

## **H. Lundbeck A/S**

On 31 March 2016 at 10 a.m., the Annual General Meeting of H. Lundbeck A/S, Central Business Register (CVR) no. 5675 9913, was held at the Company's address, Ottiliavej 9, DK-2500 Valby.

The Chairman of the Board of Directors, Håkan Björklund, opened the General Meeting by introducing the Company's Board of Directors and management. Attorney Jørgen Kjergaard Madsen had been appointed Chairman of the Meeting by the Board of Directors. The Chairman announced that the General Meeting had been duly convened and formed a quorum for the transaction of business.

In accordance with Article 8.1 of the Articles of Association, the agenda was as follows:

1. Report of the Board of Directors on the Company's activities during the past year.
2. Presentation and adoption of the annual report.
3. Resolution on the appropriation of profit or loss as recorded in the adopted annual report.
4. Election of members to the Board of Directors.
5. Approval of remuneration for the Board of Directors for the current financial year.
6. Election of one or two state-authorized public accountants.
7. Any proposals by shareholders or the Board of Directors.
  - 7.1. Proposal by the Board of Directors to adopt the amended Remuneration Guidelines for the Board of Directors and the Executive Management of H. Lundbeck A/S.
  - 7.2. Proposal by the Board of Directors to authorise the Board of Directors to allow the Company to acquire own shares.
  - 7.3. Proposal by the Board of Directors to authorise the Chairman of the Meeting to register the resolutions passed by the General Meeting with the Danish Business Authority.
8. Any other business.

### **Re agenda items 1 and 2: Report of the Board of Directors on the Company's activities during the past year, and presentation and adoption of the annual report.**

Håkan Björklund, Chairman of the Board of Directors, reported on the Company's activities, noting that 2015 had been yet another year of progress. From a commercial perspective, Lundbeck had many successful product launches - Rexulti was launched in the US, and Brintellix and Abilify

Maintena were launched in several European and international markets. He noted that the sales of Lundbeck's five main products had increased significantly: Abilify Maintena (DKK 669 million (220% growth)), Brintellix (DKK 629 million (235% growth)), Northera (DKK 475 million (1,868% growth)), Onfi (DKK 1,757 million (90% growth)), and Rexulti, which was launched in 2015, reached a sale of DKK 117 million.

Håkan Björklund further noted that in 2015 Lundbeck had experienced strong growth in the important US market where sales increased to DKK 6,353 million, corresponding to 69% growth. In Europe and in the international markets, sales declined by 22% and 8%, respectively, primarily as a result of declining sales of Cipralext and Ebixa due to intensified generic competition.

Håkan Björklund then described a number of important research and development milestones that Lundbeck had achieved in 2015. He explained that in 2015 the Company had obtained FDA approval of use of Rexulti for treatment of both depression and schizophrenia and that the company had filed an sNDA with the US authorities to be able to include cognitive data in the Brintellix product label. He further explained that, unfortunately, FDA had informed the Company on 28 March 2016 that it had decided not to approve the extension of the Brintellix product label on the current basis. The Company is disappointed about this decision, but anticipates further discussions with FDA with a view to obtain the requested extension.

Finally, Håkan Björklund emphasized some of the Company's other important actions in 2015, including the appointment of Kåre Schultz as new CEO in May 2015 and the appointment of additional members of the Executive Management in February 2016. The Company also implemented a large-scale restructuring programme which unfortunately made it necessary for the Company to reduce the number of employees by approximately 1,000 in order to improve efficiency and profitability. Finally, the management planned a new strategy for Lundbeck, which was communicated at the beginning of February 2016.

The financial results achieved by Lundbeck in 2015 were in line with the Board's updated expectations. The Company's sales totalled approx. DKK 14.6 billion corresponding to a growth of 8%. EBIT was approx. DKK -6.8 billion, and the core EBIT was approx. DKK 850 million corresponding to a decrease of 31%.

Håkan Björklund explained that the negative EBIT (operating loss) was expected and was primarily due to amortisation of Rexulti product rights etc. and restructuring costs in connection with the dismissal of approx. 1,000 employees.

In connection with the preparation of Lundbeck's new strategy, the Executive Management and the Board of Directors agreed to establish long-term financial objectives to improve profitability. The following objectives have been established:

- EBIT margin: 25% (the objective is to increase the Company's profit margin)
- ROIC: 25% (the objective is an appropriate return on the invested capital)
- Cash-to-earnings: >90% (the objective is to turn a large part of the Company's cash flow into earnings)

The ambition is to achieve these objectives within 3-5 years.

Lundbeck strives to achieve global leadership in psychiatry and neurology by improving patients' quality of life - this ambition is described in the Company's vision. During recent years, the management has launched many new initiatives to live up to the Company's vision. During the next years, the Company will continue to focus on expanding business geographically and launching new products for the benefit of patients, society and Lundbeck, including Lundbeck's shareholders, while simultaneously securing reasonable earnings.

