

H. Lundbeck A/S
Q2 2016 Financial Results
Teleconference and Webcast held on 24 August 2016

Operator

Hello and welcome to the H. Lundbeck Q2 report for 2016. Throughout this session, all participants will be in listen-only mode and afterwards there will be a question and answer session and just to remind you this session is being recorded. Today I am pleased to present H. Lundbeck's President and CEO, Kåre Schultz

Kåre Schultz

Thank you very much operator and thank you all for your interest in Lundbeck. Welcome to this Lundbeck teleconference covering our financial report for the second quarter of 2016 released this morning. With me I have our CFO, Anders Götzsche, and our head of R&D, Anders Gersel Pedersen.

On slide 2 you can see the company's disclaimer, which as always I presume you have seen many times before and I will refrain from reading it out aloud.

So we will go directly to slide 3. We will elaborate on some of these items in a minute, but please allow me to summarise on the solid performance we have had through the quarter. We are very satisfied with the development in the second quarter and now, six months into the year, we have achieved a significant improvement in our profitability as well as growth in revenue. Our business is in such good shape that we can again increase our financial guidance for the year. We are raising our revenue guidance by DKK 400 million and our EBIT by DKK 200 million. Our key products have continued their strong growth and sales of these products have almost doubled compared to the second quarter of 2015 reaching close to DKK 1.6 billion.

Both Abilify Maintena and Brintellix have approximately doubled their sales. Northera sales tripled, Onfi continued with double-digit growth rates and Rexulti has already surpassed DKK 300 million in sales. Additionally, Brintellix continues to gain market shares in the US. Overall, we are seeing a very encouraging sales performance of the products that will form the basis of our future business. In parallel with the sales growth, we have managed to bring down our costs with an EBIT margin of 12.7 % compared to the negative ratio of 67.6 % in the same period last year. Thus, we have created a good basis for achieving our long-term target of an EBIT margin of 25 %.

Please turn to slide 4. I think it is worth pointing out that we have a portfolio of mature but relatively stable products and then we have a portfolio of key products, which generate substantial growth.

In the quarter, however, Lundbeck realised revenue growth of only 3 % but this muted growth can be attributed to the handback of Azilect to Teva and generic erosion of Xenazine in the US. I also think it is worth pointing out that the main growth driver in the quarter is the US in general and foremost products like Onfi, Rexulti and Northera and therefore this region has grown 29 % and constitutes 55 % of our sales.

Please turn to slide no. 5. We continue to execute on our strategic growth platforms and we have seen significant sales increase in our key products. For the quarter, the key products generated revenue of close to DKK 1.6 billion, corresponding to 41 % of total revenue. We are expecting continued high growth for these products.

Please turn to slide no. 6. We will now look at our key products individually. And let us start with Rexulti. As you can see, the significant uptake continues and the momentum looks solid and sustainable. The

week/week growth continues to outpace the branded market in general and the uptake relative to prior competitive anti-psychotic launches is strong. Rexulti has so far achieved more than 7 % branded total branded scripts or TR_x market share and some 9 % branded new scripts or NR_x market share. In terms of revenue, Rexulti achieved DKK 193 million in sales in the second quarter compared to DKK 116 million in the first quarter.

Please turn to slide no. 7. Revenue from Brintellix reached DKK 244 million in the second quarter of the year. The growth was primarily driven by the continued sales growth in the US which constitutes about half of the sales. However, also countries like Canada, Brazil and Spain are beginning to make valuable contributions to the total Brintellix revenue. In the US, Trintellix – as it is called now – reached revenues of DKK 124 million for the quarter. Trintellix volume share of branded total scripts currently stands at 22.5 % and the share of branded NR_x volumes stands at 27 % at the beginning of August. In general, Trintellix is the only branded anti-depressant which shows growth. It is important to mention that the name change in the US seems to have impacted sales negatively in the quarter when comparing to the previous quarter. However, looking at the script uptake, we do not as expected see the same impact. It is reasonable to assume that inventory reshuffling has had a slight temporary negative impact on sales in the quarter. In Europe, market access remains a constant key challenge and most European markets are still minor. We have recently launched Brintellix in Spain and Italy but it is still early days although especially Spain looks promising. In Germany, on the other hand, we started a withdrawal this month but as we have seen sales deteriorate through 2016 the financial impact from this will be limited as in this quarter we only sold for less than DKK 10 million in Germany.

