Six-month interim report (Q2) 2019

Company release No. 15/2019

(Unaudited)

Upgraded financial outlook and on track to deliver double-digit growth

In Q2, ALK continued to deliver on its strategy, with broad-based growth across all regions and further strong performance from tablets, which grew by 42%. European approval for the tree pollen tablet marked a major advance for the tablet portfolio which now covers all five major respiratory allergens. With growth of 11% in the first half of the year, ALK remains on course to deliver revenue growth of 10% or more for the full year and the full-year outlook has been updated accordingly.

Q2 2019 highlights

- Total revenue was up 9% in local currencies at DKK 785 million (715), a new company record for Q2, which spans the low season for AIT. Growth was 11%, disregarding the extraordinary fulfilment of SLIT-drops back-orders in Q2 2018, hence maintaining the momentum.
- Tablet sales grew by 42% to DKK 263 million (183). SCIT sales continued to recover, while sales of SLIT-drops and other products declined.
- There was growth in all sales regions: 7% in Europe, 5% in North America and 42% in International markets.
- Operating profit (EBITDA) was DKK 24 million (10) and benefited from higher revenue and operational efficiencies.
- Free cash flow for the quarter was DKK minus 132 million (minus 126).
- In the first half-year, total revenue was up 11% at DKK 1,652 million (1,467) and operating profit (EBITDA) was DKK 157 million (102).
- In the first half-year, free cash flow was minus DKK 149 million (minus 201).

Progress on the four strategic priorities

- Commercialisation of the tablet portfolio gained further momentum in Q2. Following its recent European approval, the launch of the tree pollen tablet ITULAZAX® is imminent.
- Long-term efforts to develop the SLIT-tablet opportunity in North America continue to deliver a gradual acceptance among key prescribers along with improved prescription depth.
- Digital patient engagement activities exceeded expectations and data from the first pollen season confirm ALK's ability to engage with patients at scale in the UK and Germany.
- New adrenaline auto-injector strategy finalised and announced, with the aim of becoming a major player in the USA
- Efficiency programmes continue to show results, and the site and portfolio strategy remains on track. To simplify and future-proof its production set-up, ALK has divested its part-share of a formulation production line for tablets to production partner Catalent for a total sales price of DKK 95 million. The current partnership remains otherwise unchanged. In relation to the divestment, an impairment loss of DKK 30 million was recognised in Q2 under cost of sales.

2019 financial outlook

Based on results for the year to date and the forecast for the second half-year, ALK has updated its full-year outlook:

- Full-year revenue is now projected to be DKK 3,200-3,300 million (previously: DKK 3,100-3,300 million).
- Operating profit (EBITDA) is now expected at DKK 150-250 million (previously: DKK 100-200 million).
- Free cash flow is now expected at approximately DKK minus 300 million (previously: DKK minus 400 million or better).
- ALK continues its investment programme to support the three-year strategic transformation of the company, and the associated business investments will continue to affect operating profit and free cash flow.

Hørsholm, 13 August 2019

ALK-Abelló A/S

Comparative figures for 2018 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 https://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 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: 94425937#. 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 2019**	H1 2018	**Q2 2019**	Q2 2018	Full year 2018
Income statement					
Revenue	**1,652**	1,467	**785**	715	2,915
Operating profit before depreciation (EBITDA)	**157**	102	**24**	10	136
Operating profit/(loss) (EBIT)	**14**	10	**(62)**	(37)	(96)
Net financial items	**(20)**	(3)	**(18)**	18	(7)
Profit/(loss) before tax (EBT)	**(6)**	7	**(80)**	(19)	(103)
Net profit/(loss)	**(7)**	7	**(96)**	(17)	(170)
Average number of employees (FTE)	**2,381**	2,313	**2,381**	2,306	2,341
Balance sheet					
Total assets	**5,120**	4,945	**5,120**	4,945	4,865
Invested capital	**3,236**	3,044	**3,236**	3,044	2,968
Equity	**3,173**	3,306	**3,173**	3,306	3,179
Cash flow and investments					
Depreciations, amortisation and impairment	**143**	92	**86**	47	232
Cash flow from operating activities	**(67)**	(108)	**(97)**	(70)	(95)
Cash flow from investing activities	**(82)**	(93)	**(35)**	(56)	(199)
- of which investment in tangible and intangible assets	**(65)**	(86)	**(35)**	(56)	(178)
- of which acquisitions of companies and operations	**(17)**	(7)	**-**	-	(21)
Free cash flow	**(149)**	(201)	**(132)**	(126)	(294)
Information on shares					
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	**1,530**	1,066	**1,530**	1,066	960
Net asset value per share – DKK	**285**	297	**285**	297	285
Key figures					
Gross margin – %	**56**	56	**51**	54	56
EBITDA margin – %	**10**	7	**3**	1	4.7
Equity ratio – %	**62**	67	**62**	67	65
Earnings/(loss) per share (EPS)	**(0.6)**	0.6	**(8.8)**	0.6	(15.6)
Earnings/(loss) per share (DEPS), diluted	**(0.6)**	0.6	**(8.8)**	0.6	(15.6)
Share price/Net asset value	**5.4**	3.6	**5.4**	3.6	3.4

