

## Nine-month interim report (Q3) 2020 (Unaudited)

Company release No. 12/2020

### ALK reports 52% tablet growth and 61% earnings growth in Q3

ALK's revenue returned to growth in Q3 with 7% revenue growth as sales across the tablet portfolio grew 52%, led by Europe and International markets which were resilient to pandemic-related market constraints. This result is achieved despite the continuing negative impact of COVID-19 on its legacy business, predominantly in the USA. ALK's full-year financial outlook has been updated.

### Q3 2020 highlights

- ▶ Total revenue was up 7% organically in local currencies at DKK 772 million (739). Planned product discontinuations reduced growth by approximately 4 p.p. Currencies reduced reported growth by 2 p.p.
- ▶ Tablet sales grew by 52% to DKK 281 million (185), while combined SCIT and SLIT-drops sales were down 11% on the effects of COVID-19 and planned portfolio rationalisation.
- ▶ Operating profit (EBITDA) exceeded expectations and grew 61% to DKK 58 million (36), principally on delayed R&D expenditure and other savings on planned activities due to the impact of COVID-19.
- ▶ Free cash flow, at DKK minus 88 million (minus 35) was ahead of plan, driven by higher earnings, and the re-phasing of investments and tax payments.
- ▶ Revenue for the first nine months was up 6%, EBITDA was up 72% at DKK 331 million (193) and free cash flow was DKK minus 67 million (minus 184).

### Update on the effects of COVID-19

- ▶ Many markets still have COVID-19 countermeasures in place. Although patients are beginning to return to allergy clinics for treatment, access to clinics in some markets remains constrained to varying degrees.
- ▶ Sales of legacy products remain under pressure, largely due to the constraints the pandemic has placed on the willingness and ability of patients to visit clinics. Sales in the USA are particularly impacted, and ALK estimates that the 2020 full-year total value of missed US sales will be more than DKK 100 million.
- ▶ Sales of tablets, which can be self-administered at home, remains resilient and were actually boosted in some markets leading to continued market share gains and further consolidation of ALK's leadership.
- ▶ Product supply remain highly resilient and ALK is maintaining robust inventories of its products and supplies.
- ▶ ALK is now seeing a tangible impact from COVID-19 on clinical development activities due to challenges in recruiting clinical trial participants, which affects the ability to conduct trials as planned.

### Updated 2020 financial outlook

In light of the results for the first nine months and the ongoing effects of COVID-19, ALK is upgrading its EBITDA and cash flow outlook while narrowing its revenue growth outlook. ALK now expects:

- ▶ Organic revenue growth is expected at around 8% equating to approximately DKK 3.5 billion (previously towards the lower end of 8-12%).
- ▶ Operating profit (EBITDA) is now expected to be DKK 350-400 million (previously 300-350).
- ▶ Free cash flow is now expected at approximately DKK 0 million (previously negative ~200), reflecting the higher earnings and a positive change to working capital.

Hørsholm, 11 November 2020

**ALK-Abelló A/S**

*Comparative figures for 2019 are shown in brackets. Revenue growth rates are organic and 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. (CET) at which Management will review the financial results and the outlook. The conference call will be audio cast on <https://ir.alk.net>. Participants for the audio cast are kindly requested to call in before 1.25 p.m. (CET). Danish participants should call in on tel. +45 3544 5577 and international participants should call in on tel. +44 333 300 0804 or +1 631 913 1422. Please use the Participant Pin Code: 40890398#. 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	9M 2020	9M 2019	Q3 2020	Q3 2019	Full year 2019
<b>Income statement</b>					
Revenue	2,500	2,391	772	739	3,274
Operating profit before depreciation (EBITDA)	331	193	58	36	241
Operating profit/(loss) (EBIT)	159	(4)	6	(18)	(14)
Net financial items	(44)	(13)	(19)	7	(17)
Profit/(loss) before tax (EBT)	115	(17)	(13)	(11)	(31)
Net profit/(loss)	56	(37)	(20)	(14)	(50)
Average number of employees (FTE)	2,405	2,384	2,419	2,386	2,385
<b>Balance sheet</b>					
Total assets	5,573	5,075	5,573	5,075	5,495
Invested capital	2,827	3,255	2,827	3,255	2,759
Equity	3,203	3,177	3,203	3,177	3,176
<b>Cash flow and investments</b>					
Depreciations, amortisation and impairment	172	197	52	54	255
Cash flow from operating activities	106	(60)	36	7	132
Cash flow from investing activities	(173)	(124)	(124)	(42)	(157)
- of which investment in tangible and intangible assets	(148)	(104)	(99)	(39)	(167)
- of which acquisitions of companies and operations	-	(20)	-	(3)	(20)
Free cash flow	(67)	(184)	(88)	(35)	(25)
<b>Information on shares</b>					
Share capital	111	111	111	111	111
Shares in thousands of DKK 10 each	11,141	11,141	11,141	11,141	11,141
Share price, end of period – DKK	2,098	1,409	2,098	1,409	1,635
Net asset value per share – DKK	287	285	287	285	285
<b>Key figures</b>					
Gross margin – %	58	58	55	60	58
EBITDA margin – %	13	8	8	5	7
Equity ratio – %	57	63	57	63	58
Earnings/(loss) per share (EPS)	5.1	(3.4)	(1.8)	(2.8)	(4.6)
Earnings/(loss) per share (DEPS), diluted	5.1	(3.4)	(1.8)	(2.8)	(4.6)
Share price/Net asset value	7.3	4.9	7.3	4.9	5.7