Please turn to slide no. 8. If we turn to Abilify Maintena, our long-acting anti-psychotic, this product is doing well in most if not all markets. The long-acting injectable market remains strong with double-digit growth rates supported by shifts from oral to long-acting anti-psychotics as well as new product offerings. Sales of Abilify Maintena grew 78 % and reached DKK 279 million in the second quarter. Anders Gersel will provide additional flavour on the bipolar disorder story.

Please turn to slide no. 9. Onfi just continues to impress. The product reached sales of close to DKK 600 million following growth of 45 %. We continue to see increased demand but the product is also favoured by a positive price development.

Please turn to slide no. 10. Northera reached sales of DKK 250 million. Also for Northera, we continue to see increased demand, but more importantly the demand is driven by longer treatment durations and higher milligrams per patient.

I will now hand over the presentation to Anders Gersel to go through the latest in the pipeline.

0.07.44

Anders Gersel Pedersen

Thank you very much, Kåre. Please go to slide no. 11. First of all, I will mention that we have finalised the recruitment of patients into the three pivotal studies with Idalopirdine and Alzheimer's and therefore I am comfortable with our announced plan to have headline conclusions from all three studies in the first quarter next year. Furthermore, the US FDA has granted fast-track designation to Idalopirdine as we announced back in July. Regarding the FDA, the process around the Trintellix sNDA I do not have much additional information than previously given out other than that we continue to have a dialogue with the Agency in terms of addressing the complete response letter we received back in March.

Please turn to slide no. 12. Back to Idalopirdine. At the AAIC conference held in Toronto in July we presented a poster with the blinded baseline data for patients enrolled in the Idalopirdine STARSHINE study

which is the most progressed study in the programme. Baseline data support that the study population is representative of patients with mild to moderate Alzheimer's. On average, patients were diagnosed with Alzheimer's disease 2.5 years prior to enrolment in the study and treated with donepezil for 1.6 years prior to enrolment. We also present an estimated completion rate for the STARSHINE and STAR extension studies. The STARSHINE study completion rate and rollover to STAR extension studies are very high. 83 % of randomised patients had completed the study at cut-off date and 91 % of STARSHINE completers enrolled in the STAR extension study giving us a very long long-term exposure.

Please turn to slide no. 13. Last quarter, we reported that the study met the primary endpoint and now we can report that we plan to submit an sNDA some time during the second half of 2016 for the treatment of bipolar I disorder. Today only Risperdal Consta is indicated for bipolar and only in the US. Probably more than half the patients remain partially (inherent) or non-inherent, which could make long-acting anti-psychotics a viable treatment offering for these patients in particular.

I will now hand over the presentation to Anders Götzsche to go through the financial performance

0.10.23

Anders Götzsche

Thank you very much, Anders. Please go to slide 14. As you can see from the slide, in the second quarter revenue increased by 3 % and reached DKK 3.8 billion. The impact from Azilect handback and the loss of exclusivity was therefore more than mitigated by the growth in key products. The EBIT margin was significantly improved from last year and even so we prefer to look at reported numbers. I think it is worth adjusting the second quarter last year for the impact from the restructuring programme and when you look into the core EBIT, the margin actually improved from 3.7 % to 19.3 % and has therefore continued the very positive development from the first quarter so it has been a very, very satisfying development both from an EBIT and margin point of view. We see continued room for margin improvements longer term and following the continued effects from the restructuring programme and also due to the fact that we see increased growth in the key products with higher margins. For the remainder of the year, it is however likely that the expected erosion of Xenazine could put slight pressure on margins, at least compared to the level reached in this quarter. We know that many of you are still focused on core EBIT and the only difference between core and EBIT is amortisations of products rights, which is expected to be around DKK 1 billion for the year. The effective tax rate for the second quarter is around 50 %. The higher tax rate compared to the Danish corporate income tax rate is caused by amortisation of Northera product rights in the US, which are not deductible for tax purposes, and Lundbeck's increased profit in the US. The corporate tax rate in the US is higher than the Danish tax rate and not fully offset by the tax loss realised last year in Denmark. Please let me also provide some insight into our forecast for the tax rate going forward, and please be aware that the tax rate is very dependent on our geographical mix as well as our product mix. The reported tax rate is expected to be around 50 % in 2016 and 40 % in 2017. Until 2021, the reported tax rate will probably end between 25 and 30 % impacted by the relatively high profit contribution by products held in the US and of course also the Northera product right amortisations that are not deductible for tax purposes. The long-term reported tax rate is expected to decline to a level between 23 and 25 % but it is also important to note that the cash tax rate is lower and it is being around 40 % in 2016 and 30 % in 2017 and we already expect it to decline to a level around 25 % from 2018.