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INCOME STATEMENT

Q2 2018	%	Q2 2019	%	Amounts in DKKm	H1 2019	%	H1 2018	%
715	100	**785**	100	Revenue	1,652	100	1,467	100
329	46	**386**	49	Cost of sales	721	44	641	44
386	54	**399**	51	**Gross profit**	**931**	56	826	56
86	12	**94**	12	Research and development expenses	193	12	168	11
337	47	**367**	47	Sales, marketing and administrative expenses	724	44	648	44
(37)	(5)	**(62)**	(8)	**Operating profit/(loss) (EBIT)**	**14**	1	10	1
18	3	**(18)**	(2)	Net financial items	(20)	(1)	(3)	(0)
(19)	(3)	**(80)**	(10)	**Profit/(loss) before tax (EBT)**	**(6)**	(0)	7	0
(2)	(0)	**16**	2	Tax on profit	1	0	0	0
(17)	(2)	**(96)**	(12)	**Net profit/(loss)**	**(7)**	(0)	7	0
10	1	**24**	3	**Operating profit before depreciation and amortisation (EBITDA)**	**157**	10	102	7

UPDATE ON BUSINESS PRIORITIES

In Q2, ALK continued to progress its growth strategy which, over a three-year period, will transform ALK into a broader-based allergy company, while also driving strong SLIT-tablet sales growth. There are four pillars to the growth strategy:

1. Succeed in North America

While overall growth in North America slowed in Q2 due to lower demand for non-allergy-related life sciences products, ALK continues to target ≥10% overall sales growth in the region in 2019, driven by bulk allergen products (SCIT), tablets and diagnostics.

Tablet sales remained modest in Q2 with 19% growth, at DKK 25 million, but progress was made on the key factors critical to long-term success.

The number of new patients continued to grow, as did the overall number of prescribers. Prescription depth improved among targeted prescribers so that ALK considers it is still on course to roughly double the number of prescribers who meet internal benchmarks for satisfactory prescription depth.

ALK has been constantly updating its sales tactics and upgrading its field force's skills to replicate successful tactics across sales territories, which has helped to drive recent progress.

In Canada, ALK is seeing increasing acceptance of the tablets, so that the majority of allergy specialists are now regular prescribers and tablet sales accelerated in Q2.

Patients' access to reimbursement from managed care providers is generally satisfactory. In the USA, 74% of AIT-eligible patients with commercial insurance have access to reimbursement for ODACTRA™ while the equivalent level in Canada exceeds 80%.

In the second half-year, ALK will continue its efforts to increase acceptance and further develop tablet sales with a focus on mobilising patients, increasing prescription volumes among current prescribers (depth), while growing the number of new prescribers (breadth) and enhancing sales force effectiveness.

The plans to expand the penicillin diagnostics business in North America currently await the outcome of discussions between ALK's partner company and the FDA.

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

Q2 saw 42% growth in global tablet sales, well above ALK's short-term annual growth target of 30%. This further demonstrated the ongoing AIT market expansion together with the structural market shift in favour of documented, registered products, such as the tablets. This was particularly evident in Europe and Japan, where Q2 tablet sales exceeded expectations. During the quarter, house dust mite tablet sales doubled, while sales of tablets against pollen allergies (grass, Japanese cedar and ragweed) also progressed well.

ALK has been working to support market transformation for many years in order to give more patients with severe allergies better access to convenient and effective AIT treatments. Further progress involves expanding current levels of acceptance among allergy specialists into other prescriber groups, supporting and mobilising patients to ask doctors about treatment options as well as expanding the reach of ALK's tablet portfolio to cover new markets and segments.