## INCOME STATEMENT

Q3 2020	%	Q3 2019	%	Amounts in DKKm	9M 2020	%	9M 2019	%
772	100	739	100	Revenue	2,500	100	2,391	100
344	45	293	40	Cost of sales	1,051	42	1,014	42
<b>428</b>	<b>55</b>	<b>446</b>	<b>60</b>	<b>Gross profit</b>	<b>1,449</b>	<b>58</b>	<b>1,377</b>	<b>58</b>
121	16	124	17	Research and development expenses	337	12	317	13
300	39	342	46	Sales, marketing and administrative expenses	952	38	1,066	45
(1)	(0)	2	0	Other operating income and expenses	(1)	(0)	2	0
<b>6</b>	<b>(0)</b>	<b>(18)</b>	<b>(3)</b>	<b>Operating profit/(loss) (EBIT)</b>	<b>159</b>	<b>8</b>	<b>(4)</b>	<b>(0)</b>
(19)	(2)	7	1	Net financial items	(44)	(3)	(13)	(1)
<b>(13)</b>	<b>(2)</b>	<b>(11)</b>	<b>(2)</b>	<b>Profit/(loss) before tax (EBT)</b>	<b>115</b>	<b>5</b>	<b>(17)</b>	<b>(1)</b>
7	1	3	0	Tax on profit	59	2	20	1
<b>(20)</b>	<b>(3)</b>	<b>(14)</b>	<b>(2)</b>	<b>Net profit/(loss)</b>	<b>56</b>	<b>3</b>	<b>(37)</b>	<b>(2)</b>
<b>58</b>	<b>7</b>	<b>36</b>	<b>5</b>	<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>331</b>	<b>15</b>	<b>193</b>	<b>8</b>

## COVID-19 UPDATE

ALK's overall approach to managing through the pandemic and its impact continues to be one of caution, taking steps to avoid the spread of COVID-19 in the workplace, prioritise employee well-being and putting measures in place to prevent any major disruption to business. ALK remains focused on continuity of supply for all markets, and on appropriate sales and marketing activities where market conditions permit.

Manufacturing and product supply activities, and product inventory levels, all remained robust.

Sales of SLIT-tablets in the quarter remained resilient and grew strongly versus 2019 and were boosted by reduced access to legacy products and the start of the high season for treatment initiations towards the end of the quarter. Even in markets where restrictions eased somewhat, capacity at clinics often remained constrained, and sales of legacy products, especially in the USA, continued to be challenged.

The previously highlighted risk to ALK's ongoing clinical programme has now become a reality, principally due to the challenge of patient recruitment and the ability to conduct respiratory trials at various locations around the world. As a result, ALK now considers it likely that clinical activities may be impacted – although to what extent remains uncertain. In the case of the already postponed registration trial for ACARIZAX® in China, ALK believes this will now push back the targeted launch date by at least one year.

Ongoing regulatory reviews were unaffected and remain on track.

## UPDATE ON BUSINESS PRIORITIES

Despite the challenges that the COVID-19 pandemic presents, ALK's long-term strategy remains unchanged. As the completion of its three-year transformation phase approaches, ALK expects to present an update covering the next phase in ALK's development in its annual report, early in 2021.

During Q3, progress on the four areas of focus has been as follows:

### 1. Succeed in North America

Commercial development in North America has been severely impacted by COVID-19, although the situation in Q3 was markedly better than in Q2. Nevertheless, ALK estimates that patient visits to clinics were still significantly lower than normal during the quarter.

