ALK releases its annual report 2018

Today, ALK's (*ALKB:DC / OMX: ALK B / AKABY / AKBLF*) Board of Directors has considered and approved the 2018 annual report with the following highlights:

2018 saw strong progress for ALK's new strategy, keeping ALK on track to deliver accelerated growth of 10% in 2019 with growth across all sales regions and with SLIT-tablets as the key driver. Financial results for 2018 were in line with the recent guidance upgrade.

Q4 2018 performance

- Revenue increased 3% in local currencies to DKK 787 million (763) driven by continued strong growth from SLIT-tablets and the Jext® adrenaline auto-injector.
- SLIT-tablet sales grew by 39%, when adjusted for stockpiling at wholesalers in Q4-2017. Reported tablet sales increased to DKK 182 million (159).
- Earnings (EBITDA) was DKK 10 million (61) due to high activity levels and costs towards year-end for pivotal clinical trials, sales & marketing as well as optimisation efforts.

See page 17 and 92 in the attached report for further details on Q4.

2018 full-year performance

ALK updated its full-year outlook four times in 2018, reflecting higher than expected sales and faster than expected capture of operational efficiencies and savings. Actual results were in line with the most recent update, provided on 14 December:

- Revenue increased 1% in local currencies to DKK 2,915 million (2,910), despite the phase-out of older products and the impact of previous supply constraints.
- Strong SLIT-tablet sales growth of 28% underlined commercial proof of concept for these products.
- Earnings (EBITDA) were DKK 136 million (253) significantly ahead of original 2018 plan.
- Free cash flow was better than anticipated with an outflow of DKK 294 million (outflow of 745).

See page 14-17 in the attached report for further details on full-year performance.

2019 targeting a step-change in revenue growth

ALK expects broad-based growth across all sales regions and product segments and remains committed to its ambition of delivering 10% revenue growth in 2019, despite the better than expected performance last year. Earnings and cash flow will continue to be subdued by investments to transform the company:

- Revenue expected at DKK 3.1–3.3 billion reflecting possible upsides and downsides to ALK's growth ambition.
- EBITDA expected at DKK 100-200 million due to investments in transformation and growth.
- Free cash flow expected to be negative at ~DKK 400 million, impacted by timing of end-of-2018 payments.

See page 11 in the attached report for a detailed review of the 2019 outlook.

Audio cast

Today, ALK is hosting a conference call at 12.30 p.m. (CET) where Management will review the results and the outlook, and answer questions. The call will be audio cast on https://ir.alk.net/investors, where the presentation will be available shortly before the call begins. Participants in the conference call are kindly requested to call in before 12.25 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 following participant pin code: 31931587#

ALK-Abelló A/S

For further information please contact:

Carsten Hellmann, President & CEO, tel. +45 4574 7576

Investor Relations: Per Plotnikof, tel. +45 4574 7527, mobile +45 2261 2525

Media: Jeppe Ilkjær, tel. +45 7877 4532, mobile +45 3050 2014

This information is information that ALK-Abelló A/S is obliged to make public pursuant to the EU Market Abuse Regulation.

About ALK

ALK is a global specialty pharmaceutical company focused on allergy and allergic asthma. It markets allergy immunotherapy treatments and other products and services for people with allergy and allergy doctors. Headquartered in Hørsholm, Denmark, ALK employs around 2,300 people worldwide and is listed on Nasdaq Copenhagen. Find more information at www.alk.net.

Annual report 2018

Allergy solutions for life

ALK

Forward-looking statements

This 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 report. 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.

Table of contents

Management's review

Introduction

5 ALK at a glance
8 Letter from the CEO
10 Key events 2018-19
11 2019 outlook

Performance

13 Financial highlights and key ratios for the ALK Group
14 Revenue by geography
16 Financial review of 2018

Strategy

19 Corporate strategy
20 Succeed in North America
22 Complete and commercialise the tablet portfolio for all relevant ages
25 Patient engagement and adjacent business
28 Optimise and reallocate

Corporate matters

31 Risk management
34 Governance and ownership
37 Corporate Social Responsibility
38 Remuneration report
41 Board of Directors
43 Board of Management

Financial statements

Statements

45 Statement by Management on the annual report
46 Independent auditor's report

Consolidated financial statements

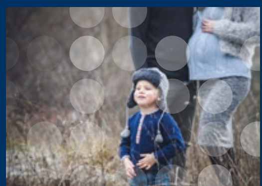
51 Income statement
51 Statement of comprehensive income
52 Cash flow statement
53 Balance sheet
54 Statement of changes in equity
55 Notes

Parent company financial statements

83 Income statement
84 Balance sheet
85 Statement of changes in equity
86 Notes

92 Financial highlights by quarter

Cover image
A baby's immune system develops in the womb during pregnancy. The first signs of allergy may show in the first weeks or months of life.



p8

Letter from the CEO
2018 was a year of strong progress at ALK.

p22

Complete and commercialise the tablet portfolio for all relevant ages
2018 saw commercial proof of concept for ALK's tablet portfolio.

Introduction

5 ALK at a glance
8 Letter from the CEO
10 Key events 2018-19
11 2019 outlook

ALK at a glance

Key figures

ALK is a global allergy solutions company, with a wide range of treatments, products and services to meet the unique needs of allergy sufferers, their families and doctors. Headquartered in Hørsholm, Denmark, the company is listed on Nasdaq Copenhagen (ALKB:DC/OMX: ALK B)

Established in
1923

Employees
2,379

Markets
38

Patients in treatment with ALK products*
~1.7m

2018 revenue of
DKK 2.9bn

2018 EBITDA of
DKK 136m

* covering AIT and anaphylaxis

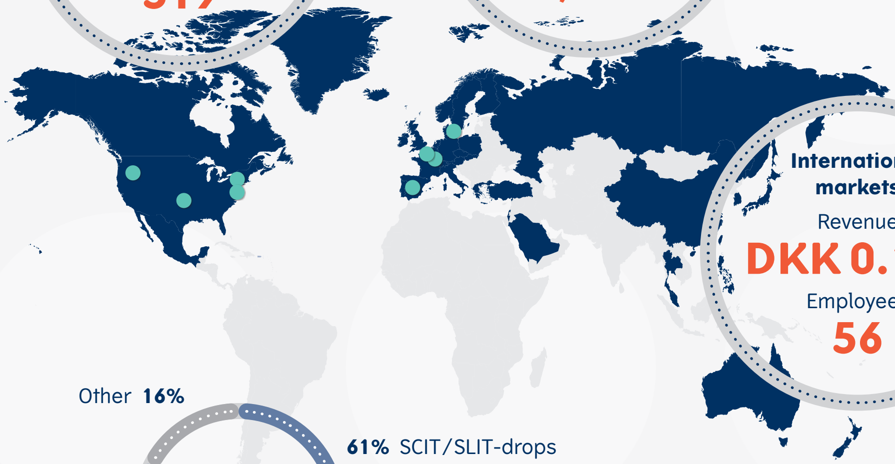
Global presence

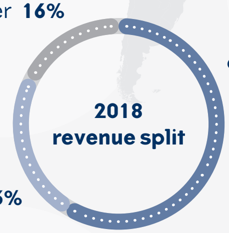
ALK is present in 38 markets, either directly or via partnerships, and has allergy immunotherapy (AIT) manufacturing locations in five countries.

North America
Revenue
DKK 0.6bn
Employees
519

Europe
Revenue
DKK 2.2bn
Employees
1,804

International markets
Revenue
DKK 0.1bn
Employees
56





Production sites
ALK's unique manufacturing processes ensure its products meet required quality standards and represent a significant barrier to new competitors, making them an important factor in maintaining ALK's market position.

The allergy market

Despite the millions of people living with allergy and the potential benefits of AIT for many of them, relatively few have so far found their way to AIT treatment.

500m people living with respiratory allergies worldwide

50m people potentially eligible for AIT treatment

5m people receiving AIT treatment

ALK's new strategy

In 2017, ALK launched a new strategy designed to give the company a broader presence in the allergy segment. There are four pillars to the new strategy, which will take three years to implement. Its overall aim is to help more people to manage their allergies. ALK's financial objective is to build a new growth platform that can deliver sustainable revenue and earnings growth.

1. Succeed in North America
2. Complete and commercialise the tablet portfolio for all relevant ages
3. Patient engagement and adjacent business
4. Optimise and reallocate

Allergy at a glance

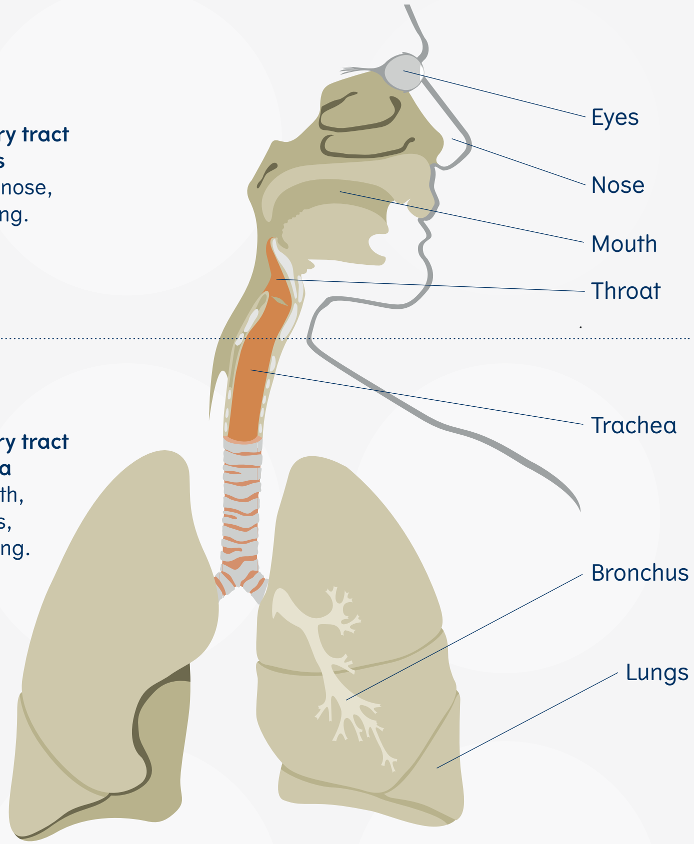
Allergies occur when the body's immune system overreacts to substances that are usually considered harmless, such as various types of pollen, house dust mites, moulds and animal fur.

Symptoms of respiratory allergies

Respiratory allergies can affect both the upper and lower respiratory tract.

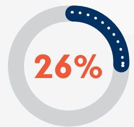
Upper respiratory tract – allergic rhinitis
Runny or blocked nose, itchy eyes, sneezing.

Lower respiratory tract – allergic asthma
Shortness of breath, narrowed airways, coughing, wheezing.



Insufficient sleep

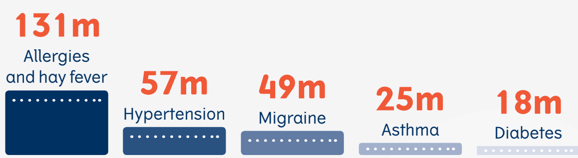
Allergies can impact the amount of sleep we get:



of people with uncontrolled allergic rhinitis (AR) lack a good night's sleep

Lost work days

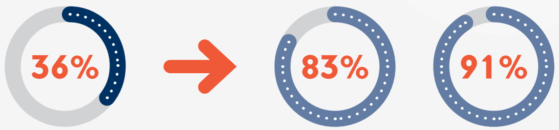
Allergy is also a leading cause of lost work days*, outstripping other conditions in its cost to businesses:



* Work days lost in the USA to chronic conditions

Lower quality of life

Allergies have a significant impact on quality of life and our ability to get things done:



of workers have AR

feel it affects their quality of life

feel that it affects their work productivity

Allergy solutions for life

Many people with allergy suffer in silence because the way ahead is too confusing.

By collecting information and the latest and most trusted solutions together in one place, ALK wants to make allergy surprisingly simple to manage. With 100 years of experience, nobody knows allergy like ALK, and the company continuously applies its scientific knowledge and expertise to help people take control of their life with allergy.

ALK wants to make a difference by offering solutions for everyone who is touched by allergy – through a comprehensive range of products, services and resources that offer a fast-track to a more balanced life.

Solutions for the world's allergies

ALK offers products, services and resources covering a wide range of allergies. The company also has products in related areas, including early allergy intervention, diagnosis and emergency treatment.

ALK's AIT products come in three different forms:

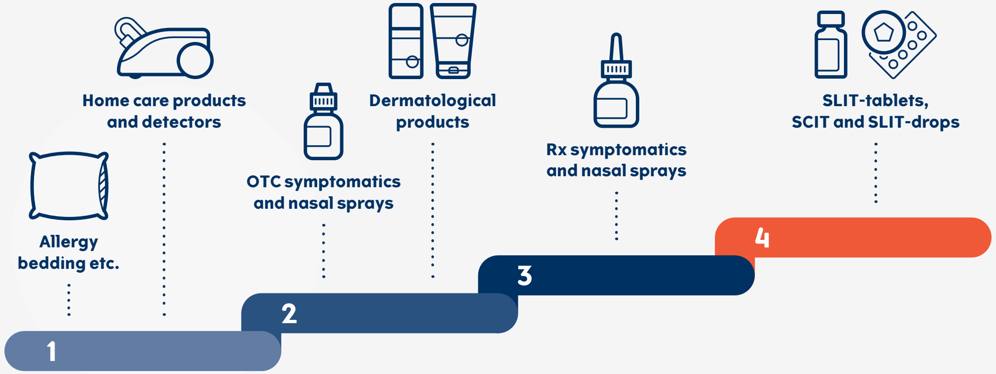
Injections: Subcutaneous immunotherapy (SCIT) is given as regular injections under the skin. The treatment is administered by a doctor.

Sublingual drops: Sublingual immunotherapy (SLIT) is taken in the form of drops administered under the tongue. Patients administer the drops themselves, avoiding the need for regular visits to the doctor.

Tablets: SLIT-tablets are administered by the patient at home and are available for all the most important respiratory allergies. Tablet-based AIT is the most well-documented allergy treatment.

Managing allergies

Patients are actively seeking information, products and services to help them manage their disease.



Drug-free symptom relief

- Allergen avoidance
- Drug-free treatment concepts (e.g., sprays or saline inhalers)

Over-the-counter pharmacotherapy

- First-line drugs
- Self treatment often lasts five years or more

Prescription pharmacotherapy

- Second-line drugs
- Treatment lasts years

Allergy immunotherapy

- AIT is usually prescribed as a last resort
- Usually initiated after serious disease aggravation

Average patient journey 7-10 years

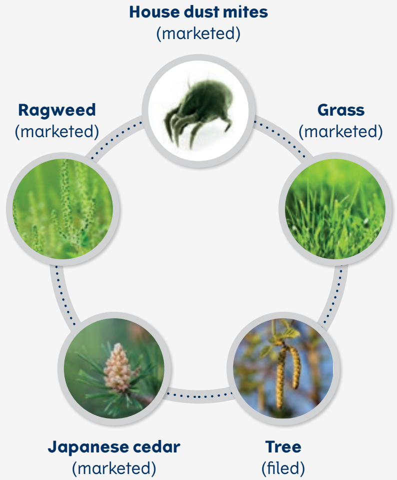
Increased ALK digital presence to engage early and provide information and guidance

ALK's SLIT-tablet portfolio

ALK's business model is based on an in-depth understanding of allergens and how they affect the human body.

After almost 20 years of research and development work, ALK is now close to achieving a key objective of launching SLIT-tablets covering each of the five most important allergens, which are responsible for more than 80% of the world's respiratory allergies.

Tablets marketed for 4/5 of the most important allergens



These products are important growth drivers for ALK and grew by 28% in 2018. Work continues on data to increase the number of countries where these products are available, and to expand the product labels to cover children and adolescents as well as new indications.

Letter from the CEO

2018 was a year of strong progress at ALK as we focused our efforts and resources on establishing positive momentum for the new strategy and the future.

At the end of 2017, we saw a different picture. We announced our new strategy against a backdrop of turmoil and uncertainty, where we were spending too much time fire-fighting and not enough on building a strong future and driving long-term growth. The need for a transformational growth strategy was clear.

Changing things demanded that we challenge every assumption we had about our strengths and weaknesses, our future markets, and where we saw the path to growth.

A year on, the execution of our strategy is on track and, in many areas, delivering results that are better than expected. We have begun to see a change in the internal culture of ALK, with the entire organisation now clear about the focus and discipline required to transform ALK into a company that is relevant for many more people with allergy.

There are around 500 million people living with allergy, some of whom suffer in silence or rely on inadequate self-medication. Our strategy aims to draw upon our near-century of expertise to make allergy more simple to manage. Our AIT products are the core of this offering, and in Europe and International markets, we saw commercial proof of concept for our tablets during 2018. In addition, over the past year, we have made good progress in adding other products, digital services and resources to help many more people take control of their life with allergy.

In **North America**, while there remains much to be done, we have confirmed that the tablets indeed represent a long-term opportunity, especially in the United States. We are working hard to bring about a paradigm shift in the allergy treatment market, fundamentally changing the mindset of allergists and asking them to embrace new practices on top of the ones that have been largely unchanged for almost 100 years. It is a challenge that we do not underestimate, but we are learning much from our early market experiences. The key focus for 2019 will be to expand the acceptance of the tablets by allergists and to establish a scalable foundation of high prescribers, as well as continuing to grow our legacy business.

A year ago, we said our ambition was to **complete the tablet portfolio** for all relevant ages. The filing of the tree tablet and the launch of the Japanese cedar tablet, both in 2018, bring that reality a step closer. To reflect this progress, we are updating this element of the strategy to 'complete *and*

"We begin 2019 with justifiable confidence that we are on the right path, encouraged by our early wins and the immediate contribution they are making to our bottom-line, and relentlessly focused on our ultimate goal — that of bringing allergy solutions for life to the millions of people who suffer in silence every day.

Carsten Hellmann, President & CEO

commercialise the tablet portfolio…' as our efforts increasingly address the various age and market-specific studies necessary to maximise the opportunity these products represent.

Commercially we saw strong launches for ACARIZAX®, including in the key market of France, along with evidence that this product can act as a trail-blazer for the wider tablet portfolio, bringing more patients into the allergist's office – something seen most clearly in Japan.

The tablets remain central to our wider ambitions, and our efforts in **patient engagement and adjacent business** opportunities are a reflection of this. For a company with almost a century of allergy expertise, we are under-represented and under-recognised when it comes to the overall experience of people who live with allergy. This part of our strategy is designed to address that shortfall, placing us at the centre of disease information and education, establishing a suite of products and services that make us synonymous with allergy solutions, and ensuring that the path to AIT treatment, for those who need it, is far smoother. Products such as those offered via our consumer platform klarify.me, and instant information tools such as the klara app are key to engaging more with people with allergy.

The final component of our strategy is to **optimise and reallocate**. This is perhaps the most immediate test of our organisational culture and our ability to focus on what matters most. Progress in this area contributed strongly to our performance in 2018, through restored inventories and improved robustness in supply operations as well as a focus on the core strategic products, our ability to respond to increased demand for products such as Jext®, and company-wide savings that had a tangible effect on overall financial performance.

Financially, 2018 was better than expected. Even as we made significant investments in support of our new strategy, we were able to revise our full-year outlook four times during 2018. This reflected several factors, including success for the tablets in Europe and International markets, improved product availability in the base business, effective sales execution, a stable price and reimbursement environment in key markets, and enhanced internal discipline when it came to spending controls and risk avoidance.

As a result of our efforts, we enter 2019 on track to transform ALK and deliver our long-term growth ambitions. We continue to fix the fundamental challenges in our business, we are making important strides towards a new organisational culture, and most importantly, we are establishing a positive momentum commercially.

All of this adds up to a much more benign risk profile for ALK in the second year of our three-year transformation period.

In 2019, we expect growth to accelerate above the historic levels. We expect growth across all three of our regions – single-digit growth in Europe, double-digits in the important North American markets, and high double-digits from the small-but-growing International region. Tablets will continue to be the primary driver of this growth and we expect them to maintain the trajectory that was established during 2018. The ambition for 2019 is to achieve a growth of 10%. This growth outlook compares to an average growth of 5% (CAGR) over the past 10 years.

We begin 2019 with justifiable confidence that we are on the right path, encouraged by our early wins and the immediate contribution they are making to our bottom-line, and relentlessly focused on our ultimate goal – that of bringing allergy solutions for life to the millions of people who suffer in silence every day.

Carsten Hellmann
President & CEO

Key events 2018-19

- Succeed in North America
- Complete and commercialise the tablet portfolio for all relevant ages
- Patient engagement and adjacant business
- Optimise and reallocate
- Other

Jan

- ODACTRA™ launched in North America

Feb

- ACARIZAX® launched in France

- MITICURE™ approved for paediatric use in Japan

Mar

Apr

- Launch of klarify.me, ALK's new consumer platform and webshop in Germany
- First 'adjacency' deal with Rellergen Biotech Inc., for diagnostics technology in China

May

- A Phase III trial of the tree SLIT-tablet produces the most positive results seen to date in ALK clinical development
- klara is launched, a smartphone app for people with allergies
- ALK introduces ART, a tool for doctors to show patients how they are responding immunologically to AIT

Jun

- CEDARCURE™ launched in Japan by Torii
- Launch of new product and site strategy (PASS)

Jul

Aug

- ALK's tree SLIT-tablet submitted for regulatory review in Europe

Sep

- klarify.me is launched in the UK

klarify.me by Allergy Lab Kopenhagen

Oct

klara

- klara wins an award in Germany for 'best healthcare app'
- New clinical results for Alutard SQ® show accelerated updosing is possible, improving its competitiveness

Nov

- A new diagnostic tool for doctors, Vivatmo Pro, is launched in Germany

Dec

Jan 2019

- Christian Houghton appointed Head of Product Supply, Søren Niegel continues as EVP of Commercial Operations
- Phase III paediatric efficacy and safety trial of ragweed SLIT-tablet meets primary endpoint, confirming its potential in children

2019 outlook

For 2019, ALK expects broad-based growth across its sales regions and product segments. The better than expected results in 2018 and the creation of a more robust business platform will allow ALK to accelerate its investments to transform the company. As a result, earnings (EBITDA) and free cash flow will continue to be subdued.

Revenue
Total revenue from ALK's existing business is expected at DKK 3.1-3.3 billion.

The higher end of the range factors in:
- accelerated tablet sales across all regions including a modest contribution from the USA
- a minor contribution from consumer care products
- continued market share gains
- stable pricing and reimbursement conditions in Europe

The lower end of the range factors in:
- lower growth for tablets compared to 2018, including largely unchanged sales in the USA
- a more pronounced effect from European portfolio pruning
- pricing pressure, particularly, in Southern Europe

The mid-point of the range guidance assumes that revenue in Europe will grow in single digits, driven by strong growth in tablet sales and increasing SCIT-sales. By contrast, European top-line growth is expected to be negatively impacted by portfolio rationalisations and lower SLIT-drops sales. Meanwhile, revenue in North America is expected to increase by double digits with growth from all product categories. Revenue in International markets is projected to grow in high double digits on increased tablet income from Japan, and geographic expansion.

Globally, tablet sales are expected to grow continuously in double digits at a similar rate to 2018. Combined SCIT/SLIT-drops sales are expected to be largely unchanged based on higher SCIT sales facilitated by improved product availability, while SLIT-drops sales are projected to decrease as a consequence of product rationalisations and the expected continuing market trend in France. Sales of Other products are projected to grow around 10%.

Earnings
Subject to revenue development, earnings before interest, tax, depreciation and amortisation (EBITDA) is projected at DKK 100-200 million.

Gross margin is expected to increase incrementally, while capacity costs will be impacted by a significant increase in R&D costs, prompted by the global paediatric clinical development of ACARIZAX® for children with allergic asthma and allergic rhinitis. ALK is also planning to conduct a separate allergic rhinitis trial in adolescents and a trial to pave the way for a launch in China.

Sales and marketing costs are expected to increase modestly to support the launch of the tree tablet in Europe, the continued commercialisation of tablets in the USA, international expansion and patient engagement activities. Administrative expenses are expected to show a small increase.

EBITDA is expected to be positively influenced by approximately DKK 40 million as a consequence of a change in ALK's accounting policies related to the implementation of IFRS16 (leases).

Free cash flow
Free cash flow is expected to be negative at approximately DKK 400 million as a consequence of the subdued earnings, investments in support of strategic growth and timing of end of 2018 payments. CAPEX is projected at DKK 200-250 million with investments focused on streamlining the manufacturing footprint and further specialisation at ALK's production facilities in line with the 2018 site strategy. CAPEX investments will also be channelled into technology upgrades as well as capacity expansion.

Other assumptions
The outlook is based on current exchange rates, causing a minor positive effect on reported revenue and an immaterial effect on reported EBTIDA. The outlook does not include any revenue from acquisitions and/or new partnerships, nor does it include any sizeable payments related to future M&A or in-licensing activity.

2019 expectations

Revenue

DKK 3.1-3.3 billion

2018 actuals: DKK 2.915 billion

Growth in all segments, particularly strong growth in tablet sales; minor rebound for SCIT sales; negative impact from product eliminations and SLIT-drops.

EBITDA

DKK 100-200 million

2018 actuals: DKK 136 million

Incrementally increasing gross margins, substantially higher R&D costs, increasing sales and marketing costs to support tablet launches and roll-outs, minor IFRS change.

Free cash flow

Approximately

DKK -400 million

2018 actuals: DKK -294 million

Subdued earnings and strategic investments, including CAPEX to streamline and specialise production sites.

