

Chairman's report – Annual General Meeting 2012

As chairman of H. Lundbeck A/S, I am pleased to welcome you to this year's Annual General Meeting. 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.

Before we begin this year's general meeting, I would like to present Lundbeck's management team: Ulf Wiinberg, President and CEO, Anders Götzsche, Executive Vice President and CFO, Anders Gersel Pedersen, Executive Vice President (Research & Development) and Marie-Laure Pochon, Executive Vice President (Commercial Operations). I would like to thank the entire Executive Management and congratulate them on their dedicated efforts and fantastic financial results achieved in 2011.

I would also like to present Lundbeck's current board members: Apart from myself, the board consists of the following shareholder-elected members: Thorleif Krarup, Deputy Chairman, Peter Kürstein, Jes Østergaard, Christian Dyvig and Håkan Björklund. The members elected by the employees are: Kim Rosenville Christensen, Jørn Møller Mayntzhusen and Mona Elizabeth Elster.

Lundbeck had a very active year in 2011 that involved major time-consuming strategic decisions requiring a lot of commitment from all board members. I would like to compliment the board for their efforts and thank the members for their huge contribution during the past year.

As in the preceding years, copies of our annual report for 2011 and the Lundbeck Magazine 2012/2013 are available in the lobby. You are welcome to take a copy to learn more about Lundbeck.

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

The year under review

As chairman of the Board of Directors of H. Lundbeck A/S, I am pleased to present the Board of Directors' report for 2011 on behalf of the board. 2011 was another successful year for Lundbeck.

- We achieved strong financial results, generating record-high revenue and earnings
- We retained solid sales growth for all key products in all regions
- We achieved substantial progress for our late-stage product candidates:
 - Three product launches, including the Onfi launch in January of this year
 - Two product approvals
 - Four submissions of registration applications, including the aripiprazole depot application submitted to the FDA by our new collaboration partner Otsuka
 - One phase III programme initiated
 - Two phase II programmes terminated – unfortunately these are the conditions in our industry
- We entered into new and improved a number of existing partnership agreements:
 - Historic agreement with Otsuka on development of innovative pharmaceuticals focused on psychiatric disorders worldwide
 - Agreement with Cephalon allowing Lundbeck to expand its commercial opportunities in Canada and Latin America
 - Comprehensive co-promotion agreement in China with Xian-Janssen
 - Numerous agreements concerning early-stage compounds
 - Divestment of parts of the mature product portfolio in the US

Ulf Wiinberg will provide more details later in this presentation. On the following slides, I will elaborate on the financial performance for 2011 and the outlook for 2012.

As I said, we achieved strong financial results and generated record-high revenue and earnings. Revenue amounted to approximately DKK 16 billion, about 8% higher than in 2010, operating profit before depreciation and amortisation (EBITDA) was approximately DKK 4.6 billion, an improvement of about 5%, and profit from operations (EBIT) was approximately DKK 3.4 billion, an increase of about 1%.

Our financial forecasts for 2012 are as follows:

- Revenue: DKK 14.5-15.2 billion
- Operating profit before depreciation and amortisation (EBITDA): DKK 3.0-3.5 billion
- Profit from operations (EBIT): DKK 2.0-2.5 billion

As you will note, our forecasts for 2012 are higher than the floor guidance we introduced in the third quarter of 2010, and this in spite of the facts that our Lexapro patent will expire in the US, that we incur significant launch costs for new products and continue to invest heavily in research and development. In addition, we have absorbed various obligations in relation to newly established partnership agreements in our financial forecasts.

As appears from the chart presented, the Lundbeck share has more or less emulated the C20 share index since last year's annual general meeting. Our share price rose in the first half of 2011 and then fell during the last six months of the year, driven primarily by the financial environment in general.

Corporate governance

The Board of Directors believes that the Group generally meets the latest recommendations made by the Committee on Corporate Governance, which were updated in 2011. However, there are three recommendations that we do not or only partly comply with:

- We do not comply with the recommendation to disclose remuneration paid to individual members of the Executive Management. 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 the Group's Executive Management. The individual members of Executive Management basically receive the same remuneration, and the Board of Directors believes that awareness of individual remuneration would not provide additional value.
- We do not comply with the recommendation on a nomination committee. The Board of Directors has not found it necessary to establish a nomination committee because the relating tasks are handled by our chairman/deputy chairman.
- The third area in which we deviate from the recommendation concerns diversity of the Board of Directors and the Executive Management. We fully subscribe to the principle and are working towards greater diversity in terms of internationalisation and gender. However, we do not define specific quantitative targets for diversity as this would be contrary to our own guidelines and principles for recruiting people based on qualifications.