Although tablet revenue fell, this actually masks an increase in sales volumes, as the effort to build breadth and depth for prescribers and prescriptions was supported by various forms of discounting. Even so, the tablet portfolio currently lacks the critical mass achieved in other regions to be able to fully ride out or benefit from, the COVID-19 challenge.

ALK's digital engagement strategy continued to gain traction with approximately 150,000 downloads of its newly launched smartphone app, and the introduction of a new website feature allowing patients to find a doctor and request remote consultations to discuss their allergies.

### 2. Complete and commercialise the tablet portfolio for all relevant ages

Sales of tablets worldwide grew strongly, despite the backdrop of COVID-19, and were up 52% overall, further driving ALK towards its target of annual sales growth of 30% or more.

Registration activities remain largely unaffected by COVID-19, with launch plans for ITULAZAX® still on schedule. Q3 saw new launches in Austria, Canada, the Netherlands, Norway and Switzerland, and planning for a further launch in Czechia during Q4 is now at an advanced stage. In addition, ALK recently received European regulatory approval for paediatric use of the ragweed tablet, RAGWITEK®/RAGWIZAX®, while similar applications are under review in Canada and the USA. An application has also been submitted for adolescent use of ACARIZAX® in Canada.

In general, tablets sales benefited from the confluence of three factors during Q3: the long-term trend towards evidence-based allergy medicines in Europe and International markets, a new, internal sales excellence programme designed to drive best practice globally, and some positive effects from the COVID-19 pandemic. Disregarding the influence of the third factor, ALK sees Q3 as further evidence of the sustained, long-term growth trajectory of the tablet portfolio.

### 3. Patient engagement and adjacent business

Ahead of the high season for treatment initiations, the priority for ALK's digital patient engagement strategy has been the identification and support of the most suitable candidates for AIT. Cumulative measures show that, by the end of Q3, ALK had established more than 475,000 two-way consumer relationships. Year-to-date, more than 140,000 people have been mobilised to take action on their allergies.

Q3 also saw the introduction of pilots for several innovations in specific markets. For example, ahead of the next UK pollen season, in partnership with PharmaDoctor – the UK's leading provider of clinical service packages for pharmacists – ALK has launched the UK's first, pharmacy-based, allergy testing and treatment service.

Meanwhile, in the USA and Germany, ALK has introduced a 'speak to a doctor' option to its web resources, supported by app and email content. Also in the USA, ALK is refining its 'find an allergy doctor' tool to ensure patients are directed to doctors who will offer them the full range of allergy treatment options, including SLIT-tablets.

Digital platforms are also being employed to support engagement with healthcare professionals (HCPs), with a much greater proportion of marketing activities and sales calls being conducted digitally, and with increasing success. As just one example, ALK hosted an online medical congress which saw more than 5,000 HCPs from China participating.

### 4. Optimise and reallocate

ALK continues to make quality upgrades and to implement its portfolio rationalisation and site specialisation strategy, which designates each production facility as a centre of manufacturing excellence. As part of this initiative, in Q3 ALK

announced the transfer of part of its Quality Control activities from Hørsholm, Denmark to its facility in Madrid, Spain.

Work to consolidate the number of active pharmaceutical ingredients (APIs) also continued. As an example, this work is seeing products that contain multiple individual allergens replaced by equivalents that contain single, cross-reacting species and supports the long-term aim of improving gross margins. Implementing these changes requires the formal documentation and registration of every change to maintain each product's marketing authorisation. During Q3, ALK submitted a total of 275 further regulatory changes covering 27 products to 30 different regulatory authorities.

## Q3 SALES AND MARKET TRENDS

(Comparative figures for Q3 2019 are shown in brackets. Revenue growth rates are organic stated in local currencies, unless otherwise indicated)

### Revenue by geography

DKKm	Q3-2020	Growth (l.c. *)	Share of revenue	Q3-2019
Europe	556	6%	72%	525
North America	138	-14%	18%	176
Intl. markets	78	110%	10%	38
<b>Revenue</b>	<b>772</b>	<b>7%</b>	<b>100%</b>	<b>739</b>

\* Organic and in local currencies

### Europe

Revenue in Europe grew by 6% in local currencies to DKK 556 million (525). Planned product discontinuations reduced growth by 5 percentage points so that, like-for-like, underlying sales of continuing products grew by 11%.

Tablet sales grew strongly and were up 56% for the quarter on the ongoing shift to registered treatments, benefits from a sales-force excellence programme, and resilience to COVID-19 versus alternative treatment options.

Combined sales of SCIT and SLIT-drops were down 18%, as treatments that rely on more frequent clinic visits were most impacted by COVID-19 and because of planned product discontinuations.