Performance

13 Financial highlights and key ratios for the ALK Group
14 Revenue by geography
16 Financial review of 2018

Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm**	**DKK 2018**	DKK 2017	DKK 2016	DKK 2015	DKK 2014	**EUR 2018**	EUR 2017
Income statement							
Revenue	2,915	2,910	3,005	2,569	2,433	390	391
EBITDA	136	253	642	451	404	18	34
Operating profit/(loss) (EBIT)	(96)	(80)	479	292	264	(13)	(11)
Net financial items	(7)	(42)	8	108	36	(1)	(6)
Profit/(loss) before tax (EBT)	(103)	(122)	487	400	300	(14)	(16)
Net profit/(loss)	(170)	(158)	270	344	181	(23)	(21)
Average number of employees (FTE)	2,341	2,213	2,010	1,854	1,809	2,341	2,213
Balance sheet							
Total assets	4,865	4,958	4,799	4,252	3,419	652	666
Invested capital	2,968	2,864	2,353	2,434	2,214	397	385
Equity	3,179	3,290	2,875	2,697	2,354	426	442
Cash flow and investments							
Depreciation, amortisation and impairment	232	333	163	159	140	31	45
Cash flow from operating activities	(95)	(387)	405	183	320	(13)	(52)
Cash flow from investing activities	(199)	(358)	(204)	(165)	(219)	(27)	(48)
– of which investment in tangible and intangible assets	(178)	(267)	(225)	(199)	(202)	(24)	(36)
– of which acquisitions of companies and operations	(21)	(94)	-	(12)	(24)	(3)	(13)
Free cash flow	(294)	(745)	201	18	101	(39)	(100)

Amounts in DKKm/EURm**	**DKK 2018**	DKK 2017	DKK 2016	DKK 2015	DKK 2014	**EUR 2018**	EUR 2017
Information on shares							
Proposed dividend	-	-	51	51	51	-	-
Share capital	111	111	101	101	101	14.9	14.9
Shares in thousands of DKK 10 each	11,141	11,141	10,128	10,128	10,128	11,141	11,141
Share price, at year end - DKK/EUR	960	740	920	876	651	128.6	99.4
Net asset value per share - DKK/EUR	285	295	284	266	232	38.2	39.7
Key figures							
Gross margin – %	56.0	56.4	66.9	67.5	69.7	56.0	56.4
EBITDA margin – %	4.7	8.7	21.4	17.6	16.6	4.7	8.7
Return on equity (ROE) – %	(5.3)	(5.1)	9.7	13.6	7.9	(5.3)	(5.1)
ROIC incl. goodwill – %	(3.3)	(3.1)	20.0	12.8	12.2	(3.3)	(3.1)
Pay-out ratio – %	-	-	18.9	14.8	28.2	-	-
Earnings/(loss) per share (EPS) – DKK/EUR	(15.6)	(15.9)	27.5	35.5	18.7	(2.1)	(2.1)
Earnings/(loss) per share (DEPS), diluted – DKK/EUR	(15.6)	(15.9)	27.2	35.0	18.3	(2.1)	(2.1)
Cash flow per share (CFPS) – DKK/EUR	(8.7)	(39.0)	41.3	18.9	33.1	(1.2)	(5.2)
Price earnings ratio (PE)	(61.4)	(46.5)	33.4	24.8	34.7	(61.4)	(46.5)
Share price/Net asset value	3.4	2.5	3.2	3.3	2.8	3.4	2.5
Revenue growth – %							
Organic growth	1	(6)	19	2	8	1	(6)
Exchange rate differences	(1)	(1)	(2)	4	1	(1)	(1)
Acquisitions	-	4	-	-	-	-	4
Total growth revenue	-	(3)	17	6	9	-	(3)

* Management's review comprises pages 1-43 as well as Financial highlights and key ratios for the ALK Group on page 92.

**Financial highlights and key ratios stated in EUR constitute supplementary information to the Management's review. The exchange rate used in translating from DKK to EUR is the exchange rate prevailing on 31 December 2018 (EUR 100 = DKK 747).

For definitions and reconciliation of alternative performance measures, see page 81.

Revenue by geography

Sales and market trends

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

ALK's total revenue in 2018 of DKK 2,915 million was approximately DKK 200 million higher than expected at the beginning of 2018, and was in line with the most recent, updated outlook, issued on14 December. Revenue was up 1% in local currencies.

Europe

European revenue was unchanged at DKK 2,220 million (2,220) and was a key reason for the significantly better than expected performance at the beginning of the year. SLIT-tablets performed strongly, with sales growth of 30% thanks to continued strong performances from ACARIZAX® and GRAZAX®. Sales of ACARIZAX® more than doubled, while GRAZAX® grew in the low double-digits. Overall, tablets saw solid growth in most European markets, with particularly strong sales in the region's most important market, France, as well as in the Nordic countries and the Netherlands.

Together, SCIT and SLIT-drops sales decreased by 10% which was less than originally expected. The decline was largely due to product rationalisations and the consequences of the previous year's supply constraints. Sales of Other products increased by 22%, primarily driven by 43% growth from ALK's adrenaline auto-injector (AAI), Jext®, which experienced a spike in demand due to supply issues in the AAI market.

In France, the market continues to normalise following the market disruptions of recent years, and was also affected by the phase-out of selected older products. The strong uptake of ACARIZAX® helped ALK to grow its market share among new house dust mite AIT patients, maintaining its clear market leadership there. During mid-2018, as part of its efforts to harmonise the reimbursement of AIT, the French Ministry of Health reduced reimbursement for so-called 'Named Patient' products. This change had a minimal impact on patients' access to reimbursement for AIT overall.

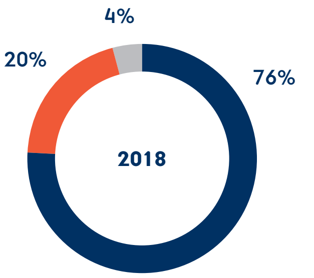
In Germany, despite double-digit growth from tablets, overall sales were dragged down by the phase-out of old products, a slow recovery of SCIT sales following last year's supply constraints, and a general decline in pollen AIT initiations following the unusually mild pollen season in 2017. However, by the end of 2018, there were early signs of a gradual recovery in ALK's SCIT sales. Furthermore, ALK continued to work with German health insurance funds to support the ongoing market transformation by increasing the number of patients who benefit from documented, registered products.

There were no notable changes to the pricing and reimbursement environment for AIT products in 2018, except for the 'Named

Revenue by geography

DKKm	2018	Growth (l.c.)	Share of revenue	2017
Europe	2,220	0.3%	76%	2,220
N. America	583	0.5%	20%	606
Intl. markets	112	41%	4%	84
Revenue	**2,915**	**1%**		**2,910**

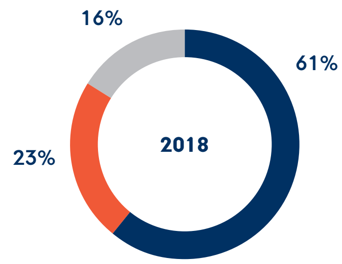
Revenue by geography



Revenue by product line

DKKm	2018	Growth (l.c.)	Share of revenue	2017
SCIT & SLIT-drops	1,777	-7%	61%	1,917
SLIT-tablets	671	28%	23%	528
Other	467	4%	16%	465
Revenue	**2,915**	**1%**		**2,910**

Revenue by product line



Patient' change in France, and market conditions were largely stable.

North America

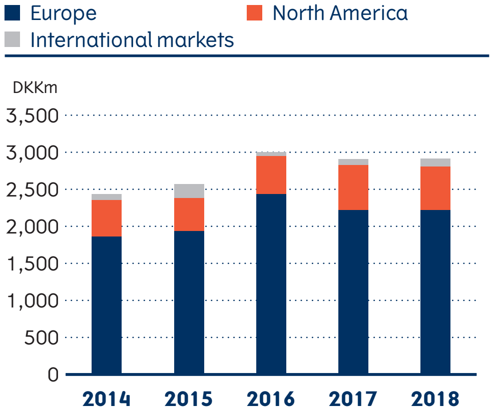
Revenue in North America grew marginally in local currencies but exchange rates reduced reported revenue by 4% to DKK 583 million (606). The result reflected a mixed picture of increased sales from SCIT products despite the discontinuation of venom AIT products. This increase was counterbalanced by a decline in sales of tablets and other products.

SLIT-tablet sales in North America were DKK 59 million (72) and were lower as a consequence of stockpiling at wholesalers in 2017, especially in Canada. Nevertheless, tablet sales in the USA grew by 29%. In absolute terms, sales remain modest, reflecting the nature of the US AIT market and the structural market barriers that ALK still needs to overcome (c.f. page 20 for a detailed discussion). Sales of SCIT bulk allergen extracts to specialists and clinics grew 15% to DKK 270 million (246) while sales of diagnostics and other products declined 8%.

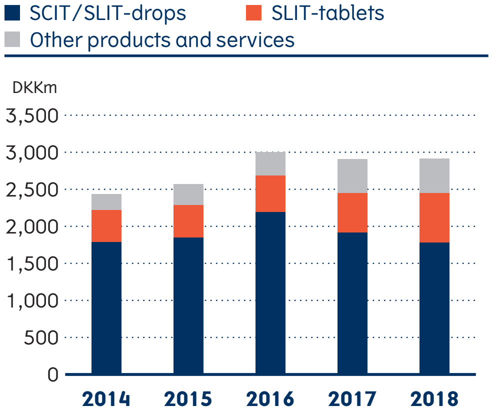
International markets

Revenue in International markets was up 41% in local currencies at DKK 112 million (84). The growth was mainly due to the strong development in tablet sales in Japan.

5-year total revenue by geography



5-year total revenue by product line



Financial review of 2018

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

ALK's 2018 financial performance was significantly better than was expected at the beginning of 2018. ALK adjusted its financial guidance four times during the year, most recently on 14 December 2018, and the actual full-year performance was in line with that most recent update.

2018 revenue increased to DKK 2,915 million (2,910) with growth in local currencies of 1%. Exchange rate fluctuations negatively impacted revenue by 2 percentage points.

Cost of sales increased 1% in local currencies to DKK 1,282 million (1,268). Gross profit of DKK 1,633 million (1,642) yielded a gross margin of 56% (56%), reflecting costs for compliance and efforts to build robustness in product supply as well as changes in the product mix.

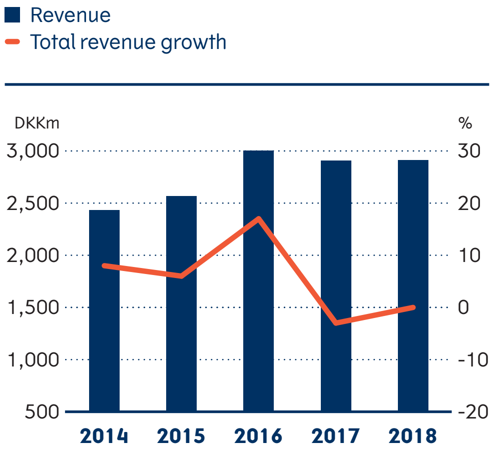
Capacity costs increased 3% in local currencies to DKK 1,756 million (1,724). R&D expenses decreased to DKK 392 million (426) due to savings and the phasing of large-scale clinical trials. R&D expenses include a one-off write-down of assets worth DKK 32 million related to the discontinuation of US development for the current European version of the adrenaline auto-injector Jext®. Instead, ALK will pursue an alternative US anaphylaxis strategy. Sales and marketing expenses increased by 8% in local currencies to DKK 1,137 million (1,067), reflecting the commercial build-up in the USA, efforts to support ACARIZAX® launches, as well as the cost of developing patient engagement platforms. Administrative expenses were unchanged at DKK 227 milion (231).

EBITDA of DKK 136 million (253) reflected strategic business investments in building the new growth platform, but also benefited from the capture of operational efficiencies and savings. Exchange rates did not materially affect operating profits. EBITDA includes other operating income of DKK 27 million related to a VAT refund in Germany covering previous years. This resulted from a court decision on VAT deductibility for certain mandatory rebates.

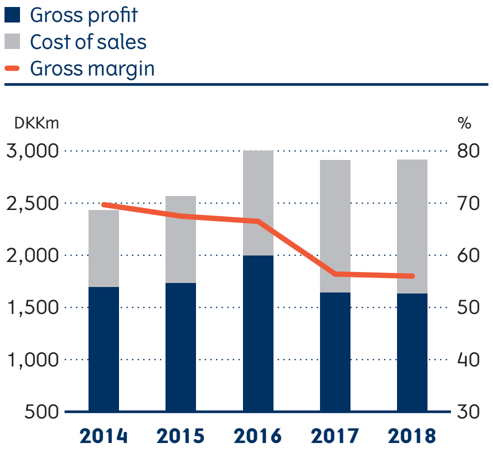
2018 guidance history

DKK	2017 actual	2018E 6 February	2018E 4 May	2018E 15 August	2018E 9 November	**2018E 14 December**
Revenue	2.9bn	~2.7bn	>2.7bn	>2.8bn	2.85-2.90bn	**>2.9bn**
EBITDA	253m	~(50)m	~0m	~50m	50-100m	**125-175m**
Free cash flow	(745)m	~(600)m	(600)m or better	(550)m or better	(500)m or better	**~(400)m**

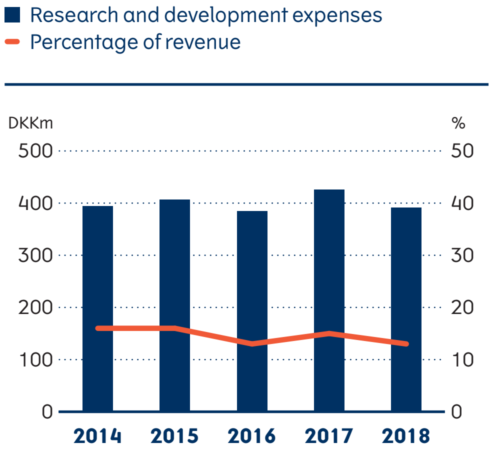
Revenue



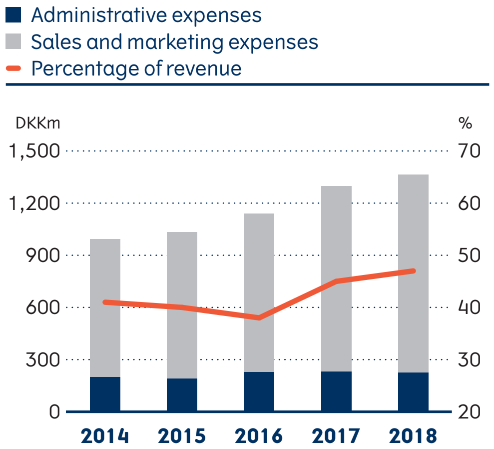
Gross profit



Research and development



Sales, marketing and administration



Net financials were a loss of DKK 7 million (loss of 42), mainly due to net interest expenses. **Tax on the profit/loss** totalled DKK 67 million (36) and net loss was DKK 170 million (a loss of 158).

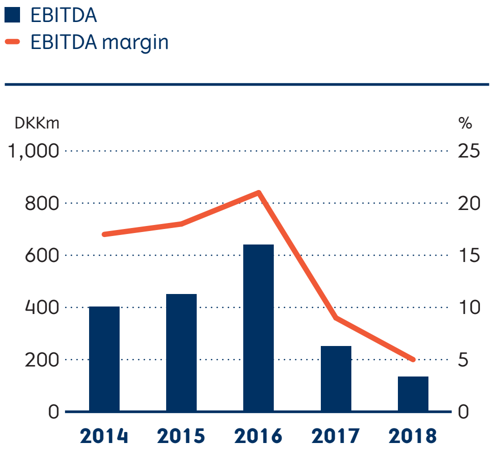
Cash flow from operating activities was an outflow of DKK 95 million (outflow of 387) and was significantly better than originally planned, reflecting the better operational performance. **Cash flow from investment activities** was an outflow of DKK 199 million (outflow of 358) mainly relating to maintenance and upgrades, primarily in legacy production. **Free cash flow** was an outflow of DKK 294 million (outflow of 745) which was better than expected. **Cash flow from financing** was an outflow of DKK 28 million (inflow of 620) mainly related to the settlement of incentive programmes.

At the end of December, ALK held 263,203 of its **own shares** or 2.4% of the share capital versus 2.6% at the end of 2017.

At the end of December, **cash and marketable securities** totalled DKK 396 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 3,179 million (3,290) at the end of the period, and the equity ratio was 65% (65%).

EBITDA



The impairment loss in the consolidated financial statements due to discontinuation of US development of the current European version of Jext® also leads to a significant impairment loss in the parent company financial statements which does not affect the consolidated financial statements, see note 4 to the parent company financial statements.

Q4 financial performance

Revenue by geography

DKKm	Q4 2018	Growth (l.c.)	Share of revenue	2017
Europe	602	4%	77%	581
North America	161	3%	20%	154
International markets	24	-8%	3%	28
Revenue	**787**	**3%**		**763**

Global revenue by product line

DKKm	Q4 2018	Growth (l.c.)	Share of revenue	2017
SCIT and SLIT-drops	476	-5%	61%	501
SLIT-tablets	182	17%	23%	159
Other products and services	129	23%	16%	103
Revenue	**787**	**3%**		**763**

Q4 results were in line with ALK's most recent outlook, released on 14 December 2018:

- Revenue increased 4% in local currencies to DKK 787 million (763) driven by continued strong growth from SLIT-tablets and other products.
- SLIT-tablet sales grew by 39%, when adjusted for one-off stockpiling at wholesalers in North America and Europe in Q4 2017. The underlying growth trend therefore remained consistent with previous quarters. Reported sales increased 17% to DKK 182 million (159).
- SCIT/SLIT-drops sales declined 5% to DKK 476 million (501) mainly due to product rationalisations and the consequences of the previous year's supply constraints. Key markets France, Germany and the USA saw encouraging trends during the quarter.
- Other products grew 23% to DKK 129 million (103) largely driven by a 79% increase in sales of ALK's adrenaline auto-injector Jext®.
- Gross margin was 55% (49) reflecting changes in the product mix, inventory adjustments as well as costs for compliance and efforts to build robustness in product supply.
- Capacity costs increased 5% to DKK 542 million (517) reflecting increasing sales and marketing expenses in support of strategic growth initiatives as well as costs for certain restructuring activities in Europe. R&D expenses included a one-off write-down of DKK 32 million and higher costs for clinical trials compared to previous quarters. Administrative costs remained unchanged.
- EBITDA was DKK 10 million (61) and ended at the lower range of expectations due to a high activity level towards the end of the year. EBITDA includes 'other income' of DKK 27 million related to a refund of VAT in Germany from previous years.

Strategy

19 Corporate strategy
20 Succeed in North America
22 Complete and commercialise the tablet portfolio for all relevant ages
25 Patient engagement and adjacent business
28 Optimise and reallocate

Corporate strategy

In December 2017, ALK announced a new strategy designed to broaden its presence in the global allergy market and to stimulate a new era of growth for the company.

The strategy is underpinned by a three-year transformation period, from 2018-20, and has four key elements (see right).

The overall aim is to transform ALK into a broader-based allergy company that reaches many more people who live with allergy and asthma, and which captures a greater share of this wider market by offering solutions for everyone touched by allergy through a comprehensive range of products, services and resources.

Four focus areas

ALK's strategy implementation period spans three years, and aims to fundamentally change the company's revenue and earnings profile.

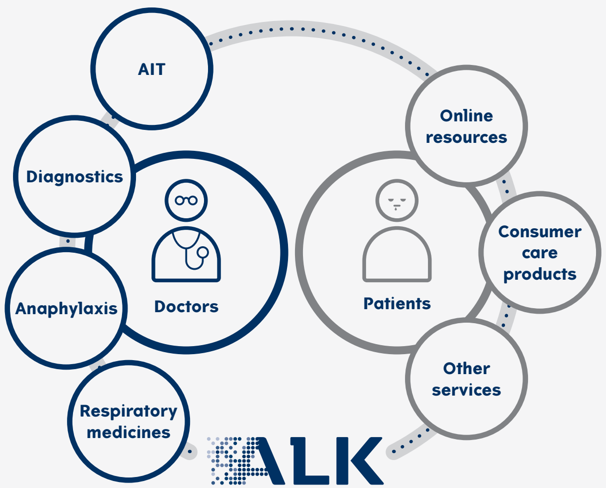
- Succeed in North America
- Complete and commercialise the tablet portfolio for all relevant ages
- Patient engagement and adjacent business
- Optimise and reallocate

Financial ambitions

- An ALK capable of delivering sustainable, high revenue and earnings growth
- Revenue growth of ≥10% annually
- Raise margins as quickly as possible to specialty pharma levels after 2020

Building strong relationships

ALK – The allergy partner
ALK is transforming itself from niche AIT player into a company with a broader presence in the prevention, diagnosis and treatment of allergy, supporting healthcare professionals by meeting their allergy needs.



Consumer care products
ALK is building a best-in-class consumer care business offering products, information and services to consumers, and building a much closer relationship in the process.

Succeed in North America

ALK has expanded its organisation in North America to drive the growth of SLIT-tablets and other products. Central to this strategy is developing a close partnership with allergy specialists and encouraging more people living with allergy to seek medical consultations.

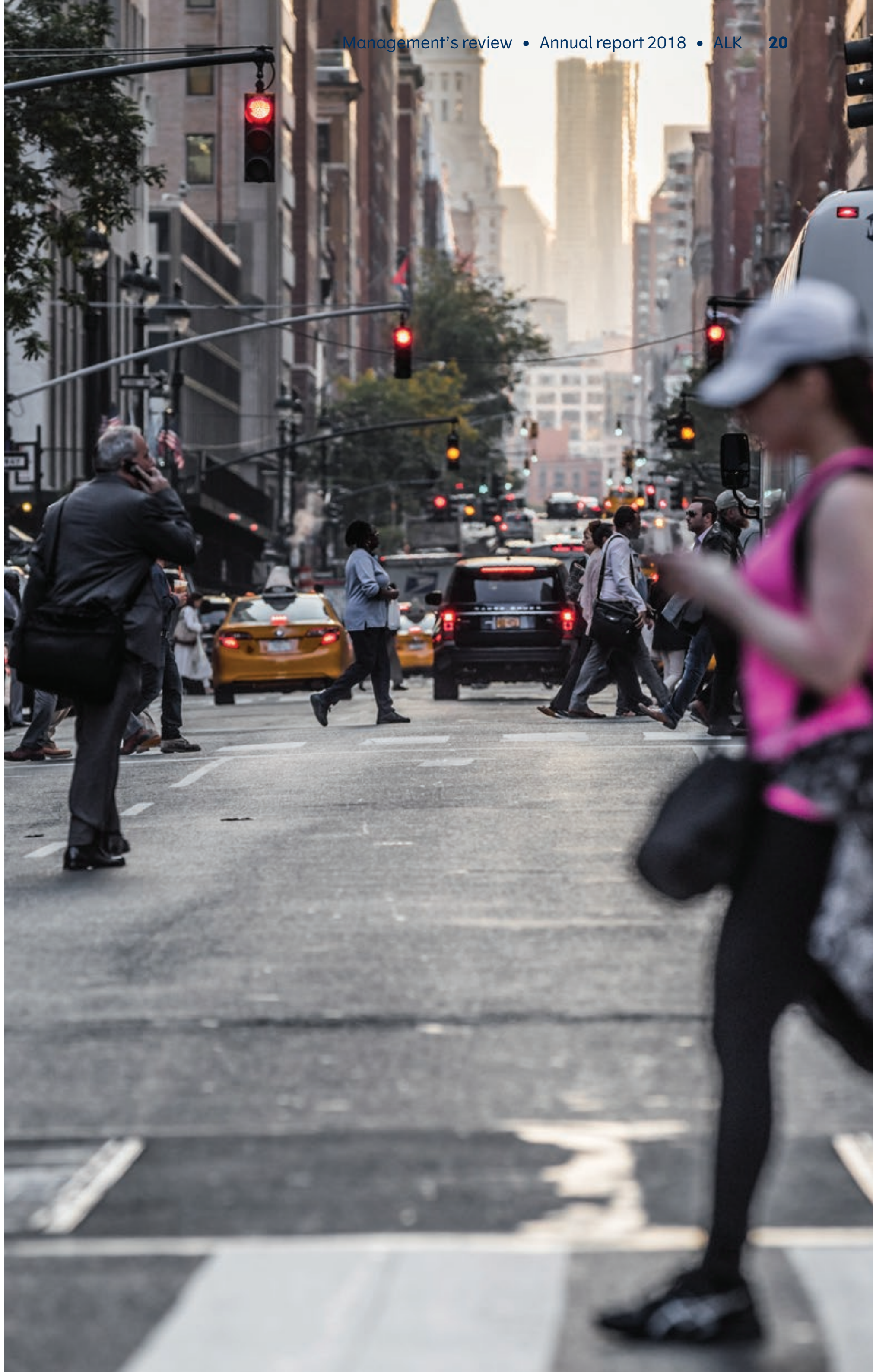
2018 progress

In the USA, ODACTRA™ (ACARIZAX® in Canada) was launched in January, joining the already launched GRASTEK® and RAGWITEK® tablets. This product is seen as the key to establishing the US tablet franchise, however, ALK expects it will take time to develop a market where SCIT has traditionally been the dominant form of AIT. As a result, the company has modest sales expectations while it tests and refines the local business model for tablets.

Initial focus is on growing the number of ODACTRA™ prescribers, building their confidence in the product, and securing treatment access for potential patients. In line with these goals, ALK met its 2018 objective for the US market of approximately 1,500 ODACTRA™ prescribers out of the 2,000 targeted, and 5,000 treatment initiations. So far, around 10% of the prescribers have the kind of prescription depth that ALK's experience shows is necessary to gain initial market traction. Meanwhile, 74% of AIT-eligible patients with commercial insurance now have access to reimbursement for ODACTRA™.

As anticipated, ALK has adjusted its commercial approach to reflect market insights gained through the launch of ODACTRA™. This has meant paying close attention to the number of prescriptions per doctor and promoting the positive experiences of early adopters via peer-to-peer medical speaker programmes. From Q4 through to Q1 in 2019, to build further momentum, ALK rolled out its first ever US direct-to-consumer campaign, to mobilise allergy sufferers to consult an allergist about their house dust mite allergy.

In Canada, ALK saw around 160 ACARIZAX® prescribers and approximately 3,000 treatment initiations. Where house dust mite allergy is present, 92% of AIT-eligible patients with commercial insurance now have access to reimbursement for ACARIZAX®. In Q2, ALK expanded its local distribution setup to include traditional wholesalers alongside the specialty pharmacy model adopted during the 2017 launch.



