

## Six-month interim report (Q2) 2018 (Unaudited)

Company release No. 10/2018

### Better than expected performance in Q2

ALK's financial performance in Q2 was better than expected and full-year outlook has been improved. The execution of ALK's new growth strategy is on track, with good progress being made on the commercialisation of SLIT-tablets – these saw 36% growth globally – and the US launch of ODACTRA™ progressing as planned. The roll-out of ALK's new Consumer Care division and the ongoing drive for improved efficiencies are also advancing better than expected.

### Q2 2018 highlights:

- ▶ Total revenue was DKK 715 million (691). Revenue growth was 5% in local currencies. Exchange rates reduced reported revenue growth by approximately 2 percentage points.
- ▶ Global SLIT-tablet sales grew by 36% to DKK 183 million (134).
- ▶ Global SCIT/SLIT-drops sales were down 3% to DKK 410 million (426). The decline was largely attributable to planned portfolio rationalisations and the ongoing negative effect of previous production capacity constraints.
- ▶ Operating profit (EBITDA) of DKK 10 million (16) was ahead of ALK's expectations and benefitted from higher than expected sales and faster than anticipated capture of operational efficiencies and savings.
- ▶ In the first half-year, total revenue was DKK 1,467 million (1,480) and operating profit was DKK 102 million (156).
- ▶ In the first half-year, free cash flow was minus DKK 201 million (minus 533).

### Progress on the four strategic priorities

1. In North America, the roll-out of ACARIZAX®/ODACTRA™ continues, and in the key US market, the increase in new patients and prescribers is progressing according to plan and managed care coverage expands better than planned.
2. Commercialisation of the tablet portfolio gained momentum, with the robust uptake of ACARIZAX® continuing following further new launches and approvals. Meanwhile, a regulatory filing for the tree tablet in Europe is imminent and CEDARCURE™ has now been launched by ALK's partner in Japan.
3. Patient engagement and Consumer Care division activities are on track and ALK has seen encouraging growth in web traffic on its digital platforms. The consumer platform klarify.me has been launched in a beta version in its first market as an important first step towards expanding ALK's overall presence in allergy.
4. The drive to optimise and reallocate resources is delivering operational efficiencies. At the same time, output and inventories of SCIT and SLIT-drops have been normalised and robustness in Product Supply is improving and now stabilised. Work to trim the product portfolio continues.

### Improved 2018 financial outlook

Full-year outlook has slightly improved compared with the Q1 report, which was released on 4 May 2018.

- ▶ Full-year revenue is now projected to be more than DKK 2.8 billion (previously: more than DKK 2.7 billion).
- ▶ Operating profit (EBITDA) is now expected at around DKK 50 million (previously around DKK 0), reflecting the better than expected performance in the first half-year and more clarity on market conditions in Southern Europe.
- ▶ ALK will continue to invest significantly in the strategic transformation of the company in the second half-year.
- ▶ Free cash flow is now expected at around minus DKK 550 million or better (previously: minus DKK 600 million or better).

Hørsholm, 15 August 2018

**ALK-Abelló A/S**

*Comparative figures for 2017 are shown in brackets. Growth rates are stated in local currencies, unless otherwise indicated*

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*Today, ALK is hosting a conference call for analysts and investors at 1.30 p.m. (CEST) at which Management will review the financial results and the outlook. The conference call will be audio cast on <http://ir.alk.net/>. Participants for the audio cast are kindly requested to call in before 1.25 p.m. (CEST). Danish participants should call in on tel. +45 7022 3500 and international participants should call in on tel. +44 (0) 20 7572 1187 or +1 646 722 4972. Please use the Participant Pin Code: 95314096#. The conference call will also be webcast live on our website, where the related presentation will be made available shortly before the call begins.*

## FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE ALK GROUP

Amounts in DKKm	H1 2018	H1 2017	Q2 2018	Q2 2017	Full year 2017
<b>Income statement</b>					
Revenue	1,467	1,480	715	691	2,910
Operating profit before depreciation (EBITDA)	102	156	10	16	253
Operating profit/(loss) (EBIT)	10	68	(37)	(28)	(80)
Net financial items	(3)	(15)	18	(7)	(42)
Profit/(loss) before tax (EBT)	7	53	(19)	(35)	(122)
Net profit/(loss)	7	1	(17)	(1)	(158)
Average number of employees (FTE)	2,313	2,305	2,306	2,351	2,213
<b>Balance sheet</b>					
Total assets	4,945	4,584	4,945	4,584	4,958
Invested capital	3,044	2,779	3,044	2,779	2,864
Equity	3,306	2,787	3,306	2,787	3,290
<b>Cash flow and investments</b>					
Depreciations, amortisation and impairment	92	88	47	44	333
Cash flow from operating activities	(108)	(281)	(70)	(242)	(387)
Cash flow from investing activities	(93)	(252)	(56)	(85)	(358)
- of which investment in tangible and intangible assets	(86)	(158)	(56)	(85)	(267)
- of which acquisitions of companies and operations	(7)	(94)	-	-	(94)
Free cash flow	(201)	(533)	(126)	(327)	(745)
<b>Information on shares</b>					
Share capital	111	101	111	101	111
Shares in thousands of DKK 10 each	11,141	10,128	11,141	10,128	11,141
Share price, end of period – DKK	1,066	972	1,066	972	740
Net asset value per share – DKK	297	275	297	275	295
<b>Key figures</b>					
Gross margin – %	56	60	54	57	56
EBITDA margin – %	7	11	1	2	8.7
Equity ratio – %	67	61	67	61	66
Earnings per share (EPS)	0.6	0	0.6	0	(15.9)
Earnings per share (DEPS), diluted	0.6	0	0.6	0	(15.9)
Share price/Net asset value	3.6	3.5	3.6	3.5	2.5

