



Chairman's report – Annual General Meeting 2011

As chairman of H. Lundbeck A/S, I am pleased to welcome you to this year's Annual General Meeting. This Annual General Meeting is transmitted via live webcast on our website both in Danish and in 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: Peter Høngaard Andersen, Executive Vice President (EVP), Research, Anders Gersel Pedersen, EVP, Drug Development, Lars Bang, EVP, Supply Operations & Engineering, Anders Götzsche, EVP & CFO, 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 entire Executive Management for their wide-reaching efforts and strong operating results achieved in 2010.

I would also like to present Lundbeck's board members: Apart from myself, the board consists of the following shareholder-elected members: Thorleif Krarup, deputy chairman, Egil Bodd, Peter Kürstein, Mats Pettersson and Jes Østergaard. The members elected by the employees are: Mona Elizabeth Elster, Kim Rosenville Christensen and Jørn Møller Mayntzhusen.

2010 was a year of considerable activity, requiring a lot of time and commitment by the Supervisory Board. I would like to thank my fellow board members for their contribution to the company's progress and the major strategic decisions that we took in 2010.

Copies of the annual report for 2010 and the Lundbeck Magazine 2011 are available in the lobby. You are more than welcome to take a copy to learn more about Lundbeck.

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

The year under review

As chairman of the Supervisory Board of H. Lundbeck A/S, I am pleased to present the Supervisory Board's report for 2010 on behalf of the board.

In my view, 2010 was another year of significant progress for Lundbeck.

- We continued to record solid growth across products and regions.
- We signed four agreements concerning already marketed products or products in late-stage development (including the Cephalon agreement concluded early in 2011).
- We entered into three agreements concerning products/technologies in the early development stage.
- We now have one product under regulatory review in the US.
- We also have one product under final regulatory review in Japan.
- We advanced one new product to phase III (in addition, yesterday we announced that we have advanced another compound to phase I).
- Finally, we announced our financial floor guidance for the years 2012–2014 – the years during which we will feel the hardest impact from the expiry of our Lexapro® patent. With this floor guidance, we challenge ourselves to outperform our expectations.

We experienced strong progress in most of our development projects in 2010.

- We see an opportunity to finally being able to launch Lexapro[®] in Japan – one of the world's most important pharmaceuticals markets. The FDA accepted our submission of a New Drug Application for Clobazam in the US.
- The supplementary studies with Lu AA21004 in the US and Europe are progressing to plan.
- Nalmefene is approaching the end of the phase III programme, and if everything goes according to plan, the NDA will be submitted before the end of 2011.
- We commenced phase III studies with ziconapine, whilst unfortunately patient recruitment in the desmoteplase programme is much slower than anticipated.
- In addition, we recorded progress in three phase II programmes and three phase I programmes.

Results achieved in 2010

Let us now look at 2010. Lundbeck once again reported its highest ever revenue, and the results for 2010 were consistent with the financial guidance we had announced to the market. At constant exchange rates, sales were up by 7% in Europe and 5% in International Markets. Unfortunately, US sales declined by 4%, primarily due to a drop in revenue from Lundbeck Inc. products without patent protection.

Cipralex[®] remains our best-selling product by far with sales increasing by 6% relative to 2009. Ebixa[®] also continued its strong growth path, climbing 11% on 2009. Azilect[®] sales rose by an impressive 32% on the preceding year. As these figures illustrate, products from the former Ovation still represent a relatively small share in spite of a twofold increase in sales of Xenazine[®] from 2009 to 2010, which is attributable to the product still being in the launch phase.

Let us now turn to the US to look at our new operations. Ovation/Lundbeck Inc. generated sales of approximately DKK 1.3 billion in 2010, representing an overall decline of about 15% relative to 2009. In other words, the challenge we faced was a decline in revenue from unpatented products from about DKK 1.1 billion in 2009 to about DKK 500 million in 2010. This is what might be expected from patent-expiring products in the US market. In 2010, Xenazine[®] and Sabril[®] generated sales of about DKK 800 million.

Ulf Wiinberg, our CEO, will provide more details about the revenue for 2010 and the overall financial performance in his presentation later today.

Lundbeck's goals

At the Annual General Meeting in 2010 a little more than a year ago, I presented Lundbeck's focus areas and areas in which we needed to perform better, and we need to focus on exactly those things in 2011.

Lundbeck aims to:

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

Ulf Wiinberg will provide a status on the Decisions Now project, which contributes to streamlining and simplifying our business. I will now show you where we currently stand in respect of the first three of our four priorities.

Pipeline progress: We are better positioned than ever before, pursuing many late-stage projects. We currently have five products in phase III, four in phase II and two under regulatory review; one in the US and one in Japan. That is quite good for a company of Lundbeck's size, but having said that we must continue to search for new product candidates from other companies.

In 2010, we signed an agreement with Merck & Co. with a view to commercialising Sycrest[®] for the treatment of patients suffering from bipolar disorder (type I) in all markets outside the US, China and Japan. Sycrest[®] has already obtained marketing approval in the EU and is therefore ready to be commercialised. The product is an excellent opportunity for us to generate growth in the years ahead. Since we met here a year ago, we have evaluated about 140 different product candidates for potential in-licensing, which is in fact more than what we looked at in 2009. We have also evaluated research-based companies with a view to setting up partnerships or making acquisitions. These endeavours will continue.