2019 priorities

Overall, ALK North America is targeting 2019 growth of more than 10%.

ALK recognises that developing a strong, broad-based allergy solutions business in North America remains a long-term endeavour. At the end of 2018, this region represented 20% of ALK's overall sales, however, the USA in particular represents a considerable potential upside when it comes to future growth.

ALK has made progress with ODACTRA™ in securing reimbursement for patients who have commercial health insurance and continues to explore commercial strategies to increase the number of lives covered and, by inference, the number of people with easy access to ALK's tablets. During 2019, focus will remain on increasing the number of tablet prescribers, as well as increasing the number of prescriptions per doctor, with the aim of establishing a larger group of frequent tablet prescribers.

At the same time, close attention will be paid to retaining those patients who began treatment during 2018.

ALK continues to focus its efforts where they are likely to have most effect, such as the unmet needs of both allergists and patients, and initiatives that will increase allergy consultations.

ALK also remains committed to growing the value of its legacy business in North America, which has a portfolio spanning bulk SCIT products, penicillin diagnostics and other products, including vials and diluents.

R&D

The drive for success in North America is supported by a range of R&D activities, most notably, in relation to completing the tablet portfolio (see p22).

During 2018, the US launch of ODACTRA™ was followed by preparations for the MT11 clinical trial looking at allergic asthma in children. This will involve around 600 children from 10 European countries and the USA, and patient recruitment has already begun. The FDA has also advised that a further clinical trial will be required before any US application for an allergic asthma indication.

Work progressed on the registration file for the tree tablet ahead of a 2019 submission in Canada which, subject to approval, could lead to a 2020 launch.

Reminder: Strategic priorities 2018-20

- The ongoing launches of ACARIZAX® / ODACTRA™
- Leverage ACARIZAX® / ODACTRA™ market penetration to benefit GRASTEK® and RAGWITEK®
- A commercial approach focusing on high-frequency interactions with the most relevant allergists
- Partnerships with managed care organisations to demonstrate health economic benefits
- Patient support programmes to ensure affordable treatment initiation and successful treatment adherence
- A digital engagement strategy that shares ALK's allergy expertise and offers people with allergy a relevant portfolio of treatment options
- Inclusion of US patients in multi-year clinical trials in children with allergic asthma and allergic rhinitis
- Grow the value of the North American legacy business, covering bulk SCIT products, penicillin diagnostics and other products

2019 key metrics

≥10%

Sales growth from ALK North America

Sales growth across all main product categories

Increase acceptance of tablets, maintaining focus on targeted key prescribers in the USA, also increasing prescription depth

Expand penicillin business with launch of upgraded Pre-Pen® product and grow value of SCIT and related businesses

Complete and commercialise the tablet portfolio for all relevant ages

ALK continues its work to complete clinical development for, and successfully commercialise, a portfolio of SLIT-tablets covering the world's five most common respiratory allergies – house dust mite, grass, tree, ragweed and Japanese cedar – for adults, adolescents and children.

2018 progress
The tablet portfolio made strong progress in 2018, and now accounts for 23% of ALK's sales. Moreover, ALK confirmed commercial proof of concept for the tablets in Europe and International markets.

ALK estimates that, during 2018, approximately 80-100,000 patients were initiated onto treatment with the house dust mite tablet (branded ODACTRA™ in the USA, MITICURE™ in Japan and ACARIZAX® in other markets). In total, the product has now been launched in 18 markets and further launches are being prepared. In China, ALK entered into dialogue with the authorities with a view to fast-tracking local clinical development ahead of a potential approval there.

The US introduction in January was followed by a February launch in Europe's biggest house dust mite allergy market of France and, later, Spain, Czech Republic and Thailand. Initial uptake in France was particularly encouraging and, by the end of 2018, more than 20,000 patients had been initiated onto treatment there, making this one of the most successful launches of a SLIT-tablet anywhere in the world.

In Japan, ALK's partner Torii gained approval to expand the use of MITICURE™ to include children. Response to the expanded approval was positive and accelerated uptake of the product. This, together with the launch of the new CEDARCURE™ tablet – for Japanese cedar allergy – is steadily unlocking the market in Japan, with the paediatric indications for both products attracting many more patients to the treatments.

Following analysis of some of the strongest clinical trial data seen to date by ALK, and its subsequent presentation at the congress of the European Academy of Allergy and Clinical Immunology (EAACI), a regulatory filing was submitted for the tree tablet in 18 European countries in August, using Germany as the reference state.

ALK's strategy of placing ACARIZAX® at the forefront of the tablet marketing strategy is designed to create a halo-effect that will also benefit the other tablets – particularly the grass allergy tablet, GRAZAX® (GRASTEK® in North America). By the end of 2018, either ACARIZAX® or GRAZAX® was the most frequently initiated AIT treatment for house dust mite or grass allergies in 11 European markets.

One measure of long-term success will be ensuring that initiations are translated into repeat prescriptions, with patients adhering to their treatment programmes. In 2018, ALK launched a tool to help with this – the Antibody Response Test (ART) which allows doctors to show patients their own immune system's response to AIT as soon as four weeks after treatment initiation. At the end of 2018, ART was available in four markets, with more to follow.

After the end of the 2018 financial year, ALK reported that a Phase III paediatric efficacy and safety trial of the ragweed SLIT-tablet, involving more than 1,000 children, met its primary endpoint, confirming its potential in allergic rhinitis in children.

2019 priorities

As well as further launches for ACARIZAX®, subject to approvals, the portfolio is expected to be further expanded in late 2019 with the first launches of the new tree tablet in Europe. This will mark an important milestone because, for the first time, ALK will have a tablet on the market for each of the world's five most important respiratory allergens.

After that, ALK's clinical development programme will primarily focus on expanding tablet approvals to include use in asthma, adolescents and children, as well as registration trials to support new market entries. Accordingly, the company will invest in 2019 trials to gather data for paediatric indications for ACARIZAX® / ODACTRA™, as well as an ACARIZAX® trial in China that should accelerate its approval there.

ALK will also conduct preparatory work ahead of a geographical expansion into Russia where ALK has re-acquired the rights to the tablet portfolio from Abbott. The Abbott partnership will now solely focus on the commercial build-up in South East Asia where additional launches of ACARIZAX® are planned in 2019-20, subject to approvals.

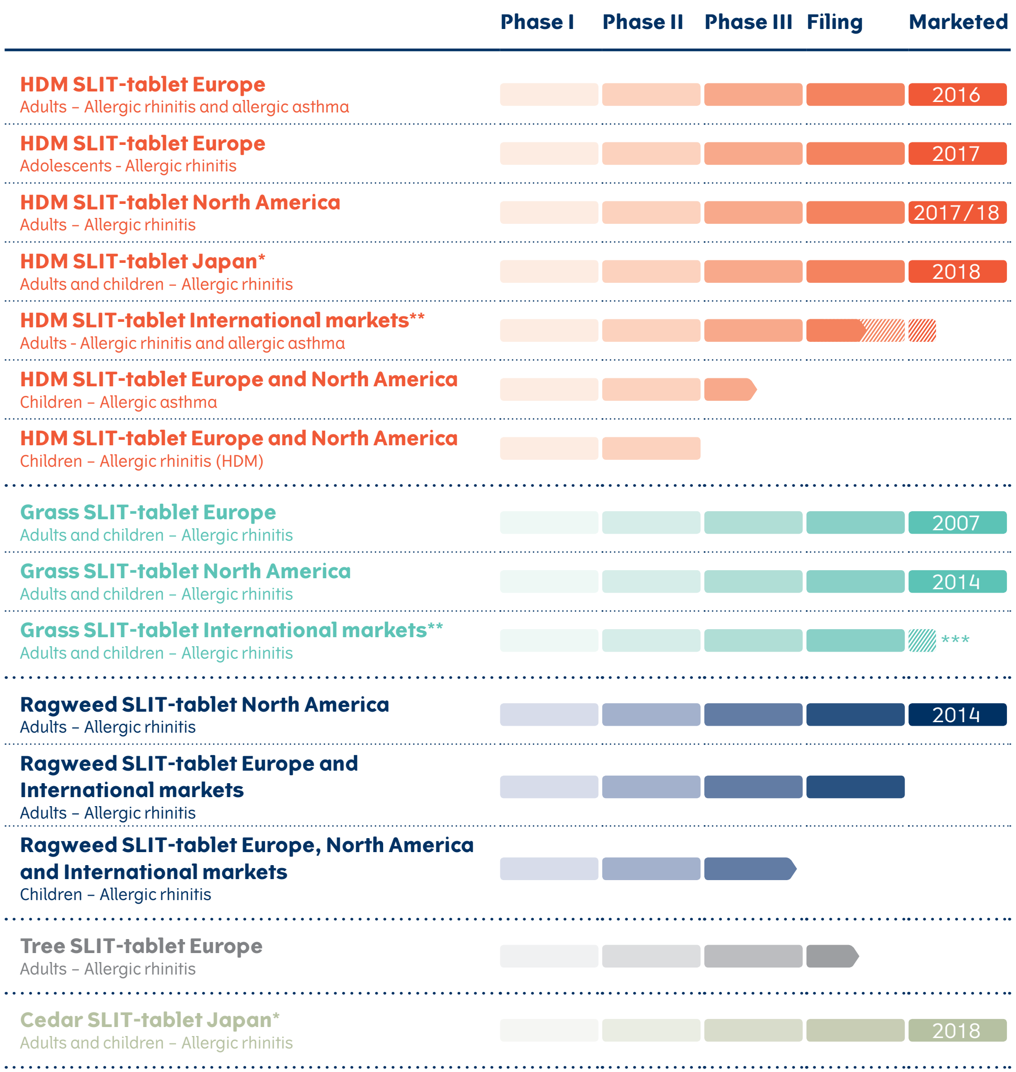
R&D

The majority of ALK's R&D efforts are directed towards supporting the completion and commercialisation of the tablet portfolio so that these assets can be fully maximised.

Clinical trials 2019-21

- HDM SLIT-tablet Europe and the USA: Paediatric allergic asthma trial
- HDM SLIT-tablet Europe and the USA: Paediatric allergic rhinitis trial
- HDM SLIT-tablet China: Adult allergic rhinitis trial
- HDM SLIT-tablet the USA: Adolescent allergic rhinitis trial
- Ragweed SLIT-tablet the USA: Paediatric safety trial
- Tree SLIT-tablet Europe: Paediatric allergic rhinitis trial

ALK's R&D pipeline



* Licensed to Torii for Japan
** Licensed to Abbott for South-East Asia and Seqirus for Australia/New Zealand
*** Already marketed in selected markets

Reminder: Strategic priorities 2018-20

	Clinical initiatives	Commercial initiatives
ACARIZAX®/ ODACTRA™/ MITICURE™	Global paediatric trials in allergic rhinitis and allergic asthma Paediatric use in Japan added Late-stage development in China Post-marketing surveillance studies in the USA	Launches in additional markets in Europe and selected International markets Launch in Japan for paediatric use, with other markets to follow
GRAZAX®/ GRASTEK®	Post-marketing surveillance studies in the USA	Launches in Australia, the Baltic states and Russia Leverage data from GAP trial to build sales
RAGWITEK®	Paediatric safety trial in the USA (in addition to the recently completed efficacy and safety trial) Post-marketing surveillance studies in the USA	Launches in selected markets outside North America
Tree tablet	Submissions in Europe, Canada and possibly beyond Efficacy and safety trial in children in Europe	Launches in Europe, Canada and possibly beyond
CEDARCURE™		Launch in Japan
Other		Launch new tools to help improve treatment adherence

2019 key metrics

Secure approval for tree tablet in Europe

Submit regulatory filing for tree tablet in Canada

Initiate and deliver clinical trial programme for paediatric use of ACARIZAX®/ODACTRA™ in Europe and North America

Initiate pivotal clinical trial with ACARIZAX® in China

Patient engagement and adjacent business

Allergy is the most widespread chronic disease in the world and, while ALK is an established expert in the field, just 1% of people with allergy currently receive the AIT products that form the core of ALK's portfolio.

As a result, many in the other 99% may not be aware of the full range of treatment options available to them. Many of these people are undiagnosed, suffer in silence, or self-manage their condition with various over-the-counter products and medicines. Those who eventually find their way to AIT often do so after many years of failed attempts to treat their allergy.

Despite these frustrations, research shows that people with allergies are highly engaged in managing their condition, and take daily decisions to mitigate its effects.

The patient engagement strategy aims to connect ALK with 'the other 99%' by building a consumer-focused ecosystem of information, services and products that complement the company's core AIT portfolio. The goal is to connect and engage with allergy sufferers much earlier in their disease journey, using digital tools and e-commerce offerings that offer support, guidance and relief, eventually smoothing the path to AIT treatment for those who might benefit from it.

2018 progress

Building on the experience of small-scale pilot testing, ALK solidified its digital engagement strategy around the concept of driving traffic from ALK-hosted allergy information websites towards new e-commerce platforms. This strategy was rolled out to Germany and the UK in 2018.

ALK also launched the e-commerce website klarify.me in both countries. Meanwhile, throughout the year, ALK identified and sourced around 50 products to be sold via klarify.me, including products for drug-free relief, such as salt-inhalers, nasal filters, air purifiers and air monitoring tools.

ALK also launched the klara smartphone app in both markets. klara alerts users to the latest local pollution and pollen count data, helping them to take control of their allergies and plan the day ahead.

Progress was also made behind the scenes, with the establishment of order-taking and fulfilment infrastructure for consumer care products and the development of marketing strategies and promotional campaigns.

Metrics across the digital platforms were encouraging. Visits to the German allergy information website were up on 2017 at almost 2 million and there was also an upswing in users taking allergy tests and searching for allergy doctors at approximately 70,000 and 35,000 respectively. Similarly, visits to klarify.me climbed monthly and totalled 1 million for the year, and there were more than 25,000 downloads of klara which, in Germany, was named the best new healthcare app of 2018.

Alongside patient engagement, ALK is committed to supporting the role of allergists and other healthcare practitioners, and is working to identify adjacent business opportunities that will further strengthen these connections.

Amongst others, in 2018 ALK struck deals with Rellergen Biotech Inc., in China, for a new hospital-based diagnostic tool, and with Bosch Healthcare Solutions for Vivatmo Pro, an easy-to-use breath measurement system, for doctors to diagnose and monitor inflamed airways.

klarify.me

Many patients self-medicate for years, using over-the-counter remedies before seeing a doctor. ALK's sister brand, klarify.me, offers a broad range of products for early allergy intervention, symptom alleviation and relief, such as bedding, fish oils, air purifiers and more.

ALK also evaluated its US anaphylaxis strategy and decided to discontinue US development of the current European version of the adrenaline auto-injector Jext®. Instead ALK will pursue an alternative US anaphylaxis strategy.

2019 priorities

From a strategic point of view, ALK is already gaining a deeper insight into the reality of living with allergies. Information that is proving invaluable as it makes decisions about the shape and marketing of the future consumer care portfolio.

At the same time, ALK's engagement systems are helping to establish a proprietary 'permission marketing' platform for the company and its expanded range of allergy solutions, and 2019 priorities include the assimilation of insights gained as well as leveraging this ecosystem in support of the anticipated tree tablet launch.

R&D

ALK's R&D function plays a major role in the due diligence process that precedes any in-licensing agreement for adjacent business opportunities. Its role includes the scientific appraisal of documentation and any medical claims, the assessment of whether adequate safety and pharmacovigilance reporting measures are in place, and a quality review of any relevant regulatory approvals and marketing authorisations. Given the nature of business development discussions, much of this work never sees the light of day. Nevertheless this work plays an important role in shaping ALK's expanded portfolio and ensures the products that are added to klarify.me meet the standards expected of an ALK-endorsed or branded product.

Reminder: Strategic priorities 2018-20

- Establish consumer care division to drive digital patient engagement
- Use digital platforms to offer solutions for early allergy intervention, symptom alleviation and relief
- Explore expansion of ALK's portfolio with other relevant products
- Expand the Jext® anaphylaxis franchise in Europe and deliver an anaphylaxis strategy for the USA

2019 key metrics

20 million

klarify.me messages seen

klara

more than 100,000 downloads of klara

85,000 allergy tests taken

45,000 searches for an allergy doctor

Build on patient engagement platform and leverage to support tree tablet launch

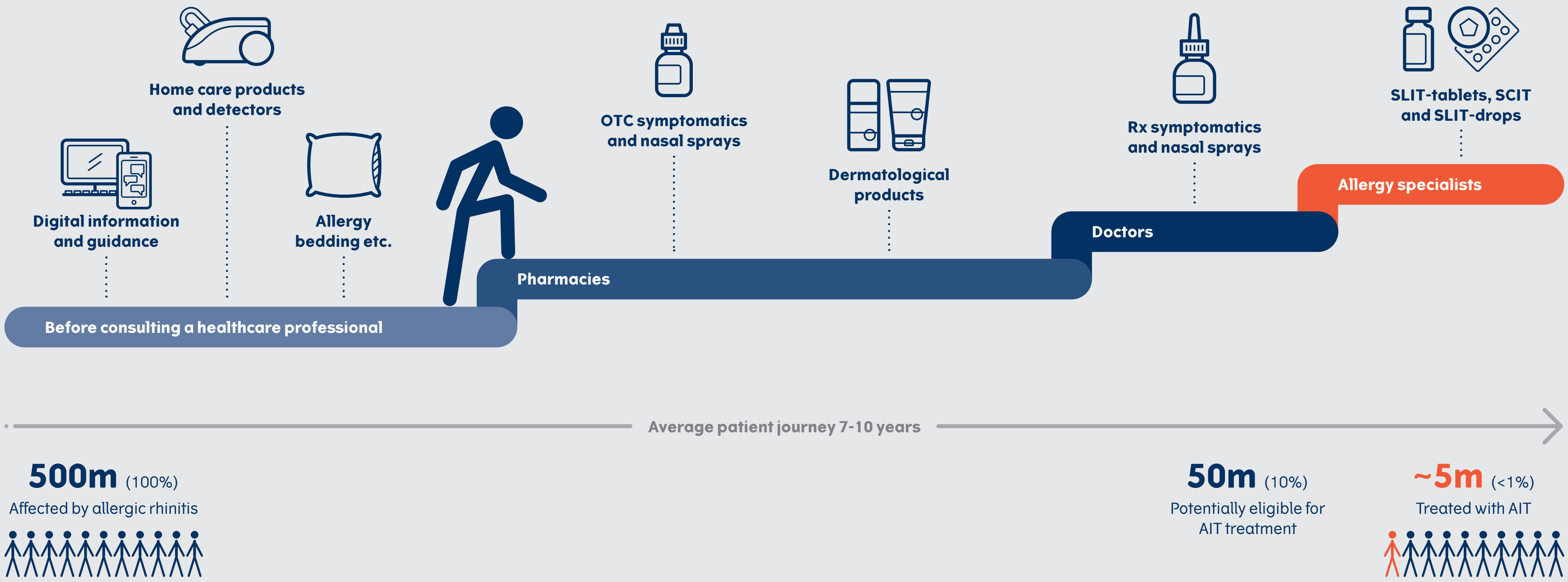
The patient journey

In the earlier stages of the disease, the allergy market is dominated by consumer products.

How do I avoid exposure to allergens?
- Information and guidance to consumers
- Best-in-class consumer products

How do I relieve my allergy symptoms?
- Information and guidance via pharmacies and doctors
- Best-in-class symptomatics and relief products

How do I treat the root cause of my allergy?
- Information and guidance via specialists
- Allergy immunotherapy



Optimise and reallocate

ALK is rolling out a wide-ranging efficiency and quality improvement programme that sees savings reinvested in the pursuit of long-term growth.

2018 progress
The initial focus of optimise and reallocate was to improve robustness, scalability and quality within ALK's manufacturing and supply operations, along with a general move towards reducing costs and thereby improving margins over the longer term.

In 2018, ALK completed all the necessary upgrades to its Vandeuil facility, in compliance with the French health authority's requirements following its 2017 injunction.

Progress was further underlined during the year by eight inspections of ALK facilities in five countries. ALK also made significant progress to restore inventories, and delivery times for SCIT and SLIT-drops in time for the peak AIT initiation season. This followed a period of stock shortages and extended delivery times for certain products, which had temporarily affected sales of SCIT and SLIT-drops.

In response to supply issues at a major manufacturer of adrenaline auto-injectors (AAIs) – used for the emergency treatment of allergy-related anaphylaxis – ALK ramped up production of its Jext® AAI as far as possible to meet surging demand. In a further response, UK authorities approved an extension of the use of specific batches of Jext® that were already in circulation by up to four months beyond the labelled expiry date.

There was further progress on rationalising ALK's portfolio of older products. By the end of 2018, approximately 250 products had been eliminated from the portfolio as it stood in 2016. Product rationalisation decisions are determined by medical, delivery, quality and efficiency factors and, wherever possible, ALK offers alternative products to anyone affected.

Other, less visible, but nevertheless important progress was made internally, with the roll-out of a new framework of cultural beliefs, emphasising the mindset and behaviours that are required to successfully deliver ALK's growth strategy.

2019 priorities
As a result of the work to improve stability, robustness and quality, and the restoration of inventory levels, ALK has now established a stable foundation upon which to make further improvements.

The phasing out of older, uncompetitive products will continue in parallel with upgrades to production facilities and manufacturing processes. Together these initiatives will ensure long-term production robustness and efficiency, and will boost margins generally. A major contributor to this work will be Project PASS, ALK's initiative to establish centres of manufacturing excellence, each of which is focused on fewer product variants and is therefore able to increase overall production efficiency.

Efforts to boost Jext® output to meet the current exceptional demand will continue, as will efforts to maintain the improved market position.

Similarly, internal initiatives to instil and support the necessary cultural changes at ALK will continue organisation-wide.

R&D

ALK's R&D organisation provides significant support for the portfolio rationalisation effort. This can be via demonstrating upgraded compliance standards for legacy products that will remain a part of the portfolio, or by providing additional documentation to improve the competitiveness of legacy products.

One example is a recent clinical trial for Alutard SQ®, an important SCIT product in certain European markets. This 2018 trial demonstrated the possibility of shortening the updosing regimen for Alutard SQ® from 11 doses to seven, accelerating the time to full protection and, if approved by regulators, potentially improving the competitiveness of this product significantly.

Reminder: Strategic priorities 2018-20

- Accelerate portfolio and site strategy
- Increase production yields
- Improve efficiency of production processes and overall flow
- Assess the potential for increased automation

2019 key metrics

Continue portfolio rationalisation programme

Maintain quality, robustness and scalability in manufacturing

Increase production efficiency to improve margins

Maintain momentum of cultural change

Corporate matters

31 Risk management
34 Governance and ownership
37 Corporate Social Responsibility
38 Remuneration report
41 Board of Directors
43 Board of Management

Risk management

ALK's Board of Management is responsible for the ongoing management of risk, including risk mapping, the assessment of probabilities and potential consequences, and the introduction of risk-reducing measures.

Board of Management has established a Risk Committee to assist it in meeting its overall responsibility for risk management. The Risk Committee comprises representatives from each functional area relevant to ALK's risk profile. The Risk Committee meets twice a year or more, as required, to perform its tasks. Risks are assessed according to a two-dimensional matrix, rating the impact and likelihood of each risk. A risk management report with key risks and recommended mitigation plans is submitted to the Board of Directors' audit committee on an annual basis and subsequently approved at board level.

The following risks of particular significance to ALK have been identified for 2019:

Area	Description	Risk mitigation
Research and development	The future success of ALK depends on the Group's ability to maintain current products and successfully identify, develop and market new, innovative drugs, which involves significant risks. A pharmaceutical drug must be subjected to extensive and lengthy clinical trials to document aspects such as safety and efficacy before it can be approved for marketing. In the course of the development process, the outcomes of these trials is subject to significant risks. Even though substantial resources are invested in the development process, the trials may produce negative results. Delays in obtaining regulatory approvals – or failure to obtain such approvals – may also have a major impact on the ability of ALK to achieve its long-term goals.	ALK and its collaborative partners perform thorough risk assessments of its research and development programmes throughout the development and registration processes with the objective of risk mitigation to optimise the likelihood of the products reaching the market. In 2018, the Board of Directors updated the charter for the Scientific Committee to include responsibility for other patient/product related innovation activities . The committee advises on matters relating to R&D activities and other patient/product-related innovation activities, including reviewing R&D programmes and the overall R&D pipeline.
Regulation and price control	ALK's products are subject to a large number of statutory and regulatory requirements with respect to issues such as safety, efficacy and production. In most of the countries in which ALK operates, prescription drugs are subject to reimbursement from, and price controls by, national authorities. This often results in major price differences between individual markets. Regulatory requirements and interventions, as well as price control measures, may therefore have a significant impact on the Group's earnings capacity.	ALK actively engages in dialogue with the authorities aimed at securing fair pricing and reimbursement agreements.
Commercialisation – Market acceptance	If ALK and its partners succeed in developing new products and obtaining regulatory approvals for them, the ability to generate revenue depends on the products being accepted by doctors and patients. The degree of market acceptance for a new product or drug candidate depends on a number of factors, including the demonstration of clinical efficacy and safety, cost-effectiveness, convenience and ease of administration, potential advantages over alternative treatment methods, competition, and marketing and distribution support. If ALK's new products fail to achieve market acceptance, this could have a significant influence on the Group's ability to generate revenue.	ALK regularly conducts extensive surveys of market conditions and similar factors and commits significant resources to providing information on its products to doctors and patients.