A very important step in that regard was the European approval of the tree tablet in June which means that ALK now has an approved tablet for each of the five major respiratory allergies – an essential step towards expanding the overall market. The tablet is indicated for adult patients suffering from moderate-to-severe allergic rhinitis, induced by pollen from the birch family of trees, which also includes alder, beech, hazel, hornbeam and oak.

Branded ITULAZAX®, the new tree tablet approval covers 17 European countries and its first launches are expected in the second half of the year, once national marketing authorisations and market access have been secured.

Other 2019 priorities for the tablet portfolio are also making progress. The Canadian health authorities have accepted ALK's regulatory filing for the tree tablet for review and preparations for the pivotal clinical trial for ACARIZAX® in China is proceeding according to plan, as is the paediatric allergic rhinitis trial of ACARIZAX®/ODACTRA™ in Europe and North America. The parallel allergic asthma trial, which is currently in the recruitment phase, has been extended to allow the inclusion of an additional cohort of patients. Both paediatric trials are expected to complete during 2022.

3. Patient engagement and adjacent business

ALK's activities in patient engagement and consumer care continued to progress in Q2. The overall aim is to support people with allergy much earlier in their disease journey by engaging with, informing and mobilising relevant patients to seek treatment.

Currently focused on two launch markets, Germany and the UK, digital engagement activities exceeded expectations in H1 with ~125,000 downloads of the klara mobile app, ~110,000 online allergy tests conducted and ~40,000 online searches for an allergist. Further, ALK estimates that >100 million messages were seen via the klarify.me consumer portals. First pollen season data further confirm ALK's ability to engage digitally with end-users at scale.

ALK continued to pilot sales of allergy-related products via selected leading pharmacy chains in Germany and the UK. This move is designed to establish an additional touchpoint with consumers and to further build brand awareness.

In the second half of the year, ALK will continue to expand its digital engagement with end-users and further strengthen its digital platforms in Germany and the UK, before eventually expanding to other markets. Another imminent priority is to leverage the digital eco-system to support the launch of ITULAZAX®.

ALK has finalised and announced its strategy for entering the US market for adrenaline auto-injector pens (AAIs), focused on a next-generation AAI in partnership with US-based Windgap Medical. The product is designed to meet the market's need for a device that is small, easy-to-use, heat-stable and has a long shelf-life. ALK has exclusive global sales and distribution rights for the product and the companies intend to submit a registration application seeking approval from the US FDA once development work is complete. In addition, ALK will work to make the product available in markets outside the USA over the longer term. Meanwhile, ALK's existing AAI, Jext®, will remain an important product for the company in Europe.

Further business development efforts continue to explore adjacent products and services opportunities.

4. Optimise and reallocate

ALK in Q2 continued to advance its wide-ranging efficiency programme designed to ensure the company is 'fit for growth'.

A key aspect of this is the ongoing rationalisation of the product portfolio – which ALK recently opted to accelerate slightly – with older and less competitive products being phased out in favour of documented, registered products.

Another element is the site strategy, which promotes further specialisation at ALK's production facilities, enhancing quality, robustness and scalability. This remains on track, along with a general move towards reducing supply chain costs. These activities are all expected to lead to a long-term improvement in the gross margin.

Robustness in manufacturing operations continue to improve as demonstrated by the recent decision of the French National Agency for Medicines and Health Products Safety (ANSM) to lift its injunction issued against ALK in 2017. The injunction was linked to needed upgrades of the quality system at its manufacturing facilities in France.

To further simplify and future-proof its production set-up, effective 30 June, ALK agreed with tablet manufacturing partner Catalent to sell its part-share in a production line dedicated to tablet formulation production. The sales price of DKK 95 million will be paid by offsetting royalties that ALK pays for using Catalent's technology, and is expected to be paid over a period not exceeding three years. In relation to the divestment, ALK has recognised an asset write-down of DKK 30 million, which has been included in Q2 as cost of sales, thus reducing the gross margin in Q2 by 2 percentage points.

The sale covers only a specific part of the overall tablet manufacturing process but ends any ALK obligation to co-finance maintenance or capacity expansion on this production line. Furthermore, ALK will now have access to Catalent's wider capacity whenever needed. Otherwise, the current manufacturing partnership with Catalent remains unchanged.