## INCOME STATEMENT

Q2		Q2		Amounts in DKKm	H1		H1	
2017	%	2018	%		2018	%	2017	%
691	100	715	100	Revenue	1,467	100	1,480	100
298	43	329	46	Cost of sales	641	44	598	40
393	57	386	54	<b>Gross profit</b>	<b>826</b>	56	882	60
97	14	86	12	Research and development expenses	168	11	195	13
324	47	337	47	Sales, marketing and administrative expenses	648	44	619	42
(28)	(4)	(37)	(5)	<b>Operating profit/(loss) (EBIT)</b>	<b>10</b>	1	68	5
(7)	(1)	18	3	Net financial items	(3)	(0)	(15)	(1)
(35)	(5)	(19)	(3)	<b>Profit/(loss) before tax (EBT)</b>	<b>7</b>	0	53	4
(34)	(5)	(2)	(0)	Tax on profit	0	0	52	4
(1)	(0)	(17)	(2)	<b>Net profit/(loss)</b>	<b>7</b>	0	1	0
16	2	10	1	<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>102</b>	7	156	11

### UPDATE ON BUSINESS PRIORITIES

In Q2, ALK continued to make good progress with the four focus areas of the new growth strategy, which was launched in December 2017. Over a three-year period, the strategy aims to transform ALK into a broader-based allergy company while also driving strong SLIT-tablet sales growth.

#### 1. Succeed in North America

Using ACARIZAX® (ODACTRA™ in the USA) as the spearhead, ALK's ultimate aim is to partner with allergy specialists to establish a scalable business model for the SLIT-tablets in North America.

In the USA, the roll-out of ODACTRA™ continued as planned in Q2, with a particular focus on building the number of prescribers, increasing the number of prescriptions per doctor, and increasing managed care coverage for house dust mite allergic patients. The number of active prescribers in the USA was estimated at ~850 at the end of Q2, representing ~40% of the ~2,000 healthcare professionals initially targeted.

The number of prescriptions per doctor showed an upward trend during Q2 as ALK focused on early adopters to drive additional prescriptions for their patients and continued to roll out peer-to-peer medical speaker programmes.

At the end of Q2, it is estimated that around 2,700 US patients had initiated treatment. ALK projects more than the planned 5,000 patients will be initiated onto ODACTRA™ in the USA during 2018.

As expected, sales continue to be modest but remain within forecasts for a US market that has long been dominated by SCIT treatments. Allergy doctors are responding positively to ALK's messaging and sales

force tactics and promotional activities are being refined and intensified ahead of the upcoming high-season for treatment initiations during Q4/Q1. At the same time, ALK is actively managing the make-up of its sales force, sharing widely the successful practices of high performers, and addressing areas of poor performance.

ALK's key marketing and selling strategy remains that the tablets represent an opportunity for doctors to retain some of the patients who refuse or discontinue SCIT treatment. An important next-step is to ensure that new patients are retained on tablet treatment so that prescription refills start to climb. ALK has intensified its dialogue with doctors to ensure patients understand the importance of adhering to their treatment plan. Overcoming such barriers remains an important part of ALK's approach to ensuring sustainable, long-term success for the tablets.

Work to improve patients' access to treatment is another key priority. Programmes that smooth the path for patients to start treatment quickly and gain reimbursement from their managed care providers are showing early results. In Q2, a well-respected integrated healthcare provider expanded its formulary listing for ODACTRA™ into four additional states, and covering a further 1.2 million lives. So far, around 71% of AIT-eligible patients in the USA with commercial insurance now have access to reimbursement for ODACTRA™ and work continues to ensure that national coverage is translated into local product availability.

In Canada, the number of prescribers was 140 at the end of Q2, representing around 95% of the 150 clinics targeted, and more than 1,500 patients had initiated treatment. ALK has also expanded its distribution setup in Canada, offering SLIT-tablets through traditional wholesalers in addition to a speciality

pharmacy model, to improve the availability of products.