We must enhance our shareholder value through efficient commercialisation of and growth based on the products already in the market. With respect to our principal products, 2010 was another year of strong growth. We achieved this in spite of healthcare reforms, special intervention in a number of countries, and mandatory price reductions in a few countries. Like all research-based pharmaceutical companies, we face huge challenges in relation to our patents. It is our responsibility, to the best of our ability, to defend our patent rights. We work energetically to defend our intellectual property rights. Once again, we managed to progress our existing business and recorded the highest ever contribution from existing products.

I have now touched upon our first three priorities: research, in-licensing and sales and marketing of our existing products, and later Ulf will describe the fourth priority, which deals with the initiatives we have launched to improve efficiency.

Financial guidance for 2011

Our financial forecasts for 2011 are as follows:

- Revenue: DKK 15.3-15.8bn (equal to growth of approx. 5%)
- EBITDA: DKK 4.3-4.6bn (equal to growth of approx. 1%)
- EBIT: DKK 3.3-3.6bn (equal to growth of approx. 3%)
- Net profit: DKK 2.3-2.6bn (equal to a decline of approx. 1%)
- Tax rate: 26-28%

As previously mentioned, we wished to communicate our floor guidance clearly to the market for the period 2012-2014, and we did so to eliminate some of the uncertainties relating to the Lexapro[®] patent expiry in the US and its implications for Lundbeck.

Accordingly, we communicated the following floor guidance in connection with the release of the financial statements for the third quarter. For 2012–2014, we forecast:

- Revenue: >DKK 14bn
- EBIT: >DKK 2bn

As I said at the beginning, with this floor guidance, we challenge ourselves to outperform our expectations.

The Lundbeck share

To all of us on the board of H. Lundbeck A/S and to all shareholders, it was a pleasure to see how the Lundbeck share has performed since the summer of 2010. Since last summer, the Lundbeck share outperformed the C20 index, after it bottomed out following the announcement that we had to complete more studies with Lu AA21004.

The fact is that our underlying operations are quite healthy. From this podium, I said the following a year ago: "I would like to signal to all shareholders: Lundbeck's Executive Management and Supervisory Board give top priority to resolving the 2012-14 issue." In this respect, we have come quite a long way over the past year. We now have two products under regulatory review, we have signed an agreement for Sycrest[®] with Merck in addition to the other agreements we have concluded.

Corporate governance

The Supervisory Board believes that the Group generally meets all of the corporate governance recommendations that took effect in 2010. We disagree with the principle of the recommendation to disclose remuneration paid to individual members of the Executive Management and the recommendation to establish a nomination committee and therefore do not comply with these two recommendations.

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 Supervisory Board believes that awareness of individual remuneration would not provide additional value.

We have not found it necessary to establish a nomination committee because the relating tasks are handled by our chairman/deputy chairman and the board as a whole.

We have continued the process of annual board evaluations, and our three most recent board evaluations were made with external consulting assistance. We are very much aware of what we do well as a board and in what areas we need to improve in order to make the optimal contribution to Lundbeck's success.

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

The Supervisory Board held ten ordinary meetings and one extraordinary meeting in 2010. In addition, the Supervisory Board held a two-day strategy seminar. The Remuneration Committee held seven meetings and the Audit Committee held three meetings.

For 2011, two changes have been proposed to the composition of the Supervisory Board as Egil Bodd and I will not be standing for re-election. Instead, the Supervisory Board proposes the election of Christian Dyvig and Håkan Björklund. The formal approval of the new Supervisory Board will take place in connection with item 5 on the agenda.

If the candidates proposed by the Supervisory Board are elected, three of the six board members elected by the shareholders will be independent. Thorleif Krarup, Jes Østergaard

and Christian Dyvig are not considered independent due to their current/future affiliation with the Lundbeck Foundation.

The proposed candidates have considerable management experience from international businesses in the pharmaceutical industry. The Supervisory Board assesses that the 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 individual competencies of the proposed board members are described in the notice convening this general meeting.

The remuneration of the Supervisory Board for 2010 is unchanged from the remuneration paid in 2009 and will be approved in connection with the approval of the Annual Report. There are no proposals to change the basic remuneration of members of the Supervisory Board in relation to their Supervisory Board and committee duties in 2011 as compared with 2010. The chairman of the meeting will revert to this issue under item 3 of the agenda.

The pharmaceutical industry

The global research-based industry is currently witnessing many new developments. Right now, unfortunately, not all developments are positive; research productivity is low and new products fail to emerge at the same speed as they used to.

We aspire to be a research-based CNS company dedicated to long-term growth.

In 2010, we made good headway towards our goals.

- The commercial business is blooming
- We have recorded strong research and development progress
- We have gained a foothold in the US

I would like to say that everyone is working hard, conscientiously and professionally at all levels of our organisation.

Closing remarks

It has been a pleasure for me to be a part of the Lundbeck journey over the past four years. We have made significant progress but there is still a lot of work to do. The challenges facing the research-based industry and Lundbeck will not go away. With professional and hard work the challenges can be overcome, and Lundbeck will be able to continue as a successful research-based global pharmaceutical company.

Thank you for your attention and for the confidence you have shown me over the past few years.

I will now give the floor to Ulf, who will present the financial results for 2010.