Area	Description	Risk mitigation
Commercialisation – Allergic reactions	ALK's products may be associated with allergic reactions of varying extents, durations and severities. If such events occur in unexpected situations, they may have an impact on the Group's earnings and sales.	ALK stringently monitors product quality and safety, both in clinical development and in sales and marketing activities. If, despite the high levels of quality and safety, a situation should occur in which it is necessary to recall a product, ALK has procedures in place to ensure that this can be managed swiftly and efficiently.
Competition and pricing	ALK operates in markets characterised by intense competition. If, for instance, a competitor launches a new and more effective treatment of allergy, it may have a material impact on ALK's sales. A competitive market may also lead to market-driven price reductions just as national and regional authorities may mandate price reductions. Both competition and price are risks that may have a material impact on ALK's ability to achieve its long-term goals.	ALK monitors economic developments, the competitive situation and initiatives in all important markets with the aim of appropriate risk mitigation.
Production and quality	ALK has concentrated its key in-house production capacity at plants in Denmark, France, Spain and the USA. Although the plants are located in areas that have not historically been hit by natural disasters, this geographical spread calls for risk planning in order to avoid emergencies, such as lack of, or poor access to raw materials: for instance, pollen. Production and manufacturing processes are also subject to periodic and routine inspections by regulatory authorities as a regular part of their monitoring processes in order to ensure that all manufacturers observe the prescribed requirements and standards. Meeting these quality standards is a prerequisite for the Group's competitive strength.	ALK conducts risk planning including for the prevention of unwanted events, and preventative inventory management, such as the build-up of contingency stocks in order to ensure an unbroken chain of production and supply. ALK's production processes and quality standards have been developed and optimised over many years. ALK invests significantly to increase the robustness and compliance of the legacy business by reducing manufacturing complexity, which involves an extensive portfolio rationalisation programme.
Dependencies on third parties	ALK has partnership agreements with third parties with a view to commercialising the Group's products in a number of markets, and with parties supplying important input for key production processes. Although there are financial incentives for all of ALK's partners to fulfil their contractual obligations, there can be no assurance that they will actually do so. Moreover, reliance on suppliers and third-party manufacturers entails risks that ALK would not be subject to if the Group possessed the necessary in-house manufacturing capabilities. Such risks include but are not limited to: • Reliance on a third party for regulatory compliance and quality assurance • Possible breach of a manufacturing agreement by a third party due to factors beyond ALK's control and influence • Reliance on the ability of a third party to deliver and scale up the volume of production	ALK manages these risks through contractual stipulations, thorough planning and monitoring, and through joint steering committees that work together with these external parties.
IT security	Disruption to IT systems, such as breaches of data security, may happen across the global value chain, where well-functioning IT systems and infrastructure are critical for the Group's ability to operate effectively.	ALK manages this risk, among other ways, by having a security strategy in place to prevent intruders from causing damage to systems and gaining access to critical data and systems. Awareness campaigns, access controls, intrusion detection and prevention systems have all been implemented.

Area	Description	Risk mitigation
Business ethics	ALK's good reputation is essential for operating within the pharmaceutical industry. ALK aims to maintain its standing by acting in compliance with all applicable regulations and legislation.	ALK strives to act professionally, honestly, and with high integrity throughout the Group in relation to stakeholders from customers, employees and shareholders, to society, suppliers and partners. ALK's Code of Conduct is updated regularly and defines ALK's high standard of ethical behaviour in relation to customers, employees, shareholders, society, suppliers and partners. Once a year, all employees are asked to sign and confirm their knowledge of the Code of Conduct and in addition, all employees were asked to take an anti-corruption online test in 2018.
Patents and intellectual property rights	Patents and other intellectual property rights are important for developing and retaining ALK's competitive strength.	The risk that ALK might infringe patents or trademark rights held by other companies, as well as the risk that other companies may attempt to infringe the patents and/or trademark rights of ALK are both monitored and, if necessary, suitable measures are taken. The Scientific Committee regularly reviews the strategy for intellectual property rights.
Financial reporting	If well-functioning risk management and internal controls are not implemented at ALK, there is a risk of material misstatements in the financial reporting.	ALK's risk management and internal controls related to financial reporting are designed to effectively control the risk of material misstatements. A detailed description of ALK's internal controls and risk management system in relation to financial reporting processes is reviewed annually by the Audit Committee and is included in the *Statutory Corporate Governance Statement, cf. section 107b of the Danish Financial Statement Act,* and is available at the company's website: https://ir.alk.net/financial-reporting/risk-management
Financial risks	Due to the nature of its operations, investments and financing, ALK is exposed to fluctuations in exchange rates and interest rates.	The ALK Group's financial risks are managed centrally, based on policies approved by the Board of Directors. The objective of ALK's financial risk management is to reduce the sensitivity of earnings to fluctuations in exchange rates, interest rates, liquidity and changes in credit rating. Group policy is to refrain from active financial speculation. See note 25 of this annual report for a specification of the Group's exposure to currency, interest rate and credit risks and its use of derivative financial instruments.

Governance and ownership

Corporate governance

ALK has a two-tier management structure consisting of the Board of Directors and the Board of Management. The two boards are independent of each other.

The Board of Directors defines the strategic framework for ALK's action plans and activities on the basis of objectives, strategies and policies. Furthermore, on behalf of the shareholders, the Board of Directors supervises the organisation, monitors procedures and responsibilities and sees that the company is managed appropriately and in accordance with legislation and ALK's articles of association.

The Board of Directors appoints a Board of Management to undertake the day-to-day management of ALK. The Board of Directors sets out the terms and tasks of the Board of Management, supervises its work and seeks a constructive dialogue with the Board of Management regarding the implementation of the selected strategies and the overall development of the company.

The Board of Directors consists of nine members. Six members, including the Chairman and the Vice-Chairman, are up for re-election each year at the annual general meeting. Three members are employee-elected and are serving four-year terms. In 2018, there was a vacant position on the Board among the members elected by the annual general meeting.

ALK's Statutory Corporate Governance Statement for the financial year 2018, pursuant to section 107b of the Danish Financial Statement Act, is available at https://ir.alk.net/financial-reporting/risk-management

The statement provides a detailed account of ALK's management structure including the Board of Directors' composition, activities, remuneration and self-assessment. The statement furthermore describes key elements of ALK's internal controls and risk management systems relating to financial reporting processes.

As a listed company, ALK is subject to the recommendations of the Danish Committee on Corporate Governance. ALK fulfils this obligation either by complying with its recommendations or by explaining the reason for non-compliance. ALK complies with 45 of the 47 recommendations. The Board of Directors' 'comply or explain' review is available at https://ir.alk.net/corporate-governance

At the annual general meeting in March 2018, Steen Riisgaard was re-elected Chairman of the Board of Directors and Lene Skole was re-elected Vice Chairman. Lars Holmqvist and Jakob Riis were re-elected as members of the Board of Directors and Gonzalo De Miquel was elected as a new member of the Board of Directors.

As announced on 15 January 2019, the Board of Directors will propose the election of Vincent Warnery as a new member of the Board of Directors at the annual general meeting on 13 March 2019.

Core data for the share

Share capital	DKK 111,411,960
Nominal value	DKK 10 per share
Number of A shares	920,760 units with 10 votes per share
Number of AA shares	92,076 units with 10 votes per share
Number of B shares	10,128,360 units with 1 vote per share
Stock Exchange	Nasdaq Copenhagen
Ticker symbol	ALK B
Indices	CX4500 (healthcare), OMXCLCPI (LargeCap) and OMXCPI (all)
ISIN	DK0060027142
Bloomberg code	ALKB.DC
Reuters code	ALKB_CO
ADR ticker symbol	AKABY
LEI code	529900SGCREUZCZ7P020

Shareholder information

The aim is that the share price should offer a fair representation of ALK and reflect the company's actual and expected ability to create shareholder value. ALK would further like the share to be liquid and to have a sound foundation, allowing for efficient pricing and trading in the share.

Ownership

The total share capital is divided into A shares, AA shares and B shares (cf. core data table to the left). The A shares and AA shares are not listed and are predominantly held by the Lundbeck Foundation, while all B shares are listed and freely negotiable.

At the end of 2018, ALK had 13,658 registered shareholders, versus 15,495 at the end of 2017. The registered shareholders owned 97% of the share capital (96). As of 31 December 2018, two shareholders had notified shareholdings of 5% or more: the Lundbeck Foundation had a 40.3% interest (including A shares and AA shares) and ATP had a 7.1% interest. Of the 30 largest registered shareholders, the vast majority were institutional investors — from North America, the UK and Scandinavia in particular. In the shareholder register, the international ownership was estimated at approximately 21% (19), representing 36% of the free float of the B share capital (32), excluding the Lundbeck Foundation's holding and treasury shares.

ALK's holding of its own shares was reduced following the settlement of share option and conditional share programmes. At the end of the year, ALK held 263,203 or 2.4% of its own shares (2.6% at the end of 2017) which is considered sufficient to cover current obligations related to ALK's long-term incentive programmes.

Return and liquidity

ALK aims to provide long-term shareholder return through an increased share price, the paying-out of dividends and the purchase of its own shares. At the end of 2017, the share price was DKK 740 and the share closed 2018 at DKK 960.

Dividend and capital structure

In December 2017, ALK launched an offering of new shares at market price to finance the updated business strategy (cf. pages 18-29). Through an accelerated bookbuilding process, ALK offered up to 92,076 new AA shares and up to 920,760 new B shares representing 10% of its registered share capital.

Major shareholders* and treasury shares as at 31 December 2018

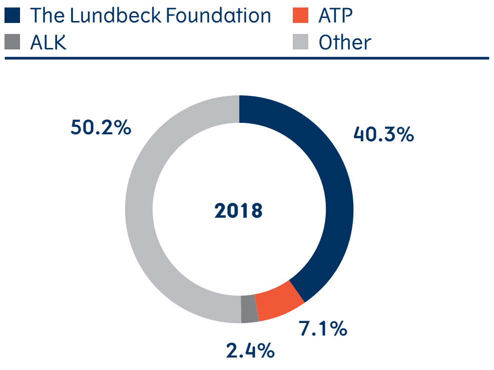
Shareholder	Registered office	Number of shares		Interest	Votes
The Lundbeck Foundation	Copenhagen, Denmark	920,720	A shares	40.3%	67.2%
		92,072	AA shares		
		3,474,827	B shares		
ATP**	Hillerød, Denmark	791,631	B shares	7.1%	3.9%
ALK – own shares	Hørsholm, Denmark	263,203	B shares	2.4%	-

* Notified shareholdings of 5% or more of the company's shares ** The Danish Labour Market Supplementary Pension

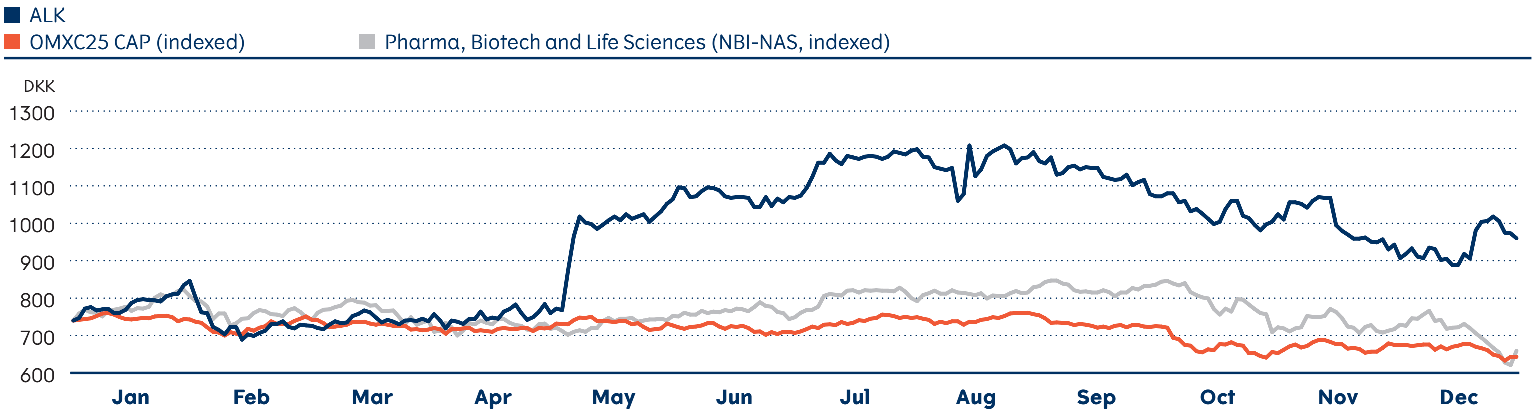
The Board of Directors considers that the proceeds from the offering, together with credit facilities, constitute a sufficient financial basis for implementing the updated strategy and funding the expected negative free cash flow during the transformation period. In support of the strategy, the Board of Directors has temporarily suspended dividend payments. In line with this decision, at the annual general meeting in March 2019, the Board of Directors proposes that no dividend be declared.

The Board of Directors will revisit the dividend policy and ALK's capital structure on an ongoing basis during the three-year transformation period.

Shareholders



The ALK share in 2018



Investor Relations
Based on its IR policy (https://ir.alk.net/corporate-governance/ir-policy), ALK seeks to provide timely, accurate and relevant information on matters of importance to the assessment of the share, including strategy, operations, performance, expectations, goals, pipeline, market development, and other matters. ALK continuously works to strengthen its dialogue with all financial stakeholders in accordance with good IR practice and the provisions for companies listed on Nasdaq Copenhagen.

Besides hosting regular telephone conferences, ALK representatives held approximately 250 individual meetings with analysts and investors in 2018, and also presented at various investor conferences.

During the year, ALK published 16 company announcements (40), including reports on transactions by managerial staff. All announcements are available on ALK's website together with reports, presentations, access to telephone conferences, share price information, estimates from the analysts following the share, and related information. Registered shareholders are encouraged to sign up at the InvestorPortal.

Financial calendar 2019

Annual general meeting	13 March
Three-month interim report (Q1)	9 May
Six-month interim report (Q2)	13 August
Nine-month interim report (Q3)	7 November

Find out more

Visit Investor Relations at
https://ir.alk.net/investors

Contact Investor Relations:
Per Plotnikof
Tel. +45 4574 7527

The Lundbeck Foundation

The Lundbeck Foundation is one of the largest industrial foundations in Denmark with a net wealth in excess of DKK 60 billion, and an annual spend of more than DKK 500 million in grants to support biomedical research with a special focus on the brain. Founded in 1954 by the widow of the founder of the Danish pharmaceutical company, H. Lundbeck A/S, the Foundation is the largest and controlling shareholder of ALK, owning 67% of the votes (40% of the capital). In addition, the Foundation is the majority shareholder of two other large Danish companies, Lundbeck and Falck, and manages securities of about DKK 14 billion.

The Lundbeck Foundation also invests in European and American life-science companies and supports a range of early-stage investment projects. Every year, the Foundation awards The Brain Prize, a personal research prize of EUR 1 million. The prize is awarded to one or more scientists who have distinguished themselves through an outstanding contribution to global neuroscience and who are still active in research.

For further information on the Foundation, please visit www.lundbeckfonden.com

> "The Lundbeck Foundation's business activities encompass three large subsidiaries, an international portfolio of 18 venture companies, a portfolio of six biotech start-ups based on research from Danish universities, and internal management of securities of around DKK 14 billion.

www.lundbeckfonden.com

LUNDBECKFONDEN
Better lives through new knowledge

Corporate Social Responsibility

ALK's Statutory Report on Corporate Social Responsibility (CSR) for the financial year 2018, pursuant to sections 99a and 99b of the Danish Financial Statements Act, is available at www.alk.net

The report provides a detailed account of the basis for CSR at ALK, namely the CSR policy and the Code of Conduct. In 2018, ALK's CSR policy was updated, integrating the company's efforts and ambitions relating to the UN Sustainable Development Goals (SDGs):

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

In 2018, ALK set new biannual goals and continues to support the abovementioned SDGs as an integrated part of the business and purpose of ALK.

In addition, a risk analysis of ALK's activities has been repeated for the countries in which ALK operates, in relation to the environment and climate, anti-corruption, and human and labour rights, aiming to ensure that ALK conducts business in a sustainable manner for the benefit of people and the planet and creating prosperity in return.

ALK's Code of Conduct describes the ethical requirements for all employees' behaviour in relation to customers, employees, shareholders, society, suppliers and partners. The Code of Conduct supports and integrates the UN Global Compact's 10 principles in the areas of human and labour rights, the environment and anti-corruption. Based on the Code of Conduct, and anchored in ALK's Cultural Beliefs, the CSR policy outlines current priorities and focus areas. The policy is implemented via various policies and procedures, including Human Resources (HR) policies, Environment, Health and Safety (EHS) action plans, quality procedures and similar measures.

“Building a sustainable company for the future can only be achieved by taking action on global challenges.

Carsten Hellmann, President & CEO

©Matheus Ferrero

Remuneration report

Remuneration report

The purpose of ALK's remuneration guidelines are to:

- attract, motivate and retain qualified members of the Board of Directors and the Board of Management
- align the remuneration components with the interests of shareholders
- ensure that the individual members of executive management be rewarded to reflect the company performance and individual results as described in the guidelines for incentive pay

The remuneration guidelines and the guidelines for incentive pay can be found here: https://ir.alk.net/corporate-governance

Remuneration for the Board of Directors

Base fee 2018

The directors' base fee was unchanged in 2018 at DKK 275,000. At the annual general meeting in March 2019, the Board of Directors will propose that the remuneration be unchanged for 2019.

Remuneration structure

The members of the Board of Directors are not offered any share options, performance shares or other incentives, and only travel costs are reimbursed. Employee-elected members of the Board of Directors may take

Board of Directors

	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Steen Riisgaard, Chairman	Member	Chairman	Member	Chairman
Lene Skole*, Vice Chairman	Member		Member	Member
Katja Barnkob				
Lars Holmqvist*		Member		
Andreas Slyngborg Holst				
Jacob Kastrup				
Gonzalo De Miquel		Member	Chairman	
Jakob Riis*	Chairman			

Ownership interest in ALK

	Holding as at 31 December 2018	Changes during the year
Steen Riisgaard	1,000	-
Lene Skole*	1,150	-
Katja Barnkob	24	-
Lars Holmqvist*	0	-
Andreas Slyngborg Holst	0	-100
Jacob Kastrup	18	+10
Gonzalo de Miquel	0	-
Jakob Riis*	550	-
Total	**2,742**	**-90**

Remuneration for the Board of Directors

DKKt	Annual fee	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Comittee	2018	2017	2016
Steen Riisgaard	825	100	150	-	-	1,075	975	975
Lene Skole*	550	100		-	-	650	650	650
Katja Barnkob	275					275	275	275
Lars Holmqvist*	275		100			375	375	375
Andreas Slyngborg Holst	275					275	275	275
Jacob Kastrup	275					275	275	275
Gonzalo De Miquel (joined March 2018)	275		100	150		525		
Anders Gersel Pedersen (resigned March 2018)	-					-	525	525
Jakob Riis*	275	150				425	425	425
Per Valstorp (resigned March 2018)	-					-	375	375
Total	**3,025**	**350**	**350**	**150**	**-**	**3,875**	**4,150**	**4,150**

Remuneration multiple 2018, Board of Directors and committees

	Board of Directors	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Chairman	3.0	0.55	0.55	0.55	0.0
Vice Chairman	2.0	n/a	n/a	n/a	n/a
Member	1.0	0.36	0.36	n/a	0.0

* These board members are not regarded as independent in the sense of the definition contained in the Danish recommendations on Corporate Governance due to being affiliated with the Lundbeck Foundation, which owns 40.3% of ALK

part in the general incentive programmes for employees at ALK.

The Vice Chairman receives double the base fee and the Chairman gets three times the base fee. In addition, members of the Remuneration Committee, the Audit Committee and the Scientific Committee each receive a fee of DKK 100,000, with the Chairman of each committee receiving DKK 150,000.

Remuneration for Board of Management
The compensation for the CEO in 2018 totalled DKK 11.3 million, representing a decrease of 26% compared to 2017. The base salary stayed at DKK 6.25 million (55% of total compensation) and the STI cash bonus of DKK 4.0 million was 85% of maximum bonus. The bonus payout reflects a performance that exceeded the group financial targets as well as strong performance in the global sales of SLIT-tablets.

The compensation for the EVP for R&D totalled DKK 4.8 million in 2018. This represents a decrease of 18% compared to 2017. The base salary remained at DKK 2.8 million (58% of total compensation) and the STI cash bonus was DKK 1.0 million which constitutes 73% of maximum bonus. The bonus payout reflects a year with performance above expectations for the group financial goals as well as progress in completing the tablet portfolio.

The EVP for Operations received a total compensation of DKK 5.1 million in 2018 representing a decrease of 11% compared to 2017. The base salary increased by 13% to DKK 2.9 million (56% of total compensation in 2018) to reflect the additional responsibility for Product Supply from December 2017. The STI cash bonus was DKK 1.3 million which constitutes 90% of maximum bonus. The bonus payout reflects a performance exceeding expectations on the group

Remuneration structure and remuneration for Board of Management

	CEO		EVP, R&D			EVP, Operations			CFO			
Element	**2018**	2017	**2018**	2017	2016	**2018**	2017	2016	**2018**	Objective	Remuneration level	Performance measure
Fixed salary	**6,250**	6,250	**2,798**	2,798	2,798	**2,881**	2,551	2,506	**2,300**	Attract and retain qualified executives	On par with market compared to the level in similar listed Danish companies with global reach	n/a
Short-term incentive (cash bonus)	**3,984**	4,688	**1,026**	1,166	1,166	**1,296**	1,260	1,253	**1,035**	Ensure a clear link between value creation and payment	For the CEO, target is 70% and maximum is 75%. For the EVPs, target is 25% and maxumum is 50% of the base salary	The financial targets act as qualifiers for bonus payout. The remaining targets concern the four strategic pillars. 70% of the bonus relates to the group performance and 30% to the individual performance
Sign-on bonus (cash)	**-**	1,500	**-**	-	-	**-**	-	-	**686**			
Long-term incentive (equity-based) valued at the time of vesting in the respective year	**814**	2,530	**425**	1,349	4,078	**425**	1,349	3,189	**n/a**	Reward long-term value creation and align with shareholders' interest	Target is 35-50% of the annual base salary at the date of grant. At vesting, the programme will be paid out at 0-200% depending on the fulfilment of the goals in the programme	The goals relate to revenue and success in the strategic priorities
Pension incl. social security	**2**	2	**422**	422	422	**380**	380	378	**347**	n/a	The EVPs have a company paid pension scheme of 15%	n/a
Other benefits	**243**	243	**141**	106	117	**142**	219	121	**288**			
Total (DKKt)	**11,293**	**15,212**	**4,812**	**5,841**	**8,581**	**5,124**	**5,759**	**7,447**	**4,656**			
Severance pay if terminated by ALK	30 months pay consisting of base salary during the termination period (six months) and severance pay (24 months)		18 months pay consisting of base salary during the termination period (six months) and severance pay (12 months)			18 months pay consisting of base salary during the termination period (six months) and severance pay (12 months)			13 months pay consisting of base salary during the termination period (six months) and severance pay (seven months).The severance pay will increase by one month per year of hire until reaching a total of 12 months in 2023			

financial targets as well as a strong performance in the global SLIT-tablet sales.

The compensation for the CFO totalled DKK 4.7 million in 2018 which was his first year in ALK. The base salary amounted to DKK 2.3 million (49% of total compensation) and the STI cash bonus was DKK 1.0 million which constitutes 90% of maximum bonus. The bonus payout reflects performance above expectations on the group financial goals and progress in optimisation programmes.

The remuneration under the share-based incentive programmes consists of the value of programmes on the day they vested in 2018. The LTIP from 2015 consisting of conditional shares and share options vested on 1 March 2018, and the CEO sign-on programme vested on 1 January 2018.

Remuneration structure

The remuneration of the Board of Management is a combination of fixed and performance-based pay. In addition to a fixed salary, pension and other standard, non-monetary benefits, the members of Board of Management take part in short- and long-term incentive plans.

Short-term incentive plan (STIP)

The short-term incentive plan is an annual cash bonus linked to the achievement of pre-defined financial and non-financial targets. The CEO may receive an annual bonus of up to a maximum of 75% of the annual base salary and the Executive Vice Presidents may receive an annual bonus of up to a maximum of 50% of the annual base salary.

The targets are set and evaluated annually by the Board of Directors, and the financial goals act as a bonus qualifier with a predefined threshold for the achievement of each financial target. In 2018, the weighting of the financial goals was 30% and the combined weighting of targets for the four strategic pillars was 70%. All goals were set collectively for the CEO and the EVPs.

Long-term incentive plan (LTIP)

The long-term incentive plan is an equity-based plan linked to the creation of shareholder value and to the fulfilment of the strategic goals. The Board of Directors decides on a year-to-year basis whether a plan should be established. The value of the plan must be in the range of 30-50% of the annual base salary for the member of Board of Management at the time of grant.

The total value at the date of grant is split equally between share options and performance shares. Both plans are subject to the fulfilment of economic indicators over a three-year period, with a threshold below which there will be no payout, and with the opportunity to perform above target. Where performance is above target, a multiplier is applied that can increase the payout by up to 100%.

If a member of the Board of Management leaves ALK as a result of their own resignation or severe misconduct, all rights to the LTIPs are cancelled.

Special incentive plan – equity-based one-time scheme

In 2018, a special incentive plan was established for the Board of Management designed to reward the implementation of ALK's growth strategy. The total value of the plan was 50% of each executive's annual base salary at the time of allocation/grant, and it was split equally among share options and performance shares.

The special incentive plan is conditional upon economic indicators being attained over a three-year period, with a threshold value below which the plan will not pay out. If the results exceed the threshold, a defined multiplier may increase the grant/allocation in ALK's special incentive plan by up to 300%. However, the overall payout on the exercise date for share options or performance shares can never exceed a total value of 300% of the recipient's annual base salary on the date of grant of the share options and allocation of the performance shares.

Share options may be exercised during the two years after they have vested. If they are not exercised within the two years, they will expire.

The performance shares will be allocated to each member of Board of Management after three years if the pre-defined criteria have been met.

If a member of the Board of Management leaves ALK as a result of their own resignation or severe misconduct, all rights to the LTIPs are cancelled.