## 2. Complete tablet portfolio for all relevant ages

Since the launch of the new growth strategy, revenue growth from the tablet portfolio has gained momentum so that, in H1 2018, sales grew by 29%. Q2 saw continued clinical and commercial progress with the work to globalise a portfolio of SLIT-tablets for all relevant ages, covering the five most common respiratory allergies: house dust mite, grass, tree, ragweed and Japanese cedar.

**ACARIZAX<sup>®</sup>** was launched in the Czech Republic and Thailand, while ALK's partner Abbott secured regulatory approvals in South Korea and the Philippines. ACARIZAX<sup>®</sup> is now available in 18 markets with further launches and approvals to follow.

Globally, the acceptance of ACARIZAX<sup>®</sup> continued to grow and its sales more than doubled in Q2. In France, Europe's largest house dust mite allergy market, the encouraging roll-out continued with around 5,000 patients estimated to have initiated treatment in the three months after launch. A strong performance was also recorded in Japan after ALK's partner Torii gained approval from the authorities to expand the use of MITICURE<sup>™</sup> (the local name for ACARIZAX<sup>®</sup>) to include children.

The clinical development of ACARIZAX<sup>®</sup> for paediatric use continues. A key study into allergic asthma, which is expected to involve around 600 children from 10 European countries and the USA, has started to recruit patients in Europe as ALK awaits final US approval of the study protocol from the FDA. ALK currently anticipates that additional clinical study activities will be needed to obtain an asthma indication in the USA. In addition, planning for paediatric allergic rhinitis studies, to begin in 2019, is well underway.

A regulatory filing for **the SLIT-tablet against tree pollen allergy** in 18 European countries is imminent, with Germany as the reference member state. The filing is based on a clinical development programme showing a treatment effect that was among the most significant ever seen in AIT studies. Subject to approval, first launches in Europe are expected in the second half of 2019. An additional filing of the tree tablet will follow in Canada later this year.

ALK's partner for Japan, Torii, has launched the **SLIT-tablet against Japanese cedar pollen allergy**. Branded CEDARCURE<sup>™</sup>, the tablet is approved for both adult and paediatric use in a country where approximately 70% of allergy sufferers are estimated to have a specific allergy to Japanese cedar pollen. In Q2, ALK booked the first income from product supply related to this tablet.

One innovation designed to encourage adherence to AIT treatment is ALK's recently introduced Antibody

Response Test (ART). Based on a blood test, ART allows doctors to show patients how they are responding immunologically to their treatment.

## 3. Digital patient engagement systems and adjacent business

ALK continues to launch new initiatives and digital innovations to drive patient engagement. The ultimate aim is to support people with allergy earlier in their disease and create value by expanding ALK's presence across the allergy segment.

The klarify.me consumer web platform was fully launched in Germany and will be introduced in the UK in Q3. The platform combines information with allergy-related consumer products, focused on specific concept areas that are designed to improve quality of life for allergy sufferers. The platform currently offers 50 products in 10 categories, including nasal filters, air quality monitoring, air purifiers, probiotics etc., in both own brand and from best-in-class third party suppliers. ALK continues to develop and produce new high-quality allergy consumer products under the klarify.me brand and additional third-party allergy-related products to build a portfolio of meaningful, best-in-class products for allergy management.

The patient website in Germany, allergiecheck.de recorded a good development in traffic with an increasing number of people undergoing allergy tests and searching for doctors online. To tie a link to web platforms, ALK has also launched the personalised app KLARA in Germany and the UK. The app combines local pollution data and pollen counts and help people with allergies to plan ahead.

ALK continues to assess several other opportunities to expand into adjacent business areas.

## 4. Optimise and reallocate resources

Work to improve robustness, scalability and quality within Product Supply continued in Q2 along with efforts to reduce general costs in the longer term. Inspections by authorities in Denmark, France, Spain and the USA in the first-half confirmed that efforts to upgrade quality are on track. In addition, a new site strategy will increase the level of specialisation at each of ALK's facilities, further improving robustness and creating further synergies across the supply network.

Product supply and inventory levels of SCIT and SLIT-drops have returned to normal in time for the next treatment initiation season which begins in Q4. This follows a period where the absence of buffer stocks for certain products affected delivery times for some products and markets, thus lowering SCIT and SLIT-drops sales.

The product rationalisation programme is progressing as planned. So far, approximately 200 product variants have been phased out since 2016, including the entire portfolio of SCIT Named Patient Products

manufactured specifically for the French market. This represents a 30% reduction of the portfolio versus 2016. Wherever possible, discontinued products are being replaced with standardised, registered products.

Portfolio rationalisation will continue in response to tightening regulations across Europe, in line with ALK's strategy of focusing on registered products, and of reducing manufacturing complexity in the SCIT and SLIT-drops business. The leaner portfolio will also help pave the way for the further significant improvements to quality, delivery and production efficiency that were outlined in the new growth strategy.

