case in 2010.

The Group has no particular customer concentration and no significant reliance on specific customers.

Lundbeck has defined internal procedures to be followed in connection with the establishment of new customer relationships and changes to existing relationships. The procedures were established to ensure that the risk of losses is reduced to the extent possible.

At 31 December 2010 receivables from Forest Laboratories, Inc. accounted for more than 5% of total trade receivables. This was also the case at 31 December 2009.

At 31 December 2010 receivables from Takeda Pharmaceutical Company Limited and Teva Pharmaceutical Industries Ltd., respectively, accounted for more than 5% of total other receivables. This was also the case at 31 December 2009.

Market risks

The pharmaceutical market is characterised by the aim of the authorities to reduce or cap the otherwise rising healthcare costs. Market changes such as price reductions may have a considerable impact on the earnings potential of pharmaceuticals.

In 2010, Lundbeck experienced significant price reductions in several countries in southern Europe, where higher debts and rising unemployment have compelled the governments to identify savings in the public budgets. These savings have resulted, among other things, in a number of healthcare reforms triggering comprehensive price reductions in a number of countries. Lundbeck expects that the uncertainty about public debts and developments in unemployment and the resulting focus on public budgets will continue into 2011 and 2012.

Lundbeck is monitoring developments in the European economies and also developments in trade receivables in order to reduce the risk of losses to the best possible extent.

16. Income tax

	2010 DKKm	2009 DKKm
Income tax payable/(income tax receivable) at 01.01.	(18)	(26)
Currency translation	(1)	4
Prior-year adjustments	49	4
Tax payable on profit for the year	1,084	632
Tax on other comprehensive income	(47)	93
Tax paid for the year	(1,131)	(749)
Tax paid in respect of prior years	(51)	24
Income tax payable/(income tax receivable) at 31.12.	**(115)**	**(18)**
Income tax is specified as follows:		
Income tax receivable	(190)	(139)
Income tax payable	75	121
Income tax payable/(income tax receivable)	**(115)**	**(18)**

Note 17

17. Cash resources

	2010 DKKm	2009 DKKm
Fixed-term deposits	1,491	1,137
Other cash resources	803	823
Cash at 31.12.	**2,294**	**1,960**
Securities with a maturity of less than 3 months[1]	-	3
Securities with a maturity of more than 3 months[1]	54	56
Cash and securities at 31.12.	**2,348**	**2,019**
Unutilised guaranteed credit facilities at 31.12.	1,000	992
Unutilised credit facilities at 31.12.	339	107
Cash resources at 31.12.	**3,687**	**3,118**

1) The securities portfolio is classified as financial assets measured at fair value with value adjustments through profit or loss.

Liquidity risks and capital structure

The credit risk of cash and derivatives (forward exchange contracts and currency options) is limited because Lundbeck deals only with banks with a high credit rating. To further limit the risk of losses, internal limits have been defined for the credit exposure accepted towards the banks with which Lundbeck collaborates. The credit lines are presented to the Supervisory Board for approval pursuant to the Group's treasury policy.

The treasury policy deals with financial resources, foreign currency exposure, securities portfolio and loan portfolio and is presented once every year to the Audit Committee for subsequent approval by the Supervisory Board. In addition, the Supervisory Board approves the framework for selecting financial collaboration partners, commitment lines and types of business.

Pursuant to Lundbeck's internal liquidity management guidelines, Lundbeck must always be capable of raising a minimum of DKK 1 billion at two weeks' notice. If this amount is not available in cash, fixed-term deposits or bonds, Lundbeck will enter into guaranteed credit facilities with banks.

The securities portfolio consists, among other things, of Danish government and mortgage bonds with a limited credit risk. In addition, via Lundbeck Inc. in the USA, Lundbeck has a portfolio of Auction Rate Securities, for which the credit risk is also considered minimal, as the underlying loans on these securities are guaranteed by the US government.

Lundbeck operates in an industry characterised by frequent shifts in the market situation that may involve a need for in-licensing and acquisition activities.

Despite a strong cash flow from ordinary activities, Lundbeck intends to maintain financial resources in the form of cash and binding loan commitments to allow for flexible operations in case of rapid shifts in the market situation. At 31 December 2010, Lundbeck had binding syndicated loan commitments for DKK 1.0 billion with a term to maturity of three years from 4 March 2010. In addition, Lundbeck had a number of non-binding credit facilities for use in its day-to-day operations. At 31 December 2010, these amounted to DKK 0.4 billion, of which DKK 0.3 billion was unutilised. At 31 December 2009, Lundbeck had binding loan commitments for DKK 1.0 billion from a Danish financial institution. This credit facility expired on 17 December 2010. In addition, Lundbeck had a large number of non-binding credit facilities for use in its day-to-day operations. At 31 December 2009, these amounted to DKK 0.2 billion, of which DKK 0.1 billion was unutilised.

Furthermore, Lundbeck manages its capital structure based on a wish to carry an investment-grade rating. A number of financial institutions indicate that Lundbeck's calculated implied rating would be of an investment grade nature.

Liquidity exceeding the requirement for business development and general business purposes is primarily distributed as dividends or, until 2009, was used for share buyback purposes. Lundbeck pursues a policy of distributing between 25% and 35% of the profit for the year as dividends.

Other than small operational changes, no changes were made to Lundbeck's treasury policy compared with 2009.

Notes 18-19

18. Share capital

The share capital of DKK 980 million at 31 December 2010 is divided into 196,116,634 shares of a nominal value of DKK 5 each.

	2010 DKKm	2009 DKKm	2008 DKKm	2007 DKKm	2006 DKKm
Share capital at 01.01.	980	984	1,036	1,061	1,136
Exercise of warrants	-	-	-	5	3
Cancellation of treasury shares	-	(4)	(52)	(30)	(78)
Share capital at 31.12.	**980**	**980**	**984**	**1,036**	**1,061**

Shares	01.01.	Cancellation of treasury shares	31.12.
2010			
Issued shares (number)	196,116,634	-	196,116,634
2009			
Issued shares (number)	196,886,282	(769,648)	196,116,634
Portfolio of treasury shares (number)	769,648	(769,648)	-
Proportion of share capital	0.39%		0.00%

The parent company has only one class of shares, and all shares rank equally. The shares are negotiable instruments with no restrictions on their transferability.

The Supervisory Board is authorised to issue new shares and raise the share capital of the parent company, as set out in article 4 of the parent company's Articles of Association.

The share premium of DKK 224 million relates to the exercise of warrants in 2007 and earlier (see note 3 *Staff costs*). The amount is unchanged compared with 31 December 2007.

The share capital is in compliance with the capital requirements of the Danish Companies Act and the rules of NASDAQ OMX Copenhagen.

The parent company did not hold any treasury shares in 2010. At the annual general meeting held on 21 April 2009, it was resolved to lower the parent company's share capital in 2009 by DKK 3,848,240 nominal value of the parent company's portfolio of treasury shares, corresponding to 769,648 shares.

19. Pension obligations and similar obligations

The majority of the employees of the Group are covered by pension plans paid for by the companies of the Group. The types of plan vary according to regulatory requirements, tax rules and economic conditions in the countries in which the employees are employed. A summary of the most important plans is given below.

Defined contribution plans
For defined contribution plans, the employer undertakes to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the pay). Under a defined contribution plan, the employees will usually bear the risk related to future developments in interest and inflation rates etc.

The major defined contribution plans cover employees in Australia, Belgium, Denmark, Finland, Ireland, Sweden, the UK and the USA. The cost of defined contribution plans, representing contributions to the plans, totalled DKK 174 million in 2010 (DKK 170 million in 2009).

Defined benefit plans
For defined benefit plans, the employer undertakes to pay a defined benefit (e.g. a retirement pension at a fixed amount or a fixed percentage of the employee's final salary). Under a defined benefit plan, the company usually bears the risk relating to future developments in interest and inflation rates etc.

For defined benefit plans, the present value of future benefits, which the company is liable to pay under the plan, is computed using actuarial principles. The computation of present value is based on assumptions about discount rates, changes in pay rates and pensions, investment yield, staff resignation rates, mortality, disability and other factors. Present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with the company. Actuarial gains and losses are recognised in the income statement as they are calculated.