Board of Management's ownership interests in ALK as at 31 December 2018

	Shares 31.12.2018	Net changes during the year*	Share options 31.12.2018	Net changes during the year*	Conditional shares 31.12.2018	Net changes during the year*	Performance shares 31.12.2018	Net changes during the year*
Carsten Hellmann	2,040	+1,140	52,590	+17,942	-	-1,140	4,592	+3,607
Henrik Jacobi	2,133	+595	20,436	+8,863	466	-595	2,330	+1,781
Søren Jelert	-	-	6,525	+6,525	-	-	1,311	+1,311
Søren Niegel	2,013	95	24,469	+990	466	-595	2,136	+1,606
Total	**6,186**	**+1,830**	**104,020**	**+34,320**	**932**	**-2,330**	**10,369**	**+8,305**

*The figures indicate the net movement in the course of the year, i.e., shares bought and sold and conditional shares delivered, options granted less exercised and expired options, conditional shares granted less conditional shares delivered/cancelled, as well as performance shares granted

Board of Directors and Board of Management

Board of Directors

Back row from left to right:
Katja Barnkob, Jakob Kastrup, Lars Holmqvist, Gonzalo De Miquel, Steen Riisgaard and Lene Skole

Front row from left to right:
Andreas Slyngborg Holst and Jakob Riis

Board of Directors and Board of Management

Board of Directors – continued

Steen Riisgaard (1951, male)

Professional board member

Chairman
Board member since 2011**

Chairman of the Nomination Committee
Chairman of the Remuneration Committee
Member of the Audit Committee

Competences
Management and board work as well as experience in research & development and sales & marketing in international companies.

Directorships
COWI Holding A/S, Chairman
Xellia Pharmaceutical A/S, Chairman
Novo A/S, Vice Chairman
The Villum Foundation, Vice Chairman
The Novo Nordisk Foundation
VKR Holding A/S
Aarhus University
Corbion N.V., the Netherlands

Lene Skole* (1959, female)

The Lundbeck Foundation, CEO and directorships at two subsidiaries

Vice Chairman
Board member since 2014**

Member of the Audit Committee
Member of the Nomination Committee

Competences
Experience in management, financial and economic expertise, experience in strategy and communication in international companies.

Directorships
Falck A/S, Vice Chairman
H. Lundbeck A/S, Vice Chairman
Ørsted A/S, Vice Chairman
Tryg Forsikring A/S
Tryg A/S

Lars Holmqvist* (1959, male)

Professional board member

Board member since 2015**

Member of the Remuneration Committee

Competences
Experience in management, finance, sales and marketing in international life science companies, including med-tech and pharmaceutical companies.

Directorships
The Lundbeck Foundation
H. Lundbeck A/S
Tecan AG, Switzerland
Vitrolife AB, Sweden
BPL Holdings, UK

Gonzalo De Miquel (1967, male)

Chief Medical Officer and EVP of Development, Vectura Ltd

Board member since 2018**

Chairman of the Scientific Committee
Member of the Remuneration Committee

Competences
Experience in research & development within the pharmaceutical industry, a strong international mindset and significant global drug development experience.

Directorships
Ventaleon Ltd

Jakob Riis* (1966, male)

Falck A/S, President & CEO

Board member since 2013**

Chairman of the Audit Committee

Competences
Experience in management, sales & marketing in the international healthcare industry.

Directorships
Falck Health Care Holding A/S
Copenhagen Institute of Interaction Design, Chairman
Copenhagen Capacity

Katja Barnkob (1969, female)

Senior CMC Project Manager, ALK-Abelló A/S

Board member since 2011

Employee-elected

Competences
Experience in global drug development in the pharmaceutical industry.

Andreas Slyngborg Holst (1953, male)

Director, EU QPPV, Head of QPPV Office, Global Pharmacovigilance, ALK-Abelló A/S

Board member since 2015

Employee-elected

Competences
Experience in sales & marketing and drug safety in the international pharmaceutical industry

Jacob Kastrup (1961, male)

Facility Manager, ALK-Abelló A/S

Board member since 2011

Employee-elected

Competences
Experience in management, operations and buildings maintenance.

* These board members are not regarded as independent in the sense of the definition contained in the Danish recommendations on Corporate Governance due to being affiliated with the Lundbeck Foundation, which owns 40.3% of ALK
** All members elected by the annual general meeting are up for re-election each year

Board of Directors and Board of Management

Board of Management

From left to right:
Søren Jelert, Carsten Hellmann, Henrik Jacobi and Søren Niegel

Carsten Hellmann (1964, male)

President & CEO

Competences
Executive management experience in global health care and biopharmaceutical companies.

Directorships
Coloplast A/S

Henrik Jacobi, MD (1965, male)

Executive Vice President, Research & Development

Competences
Experience in management, innovation, and research & development in the pharmaceutical industry.

Søren Jelert (1972, male)

Executive Vice President & CFO

Competences
Experience in management, financial and economic expertise in the pharmaceutical industry and other sectors.

Søren Niegel (1971, male)

Executive Vice President, Commercial operations

Competences
Experience in management as well as global production and sales & marketing within the pharmaceutical industry.

Financial statements

Statements

45 Statement by Management on the annual report
46 Independent auditor's report

Consolidated financial statements

51 Income statement
51 Statement of comprehensive income
52 Cash flow statement
53 Balance sheet
54 Statement of changes in equity
55 Notes

Parent company financial statements

83 Income statement
84 Balance sheet
85 Statement of changes in equity
86 Notes

Statement by Management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2018.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018 as well as of the results of their operations and cash flows for the financial year 1 January to 31 December 2018.

In our opinion, the management review contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the annual general meeting.

Hørsholm, 7 February 2019

Board of Management

Carsten Hellmann
President & CEO

Henrik Jacobi
Executive Vice President,
Research & Development

Søren Jelert
Executive Vice President
& CFO

Søren Niegel
Executive Vice President,
Commercial operations

Board of Directors

Steen Riisgaard
Chairman

Lene Skole
Vice Chairman

Katja Barnkob

Lars Holmqvist

Andreas Slyngborg Holst

Jacob Kastrup

Gonzalo De Miquel

Jakob Riis

Independent auditor's report

To the shareholders of ALK-Abelló A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of ALK-Abelló A/S for the financial year 1 January to 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2018, and of the results of its operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were first elected auditors for ALK-Abelló A/S before 1995. We have been re-elected annually at the general meeting resolution for a total continuous period of more than 24 years up to and including the 2018 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

At 31 December 2018, inventories of the Group amount to DKK 993 million (31 December 2017: DKK 875 million) comprising raw materials, work in progress and manufactured goods and goods for resale. Inventories are measured at cost determined by applying the FIFO method or net realisable value where this is lower. The net realisable value of the ALK product portfolio is contingent on forecasting of future sales, the ability to successfully commercialise the brand and obtain the required regulatory approvals, and is therefore to a wide extent based on assumptions and judgement made by Management. Consequently, there is a risk that inventories will be impaired if the future cash flows and other assumptions do not meet Management's expectations.

We also refer to notes 2 and 15 in the consolidated financial statements.

How this matter was addressed in the audit

Based on our risk assessment, we have tested the Group's costing setup, including which costs are included as indirect production costs, the allocation of direct and indirect production costs between the Group's products and the process for identifying cost variances. We have also tested the Group's model for eliminating internal unrealised profit in the consolidated financial statements. Finally, we have obtained the Group's inventory valuation model and tested the reasonableness of the key assumptions, in particular future revenue projections, impact of expiry dates and probability of obtaining required regulatory approvals. We have assessed and challenged Management's assumptions and judgement used in the costing setup and inventory valuation model, including:

- Performed tests of detail of raw material prices and costs included as indirect production costs
- Tested Management's process for identifying cost variances and assessed how these are reflected in the determination of the cost of inventory
- Assessed Management's assumptions around, and judgements related to, determining normal production and

allocation of direct and indirect production between products

- Reviewed and tested Management's process and model for elimination of internal unrealised profit in the consolidated financial statements
- Discussed with Management and key employees whether the valuation of inventories is supported by future sales forecasts
- Analysed and challenged Management's estimates with regard to projected sales forecasts
- Obtained supporting documentation for key assumptions, including expiry dates for inventories
- Obtained and evaluated Management's sensitivity analyses to assess the level of sensitivity to possible changes in key assumptions applied by Management.

Measurement of deferred tax asset in Denmark

At 31 December 2018, a deferred tax asset in Denmark related to tax losses carried forward of DKK 331 million has been recognised in the balance sheet (31 December 2017: DKK 255 million). The utilisation of the deferred tax asset is based on Management's expectations that ALK-Abelló A/S and the companies in the Danish joint taxation scheme will generate significant future taxable profits in Denmark within the next five years.

Judgement is therefore required in assessing the most significant accounting estimates, i.e. the probability of realising the significant future taxable profits in Denmark.

We also refer to notes 2, 9 and 14 in the consolidated financial statements.

How the matter was addressed in the audit

Based on our risk assessment, we tested the appropriateness of the Group's model for measurement of deferred tax assets.

We reviewed and challenged the documentation prepared by Management on the deferred tax assets, including Management's best estimate of the probability of realising the significant future taxable profits in Denmark.

We tested the applied assumptions to the budget and forecasts as approved by the Board of Directors of ALK-Abelló A/S as well as to information about expected future taxable profits in Denmark for the companies in the Danish joint taxation scheme for the next five years (2019-2023).

We have involved tax specialists in our review of Management's tax computation to ensure compliance with relevant tax requirements.

We also evaluated the financial statements disclosures related to deferred tax assets.

Statement on the management review

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 7 February 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Sumit Sudan	**Martin Norin Faarborg**
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no mne33716	MNE no mne29395

Contents of the consolidated financial statements

Consolidated financial statements

Income statement	51
Statement of comprehensive income	51
Cash flow statement	52
Balance sheet	53
Statement of changes in equity	54
Notes	55
Definitions	81

Notes

1	Accounting policies	55
2	Significant accounting estimates and judgements	60
3	Revenue and segment information	61
4	Staff costs	62
5	Share-based payments	62
6	Depreciation, amortisation and impairment	65
7	Other operating income	65
8	Financial income and expenses	65
9	Tax on profit/(loss) for the year	66
10	Adjustments for non-cash items	66
11	Acquisition of companies and operations	66
12	Intangible assets	67
13	Property, plant and equipment	68
14	Deferred tax	69
15	Inventories	70
16	Trade receivables	70
17	Share capital and earnings per share	71
18	Pensions and similar liabilities	71
19	Mortgage debt, bank loans and financial loans	73
20	Other provisions	73
21	Changes in working capital	74
22	Contingent liabilities and commitments	74
23	Operating lease liabilities	74
24	Finance lease liabilities	74
25	Financial risks, liquidity risks and the use of derivative financial instruments	75
26	Fees to the ALK Group's auditors	78
27	Related parties	79
28	Events after the reporting period	79
29	Approval of financial statements	79
30	List of companies in the ALK Group	80

Income statement

Amounts in DKKm	Note	2018	2017
Revenue	3	2,915	2,910
Cost of sales	4-6,15	1,282	1,268
Gross profit		**1,633**	**1,642**
Research and development expenses	4-6	392	426
Sales and marketing expenses	4-6	1,137	1,067
Administrative expenses	4-6	227	231
Other operating income	7	27	2
Operating profit/(loss) (EBIT)		**(96)**	**(80)**
Financial income	8	24	17
Financial expenses	8	31	59
Profit/(loss) before tax (EBT)		**(103)**	**(122)**
Tax on profit/(loss)	9	67	36
Net profit/(loss)		**(170)**	**(158)**
Earnings/(loss) per share (EPS)	17		
Earnings/(loss) per share (EPS)		(15.64)	(15.93)
Earnings/(loss) per share (DEPS), diluted		(15.64)	(15.93)

Statement of comprehensive income

Amounts in DKKm	Note	2018	2017
Net profit/(loss)		**(170)**	**(158)**
Items that will subsequently not be reclassified to the income statement:			
Actuarial gains/(losses) on pension plans	18	3	18
Tax related to actuarial gains/(losses) on pension plans		(1)	(6)
		2	**12**
Items that will subsequently be reclassified to the income statement, when specific conditions are met:			
Foreign currency translation adjustment of foreign affiliates		45	(109)
Tax related to other comprehensive income, that will subsequently be reclassified to the income statement		(6)	15
Total		**41**	**(82)**
Total comprehensive income/(loss)		**(129)**	**(240)**

Cash flow statement

Amounts in DKKm	Note	2018	2017
Net profit / (loss)		**(170)**	**(158)**
Adjustments			
Adjustments for non-cash items	10	320	412
Changes in working capital	21	(74)	(282)
Net financial items, paid		(17)	(10)
Income taxes, paid		(154)	(349)
Cash flow from operating activities		**(95)**	**(387)**
Acquisitions of companies and operations	11	(21)	(94)
Additions, intangible assets	12	(52)	(27)
Additions, tangible assets	13	(126)	(240)
Sale of non-current assets		-	3
Cash flow from investing activities		**(199)**	**(358)**
Free cash flow		**(294)**	**(745)**
Dividend paid to shareholders of the parent		-	(49)
Sale of treasury shares		8	3
Exercise of share options	5	(18)	(5)
Repayment of borrowings		(18)	(17)
Emission of shares		-	688
Cash flow from financing activities		**(28)**	**620**
Net cash flow		**(322)**	**(125)**
Cash beginning of year		162	292
Marketable securities beginning of year		549	548
Cash and marketable securities beginning of year		**711**	**840**
Unrealised gain / (loss) on cash held in foreign currency and financial assets carried as cash and marketable securities		7	(4)
Net cash flow		(322)	(125)
Cash year end		296	162
Marketable securities year end		100	549
Cash and marketable securities year end		**396**	**711**

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

Amounts in DKKm	Note	31 Dec. 2018	31 Dec. 2017
Assets			
Non-current assets			
Intangible assets			
Goodwill	12	465	461
Other intangible assets	12	260	291
		725	**752**
Tangible assets			
Land and buildings	13	878	750
Plant and machinery	13	382	378
Other fixtures and equipment	13	52	53
Property, plant and equipment in progress	13	272	397
		1,584	**1,578**
Other non-current assets			
Securities and receivables		9	7
Deferred tax assets	14	548	466
		557	**473**
Total non-current assets		**2,866**	**2,803**
Current assets			
Inventories	15	993	875
Trade receivables	16	328	326
Receivables from affiliates	27	28	25
Income tax receivables		58	65
Other receivables		113	73
Prepayments		83	80
Marketable securities		100	549
Cash		296	162
Total current assets		**1,999**	**2,155**
Total assets		**4,865**	**4,958**

Amounts in DKKm	Note	31 Dec. 2018	31 Dec. 2017
Equity and liabilities			
Equity			
Share capital	17	111	111
Currency translation adjustment		(42)	(87)
Retained earnings		3,110	3,266
Total equity		**3,179**	**3,290**
Liabilities			
Non-current liabilities			
Mortgage debt	19	276	293
Bank loans and financial loans	19	449	448
Pensions and similar liabilities	18	227	220
Other provisions	20	2	20
Deferred tax liabilities	14	6	21
		960	**1,002**
Current liabilities			
Mortgage debt	19	17	17
Trade payables		135	121
Income taxes		9	6
Other provisions	20	26	39
Other payables		539	483
		726	**666**
Total liabilities		**1,686**	**1,668**
Total equity and liabilities		**4,865**	**4,958**

Statement of changes in equity

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
2018				
Equity at 1 January 2018	**111**	**(87)**	**3,266**	**3,290**
Net profit/(loss)	-	-	(170)	(170)
Other comprehensive income/(loss)	-	45	(4)	41
Total comprehensive income/(loss)	**-**	**45**	**(174)**	**(129)**
Share-based payments	-	-	20	20
Share options settled	-	-	(18)	(18)
Sale of treasury shares	-	-	8	8
Tax related to items recognised directly in equity	-	-	8	8
Other transactions	**-**	**-**	**18**	**18**
Equity at 31 December 2018	**111**	**(42)**	**3,110**	**3,179**

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
2017				
Equity at 1 January 2017	**101**	**22**	**2,752**	**2,875**
Net profit/(loss)	-	-	(158)	(158)
Other comprehensive income/(loss)	-	(109)	27	(82)
Total comprehensive income/(loss)	**-**	**(109)**	**(131)**	**(240)**
Share-based payments	-	-	21	21
Share options settled	-	-	(5)	(5)
Sale of treasury shares	-	-	3	3
Tax related to items recognised directly in equity	-	-	(3)	(3)
Dividend paid	-	-	(51)	(51)
Dividend on treasury shares	-	-	2	2
Emission of shares (proceeds)	10	-	689	699
Emission of shares (costs)	-	-	(11)	(11)
Other transactions	**10**	**-**	**645**	**655**
Equity at 31 December 2017	**111**	**(87)**	**3,266**	**3,290**

Notes to the consolidated financial statements

1 Accounting policies

General

The consolidated financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with Danish disclosure requirements for listed companies. Additional Danish disclosure requirements for annual reports are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

The consolidated financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the ALK Group's activities and the functional currency of the parent company.

The consolidated financial statements are presented on a historical cost basis, apart from certain financial instruments, which are measured at fair value. Otherwise, the accounting policies are as described below.

New standards effective from 1 January 2018
The ALK Group has implemented all new and amended standards and interpretations (IFRIC) which are effective for the financial year 2018. Apart from the below, such implementation has not had any impact on the ALK Group.

IFRS 15 Revenue
The ALK Group has applied IFRS 15 Revenue from Contracts with Customers from 1 January 2018 using the modified retrospective method. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The ALK Group follows this approach and guidance for its revenue recognition in relation to the nature of the activities of the ALK Group. The application of IFRS 15 has had no impact on the ALK Group's Consolidated Financial Statement and thus no retrospective numbers have been adjusted or disclosed. The ALK Group's revenue streams are described in more details in the accounting policies for income statement. Revenue numbers are disclosed in note 3.

IFRS 9 Financial instruments
The ALK Group has applied IFRS 9 Financial instruments (as revised in July 2014) from 1 January 2018. As allowed in the transition provisions of IFRS 9, the ALK Group has not restated comparatives. The new disclosure requirements in IFRS7 Financial instruments, that relate to IFRS9, were also adopted.

The ALK Group has assessed its existing financial assets and liabilities in terms of the requirements in IFRS 9 based on the facts and circumstances that existed on 1 January 2018. It has been assessed whether a financial asset meets the business model test for amortised cost or fair value. The initial application of IFRS 9 had the following impact on the ALK Group´s financial assets as regards to their classification and measurement:

Marketable securities contain holdings in investment funds which invest in bonds and other similar securities. The marketable securities are, not held for investing reasons, but purely for temporary placement of cash. The business model is "other", which means that the adjustment of fair value is still recognised through profit/loss, also under IFRS 9.

Financial assets and liabilities previously measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9, as the business model is to collect the contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

IFRS 9 requires an expected credit loss model (ECL) in comparison to an incurred credit loss model under IAS 39. The expected credit loss model requires the ALK Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The ALK Group applies the simplified approach for measuring loss allowance for trade receivables. Based on low historical loss on trade receivables, the application of IFRS 9 has resulted in insignificant additional loss allowances.

The changes in IFRS 9 in relation to hedge accounting are not relevant for the ALK Group since hedge accounting was not applied in 2017 and 2018.

New standards effective after 1 January 2019
A number of IFRS standards, amended standards and IFRIC interpretations, which are effective on or after 1 January 2019, have not been implemented. Based on a preliminary assessment it is estimated that these standards and interpretations will have no material impact on the consolidated financial statements for 2018 and in the coming years apart from the effects of IFRS 16 Leases.

IFRS 16 Leases
IFRS16 Leases is effective for financial years beginning on or after 1 January 2019. Applying IFRS 16 includes management judgements and accounting estimates, including discount rates, lease terms etc.

The ALK Group has considered the new standard and have assessed the impact on the ALK Group. The most material estimate for ALK relates to the lease of land and buildings in Denmark where the length of lease has been adjusted compared to previous assumptions.

The recent assessment of the ALK Group shows, based on present leasing agreements, that the new requirements will lead to recognition of right of use assets of approx. DKK 210-230 million as well as a positive effect on the income statement of approx. DKK 9 million on EBIT and approx. DKK 40 million on EBITDA.

The consolidated financial statements
The consolidated financial statements comprise the financial statements of ALK-Abelló A/S (the parent company) and companies (subsidiaries) controlled by the parent company. The parent company is considered to control a subsidiary when it holds, directly or indirectly, more than 50% of the voting rights, or is otherwise able to exercise or actually exercises a controlling influence.

Basis of consolidation
The consolidated financial statements are prepared based on the financial statements of ALK-Abelló A/S and its subsidiaries. The consolidated financial statements are prepared as a consolidation of items of a uniform nature. The financial statements used for consolidation are prepared in accordance with the ALK Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group balances and dividends, and gains and losses arising on intra-group transactions are eliminated.

Business combinations
Newly acquired or newly established companies or operations are recognised in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the ALK Group. Companies sold or discontinued are recognised in the consolidated income statement up to the date of disposal. The date of disposal

Notes to the consolidated financial statements

1 Accounting policies – continued

is the date when control of the company actually passes to a third party.

Acquisitions are accounted for using the purchase method, according to which the identifiable assets, liabilities and contingent liabilities of companies acquired are measured at fair value at the date of acquisition. However, non-current assets held for sale are measured at fair value less expected costs to sell.

Restructuring costs are only recognised in the take-over balance sheet if they represent a liability to the acquired company. The tax effect of revaluations is taken into account.

The cost of a company is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events, these are recognised at their fair value as of the acquisition date.

Costs that can be attributed directly to the transfer of ownership are recognised in the income statement when they are incurred. As a general rule, adjustments to estimates of conditional consideration are recognised directly to the income statement.

If the fair value of the acquired assets or liabilities subsequently proves different from the values calculated at the acquisition date, cost is adjusted for up to 12 months after the date of acquisition.

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year.

Gains or losses on disposal of subsidiaries
Gains or losses on disposal of subsidiaries are stated as the difference between the disposal amount and the carrying amount of net assets including goodwill at the date of disposal, accumulated foreign exchange adjustments recognised in other comprehensive income, and anticipated disposal costs. The disposal amount is measured as the fair value of the consideration received.

Foreign currency translation
On initial recognition, transactions denominated in currencies other than DKK are translated at average exchange rates, which are an approximation of the exchange rates at the transaction date. Receivables and debt and other monetary items not settled at the balance sheet date are translated at the closing rate.

Exchange rate differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items. Tangible assets and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than DKK, the income statements are translated at average exchange rates for the respective months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is considered to belong to the acquired company in question and is translated at the exchange rate at the balance sheet date.

Exchange rate differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Foreign exchange rate adjustment of receivables or debt to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are also recognised in other comprehensive income in the consolidated financial statements.

Derivative financial instruments
Derivative financial instruments are measured at fair value on initial recognition. Subsequently, they are measured at fair value at the balance sheet date.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions are recognised in other comprehensive income. When the hedged transactions are realised, cumulative changes are recognised as part of the cost of the transactions in question. Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries are recognised in other comprehensive income to the extent that the hedge is effective. On disposal of the foreign subsidiary in question, the cumulative changes are transferred to the income statement.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised as financial items in the income statement as they occur.

Share-based incentive plans
Share-based incentive plans (equity-settled share-based payments), which comprise share option plans, conditional share plans and performance shares, are measured at the grant date at fair value and recognised in the income statement under the respective functions over the vesting period and offset in equity.

The fair value of share options is determined using the Black & Scholes model.

The ALK Group settles the share-based equity settled incentive plans in shares. However, the share option agreement entitles the ALK Group to demand cash settlement of the options. The ALK Group recognises share options, in case of cash settlement, as other liabilities and adjusts to fair value as from the time when the ALK Group has an obligation to settle in cash. The ALK Group recognises subsequent adjustment to fair value in the income statement under financial income or financial expenses.

Tax
Tax on the profit for the year comprises the year's current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to items recognised in other comprehensive income and directly in equity, respectively, is recognised in other comprehensive income or directly in equity. Exchange rate adjustments of deferred tax are recognised as part of the adjustment of deferred tax for the year.

Current tax payable and receivable is recognised in the balance sheet as the expected tax on the taxable income for the year, adjusted for tax paid on account.

Notes to the consolidated financial statements

1 Accounting policies – continued

The current tax charge for the year is calculated based on the tax rates and rules enacted at the balance sheet date.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income. Deferred tax is calculated based on the planned use of each asset and settlement of each liability, respectively. Deferred tax is measured using the tax rates and tax rules that, based on legislation enacted or in reality enacted at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, in other comprehensive income or in equity, depending on where the deferred tax was originally recognised. Deferred tax related to equity transactions is recognised in equity.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net assets to be offset against future positive taxable income. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

The parent company is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and its Danish subsidiaries. The tax charge for the year is allocated among the jointly taxed companies in proportion to the taxable incomes of individual companies, taking into account taxes paid.

Income statement

Revenue

The ALK Group has revenue from sale of own-manufactured goods and goods for resale. Revenue is recognised in the income statement when delivery and transfer of control of a product to the customer have taken place. Revenue is recognised by the ALK Group at a point in time.

Revenue is measured as the fair value of the consideration received or receivable.

Revenue is measured exclusive of VAT, taxes etc. charged on behalf of third parties and less any commissions and discounts in connection with sales.

Furthermore, revenue includes licence income and royalties from outlicensed products as well as up-front payments, milestone payments and services in connection with partnerships. These revenues are recognised in accordance with the agreements and when it is probable that future economic benefits will flow to the ALK Group and these benefits can be measured reliably. Non-refundable payments that are not attributable to subsequent research and development activities are recognised when the related right is obtained, whereas payments attributable to subsequent research and development activities are recognised over the term of the activities. When combined contracts are entered into, the elements of the contracts are identified and assessed separately for accounting purposes.

Cost of sales

The item comprises cost of sales and production costs incurred in generating the revenue for the year. Costs for raw materials, consumables, goods for resale, production staff and a proportion of production overheads, including maintenance and depreciation, amortisation and impairment of tangible assets and intangible assets used in production as well as operation, administration and management of factories are recognised in cost of sales and production costs. In addition, the costs and write-down to net realisable value of obsolete and slow-moving goods are recognised.