Sales of other products grew by 35%, predominantly fuelled by Jext®, which continued to benefit from high demand in the markets.

In the key market, Germany, sales were up strongly on triple-digit growth from tablets and high double-digit growth for other products. ALK has recently made significant progress in the German market, where the tablet portfolio continues to go from strength to strength, as evidenced by ITULAZAX® which has achieved the same capture rate for new treatment initiations as it took ALK more than 10 years to

achieve with GRAZAX®. This year, ALK also became the first AIT company to discontinue its final non-registered product, and the market saw an additional structural change as the previous fee model for doctors was updated to mitigate unintended disincentives to prescribing tablets.

Although there were further signs of a market recovery from the effects of COVID-19 across Europe, capacity was still reduced at many clinics – particularly in Southern Europe, and sales in France fell back as growth from tablets and other products was outweighed by the impact of COVID-19.

### North America

Revenue across the portfolio in the USA continued to be suppressed as the ability and willingness of patients to visit clinics was still reduced, albeit some improvements were seen in Q3. As a result, Q3 revenue for North America was down 14% organically in local currencies at DKK 138 million (176). Sales of tablets fell 19%, sales of bulk SCIT products – although strengthened versus Q2 – fell 3%, while revenue from other products was down 24%.

In Q3, ALK launched its tree allergy tablet in Canada, where it is branded ITULATEK™. Overall sales in Canada increased and continued to benefit from improved adoption of tablets.

### International markets

Revenue from International markets more than doubled in Q3, up 110% in local currencies to DKK 78 million (38). The two largest markets in this region for ALK, Japan and China, have resisted and rebounded from the impact of COVID-19 strongly, with China now registering growth in treatment initiations compared to 2019.

In Japan, MITICURE™ sales were up strongly on continued market success for ALK's partner Torii. Meanwhile, sales of CEDARCURE™ continued to grow in line with projections, although at a slower rate than before as the conversion of patients following the discontinuation of a comparable legacy product is now almost complete.

### Global revenue by product line

DKKm	Q3-2020	Growth (l.c.*)	Share of revenue	Q3-2019
SCIT and SLIT-drops	367	-11%	48%	422
SLIT-tablets	281	52%	36%	185
Other products and services	124	0%	16%	132
<b>Revenue</b>	<b>772</b>	<b>7%</b>	<b>100%</b>	<b>739</b>

\* Organic and in local currencies

## 9M FINANCIAL REVIEW

(Comparative figures for 2019 are shown in brackets. Revenue growth rates are organic stated in local currencies, unless otherwise indicated)

**9M revenue** increased by 5% in reported currency to DKK 2,500 million (2,391) and was negatively impacted by COVID-19, predominantly in the USA. Exchange rate fluctuations did not materially impact reported revenue for the first nine months although the USD/DKK rate did negatively impact Q3 numbers by 2 percentage points. 9M organic growth in local currencies was 6%.

**Cost of sales** increased 4% in local currencies to DKK 1,051 million (1,014). The gross profit of DKK 1,449 million (1,377) yielded a gross margin of 58% (58%), and reflected changes in the product mix, increased sales – especially from tablets – but also lower sales of legacy products in Europe and significant costs associated with compliance efforts to secure robustness in product supply, as well as the implementation of the product and site strategy, which in Q3 involved certain restructuring costs.

**Capacity costs** decreased 6% in local currencies to DKK 1,289 million (1,383). R&D expenses increased by 7% in local currencies in support of clinical trials, although this was lower than expected following delays to clinical activities due to the COVID-19 pandemic. Particularly affected was the recruitment of patients for clinical trials – something that is likely to continue for the rest of the year. Sales and marketing expenses decreased by 11% in local currencies, reflecting savings as a consequence of COVID-19 restricting sales and marketing activities in many markets, and operational leverage of ALK's commercial activities. Administrative expenses decreased 9% in local currencies.

**EBITDA (operating profit before depreciation and amortisation)** increased 72% to DKK 331 million (193) and was better than expected, reflecting savings and delayed R&D expenditure due to COVID-19. Exchange rates did have a small negative impact on operating profit.

**Net financials** were a loss of DKK 44 million (loss of 13) mainly relating to net interest expenses and currency fluctuations on intercompany loans. **Tax on the profit** totalled DKK 59 million (20) and **net profit** was DKK 56 million (a loss of 37).

**Cash flow from operating activities** was positive at DKK 106 million (minus 60) mainly as a consequence of the increased EBITDA. Furthermore, cash flow was negatively impacted by changes in working capital as a consequence of the company's growth momentum.