Q2 SALES AND MARKET TRENDS

(*Comparative figures for Q2 2018 are shown in brackets. Growth rates are stated in local currencies, unless otherwise indicated*)

Revenue by geography

DKKm	Q2-2019	Growth (l.c.*)	Share of revenue	Q2-2018
Europe	555	7%	71%	519
North America	164	5%	21%	148
Intl. markets	66	42%	8%	48
Revenue	**785**	**9%**	**100%**	**715**

** Local currencies*

Europe

European revenue grew by 7% to DKK 555 million (519). Growth was 10%, disregarding the extraordinary fulfilment of SLIT-drops back-orders in Q2 2018.

Growth in the region was slightly ahead of expectations, due to continued strong performance by ACARIZAX® and GRAZAX®. Tablet sales were up 36%, as ALK continued to take advantage of the market transition in favour of evidence-based, registered products. Tablet sales also benefited from several initiatives to promote increased adoption among medical professionals and payers.

Combined sales of SCIT and SLIT-drops decreased by 6%, partly influenced by ALK's decision to slightly accelerate the rationalisation of its legacy portfolio. Sales of SCIT products in general continued to recover, driven particularly by venom products, while SLIT-drops sales declined, with comparative figures impacted by the extraordinary fulfilment of back-orders for the French market in Q2 2018, when production output returned to normal following a series of quality upgrades in SLIT-drops production.

Sales of other products decreased by 2%. Jext® has experienced a spike in demand in recent quarters due to supply issues in the adrenaline autoinjector market, and this led to high, double-digit growth in Jext® sales from Q2 2018 to Q1 2019. During Q2, Jext® retained the vast majority of its market gains and only showed a marginal decline, despite a gradual normalisation in market supply.

Overall revenue increased in most markets, including Germany, where both tablet sales and combined SCIT/SLIT-drops sales grew by double digits, continuing the sales recovery after previous supply constraints and product discontinuations. Generally, sales of documented, registered AIT products continued to outgrow sales of unregistered products in the German market, so that registered products now constitute more than 60% of total AIT sales. To support this ongoing market transformation, ALK continues to support initiatives to increase the number of patients who can benefit from these products. Overall revenue decreased in France. SLIT-drops sales were down, as expected, reflecting the aforementioned extraordinary fulfilment of backorders in Q2 2018 and continued market normalisation following the distortions of recent years. The continued strong uptake of ACARIZAX® also likely affected SLIT-drops sales. Despite these developments, ALK retains its market leadership in France.

Allergy market conditions were largely stable in Europe and there were no notable changes to the pricing and reimbursement of AIT products in Q2.

H1 revenue in Europe was DKK 1,205 million (1,120), and H1 growth was 7%.

North America

Revenue was DKK 164 million (148) with 5% growth in local currencies. Revenue fell slightly short of plan as growth in sales of AIT products and diagnostics was partially offset by an unexpected decline in sales of other, non-allergy-related products.

SLIT-tablet sales were up 19% and sales of SCIT bulk allergen extracts to specialists and clinics grew by 13%, while sales of diagnostics and other products declined by 7%. This was due to a slow-down in demand for these products, likely linked to fluctuating customer purchasing patterns.

H1 revenue was DKK 320 million (279). H1 growth was 8% overall and 14% for AIT and diagnostics.

International markets

Revenue in International markets was up 42% at DKK 66 million (48). Growth was slightly ahead of expectations and mainly attributable to the strong uptake of MITICURE™ and CEDARCURE™ in Japan. Sales also improved in the newer South East Asian and Middle Eastern markets, while SCIT sales in China were lower due to the phasing of shipments.

H1 revenue in the region was DKK 127 million (68). H1 growth was 90%.

Global revenue by product line

DKKm	Q2-2019	Growth (l.c.*)	Share of revenue	Q2-2018
SCIT and SLIT-drops	400	-3%	51%	410
SLIT-tablets	263	42%	33%	183
Other products and services	122	-3%	16%	122
Revenue	**785**	**9%**	**100%**	**715**

** Local currencies*

H1 FINANCIAL REVIEW

(*Comparative figures for the first half-year of 2018 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated*)

H1 revenue increased by 13% in reported currencies to DKK 1,652 million (1,467). Exchange rate fluctuations positively impacted reported revenue by 2 percentage points. Growth in local currencies of 11% was slightly ahead of expectations.

Cost of sales increased 11% in local currencies and 12% in reported currency to DKK 721 million (641). The gross profit of DKK 931 million (826) yielded a gross margin of 56% and, when adjusted for the aforementioned impairment of DKK 30 million, the adjusted gross margin was 58%, reflecting increased sales – especially from tablets, with higher volumes absorbed by existing capacity – but also significant costs associated with compliance, efforts to secure robustness in product supply, and the implementation of the product and site strategy.