Please turn to slide 15. As you can see, all cost ratios have improved compared to the same period last year except for the R&D ratio which is impacted by quarterly fluctuations as well as the start of the clinical phase III programme on 35700 in treatment-resistant schizophrenia. When looking at the cost ratios, we still expect our cost of sales to reach a level around 25 % for the year and R&D is expected to stay around 20 % for the full year. SDNA is likely to end the year in the range of 40 to 45 %.

Please flip to the next slide. The solid improvement in our cash flow is obviously a reflection of our improved profitability but also we have seen slight improvements in our working capital, reduced provisions and of course they are being spent on the restructuring programme but all in all we have seen a very, very strong development in our cash flow and we expect that that will lead to a net interest bearing debt around DKK 1 billion by the end of 2016.

Please turn to slide 17. Based on very solid performance so far we have raised our financial guidance for the year with expected continued growth for our key products. The outlook for 2016 now indicates revenue in a range of DKK 14.6 to 15 billion. We expect a significant improvement in our profitability in 2016 and EBIT is now expected to reach between DKK 1.5 and 1.7 billion for the year, which indicates a margin of at least 10 %. I have already gone through the expectations for cost ratios and tax rate so now we are down to financials and net financial items. You should now expect a net loss around DKK 150 to 200 million for the year and of course the outlook is based on unchanged exchange rates and concluding my financial presentation I will now hand back to Kåre for the concluding remarks.

0.16.06

Kåre Schultz

Thank you, Anders. Before I hand over to the operator for our Q&A session I would like to say that Lundbeck stands in front of exciting times. We believe that 2016 will be a year where we will see continued positive results of our actions. With that I would like to thank you all for your interest and open up for the Q&A session. Over to you, operator.

0.16.28

Operator

Thank you very much. Ladies and gentlemen. If you have a question for the speakers please press 01 on your telephone keypad. Our first question comes from the line of Sarah Thomas of Deutsche Bank. Please go ahead. Your line is now open.

0.16.47

Sarah Thomas

Hi there, it is Sarah from Deutsche. Just a couple of questions, please. Firstly on Trintellix in the US, I know you said the name change had a bit of an impact this quarter. So I was just wondering what we are up to now with the DTC campaign. Any feedback that you have had so far and perhaps where we might expect to see an applicant prescriptions (??). And the next is on Rexulti and Northera which were both very, very strong this quarter just to kind of clarify are these both clean numbers or is there any kind of stocking or anything in these numbers we should think about and then finally just a pipeline question on Idalopirdine. I saw that Axovant are looking to run a trial also there into Pirdine is the gate on balance?. I just wondered if you had similar thoughts for Idalopirdine. Or if you are going to just wait for the Alzheimer's data before deciding on further indications for this asset going forward. Thank you.

0.17.39

Kåre Schultz

Thank you, Sarah. I think I will try and answer the two first questions and then Anders Gersel will answer your last question. If we look to Trintellix then our positive assessment is based on the trend line for TR_x and NR_x for the first – you could say – close to 7.5 months. We have the data up until the beginning of August and it looks very solid with very steady growth in both total scripts and new scripts and of course the new script market share is above as I mentioned the total script, which indicates that we will continue to see growing TR_x market share throughout the coming period. We have, as you said, started a DTC campaign but only here in August so it is really too early to say whether that will have any major impact on the development of the TR_x. With regard to Rexulti and Northera, to our knowledge there are no sort of

major pipeline changes, inventory changes or rebate changes affecting the Q2 numbers. It is of course always difficult to say that with 100 % guarantee but I can only say that to our knowledge these are straightforward numbers, not affected by anything unusual. So Anders, will you answer the last question?

0.19.00

Anders Gersel Pedersen

We do not plan to initiate any large-scale studies up until we have seen the results of the phase III programme if that answers your question but we are fully aware of the activities also by Axovant

0.19.18

Sarah Thomas

That is great. Thank you.

0.19.22

Operator

Thank you. Our next question comes from the line of Michael Novod of Nordea Markets. Please go ahead. Your line is now open. Michael, you may go ahead and ask your question...

Michael Novod

Yeah hello it is Michael from Nordea in Copenhagen. So on the cost side, maybe Kåre you would give us an update on how far do you see you are now being in the cost restructuring programme and how much is left also for 2017 and then secondly if we look at Rexulti and also Otsuka was providing an upgraded guidance in connection with their quarter indicating sales above DKK 800 million also for Lundbeck. Is that an estimate you feel comfortable with? Or are you even more bullish than that? Thanks a lot.

