

## Chairman's report – Annual General Meeting 2010

As chairman of H. Lundbeck A/S, I am pleased to welcome you to the Annual General Meeting. Before we begin this year's general meeting, I would like to present Lundbeck's management team: Peter Høngaard Andersen, Executive Vice President (EVP), Research, Anders Gersel Pedersen, EVP, Drug Development, Lars Bang, EVP, Supply Operations & Engineering, Anders Götzsche, EVP, Finance, IT & Communication/IR, Stig Løkke Pedersen, EVP, Commercial Operations, and last, but not least, our Chief Executive Officer, Ulf Wiinberg. In this context, I would also like to thank the Executive Management for their wide-reaching efforts and strong operating results achieved in 2009.

I would also like to present Lundbeck's board members to the shareholders: Apart from myself, the following board members are elected by the shareholders in general meeting: Thorleif Krarup, deputy chairman, Egil Bodd, Peter Kürstein, Mats Pettersson and Jes Østergaard. The members elected by the employees are: Kim Rosenville Christensen, Jørn Møller Mayntzhusen and Birgit Bundgaard Rosenmeier. Mona Elizabeth Elster has been elected as employee representative for the next four-year period and will replace Birgit Bundgaard Rosenmeier. I would like to take this opportunity to thank Birgit for a fruitful collaboration and also to welcome Mona onto the Supervisory Board.

2009 was a very eventful year that required a lot of time from Lundbeck's board members. I would like to thank the remaining board members for their commitment and contribution to the company's progress and the major strategic decisions that we took in 2009.

This general meeting will be webcast directly via our website in both Danish and English. A simultaneous interpretation service is provided into English here in the building, and the webcast will subsequently be available on our website, both in Danish and English. In the lobby, copies of the annual report for 2009 and the Lundbeck Magazine 2010 are available, which you can read to learn more about Lundbeck.

Again this year, the Supervisory Board has resolved to appoint Jørgen Boe, attorney, as chairman of this general meeting.

### Main events of the year

As chairman of the Supervisory Board of H. Lundbeck A/S, I am pleased to present the Supervisory Board's report for 2009 on behalf of the board.

2009 brought considerable progress:

- We established a platform in the US
- We continued to record growth across products and regions
- We obtained two new products in the US (Sabril<sup>®</sup> and Xenazine<sup>®</sup>)
- In trials conducted outside the US, our new anti-depressant product candidate demonstrated that we have reason to believe in this product
- Our 'Decisions Now' programme – intended to make us more efficient and optimise our resources – lived up to our expectations

However, other aspects were not as positive. Unfortunately, our Lu AA21004 studies in the US were not successful. We need to perform additional studies, which will push up the costs relating to the development programme, causing a delay of 18-24 months. However, we still have great faith in the product. In 2009, we opted to end our collaboration with Solvay concerning the development of bifeprunox, and the development programme was terminated. At the beginning of 2010, we also discontinued the development of one phase I project and one phase II project. Furthermore, we resolved to write down Circadin, a product we in-licensed from Neurim in 2007. Unfortunately, the product failed to live up to our expectations.

We have said that our aspiration is to be a “high-growth, research-based CNS company”, so we need to be successful in our research activities. We recorded strong progress in our pipeline in 2009; phase III development of desmoteplase, nalmefene and clobazam and phase II with AA24530 and zicronapine. Moreover, we had two new product candidates in phase II and two in phase I.

### **Results achieved in 2009**

Let us look at the figures for 2009. Lundbeck once again reported its highest ever revenue, and the results for 2009 were consistent with the financial guidance we had given to the market. Sales at constant exchange rates were up by 12% in Europe, 58% in the US and 13% in International Markets. Our CEO Ulf Wiinberg will elaborate on the revenue for the year and the financial results in his presentation later today. Cipralelex<sup>®</sup> is by far our best-selling product, and revenue from the product grew by an impressive 12% at constant exchange rates relative to 2008. Sales of Ebixa<sup>®</sup> also grew strongly at 17%.

Let us take a look at the US and our new operations. Ovation (now Lundbeck Inc.) generated sales of approximately DKK 1.5 billion in 2009. Ovation was not acquired until the end of March 2009, and about DKK 1.2 billion was recognised as revenue from Lundbeck Inc. Xenazine<sup>®</sup>, our new product for the treatment of Huntington’s disease, generated sales of about DKK 300 million in 2009, whilst Sabril<sup>®</sup> for the treatment of niche indications within epilepsy was officially launched towards the end of 2009. For the 2009 calendar year, Lundbeck Inc/Ovation reported revenue growth of approximately 40%.

### **Lundbeck’s goals**

At the Annual General Meeting in 2009, I presented Lundbeck’s focus areas and areas in which we needed to perform better, and we need to focus on exactly the same things in 2010. Our strategy remains unchanged!

Lundbeck must:

- Retain a strong focus on research and development
- In the short term source new pharmaceuticals through in-licensing or acquisitions
- Increase revenue from our pharmaceuticals to the best of our ability
- Continuously streamline and simplify our business

Ulf Wiinberg will later review the status of our Decisions Now project, the aim of which is to ensure the last item, i.e. that Lundbeck is managed as effectively as possible. Let me now tell you where we currently stand in respect of the other three priorities.