## Q2 SALES AND MARKET TRENDS

(Comparative figures for 2017 are shown in brackets. Growth rates are stated in local currencies, unless otherwise indicated)

### Revenue by geography

DKKkm	Q2-2018	Share of revenue	Q2-2017	Share of revenue
Europe	519	72%	510	74%
North America	148	21%	166	24%
Intl. markets	48	7%	15	2%
<b>Revenue</b>	<b>715</b>	<b>100%</b>	<b>691</b>	<b>100%</b>

### Europe

European revenue was slightly ahead of plan, up 2% to DKK 519 million (510) with better than expected performance in the sales of SLIT-tablets, SLIT-drops and Jext<sup>®</sup> auto-injectors offsetting the anticipated decline in SCIT sales.

Solid growth was reported in several markets, including Nordic, Eastern Europe, Benelux, Italy and the UK. Sales in France were better than expected and remained stable, while performance in Germany and a few other traditional SCIT markets weakened, largely due to the impact of previous production capacity constraints as well as planned product rationalisations.

SLIT-tablet sales grew by 36%, thanks to both ACARIZAX<sup>®</sup> and GRAZAX<sup>®</sup>. Combined SCIT and SLIT-drops declined 10%, while sales of other products grew by 13%. High sales growth for the adrenaline auto-injector Jext<sup>®</sup> was facilitated by a significant increase in production capacity.

Market conditions were generally stable with no significant changes to pricing conditions for AIT products during Q2.

As part of its efforts to harmonise the reimbursement of AIT in France, the French Ministry of Health issued a decree changing reimbursement rates for Named Patient Products (NPP) in France to zero for NPP SCIT products, and to 30% for NPP SLIT-drops. ALK has already stopped production of NPP SCIT treatments for France and, typically, patients on SLIT-

drops treatment have top-up health insurance to cover costs not reimbursed by the state when public reimbursement is at least 30%.

Reimbursement conditions in other markets remained largely unchanged.

H1 revenue in Europe was DKK 1,120 million (1,126).

### North America

Revenue in North America declined by 5% in local currencies to DKK 148 million (166) and fell slightly short of plan.

The decline in revenue was primarily caused by the development in SLIT-tablet sales in Canada which saw unusual high sales in 2017 due to stockpiling at wholesalers. At the same time, growth in ACARIZAX<sup>®</sup> sales was muted by an inefficient distribution setup. In the USA, SLIT-tablet revenue saw single-digit growth.

Sales of SCIT bulk allergen extracts grew by 16%, while sales of diagnostics and other products fell 11%. The decrease was mainly due to a spike in sales in H1 2017 after ALK acquired the ALOK businesses and resolved an ongoing issue with the FDA enabling a large number of backorders to be fulfilled. Also, sales of the PRE-PEN<sup>®</sup> penicillin test weakened.

H1 revenue in the region was DKK 279 million (318).

### International markets

Revenue in International markets was DKK 48 million (15). The strong growth exceeded expectations and was attributable to tablet shipments to Torii in Japan, as well as higher ALK sales in China and Turkey/Middle East.

H1 revenue in the region was DKK 68 million (36).

### Global revenue by product line

DKKkm	Q2-2018	Share of revenue	Q2-2017	Share of revenue
SCIT and SLIT-drops	410	57%	426	62%
SLIT-tablets	183	26%	134	19%
Other products and services	122	17%	131	19%
<b>Revenue</b>	<b>715</b>	<b>100%</b>	<b>691</b>	<b>100%</b>

## H1 FINANCIAL REVIEW

(Comparative figures for 2017 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated)

**H1 revenue** decreased by 1% in reported currency to DKK 1,467 million (1,480), with exchange rates reducing reported revenue growth by approximately 2 percentage points. Growth in local currencies of 1% was slightly ahead of expectations.



**Cost of sales** increased 10% in local currencies to DKK 641 million (598). Gross profit of DKK 826 million (882) yielded a gross margin of 56% (60), reflecting increased costs for compliance and efforts to build robustness in product supply as well as changes in the product mix.

**Capacity costs** were largely unchanged in DKK but increased 2% in local currencies to DKK 816 million (814). R&D expenses were down 13% in local currencies due to the phasing of activities and cost savings. Administrative expenses were largely unchanged, while sales and marketing expenses increased by 8% in local currencies reflecting the build-up in the USA, support for product launches, as well as costs related to developing and launching new digital platforms.

**EBITDA (operating profit before depreciation and amortisation)** was DKK 102 million (156). EBITDA was slightly better than expected, reflecting the revenue development and the faster than expected capture of operational efficiencies and savings. Exchange rates did not materially affect EBITDA.

**Net financials** were a loss of DKK 3 million (loss of 15). **Tax on profit** was DKK 0 million (52), and **net profit** was DKK 7 million (1).

**Cash flow** from operating activities was an outflow of DKK 108 million (281) which also reflects a planned increase in working capital.