Research and development expenses

The item comprises research and development expenses, including expenses incurred for wages and salaries, amortisation, impairment of capitalised development projects in progress, and other overheads as well as costs relating to research partnerships. Research expenses are recognised in the income statement when incurred. Due to the long development periods and significant uncertainties in relation to the development of new products, including risks regarding clinical trials and regulatory approvals, it is the assessment that most of the ALK Group's development expenses do not meet the capitalisation criteria in IAS 38, Intangible Assets. Consequently, development expenses are generally recognised in the income statement when incurred. Development expenses relating to individual minor development projects running for short-term periods and subject to limited risk are capitalised under other intangible assets.

Sales and marketing expenses

The item comprises selling and marketing expenses, including salaries and expenses relating to sales staff, advertising and exhibitions, depreciation, amortisation and impairment losses on tangible assets and intangible assets used in the sales and marketing process as well as other indirect costs.

Administrative expenses

The item comprises expenses incurred for management and administration, including expenses for administrative staff and management, office expenses and depreciation, amortisation and impairment losses on tangible assets and intangible assets used in administration.

Other operating income and other operating expenses

Other operating income and other operating expenses comprise income and expenses of a secondary nature relative to the principal activities of the ALK Group.

Financial items

Financial items comprise interest receivable and interest payable, the interest element of finance lease payments, realised and unrealised gains and losses on securities, cash and marketable securities, liabilities and foreign currency transactions, mortgage amortisation premium/allowance etc. and supplements/provisions under the on-account tax scheme.

Interest income and expenses are accrued based on the principal and the effective rate of interest. The effective rate of interest is the discount rate to be used on discounting expected future payments in relation to the financial asset or the financial liability so that their present value corresponds to the carrying amount of the asset or liability, respectively.

Notes to the consolidated financial statements

1 Accounting policies – continued

Balance sheet

Goodwill
On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under 'Business combinations'.

On recognition of goodwill, the goodwill amount is allocated to those of the ALK Group's activities that generate separate cash flows (cash-generating units). The determination of cash-generating units is based on the ALK Group's management structure and internal financial management and reporting.

Goodwill is not amortised, but is tested for impairment at least once a year, as described below.

Intangible assets
Acquired intellectual property rights in the form of patents, brands, licenses, software, customer base and similar rights are measured at cost less accumulated amortisation and impairment.

Interest expenses on loans to finance the development of intangible assets are included in cost if they relate to the production period. Other borrowing costs are charged to the income statement.

The cost of software includes costs of instalment and direct salaries.

Such acquired intellectual property rights are amortised on a straight-line basis over the contract period, not exceeding 10 years. If the actual useful life is shorter than either the remaining life or the contract period, the asset is amortised over this shorter useful life. Acquired intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Individual minor development projects running for short-term periods which fulfil the requirement in IFRS are capitalised under other intangible assets as described under 'Research and development expenses' and are measured at cost less accumulated amortisation and impairment.

Intangible assets with indeterminable useful lives are not amortised, but are tested for impairment at least once a year. To the extent that the carrying amount of the assets exceeds the recoverable amount, the assets are written down to this lower amount, as described below.

Tangible assets
Land and buildings, plant and machinery and other fixtures and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition and any preparation costs incurred until the date when the asset is available for use.

The cost of assets held under finance leases is determined as the lower of the fair value of the assets and the present value of future minimum lease payments.

Interest expenses on loans to finance the manufacture of tangible assets are included in cost if they relate to the production period. Other borrowing costs are taken to the income statement.

The depreciation base is cost less the estimated residual value at the end of the useful life. The residual value, estimated at the acquisition date and reassessed annually, is determined as the amount the company expects to obtain for the asset less costs of disposal.

The cost of an asset is divided into smaller components that are depreciated separately if such components have different useful lives.

Assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	25-50 years
Plant and machinery	5-10 years
Other fixtures and equipment	5-10 years

Depreciation methods, useful lives and residual values are reassessed once a year. Tangible assets are written down to the recoverable amount, if lower, as described below.

Impairment of tangible assets and intangible assets
The carrying amounts of tangible assets and intangible assets with determinable useful lives are reviewed at the balance sheet date to determine whether there are any indications of impairment. If such indications are found, the recoverable amount of the asset is calculated to determine any need for an impairment write-down and, if so, the amount of the write-down. For intangible assets with indeterminable useful lives and goodwill, the recoverable amount is calculated annually, regardless of whether any indications of impairment have been found.

If the asset does not generate any cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit that includes the asset.

The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively. In determining the value in use, the estimated future cash flows are discounted to their present value, using a discount rate reflecting current market assessments of the time value of money as well as risks that are specific to the asset or the cash-generating unit and which have not been taken into account in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, the write-down is allocated in such a way that goodwill amounts are written down first, and any remaining need for write-down is allocated to other assets in the unit, although no individual assets are written down to a value lower than their fair value less costs to sell.

Impairment write-downs are recognised in the income statement. If write-downs are subsequently reversed as a result of changes in the assumptions on which the calculation of the recoverable amount is based, the carrying amount of the asset or the cash-generating unit is increased to the adjusted recoverable amount, not, however, exceeding the carrying amount that the asset or cash-generating unit would have had, had the write-down not been made. Impairment of goodwill is not reversed.

Other financial assets
On initial recognition, marketable securities are measured at cost, corresponding to fair value. They are subsequently measured at fair value at the balance sheet date, and changes to the fair value are recognised under net financials in the income statement.

On initial recognition, investments and other financial assets are measured at cost, corresponding to fair value. They are subsequently measured at cost or amortised cost at the balance sheet date.

Notes to the consolidated financial statements

1 Accounting policies – continued

Inventories
Inventories are measured at cost determined under the FIFO method or net realisable value where this is lower.

Cost comprises raw materials, goods for resale, and direct payroll costs as well as fixed and variable production overheads. Variable production overheads comprise indirect materials and payroll costs and are allocated based on predetermined costs of the goods actually produced. Fixed production overheads comprise maintenance of and depreciation on the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory management and administration. Fixed production overheads are allocated based on the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

Receivables
On initial recognition, receivables are measured at fair value, subsequently at amortised cost.

Expected credit losses are measured based on historical data adjusted by forward-looking information. Forward-looking information includes assessment of the probability of default as well as consideration of various external sources of actual and economic information that is reasonable and supportable without undue cost or effort.

An impairment gain or loss is recognised in the income statement.

Receivables are written down when information indicates severe financial difficulties and that there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities. Any recoveries made are recognised in the income statement.

Prepayments
Prepayments are recognised as an asset and comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend
Dividend is recognised as a liability when adopted by the shareholders at the annual general meeting.

Treasury shares
Acquisition and sales sums arising on the purchase and sale of treasury shares and dividends on treasury shares are recognised directly in retained earnings under equity.

Pensions and similar liabilities
The ALK Group has entered into pension agreements and similar agreements with some of the ALK Group's employees.

In respect of defined contribution plans, the ALK Group pays in fixed contributions to independent pension funds etc. The contributions are recognised in the income statement during the period in which the employee renders the related service. Payments due are recognised as a liability in the balance sheet.

In respect of defined benefit plans, the ALK Group is required to pay an agreed benefit in connection with the retirement of the employees covered by the plan, e.g. in the form of a fixed amount or a percentage of the salary at retirement.

For defined benefit plans, an annual actuarial assessment is made of the net present value of future benefits to which the employees have earned the right through their past service for the ALK Group and which will have to be paid under the plan. The Projected Unit Credit Method is applied to determine net present value.

The net present value is calculated based on assumptions of the future development of salary, interest, inflation, mortality and disability rates.

The net present value of pension liabilities is recognised in the balance sheet, after deduction of the fair value of any assets attached to the plan, as either plan assets or pension liabilities, depending on whether the net amount is an asset or a liability, as described below.

If the assumptions made with respect to discount factor, inflation, mortality and disability are changed, or if there is a discrepancy between the expected and realised return on plan assets, actuarial gains or losses occur. These gains and losses concerning previous financial years are recognised in other comprehensive income.

Provisions
Provisions are recognised when, as a consequence of a past event during the financial year or previous years, the ALK Group has a legal or constructive obligation, and it is likely that settlement of the obligation will require an outflow of the company's financial resources.

Provisions are measured as the best estimate of the costs required to settle the obligations at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at present value.

Mortgage debt
Mortgage debt is recognised on the raising of a loan at cost, equalling fair value of the proceeds received, and net of transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost.

Lease liabilities
Lease liabilities regarding assets held under finance leases are recognised in the balance sheet as liabilities and measured at the inception of the lease at the lower of the fair value of the leased asset and the present value of future lease payments.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement over the term of the lease as a finance charge.

Lease payments regarding operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Other financial liabilities
Other financial liabilities, including bank and financial loans, trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Deferred income
Deferred income comprises income received relating to subsequent financial years. Deferred income is measured at cost.

Other accounting information

Cash flow statement
The cash flow statement of the ALK Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and marketable securities at the beginning and at the end of the financial year.

Notes to the consolidated financial statements

1 Accounting policies – continued

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognised from the date of acquisition, while cash flows concerning divested companies are recognised until the date of divestment.

Cash flows from operating activities are stated as net profit, adjusted for non-cash operating items and changes in working capital, less the income tax paid and plus net financial items.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of companies and financial assets as well as purchase, development, improvement and sale of intangible and tangible assets.

Cash flows from financing activities comprise changes to the parent company's share capital and related costs as well as the raising and repayment of loans, instalments on interest-bearing debt, purchase of treasury shares, and settlement of share options and payment of dividends.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average exchange rates for the individual months if these are a reasonable approximation of the actual exchange rates at the transaction dates. If this is not the case, the actual exchange rates for the specific days in questions are used.

Cash and marketable securities comprise cash and short-term securities subject to an insignificant risk of changes in value less any overdraft facilities that are an integral part of the ALK Group's cash management.

Segment reporting

Based on the internal reporting used by the Board of Management to assess the results of operations and allocation of resources, the ALK Group has identified one operating segment 'Allergy treatment', which is in accordance with the way the activities are organised and managed. In addition, the disclosures in the financial statements include a breakdown of revenue by product line and a geographical breakdown of revenue and non-current assets.

Definitions and ratios

The key ratios have been calculated in accordance with generally accepted financial ratios applied by financial analysts. Definitions are shown on page 81.

2 Significant accounting estimates and judgements

In the preparation of the consolidated financial statements according to IFRS, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgements made on the basis of the most recent information available at the reporting date.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events. Similarly, the value of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to set out e.g. a course of events that reflects Management's assessment of the most probable course of events. In the consolidated financial statements for 2018, Management considers the following estimates and related judgements material to the assets and liabilities recognised in the consolidated financial statements.

Recoverable amount of goodwill

The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating unit to which the goodwill amounts have been allocated. The determination of the value in use requires estimates of the expected future cash flow of the cash-generating unit and a reasonable discount rate. At 31 December 2018, the carrying amount of goodwill is DKK 465 million (2017: DKK 461 million).

Inventories

The valuation of inventories includes Management's assessment of the saleability of the finished goods, and the quality of raw materials to be used in production process.

If the expected sales price less any completion costs and costs to execute sales (net realizable value) of inventories is lower than the carrying amount, the inventories are written down to net realizable value.

Further, Work in progress and Manufactured goods and goods for resale are measured at cost including indirect production costs. The indirect production costs are assessed on an ongoing basis to ensure reliable measurement of employee costs, capacity utilization, cost drivers and other relevant factors. Changes in these parameters may have an impact on the gross margin and the overall valuation of Work in progress and Manufactured goods and goods for resale. In 2018, ALK has updated and refined models and estimates used in inventory valuation. The indirect production costs capitalized under inventories amounted to DKK 355 million at the end of 2018 (2017: DKK 369 million).

At 31 December 2018, the carrying amount of inventories is DKK 993 million (31 December 2017: DKK 875 million).

Tax

Management is required to make an estimate in the recognition of deferred tax assets and liabilities. The ALK Group recognises deferred tax assets including the tax value of tax losses if it is probable that it can be utilized against future taxable income within a foreseeable future (5 years). This includes an assessment of the possibilities to utilize tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and based on forecasts with positive results for the coming years in relation to the joint taxation. At 31 December 2018, the value of the total deferred tax asset is DKK 542 million (2017: DKK 445 million). It includes a deferred tax asset in Denmark related to tax losses carried forward of DKK 331 million (2017: DKK 255 million).

Notes to the consolidated financial statements

3 Revenue and segment information

Based on the internal reporting which Management uses to assess profit and allocation of resources, the ALK Group has identified one operating segment "Allergy treatment" which is in compliance with the organisation and management of the activities. Even though revenue within the operating segment "Allergy treatment" can be divided by product lines and markets, the main part of the activities within production, research and development, sales and marketing and administration are shared by the ALK Group as a whole.

	Europe		North America		International markets		Total	
Amounts in DKKm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
SCIT/SLIT-drops	1,464	1,627	270	246	43	44	1,777	1,917
SLIT-tablets	558	430	59	72	54	26	671	528
Other products and services	198	163	254	288	15	14	467	465
Total revenue	**2,220**	**2,220**	**583**	**606**	**112**	**84**	**2,915**	**2,910**
Sale of goods							2,895	2,899
Royalties							11	4
Services							9	7
Total revenue							**2,915**	**2,910**

Of total revenue, DKK 70 million (2017: DKK 57 million) is derived from Denmark.

The ALK Group's non-current tangible and intangible assets are distributed among the following geographical markets:

	Europe		North America		International markets		Total	
Amounts in DKKm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Non-current tangible and intangible assets	**1,564**	**1,601**	**740**	**722**	**5**	**7**	**2,309**	**2,330**

Of total non-current tangible and intangible assets, DKK 1,209 million are assets in Denmark (2017: DKK 1,250 million). The geographical information on assets is based on asset location.

Notes to the consolidated financial statements

4 Staff costs

Amounts in DKKm	2018	2017
Wages and salaries	1,218	1,211
Pensions, cf. note 18	103	96
Other social security costs, etc.	175	171
Share-based payments, cf. note 5	20	21
Total	**1,516**	**1,499**
Staff costs are allocated as follows:		
Cost of sales	587	566
Research and development expenses	207	228
Sales and marketing expenses	509	485
Administrative expenses	182	176
Included in the cost of assets	31	44
Total	**1,516**	**1,499**
Remuneration to Board of Management:*		
Salaries	15	18
Cash bonuses	8	9
Pensions	1	2
Termination benefits	-	2
Expensed costs regarding share-based payments, cf. note 5	6	10
Total	**30**	**41**
Remuneration to Board of Directors:**		
Remuneration to Board of Directors	4	4
Employees		
Average number (FTE)	2,341	2,213
Number year end (FTE)	2,379	2,302

* In 2017, total remuneration to the Board of Management included a sign on fee for the new CEO, which was approved at the Annual General Meeting on 15 March 2017. The sign on fee had a total value of DKK 10.8 million and comprised a cash bonus of DKK 1.5 million and share based payments with a value of DKK 9.3 million.

** The total remuneration to the Board of Directors includes remuneration for participation in the Audit Committee DKK 350,000 (2017: DKK 350,000), the Remuneration Committee DKK 350,000 (2017: DKK 350,000) and the Scientific Committee DKK 150,000 (2017: DKK 150,000).

5 Share-based payments

Amounts in DKKm	2018	2017
Cost of share-based payments	20	21
Total	**20**	**21**
Cost for the year regarding share-based payments is recognised as follows:		
Cost of sales	2	4
Research and development expenses	4	3
Sales and marketing expenses	6	3
Administrative expenses	6	11
Financial expenses	2	-
Total	**20**	**21**

In 2018 the total cost of share-based payments included a financial expense of DKK 2 million due to the exercise and cash settlement of share options plans (2017: DKK 0). An adjustment of DKK 0 related to the number of conditional shares expected to vest is included in the cost of share based payments (2017: DKK 1 million).

ALK's special incentive plan is a one-time scheme designed to implement ALK's growth strategy and consists of both share options and performance shares. The value of the plan may not exceed 50% of the Executive's 2018 annual base salary on the grant/allocation date. The special incentive plan is conditional upon strategic key performance indicators being attained, with a threshold value below which the plan will not pay out. If the result exceeds the threshold, a defined multiplier may increase the grant/allocation in ALK's special incentive plan by up to 300%. However, the overall payout of the plan on the vesting date for the performance shares and on the exercise date for the share options can never exceed a total value of 300% of the recipient's 2018 annual base salary. The special incentive plan was adopted at the annual general meeting on 12 March 2018.

Share option programme

The ALK Group has established share option plans for the Board of Management and a number of key employees as part of a retention programme. Each share option entitles the holder to acquire one existing B share of DKK 10 nominal value in the company. The exercise of options is conditional upon certain targets being met. The target achievement is met upon the holder of the option not having resigned at the time of exercise.

In the 2017 and 2018 plans, the share option programme is further subject to the fulfilment of strategic key performance indicators with a threshold below which there will be no payout, and with the opportunity to perform above target. In case of performance above target, a multiplier is used that can increase the payout up to 100%. For a limited number of share options (47.806) the payout can be increased by 300%.

The options can be exercised in the trading windows following the release of annual and interim reports. Share options are considered sufficiently covered by treasury shares.

Notes to the consolidated financial statements

5 Share-based payments – continued

Specification of outstanding options:

	Board of Management units	Other key personnel units	Total units	Weighted average exercise price DKK
2018				
Outstanding options at 1 January	69,700	90,585	160,285	797
Additions	41,320	35,159	76,479	793
Exercised	(7,000)	(27,775)	(34,775)	605
Expired	-	(3,000)	(3,000)	379
Cancellations	-	(100)	(100)	776
Outstanding at 31 December	**104,020**	**94,869**	**198,889**	**841**

At 31 December 2018, the total number of vested share options amounted to 82,068 units.

The Board of Directors decided for one trading window in 2018 that share options were to be settled by cash settlement and a total of 18,575 share options were exercised and total cash payments amounted to DKK 7 million. For three trading windows the Board of Directors decided that share options were to be settled by shares and a total of 16,200 options were exercised.

	Board of Management units	Other key personnel units	Total units	Weighted average exercise price DKK
2017				
Outstanding options at 1 January	43,795	102,775	146,570	743
Additions	45,321	10,900	56,221	944
Exercised	-	(17,775)	(17,775)	660
Expired	-	(1,000)	(1,000)	410
Cancellations	(19,416)	(4,315)	(23,731)	938
Outstanding at 31 December	**69,700**	**90,585**	**160,285**	**797**

At 31 December 2017, the total number of vested share options amounted to 65,000 units.

In 2017, two trading windows were settled by cash settlement and a total of 12,575 share options were exercised and total cash payments amounted to DKK 5 million. For one trading window share options were settled by shares and a total of 5,200 options were exercised.

5 Share-based payments – continued

Outstanding options have the following characteristics:

	Options units	Weighted average exercise price DKK	Vested as per	Exercise period
2012 Plan	3,150	469	1 May 2015	1 May 2015-1 May 2019
2013 Plan	10,925	487	1 Mar 2016	1 Mar 2016-1 Mar 2020
2014 Plan	24,725	776	1 Mar 2017	1 Mar 2017-1 Mar 2021
2015 Plan	26,200	846	1 Mar 2018	1 Mar 2018-1 Mar 2022
2016 Plan	21,120	1,087	1 Mar 2019	1 Mar 2019-1 Mar 2023
2017 Sign on plan, CEO	17,068	924	1 Jan 2018	1 Jan 2018-1 Jan 2024
2017 Plan	19,222	1,025	1 Mar 2020	1 Mar 2020-1 Mar 2022
2018 Plan	31,973	793	1 Mar 2021	1 Mar 2021-1Mar 2023
2018 Plan - one-time	44,506	793	1 Mar 2021	1 Mar 2021-1 Mar 2023
Outstanding at 31 December	**198,889**			

Notes to the consolidated financial statements

5 Share-based payments – continued

	2018	2017
Average remaining life of outstanding share options at year end (years)	4.3	3.7
Exercise prices for outstanding share options at year end (DKK)	462-1,127	370-1,127

The calculated market price at the grant date is based on the Black & Scholes model for valuation of options.

The assumptions for the calculation of the market price of share options at the grant date are as follows:

	2018 Plans	2017 Plan	2017 Sign on plan, CEO
Average share price (DKK)	745	952	924
Expected exercise price (DKK)*	802	1,025	924
Expected volatility rate	29% p.a.	31% p.a.	34% p.a.
Expected option life	4 years	4 years	4 years
Expected dividend per share	-	5	5
Risk-free interest rate	-0.16% p.a.	-0.29% p.a.	-0.38% p.a.
Calculated fair value of granted share options (DKK)	150	192	230

* The exercise price is equivalent to the average market price of the share for the five trading days immediately preceding the date of grant and is increased by 2.5% p.a. and reduced by dividends paid.

The expected volatility rate is based on the historical volatility.

5 Share-based payments – continued

Conditional share programme/performance share programme

The ALK Group has established conditional and, from 2017, performance share programmes for the Board of Management and a number of key employees as part of a retention programme. The final transfer of ownership of the shares takes place three years after the grant, provided that the ALK Group achieves the targets for vesting.

From 2017, the performance share programme is subject to the fulfilment of strategic key performance indicators with a threshold below which there will be no payout, and with the opportunity to perform above target. In case of performance above target, a multiplier is used that can increase the payout up to 100%. For a limited number of performance shares (14.067) the payout can be increased by 300%.

	Board of Management units	Other key personnel units	Total units
2018			
Outstanding conditional and performance shares at 1 January	5,326	17,575	22,901
Additions	8,305	17,144	25,449
Settled	(2,330)	(4,173)	(6,503)
Outstanding conditional and performance shares at 31 December	**11,301**	**30,546**	**41,847**
2017			
Outstanding conditional and performance shares at 1 January	6,644	13,705	20,349
Additions	5,404	10,475	15,879
Settled	(2,340)	(3,498)	(5,838)
Cancellations	(4,382)	(3,107)	(7,489)
Outstanding conditional and performance shares at 31 December	**5,326**	**17,575**	**22,901**

The performance shares have been granted at the average market price of the share for the five trading days immediately preceding the date of grant. The performance shares have been granted at DKK 745 per share (2017: DKK 952 per share). Conditional shares and performance shares are considered sufficiently covered by treasury shares.

Notes to the consolidated financial statements

5 Share-based payments – continued

Outstanding conditional shares and performance shares have the following characteristics:

	Conditional shares units	Vested as per
2016 Plan (conditional shares)	4,359	1 Mar 2019
2017 Plan (performance shares)	12,039	1 Mar 2020
2018 Plan (performance shares)	16,507	1 Mar 2021
2018 Plan one-time (performance shares)	8,942	1 Mar 2021
Outstanding at 31 December	**41,847**	

Restricted Stock Units
In 2015, Board of Directors decided to grant Restricted Stock Units to all employees not included in the conditional shares plan. The programme granted 10 Restricted Stock Units to employees permanently employed at the ALK Group as of 31 March 2015. A Restricted Stock Unit (RSU) is a right to receive one share or the value of one share in ALK upon vesting.

The programme ran for three years and was fully settled and paid out 31 March 2018. The costs of the programme amounted to DKK 11 million over the vesting period.

6 Depreciation, amortisation and impairment

Amounts in DKKm	2018	2017
Depreciation, amortisation and impairment allocation:		
Cost of sales	140	272
Research and development expenses	39	7
Sales and marketing expenses	26	27
Administrative expenses	27	27
Total	**232**	**333**

6 Depreciation, amortisation and impairment – continued

Impairment amounts to DKK 39 million in 2018 (2017: DKK 152 million), of which DKK 7 million relate to tangible assets (2017: DKK 85 million) and DKK 32 million relate to intangible assets (2017: DKK 67 million). Impairment of intangible assets is related to capitalised development in progress and caused by the discontinuation of US development for the current EU version adrenaline auto-injector Jext®. The impairment is based on an individual assessment of the net recoverable amount of the individual asset. As the ALK Group believes there is no recoverable value for some of the assets, the full carrying value of the assets has been impaired. For the assets where the ALK Group estimates that there is a recoverable amount, such amount was determined based on the fair value less cost to sell or the value in use of the respective asset.

In the income statement for 2018 the impairment of intangible assets is recognised as research and development expenses and the impairment of tangible assets is recognised as cost of sales.

7 Other operating income

Other operating income for 2018 is DKK 27 million (2017: DKK 2 million) and includes refund of VAT in Germany related to previous years caused by a court decision about VAT deductibility for certain rebates.

8 Financial income and expenses

Amounts in DKKm	2018	2017
Interest income	9	10
Financial income from financial assets measured at amortised cost in the income statement	9	10
Interest income on marketable securities	3	7
Currency gains, net	12	-
Total financial income	**24**	**17**
Interest expenses	25	16
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	25	16
Fair value adjustment on marketable securities	6	7
Currency losses, net	-	36
Total financial expenses	**31**	**59**

Notes to the consolidated financial statements

9 Tax on profit/(loss) for the year

Amounts in DKKm	2018	2017
Current income tax	167	144
Adjustment of deferred tax	(104)	(109)
Prior year adjustments	4	1
Total	**67**	**36**
Profit/(loss) before tax	(103)	(122)
Income tax, tax rate of 22% (2017: 22%)	(23)	(27)
Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	64	59
Non-taxable income	(9)	(4)
Non-deductible expenses	19	14
Currency adjustment	-	-
Adjustment of deferred tax due to coming year change of tax rate	3	1
Other taxes and adjustments	9	(8)
Prior year adjustments	4	1
Tax on profit/(loss) for the year	**67**	**36**

Tax related to equity and other comprehensive income comprises DKK 1 million (2017:DKK 6 million).

10 Adjustments for non-cash items

Amounts in DKKm	2018	2017
Tax on profit/(loss)	67	36
Financial income and expenses	4	42
Share-based payments	20	21
Reversal of accounting gain on sale of non-current assets	-	(2)
Depreciation, amortisation and impairment	232	333
Other adjustments	(3)	(18)
Total	**320**	**412**

11 Acquisition of companies and operations

No companies or operations were acquired in 2018.