**Cash flow from investment activities** was DKK minus 173 million (minus 124) mainly relating to

upgrades to legacy production and the build-up of capacity for SLIT-tablet production. **Free cash flow** was negative, at DKK minus 67 million (minus 184), which was better than expected due to higher earnings.

**Cash flow from financing activities** was DKK minus 61 million (minus 48), mainly relating to the settlement of incentive programmes.

At the end of September, ALK held 224,671 of its **own shares** or 2.0% of the share capital, versus 2.2% at the end of 2019, and 2.3% at the end of September 2019.

At the end of September, **cash and marketable securities** totalled DKK 180 million, versus DKK 167 million at the end of September 2019 and DKK 316 million at the end of 2019. In addition, ALK has an unused credit facility of DKK 600 million which runs until 2022.

**Equity** totalled DKK 3,203 million (3,177) at the end of the period, and the equity ratio was 57% (63%).

## OUTLOOK FOR 2020

In light of the results for the first nine months of 2020 and the ongoing effects of COVID-19, ALK is upgrading its EBITDA and cash flow outlook while narrowing its revenue growth outlook. ALK's working assumption is that during Q4, allergy patients' ability and willingness to visit healthcare professionals remain at the level currently observed. As a result:

- ▶ Organic revenue growth in local currencies is expected at around 8%, which equates to approximately DKK 3.5 billion (previously towards the lower end of 8-12%). A stronger recovery in the USA, or elsewhere, is not likely at this stage and ALK has therefore narrowed the revenue outlook. Planned product discontinuation is now reducing growth by around 3 p.p. (previously around 4 p.p.)
- ▶ Operating profit (EBITDA) is upgraded and now expected to be DKK 350-400 million (previously 300-350).
- ▶ Free cash flow is upgraded and now expected to be approximately DKK 0 million (previously negative ~200), reflecting the higher earnings and a positive change to working capital.

### Revenue

ALK still expects growth across its Europe and International sales regions in 2020, with tablets as the key growth driver with growth of 30% or more, so that they will become ALK's largest single product category for the first time. In the USA, the ongoing impact of COVID-19 means that full-year sales for the North American region are likely to decline although ALK expects improved performance in Q4. ALK estimates

that the 2020 full-year total value of missed US sales will be more than DKK 100 million.

Revenue growth is still expected to increase in Q4, in particular, due to the high season for AIT treatment initiations and the expected timing of tablet shipments to Torii in Japan.

### Gross margin

The reported gross margin for the full year is still expected to be roughly on a par with 2019, benefiting from increased sales – especially from tablets, with higher volumes absorbed by existing capacity – offset by changes in the product mix and increased lower gross-margin shipments of tablets to ALK's partner for Japan, Torii. The gross margin also reflects significant costs associated with compliance efforts to secure robustness in product supply as well as with the implementation of the product and site strategy.

### EBITDA

The upgraded EBITDA now reflects the effects of the coronavirus pandemic whereby capacity costs are expected to be lower than originally planned, particularly in R&D, where costs are currently forecast to be DKK 500-525 million (previously 500-550 million).

### Cash flow

The improved free cash flow, now expected at approximately DKK 0 million (previously negative ~200), reflects higher earnings and a positive change to working capital because it is no longer expected to include a 2020 repayment of accrued rebate adjustments. Instead, this repayment is now expected to take place in 2021. As previously communicated, certain employee tax payments in Denmark have also been postponed to 2021. CAPEX is now projected at approximately DKK 250 million (previously 250-300), with investments focused on streamlining the manufacturing footprint and further specialisation at ALK's production sites.

### Other assumptions

The outlook does not include any revenue from acquisitions, new partnerships or in-licensing of adjacent products and services, nor does it include any sizeable payments related to future M&As or in-licensing activities. The outlook is based on current exchange rates, resulting in an immaterial effect on both reported revenue and reported EBITDA.

## 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.

The emergence of the coronavirus pandemic, and the extent and duration of countermeasures against the virus, represent additional uncertainties that may also affect forward-looking statements.