Håkan Björklund thanked the attendants for their attention and for the trust in him during recent years. He then gave the floor to President and CEO Kåre Schultz.

Kåre Schultz began by thanking the shareholders for attending the General Meeting.

Kåre Schultz informed the General Meeting that the past five years had seen a decline in the sale of the Company's old products, which is primarily due to the expiry of the Cipralex patent. Furthermore, there has been an increase in the sale of the Company's new main products, which has by and large compensated for the decline in the sale of the old products.

Kåre Schultz stated that in 2015 the Company saw a very strong growth in the USA. In 2015 the USA accounted for 44% of the Company's sales, compared to 28% in 2014. At the same time there has been a very large decline in sales in Europe from 37% in 2014 to 27% in 2015. With regard to the international markets, the sales figures are somewhat mixed, because it is only the patent expiry in Canada that has dragged down the sales in the international markets. However, if you look at the emerging markets, and for example China, the Company saw a strong increase in sales again in 2015.

Kåre Schultz then gave an account of the restructuring programme and Lundbeck's new strategy, which is a further development of the previous strategy, and in which the Company now focuses on the diseases depression, schizophrenia, Alzheimer's and Parkinson's diseases.

Kåre Schultz elaborated on the income statement in the annual report and accounted for the year's pre-tax loss in the amount of DKK - 7 billion and the year's loss in the amount of approx. DKK - 5.7 billion. Kåre Schultz then outlined the balance sheet, pointing out that the intangible assets have fallen from approximately 12.6 billion to approximately 9.7 billion, and that the total assets and the equity of the Company have therefore also fallen. The interest-bearing net cash and cash equivalents were approx. DKK 2.2 billion as at 31 December 2015. The Company expects to be able to reduce that debt in 2016, because the management expects to achieve positive earnings and a positive cash flow. Finally, Kåre Schultz pointed out that the cash flows are primarily affected by the fact that in 2015 the Company paid some milestones in various development projects, and that the Company's cash as at 31 December 2015 totalled DKK 1.5 billion.

The Chairman of the Meeting opened discussions about agenda items 1 and 2.

Michael Thøgersen from the Danish Shareholders Association thanked the management for a good and informative report. He noted that the Company's 2015 figures could have been better, but that it is a fact that the market still has confidence in Lundbeck. Michael Thøgersen wanted to know whether Lundbeck is the only one to introduce a product like LU OF35700 to the market? Michael Thøgersen also wanted the management of the Company to comment on why they have not previously changed the Company's strategy. Furthermore, Michael Thøgersen wanted to know whether Lundbeck is involved in the type of research where you try to ensure that the medicine is targeted at - or personal for - the individual patient by analyzing his or her genome. Michael Thøgersen then asked whether, in relation to research in Alzheimer's disease, Lundbeck considers Novo Nordisk to be a competitor or an ally. Finally Michael Thøgersen wanted to know to which extent the Company has performed currency hedging - or whether the Company speculates particularly on an increase in the USD. Michael Thøgersen ended by wishing all employees and the management a good and successful 2016.

Håkan Björklund thanked for the questions, saying that the restructuring initiated by Lundbeck was not an easy decision, but something that needed to be considered very carefully. He noted that there can always be doubts as to whether they ought to have launched the plan earlier, but simultaneously he pointed out that the work leading to the restructuring was initiated by Lundbeck's management already in connection with his commencement as Chairman of the Board of Directors with extended responsibilities in November 2014.

Kåre Schultz thanked the Danish Shareholders Association for the questions and stated in relation to LU AF35700 that the Company is not directly aware of other projects focusing on the same

patient population. He added that since it will take several years for the product to enter the market, the situation may, of course, change in the meantime.

Further, Kåre Schultz explained that Lundbeck is constantly working to target its medicine as much as possible, based on genetic and other knowledge, but that genetic knowledge in relation to the cause of depression and schizophrenia is relatively limited in terms of being able to select specific patient groups. However, this is something that the Company is continuously monitoring and researching.

With regard to Alzheimer's disease, Kåre Schultz responded that Lundbeck considers itself to be an ally with everybody performing research into that disease, and that the Company cooperates with various companies in that regard. The purpose is to get a more thorough understanding, and the hope is that Lundbeck in future will play a part in the development of drugs that can effectively tackle this challenging disease.

Finally, Kåre Schultz answered that the Company is continuously hedging its currency exposure, and that the Company does not speculate on increases in exchange rates.

Shareholder Kjeld Beyer wanted to know the Board of Directors' expectations to the Company's sales and pre-tax results in 2016 and 2017. Kjeld Beyer furthermore noted that the Company prepares a five-year specification showing the value of the warrants to the Company's employees.