Note 19

19. Pension obligations and similar obligations – continued

Pension obligations and similar obligations	2010 DKKm	2009 DKKm	2008 DKKm	2007 DKKm	2006 DKKm
Present value of funded pension obligations	257	212	165	191	217
Fair value of plan assets	(207)	(171)	(135)	(156)	(161)
Funded pension obligations, net	**50**	**41**	**30**	**35**	**56**
Present value of unfunded pension obligations	119	101	83	96	95
Pension obligations at 31.12.	**169**	**142**	**113**	**131**	**151**
Other pension-like obligations	55	61	67	58	54
Pension obligations and similar obligations at 31.12.	**224**	**203**	**180**	**189**	**205**
Experience adjustments to pension obligations	-	(27)	44	33	7
Experience adjustments to plan assets	1	10	(27)	(13)	2

Defined benefit plans	UK	Germany	Norway	France	USA[1]	Switzerland	Pakistan	Mexico	Total
2010									
Present value of funded pension obligations (DKKm)	160	-	31	-	6	54	-	6	257
Fair value of plan assets (DKKm)	(136)	-	(17)	-	-	(50)	-	(4)	(207)
Funded pension obligations, net (DKKm)	**24**	**-**	**14**	**-**	**6**	**4**	**-**	**2**	**50**
Present value of unfunded pension obligations (DKKm)	-	95	1	23	-	-	-	-	119
Pension obligations at 31.12. (DKKm)	**24**	**95**	**15**	**23**	**6**	**4**	**-**	**2**	**169**
Net expense recognised in the income statement (DKKm)	**-**	**18**	**9**	**4**	**2**	**6**	**-**	**2**	**41**
Discount rate	5.50%	4.60%	3.50%	4.40%	-	2.70%	13.00%	8.50%	
Pay rate increase	4.40%	2.50%	4.50%	2.00%	-	2.00%	11.00%	5.50%	
Pension increase	3.30%	2.00%	1.30%	-	-	-	-	-	
Age-weighted staff resignation rate	-	0%-8%	-	-	-	-	-	-	

Defined benefit plans	UK	Germany	Norway	France	USA[1]	Switzerland	Pakistan	Total
2009								
Present value of funded pension obligations (DKKm)	147	-	22	-	4	39	-	212
Fair value of plan assets (DKKm)	(119)	-	(15)	-	-	(37)	-	(171)
Funded pension obligations, net (DKKm)	**28**	**-**	**7**	**-**	**4**	**2**	**-**	**41**
Present value of unfunded pension obligations (DKKm)	-	81	-	19	-	-	1	101
Pension obligations at 31.12. (DKKm)	**28**	**81**	**7**	**19**	**4**	**2**	**1**	**142**
Net expense recognised in the income statement (DKKm)	**20**	**17**	**(2)**	**(1)**	**2**	**(1)**	**-**	**35**
Discount rate	5.65%	5.50%	4.40%	4.50%	-	3.25%	-	
Pay rate increase	4.75%	2.75%	4.25%	3.00%	-	2.00%	-	
Pension increase	3.30%	2.00%	1.30%	-	-	-	-	
Age-weighted staff resignation rate	-	0%-10%	-	-	-	-	-	

1) The pension plan in the USA is funded through an insurance/investment asset, which is recognised in the consolidated balance sheet. The asset represented a value of DKK 12 million in 2010 (DKK 12 million in 2009).

Note 19

19. Pension obligations and similar obligations – continued

	2010 % distribution	2009 % distribution
The fair value of the plan assets breaks down as follows:		
Shares	11%	21%
Bonds	30%	28%
Property	3%	5%
Insurance contracts	55%	39%
Other assets	1%	7%
Total	**100%**	**100%**

The expected return is calculated on the basis of investment reports prepared by an international, recognised pension and insurance company.

	2010 DKKm	2009 DKKm
Change in present value of funded pension obligations		
Present value of funded pension obligations at 01.01.	212	165
Currency translation	18	11
Pension expenses	8	7
Interest expenses relating to the obligations	12	11
Actuarial (gains)/losses	7	20
Disbursements	(6)	(4)
Employee contributions	-	2
New plan	6	-
Present value of funded pension obligations at 31.12.	**257**	**212**
Change in fair value of plan assets		
Fair value of plan assets at 01.01.	171	135
Currency translation	15	9
Expected return on plan assets	9	9
Actuarial gains/(losses)	1	10
Contributions	11	10
Disbursements	(6)	(3)
Employee contributions	2	1
New plan	4	-
Fair value of plan assets at 31.12.	**207**	**171**
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations at 01.01.	101	83
Additions through acquisitions	-	5
Pension expenses	5	4
Interest expenses relating to the obligations	6	5
Actuarial (gains)/losses	11	7
Disbursements	(4)	(3)
Present value of unfunded pension obligations at 31.12.	**119**	**101**

	2010 DKKm	2009 DKKm
Change in obligations for defined benefit plans		
Pension obligations at 01.01.	142	113
Currency translation	3	2
Additions through acquisitions	-	5
Recognised as expense (change recognised in income statement)	41	35
Contributions	(11)	(10)
Disbursements	(4)	(4)
Employee contributions	(2)	1
Pension obligations at 31.12.	**169**	**142**
Specification of change recognised in the income statement		
Pension expenses	13	11
Interest expenses relating to the obligations	18	16
Expected return on plan assets	(9)	(9)
Actuarial (gains)/losses	17	17
New plan	2	-
Total expenses recognised	**41**	**35**
Realised return on plan assets	**11**	**16**

The expected contribution for 2011 for the defined benefit plans is DKK 15 million (DKK 16 million for 2010).

Other pension-like obligations

An obligation of DKK 55 million (DKK 61 million in 2009) is recognised in the Group to cover other pension-like obligations, including primarily termination benefits in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met. The amount of the obligation declined by DKK 6 million in 2010 (DKK 6 million in 2009).

Notes 20-21

20. Other provisions

	2010 DKKm	2009 DKKm
Provisions at 01.01.	315	102
Currency translation	18	(19)
Additions through acquisitions	-	177
Provisions charged	104	122
Provisions used	(79)	(66)
Unused provisions reversed	(12)	(1)
Provisions at 31.12.	**346**	**315**
Specification of provisions		
Non-current provisions	130	129
Current provisions	216	186
Provisions at 31.12.	**346**	**315**

The provisions primarily cover expenses for disputes, the defence of the Group's intellectual property rights and returns.

Of the total provisions at 31 December 2010, DKK 1 million (DKK 6 million in 2009) related to share price-based incentive programmes (debt schemes). Further details about the incentive programmes are provided in note 3 *Staff costs*.

21. Mortgage and bank debt

Mortgage debt

	2010 DKKm	2009 DKKm
Mortgage debt by maturity		
More than 5 years from the balance sheet date	1,858	1,856
Mortgage debt at 31.12.	**1,858**	**1,856**
Specification of mortgage debt		
Non-current liabilities	1,858	1,856
Current liabilities	-	-
Mortgage debt at 31.12.	**1,858**	**1,856**

	Currency	Expiry	Fixed/ floating	Weighted average effective interest rate	Amortised cost DKKm	Nominal value DKKm	Fair value DKKm
2010							
Mortgage debt, bond loan	DKK	2035	Floating	3.36%	1,410	1,567	1,528
Mortgage debt, bond loan	DKK	2037	Floating	2.02%	436	440	422
Mortgage debt, bond loan	DKK	2034	Floating	1.64%	10	10	10
Mortgage debt, bond loan	DKK	2034	Floating	1.64%	2	2	2
Total					**1,858**	**2,019**	**1,962**
2009							
Mortgage debt, bond loan	DKK	2035	Floating	4.15%	1,408	1,595	1,485
Mortgage debt, bond loan	DKK	2037	Floating	4.22%	436	440	419
Mortgage debt, bond loan	DKK	2034	Floating	3.85%	10	10	10
Mortgage debt, bond loan	DKK	2034	Floating	3.85%	2	2	2
Total					**1,856**	**2,047**	**1,916**

Amortised cost is calculated as the proceeds received less instalments paid plus or minus amortisation of capital losses. Fair value is calculated as the market value at 31 December.

Bank debt

	2010 DKKm	2009 DKKm
Bank debt by maturity		
Within 1 year from the balance sheet date	-	804
Between 1 and 2 years from the balance sheet date	-	750
Bank debt at 31.12.	**-**	**1,554**
Specification of bank debt		
Non-current liabilities	-	750
Current liabilities	-	804
Bank debt at 31.12.	**-**	**1,554**

2010

There was no bank debt at 31 December 2010.

2009

	Currency	Expiry	Fixed/ floating	Weighted average effective interest rate	Nominal value DKKm
Loan	DKK	2010	Floating	3.80%	705
Loan	DKK	2011	Floating	3.82%	705
Loan	EUR	2010	Floating	2.97%	45
Loan	EUR	2011	Floating	2.97%	45
Loan	EUR	2010	Floating	4.17%	5
Loan	TRY	2010	Floating	10.24%	49
Total					**1,554**

Notes 22-24

22. Adjustments

	2010 DKKm	2009 DKKm
Amortisation and depreciation	1,036	870
Income from sale of ownership interest	-	(124)
Incentive programmes	18	9
Change in pension obligations	21	18
Change in other provisions	31	57
Other adjustments	(26)	(131)
Adjustments	**1,080**	**699**

23. Working capital changes

	2010 DKKm	2009 DKKm
Change in inventories	48	(167)
Change in receivables	(150)	(137)
Change in short-term debt	190	616
Working capital changes	**88**	**312**

24. Company acquisitions

2010

No acquisitions were made in 2010.

In the first quarter of 2010, Lundbeck finalised the purchase price allocation related to the acquisition of Ovation Pharmaceuticals, Inc. (now Lundbeck Inc.). This gave rise to a DKK 37 million reclassification from product rights to goodwill.

2009

In March 2009, Lundbeck acquired the US-based company Ovation Pharmaceuticals, Inc. (Ovation), which was subsequently renamed Lundbeck Inc. In October 2009, Lundbeck acquired the French company Laboratoire Elaiapharm SA (Elaiapharm).