**Financial calendar**

Silent period	13 January 2020
Annual report 2020	10 February 2020

**R&D PIPELINE STATUS**

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

	Phase I	Phase II	Phase III	Filing	Marketed
<b>GRAZAX® Europe</b> Adults and children – Allergic rhinitis (grass)					2007
<b>GRASSTEK® North America</b> Adults and children – Allergic rhinitis (grass)					2014
<b>GRAZAX® International markets<sup>i</sup></b> Adults and children – Allergic rhinitis (grass)					
<b>RAGWITEK® North America</b> Adults – Allergic rhinitis (ragweed)					2014
<b>RAGWIZAX® Europe &amp; Intl. markets</b> Adults – Allergic rhinitis (ragweed)					2020
<b>RAGWIZAX®/RAGWITEK® Europe &amp; NA</b> Children – Allergic rhinitis (ragweed)					iii
<b>ACARIZAX® Europe</b> Adults – Allergic rhinitis and allergic asthma (HDM) Adolescents – Allergic rhinitis (HDM)					2016/17
<b>ACARIZAX®/ODACTRA® North America</b> Adults – Allergic rhinitis (HDM)					2017/18
<b>MITICURE™ Japan<sup>ii</sup></b> Adults and children – Allergic rhinitis (HDM)					2015/18
<b>ACARIZAX® International markets<sup>i</sup></b> Adults – Allergic rhinitis and allergic asthma (HDM)					iv
<b>ACARIZAX® China</b> Adults – Allergic rhinitis (HDM)					
<b>ACARIZAX®/ODACTRA® Europe &amp; North America</b> Children – Allergic asthma (HDM)					
<b>ACARIZAX®/ODACTRA® Europe &amp; North America</b> Children – Allergic rhinitis (HDM)					
<b>ODACTRA® North America</b> Adolescents – Allergic rhinitis (HDM)					
<b>CEDARCURE™ Japan<sup>ii</sup></b> Adults and children – Allergic rhinitis (Japanese Cedar)					2018
<b>ITULAZAX® Europe</b> Adults – Allergic rhinitis (tree: birch family)					2019
<b>ITULATEK™ Canada</b> Adults – Allergic rhinitis (tree: birch family)					2020

i. Licensed to Abbott for south-east Asia and Seqirus for Australia/New Zealand - ii. Licensed to Torii for Japan - iii. Approved in Europe - iv. 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 September 2020. 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 September 2020. We further consider that the Management review in the preceding pages gives a true and fair statement 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. Besides what has been disclosed in the interim report, no changes in the ALK Group's most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated annual report 2019.

**Hørsholm, 11 November 2020**

### 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  
Commercial Operations

### Board of Directors

Anders Hedegaard  
Chairman

Lene Skole  
Vice Chairman

Katja Barnkob

Nanna Rassov Carlson

Lars Holmqvist

Jakob Riis

Johan Smedsrud

Vincent Warnery



## INCOME STATEMENT FOR THE ALK GROUP

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344	293	Cost of sales	1,051	1,014
<b>428</b>	<b>446</b>	<b>Gross profit</b>	<b>1,449</b>	<b>1,377</b>
121	124	Research and development expenses	337	317
252	286	Sales and marketing expenses	787	885
48	56	Administrative expenses	165	181
(1)	2	Other operating income	(1)	2
<b>6</b>	<b>(18)</b>	<b>Operating profit/(loss) (EBIT)</b>	<b>159</b>	<b>(4)</b>
(19)	7	Net financial items	(44)	(13)
<b>(13)</b>	<b>(11)</b>	<b>Profit/(loss) before tax (EBT)</b>	<b>115</b>	<b>(17)</b>
7	3	Tax on profit	59	20
<b>(20)</b>	<b>(14)</b>	<b>Net profit/(loss)</b>	<b>56</b>	<b>(37)</b>
		<b>Earnings per share (EPS)</b>		
(1.8)	(2.8)	Earnings/(loss) per share (EPS)	5.1	(3.4)
(1.8)	(2.8)	Earnings/(loss) per share (DEPS), diluted	5.1	(3.4)

## STATEMENT OF COMPREHENSIVE INCOME

Q3 2020	Q3 2019	Amounts in DKKm	9M 2020	9M 2019
<b>(20)</b>	<b>(14)</b>	<b>Net profit/(loss)</b>	<b>56</b>	<b>(37)</b>
		<b>Other comprehensive income</b>		
		<i>Items that will subsequently be reclassified to the income statement, when specific conditions are met:</i>		
(45)	34	Foreign currency translation adjustment of foreign affiliates	(53)	41
1	(5)	Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	1	(5)
<b>(44)</b>	<b>29</b>	<b>Total</b>	<b>(52)</b>	<b>36</b>
<b>(64)</b>	<b>15</b>	<b>Total comprehensive income</b>	<b>4</b>	<b>(1)</b>