In 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 is a contingent consideration, depending on meeting certain requirements by the US Food and Drug Administration's Center for Biologics Evaluation and Research (CBER). The two companies had previously been under the same private ownership and produce allergen extracts and other material used in allergy immunotherapy treatments. Allergy Laboratory of Oklahoma, Inc. and Crystal Laboratory LLC had a combined staff of around 100.

Consolidated fair values of acquisitions:

Amounts in DKKm	2017
Customer relations	27
Property, plant and equipment	13
Inventories	50
Cash and bank debt	-
Liabilities	-
Acquired net assets	**90**
Goodwill	50
Acquisition cost	**140**
Contingent considerations and deferred payments	46
Acquired cash and bank debt	-
Cash acquisition cost	**94**

The allocation of fair values is final. The transaction is on a debt and cash free basis. The contingent consideration is limited to DKK 46 million and is expected to be fully paid. In 2018, the ALK Group paid DKK 21 million in contingent consideration.

Recognised revenue related to the acquisition amounted to DKK 117 million in 2017. In 2017, the acquisition had a minor positive effect on earnings for the ALK Group.

The transaction costs related to the acquisition amounted to approximately DKK 1 million.

Goodwill relates to the expected synergies between the US entities and to the ALK Group gaining control of a critical sourcing supply. Goodwill is tax deductable.

Notes to the consolidated financial statements

12 Intangible assets

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other	Total
2018					
Cost beginning of year	484	347	255	186	1,272
Currency adjustments	4	3	1	1	9
Additions	-	6	-	46	52
Disposals	-	(18)	-	(68)	(86)
Transfer to/from other groups	-	33	-	(33)	-
Cost year end	**488**	**371**	**256**	**132**	**1,247**
Amortisation and impairment beginning of year	23	238	153	106	520
Currency adjustments	-	-	1	-	1
Amortisation for the year	-	18	24	11	53
Amortisation and impairment on disposals	-	(18)	-	(66)	(84)
Impairment for the year, cf. note 6	-	-	-	32	32
Amortisation and impairment year end	**23**	**238**	**178**	**83**	**522**
Carrying amount year end	**465**	**133**	**78**	**49**	**725**
2017					
Cost beginning of year	444	337	236	167	1,184
Currency adjustments	(10)	1	(7)	2	(14)
Additions	-	4	1	22	27
Acquisitions of companies and operations	50	-	27	-	77
Disposals	-	(2)	(2)	-	(4)
Transfer to/from other groups	-	7	-	(5)	2
Cost year end	**484**	**347**	**255**	**186**	**1,272**
Amortisation and impairment beginning of year	22	232	132	34	420
Currency adjustments	1	(7)	-	(1)	(7)
Amortisation for the year	-	15	23	6	44
Amortisation on disposals	-	(2)	(2)	-	(4)
Impairment for the year, cf. note 6	-	-	-	67	67
Amortisation and impairment year end	**23**	**238**	**153**	**106**	**520**
Carrying amount year end	**461**	**109**	**102**	**80**	**752**

12 Intangible assets – continued

Goodwill

Goodwill has been subject to an impairment test, which has been submitted to the Audit Committee for subsequent approval by the Board of Directors. The impairment test performed in 2018 revealed no need for impairment of goodwill.

Goodwill has been tested at an aggregated level. The ALK Group is considered as one CGU as the individual companies and business units in the ALK Group cannot be evaluated separately because the value-adding processes are generated across corporations and entities.

In the calculation of the value in use of cash-generating unit, future free net cash flow is estimated based on Board of Directors-approved financial forecast in line with the ALK Group's strategy.

The budget and the strategy plans are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value. Estimates are based on historical data and expectations on future changes in the markets and products. These expectations are based on a number of assumptions including expected product launches, volume forecasts, price information and profitability of both the ALK Group's business as well as geographical expansions.

For financial years after the forecast period (2019-2025), the cash flows in the most recent period have been extrapolated adjusted for a growth factor of 1.5% during the terminal period. The forecast period is longer than 5 years in line with the ALK Group's long-term strategic planning horizon.

The calculated value-in-use shows that future earnings and cash flows fully support the book value of total net assets, including goodwill.

The discount rate used is pre-tax 11% and after tax 8%, (2017: pre-tax 11% and after tax 8%).

Other intangible assets

Other intangible assets cover minor finished development projects and development projects in progress including software development projects.

Notes to the consolidated financial statements

13 Property, plant and equipment

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2018					
Cost beginning of year	1,162	830	259	482	2,733
Currency adjustments	17	8	2	12	39
Additions	7	16	11	92	126
Disposals	(3)	(10)	(37)	(1)	(51)
Transfer to/from other groups	156	59	6	(221)	-
Cost year end	**1,339**	**903**	**241**	**364**	**2,847**
Depreciation and impairment beginning of year	412	452	206	85	1,155
Currency adjustments	3	-	1	-	4
Depreciation for the year	48	75	17	-	140
Depreciation of disposals	(2)	(6)	(35)	-	(43)
Impairment for the year, cf. note 6	-	-	-	7	7
Depreciation and impairment year end	**461**	**521**	**189**	**92**	**1,263**
Carrying amount year end	**878**	**382**	**52**	**272**	**1,584**
of which financing costs					-
of which assets held under finance leases					82
Value of land and buildings subject to mortgages					221

* Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The lease period for this land is unlimited.

13 Property, plant and equipment – continued

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2017					
Cost beginning of year	1,153	812	255	389	2,609
Currency adjustments	(38)	(29)	(8)	(21)	(96)
Additions	12	15	8	205	240
Acquisitions of companies and operations	-	9	4	-	13
Disposals	(7)	(16)	(8)	-	(31)
Transfer to/from other groups	42	39	8	(91)	(2)
Cost year end	**1,162**	**830**	**259**	**482**	**2,733**
Depreciation and impairment beginning of year	379	400	203	-	982
Currency adjustments	(9)	(9)	(5)	-	(23)
Depreciation for the year	45	76	16	-	137
Depreciation of disposals	(3)	(15)	(8)	-	(26)
Impairment for the year, cf. note 6	-	-	-	85	85
Depreciation and impairment year end	**412**	**452**	**206**	**85**	**1,155**
Carrying amount year end	**750**	**378**	**53**	**397**	**1,578**
of which financing costs					-
of which assets held under finance leases					86
Value of land and buildings subject to mortgages					230

* Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The lease period for this land is unlimited.

Notes to the consolidated financial statements

14 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2018						
Carrying amount beginning of year	73	(40)	120	32	260	445
Adjustment to prior years' deferred tax	(22)	(1)	(30)	36	8	(9)
Adjustment of deferred tax due to coming year change of tax rate	-	(1)	1	(2)	-	(2)
Recognised in the income statement, net	(20)	(4)	66	(18)	82	106
Recognised in other comprehensive income, net	-	-	-	(7)	-	(7)
Recognised in equity, net	-	-	9	-	-	9
Carrying amount year end	**31**	**(46)**	**166**	**41**	**350**	**542**
2017						
Carrying amount beginning of year	95	(26)	84	8	164	325
Adjustment to prior years' deferred tax	5	(14)	10	(4)	9	6
Currency adjustments	-	1	(3)	3	(2)	(1)
Adjustment of deferred tax due to coming year change of tax rate	(2)	7	(11)	5	-	(1)
Recognised in the income statement, net	(25)	(8)	40	14	89	110
Recognised in other comprehensive income, net	-	-	-	9	-	9
Recognised in equity, net	-	-	-	(3)	-	(3)
Carrying amount year end	**73**	**(40)**	**120**	**32**	**260**	**445**

Deferred tax at 31 December 2018 consists of deferred tax related to assets of DKK 501 million (2017: DKK 413 million) and deferred tax related to liabilities of DKK 41 million (2017: DKK 32 million).

The ALK group recognises deferred tax assets including the tax value of tax losses if it is probable that it can be utilized against future taxable income within a foreseeable future (5 years). This includes an assessment of the possibilities to utilize tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S). See note 2.

Notes to the consolidated financial statements

15 Inventories

Amounts in DKKm	2018	2017
Raw materials	220	163
Work in progress	372	342
Manufactured goods and goods for resale	401	370
Total	**993**	**875**
Amount of write-down of inventories during the year	44	39
Amount of reversal of write-down of inventories during the year*	2	5

The total cost of materials included in cost of sales amounted to DKK 300 million (2017: DKK 296 million).

The net book value of inventory not being sold in 2019 is estimated at DKK 117 million.

* Reversal of provision for slow moving items, sold in 2018.

16 Trade receivables

Amounts in DKKm	2018					2017
	Days past due					
	Not due	<180 days	180-360	>360 days	Total	Total
Expected credit loss rate*	0%	6%	40%	71%		
Trade receivables (gross)	277	50	5	7	**339**	338
Loss allowance	1	3	2	5	**11**	12
Trade receivables (net)	**276**	**47**	**3**	**2**	**328**	**326**
Loss allowance:						
Balance beginning of year					12	12
Change in allowances during the year					3	1
Realised losses during the year					(4)	(1)
Loss allowance, year end					**11**	**12**

Loss allowance for doubtful trade receivables is based on an individual assessment of the receivables. In 2018, a forward-looking expected credit-loss model (ECL) is introduced under IFRS 9.

* The expected credit loss rate is the average expected credit loss rate.

Notes to the consolidated financial statements

17 Share capital and earnings per share

Amounts in DKKm	2018	2017
Share capital		
The share capital consists of:		
A shares	9	9
AA shares	1	1
B shares	101	101
Total nominal value	**111**	**111**
Each A and AA share carries 10 votes, whereas each B share carries 1 vote.		
Treasury shares		
Treasury shares beginning of year (B-shares), units	285,806	296,844
Purchase of treasury shares, units	-	-
Sale of treasury shares, units	(22,603)	(11,038)
Treasury shares year end (B-shares), units	**263,203**	**285,806**
Proportion of share capital year end	2.4%	2.6%
Nominal value year end	2.6	2.9
Market value year end	253	211
Earnings per share		
The calculation of earnings per share is based on the following:		
Net profit/(loss)	(170)	(158)
Number in units:		
Average number of issued shares	11,141,196	10,212,763
Average number of treasury shares	(274,695)	(291,503)
Average number of shares used for calculation of earnings/(loss) per share	**10,866,501**	**9,921,260**
Average number of dilutive shares	10,909,156	9,962,750
Earnings/(loss) per share (EPS)	**(15.64)**	**(15.93)**
Earnings/(loss) per share, diluted (DEPS)	**(15.64)**	**(15.93)**

According to a resolution passed by the parent company at the annual general meeting, the parent company is allowed to purchase treasury shares, equal to 10% of the share capital. The parent company has purchased treasury shares in connection with the issuance of share-based benefit programmes.

At year end 2018 the amount of A shares was 920,760 (2017: 920,760), AA shares 92,076 (2017: 92,076) and B shares 10,128,360 (2017: 10,128,360). All shares have a nominal value of DKK 10.

18 Pensions and similar liabilities

The ALK Group has entered into defined contribution plans as well as defined benefit plans.

In defined contribution plans, the ALK Group is obliged to pay a certain contribution to a pension fund or the like but bears no risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

The ALK Group sponsors defined benefit plans for qualifying employees of its subsidiaries in Germany and Switzerland. The ALK Group bears the risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee. In 2017, a defined benefit plan in The Netherlands curtailed and a defined contribution plan was established. The outstanding payments related to this plan were recognized in other payables at 31 December 2017.

Amounts in DKKm	2018	2017
Costs related to defined contribution plans	94	91
Costs related to defined benefit plans	9	5
Total	**103**	**96**
Present value of funded pension obligations	15	14
Fair value of plan assets	(11)	(10)
Funded pension obligations, net	**4**	**4**
Present value of unfunded pension obligations	182	177
Pension obligations	**186**	**181**
Anniversary liabilities	11	11
Pension related to bonus	28	26
Indemnity fund	1	1
Other liabilities	1	1
Pension obligations and similar liabilities, year end	**227**	**220**

Plan assets consist of assets placed in pension companies. Assets are placed in investments classified as other assets than shares, bonds and property by the pension companies, and are not measured at quoted prices.

The weighted average duration of the pension obligations is 19.95 years (2017: 20.6 years).

Notes to the consolidated financial statements

18 Pensions and similar liabilities – continued

Amounts in DKKm	2018	2017
The principal assumptions used for the actuarial valuations		
Discount rate range of 1.0% - 1.9% (weighted average rate)	1.9%	1.9%
Expected future rate of salary increase range of 1% - 3% (weighted average rate)	3.0%	3.0%
Assumed life expectations on retirement age for current pensioners (years based on weighted average)*		
Males	20.4	20.3
Females	24.0	24.0
Assumed life expectations on retirement age for current employees (future pensioners) (years based on weighted average)*:		
Males	22.0	22.0
Females	26.9	26.9
Sensitivity analysis:		
Significant actuarial assumptions for determining the defined benefit obligation		
Discount rate, effect in case of increase in range of 0.5% - 1%**	(33)	(33)
Discount rate, effect in case of decrease in range of 0.5% - 1%**	43	43
Salary, effect in case of 0.5% increase	4	4
Salary, effect in case of 0.5% decrease	(3)	(4)
Life expectancy, effect in case of increase by 1 year*	8	7
Life expectancy, effect in case of decrease by 1 year*	(8)	(7)
Movements in the present value of the defined benefit obligation in the current year		
Opening defined benefit obligation	14	75
Current service costs	1	4
Interest costs	-	1
Actuarial gains / losses from changes in financial assumptions	(1)	(1)
Contribution from plan participants	-	1
Benefits paid	-	3
Currency translation adjustment	1	-
Curtailment of plan***	-	(69)
Closing defined benefit obligation	**15**	**14**

18 Pensions and similar liabilities – continued

Amounts in DKKm	2018	2017
Movements in the fair value of the plan assets in the current year		
Opening fair value of plan assets	10	66
Interest income	-	1
Contribution from plan participants	1	3
Benefits paid	-	3
Currency translation adjustment	-	(1)
Curtailment of plan***	-	(62)
Closing fair value of plan assets	**11**	**10**
Movements in present value of unfunded pension obligations in the current year		
Opening present value of unfunded pension obligations	177	189
Current service costs	4	5
Interest costs	3	3
Actuarial gains / losses from changes in financial assumptions	-	(5)
Actuarial gains / losses arising from experience adjustments	(3)	(10)
Actuarial gains / losses arising from demographic adjustments	2	(2)
Benefits paid	(1)	(1)
Currency translation adjustment	-	(2)
Closing present value of unfunded pension obligations	**182**	**177**
Amount recognised as staff expenses in the income statement		
Current service costs	5	9
Net interest expense	3	3
Past service cost related to curtailment of plan***	-	(7)
Total	**8**	**5**
Amount recognised in comprehensive income in respect of defined benefit plans		
Actuarial (gains)/losses	(3)	(18)
Total	**(3)**	**(18)**

The expected contribution for 2019 for the defined benefit plans is DKK 8 million (2018: DKK 9 million).

The most recent actuarial valuations of the defined benefit liability were carried out by external independent actuary agents at 31 December 2018.

* Based on national statistics for mortality.
** Based on actuarial reports with different rates.
*** Curtailment of plan in The Netherlands in 2017.

Notes to the consolidated financial statements

19 Mortgage debt, bank loans and financial loans

	Carrying amount		Fair value	
Amounts in DKKm	**2018**	2017	**2018**	2017
Debt to mortgage credit institutions secured by real property				
Mortgage debt is due as follows*:				
Within 1 year	17	17	18	17
From 1-5 years	71	70	73	73
After 5 years	205	223	211	232
Total	**293**	**310**	**302**	**322**
Bank loans and financial loans				
Bank loans and financial loans are due as follows:				
Within 1 year	-	-	-	-
From 1-5 years	449	448	449	448
After 5 years	-	-	-	-
Total	**449**	**448**	**449**	**448**
Mortgage debt, bank loans and financial loans are recognised accordingly:				
Non-current liabilities	725	741		
Current liabilities	17	17		

Fair value for mortgage debt is measured by level 1 input (quoted prices in active markets) from the fair value hierarchy and fair value for bank loans is measured by level 2 input (inputs other than quoted markets that are observable) from the fair value hierarchy.

Beginning of 2018 the ALK Group extended its financial resources with a DKK 600 million credit facility which runs until the end of 2022. By the end of 2018 none of this resource was drawn upon.

* Change in mortgage debt from beginning of year 2018 (DKK 310 million) to end of year 2018 (DKK 293 million) is cash flows from financing activities of DKK 17 million (2017: DKK 17 million).

20 Other provisions

Amounts in DKKm	**2018**	2017
Other provisions beginning of year	59	37
Provisions made during the year	1	53
Used during the year	(26)	(15)
Reversals during the year	(6)	(16)
Other provisions, year end	**28**	**59**
Other provisions are recognised as follows:		
Non-current liabilities	2	20
Current liabilities	26	39
Other provisions, year end	**28**	**59**

The change in other provisions in 2018 is mainly related to the contingent consideration for the 2017 acquisition, see note 11.

Notes to the consolidated financial statements

21 Changes in working capital

Amounts in DKKm	2018	2017
Change in inventories	(102)	(179)
Change in receivables	(39)	(109)
Change in short-term payables	67	6
Cash flow from changes in working capital	**(74)**	**(282)**

22 Contingent liabilities and commitments

Contingent liabilities

The Board of Management assesses that the outcome of pending claims and other disputes will have no material impact on the ALK Group's financial position.

The ALK Group operates in a wide variety of jurisdictions, in some of which the tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to the ALK Group's activities. Whilst the ALK Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations, the impact of which cannot be reliably estimated, but could be material.

Contractual obligations

Liabilities relating to research and development projects are estimated at DKK 0 at 31 December 2018 (31 December 2017: DKK 5 million).

Joint taxation scheme

ALK-Abelló A/S is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and its Danish subsidiaries. The Danish companies are joint and several liable for the joint taxation liability. The joint taxation liability covers income taxes and withholding taxes on dividends, royalties and interest. The joint taxation liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company.

Commitments

Land and buildings provided as security vis-à-vis for mortgage debt amount to DKK 221 million (2017: DKK 230 million) out of mortgage debt of DKK 293 million (2017: DKK 310 million).

23 Operating lease liabilities

Amounts in DKKm	2018	2017
Lease payments recognised in the income statement	64	68
Total minimum future lease payments:		
Within 1 year	58	59
From 1-5 years	170	172
After 5 years*	151	46
Total	**379**	**277**

* After analysis, the leasing period for lease of land and buildings in Denmark was adjusted in comparison to 2017.

24 Finance lease liabilities

Amounts in DKKm	2018	2017
Finance lease liabilities are due as follows:		
Within 1 year	-	-
From 1-5 years	1	1
After 5 years	-	-
Total	**1**	**1**
Amortisation premium for future expensing	-	-
Present value of finance lease liabilities	**1**	**1**

Finance lease concerns lease of other fixtures and equipment.

Notes to the consolidated financial statements

25 Financial risks, liquidity risks and the use of derivative financial instruments

Financial risk management policy
As a result of operations, investments and financing, the ALK Group is exposed to exchange and interest rate changes. ALK-Abelló A/S manages the ALK Group's financial risks centrally and coordinates the ALK Group's cash management, including the raising of capital and investment of excess cash. The ALK Group complies with a policy, approved by the Board of Directors, to maintain a low risk profile, ensuring that the ALK Group is only exposed to foreign exchange rate risk, liquidity risk, interest rate risk, and credit risk in connection with its commercial activities.

Capital structure
The ALK Group manages its capital to ensure that all entities will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the ALK Group consists of net debt and equity.

The ALK Group's Risk Committee reviews the capital structure annually. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Foreign exchange rate risk
Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Foreign exchange rate exposure relating to future transactions and assets and liabilities is evaluated and hedged through matching of payments received and paid in the same currency and through forward exchange rate contracts and currency options. This serves to limit the impact on the financial results of any exchange rate fluctuations. The exchange rate exposure relating to net investments in foreign subsidiaries is not hedged by forward exchange contracts. The ALK Group hedges significant exchange rate exposures regarding future sales and purchase of goods in the coming six months in accordance with the ALK Group's policy.

25 Financial risks, liquidity risks and the use of derivative financial instruments – continued

The general objective of the ALK Group's foreign exchange risk management is to limit and delay any adverse impact of exchange rate fluctuations on earnings and cash flows and thus increase the predictability of the financial results. The most significant financial risk relates to exchange rate fluctuations. The greatest exposure is to USD and in 2018, 19% of the revenue was denominated in USD. The sales are not deemed to be exposed to EUR due to Denmark's participation in the European Exchange Rate Mechanism.

The ALK Group is exposed to exchange rate risks when intercompany balances and net assets of foreign subsidiaries are translated into DKK. In accordance with the ALK Group's accounting policies, such currency translation adjustments are recognised in the income statement and in other comprehensive income, respectively.

The ALK Group had no open exchange rate hedging contracts at 31 December 2018 or 31 December 2017.

Sensitivity to a 10% increase in USD exchange rate
The table below shows the estimated effect of a 10% increase in the USD exchange rate on revenue, EBITDA and equity levels, respectively.

Amounts in DKKm	Revenue	EBITDA	Equity
31 December 2018			
USD	approx. +70	approx. 0	approx. +35
31 December 2017			
USD	approx. +60	approx. -5	approx. +30

A decrease in the exchange rates will have a corresponding adverse effect.

Notes to the consolidated financial statements

25 Financial risks, liquidity risks and the use of derivative financial instruments – continued

Net positions

Amounts in DKKm	Cash and marketable securities	Receivables	Liabilities	Amount hedged	Net position
31 December 2018					
DKK	84	76	(512)	0	(352)
USD	71	96	(117)	0	50
EUR	181	288	(1,000)	0	(531)
GBP	2	13	(9)	0	6
SEK	8	14	(12)	0	10
Other	50	49	(36)	0	63
Total	**396**	**536**	**(1,686)**	**0**	**(754)**
31 December 2017					
DKK	550	70	(527)	0	93
USD	32	77	(128)	0	(19)
EUR	74	264	(957)	0	(619)
GBP	8	9	(7)	0	10
SEK	10	15	(8)	0	17
Other	37	61	(41)	0	57
Total	**711**	**496**	**(1,668)**	**0**	**(461)**

25 Financial risks, liquidity risks and the use of derivative financial instruments – continued

Liquidity risk

In connection with the ALK Group's ongoing financing of operations, including refinancing, efforts are made to ensure adequate and flexible liquidity. This is guaranteed by placing free funds in credit-worthy, liquid, interest bearing instruments of relatively short durations in accordance with the ALK Group's policy.

The liquidity risk is considered to be minimal due to the ALK Group's current capital structure.

Liquidity exposure

			Revaluation/payment date		
Amounts in DKKm	Carrying amount	Total cash flow*	Within 1 year	From 1-5 years	After 5 years
31 December 2018					
Mortage debt, bank loans and financial loans	742	807	29	556	222
Trade payables	135	135	135	-	-
Other financial liabilities	548	548	548	-	-
Financial liabilities	**1,425**	**1,490**	**712**	**556**	**222**
31 December 2017					
Mortage debt, bank loans and financial loans	758	830	28	560	242
Trade payables	121	121	121	-	-
Other financial liabilities	489	489	489	-	-
Financial liabilities	**1,368**	**1,440**	**638**	**560**	**242**

* Total cash flow includes interests.

Notes to the consolidated financial statements

25 Financial risks, liquidity risks and the use of derivative financial instruments – continued

Interest rate risk

The ALK Group does not hedge its interest rate exposure, as this is not considered to be financially viable.

Concerning the ALK Group's financial assets and financial liabilities, the earlier of the contractual revaluation and redemption date is applied. Effective interest rates are stated on the basis of the current level of interest rates on the balance sheet date.

Interest rate exposure

Amounts in DKKm	Carrying amount	Currency	Expiry date	Fixed/ floating	Effective interest rate
31 December 2018					
Cash and marketable securities	396	Various		Floating	(1.15)-4.4
Interest - bearing assets	**396**				
Mortgage debt	293	DKK	2035	Fixed/Floating	1.2
Leasing debt	1	EUR, USD	2020-2023	Fixed	4.2-6.6
Other bank loans and financial loans	448	EUR	2022	Fixed	1.8
Interest - bearing liabilities	**742**	**-**	**-**	**-**	**-**
31 December 2017					
Cash and marketable securities	711	Various		Floating	(1.7)-3.2
Interest - bearing assets	**711**				
Mortgage debt	310	DKK	2035	Fixed/Floating	1.2
Leasing debt	1	EUR, USD	2021	Fixed	4.2-6.6
Other bank loans and financial loans	447	EUR	2022	Fixed	1.5
Interest - bearing liabilities	**758**	**-**	**-**	**-**	**-**

An increase in the interest rate of 1 percentage point on mortgage debt, bank loans and financial loans would reduce net profit and equity by approximately DKK 6 million (2017: less than DKK 1 million). An increase in the interest of 1 percentage point on cash and marketable securities would increase net profit and equity by approximately DKK 2 million (2017: Decrease of DKK 4 million).

25 Financial risks, liquidity risks and the use of derivative financial instruments – continued

Credit risk

The ALK Group's primary credit exposure is related to trade receivables, cash and marketable securities. The ALK Group has no major exposure relating to one single customer or business partner. According to the ALK Group's policy for assuming credit exposure, all customers and business partners are credit rated regularly. Trade receivables are monitored at the local level and are distributed across a number of markets and customers. Therefore, the credit risk is considered to be low.

The credit exposure in connection with financial instruments is managed by contracting only with institutions with satisfactory credit-worthiness, in Denmark as well as abroad. In accordance with ALK's credit-risk policy, such institutions must have an acknowledged credit rating.

Embedded derivative financial instruments

The ALK Group has made a systematic review of contracts that might contain terms that would make the contract or parts thereof a derivative financial instrument. The review did not lead to recognition of derivative financial instruments relating to the contracts.