Name	Primary activity	Acquisition date	Ownership interest acquired	Voting share capital acquired
Ovation Pharmaceuticals, Inc.	Development and sale of pharmaceuticals	19.03.09	100%	100%
Laboratoire Elaiapharm SA	Production and packaging	05.10.09	100%	100%

2009	Carrying amount DKKm	Fair value adjustment DKKm	Fair value DKKm
Assets			
Product rights	571	2,239	2,810
Other rights	1	34	35
Property, plant and equipment	39	-	39
Deferred tax	205	(204)	1
Other financial assets	44	-	44
Non-current assets	860	2,069	2,929
Inventories	342	183	525
Receivables	179	-	179
Cash and securities	137	-	137
Current assets	658	183	841
Total assets	**1,518**	**2,252**	**3,770**
Deferred tax	-	620	620
Provisions, etc.	60	122	182
Other debt obligations	21	-	21
Non-current liabilities	81	742	823
Other debt obligations	520	16	536
Current liabilities	520	16	536
Total liabilities	**601**	**758**	**1,359**
Net assets	**917**	**1,494**	**2,411**
Goodwill on acquisitions			2,836
Adjustment of cash resources			(137)
Cash consideration			**5,110**
The cash consideration is specified as follows:			
Acquisition price			5,073
Transaction costs			40
Adjustment of intra-group balances			(3)
Cash consideration			**5,110**

Notes 24-25

24. Company acquisitions – continued

The cost prices paid in connection with the company acquisitions exceeded the fair value of acquired identifiable assets, liabilities and contingent liabilities. According to a preliminary calculation, the positive difference amounted to DKK 2,836 million. With respect to the acquisition of Ovation, the positive difference is explained primarily by the realisation of the strategic objective of establishing a commercial platform in the USA. At the same time, Lundbeck took over an experienced management team and sales force as well as great scientific and regulatory expertise. In terms of Elaiapharm, the positive difference is explained primarily by the achievement of increased production and packaging capacity and more flexible and cheaper production. A specification of the development in goodwill from 1 January to 31 December 2009 is provided in note 12 *Intangible assets and property, plant and equipment*. After recognition of goodwill on the Ovation and Elaiapharm acquisitions, total consolidated goodwill amounted to DKK 3,520 million at 31 December 2009.

In 2008, the United States Federal Trade Commission (FTC) filed an antitrust claim against Ovation (now Lundbeck Inc.) in respect of the pricing of NeoProfen®, which is marketed by Lundbeck Inc. in the USA. Management is confident that Lundbeck will win the case. However, IFRS 3 *Business Combinations* stipulates that contingent liabilities must be recognised in the acquisition balance sheet at fair value, and Lundbeck has therefore recognised an amount. With reference to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, no information is provided in respect of the size of the recognised amount, as such disclosure is expected to cause material harm to Lundbeck.

Lundbeck Inc. and Elaiapharm were recognised in the consolidated income statement for 2009 at a profit of DKK 101 million.

If the companies had been acquired as of 1 January 2009, consolidated revenue for 2009 would have been DKK 14,130 million and profit for the year DKK 1,960 million. The amount stated is exclusive of the effect of the purchase price allocation, which was incorporated in the acquisition balance sheet.

25. Financial instruments

Foreign currency risks

Foreign currency management is handled centrally by the parent company. The parent company hedges a significant part of the Group's anticipated cash flows for a period of approximately 12 months, depending on the currency in question.

Currency management focuses on risk minimisation and is carried out in conformity with the foreign currency policy approved by the Supervisory Board. The hedging consists partly of a fixed minimum hedge and partly of a variable part. The fixed part is hedged by forward contracts classified as hedging instruments and meeting the accounting criteria for hedging future cash flows. Changes in the fair value of these contracts are recognised in the statement of comprehensive income under other comprehensive income as they arise and – on invoicing of the hedged cash flow – transferred from other comprehensive income for inclusion in the same item as the hedged cash flow.

Hedging contracts that do not meet the hedge criteria are classified as trading contracts, and changes in the fair value are recognised as financial items as they arise.

Note 25

25. Financial instruments – continued

Net forward exchange contracts and currency options outstanding

Hedging part

Forward contracts	Contract value according to the hedge principle DKKm	Exchange gain/loss recognised under other comprehensive income DKKm	Exchange gain/loss recognised in the income statement/ balance sheet DKKm	Average hedge prices of existing forward exchange contracts DKK	Maturity period
2010					
AUD	15	-	(13)	429.11	May 2011
CAD	367	(4)	(38)	548.19	Dec. 2011
CHF	131	(10)	(12)	545.31	Dec. 2011
CZK	21	-	(1)	29.74	Oct. 2011
EUR	411	-	5	746.46	Apr. 2011
GBP	103	-	-	861.61	Nov. 2011
HUF	8	-	-	2.66	Aug. 2011
ILS	3	-	(2)	145.87	Feb. 2011
JPY	20	-	6	6.72	Aug. 2011
MXN	115	(3)	1	44.10	Dec. 2011
NOK	-	-	(2)	-	-
PLN	22	-	(2)	182.95	Aug. 2011
RUB	40	-	1	18.24	Nov. 2011
SEK	36	(1)	1	79.51	Dec. 2011
SGD	21	-	6	418.53	May 2011
TRY	161	3	(28)	357.30	Sep. 2011
USD	1,587	14	(76)	566.72	Dec. 2011
ZAR	52	(4)	(9)	73.71	Nov. 2011
Forward contracts	**3,113**	**(5)**	**(163)**		
2009					
AUD	43	(5)	(4)	411.21	May 2010
CAD	239	(9)	3	478.54	Oct. 2010
CHF	102	(1)	(1)	495.97	Nov. 2010
CZK	9	-	1	27.55	Mar. 2010
EUR	1,196	4	3	747.55	Dec. 2010
ILS	14	-	1	134.55	Aug. 2010
JPY	33	-	3	5.57	Oct. 2010
MXN	-	-	3	-	-
NOK	22	(1)	(1)	85.81	Oct. 2010
PLN	19	(1)	1	168.02	Oct. 2010
SEK	8	1	-	67.57	Apr. 2010
SGD	41	-	(1)	368.05	Nov. 2010
TRY	186	(4)	(1)	326.79	Nov. 2010
USD	1,637	62	(2)	540.59	Dec. 2010
ZAR	27	(2)	(4)	62.99	Nov. 2010
Forward contracts	**3,576**	**44**	**1**		

Note 25

25. Financial instruments – continued

Hedging part

Currency options (zero-cost options)	Contract value according to the hedge principle DKKm	Exchange gain/loss recognised under other compre-hensive income DKKm	Exchange gain/loss recognised in the income statement/ balance sheet DKKm	Average exercise prices[1] DKK	Maturity period
2010					
JPY/DKK (JPY put bought)	177	-	-	6.45	Jan. 2011
JPY/DKK (JPY call sold)	180	-	(1)	6.53	Jan. 2011
Currency options		-	**(1)**		

1) The average exercise price for the sold call option has an average kick-in price of DKK 7.18.

There were no currency options under the hedging part at 31 December 2009.

At 31 December 2010, the exchange difference between the contract value and the market value of the concluded forward exchange contracts and currency options represented a loss of DKK 21 million (a gain of DKK 44 million in 2009), of which DKK 16 million was recognised in the income statement.

Lundbeck's inefficiency on hedging, cf. IAS 39 *Financial Instruments: Recognition and measurement*, relates to a few contracts reclassified to trading contracts. The profit impact at the date of reclassification was a loss of DKK 1 million (DKK 22 million in 2009).

Trading part

Forward contracts	Contract value DKKm	Exchange gain/loss recognised in the income statement DKKm	Average hedge prices of existing forward exchange contracts DKK	Maturity period
2010				
GBP	-	(1)	-	-
Forward contracts	-	**(1)**		
2009				
AUD	-	(3)	-	-
USD	-	(18)	-	-
Forward contracts	-	**(21)**		

Currency options	Contract value DKKm	Exchange gain/loss recognised in the income statement DKKm	Average exercise prices DKK	Maturity period
2010				
EUR/DKK (EUR put bought)	448	1	746.25	Oct. 2011
EUR/DKK (EUR call sold)	896	(1)	746.66	Oct. 2011
Currency options		-		

At 31 December 2009, there were no forward contracts or currency options under the trading part.

Deferred recognition of exchange gains/losses recognised under other comprehensive income	2010 DKKm	2009 DKKm
Deferred exchange gains/losses at 01.01.	44	16
Adjustments, deferred exchange gains/losses, hedging, recognised under other comprehensive income	(213)	7
Exchange gains/losses, hedging, transferred to revenue	130	(3)
Exchange gains/losses, hedging, transferred to prepayments from Forest (balance sheet)	33	2
Exchange gains/losses, trading, transferred to net financials (transferred from hedging)	1	22
Deferred exchange gains/losses at 31.12.	**(5)**	**44**

Note 25

25. Financial instruments – continued

Monetary assets and liabilities for the most important currencies at 31 December

	2010 DKKm	2009 DKKm
Monetary assets		
CAD	113	121
CHF	59	47
GBP	218	214
TRY	128	88
USD	379	392
Monetary liabilities		
CAD	68	49
CHF	15	14
GBP	75	69
TRY	26	67
USD	890	701

Due to the long-standing fixed exchange rate policy in Denmark, the foreign currency risk for EUR is considered immaterial, and EUR is therefore not included in the list above.