Kåre Schultz answered that a listed company like Lundbeck is subject to strict disclosure requirements ensuring transparency in the market. With regard to Kåre Schultz's own share purchase, he stated that he bought his shares in compliance with the current rules within this field. Kåre Schultz furthermore explained that details about the Company's warrant programmes are included in the notes to the Company's financial statements and in the company announcements issued by the Company in connection with the warrant programmes. Kåre Schultz finally stated that the Company has published its expectations for 2016 but does not expect to publish any specific expectations for 2017 until the date of publication of the 2016 financial statements.

Shareholder Bernt Frydenberg asked Kåre Schultz which strategy Lundbeck is pursuing in relation to the approval procedure at the US authorities in relation to the requested extension of the Brintellix product label. Kåre Schultz explained that the Company wants to enter into a dialogue with the US authorities, thereby hopefully being able to obtain and provide further information and data in order to ultimately obtaining FDA's approval of the Brintellix product label.

Finally, shareholder Kjeld Beyer asked to be informed of the figures in the expected 2016 guidance, and Kåre Schultz answered that the expected EBIT in the published 2016 guidance is between DKK 1.0 and 1.2 billion.

No one else wanted to speak. The Chairman of the Meeting then announced that the Board of Directors' report was adopted, and that the 2015 Annual Report was approved.

**Re agenda item 3: Resolution on the appropriation of profit or loss as recorded in the adopted annual report**

The Board of Directors proposed that no dividend be distributed for the 2015 financial year, and that the results for the year be transferred to the next financial year.

No one wished to speak.

The Chairman of the Meeting announced that the Board of Directors' proposal about non-payment of dividend was adopted.

**Re agenda item 4: Election of members to the Board of Directors**

Pursuant to Article 5.1 of the Articles of Association, members of the Board of Directors elected by the Company in general meeting are elected for one-year terms. The Board of Directors proposed re-election of Lars Rasmussen, Lene Skole, Terrie Curran, Jesper Ovesen and Lars Holmqvist. Håkan Björklund did not stand for re-election.

The requirements of section 120 of the Danish Companies Act had been met.

Lars Rasmussen, Lene Skole, Terrie Curran, Jesper Ovesen and Lars Holmqvist were all re-elected.

The Board of Directors subsequently consists of:

- Lars Rasmussen
- Lene Skole
- Terrie Curran
- Jesper Ovesen

- Lars Holmqvist
- Jørn Møller Mayntzhusen (employee-elected)
- Henrik Sindal Jensen (employee-elected)
- Mona Elisabeth Elster (employee-elected)

#### **Re agenda item 5: Approval of remuneration for the Board of Directors for the current financial year**

The Chairman of the Meeting presented the Board of Directors' proposal that the remuneration for the Board of Directors for the current financial year should be the same as for 2015.

No one wished to speak.

The Chairman of the Meeting announced that the Board of Directors' proposal for remuneration for 2016 was adopted.

#### **Re agenda item 6: Election of one or two state-authorised public accountants**

The Board of Directors proposed that Deloitte Statsautoriseret Revisionspartnerselskab should be re-elected.

The proposal was adopted.

#### **Re agenda item 7: Any proposals by shareholders or the Board of Directors**

##### **Re agenda item 7.1**

The Chairman of the Meeting summarised the Board of Directors' proposal to amend the Remuneration Guidelines for the Board of Directors and the Executive Management of H. Lundbeck A/S. The proposed amendments to the Remuneration Guidelines entail a change of the long-term incentive programme for the Executive Management and the possibility of offering Kåre Schultz to join the 2014 warrant programme on the same terms as those applying to the former CEO. In addition, a number of linguistic changes have been made in the proposal.

Keld Beyer noted that the Company prepares a five-year specification relating to the grant and exercise of warrants etc.

The proposal was adopted.

**Re agenda item 7.2**

The Chairman of the Meeting explained the Board of Directors' proposal to authorise the Board of Directors to allow the Company to acquire its own shares.

The proposal was adopted.

**Re agenda item 7.3**

The Chairman of the Meeting explained the Board of Directors' proposal to authorise the Chairman to make amendments and additions to the resolutions passed by the General Meeting and to register changes with the Danish Business Authority.

The proposal was adopted.

**Re agenda item 8: Any other business**

No one wished to speak.

The Chairman of the Meeting then announced that there was no further business to transact, and gave the floor to the Chairman of the Board of Directors. Håkan Björklund expressed his thanks to those attending the Annual General Meeting and for his five years as member of Lundbeck's Board of Directors.

The General Meeting was closed at 11.13 a.m.

Jørgen Kjergaard Madsen  
Chairman of the Meeting