We have continued the process of annual board evaluations, and our four most recent board evaluations were made with external consulting assistance. Based on conclusions of the evaluation, it is evident to us what we do well as a board and what we need to prioritise in order to contribute to Lundbeck's success.

As I said earlier, the Board of Directors consists of nine members, six of whom are elected each year at the Annual General Meeting, while three members are elected every four years by the Group's Danish employees.

The Board of Directors held nine ordinary meetings and two extraordinary meetings in 2011. In addition, the Board of Directors held a two-day strategy seminar. The Remuneration

Committee held five meetings, the Audit Committee held three meetings and the Scientific Committee held two meetings attended by external experts and two meetings without such experts.

In 2011, the Board of Directors approved organisational changes. In September 2011, the Executive Management was thus reduced from six to four members to make business processes more efficient. As part of this reshuffle, Marie-Laure Pochon was appointed as a member of Executive Management to head the area of Commercial Operations, whilst Research and Development was concentrated under the leadership of Anders Gersel Pedersen.

On the Board of Directors, Peter Kürstein will not be seeking re-election, and the Board of Directors therefore recommends that Melanie Lee be elected as a new board member at the annual general meeting.

I would like to thank Peter for the great commitment he has shown while serving on Lundbeck's Board of Directors. Since joining the Board in 2001, he has made a huge contribution to our business. For example, owing to his role as chairman of the audit committee, he has helped ensure high standards in Lundbeck's financial reporting and risk management processes.

I would also like to introduce Melanie Lee. Melanie has a broad academic background and many years of experience from the pharmaceutical industry. She has held several executive positions, most recently as Research and Development Director and member of the management board of Celltech in the UK and as Executive Vice President for R&D of UCB where she was also a member of the management board. In 2010, she became Chief Executive Officer of Syntaxin, and in 2011 she became a board member of BTG in the UK. Melanie's special qualifications for serving on Lundbeck's Board of Directors include her top management experience and her knowledge of research and development in the pharmaceutical industry.

Provided that the board change presented above is approved by the annual general meeting, the composition will be as shown on this slide. The formal approval of the new Board of Directors will take place in connection with item 5 on the agenda.

If the candidates proposed by the Board of Directors are elected, three of the six board members elected by the shareholders will be independent. Thorleif Krarup, Jes Østergaard and Christian Dyvig are considered dependent board members due to their current affiliation with the Lundbeck Foundation. The rest of the proposed candidates are considered independent.

The Board of Directors assesses that the proposed candidates together possess the professional and international experience required for maintaining the company's position as a leading global pharmaceutical company focusing on research and development in the field of brain disorders. The Board of Directors believes that its current size is appropriate in relation to the company's requirements and the ambition to ensure a constructive debate and an efficient decision-making process. Diversity has been taken into consideration when selecting candidates.

The individual competencies of the proposed board members are described in the notice convening this general meeting.

The Board of Directors does not propose any changes to the basic remuneration of members of the Board of Directors in relation to their board and committee duties in 2012 as compared with 2011. The formal approval of the remuneration will take place in connection with item 3 on the agenda.

Closing remarks

Over the past few years, the management and the Board of Directors have taken great strides in changing Lundbeck; a necessary change among other things due to the Lexapro patent expiry in the USA earlier this year. Based on in-house and external activities, we have built a unique late-stage development pipeline in psychiatry and neurology that is quite impressive given Lundbeck's size. If these products are successfully brought to market, it will be to the benefit of patients and Lundbeck's shareholders alike. I'm confident that Lundbeck is capable of demonstrating solid earnings in the period 2012 to 2014 and to grow in the subsequent period. We still aspire to be a research-based CNS company dedicated to long-term growth.

I will now pass the floor to Ulf Wiinberg, who will present our financial, operational and strategic results for 2011 and our financial forecasts.