Capacity costs increased 11% in local currencies and 12% in reported currency to DKK 917 million (816). R&D expenses increased by 14% in local currencies in support of clinical trials in line with expectations. Sales and marketing expenses grew by 10%, reflecting the activities in the USA, efforts to support tablet launches, as well as the cost of developing digital patient engagement platforms. Administrative expenses increased 11% largely as a consequence of strengthening selected support functions and certain one-off items.

EBITDA (operating profit before depreciation and amortisation) of DKK 157 million (102) was better than expected, reflecting higher revenue, better margins, efficiencies and savings. Exchange rates did not materially affect operating profits.

Net financials were a loss of DKK 20 million (loss of 3) mainly related to net interest expenses. **Tax on the profit** totalled DKK 1 million (0) and **net profit** was DKK minus 7 million (plus 7).

Cash flow from operating activities was DKK minus 67 million (outflow) (minus 108) mainly driven by planned changes in working capital.

Cash flow from investment activities was DKK minus 82 million (minus 93) mainly relating to upgrades to legacy production and the build-up of capacity for SLIT-tablet production. **Free cash flow** was DKK minus 149 million (minus 201) which was better than expected, due to higher earnings and lower investments, which was partly attributable to phasing.

Cash flow from financing activities was DKK minus 41 million (minus 25), mainly relating to the settlement of incentive programmes.

At the end of June, ALK held 253,844 of its **own shares** or 2.3% of the share capital, versus 2.4% at the end of 2018, and 2.5% at the end of June 2018.

At the end of June, **cash and marketable securities** totalled DKK 207 million, versus DKK 396 million at the end of 2018, and DKK 484 million at the end of June 2018. In addition, ALK has an unused credit facility of DKK 600 million which runs until the end of 2022.

Equity totalled DKK 3,173 million (3,306) at the end of the period, and the equity ratio was 62% (67%).

OUTLOOK FOR 2019

Based on the year-to-date results and the forecast for the second half-year, ALK has updated its full-year outlook, cf. company release No 14 dated 12 August 2019.

- Full-year revenue is now projected to be DKK 3,200-3,300 million (previously: DKK 3,100-3,300 million).
- Operating profit (EBITDA) is now expected at DKK 150-250 million (previously: DKK 100-200 million).
- Free cash flow is now expected approximately at DKK minus 300 million (previously: DKK minus 400 million or better).

Guidance history

DKKm	13 AUG	9 MAY*	7 FEB	2018 Actuals
Total revenue	3,200-3,300m	3,100-3,300m	3,100-3,300m	2,900m
EBITDA	150-250m	100-200m	100-200m	136m
Free cash flow	Approx. -300m	-400m or better	Approx. -400m	-294m

**Guidance "tracking towards the higher end of range"*

For 2019, ALK continues to expect broad-based growth across its sales regions and product segments. Earnings (EBITDA) and free cash flow will continue to be subdued, as ALK accelerates its investments to transform the company based on the better-than-expected results in the first half of the year, and the creation of a more robust business platform.

The revenue guidance still assumes that sales in Europe will grow in single digits, driven by strong growth in tablet sales and increasing SCIT sales. By contrast, European growth is still expected to be negatively impacted by portfolio rationalisations and lower SLIT-drops sales, as well as a normalisation of Jext® sales in the second half-year.

Revenue in North America is expected to increase by approximately 10%, while revenue in International markets is projected to grow in high double digits on increased tablet income from Japan and geographic expansion.

The guidance still assumes that the gross margin will increase incrementally, while capacity costs will be impacted by a significant increase in R&D expenses in support of the global clinical development of ACARIZAX®/ODACTRA™ for children, as well as a clinical trial to pave the way for a launch of ACARIZAX® in China. Sales and marketing expenses are still expected to increase modestly to support the launch of ITULAZAX®, the tree tablet, in Europe, the continued commercialisation of tablets in the USA, international expansion, and patient engagement activities. Administrative expenses are still expected to show a modest increase.

The free cash flow guidance assumes, in addition to the subdued earnings, continued investment in support of strategic growth, and reflects the timing of certain end-of-2018 payments as well as the recent divestment to Catalent. CAPEX is still projected at approximately DKK 200 million, with investments focused on streamlining the manufacturing footprint and further specialisation at ALK's production facilities, in line with the site strategy.

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.