At the end of 2010, 93% of the Lundbeck's anticipated cash flows for 2011 in USD were hedged (100% at the end of 2009).

Estimated impact on profit and equity from a 5% increase in year-end exchange rates of the most important currencies

	CAD DKKm	CHF DKKm	GBP DKKm	TRY DKKm	USD DKKm
2010					
Profit	-	1	-	-	2
Equity	(16)	(5)	5	(6)	230
2009					
Profit	1	-	(1)	1	2
Equity	(9)	(4)	7	(9)	124

The profit impact is included in the impact on equity.

Lundbeck's USD income derives primarily from sales to Forest and revenue in Lundbeck Inc.

According to the Group's accounting policies in respect of Forest, the minimum price is recognised as income at the time of invoicing, and the excess amount is recognised in the balance sheet as a prepayment. Prepayments and any remaining settlement will be recognised as Forest subsequently resells the products. Income and expenses relating to hedging contracts covering this part of the hedged cash flows are recognised in the balance sheet together with the prepayments and subsequently recognised in the income statement as Forest resells the products. At 31 December 2010, an exchange loss of DKK 30 million (an exchange gain of DKK 123 million in 2009) had been recognised in the balance sheet together with the prepayments.

Currency translation of associates according to the equity method	2010 DKKm	2009 DKKm
Currency translation at 01.01.	(2)	(2)
Transferred to the income statement in connection with divestment of ownership interest	2	-
Currency translation at 31.12.	-	(2)

Interest rate risks

Interest rate risk management is handled centrally by the parent company. Through the treasury policy, the Supervisory Board has approved the limits for borrowing and investment. Loans secured by real property must be approved by the Supervisory Board. To hedge the interest rate risk on loans, the Supervisory Board has approved the use of interest rate swaps, Caps, Floors and Forward Rate Agreements (FRAs).

Bond investments may only be made in Danish government and mortgage bonds. For managing the interest rate risk on the securities portfolio (the securities portfolio includes bonds and money market deposits), the company applies a duration target capped at five years for the entire portfolio. The return on the securities portfolio was DKK 8 million in 2010 (DKK 44 million in 2009), corresponding to a return of 0.73% p.a. (3.95% p.a. in 2009). Lundbeck's benchmark at the end of 2010 was 6-month CIBOR. The return on the benchmark portfolio was 1.54% p.a. in 2010 (1.85% p.a. in 2009 on a bond benchmark with a duration of six months). In 2010, Lundbeck underperformed the benchmark because the duration on the securities portfolio was deliberately kept very short based on a wish to maintain a low liquidity binding and because the additional return at a longer duration was believed to be unattractive relative to the higher price risk in case of higher interest rates. At 31 December 2010, the securities portfolio had a duration of 0.03 years, which translates into a gain/loss of much less than DKK 1 million if interest rates should fall/rise by 1 percentage point.

There were no derivatives at 31 December 2010 and at 31 December 2009 to manage interest rate risks because the distribution of debt carrying floating and fixed interest at the given times was deemed to be satisfactory.

Note 25

25. Financial instruments – continued

Maturity dates for financial assets and financial liabilities

	Less than 1 year DKKm	Between 1 and 5 years DKKm	More than 5 years DKKm	Total DKKm	Effective interest rates
2010					
Financial assets					
Derivatives included in the trading portfolio	1	-	-	1	0%
Securities[1]	46	8	-	54	0-5%
Financial assets measured at fair value through profit or loss	**47**	**8**	**-**	**55**	
Derivatives to hedge future cash flows	41	-	-	41	0%
Financial assets used as hedging instruments	**41**	**-**	**-**	**41**	
Receivables[2]	2,875	57	-	2,932	0%
Fixed-term deposits	1,491	-	-	1,491	0-4%
Other cash resources	803	-	-	803	0-6%
Loans and receivables	**5,169**	**57**	**-**	**5,226**	
Available-for-sale financial assets	**-**	**21**	**-**	**21**	0%
Total financial assets	**5,257**	**86**	**-**	**5,343**	
Financial liabilities					
Derivatives included in the trading portfolio	1	-	-	1	0%
Financial liabilities measured at fair value through profit or loss	**1**	**-**	**-**	**1**	
Derivatives to hedge future cash flows	62	-	-	62	0%
Financial liabilities used as hedging instruments	**62**	**-**	**-**	**62**	
Mortgage debt	-	-	1,858	1,858	1-4%
Employee bonds	-	58	-	58	3-6%
Other payables	3,756	2	-	3,758	0%
Financial liabilities measured at amortised cost	**3,756**	**60**	**1,858**	**5,674**	
Total financial liabilities	**3,819**	**60**	**1,858**	**5,737**	

1) The securities are classified as financial assets measured at fair value with value adjustments through profit or loss.
2) Including other receivables recognised in non-current assets.

Note 25

25. Financial instruments – continued

Maturity dates for financial assets and financial liabilities

	Less than 1 year DKKm	Between 1 and 5 years DKKm	More than 5 years DKKm	Total DKKm	Effective interest rates
2009					
Financial assets					
Securities[1]	40	19	-	59	0-4%
Financial assets measured at fair value through profit or loss	**40**	**19**	**-**	**59**	
Derivatives to hedge future cash flows	71	-	-	71	0%
Financial assets used as hedging instruments	**71**	**-**	**-**	**71**	
Receivables[2]	2,584	45	-	2,629	0%
Fixed-term deposits	1,137	-	-	1,137	0-2%
Other cash resources	823	-	-	823	0-7%
Loans and receivables	**4,544**	**45**	**-**	**4,589**	
Available-for-sale financial assets	**-**	**26**	**-**	**26**	0%
Total financial assets	**4,655**	**90**	**-**	**4,745**	
Financial liabilities					
Derivatives to hedge future cash flows	27	-	-	27	0%
Financial liabilities used as hedging instruments	**27**	**-**	**-**	**27**	
Bank debt	804	750	-	1,554	4%
Mortgage debt	-	-	1,856	1,856	3-5%
Employee bonds	-	50	8	58	3-6%
Other payables	3,520	7	-	3,527	0%
Financial liabilities measured at amortised cost	**4,324**	**807**	**1,864**	**6,995**	
Total financial liabilities	**4,351**	**807**	**1,864**	**7,022**	

1) The securities are classified as financial assets measured at fair value with value adjustments through profit or loss.
2) Including other receivables recognised in non-current assets.

Notes 26-27

26. Contractual obligations

Rental and lease obligations
The Group has obligations amounting to DKK 526 million (DKK 454 million in 2009) in the form of rentals and leasing of operating equipment.

Future rental and lease payments	Land and buildings DKKm	Operating equipment DKKm	Total DKKm
2010			
Less than 1 year	100	53	153
Between 1 and 5 years	258	61	319
More than 5 years	54	-	54
Total	**412**	**114**	**526**
2009			
Less than 1 year	90	54	144
Between 1 and 5 years	241	63	304
More than 5 years	6	-	6
Total	**337**	**117**	**454**

Rental and lease payments recognised in the income statement in 2010 amounted to DKK 165 million (DKK 162 million in 2009).

Other purchase obligations
The Group has undertaken purchase obligations in the amount of DKK 211 million (DKK 199 million in 2009).

Research collaborations
The Group is part of multi-year research collaboration projects comprising minimum research and contractual obligations in the order of DKK 0 million (DKK 17 million in 2009). The total amount of the obligations may increase substantially in line with the favourable development of the research projects.

Other contractual obligations
The Group has entered into various service agreements amounting to DKK 76 million (DKK 43 million in 2009).

27. Contingent liabilities

Forest
See note 2 *Segment information* in respect of the consequences of a potential launch of generic escitalopram in the USA.

Prepayments from Forest have been translated at the exchange rate at the transaction date or at the forward rate and recognised in the balance sheet in the amount of DKK 517 million (DKK 693 million in 2009). If the translation had been made at the exchange rate at the balance sheet date, the prepayments would have amounted to DKK 493 million (DKK 698 million in 2009).

Letters of intent and bank guarantees
The Group's bankers have issued bank guarantees to third parties in the amount of DKK 117 million (DKK 73 million in 2009). In addition, the Group has issued a guarantee to third parties in the amount of DKK 9 million (DKK 9 million in 2009). The Group has evaluated that the fair value of guarantees is DKK 0 million (DKK 0 million in 2009).

Pending legal proceedings
The Group is involved in legal proceedings against a number of businesses, including patent disputes. In the opinion of management, the outcome of these proceedings will not have a material impact on the Group's financial position, results of operations or cash flows beyond the amount provided for in the financial statements. Due to uncertainty about the outcome of the legal proceedings, the amount of the provision is uncertain. See *Risk management* on page 39 for more details.

The Group is involved in a case filed by the United States Federal Trade Commission (FTC) in respect of the pricing of NeoProfen®, which is marketed by Lundbeck Inc. in the USA. In September, the U.S. Federal District court ruled in favour of Lundbeck. FTC and the State of Minnesota subsequently appealed the ruling. Management is confident that Lundbeck will also win the appeal.