Notes to the consolidated financial statements

25 Financial risks, liquity risks and the use of derivative financial instruments – continued

Amounts in DKKm		2018	2017
Categories of financial instruments			
Financial assets			
Financial assets measured at fair value through profit or loss (FVTPL)			
Marketable securities		100	549
Total		**100**	**549**
Financial assets measured at amortised cost	**Impairment method**		
Receivables from affiliates	12m ECL	28	25
Securities and receivables	12m ECL	9	7
Trade receivables	Lifetime ECL (simplified approach)	328	326
Other receivables	12m ECL	113	73
Cash		296	162
Total		**774**	**593**
Financial liabilities			
Financial liabilities measured at amortised cost			
Mortgage debt		293	310
Bank loans and financial loans		449	448
Trade payables		135	121
Other payables		539	483
Total		**1,416**	**1,362**

Measurement and fair value hierarchy
All financial assets and liabilities, except for marketable securities, are measured at cost or amortised cost. The carrying amounts for these approximate fair value.

Marketable securities are measured at fair value on unadjusted quoted prices in active markets for items identical to the asset being measured (level 1 input).

There are no financial derivatives used in 2018 or 2017.

26 Fees to the ALK Group's auditors

Amounts in DKKm	2018	2017
Fees to the auditors, Deloitte, appointed at the annual general meeting:		
Audit services	3	3
Tax advisory services	1	1
Other services	2	1
Total	**6**	**5**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the ALK Group amounts to DKK 1.6 million and consists of review of tax returns, review of other tax related matters and other general financial accounting matters.

Notes to the consolidated financial statements

27 Related parties

Related party exercising control
Party exercising control is ALK-Abelló A/S' majority shareholder, the Lundbeck Foundation (Lundbeckfond Invest A/S).

Other related parties comprise ALK's Board of Management and Board of Directors, companies in which the majority shareholder exercises control, and such companies' subsidiaries, in this case H. Lundbeck A/S and Falck A/S and their subsidiaries.

Transactions and balances
Transactions and balances with the parent company's majority shareholder:

- ALK-Abelló A/S paid no dividends to the Lundbeck Foundation (Lundbeckfond Invest A/S) in 2018 (2017: DKK 20 million).
- ALK-Abelló A/S has received DKK 28 million (2017: DKK 2 million) concerning outstanding company tax from the Lundbeck Foundation (Lundbeckfond Invest A/S).
- Receivables from affiliates in ALK-Abelló A/S relate to outstanding company tax of DKK 28 million (2017: DKK 25 million).
- In 2017, the Lundbeck Foundation (Lundbeckfond Invest A/S) participated in the emission of new shares in ALK-Abelló A/S and acquired 407,964 number of shares, totalling DKK 281 million.

Transactions with key management personnel consist of remuneration and exercise of share options, see notes 4 and 5 of the Consolidated Financial Statements.

No other transactions have taken place during the year with Board of Directors, Board of Management, major shareholders or other related parties.

28 Events after the reporting period

No events have occured after the reporting period, that influence the evaluation of the Consolidated Financial Statements.

29 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 February 2019.

Notes to the consolidated financial statements

30 List of companies in the ALK Group

31 December 2018 (wholly owned unless otherwise stated). Nominal capital in 1,000.

Denmark

ALK-Abello A/S (parent) — DKK 111,412
CVR no. 63 71 79 16
Horsholm

ALK-Abello Nordic A/S — DKK 1,000
CVR no. 31 50 12 96
Horsholm

ALK e-com A/S — DKK 500
CVR no. 39 26 68 81
Horsholm

Sweden

ALK-Abello Nordic A/S (branch)
Kungsbacka

Norway

ALK-Abello Nordic A/S (branch)
Oslo

Finland

ALK-Abello Nordic A/S (branch)
Helsinki

United Kingdom

ALK-Abello Ltd. — GBP 1
Reading

France

ALK-Abello S.A. — EUR 160
Varennes-en-Argonne

Germany

ALK-Abello Arzneimittel GmbH — EUR 1,790
Hamburg

Austria

ALK-Abello Allergie-Service GmbH — EUR 73
Linz

Switzerland

ALK-Abello AG — CHF 100
Volketswil

ALK AG — CHF 1,000
Volketswil
in Liquidation

Turkey

ALK ilaç ve Alerji Ürünleri Ticaret
Anonim Şirketi — TRY 50
Istanbul

Netherlands

ALK-Abello B.V. — EUR 23
Nieuwegein

Spain

ALK-Abello S.A. — EUR 4,671
Madrid

Italy

ALK-Abello S.p.A. — EUR 2,000
Milan
Wholly owned by ALK-Abello S.A.

Poland

ALK-Abello Sp. z o.o. — PLN 325
Krakow

USA

ALK-Abello, Inc. — USD 50
Austin, Texas

ALK-Abello, Source Materials, Inc. — USD 329
Spring Mills, Pennsylvania

OKC Allergy Supplies Inc. — USD 1
Oklahoma City, Oklahoma
Wholly owned by ALK-Abello Inc.

OKC Crystal Laboratory Inc. — USD 1
Oklahoma City, Oklahoma
Wholly owned by ALK-Abello,
Source Materials, Inc.

Canada

ALK-Abello Pharmaceuticals, Inc. — CAD 3,000
Mississauga, Ontario

China

ALK-Abello A/S (branch)
Hong Kong

ALK Medical Consulting
Services Company Limited — CNY 500
Shanghai

Slovakia

ALK Slovakia s.r.o. — EUR 5
Bratislava

Czech Republic

ALK Slovakia s.r.o. – od šteˇpny´ zavod (branch)
Prague

Jordan

ALK-Abello A/S (Branch)
Amman

Definitions

Term	Definitions
Gross margin – %	Gross profit x 100 / Revenue
EBITDA margin – %	EBITDA x 100 / Revenue
Net asset value per share	Net asset value / Number of shares end of period
Invested capital	Intangible assets, tangible assets, inventories and current receivables reduced by liabilities except for mortgage debt, bank loans and financial loans
Return on equity (ROE) – %	Net profit/(loss) for the period x 100 / Average equity
Pay-out ratio – %	Proposed dividend x 100 / Net profit/(loss) for the year
Earnings/(loss) per share (EPS)	Net profit/(loss) for the period / Average number of outstanding shares
Earnings/(loss) per share diluted (DEPS)	Net profit/(loss) for the period / Average number of outstanding shares diluted
Cash flow per share (CFPS)	Cash flow from operating activities / Average number of outstanding shares
ROIC incl. goodwill – %	Operating profit x 100 / Average invested capital incl. goodwill
Price earnings ratio (PE)	Share price / Earnings per share
Markets	Geographical markets (based on customer location): • Europe comprises the EU, Norway and Switzerland • North America comprises the USA and Canada • International markets comprise Japan, China and all other countries

The definitions are aligned with generally accepted financial ratios applied by financial analysts. The definitions are part of the Management's review.

Alternative Performance Measures

Amounts in DKKm	**2018**	2017
EBITDA reconciliation to net profit		
Net profit / (loss) for the year	(170)	(158)
Tax	67	36
Financial income	(24)	(17)
Financial expenses	31	59
Depreciation, amortisation and impairment	232	333
EBITDA	**136**	**253**
Net asset value		
Equity	3,179	3,290
Net asset value	**3,179**	**3,290**
Invested capital reconciliation		
Intangible assets	725	752
Tangible assets	1,584	1,578
Inventories	993	875
Trade receivables	328	326
Receivables from affiliates	28	25
Income tax receivables	58	65
Other receivables	113	73
Prepayments	83	80
Pensions and similar liabilities	(227)	(220)
Other provisions (non-current)	(2)	(20)
Deferred tax liabilities	(6)	(21)
Trade payables	(135)	(121)
Income taxes	(9)	(6)
Other provisions (current)	(26)	(39)
Other payables	(539)	(483)
Invested capital	**2,968**	**2,864**

Contents of the parent company financial statements

Parent company financial statements

Income statement	83
Balance sheet	84
Statement of changes in equity	85
Notes	86

Notes

1	Accounting policies	86
2	Revenue and segment information	87
3	Staff costs	87
4	Impairment	87
5	Financial income and expenses	88
6	Tax on profit/(loss) for the year	88
7	Intangible assets	88
8	Property, plant and equipment	89
9	Deferred tax	89
10	Investments in subsidiaries	90
11	Inventories	90
12	Mortgage debt, bank loans and financial loans	90
13	Operating lease liabilities	90
14	Contingent liabilities and commitments	91
15	Related parties	91
16	Fees to ALK-Abelló A/S' auditors	91
17	Proposed appropriation of net profit/(loss)	91
18	Events after the reporting period	91

Income statement

Amounts in DKKm	Note	2018	2017
Revenue	2	925	1,088
Cost of sales	3,4	729	817
Gross profit		**196**	**271**
Research and development expenses	3	350	378
Sales and marketing expenses	3,4	829	251
Administrative expenses	3,16	104	94
Operating profit/(loss) (EBIT)		**(1,087)**	**(452)**
Income from investments in subsidiaries	10	37	18
Financial income	5	79	43
Financial expenses	5	28	118
Profit/(loss) before tax (EBT)		**(999)**	**(509)**
Tax on profit/(loss)	6	(227)	(118)
Net profit/(loss)	17	**(772)**	**(391)**

Balance sheet

Amounts in DKKm	Note	31 Dec. 2018	31 Dec. 2017
Assets			
Non-current assets			
Intangible assets			
Goodwill	7	-	643
Intangible assets	7	138	167
		138	**810**
Tangible assets			
Land and buildings	8	304	318
Plant and machinery	8	209	207
Other fixtures and equipment	8	16	16
Property, plant and equipment in progress	8	152	158
		681	**699**
Other non-current assets			
Investment in subsidiaries	10	729	729
Receivables from affiliates		1,512	1,084
Securities and receivables		5	5
Deferred tax assets	9	357	156
		2,603	**1,974**
Total non-current assets		**3,422**	**3,483**
Current assets			
Inventories	11	359	351
Trade receivables		2	4
Receivables from affiliates		473	541
Other receivables		49	49
Prepayments		48	38
		931	**983**
Cash		130	58
Marketable securities		100	549
Total cash and marketable securities		**230**	**607**
Total current assets		**1,161**	**1,590**
Total assets		**4,583**	**5,073**

Amounts in DKKm	Note	31 Dec. 2018	31 Dec. 2017
Equity and liabilities			
Equity			
Share capital		111	111
Retained earnings		1,498	2,269
Capitalized development costs		15	6
Total equity		**1,624**	**2,386**
Liabilities			
Mortgage debt	12	276	293
Bank loans and financial loans	12	448	447
Non-current liabilities		**724**	**740**
Mortgage debt	12	17	17
Trade payables		42	47
Payables to affiliates		1,971	1,685
Other payables		205	198
Current liabilities		**2,235**	**1,947**
Total liabilities		**2,959**	**2,687**
Total equity and liabilities		**4,583**	**5,073**

Statement of changes in equity

Amounts in DKKm	Share capital	Retained earnings	Reserve for capitalised development costs	Proposed dividend	Total equity
2018					
Equity at 1 January 2018	**111**	**2,269**	**6**	**-**	**2,386**
Appropriated from net profit	-	(772)	-	-	(772)
Share-based payments	-	20	-	-	20
Share options settled	-	(18)	-	-	(18)
Sale of treasury shares	-	8	-	-	8
Transfer to legal reserves	-	(9)	9	-	-
Other transactions	**-**	**(771)**	**9**	**-**	**(762)**
Equity at 31 December 2018	**111**	**1,498**	**15**	**-**	**1,624**

Please refer to note 17 in the consolidated financial statements for information on treasury shares.

Notes to the parent company financial statements

1 Accounting policies

General

The financial statements of the parent company ALK-Abelló A/S for the period 1 January – 31 December 2018 have been prepared in accordance with the Danish Financial Statements Act for large reporting class D enterprises.

The financial statements are presented in Danish kroner (DKK), which is also the functional currency of the company.

The accounting policies are unchanged from last year. The accounting policies are as described below.

Differences relative to the ALK Group's accounting policies
The parent company's accounting policies for recognition and measurement are in accordance with the ALK Group's accounting policies with the following exceptions:

Income statement

Results of investments in subsidiaries
Dividends from investments in subsidiaries are recognised in the parent company's financial statements when the right to the dividend finally vests, typically at the date of the company's approval in general meeting of the dividend of the company in question less any write-downs at the investments.

Balance sheet

Acquisition of activities from subsidiaries
Acquisition of activities from subsidiaries is accounted for using the purchase method. On initial recognition, goodwill is measured and recognised as the excess of the consideration transferred exceeding the fair value of the net assets acquired at the acquisition date.

Goodwill
Goodwill is measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life, estimated at 10 years. This estimate was made on the basis of estimated useful lives of the assets acquired.

Investments in subsidiaries
Investments in subsidiaries are measured at cost.

Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

In addition, cost is written down to the extent that dividends distributed exceed the accumulated earnings in the company since the acquisition date. In the event of indications of impairment, an impairment test is performed of investments in subsidiaries.

Capitalisation of development costs
A reserve for capitalisation of development costs net of tax is recognised in the statement of equity. The reserve contains development costs capitalised since 1 January 2016.

Other accounting information

Cash flow statement
As allowed under section 86 (4) of the Danish Financial Statements Act, no cash flow statement is presented, as this is included in the consolidated cash flow statement.

Notes to the parent company financial statements

2 Revenue and segment information

Amounts in DKKm	2018	2017
Sale of goods	905	1,077
Royalties	11	4
Milestone and upfront payments	-	-
Services	9	7
Total revenue	**925**	**1,088**
Europe	868	1,007
North America	-	49
International markets	57	32
Total revenue	**925**	**1,088**

3 Staff costs

Amounts in DKKm	2018	2017
Wages and salaries	549	559
Pensions	51	51
Other social security costs, etc.	20	23
Share-based payments	13	18
Total	**633**	**651**
Staff costs are allocated as follows:		
Cost of sales	290	285
Research and development expenses	181	198
Sales and marketing expenses	48	48
Administrative expenses	92	92
Included in the cost of assets	22	28
Total	**633**	**651**
Remuneration to Board of Management and Board of Directors:		
See note 4 and 5 in the consolidated financial statements		
Employees		
Average number (FTE)	796	775
Number year end (FTE)	804	787

4 Impairment

Impairment amounts to DKK 606 million in 2018, of which DKK 599 million relate to intangible assets and DKK 7 million relate to tangible assets. In the income statement for 2018, impairment of DKK 599 million is recognised as sales and marketing expenses and DKK 7 million as cost of sales.

DKK 598 million, of the total DKK 599 million of impairment of intangible assets, relate to the discontinuation of the US development for the current European version of the adrenaline auto-injector Jext®. Instead, ALK will pursue an alternative US anaphylaxis strategy. The impairment is based on an individual assessment of the net recoverable amount of the individual asset. As ALK believes there is no recoverable value for some of the assets, the full carrying value of the assets has been impaired. For the assets where ALK estimates that there is a recoverable amount, such amount was determined based on the fair value less cost to sell or the value in use of the respective asset.

Notes to the parent company financial statements

5 Financial income and expenses

Amounts in DKKm	2018	2017
Interest on receivables from affiliates	40	26
Other interest income	7	17
Currency gain, net	32	-
Total financial income	**79**	**43**
Other interest expenses	28	18
Currency loss, net	-	100
Total financial expenses	**28**	**118**

6 Tax on profit/(loss) for the year

Amounts in DKKm	2018	2017
Current income tax	(22)	(25)
Adjustment of deferred tax	(194)	(90)
Prior year adjustments	(11)	(3)
Total	**(227)**	**(118)**
Profit/(loss) before tax	(999)	(509)
Income tax, tax rate of 22%	(220)	(112)
Non-taxable income	(6)	(6)
Non-deductible expenses	3	3
Prior year adjustments	(11)	(3)
Other taxes and adjustments	7	-
Tax on profit/(loss) for the year	**(227)**	**(118)**

7 Intangible assets

Amounts in DKKm	Goodwill*	Patents, trademarks and rights	Develop-ment cost**	Software and assets in progress	2018	2017
Cost beginning of year	867	89	21	314	1,291	1,254
Additions	-	-	6	32	38	40
Disposals	-	-	-	(54)	(54)	(3)
Cost year end	**867**	**89**	**27**	**292**	**1,275**	**1,291**
Amortisation and impairment beginning of year	224	38	4	215	481	337
Amortisation for the year	87	7	1	16	111	106
Amortisation on disposals	-	-	-	(54)	(54)	(3)
Impairment for the year***	556	42	-	1	599	41
Amortisation and impairment year end	**867**	**87**	**5**	**178**	**1,137**	**481**
Carrying amount year end	**-**	**2**	**22**	**114**	**138**	**810**

* Goodwill from the transfer of all adrenaline activities from the ALK Group's Swiss subsidiary to the Danish parent company in 2015 was fully impaired end of 2018.

** The capitalised development cost relates to development of medical devices in relation to allergy treatment. The ALK Group expects that the medical devices will generate ecomomic benefits in the coming years.

*** See note 4 in the parent company financial statements.

Notes to the parent company financial statements

8 Property, plant and equipment

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	**2018**	2017
Cost beginning of year	573	491	47	236	1,347	1,281
Additions	3	-	4	45	52	75
Disposals	(1)	(5)	(31)	(1)	(38)	(9)
Transfer to/from other groups	1	41	1	(43)	-	-
Cost year end	**576**	**527**	**21**	**237**	**1,361**	**1,347**
Depreciation and impairment beginning of year	255	284	31	78	648	512
Depreciation for the year	18	38	5	-	61	65
Depreciation of disposals	(1)	(4)	(31)	-	(36)	(7)
Impairment for the year**	-	-	-	7	7	78
Depreciation and impairment year end	**272**	**318**	**5**	**85**	**680**	**648**
Carrying amount year end	**304**	**209**	**16**	**152**	**681**	**699**
of which assets held under finance leases					82	86
Value of land and buildings subject to mortgages					221	230

* Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The lease period for this land is unlimited.

**See note 4 in the parent company financial statements.

9 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2018						
Carrying amount beginning of year	(54)	(27)	(19)	1	255	156
Adjustment to prior years	-	-	(1)	-	8	7
Recognised in the income statement, net	120	(2)	8	-	68	194
Carrying amount year end	**66**	**(29)**	**(12)**	**1**	**331**	**357**
2017						
Carrying amount beginning of year	(48)	(25)	(25)	2	142	46
Adjustment to prior years	-	-	-	-	20	20
Recognised in the income statement, net	(6)	(2)	6	(1)	93	90
Carrying amount year end	**(54)**	**(27)**	**(19)**	**1**	**255**	**156**

ALK-Abelló A/S is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and its Danish subsidiaries.

ALK-Abelló A/S recognises deferred tax assets including the tax value of tax losses if it is probable that it can be utilized against future taxable income within a foreseeable future (5 years). This includes an assessment of the possibilities to utilize tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S).

Notes to the parent company financial statements

10 Investments in subsidiaries

Amounts in DKKm	2018	2017
Cost beginning of year	905	905
Cost year end	**905**	**905**
Write-down beginning of year	176	176
Write-down during the year	-	-
Write-down year end	**176**	**176**
Carrying amount year end	**729**	**729**

Income from investments in subsidiaries is dividends, which amounts to DKK 37 million (2017: DKK 18 million).

For an overview of all subsidiaries see note 30 in the consolidated financial statements.

11 Inventories

Amounts in DKKm	2018	2017
Raw materials	70	84
Work in progress	273	242
Manufactured goods and goods for resale	16	25
Total	**359**	**351**
Amount of write-down of inventories during the year	11	11
Amount of reversal of write-down of inventories during the year	2	2

12 Mortgage debt, bank loans and financial loans

Amounts in DKKm	2018	2017
Debt to mortgage credit institutions secured by real property		
Mortgage debt is due as follows:		
Within 1 year	17	17
From 1-5 years	71	70
After 5 years	205	223
Total	**293**	**310**
Bank loans and financial loans		
Bank loans and financial loans are due as follows:		
Within 1 year	-	-
From 1-5 years	448	447
After 5 years	-	-
Total	**448**	**447**

13 Operating lease liabilities

Amounts in DKKm	2018	2017
Lease payments recognised in the income statement	13	14
Total minimum future lease payments:		
Within 1 year	14	13
From 1-5 years	51	48
After 5 years*	120	-
Total	**185**	**61**

* After analysis, the leasing period for lease of land and buildings in Denmark was adjusted in comparison to 2017.

Notes to the parent company financial statements

14 Contingent liabilities and commitments

For information on contingent liabilities and commitments, see note 22 in the consolidated financial statements.

15 Related parties

ALK-Abelló A/S is included in the consolidated financial statements of the Lundbeck Foundation.

ALK-Abelló A/S has had transactions with susidiaries during 2018. All subsidiaries are owned 100%. The transactions are eliminated in the consolidated financial statements.

Transactions with the majority shareholder are disclosed in note 27 in the consolidated financial statements. No other transactions have taken place during the year with Board of Directors, Board of Management, major shareholders or other related parties.

Remuneration etc. to Board of Directors and Board of Management
For information on remuneration and exercise of share options for the ALK Group's Board of Directors and Board of Management, see notes 4 and 5 in the consolidated financial statements.

16 Fees to ALK-Abelló A/S' auditors

Amounts in DKKm	**2018**	2017
Fees to the auditors, Deloitte, appointed at the annual general meeting:		
Audit services	1	1
Tax advisory services	-	1
Other services	1	-
Total	**2**	**2**

Other services comprise various deliveries including compliance and advisory services.

17 Proposed appropriation of net profit/(loss)

Amounts in DKKm	**2018**	2017
Proposed dividend	-	-
Retained earnings	(772)	(391)
Total	**(772)**	**(391)**

18 Events after the reporting period

No events have occured after the reporting period, that influence the evaluation of the parent company financial statements.

Financial highlights and key ratios by quarter for the ALK Group* (unaudited)

Amounts in DKKm	2018		Q4 unaudited		Q3 unaudited		Q2 unaudited		Q1 unaudited	
Income statement										
Revenue	2,915		787		661		715		752	
Cost of sales	1,282		353		288		329		312	
Research and development expenses	392		140		84		86		82	
Sales and marketing expenses	1,137		337		264		276		260	
Administrative expenses	227		65		50		61		51	
Other operating income	27		27		0		0		0	
Operating profit/(loss) (EBIT)	(96)		(81)		(25)		(37)		47	
Net financial items	(7)		(2)		(2)		18		(21)	
Profit/(loss) before tax (EBT)	(103)		(83)		(27)		(19)		26	
Net profit/(loss)	(170)		(146)		(31)		(17)		24	
EBITDA	136		10		24		10		92	
Average number of employees (FTE)	2,341		2,375		2,347		2,306		2,296	
Revenue (Growth in revenue in local currency %)										
Europe	**2,220**	**(0)**	**602**	**(4)**	**498**	**(-3)**	**519**	**(2)**	**601**	**(-2)**
– SCIT/SLIT-drops	1,464	(-10)	406	(-4)	320	(-16)	324	(-10)	414	(-10)
– SLIT-tablets	558	(30)	147	(20)	115	(45)	143	(36)	153	(26)
– Other products and services	198	(22)	49	(45)	63	(30)	52	(13)	34	(-1)
North America	**583**	**(1)**	**161**	**(3)**	**143**	**(6)**	**148**	**(-5)**	**131**	**(-2)**
– SCIT/SLIT-drops	270	(15)	73	(9)	75	(20)	64	(16)	61	(14)
– SLIT-tablets	59	(-14)	12	(-44)	15	(346)	19	(-31)	13	(-18)
– Other products and services	254	(-8)	76	(13)	45	(-21)	65	(-11)	57	(-12)
International markets	**112**	**(41)**	**24**	**(-8)**	**20**	**(4)**	**48**	**(228)**	**20**	**(2)**
– SCIT/SLIT-drops	43	(5)	-3	(-120)	9	(52)	22	(138)	15	(-11)
– SLIT-tablets	54	(108)	23	(79)	8	(-29)	21	(n/a)	2	(168)
– Other products and services	15	(22)	4	(0)	3	(30)	5	(28)	3	(41)
Total revenue	**2,915**	**(1)**	**787**	**(3)**	**661**	**(-1)**	**715**	**(5)**	**752**	**(-2)**
– SCIT/SLIT-drops	1,777	(-7)	476	(-5)	401	(-11)	410	(-3)	490	(-7)
– SLIT-tablets	671	(28)	182	(17)	138	(46)	183	(36)	168	(22)
– Other products and services	467	(4)	129	(23)	122	(1)	122	(0)	94	(-7)

Amounts in DKKm	2018	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Balance sheet					
Total assets	4,865	4,865	4,861	4,945	4,922
Invested capital	2,968	2,968	3,156	3,044	2,904
Equity	3,179	3,179	3,289	3,306	3.287
Cash flow and investments					
Depreciation, amortisation and impairment	232	91	49	47	45
Cash flow from operating activities	(95)	119	(106)	(70)	(38)
Cash flow from investing activities	(199)	(59)	(47)	(56)	(37)
– of which investment in tangible and intangible assets	(178)	(59)	(33)	(56)	(30)
Free cash flow	(294)	60	(153)	(126)	(75)
Information on shares					
Dividend	-	-	-	-	-
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 period – DKK	960	960	1,072	1,066	757
Net asset value per share – DKK	285	285	295	297	295
Key figures					
Gross margin – %	56	55	56	54	59
EBITDA margin – %	5	1	4	1	12
Earnings/(loss) per share (EPS) – DKK	(15.6)	(16.7)	(1.7)	0.6	2.2
Earnings/(loss) per share diluted (DEPS) – DKK	(15.6)	(16.7)	(1.7)	0.6	2.2
Cash flow per share (CFPS) – DKK	(8.7)	11.0	(9.8)	(6.4)	(3.5)
Share price/Net asset value	3.4	3.4	3.6	3.6	2.6

* Management's review comprises this page as well as pages 1-43 and Financial highlights and key ratios for the ALK Group on page 13.

Definitions: see page 81.

Graphic design and production: Noted

ALK-Abelló A/S • Bøge Allé 6-8 • DK-2970 Hørsholm, Denmark • CVR no. 63 71 79 16 • Tel. +45 45 74 75 76 • www.alk.net