Cash flow from investment activities was an outflow of DKK 93 million (252) mainly relating to the build-up of capacity for SLIT-tablet production and upgrades to legacy production. Free cash flow was an outflow of DKK 201 million (533) while cash flow from financing was an outflow of DKK 25 million (59), mainly related to the cash settlement of incentive programmes.

At the end of June, ALK held 278,103 of its **own shares**, or 2.5% of the share capital, versus 2.6% at the end of 2017 and 2.9% at the end of June 2017.

At the end of June, **cash and marketable securities** totalled DKK 484 million, versus DKK 711 million at the end of 2017. In addition, ALK has an unused credit facility of DKK 600 million which runs until the end of 2022.

**Equity** totalled DKK 3,306 million (2,787) at the end of June and the equity ratio was 67% (61).

## OUTLOOK FOR 2018

Full-year guidance has been updated based on better than expected results in the first half-year and more clarity on market conditions in Southern Europe.

### 2018 guidance history

FY guidance, DKK	15 Aug	4 May	6 Feb
Total revenue	More than 2,800m	More than 2,700m	Approx. 2,700m
EBITDA	Around +50m	Around 0m	-50m
Free cash flow	-550m or better	-600m or better	Approx. -600m

Total revenue from ALK's existing business is now expected to be more than DKK 2.8 billion (previously: more than DKK 2.7 billion). Exchange rates are now projected to negatively affect reported revenue by approximately DKK 50 million versus 2017.

Revenue in Europe and North America is still expected to be negatively impacted by product discontinuations and previous constraints in SCIT and SLIT-drops production. But these trends are expected to be largely offset by continued strong overall growth from tablet sales. Moreover, pressure on the pricing and reimbursement of legacy products in Southern Europe has still not materialised to the extent that was previously anticipated.

Despite the financial progress in the first half of 2018, earnings and free cash flow will still be significantly impacted by business investments associated with the transformation of ALK, as outlined in the new strategy which was announced in December 2017.

EBITDA is now anticipated at around DKK 50 million (previously: around DKK 0 million) while free cash flow is now expected at minus DKK 550 million or better (previously: minus DKK 600 million or better). In addition to subdued earnings, free cash flow is impacted by working capital requirements – including inventory build-up – and CAPEX investments in capacity expansions and production upgrades.

*The outlook does not include any revenue from acquisitions, new partnerships or adjacent products and services, nor does it include any sizeable payments related to future in-licensing or M&A activity. The outlook is based on current exchange rates.*

## RISK FACTORS

This interim report contains forward-looking statements, including forecasts of future revenue, operating profit and cash flow as well as expected business-related events. Such statements are naturally subject to risks and uncertainties as various factors, some of which are beyond the control of ALK, may cause actual results and performance to differ materially from the forecasts made in this announcement. Without being exhaustive, such factors include e.g., general economic and business-related conditions, including legal issues, uncertainty relating to demand, pricing, reimbursement rules,

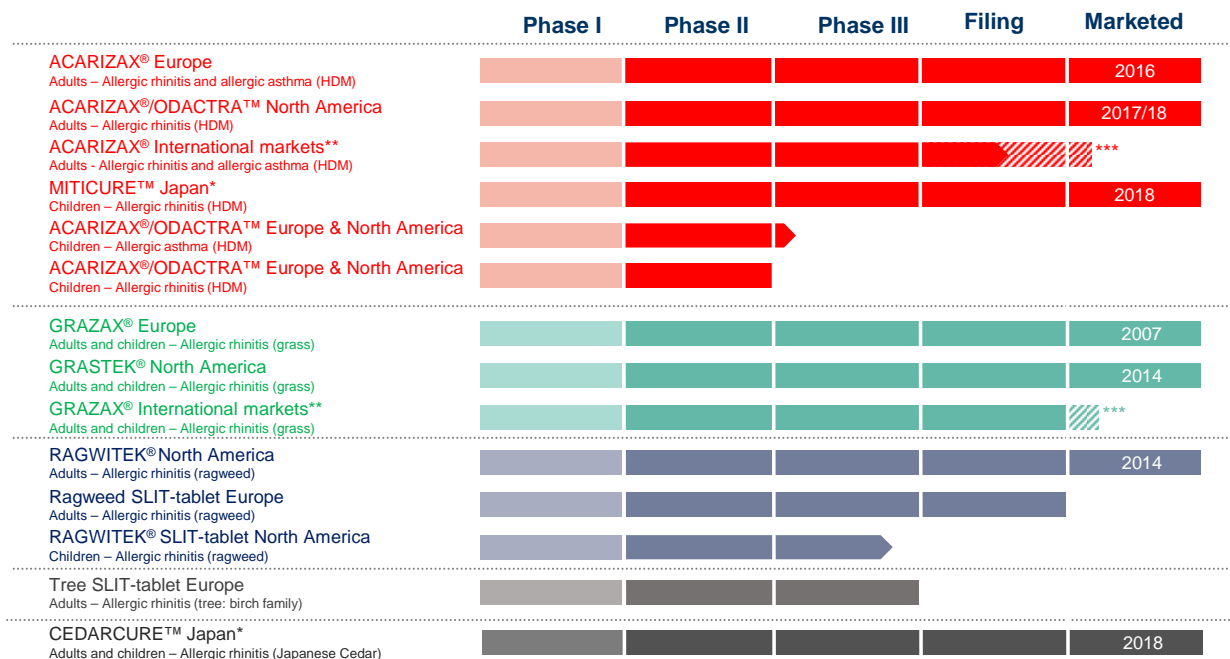
partners' plans and forecasts, fluctuations in exchange rates, competitive factors and reliance on suppliers. Additional factors include the risks associated with the sourcing and manufacturing of ALK's products as well as the potential for side effects from the use of ALK's existing and future products, as allergy immunotherapy may be associated with allergic reactions of differing extents, durations and severities.