The Group is also involved in arbitration proceedings concerning our collaboration with Neurim on Circadin®. Management expects that Lundbeck will win the case.

Industry obligations
The Group has return obligations normal for the industry. Management expects no major loss on these obligations.

Notes 28-29

28. Related parties

Lundbeck's related parties are:
- The parent company's principal shareholder, LFI a/s, Vestagervej 17, DK-2900 Hellerup, which is wholly owned by the Lundbeck Foundation, and the Lundbeck Foundation.
- Companies in which the principal shareholder exercises controlling influence, i.e. ALK-Abelló A/S.
- The associate CF Pharma Gyógyszergyártó Kft., Hungary (sold on 21 December 2010).
- Members of the parent company's Executive Management and Supervisory Board as well as close relatives of these persons.
- Companies in which members of the parent company's Executive Management and Supervisory Board as well as close relatives of these persons exercise significant influence.

Transactions and balances with the parent company's principal shareholder
Through its wholly owned subsidiary LFI a/s, the Lundbeck Foundation, which is the parent company's largest shareholder, held 137,351,918 shares at 31 December 2010 (137,351,918 shares at 31 December 2009), corresponding to approximately 70% of the share capital and votes in H. Lundbeck A/S (approximately 70% in 2009). LFI a/s is the only shareholder who has notified the parent company that it holds more than 5% of the share capital. This was also the case at 31 December 2009.

There have been the following transactions and balances with the parent company's principal shareholder:
- Dividends
- Payment of provisional tax and residual tax of DKK 1 billion in 2010 (DKK 520 million in 2009) concerning the parent company and Danish subsidiaries.
- In 2009, sale of investments in the associate LifeCycle Pharma A/S and sale of investments in four small private equity funds.

LFI a/s / the Lundbeck Foundation has a controlling influence in H. Lundbeck A/S.

Transactions and balances with ALK-Abelló A/S
There have been no transactions or balances with ALK-Abelló A/S.

Transactions and balances with associates
In 2010, CF Pharma Gyógyszergyártó Kft., Hungary, repaid DKK 9 million on a loan that had previously been written off. Other than this, there have been no transactions or balances with CF Pharma Gyógyszergyártó Kft., Hungary, in 2010 and 2009.

Transactions and balances with the Executive Management and Supervisory Board
In addition to the transactions with members of the Executive Management and Supervisory Board outlined in note 3 *Staff costs*, the parent company has paid dividends on shares held by members of the Executive Management and Supervisory Board in H. Lundbeck A/S. At 31 December 2010 and 31 December 2009, there were no balances with the Executive Management and Supervisory Board.

Transactions and balances with other related parties
In 2010, Lundbeck granted contributions of DKK 5 million (DKK 4 million in 2009) to Lundbeck International Neuroscience Foundation, an independent non-profit foundation established by H. Lundbeck A/S in 1997. Other than this, there have been no material transactions or balances with related parties.

29. Subsidiaries

	Share of voting rights and ownership
Lundbeck Argentina S.A., Argentina	100%
Lundbeck Australia Pty Ltd, Australia, including	100%
- CNS Pharma Pty Ltd, Australia	100%
Lundbeck Austria GmbH, Austria	100%
Lundbeck S.A., Belgium	100%
Lundbeck Brasil Ltda., Brazil	100%
Lundbeck Canada Inc., Canada	100%
Lundbeck Chile Farmaceútica Ltda., Chile	100%
Lundbeck (Beijing) Pharmaceuticals Consulting Co., Ltd., China	100%
Lundbeck Colombia S.A.S., Colombia	100%
Lundbeck Croatia d.o.o., Croatia	100%
Lundbeck Czech Republic s.r.o., Czech Republic	100%
Lundbeck Cognitive Therapeutics A/S, Denmark	100%
Lundbeck Export A/S, Denmark	100%
Lundbeck Insurance A/S, Denmark	100%
Lundbeck Pharma A/S, Denmark	100%
Lundbeck Eesti A/S, Estonia	100%
OY H. Lundbeck AB, Finland	100%
Lundbeck SAS, France	100%
Sofipharm SA, France, including	100%
- Laboratoire Elaiapharm SA, France	100%
Lundbeck GmbH, Germany	100%
Lundbeck Hellas S.A., Greece	100%
Lundbeck (Hong Kong) Limited, Hong Kong	100%
Lundbeck Hungária KFT, Hungary	100%
Lundbeck India Private Limited, India	100%
Lundbeck (Ireland) Ltd., Ireland	100%
Lundbeck Israel Ltd., Israel	100%
Lundbeck Italia S.p.A., Italy	100%
Lundbeck Pharmaceuticals, Italy S.p.A., Italy, including	100%
- Archid S.a., Luxembourg	100%
Lundbeck Japan K. K., Japan	100%
Lundbeck Korea Co., Ltd., Republic of Korea	100%
SIA Lundbeck Latvia, Latvia	100%
UAB Lundbeck Lietuva, Lithuania	100%
Lundbeck México, SA de CV, Mexico	100%

Notes 29-30

29. Subsidiaries – continued

	Share of voting rights and ownership
Lundbeck B.V., The Netherlands	100%
Lundbeck New Zealand Limited, New Zealand	100%
H. Lundbeck AS, Norway, including	100%
- CNS Pharma AS, Norway	100%
Lundbeck Pakistan (Private) Limited, Pakistan	100%
Lundbeck Poland Sp.z.o.o., Poland	100%
Lundbeck Portugal - Produtos Farmacêuticos Lda, Portugal	100%
Lundbeck RUS OOO, Russia	100%
Lundbeck Singapore PTE. LTD., Singapore	100%
Lundbeck Slovensko s.r.o., Slovakia	100%
Lundbeck Pharma d.o.o., Slovenia	100%
Lundbeck South Africa (Pty) Limited, South Africa	100%
Axofarma Lab, S.A., Spain	100%
Lundbeck España S.A., Spain	100%
H. Lundbeck AB, Sweden, including	100%
- CNS Pharma AB, Sweden	100%
Lundbeck (Schweiz) AG, Switzerland	100%
Lundbeck Pharmaceutical GmbH, Switzerland	100%
Lundbeck İlac Ticaret Limited Sirketi, Turkey	100%
Lundbeck Group Limited, UK, including	100%
- Lundbeck Limited, UK	100%
- Lundbeck Pharmaceuticals Ltd., UK	100%
- Lifehealth Limited, UK	100%
- Lundbeck UK LLP, UK	100%
Lundbeck USA Holding, Inc., USA, including	100%
- Lundbeck Inc., USA, including	100%
- Lundbeck Pharmaceutical Ireland Limited, Ireland	100%
- Lundbeck Pharmaceuticals Services, LLC, USA	100%
Lundbeck Research USA, Inc., USA	100%
Lundbeck de Venezuela, C.A., Venezuela	100%

30. Releases from H. Lundbeck A/S

No.	Date	Subject
421	16.12.2010	Lundbeck enters into drug discovery collaboration with Zenobia and Vernalis
420	14.12.2010	Lundbeck to establish a strong, dedicated sales force behind Lexapro® in China as part of a new co-promotion agreement
419	04.12.2010	Lundbeck reports positive phase III study results for clobazam in the adjunctive treatment of seizures associated with Lennox-Gastaut syndrome
418	23.11.2010	Financial calendar 2011
417	04.11.2010	Announcement of transactions with shares and linked securities in H. Lundbeck A/S made by executives and their closely associated persons and legal entities
416	03.11.2010	Third quarter report 2010 – Continued strong growth in third quarter – 2010 results to be at the high end of guidance range
415	03.11.2010	Lundbeck expects to deliver solid profits during a period of new product launches and patent expiries
414	13.10.2010	Lundbeck and Genmab enter into a research collaboration
413	12.10.2010	Lundbeck and Merck sign exclusive commercialisation agreement for SYCREST® (asenapine) sublingual tablets in all markets outside of the United States, China and Japan
412	05.10.2010	Lundbeck enters into license agreement with Kyowa Hakko Kirin for A2a antagonists for Parkinson's and other indications
411	15.09.2010	Escitalopram filed in Japan
410	09.09.2010	Lundbeck wins Federal Trade Commission case in Federal District Court
409	13.08.2010	First half report 2010 – Lundbeck reports strongly increasing profits with EBIT growth of 30%
408	05.08.2010	TEMPO study further demonstrates the benefits of Azilect® in early Parkinson's disease patients
407	27.05.2010	First patients recruited in the extended phase III programme using Lu AA21004 in MDD