Financial calendar

Silent period	10 October 2019
Nine-month report (Q3) 2019	7 November 2019

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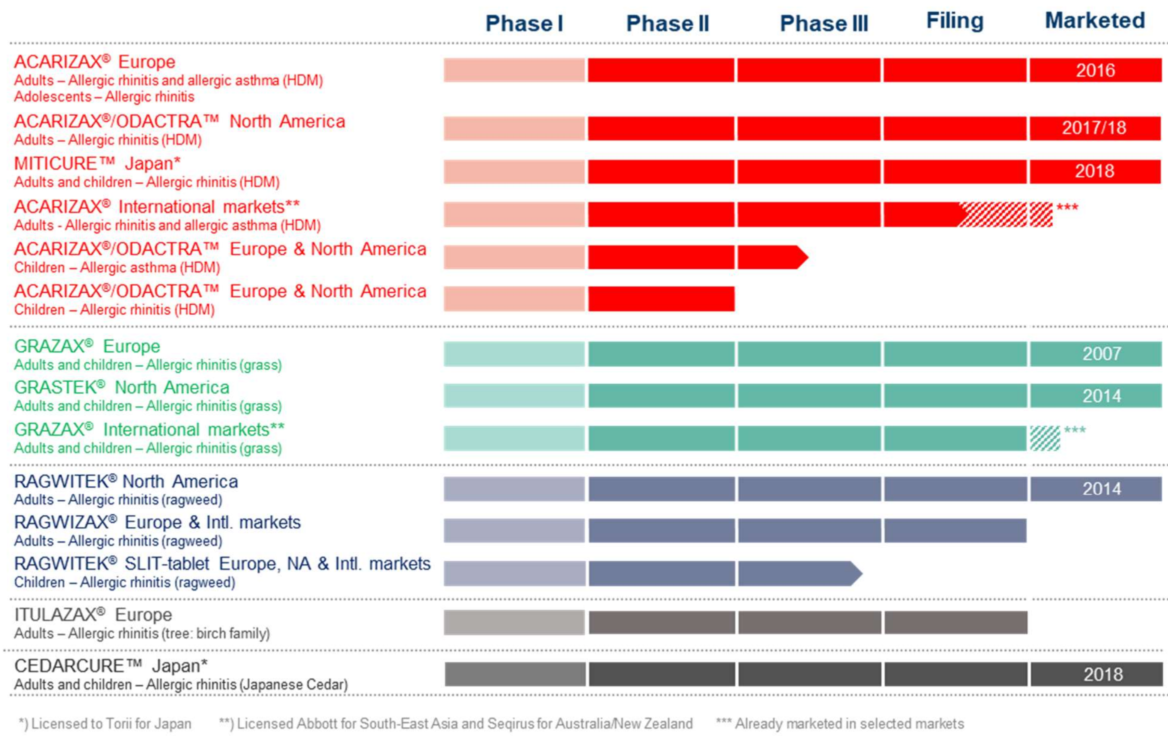
R&D PIPELINE STATUS

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.



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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 2019. 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 2019. 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, 13 August 2019

Board of Management

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Henrik Jacobi
Executive Vice President
Research & Development

Søren Jelert
CFO & Executive Vice President

Søren Daniel Niegel
Executive Vice President
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Nanna Rassov Carlson

Lars Holmqvist

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INCOME STATEMENT FOR THE ALK GROUP

Q2 2018	**Q2 2019**	Amounts in DKKm	H1 2019	H1 2018
715	785	Revenue	1,652	1,467
329	386	Cost of sales	721	641
386	**399**	**Gross profit**	**931**	826
86	94	Research and development expenses	193	168
276	303	Sales and marketing expenses	599	536
61	64	Administrative expenses	125	112
(37)	**(62)**	**Operating profit/(loss) (EBIT)**	**14**	10
18	(18)	Net financial items	(20)	(3)
(19)	**(80)**	**Profit/(loss) before tax (EBT)**	**(6)**	7
(2)	16	Tax on profit	1	0
(17)	**(96)**	**Net profit/(loss)**	**(7)**	7
		Earnings per share (EPS)		
(1.6)	(8.8)	Earnings/(loss) per share (EPS)	(0.6)	0.6
(1.6)	(8.8)	Earnings/(loss) per share (DEPS), diluted	(0.6)	0.6