### 2018 Financial calendar

Silent period	12 October
Nine-month interim report (Q3)	9 November

## R&D PIPELINE STATUS

ALK aims to globalise a portfolio of SLIT-tablets for all relevant ages, covering the five most common respiratory allergies: house dust mite, grass, tree, ragweed and Japanese cedar.



\*) Licensed to Torii for Japan

\*\*) Licensed Abbott for Russia and South-East Asia and Seqirus for Australia/New Zealand

\*\*\* Already marketed in selected markets



## STATEMENT BY MANAGEMENT

The Board of Directors and Board of Management today considered and approved the interim report of ALK-Abelló A/S for the period 1 January to 30 June 2018. The interim report has not been audited or reviewed by the company's independent auditor.

The consolidated interim report has been prepared in accordance with IAS 34 'Interim financial reporting' and additional Danish disclosure requirements for the presentation of quarterly interim reports by listed companies.

In our opinion, the interim report gives a true and fair view of the ALK Group's assets, equity and liabilities, financial position, results of operations and cash flow for the period 1 January to 30 June 2018. We further consider that the Management review in the preceding pages gives a true and fair view of the development in the ALK Group's activities and business, the profit for the period and the ALK Group's financial position as a whole, and a description of the most significant risks and uncertainties to which the ALK Group is subject.

**Hørsholm, 15 August 2018**

### Board of Management

Carsten Hellmann  
President & CEO

Henrik Jacobi  
Executive Vice President  
Research & Development

Søren Jelert  
CFO & Executive Vice President

Søren Daniel Niegel  
Executive Vice President  
Operations

### Board of Directors

Steen Riisgaard  
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Vice Chairman

Lars Holmqvist

Andreas Slyngborg Holst

Jacob Kastруп

Gonzalo De Miquel

Jakob Riis

Katja Barnkob

## INCOME STATEMENT FOR THE ALK GROUP

Q2 2017	Q2 2018	Amounts in DKKm	H1 2018	H1 2017
691	715	Revenue	1,467	1,480
298	329	Cost of sales	641	598
393	<b>386</b>	<b>Gross profit</b>	<b>826</b>	882
97	86	Research and development expenses	168	195
269	276	Sales and marketing expenses	536	507
55	61	Administrative expenses	112	112
(28)	<b>(37)</b>	<b>Operating profit/(loss) (EBIT)</b>	<b>10</b>	68
(7)	18	Net financial items	(3)	(15)
(35)	<b>(19)</b>	<b>Profit/(loss) before tax (EBT)</b>	<b>7</b>	53
(34)	(2)	Tax on profit	-	52
(1)	<b>(17)</b>	<b>Net profit/(loss)</b>	<b>7</b>	1
		<b>Earnings per share (EPS)</b>		
0	(1.6)	Earnings per share (EPS)	0.6	0
0	(1.6)	Earnings per share (DEPS), diluted	0.6	0

## STATEMENT OF COMPREHENSIVE INCOME

Q2 2017	Q2 2018	Amounts in DKKm	H1 2018	H1 2017
(1)	<b>(17)</b>	<b>Net profit/(loss)</b>	<b>7</b>	1
		<b>Other comprehensive income</b>		
		<i>Items that will subsequently be reclassified to the income statement, when specific conditions are met:</i>		
(52)	46	Foreign currency translation adjustment of foreign affiliates	24	(61)
8	(7)	Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	(4)	8
(44)	<b>39</b>	<b>Total</b>	<b>20</b>	<b>(53)</b>
(45)	<b>22</b>	<b>Total comprehensive income/(loss)</b>	<b>27</b>	<b>(52)</b>