Notes 30-31

30. Releases from H. Lundbeck A/S – continued

No.	Date	Subject
406	25.05.2010	Lundbeck will submit an NDA for clobazam for patients with Lennox-Gastaut syndrome with the FDA before year end 2010
405	17.05.2010	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
404	10.05.2010	Announcement of transactions with shares and linked securities in H. Lundbeck A/S made by executives and their closely associated persons and legal entities
403	06.05.2010	First Quarter Report 2010 – Lundbeck delivers strong growth – and is off to a very good start to achieve full year guidance
402	22.04.2010	H. Lundbeck A/S held its Annual General Meeting on 20 April 2010 at the company's registered office
401	16.04.2010	Update on legal proceedings
400	06.04.2010	Novel agent for treatment of Parkinson's disease – Lu AE04621 – enters Lundbeck's development pipeline
399	26.03.2010	Notice of the annual general meeting
398	16.03.2010	Desmoteplase enters clinical phase II in Japan in ischaemic stroke representing Lundbeck's first clinical programme in Japan
397	04.03.2010	Fourth quarter and full year report 2009 – Lundbeck delivers 22 percent revenue growth for 2009 and meets financial expectations for 2009
396	03.03.2010	Lundbeck and Takeda finalise plans to initiate phase III pivotal clinical trials with Lu AA21004 and Lu AA24530
395	25.02.2010	Data from a post hoc analysis using desmoteplase in ischaemic stroke presented at the International Stroke Conference
394	24.02.2010	Lundbeck expands the agreement with Teva to include marketing of Azilect® in selected Asian countries
393	07.01.2010	The European Commission opens proceedings

31. Events after the balance sheet date

Results from the two first phase III studies on nalmefene
On 3 January 2011, Lundbeck announced the completion of two out of three pivotal studies in the phase III clinical programme for nalmefene in alcohol dependence (ESENSE1 and SENSE). The studies were conducted in Europe and enrolled about 1,300 patients with alcohol dependence. A concomitant psychosocial intervention in the studies was a brief, standardised programme focussed on adherence and follow-up. In both studies the overall safety profile of nalmefene was consistent with observations and data provided in previous studies.

Clinical phase III programme with zicronapine
On 20 January 2011, Lundbeck announced the advancement of zicronapine into clinical phase III based on the positive clinical phase II data.

Zicronapine (formerly known as Lu 31-130) is a new type of compound with a strong pro-cognitive effect in animal models and the potential to treat a number of neurological and psychiatric diseases. In the phase II development programme, zicronapine has shown strong, positive anti-psychotic effects. The first study in the clinical phase III programme is expected to enrol patients in several countries in Europe. Classical short-term efficacy studies will be initiated in due time.

Lundbeck expands its commercial opportunities in Canada and Latin America
On 8 February 2011, Lundbeck announced that the company has been granted commercial rights to several Cephalon products in Canada and Latin America. As part of the agreement, Lundbeck will register and commercialise several key products which are currently available in the USA and/or Europe on behalf of Cephalon. Key products in the agreement include Fentora® (fentanyl buccal tablet) [C-II], Provigil®, Treanda®, Trisenox® (arsenic trioxide) injection, Myocet® (liposomal- doxorubicin) and Nuvigil®.

Reference price group for escitalopram in Germany
In February 2011, the Federal Joint Committee in Germany (G-BA) recommended to group escitalopram together with citalopram in a reference price group, indicating a fixed price for reimbursement on escitalopram in Germany. The recommendation is pending approval by the German Ministry of Health. Approval of this recommendation will have a negative impact on sales in Germany going forward.

Financial statements for the parent company

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Income statement

1 JANUARY – 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm
Revenue		9,298	8,790
Cost of sales	2	2,222	2,038
Gross profit		**7,076**	**6,752**
Distribution costs	2	330	436
Administrative expenses	2, 3	828	845
Profit before research and development costs		**5,918**	**5,471**
Research and development costs	2	2,763	2,949
Profit from operations		**3,155**	**2,522**
Income from investments in subsidiaries	4	433	189
Financial income		528	439
Financial expenses		324	302
Profit before tax		**3,792**	**2,848**
Tax on profit for the year	6	878	656
Profit for the year	7	**2,914**	**2,192**

Balance sheet – assets

AT 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm
Patent rights		198	229
Product rights		599	375
Other rights		269	294
Projects in progress		120	78
Intangible assets	8	**1,186**	**976**
Land and buildings		1,790	1,907
Plant and machinery		278	339
Other fixtures and fittings, tools and equipment		137	181
Prepayments and plant and equipment in progress		162	89
Property, plant and equipment	8	**2,367**	**2,516**
Investments in subsidiaries	4	4,669	4,936
Investments in associates	5	-	-
Receivables from subsidiaries		5,174	4,443
Other investments		19	25
Other receivables		5	5
Financial assets		**9,867**	**9,409**
Non-current assets		**13,420**	**12,901**
Inventories	9	**721**	**746**
Trade receivables		160	239
Receivables from subsidiaries		959	949
Income taxes		81	-
Other receivables		187	192
Prepayments	10	155	98
Receivables		**1,542**	**1,478**
Securities		**-**	**10**
Cash		**1,679**	**1,336**
Current assets		**3,942**	**3,570**
Assets		**17,362**	**16,471**

Balance sheet – equity and liabilities

AT 31 DECEMBER 2010

	Notes	2010 DKKm	2009 DKKm
Share capital		980	980
Share premium		224	224
Retained earnings		10,601	8,115
Equity		**11,805**	**9,319**
Deferred tax	11	297	258
Other provisions	12	320	304
Provisions		**617**	**562**
Bank debt	13	-	750
Mortgage debt	13	1,858	1,856
Employee bonds and other debt	13	59	58
Payables to subsidiaries		978	1,123
Non-current liabilities		**2,895**	**3,787**
Bank debt		-	750
Trade payables		1,024	791
Payables to subsidiaries		183	140
Income taxes		-	67
Other payables		321	362
Prepayments from Forest		517	693
Current liabilities		**2,045**	**2,803**
Liabilities		**4,940**	**6,590**
Equity and liabilities		**17,362**	**16,471**

Statement of changes in equity

AT 31 DECEMBER 2010

	Share capital DKKm	Share premium DKKm	Retained earnings DKKm	Equity DKKm
Equity at 01.01.2010	**980**	**224**	**8,115**	**9,319**
Profit for the year	-	-	2,914	2,914
Currency translation concerning additions to net investments in foreign subsidiaries	-	-	267	267
Adjustment, deferred exchange gains/losses, hedging	-	-	(213)	(213)
Exchange gains/losses, hedging (transferred to the hedged items)	-	-	163	163
Exchange gains/losses, trading (transferred from hedging)	-	-	1	1
Tax on equity entries	-	-	(55)	(55)
Comprehensive income	**-**	**-**	**3,077**	**3,077**
Distributed dividends[1]	-	-	(602)	(602)
Incentive programmes	-	-	11	11
Other transactions	**-**	**-**	**(591)**	**(591)**
Equity at 31.12.2010	**980**	**224**	**10,601**	**11,805**

1) Lundbeck had no treasury shares at the time of distribution.

For further details, see note 18 *Share capital* in the consolidated financial statements.

Notes 1-2

1. Accounting policies

The annual report of the parent company H. Lundbeck A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for large reporting class D enterprises. The annual report is presented in Danish kroner (DKK), which also is the functional currency of the parent company.

The accounting policies are unchanged from the previous year.

Differences relative to the Group's accounting policies
The parent company's accounting policies for recognition and measurement are in accordance with the Group's policies with the exceptions stated below:

Income statement
Results of investments in subsidiaries and associates
Dividends from subsidiaries and associates are recognised in the parent company's income statement when the parent company's right to receive dividend has been approved, less any writedowns of the equity investments.

Balance sheet
Non-current assets
Assets reclassified as assets held for sale in the consolidated financial statements are not reclassified in the financial statements of the parent company.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost in the parent company's financial statements. Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value. In addition, cost is written down to the extent that dividends distributed exceed the accumulated earnings in the company since the acquisition date.

Other financial assets
On initial recognition, securities and investments are measured at cost, corresponding to fair value plus directly attributable costs. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised under net financials in the income statement.

Statement of changes in equity
Pursuant to the schedule requirements of the Danish Financial Statements Act, entries recognised in the statement of comprehensive income in the consolidated financial statements are recognised directly in the statement of changes in equity in the parent company's financial statements.

Cash flow statement
As allowed under section 86 (4) of the Danish Financial Statements Act, no cash flow statement is presented, as this is included in the consolidated cash flow statement.

2. Staff costs

Wages and salaries, etc.

	2010 DKKm	2009 DKKm
Short-term staff benefits	1,148	1,168
Pension benefits	107	114
Other social security costs	24	24
Share-based payments	11	5
Total	**1,290**	**1,311**
The year's staff costs are specified as follows:		
Cost of sales	312	328
Distribution costs	15	11
Administrative expenses	396	374
Research and development costs	567	598
Total	**1,290**	**1,311**
Executives		
Short-term staff benefits	45	45
Pension benefits	9	9
Share-based payments	4	3
Total	**58**	**57**

Executive Management
See note 3 *Staff costs* in the consolidated financial statements.

Supervisory Board
See note 3 *Staff costs* in the consolidated financial statements.

Number of employees

	2010	2009
Average number of full-time employees in the financial year	**1,972**	**2,032**
Number of full-time employees at 31.12.	**1,969**	**1,974**

Incentive programmes
See note 3 *Staff costs* in the consolidated financial statements.