0.20.10

Kåre Schultz

Thank you very much, Michael. I think I will hand over the first question to Anders Götzsche and then I will answer the second question.

0.20.17

Anders Götzsche

The cost restructuring, Michael, as we have said in previous quarters, the restructuring is going really well and we anticipate that 1.5 to 2 billion of impact will impact 2016 and then the remaining part will have the full impact in 2016. But all in all it is also what we said in Q1, it is going a little faster so that is why we are expecting a little more offside this year compared to next year.

0.20.50

Kåre Schultz

And with regard to Rexulti, then in general we don't comment on the statements of our partners with regard to outlook for turnover but we are very positive in our assessment of the progress of Rexulti in both the TR_x and NR_x in the US marketplace and as a consequence of this we do of course expect to see increasing sales quarter by quarter. Where exactly we will end is not something we will be estimating. Basically, we will, also going forward, refrain from estimating individual products. But we are very positive on the outlook.

0.21.30

Michael Novod

Can I just make a follow-up on the cost. So you have also said that part of the cost savings were also savings on the gross margins when you moved to say a different structure in terms of partnering. Can you say how

much is actually left on more the operational cost side and where do you see the cost mainly being saved in 2017?

0.21.56

Anders Götzsche

Of course, most of the operational restructuring is you know 90 % we have finalised but we still have some restructuring to do due to negotiations with the unions, negotiations with employees and we also have initiatives that also, you know, simplifying the business that is one of the key words in the business. It is to simplify everything and we, of course, continue with that and that will also go into 2017. So you will see a continued better improvement in our gross margin but you will also see a continued better improvement in our cost ratios.

0.22.35

Michael Novod

Sure. Thanks a lot

0.22.37

Operator

Thank you. Our next question comes from the line of Trung Nguyen from Credit Suisse. Please go ahead. Your line is now open.

0.22.45

Trung Nguyen

Hi guys. Thanks for taking my questions. Two if may. Xenazine that seems to have held out well this year given that there is generics available but with the recent news by CVS to exclude it from the formulary we think Xenazine takes a significant step down in 2017 and my second question on Idalopirdine. Why is Lundbeck waiting for the outcomes for all three trials before presenting the results? Why are you not disclosing the results of STARSHINE when that comes in given that this is probably going to be material? Thanks a lot. Goodbye.

0.23.18

Kåre Schultz

Thank you for your questions Trung. I will answer the first one and then Anders Gersel will answer the second one. With regard to Xenazine as you all know it went off patent and we got generic competition a year ago and in terms of prescriptions we have roughly seen a loss of 50 % of the prescriptions by now and we expect to see a continued erosion of the total prescription numbers for the coming periods and it is not that this individual element – the CVS decision – has any significant impact over and above the current trend that we are seeing with a slow decline of sales.

0.24.05

Anders Gersel

And this is Anders Gersel. With respect to the disclosure results, you are right that we will see data, obviously not on the same date, for all of the three studies but as studies will be ongoing and as there will be also interactions that may occur with the Agency, the FDA, in that process and also concern that earlier has been expressed on their behalf about impact on other studies we have chosen not to want to disclose anything to avoid any potential impact on ongoing programmes.

0.24.43

Trung Nguyen

Excellent. Thanks a lot

0.24.45

Operator

Thank you. Our next question comes from the line of Julian Shaw of J.P. Morgan. Please go ahead. Your line is now open.

0.24.55

Hi, it is Julian Shaw in J.P. Morgan. Thanks for taking my questions. I was just wondering if you could discuss the level of trends like rebating? Has it increased this quarter and should we expect this to be the new run rate going forward? And then maybe just on trends like as well if you could discuss your thoughts around how you expect to go forward with the cognition label and what the next process will be and maybe a time line for that? Thank you very much.

0.25.21

Kåre Schultz

Thank you very much, Julian. I will address the first question on the rebates and then Anders Gersel will address the second one on the cognition label discussions. So the answer to whether we have seen any changes of gross to net is that: no we haven't. We see a relatively stable gross to net and we have no reason to believe that there will be any significant changes in the gross to net in the coming periods. Anders.

0.25.49

Anders Gersel

With respect to the discussions on the cognition label, we cannot give you any timeline on that. These discussions are ongoing with the Agency and as long as they are ongoing we cannot give you any further details on their position on that but we are supplying them with additional matters and additional information on the data supplied to them early on.