STATEMENT OF COMPREHENSIVE INCOME

Q2 2018	Q2 2019	Amounts in DKKm	H1 2019	H1 2018
(17)	**(96)**	**Net profit/(loss)**	**(7)**	7
		Other comprehensive income		
		Items that will subsequently be reclassified to the income statement, when specific conditions are met:		
46	(11)	Foreign currency translation adjustment of foreign affiliates	7	24
(7)	2	Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	0	(4)
39	**(9)**	**Total**	**7**	20
22	**(105)**	**Total comprehensive income/(loss)**	**0**	27

CASH FLOW STATEMENT FOR THE ALK GROUP

Amounts in DKKm	H1 2019	H1 2018
Net profit/(loss)	(7)	7
Adjustments for non-cash items (note 3)	183	98
Changes in working capital	(177)	(118)
Net financial items, paid	(16)	(5)
Income taxes, paid	(50)	(90)
Cash flow from operating activities	**(67)**	(108)
Acquisitions of companies and operations*	(17)	(7)
Additions, intangible assets	(8)	(28)
Additions, tangible assets	(57)	(58)
Cash flow from investing activities	**(82)**	(93)
Free cash flow	**(149)**	(201)
Sale of treasury shares	3	-
Exercise of share options and settlement of Restricted Stock Units	(24)	(17)
Repayment of lease liabilities (note 1)	(12)	-
Repayment of borrowings	(8)	(8)
Cash flow from financing activities	**(41)**	(25)
Net cash flow	**(190)**	(226)
Cash at beginning of year	296	162
Marketable securities beginning of year	100	549
Cash and marketable securities beginning of year	**396**	**711**
Net cash flow	(190)	(226)
Cash end of period	107	135
Marketable securities end of period	100	349
Cash and marketable securities end of period	**207**	484

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.

Transactions related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent have no cash flow effect, hence eliminated in the consolidated statement of cash flow.

* Relates to the acquired assets in Allergy Laboratory of Oklahoma Inc. and Crystal Labs LLC in 2017.

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BALANCE SHEET - ASSETS FOR THE ALK GROUP

Amounts in DKKm	**30 June 2019**	30 June 2018	31 Dec 2018
Non-current assets			
Intangible assets			
Goodwill	466	463	465
Other intangible assets	241	295	260
	707	758	725
Tangible assets			
Land and buildings (note 1)	994	783	878
Plant and machinery	326	383	382
Other fixtures and equipment (note 1)	55	51	52
Property, plant and equipment in progress	290	369	272
	1,665	1,586	1,584
Other non-current assets			
Securities and receivables	62	8	9
Deferred tax assets	619	520	548
	681	528	557
Total non-current assets	**3,053**	2,872	2,866
Current assets			
Inventories	1,039	943	993
Trade receivables	449	362	328
Receivables from affiliates	28	-	28
Income tax receivables	48	129	58
Other receivables	136	73	113
Prepayments	160	82	83
Marketable securities	100	349	100
Cash	107	135	296
Total current assets	**2,067**	2,073	1,999
Total assets	**5,120**	4,945	4,865

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BALANCE SHEET - EQUITY AND LIABILITIES FOR THE ALK GROUP

Amounts in DKKm	30 June 2019	30 June 2018	31 Dec 2018
Equity			
Share capital	111	111	111
Currency translation adjustment	(35)	(63)	(42)
Retained earnings	3,097	3,258	3,110
Total equity	**3,173**	3,306	3,179
Liabilities			
Non-current liabilities			
Mortgage debt	267	284	276
Bank loans and financial loans	448	448	449
Pensions and similar liabilities	231	224	227
Lease liabilities (note 1)	196	-	-
Other provisions	2	13	2
Deferred tax liabilities	5	24	6
	1,149	993	960
Current liabilities			
Mortgage debt	17	17	17
Bank loans and financial loans	-	1	-
Trade payables	116	106	135
Income taxes	22	10	9
Lease liabilities (note 1)	23	-	-
Other provisions	9	32	26
Other payables	611	480	539
	798	646	726
Total liabilities	**1,947**	1,639	1,686
Total equity and liabilities	**5,120**	4,945	4,865

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EQUITY FOR THE ALK GROUP

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
Equity at 1 January 2019	**111**	**(42)**	**3,110**	**3,179**
Net profit	-	-	(7)	(7)
Other comprehensive income/(loss)	-	7	-	7
Total comprehensive income	**-**	**7**	**(7)**	**-**
Share-based payments	-	-	15	15
Share options settled	-	-	(24)	(24)
Sale of treasury shares	-	-	3	3
Other transactions	**-**	**-**	**(6)**	**(6)**
Equity at 30 June 2019	**111**	**(35)**	**3,097**	**3,173**
Equity at 1 January 2018	111	(87)	3,266	3,290
Net profit	-	-	7	7
Other comprehensive income/(loss)	-	24	(4)	20
Total comprehensive income/(loss)	-	24	3	27
Share-based payments	-	-	6	6
Share options and Restricted Stock Units settled	-	-	(17)	(17)
Other transactions	-	-	(11)	(11)
Equity at 30 June 2018	111	(63)	3,258	3,306

NOTES

1 ACCOUNTING POLICIES

This non-audited interim report for the first six months of 2019 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 six months of 2019 follows the same accounting policies as the annual report for 2018, except for new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2019.