Notes 3-6

3. Audit fees

Deloitte Statsautoriseret Revisionsaktieselskab	2010 DKKm	2009 DKKm
Statutory audit	2	2
Other services	2	2
Total	**4**	**4**

A few small foreign subsidiaries are not audited by the parent company's auditors, a foreign business partner of the auditors, or by a recognised, international accountancy firm.

4. Investments in subsidiaries

	2010 DKKm
Cost at 01.01.	4,936
Capital contributions to subsidiaries	94
Capital reductions in subsidiaries	(361)
Cost at 31.12.	**4,669**

Income from investments in subsidiaries is dividends, which amounted to DKK 433 million at 31 December 2010 (DKK 189 million in 2009).

Writedown of receivables from subsidiaries amounted to DKK 160 million in 2010 (DKK 0 million in 2009).

See note 29 *Subsidiaries* in the consolidated financial statements for an overview of all subsidiaries.

5. Investments in associates

2010	Cost DKKm	Accumulated revaluation/ impairment losses DKKm	Total DKKm
Carrying amount at 01.01.	84	(84)	-
Disposals	(84)	84	-
Carrying amount at 31.12.	**-**	**-**	**-**

Based on an impairment test performed in 2007, the value of the investment in CF Pharma Gyógyszergyártó Kft. was written down to DKK 0. The ownership interest was divested on 21 December 2010.

6. Tax on profit for the year

	2010 DKKm	2009 DKKm
Current tax	887	590
Prior-year adjustments, current tax	7	2
Prior-year adjustments, deferred tax	(1)	(1)
Change of deferred tax for the year	40	(21)
Total tax for the year	**933**	**570**
Tax for the year is composed of:		
Tax on profit for the year	878	656
Tax on equity entries	55	(86)
Total tax for the year	**933**	**570**

Notes 7-10

7. Distribution of profit

Proposed distribution of profit for the year	2010 DKKm	2009 DKKm
Proposed dividends for the year	739	602
Transferred to distributable reserves	2,175	1,590
Total profit for the year	**2,914**	**2,192**
Proposed dividend per share (DKK)	**3.77**	**3.07**

8. Intangible assets and property, plant and equipment

Intangible assets	Patent rights DKKm	Product rights DKKm	Other rights[1] DKKm	Projects in progress[1] DKKm	Intangible assets DKKm
Cost at 01.01.2010	663	648	801	78	2,190
Reclassification	-	-	24	-	24
Additions	-	305	90	98	493
Disposals	-	-	(23)	(56)	(79)
Cost at 31.12.2010	**663**	**953**	**892**	**120**	**2,628**
Amortisation at 01.01.2010	434	273	507	-	1,214
Reclassification	-	-	6	-	6
Amortisation	31	44	127	-	202
Impairment	-	37	-	-	37
Disposals	-	-	(17)	-	(17)
Amortisation at 31.12.2010	**465**	**354**	**623**	**-**	**1,442**
Carrying amount at 31.12.2010	**198**	**599**	**269**	**120**	**1,186**

Property, plant and equipment	Land and buildings DKKm	Plant and machinery DKKm	Other fixtures and fittings, tools and equipment[2] DKKm	Prepay-ments and plant and equipment in progress DKKm	Property, plant and equipment DKKm
Cost at 01.01.2010	3,066	880	779	89	4,814
Reclassification	-	-	-	(24)	(24)
Additions	34	10	15	132	191
Disposals	(18)	(14)	(79)	(35)	(146)
Cost at 31.12.2010	**3,082**	**876**	**715**	**162**	**4,835**
Depreciation at 01.01.2010	1,159	541	598	-	2,298
Reclassification	-	(6)	-	-	(6)
Depreciation	142	76	57	-	275
Disposals	(9)	(13)	(77)	-	(99)
Depreciation at 31.12.2010	**1,292**	**598**	**578**	**-**	**2,468**
Carrying amount at 31.12.2010	**1,790**	**278**	**137**	**162**	**2,367**

1) Other rights and projects in progress primarily include items such as the IT system SAP. The amounts include capitalised directly attributable internal expenses.
2) Including leasehold improvements.

Impairment of intangible assets
Impairment of product rights amounted to DKK 37 million, which has been recognised in the income statement under distribution costs. The recoverable amount was calculated on the basis of management's re-assessed estimate of the value in use of the asset.

Pledged assets
The carrying amount of pledged land and buildings at 31 December 2010 was DKK 1,769 million. No other assets have been pledged.

9. Inventories

	2010 DKKm	2009 DKKm
Raw materials and consumables	108	133
Work in progress	330	364
Finished goods and goods for resale	283	249
Total	**721**	**746**
Indirect costs of production	**252**	**309**
Impairment for the year	**7**	**47**

10. Prepayments

	2010 DKKm	2009 DKKm
Prepaid cost of goods sold	33	12
Prepaid IT expenses	19	25
Prepaid insurance	20	28
Prepaid marketing activities	17	10
Other	66	23
Total	**155**	**98**

Note 11

11. Deferred tax

Temporary differences between assets and liabilities as stated in the financial statements and as stated in the tax base

2010	Balance at 01.01. DKKm	Adjustment of deferred tax at beginning of year DKKm	Movement during the year DKKm	Balance at 31.12. DKKm
Intangible assets	553	-	233	786
Property, plant and equipment	945	-	(118)	827
Inventories	309	-	(74)	235
Prepayments from Forest	(693)	-	176	(517)
Other items	(80)	(6)	(58)	(144)
Total temporary differences	**1,034**	**(6)**	**159**	**1,187**
Deferred (tax assets)/tax liabilities	**258**	**(1)**	**40**	**297**

Deferred (tax assets)/tax liabilities	2010 Deferred tax assets DKKm	2010 Deferred tax liabilities DKKm	2010 Net DKKm	2009 Deferred tax assets DKKm	2009 Deferred tax liabilities DKKm	2009 Net DKKm
Intangible assets	-	196	196	-	138	138
Property, plant and equipment	-	207	207	-	236	236
Inventories	-	59	59	-	77	77
Prepayments from Forest	(129)	-	(129)	(173)	-	(173)
Other items	(36)	-	(36)	(20)	-	(20)
Deferred (tax assets)/tax liabilities	**(165)**	**462**	**297**	**(193)**	**451**	**258**
Set-off	165	(165)	-	193	(193)	-
Total net deferred (tax assets)/tax liabilities	**-**	**297**	**297**	**-**	**258**	**258**

Notes 12-15

12. Other provisions

	2010 DKKm	2009 DKKm
Provisions at 01.01.	304	291
Currency translation	12	16
Provisions charged	5	-
Provisions used	(1)	(3)
Provisions at 31.12.	**320**	**304**
Specification of provisions		
Non-current provisions	320	304
Current provisions	-	-
Provisions at 31.12.	**320**	**304**

The provisions cover the defence of the parent company's intellectual property rights and expected losses and obligations as a result of an impairment loss in 2007 on production assets in the manufacturing unit Lundbeck Pharmaceuticals Ltd., Seal Sands, UK, pursuant to a manufacturing agreement.

13. Mortgage debt, bank debt and other long-term debt

	2010 DKKm	2009 DKKm
Mortgage debt	1,858	1,856
Employee bonds	-	8
Total debt falling due after more than 5 years	**1,858**	**1,864**

14. Financial instruments

See note 25 *Financial instruments* in the consolidated financial statements.

15. Contractual obligations

Rental and lease obligations

The parent company has obligations amounting to DKK 52 million (DKK 50 million in 2009) in the form of rentals and leasing of operating equipment.

Future rental and lease obligations	Land and buildings DKKm	Operating equipment DKKm	Total DKKm
2010			
Less than 1 year	14	10	24
Between 1 and 5 years	19	9	28
Total	**33**	**19**	**52**
2009			
Less than 1 year	13	9	22
Between 1 and 5 years	19	9	28
Total	**32**	**18**	**50**

Rental and lease payments recognised in the income statement in 2010 amounted to DKK 31 million (DKK 31 million in 2009).

Other purchase obligations

The parent company has undertaken purchase obligations in the amount of DKK 149 million (DKK 183 million in 2009).

Research collaborations

The parent company is part of multi-year research collaboration projects comprising minimum research and contractual obligations in the order of DKK 0 million (DKK 17 million in 2009). The total amount of the obligations may increase substantially in line with the favourable development of the research projects.

Other contractual obligations

The parent company has entered into various service agreements amounting to DKK 76 million (DKK 43 million in 2009).

Notes 16-19

16. Contingent liabilities

Letters of intent and bank guarantees
The parent company has entered into agreements to hedge operating losses in certain subsidiaries and has issued a guarantee for DKK 9 million (DKK 9 million in 2009). The parent company's bankers have issued bank guarantees to third parties in the amount of DKK 94 million (DKK 32 million in 2009). As collateral for some of these bank guarantees, the parent company has issued letters of intent to the banks in the amount of DKK 3 million (DKK 9 million in 2009) on behalf of the subsidiaries.

Joint taxation
H. Lundbeck A/S and Danish subsidiaries are subject to national joint taxation with LFI a/s and other Danish affiliated companies. The companies under this joint taxation scheme are separately liable for the payment of own taxes until these have been settled with the administration company (LFI a/s). After such time, LFI a/s is liable for the combined taxes under the joint taxation scheme.