0.26.13

Julian Shaw

Okay, great. Thank you.

0.26.15

Operator

Thank you. Our next question comes from the line of Carsten Lønborg Madsen of SEB. Please go ahead. Your line is now open.

0.26.25

Carsten Lønborg Madsen

Thank you very much. This is Carsten from SEB. Just, Götzsche, to you. You had a slide that said the guidance does not include any milestones payments for the remaining part of 2016 but is that because – I guess if you are successful with Rexulti in Europe there will be milestone payment to Otsuka maybe not via the P&L but there will be a milestone payment right? And the same question when we look at Rexulti it is part of the very strong performance is that because you keep more of the gross invoiced revenue for Rexulti in the US compared to previous quarters?

0.27.06

Kåre Schultz

So Anders Götzsche will answer the first question and I will take the second one, Carsten.

0.27.12

Anders Götzsche

There are no milestones related to any of the partner programmes this year. The approval milestone – it is an approval milestone so that is – you should expect milestones to come probably in 2017 and 2018 but no impact and also the milestones will also be capitalised and amortised over the product's lifetime. So but we don't expect any milestones this year.

0.27.42

Kåre Schultz

And with regard to your question on – the way I heard your question was that you were asking whether there was any change in the gross to net between the first quarter and the second quarter on Rexulti in the US and that is not the case. We don't see any significant change there and the sales increase is basically driven by volume increase in the TR_x.

0.28.04

Carsten Lønborg Madsen

There is no change in for example coupons or anything – it just seems that when we look at our terminals here from the outside it seems that you keep more of the revenue we can see in our Bloomberg terminals at least.

0.28.19

Kåre Schultz

I think that, you know, if you want to analyse and consolidate what is the difference between sort of Bloomberg numbers, other IMS numbers and you know TR_x numbers, actual sales and so on then you get into a lot of finer details about, you know, cut-off dates and inventory changes and all that and I think that is more likely that these tiny elements are the explanation. In our gross to net of course we include all different rebates, co-pay cards and so on and there might be small changes there but it is not of any significant size when you compare the first quarter to the second quarter.

0.29.00

Carsten Lønborg Madsen

Okay. Thanks.

0.29.02

Operator

Thank you. Our next question comes from the line of Martin Parkhøi of Danske Bank. Please go ahead. Your line is now open.

0.29.11

Martin Parkhøi

Thank you very much. Martin Parkhøi, Danske Bank. Firstly, a question on Sabril. Now we have seen this year that you have seen much less tough general competition on Xenazine and given that it appears a little bit more – even more complex to do anything on Sabril, can you draw any kind of parallel that you also in 2017 maybe also now could expect less impact on Sabril? And then secondly with respect to the quarterly distribution historically you have always had a lot of cost in the fourth quarter. During this cost restructuring process are you also trying to ease out the big difference between we have seen costwise on the quarters? And then finally with respect to Onfi pricing, of course you have had a significant benefit from that in the second quarter due to two price hikes. Now of course the products are still fairly small so they may go under the radar screen in the US but it is also growing in size now. Are you a little bit more cautious

on what you could expect in the coming years and also up to a potential patent expiry of Onfi? Or marketing exclusivity expires?

0.30.27

Kåre Schultz

Thank you Martin. I will try and answer on Sabril. Then Anders Götzsche will address the cost element about Q4 and then I will give an answer on Onfi. So if we look at Sabril then first of all we do not know exactly how much generic competition there will be and that is one element of how you have your generic erosion. That depends a lot on how many competitors you get and how fast you get them and since we don't have that visibility just like we did not have it on Xenazine it is very hard for us to predict so my guess is that we will be conservative in our assessment of how we expect the generic competition on Sabril to affect our sales in 2017. Then it is anybody's guess how many competitors there will be and how the actual curve will look. So that is the answer to the Sabril question. On the cost, Anders, will you just comment on that?

31.28

Anders Götzsche

We have delivered close to DKK 1 billion in EBIT for the first half and that means that we will deliver between 500 to 700 million for the two remaining quarters and of course we expect that both quarters will be positive so it will be an improvement compared to last year but to give specific guidance around the quarters, we are not willing to do that now but it will be positive numbers for both quarters.

0.31.54

Kåre Schultz

Thank you, Anders. Then on the Onfi pricing it is correct that we have seen increases of the Onfi price both in 2015 and 2016. In general, we are seeing a pricing environment in the US where we can continue to take sensible list price increases and also see reasonable net price increases so we are not seeing any significant change in those parameters.