Unfortunately, we suffered a delay in the Lu AA21004 studies in the US, and the FDA has asked a number of questions concerning a potential registration of Serdolect in the US. That said, we now have two active products in phase III and four products in phase II in the field of “psychiatry”. Moreover, we have three active products in phase III, one product in phase II and one product in phase I in the field of “neurology, stroke and general CNS”. Two of our phase III products derive from the acquisition of Ovation in the US and are primarily products targeting the US market.

With the acquisition of Ovation, we acquired new products, but we must continue our search for more new products and businesses that can help us consolidate our revenue in the period 2012-2014, when our patent for Cipralelex<sup>®</sup>/Lexapro<sup>®</sup> expires. Since we met here a year ago, we have evaluated about 125 different product candidates for potential in-licensing. We have also evaluated research-based businesses with a view to potential partnerships or acquisitions. We will continue these efforts.

In 2009, we recorded strong double-digit growth for our existing products, and we thus maintained the momentum in our operations. That is also one of our defined goals for 2010. However, all research-based pharmaceutical companies today face comprehensive challenges in respect of their patents –

from Chinese/Indian/Israeli companies. It is our responsibility, to the best of our ability, to defend our patent rights. We work energetically to defend our intellectual property rights.

### **Financial forecast for 2010**

Our financial forecasts for 2010 are as follows:

- Revenue: DKK 14.3–14.8bn (equal to growth of approx. 6%)
- EBITDA: DKK 3.9–4.3bn (equal to growth of approx. 11%)
- EBIT: DKK 3.0–3.4bn (equal to growth of approx. 10%)
- Tax rate: 24-25%
- Research and development costs: ~21% of revenue

### **The Lundbeck share**

To us, as board members of H. Lundbeck A/S, and to all of us shareholders the price performance of the Lundbeck share has been far from satisfactory. Put very simply, the reason is first and foremost the disappointment with Lu AA21004 a year ago and lack of faith in the market that we are able to solve the 2012-14 issue relating to the patent expiry for Cipralex<sup>®</sup>/Lexapro<sup>®</sup>. Our underlying operations are quite healthy. I would like to emphasise to all shareholders: Lundbeck's Executive Management and Supervisory Board give top priority to resolving the 2012-14 issue.

### **Corporate governance**

The Supervisory Board believes that the Group meets the NASDAQ OMX corporate governance recommendations, except the one dealing with remuneration information for the Executive Management on an individual level. We have opted not to disclose the remuneration paid to each individual member of Executive Management but only the remuneration paid to the President & CEO and the combined remuneration paid to Group's Executive Management. The individual members of Executive Management basically receive the same remuneration, and the Supervisory Board believes that disclosing individual remuneration would not provide additional value.

We have continued the process of making an annual board evaluation, and our two most recent board evaluations were made with the assistance of an external consultant. It is evident to us, what we do well as a board and what we need to prioritise in order to contribute further to Lundbeck's success.

Like I said earlier today, the Supervisory Board consists of nine members, of whom six members are elected each year at the Annual General Meeting and three members elected by the Group's Danish employees. Four of the six members elected by the shareholders are independent. Thorleif Krarup and Jes Østergaard are not considered independent due to their affiliation with the Lundbeck Foundation. The board members' competencies are described in the notice convening this general meeting.

The Supervisory Board held 11 ordinary meetings and four extraordinary meetings in 2009, The Remuneration Committee held ten meetings, and the Audit Committee held four meetings.

At the end of 2009, we resolved also to appoint a Scientific Committee and an independent scientific advisory panel of CNS experts from around the world. We currently spend about DKK 3 billion each year on research and development, while our collaboration partners spend about DKK 1 billion on research related to Lundbeck's products. We believe that any form of assistance that we can get from the world's leading experts for our research projects would help us move in the right direction in the future.

No changes have been proposed in respect of the Supervisory Board's remuneration for 2010.

### **The pharmaceutical industry**

The global research-based industry is witnessing many new developments. Unfortunately, not all developments are positive; research productivity is low and new products fail to emerge. Within the past year, for example, Pfizer acquired Wyeth and Merck acquired Schering-Plough. At the same time, we are witnessing massive restructurings in the industry, including employee lay-offs with thousands of positions being eliminated.

Some research-based companies have publicly announced that they intend to reduce their focus on CNS. In January of this year, AstraZeneca announced that they will scale down their research in schizophrenia, bipolar disorders and depression, and in February GSK announced that they will discontinue their research in selected CNS areas, including depression and pain. In a way, this indicates how difficult it is to conduct CNS research, but on the other hand it is good news for Lundbeck. Partnering is an important part of our business model. A lot of CNS research is undertaken for example by biotech companies, other newly started research businesses and in academia. Obviously, many of these players would prefer to cooperate with Lundbeck instead of businesses that are scaling down their CNS activities.

### **Concluding remarks**

In 2009, we made good headway towards our goals. Our commercial operations are performing well. We have seen significant research and development progress and have gained a foothold in the US.

I would like to say that we are working hard, with dedication and a professional attitude at all levels, and I take pleasure in being part of Lundbeck's journey.

Thank you for your attention and your confidence so far.

I will now give the floor to Ulf, who will present the financial results for 2009.