Except for the above, the Group's and the parent company's contingent liabilities are identical, and reference is therefore made to note 27 *Contingent liabilities* in the consolidated financial statements.

17. Related parties

See note 28 *Related parties* in the consolidated financial statements.

18. Treasury shares

At 31 December 2010, the parent company had no treasury shares.

19. Events after the balance sheet date

See note 31 *Events after the balance sheet date* in the consolidated financial statements.

Management statement

Today, we considered and approved the annual report of H. Lundbeck A/S for the financial year 1 January – 31 December 2010.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2010, and of the Group's and the parent company's financial performance and the Group's cash flows for the financial year 1 January – 31 December 2010.

We believe that the management review includes a fair review of developments in the Group's and the parent company's activities and finances, results for the year and the Group's and the parent company's financial position in general as well as a fair description of the principal risks and uncertainties to which the Group and the parent company are exposed.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 24 February 2011

Executive Management

Ulf Wiinberg
President and CEO

Peter Høngaard Andersen
Executive Vice President

Lars Bang
Executive Vice President

Anders Götzsche
Executive Vice President, CFO

Anders Gersel Pedersen
Executive Vice President

Stig Løkke Pedersen
Executive Vice President

Supervisory Board

Per Wold-Olsen
Chairman

Thorleif Krarup
Deputy Chairman

Egil Bodd

Kim Rosenville Christensen

Mona Elizabeth Elster

Peter Kürstein

Jørn Mayntzhusen

Mats Pettersson

Jes Østergaard

Independent auditor's report

To the shareholders of H. Lundbeck A/S

We have audited the consolidated financial statements, parent financial statements and management review of H. Lundbeck A/S for the financial year 1 January – 31 December 2010, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group and the Parent, respectively, as well as the statement of comprehensive income and cash flow statement of the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Statements Act. Further, the consolidated financial statements and parent financial statements have been prepared in accordance with Danish disclosure requirements for listed companies. The management review has been prepared in accordance with Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements, parent financial statements and management review
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation and fair presentation of the parent financial statements in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies, and for the preparation of a management review that contains a fair review in accordance with the Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements, parent financial statements and management review that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements and this management review based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements, parent financial statements and management review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, parent financial statements and management review. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, parent financial statements and management review, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements and parent financial statements and to the fair review of a management review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements, parent financial statements and management review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2010, and of its financial performance and its cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2010, and of its financial performance for the financial year 1 January – 31 December 2010 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for listed companies.

Also, in our opinion, the management review contains a fair review in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 24 February 2011

Deloitte
Statsautoriseret Revisionsaktieselskab

Anders Dons
State Authorised Public Accountant

Martin Faarborg
State Authorised Public Accountant

Pharmaceuticals launched by Lundbeck

Disorder	Trademark	Compound	Indication	First registration	Launched, no. of countries[1]
Depression/anxiety					
	Cipralex®, Lexapro®, Sipralexa®, Sipralex®	Escitalopram	Depression, generalised anxiety disorder, panic disorder, social anxiety disorder, OCD	2001	101
	Cipramil®, Seropram®, Cipram®, Celexa®	Citalopram	Depression, panic disorder, OCD	1989	74
	Deanxit®	Flupentixol +melitracene	Mild depression	1971	23
	Noritren®, Nortrilen®, Sensaval®	Nortriptyline	Depression	1963	18
	Saroten®, Sarotex®, Redomex®	Amitriptyline	Depression	1961	20
Alzheimer's disease					
	Ebixa®, Ebix®	Memantine	Moderate to severe Alzheimer's disease	2002	68
Epilepsy					
	Frisium®	Clobazam	Adjunctive epilepsy treatment	1975	2
	Mebaral®	Mephobarbital	Grand mal and petit mal epileptic eizures, anxiety	N/A	1
	Peganone®	Ethotoin	Grand mal and complex partial seizures	1957	1
	Sabril®	Vigabatrin	Infantile spasms and refractory complex partial seizures (adults)	1993	3
Huntington's disease					
	Xenazine®	Tetrabenazine	Chorea associated with Huntington's disease	2008	3
Parkinson's disease					
	Azilect®	Rasagiline	Parkinson's disease	2005	33
	Cogentin®	Benztropine mesylate	Adjunct in the treatment of Parkinson's disease	1960	6
Psychotic disorders					
	Buronil®, Bunil®	Melperone	Schizophrenia	1968	11
	Cisordinol®, Clopixol®	Zuclopenthixol	Schizophrenia and other psychotic disorders, anxiety, restlessness, insomnia	1982	73
	Cisordinol Depot®, Clopixol Depot®, Ciatyl-Z Depot®	Zuclopenthixoldecanoate	Maintenance treatment of chronic psychotic disorders	1976	75
	Cisordinol-Acutard®, Clopixol-Acutard®, Clopixol-Acuphase®, Ciatyl-Z-Acuphase®	Zuclopenthixolacetate	Acute psychotic episodes, exacerbation of psychotic disorders	1986	72
	Fluanxol®, Fluanxol Mite®, Depixol®	Flupentixol	Schizophrenia, other psychotic disorders	1965	57
	Fluanxol Depot®, Depixol®	Cis(Z)-Flupentixoldecanoate	Maintenance treatment of chronic psychotic disorders	1970	66
	Serdolect®, Serlect®	Sertindole	Schizophrenia	1996	53
	Sycrest®/Saphris® [2]	Asenapine	Bipolar disorder, schizophrenia	2010	1
	Truxal®, Truxaletten®	Chlorprothixene	Schizophrenia and other psychotic disorders, anxiety, restlessness, withdrawal symptoms in drug addicts	1959	22
Other					
	Chemet®	Succimer	Lead poisoning in children	1991	1
	Circadin®	Melatonin	Insomnia	2007	16
	Cosmegen®	Dactinomycine	Oncology indications	1966	29
	Desoxyn®	Methamfetamine hydrochloride	ADHD	1943	1
	Elspar®	Asparaginase	Acute lymphocytic leukaemia	1978	6
	Indocin®, Indocid®, Inacid®	Indomethacin	Patent Ductus Arteriosus (PDA) in premature infants	1985	14
	Mustargen®	Mechloretamine hydrochloride	Oncology indications	1949	4
	Nembutal®	Pentobarbital natrium	Pre-aesthetic and anticonvulsant	1973	1
	NeoProfen®	Ibuprofen lysine	Patent Ductus Arteriosus (PDA) in premature infants	2006	1
	Panhematin®	Hemin	Acute intermittent porphyria	1983	1
	Sodium Diuril®	Chlorothiazide sodium	Edema associated with heart failure, hepatic cirrhosis, kidney disease, corticosteroid and estrogen therapy	1957	1
	Tranxene T-TAB®	Chlorazepate dipotassium	Short-term treatment of anxiety and alcohol withdrawal and combination treatment in partial epileptic seizures	1972	1

1) Number of countries where Lundbeck has launched the pharmaceutical
2) Asenapine will be launched under the brand name Sycrest® in 27 European countries from second quarter 2011

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The Lundbeck Foundation

The Lundbeck Foundation is the largest shareholder of Lundbeck, holding 70% of the shares. It is a commercial foundation founded in 1954 by Grete Lundbeck, widow of the founder of H. Lundbeck A/S. The main objective of the Foundation is to maintain and expand the activities of the Lundbeck group and to provide financial support for scientific research in Denmark and abroad. This support is given independently of Lundbeck's research.

In the period 2008-2010, the Foundation awarded grants of approximately DKK 1 billion, primarily for scientific purposes in the biomedical and natural sciences. The Foundation awarded DKK 385 million in grants in 2010 and expects to award about DKK 400 million in 2011.

Most recently, the Foundation took the initiative to establish a new international brain research prize, 'The Brain Prize'. The EUR 1 billion prize will be awarded for the first time in 2011. The prize will be awarded to one or more European brain scientists who have contributed excellent and internationally recognised research results in the field of neuroscience.

The Foundation's commercial activities are carried out through the wholly-owned subsidiary LFI a/s, which holds the majority of the shares in Lundbeck and also owns a significant portion of the share capital of ALK-Abelló A/S and Falck A/S. The Foundation also has a number of portfolio investments.

For further information on the Foundation, please visit www.lundbeckfonden.dk.

Lundbeck worldwide

PARENT COMPANY
Denmark

PRODUCTION
Denmark
France
Italy
Mexico

RESEARCH
Denmark
USA

SALES
EUROPE
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Iceland
Italy
Latvia
Lithuania
Netherlands
Norway
Poland
Portugal
Romania
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
UK

INT. MARKETS
Argentina
Australia
Belarus
Brazil
Canada
Chile
China (incl. Hong Kong)
Colombia
Egypt
India
Indonesia
Israel
Japan
Malaysia
Mexico
Pakistan
Philippines
Russia
Saudi Arabia
Singapore
South Africa
South Korea
Turkey
Ukraine
United Arab Emirates
Venezuela

USA

INSTITUTES
The Lundbeck Institute

Visit the Lundbeck website at www.lundbeck.com

Photography: Jens Honoré

All patients have had their photos taken after preceding agreement.
The patients have not received any remuneration from Lundbeck.

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