0.32.26

Martin Parkhøj

Thank you very much.

0.32.29

Operator

Thank you. Our next question comes from the line of Peter Welford of Jefferies. Please go ahead. Your line is now open.

0.32.35

Peter Welford

Hi, thanks for taking my questions, four please. Firstly, financials on the other revenues. We saw quite an uptake in that number this quarter. I wonder if you could give us any insight into that and I guess more importantly how we should think about the other revenue trend in the coming quarters given obviously that you said there were not any milestone numbers in there and secondly I wonder if you could possibly reveal Selincro sales so I have peace of mind for the quarter, please. Thirdly then, digits on Rexulti, I noticed in a press release you talk about the Arch and Adelphi ? data could then lead to a European filing. The tone perhaps seems slightly more confident than you have been in the past that you are going to proceed with Rexulti in other geographies like Europe despite of these other drugs not being in the European market. I wonder if you could perhaps comment whether that is true and what perhaps boosts your confidence in Rexulti's potential in the European market and then finally just on the Idalopirdine, do I understand

correctly then milestones for that drug will be amortised in the future from Otsuka and could you possibly comment at what point in time do you sit down with Otsuka and discuss detailed marketing plans etc.? Is that likely to be only until 2017 or have any sort of discussions already been had? Thank you.

0.33.55

Kåre Schultz

Peter, thank you very much. I think Anders Götzsche will handle the one on the other revenue and the Idalopirdine accounting and then I will handle Selincro and Rexulti. So why don't you start, Anders, with the other revenue question and the Idalopirdine question?

0.34.10

Anders Götzsche

You should expect other revenue, other pharmaceuticals and other revenue to see a decline, you know, around 10 % for the year so it will be slightly declining due to its mature products but it is around 10 % is a good guess.

0.34.31

Kåre Schultz

And maybe you can address the Idalopirdine and the way we handle the milestones?

0.34.37

Anders Götzsche

Yes, if I heard it right, Peter, then it was what we do is that if it has a significant value and is attached to commercialisation then we will capitalise it and make the amortisation of the product's life or the life cycle of the product so that will be until patent expiry and of course that was for if we pay for Rexulti and Abilify. If we get it from – the up-front payment – from Idalopirdine we will take it as income in the year because then it is payment for past development cost.

0.35.21

Kåre Schultz

And now Peter I will try to address the Selincro and Rexulti question, so on the Selincro sales, the sales in the second quarter were DKK 56 million and it is now you could say profitable but a smaller product for us. We have adjusted the sales and marketing efforts so that it is still a profitable product for us. With regard to Rexulti in Europe then we are of course working hard on preparations for a filing of Rexulti in Europe. We cannot tell you exactly how and when but definitely within the coming year we will see a filing of Rexulti in Europe.

0.36.09

Peter Welford

That is great. Thank you.

0.36.12

Operator

Thank you. Just to remind everyone. If you would like to ask a question, please press 01 on your telephone keypads now. And our next question comes from the line of Peter Sehested of Handelsbanken. Please go ahead. Your line is now open.

0.36.30

Peter Sehested

Yeah it is Peter from Handelsbanken. Thank you for taking my questions. They are both to Anders Götzsche. Anders could you please specify depreciation/amortisation/impairment for the quarter and the half-year, thank you. Secondly, the increase in R&D costs, you say that it is primarily affected by start-up, which suggests some one-off impact to that. Could you please also specify how much is sort of to say one-off related to start-up, how much of that is recurring and how we should look at R&D costs going forward? Thank you.

Peter Götzsche

Okay the amortisation for the full year you should expect it to be around DKK 1 billion and it is split evenly between the quarters and then depreciation and amortisation of other and intangibles and impairments, the first one I alluded to was product rights, is around DKK 400 million, so the totality is 1.4 billion and it is basically split evenly between the quarters, so I hope that answers your question.

0.37.55

Anders Gersel Pedersen

This is Anders. With respect to the R&D expenses we stated also we expect them to stay at a level that is below 20 % going forward. The increase that we see this year attributed to 35700 is because usually when you start a very significant programme up you always have an initial payment for some of the collaborators that you need to get into and that is basically what you have been seeing here.

0.38.19

Peter Sehested

Okay. Thank you.

0.38.23

Operator

Thank you: there are no further questions at this time. Please go ahead, speakers.

Kåre Schultz

Now we will end our session and we thank you all for listening in and we thank you all for the very good questions. Thank you very much. Goodbye.