## CASH FLOW STATEMENT FOR THE ALK GROUP

Amounts in DKKm	H1 2018	H1 2017
<b>Net profit</b>	7	1
Adjustments for non-cash items (note 3)	98	176
Changes in working capital	(118)	(168)
Net financial items, paid	(5)	(2)
Income taxes, paid	(90)	(288)
<b>Cash flow from operating activities</b>	<b>(108)</b>	<b>(281)</b>
Acquisitions of companies and operations (note 4)	(7)	(94)
Additions, intangible assets	(28)	(17)
Additions, tangible assets	(58)	(141)
<b>Cash flow from investing activities</b>	<b>(93)</b>	<b>(252)</b>
<b>Free cash flow</b>	<b>(201)</b>	<b>(533)</b>
Dividend paid to shareholders of the parent	-	(49)
Sales of treasury shares	-	3
Exercise of share options and settlement of Restricted Stock Units	(17)	(4)
Repayment of borrowings	(8)	(9)
<b>Cash flow from financing activities</b>	<b>(25)</b>	<b>(59)</b>
<b>Net cash flow</b>	<b>(226)</b>	<b>(592)</b>
Cash at beginning of year	162	292
Marketable securities beginning of year	549	548
<b>Cash and marketable securities beginning of year</b>	<b>711</b>	<b>840</b>
Unrealised gains/(losses) on cash held in foreign currency and financial assets carried as cash and marketable securities	-	(6)
<b>Net cash flow</b>	<b>(226)</b>	<b>(592)</b>
Cash end of period	135	242
Marketable securities end of period	349	-
<b>Cash and marketable securities end of period</b>	<b>484</b>	<b>242</b>

The consolidated statement of cash flow is compiled using the indirect method. As a result, the individual figures in the cash flow statement cannot be reconciled directly to the income statement and the balance sheet.

## BALANCE SHEET - ASSETS FOR THE ALK GROUP

Amounts in DKKm	<b>30 June 2018</b>	30 June 2017	31 Dec 2017
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	463	497	461
Other intangible assets	295	339	291
	<b>758</b>	836	752
<b>Tangible assets</b>			
Land and buildings	783	752	750
Plant and machinery	383	413	378
Other fixtures and equipment	51	56	53
Property, plant and equipment in progress	369	449	397
	<b>1,586</b>	1,670	1,578
<b>Other non-current assets</b>			
Securities and receivables	8	8	7
Deferred tax assets	520	524	466
	<b>528</b>	532	473
<b>Total non-current assets</b>	<b>2,872</b>	3,038	2,803
<b>Current assets</b>			
Inventories	943	792	875
Trade receivables	362	326	326
Receivables from affiliates	-	1	25
Income tax receivables	129	89	65
Other receivables	73	56	73
Prepayments	82	40	80
Marketable securities	349	-	549
Cash	135	242	162
<b>Total current assets</b>	<b>2,073</b>	1,546	2,155
<b>Total assets</b>	<b>4,945</b>	4,584	4,958

## BALANCE SHEET - EQUITY AND LIABILITIES FOR THE ALK GROUP

Amounts in DKKm	30 June 2018	30 June 2017	31 Dec 2017
<b>Equity</b>			
Share capital	111	101	111
Currency translation adjustment	(63)	(39)	(87)
Retained earnings	3,258	2,725	3,266
<b>Total equity</b>	<b>3,306</b>	<b>2,787</b>	<b>3,290</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Mortgage debt	284	301	293
Bank loans and financial loans	448	448	448
Pensions and similar liabilities	224	240	220
Other provisions	13	44	20
Deferred tax liabilities	24	145	21
	<b>993</b>	<b>1,178</b>	<b>1,002</b>
<b>Current liabilities</b>			
Mortgage debt	17	17	17
Bank loans and financial loans	1	-	-
Trade payables	106	122	121
Income taxes	10	20	6
Other provisions	32	38	39
Other payables	480	422	483
	<b>646</b>	<b>619</b>	<b>666</b>
<b>Total liabilities</b>	<b>1,639</b>	<b>1,797</b>	<b>1,668</b>
<b>Total equity and liabilities</b>	<b>4,945</b>	<b>4,584</b>	<b>4,958</b>

## EQUITY FOR THE ALK GROUP

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
<b>Equity at 1 January 2018</b>	<b>111</b>	<b>(87)</b>	<b>3,266</b>	<b>3,290</b>
Net profit	-	-	7	7
Other comprehensive income/(loss)	-	24	(4)	20
<b>Total comprehensive income</b>	<b>-</b>	<b>24</b>	<b>3</b>	<b>27</b>
Share-based payments	-	-	6	6
Share options and Restricted Stock Units settled	-	-	(17)	(17)
<b>Other transactions</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(11)</b>
<b>Equity at 30 June 2018</b>	<b>111</b>	<b>(63)</b>	<b>3,258</b>	<b>3,306</b>
<b>Equity at 1 January 2017</b>	<b>101</b>	<b>22</b>	<b>2,752</b>	<b>2,875</b>
Net profit	-	-	1	1
Other comprehensive income/(loss)	-	(61)	8	(53)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>(61)</b>	<b>9</b>	<b>(52)</b>
Share-based payments	-	-	14	14
Share options settled	-	-	(4)	(4)
Sale of treasury shares	-	-	3	3
Dividend paid	-	-	(51)	(51)
Dividends on treasury shares	-	-	2	2
<b>Other transactions</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>(36)</b>
<b>Equity at 30 June 2017</b>	<b>101</b>	<b>(39)</b>	<b>2,725</b>	<b>2,787</b>