IFRS 16 Leases is effective from 1 January 2019. ALK transitioned to IFRS 16 in accordance with the modified retrospective method. As a result, the prior-year figures were not adjusted. ALK has applied the lease recognition exceptions for short term lease contracts and low-value leases. Car leases are treated as low-value agreements reported in OPEX since the Balance Sheet and EBITDA impact of these leases is considered immaterial. Newly recognised lease liabilities have been measured at the present value of the remaining lease payments at 1 January 2019, discounted using the incremental borrowing rate. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
Due to the implementation of this standard, right-of-use assets and lease liabilities have been recognised in the Balance Sheet, as jointly equal to DKK 213 million. Right-of-use assets have been included in “Land & Building” at DKK 212 million and in “Other fixtures and equipment” at DKK 1 million. The implementation of IFRS 16 had a DKK 18 million positive impact on EBITDA in the first six months of 2019.

2 REVENUE AND SEGMENT INFORMATION

	Europe		North America		International markets		**Total**	
Amounts in DKKm	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	**H1 2019**	**H1 2018**
SCIT/SLIT-drops	710	738	146	125	39	37	895	900
SLIT-tablets	401	296	45	32	73	23	519	351
Other products and services	94	86	129	122	15	8	238	216
Total revenue	**1,205**	1,120	**320**	279	**127**	68	**1,652**	1,467
Sale of goods							1,635	1,459
Royalties							13	3
Services							4	5
Total revenue							**1,652**	1,467

	Europe		North America		International markets		**Total**	
Growth, H1 2019	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth	**Growth local currencies**	**Growth**
SCIT/SLIT-drops	*-4%*	*-4%*	*11%*	*17%*	*3%*	*5%*	**-2%**	**-1%**
SLIT-tablets	*35%*	*35%*	*31%*	*41%*	*223%*	*217%*	**47%**	**48%**
Other products and services	*8%*	*9%*	*0%*	*6%*	*96%*	*88%*	**6%**	**10%**
Total revenue	***7%***	***8%***	***8%***	***15%***	***90%***	***87%***	***11%***	***13%***

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 comprises Japan, China and all other countries

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NOTES

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Amounts in DKKm	Europe Q2 2019	Europe Q2 2018	North America Q2 2019	North America Q2 2018	International markets Q2 2019	International markets Q2 2018	Total Q2 2019	Total Q2 2018
SCIT/SLIT-drops	306	324	76	64	18	22	400	410
SLIT-tablets	197	143	25	19	41	21	263	183
Other products and services	52	52	63	65	7	5	122	122
Total revenue	**555**	519	**164**	148	**66**	48	**785**	715
Sale of goods							775	711
Royalties							8	1
Services							2	3
Total revenue							**785**	715

Growth, Q2 2019	Europe Growth local currencies	Europe Growth	North America Growth local currencies	North America Growth	International markets Growth local currencies	International markets Growth	**Total Growth local currencies**	**Total Growth**
SCIT/SLIT-drops	*-6%*	*-6%*	*13%*	*19%*	*-23%*	*-18%*	***-3%***	***-2%***
SLIT-tablets	*36%*	*38%*	*19%*	*32%*	*109%*	*95%*	***42%***	***44%***
Other products and services	*-2%*	*0%*	*-7%*	*-3%*	*48%*	*40%*	***-3%***	***0%***
Total revenue	***7%***	***7%***	***5%***	***11%***	***42%***	***38%***	***9%***	***10%***

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 comprises Japan, China and all other countries

3 ADJUSTMENTS FOR NON-CASH ITEMS

Amounts in DKKm	H1 2019	H1 2018
Tax on profit	1	-
Financial income and expenses	20	3
Share-based payment costs	15	6
Depreciation, amortisation and impairment*	143	92
Other adjustments	4	(3)
Total	**183**	98

* Impairment includes DKKm 30 related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent

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