## CASH FLOW STATEMENT FOR THE ALK GROUP

Amounts in DKKm	9M 2020	9M 2019
<b>Net profit/(loss)</b>	<b>56</b>	(37)
Adjustments for non-cash items (note 3)	346	273
Changes in working capital	(169)	(190)
Financial income, paid	3	4
Financial expenses, paid	(15)	(25)
Income taxes, paid	(115)	(85)
<b>Cash flow from operating activities</b>	<b>106</b>	(60)
Acquisitions of companies and operations*	-	(20)
Additions, intangible assets	(11)	(11)
Additions, tangible assets	(137)	(93)
Change in other financial assets	(25)	-
<b>Cash flow from investing activities</b>	<b>(173)</b>	(124)
<b>Free cash flow</b>	<b>(67)</b>	(184)
Sale of treasury shares	-	3
Exercise of share options	(24)	(24)
Repayment of lease liabilities	(22)	(15)
Repayment of borrowings	(15)	(12)
<b>Cash flow from financing activities</b>	<b>(61)</b>	(48)
<b>Net cash flow</b>	<b>(128)</b>	(232)
Cash at beginning of year	316	296
Marketable securities beginning of year	-	100
<b>Cash and marketable securities beginning of year</b>	<b>316</b>	<b>396</b>
Unrealised gains/(losses) on cash held in foreign currency and financial assets carried as cash and marketable securities	(8)	3
<b>Net cash flow</b>	<b>(128)</b>	(232)
Cash end of period	180	117
Marketable securities end of period	-	50
<b>Cash and marketable securities end of period</b>	<b>180</b>	<b>167</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.

\* Relates to final instalment payment for the acquisition of the operating assets of Allergy Laboratory of Oklahoma Inc. and Crystal Labs LLC in 2017.

## BALANCE SHEET - ASSETS FOR THE ALK GROUP

Amounts in DKKm	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	456	469	461
Other intangible assets	197	233	221
	<b>653</b>	702	682
<b>Tangible assets</b>			
Land and buildings	956	1,002	1,023
Plant and machinery	330	318	325
Other fixtures and equipment	64	56	61
Property, plant and equipment in progress	365	319	330
	<b>1,715</b>	1,695	1,739
<b>Other non-current assets</b>			
Securities and receivables	54	62	46
Deferred tax assets	677	643	620
Income tax receivables	174	-	160
	<b>905</b>	705	826
<b>Total non-current assets</b>	<b>3,273</b>	3,102	3,247
<b>Current assets</b>			
Inventories	1,125	1,077	1,056
Trade receivables	502	436	407
Receivables from affiliates	132	18	116
Income tax receivables	54	33	9
Other receivables	62	105	133
Prepayments	245	137	211
Marketable securities	-	50	-
Cash	180	117	316
	<b>2,300</b>	1,973	2,248
<b>Total current assets</b>	<b>2,300</b>	1,973	2,248
<b>Total assets</b>	<b>5,573</b>	5,075	5,495

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

Amounts in DKKm	<b>30 Sep 2020</b>	30 Sep 2019	31 Dec 2019
<b>Equity</b>			
Share capital	111	111	111
Currency translation adjustment	(72)	(1)	(19)
Retained earnings	3,164	3,067	3,084
<b>Total equity</b>	<b>3,203</b>	3,177	3,176
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Mortgage debt	245	263	259
Bank loans and financial loans	447	448	448
Pensions and similar liabilities	343	236	297
Lease liabilities	217	197	234
Other provisions	-	1	-
Deferred tax liabilities	-	5	4
Income taxes	142	-	143
	<b>1,394</b>	1,150	1,385
<b>Current liabilities</b>			
Mortgage debt	17	17	18
Trade payables	109	100	81
Lease liabilities	32	25	31
Other provisions	5	6	23
Income taxes	45	10	20
Other payables	767	590	760
Deferred income	1	-	1
	<b>976</b>	748	934
<b>Total liabilities</b>	<b>2,370</b>	1,898	2,319
<b>Total equity and liabilities</b>	<b>5,573</b>	5,075	5,495