## NOTES

### 1 ACCOUNTING POLICIES

This non-audited interim report for first half-year of 2018 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies. The Interim report for the first half-year 2018 follows the same accounting policies as the annual report for 2017, except for all new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers is effective from 1 January 2018. The ALK Group meets the requirements in the standard and concludes that the standard has limited impact on revenue recognition and measurement.

IFRS 9 Financial instruments is effective from 1 January 2018. The ALK Group found the influence from the standard as insignificant in relation to classifications and measurements for financial instruments and provision for doubtful trade receivables. For the interim reporting The ALK Group is not affected by the requirements for hedge accounting, since no hedging has been applied in the period.

### 2 REVENUE

Amounts in DKKm	Europe		North America		International markets		Total	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
SCIT/SLIT-drops	738	818	125	120	37	27	900	965
SLIT-tablets	296	228	32	44	23	2	351	274
Other products and services	86	80	122	154	8	7	216	241
<b>Total revenue</b>	<b>1,120</b>	<b>1,126</b>	<b>279</b>	<b>318</b>	<b>68</b>	<b>36</b>	<b>1,467</b>	<b>1,480</b>
Sale of goods							1,459	1,475
Royalties							3	2
Services							5	3
<b>Total revenue</b>							<b>1,467</b>	<b>1,480</b>

Growth, 6M 2018	Europe		North America		International markets		Total	
	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth
SCIT/SLIT-drops	-10%	-10%	15%	4%	43%	37%	-5%	-7%
SLIT-tablets	30%	30%	-26%	-27%	n/a	n/a	29%	28%
Other products and services	7%	8%	-11%	-21%	33%	14%	-3%	-10%
<b>Total revenue</b>	<b>0%</b>	<b>-1%</b>	<b>-4%</b>	<b>-12%</b>	<b>101%</b>	<b>89%</b>	<b>1%</b>	<b>-1%</b>

Geographical markets (based on customer location):

- o Europe comprises the EU, Norway and Switzerland
- o North America comprises the USA and Canada
- o International Markets comprise Japan, China and all other countries

## NOTES

### 2 REVENUE (CONTINUED)

Amounts in DKKm	Europe		North America		International markets		Total	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
SCIT/SLIT-drops	324	358	64	59	22	9	410	426
SLIT-tablets	143	106	19	27	21	1	183	134
Other products and services	52	46	65	80	5	5	122	131
<b>Total revenue</b>	<b>519</b>	<b>510</b>	<b>148</b>	<b>166</b>	<b>48</b>	<b>15</b>	<b>715</b>	<b>691</b>
Sale of goods							711	688
Royalties							1	2
Services							3	1
<b>Total revenue</b>							<b>715</b>	<b>691</b>

Growth, Q2 2018	Europe		North America		International markets		Total	
	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth
SCIT/SLIT-drops	-10%	-9%	16%	8%	138%	144%	-3%	-4%
SLIT-tablets	36%	35%	-31%	-30%	n/a	n/a	36%	37%
Other products and services	13%	13%	-11%	-19%	28%	0%	0%	-7%
<b>Total revenue</b>	<b>2%</b>	<b>2%</b>	<b>-5%</b>	<b>-11%</b>	<b>228%</b>	<b>220%</b>	<b>5%</b>	<b>3%</b>

Geographical markets (based on customer location):  
o Europe comprises the EU, Norway and Switzerland  
o North America comprises the USA and Canada  
o International Markets comprise Japan, China and all other countries

### 3 ADJUSTMENTS FOR NON-CASH ITEMS

Amounts in DKKm	H1 2018	H1 2017
Tax on profit	-	52
Financial income and expenses	3	15
Share-based payment costs	6	14
Depreciation, amortisation and impairment	92	88
Other adjustments	(3)	7
<b>Total</b>	<b>98</b>	<b>176</b>

### 4 ACQUISITION OF ACTIVITIES

At 3 January 2017, the ALK Group acquired the operating assets in Allergy Laboratory of Oklahoma Inc. and Crystal Labs LLC for a total cash consideration of USD 20 million of which USD 6.6 million (DKK 40 million) is a contingent consideration, depending on meeting certain requirements from the US Food and Drug Administration's Center for Biologics Evaluation and Research (CBER). The contingent consideration is limited to DKK 40 million and is expected to be fully paid. In the first three months of 2018, the ALK Group paid DKK 7 million in contingent consideration.