## EQUITY FOR THE ALK GROUP

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
<b>Equity at 1 January 2020</b>	<b>111</b>	<b>(19)</b>	<b>3,084</b>	<b>3,176</b>
Net profit	-	-	56	56
Other comprehensive income	-	(53)	1	(52)
<b>Total comprehensive income</b>	<b>-</b>	<b>(53)</b>	<b>57</b>	<b>4</b>
Share-based payments	-	-	21	21
Share options settled	-	-	(24)	(24)
Tax related to items recognised directly in equity	-	-	26	26
<b>Other transactions</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>
<b>Equity at 30 September 2020</b>	<b>111</b>	<b>(72)</b>	<b>3,164</b>	<b>3,203</b>
<b>Equity at 1 January 2019</b>	<b>111</b>	<b>(42)</b>	<b>3,110</b>	<b>3,179</b>
Net profit/(loss)	-	-	(37)	(37)
Other comprehensive income	-	41	(5)	36
<b>Total comprehensive income</b>	<b>-</b>	<b>41</b>	<b>(42)</b>	<b>(1)</b>
Share-based payments	-	-	20	20
Share options settled	-	-	(24)	(24)
Sale of treasury shares	-	-	3	3
<b>Other transactions</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>
<b>Equity at 30 September 2019</b>	<b>111</b>	<b>(1)</b>	<b>3,067</b>	<b>3,177</b>

## NOTES

### 1 ACCOUNTING POLICIES

This non-audited interim report for the first nine months of 2020 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 nine months of 2020 follows the same accounting policies as the annual report for 2019, except for new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2020. These IFRSs have not had any impact on the Group's interim report.

Starting from Q1 2020, the method for quarterly allocation of the total expected annual tax on profit/loss in the income statement was changed to better reflect the quarterly split of tax in the taxing jurisdictions in the ALK Group. Consequently, comparative figures for 2019 have been adjusted. The change does not impact the total annual tax in the income statement.

### 2 REVENUE AND SEGMENT INFORMATION

Amounts in DKKm	Europe		North America		International Markets		Total	
	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
SCIT/SLIT-drops	929	1,051	200	223	67	43	1,196	1,317
SLIT-tablets	718	536	63	67	180	101	961	704
Other products and services	169	143	155	206	19	21	343	370
<b>Total revenue</b>	<b>1,816</b>	<b>1,730</b>	<b>418</b>	<b>496</b>	<b>266</b>	<b>165</b>	<b>2,500</b>	<b>2,391</b>
Sale of goods							2,455	2,368
Royalties							41	23
Services							4	-
<b>Total revenue</b>							<b>2,500</b>	<b>2,391</b>

Growth, 9M 2020	Europe		North America		International Markets		Total	
	Organic growth local currencies	Growth	Organic growth local currencies	Growth	Organic growth local currencies	Growth	Organic growth local currencies	Growth
SCIT/SLIT-drops	-12%	-12%	-6%	-10%	62%	56%	-8%	-9%
SLIT-tablets	35%	34%	-5%	-6%	78%	78%	37%	37%
Other products and services	18%	18%	-21%	-25%	-7%	-10%	-5%	-7%
<b>Total revenue</b>	<b>5%</b>	<b>5%</b>	<b>-12%</b>	<b>-16%</b>	<b>64%</b>	<b>61%</b>	<b>6%</b>	<b>5%</b>

Geographical markets (based on customer location):

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

## NOTES

### 2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Amounts in DKKm	Europe		North America		International Markets		Total	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
SCIT/SLIT-drops	280	341	68	77	19	4	367	422
SLIT-tablets	211	135	17	22	53	28	281	185
Other products and services	65	49	53	77	6	6	124	132
<b>Total revenue</b>	<b>556</b>	<b>525</b>	<b>138</b>	<b>176</b>	<b>78</b>	<b>38</b>	<b>772</b>	<b>739</b>
Sale of goods							754	733
Royalties							14	10
Services							4	(4)
<b>Total revenue</b>							<b>772</b>	<b>739</b>

Growth, Q3 2020	Europe		North America		International Markets		Total	
	Organic growth local currencies	Growth	Organic growth local currencies	Growth	Organic growth local currencies	Growth	Organic growth local currencies	Growth
SCIT/SLIT-drops	-18%	-18%	-3%	-12%	525%	375%	-11%	-13%
SLIT-tablets	56%	56%	-19%	-23%	90%	89%	52%	52%
Other products and services	35%	33%	-24%	-31%	-1%	0%	0%	-6%
<b>Total revenue</b>	<b>6%</b>	<b>6%</b>	<b>-14%</b>	<b>-22%</b>	<b>110%</b>	<b>105%</b>	<b>7%</b>	<b>4%</b>

Geographical markets (based on customer location):

- o Europe comprises the EU, the UK, 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	9M 2020	9M 2019
Tax on profit	59	20
Financial income and expenses	44	13
Share-based payments	21	20
Depreciation, amortisation and impairment	172	197
Other adjustments*	50	23
<b>Total</b>	<b>346</b>	<b>273</b>

\* Other adjustments include provision for transition period for the Danish Holiday act and non-cash transactions related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent.