Årsrapport 2022: ALK leverer salgsvækst på 13 % og indtjeningsvækst på 33 % i 2022

ALK's (*ALKB:DC / OMX: ALK B / AKBLF*) bestyrelse har i dag godkendt selskabets årsrapport for 2022 (ESEF-version ALK-2022-12-31-en vedhæftet). Årets resultat overgik de oprindelige forventninger og var efter et solidt fjerde kvartal i overensstemmelse med de senest udmeldte forventninger. ALK forventer fortsat vækst og forbedret indtjening i 2023.

(Omsætningsvækst er angivet i lokale valutaer. Sammenligningstal for 2021 er vist i parentes)

Højdepunkter i fjerde kvartal

- Omsætningen for kvartalet steg 12% til et rekordhøjt niveau på DKK 1.249 mio. (1.099).
- EBITDA steg til DKK 201 mio. (136) som følge af højere salg og effektiviseringer.

Højdepunkter for regnskabsåret 2022

- Omsætningen steg med 13 % til rekordhøje DKK 4.511 mio. (3.916), baseret på vækst i alle salgsregioner og i alle produktlinjer. Rapporteret vækst var 15 %, når effekten af valutakursudsving medregnes.
- Tabletsalget steg 18 % som følge af markedsudvidelser og stigende markedsandele, og salget udgjorde 46 % af den samlede omsætning (45). Salget af SCIT and SLIT-dråber steg med 3 %, mens salget af øvrige produkter steg 27 %, drevet af adrenalinpennen Jext®.
- EBITDA steg 33 % i DKK til det bedste resultat nogensinde på DKK 708 mio. (534), drevet af toplinjevækst, forbedret margin og effektiviseringer. EBIT steg 61 % i DKK til DKK 470 mio. (292).
- De frie pengestrømme var positive med DKK 65 mio. (202), hovedsageligt på baggrund af højere indtjening, ændringer i arbejdskapital og højere *CAPEX* investeringer.

Forventninger til 2023

ALK forventer salgsvækst i alle salgsregioner og forbedret indtjening. Fra 2023 vil ALK guide på EBIT-margin i stedet for EBITDA for at tilpasse rapporteringen til selskabets langsigtede finansielle ambitioner.

- Omsætningen forventes at stige 7-11 % i lokale valutaer, svarende til en vækst på 8-12 %, når der ses bort fra den etårige, midlertidige obligatoriske rabatforhøjelse på 5 procentpoint for alle receptpligtige lægemidler i Tyskland.
- Indtjeningen vil blive positivt påvirket af salgsvækst, stordriftsfordele og lavere udgifter til forskning og udvikling på trods af vanskeligere markedsforhold, herunder effekten af inflationen. EBIT-marginen forventes at udgøre 13-15 % mod 10 % i 2022.

ALK's adm. direktør Carsten Hellmann siger: *"2022 var endnu et år med tocifret vækst i omsætning og indtjening, og vi gjorde solide fremskridt på vores strategi. Vi forventer fortsat vækst og højere indtjening i 2023 på trods af udfordrende markedsvilkår, herunder en engangsforhøjelse af rabatten i Tyskland og den nuværende inflation. Vi er godt rustet til at håndtere disse udfordringer. Vores forretningsmodel og markedspositioner er robuste, og udviklingen i markedet er til vores fordel. Vi vil fortsætte med at eksekvere på vores strategi og presse på for forbedrede resultater i de kommende år."*

ALK-Abelló A/S

For yderligere oplysninger kontakt venligst:
Investor Relations: Per Plotnikof, tlf. 4574 7527, mobil 2261 2525
Presse: Maiken Riise Andersen, tlf. 5054 1434

Disse oplysninger er oplysninger, som ALK-Abelló A/S er forpligtet til at offentliggøre i henhold til EU's markedsmisbrugsforordning.

Audio cast

ALK afholder i dag kl. 14.00 (CET) en telekonference for investorer og analytikere, hvor ledelsen fremlægger resultater og forventninger. Telekonferencen audiocastes på https://ir.alk.net, hvor den tilhørende præsentation vil være tilgængelig kort før start. Deltagere i telefonkonferencen bedes ringe ind senest kl. 13.55 (CET). Danske deltagere skal ringe på tlf. 7877 4197, mens internationale deltagere skal ringe på +44 0 808 101 1183 eller +1 785 424 1739. Benyt venligst følgende deltager-pinkode: 91630#

Om ALK

ALK er en global, specialiseret medicinalvirksomhed med fokus på allergi og allergisk astma. Virksomheden markedsfører allergi-immunterapi og andre produkter og serviceydelser til mennesker med allergi og allergilæger. Virksomheden har hovedkvarter i Hørsholm, beskæftiger omkring 2.700 mennesker over hele verden og er noteret på Nasdaq Copenhagen. Find mere information på www.alk.net.

100 years and counting

Annual report 2022

Allergy solutions for life

ALK-Abelló A/S
Bøge Allé 6-8, DK-2970 Hørsholm, Denmark, CVR no. 63 71 79 16

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Find out more on our website

Find more information about ALK at www.alk.net

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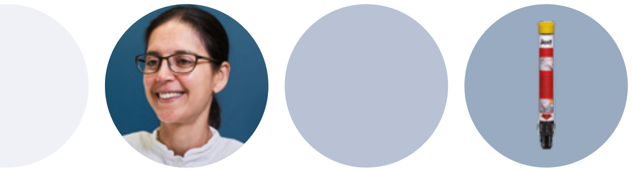
Twitter

ALK turns 100
ALK has been a pioneer in fighting allergies for 100 years and counting. Its purpose is to continue helping people with allergies for many years to come.



Letter from the Chair and CEO

ALK delivered high growth in 2022 and remains on course to deliver long-term, sustainable sales growth with significantly improving profitability.

2022 was yet another year of strong growth in revenue and earnings for ALK, with sales up 13% in local currencies – equivalent to 15% in reported currency – on broad-based sales growth in all regions. Earnings (EBITDA) increased by 33% to DKK 708 million, driven by top-line growth, margin expansion and efficiencies. Results exceeded our initial expectations and were in line with our most recent outlook.

Throughout the year, we also made strong progress with the items on our strategic agenda: the build-up in China to launch the ACARIZAX® tablet, the execution of R&D programmes – ranging from new discovery activities, to our entry into food allergy and large-scale clinical trials in respiratory allergies – as well as efforts to build prescriber bases and the digital mobilisation of people with allergy via our klarify universe, which allows us to further connect with and support the millions of untreated people with allergy who could benefit from ALK's products.

Around the world, the tablet portfolio is now a well-established and fast-growing treatment concept that is transforming the way allergy is treated, and it continues to have outstanding future growth prospects. Alongside our work to enter new markets, such as China, and to cover additional patient populations and prepare the launch for children, a key remaining opportunity for tablets is to convince prescribers in the USA, where financial disincentives for allergists continue to block their wider adoption. We remain fully committed to succeeding in the USA, and to overcome these barriers, we will increasingly deploy resources to build new commercial channels that will give us access to millions more allergy immunotherapy (AIT)-eligible patients.

Continued progress in 2023

We expect ALK's revenue growth to remain strong and earnings to further improve in 2023, despite inarguably tougher conditions. These include a one-year temporary rebate increase in Germany and high inflation putting pressure on the cost base.

We remain confident, and we are well-prepared to deal with these challenges. Plans have been made to further drive sales growth, our business platform and market positions are robust, and the transition within the allergy market is in our favour. So, we will continue to execute our current strategy and push for improved results. Revenue is expected to grow by 7-11% (8-12%, disregarding the German rebate increase), while earnings margin (EBIT) is expected to grow by 25-45% in 2023. This translates into an earnings margin (EBIT) of 13-15%, up from 10% in 2022.

> "In recent years, we have raised the bar and embarked on a journey to rigorously capture a greater share of the global allergy market."

Anders Hedegaard, Chair of the Board

"While we remain committed to delivering on our short-term promises, we are equally focused on sustaining high growth and profitability, now and beyond 2025."

Carsten Hellmann, President & CEO

Full coverage for children and adolescents

While we remain committed to delivering on our short-term promises, we are equally focused on sustaining high growth and profitability, now and beyond 2025. We will continue to invest significantly in 2023, and expect to make progress on each of our high-potential growth initiatives to safeguard, and potentially accelerate, ALK's growth long-term.

The first of these opportunities is **children**. Many children in our society suffer from allergy-related sleep and cognitive function impairments, reduced academic performance, and restricted ability to participate in sport and other activities. Children deserve the right to live a life free from severe allergy symptoms, disease progression and stigma, and we at ALK are the only company that comes close to providing a long-term solution that is particularly suitable for children with allergies: our effective and convenient, once-daily tablets.

2023 will see data from our two pivotal, Phase III paediatric trials in house dust mite and tree pollen tablets. Their subsequent filings, approvals and launches – hopefully in 2024/25 in Europe and North America – would be milestone events in our efforts to secure approvals for all respiratory tablets covering paediatric, adolescent, and adult use.

The commercial potential is compelling and full paediatric coverage would potentially expand our addressable markets significantly. Parents, who suffer in silence when it comes to their own allergies, are much more proactive when it comes to seeking treatment for their children. And children have a shorter and faster path to AIT-treatment, because healthcare professionals acknowledge the need to treat their underlying allergic disease, rather than allowing it to mature and progress to allergic asthma, or other serious comorbidities.

Further expansion and innovation

The second opportunity is **China**, well on its way to becoming the world's largest market for house dust mite (HDM) AIT. We recently submitted a registration application for our HDM tablet in China and, subject to approval, a launch is targeted for 2024/25. To prepare the ground, we just made the HDM tablet available in a special Medical Pilot Zone in China. We are also expanding our nationwide presence significantly, and sales of our current registered SCIT product are growing strongly. Meanwhile, we continue to support our partner for Jext® in China and believe in the long-term potential of this initiative as well.

Thirdly, on our 'new horizons' agenda, we remain committed to entering the attractive US market for **adrenaline auto-injectors** with an affordable, competitive, next-generation product, as soon as possible.

Finally, we have initiated a Phase I trial with our new tablet treatment for peanut allergy – an important step in our quest to develop new, mainstream treatments for potentially life-threatening **food allergies**. The trial will assess the tolerability and safety of a once-daily tablet and we will see initial data from the first part of the trial during 2023.

We are pursuing each of these potential accelerators at full speed and with funding in place. If we can repeat our recent successes, they will help to establish a much larger and stronger ALK – a company capable of generating attractive shareholder returns for many years to come.

100 years of commitment
In 2023, we are celebrating ALK's 100th anniversary. ALK was founded on innovation and has stayed true to its heritage with a long history of 'firsts' in our industry: new treatment formulations, new disease areas, unprecedented large-scale clinical trials, a commitment to leading the transition towards evidence-based allergy care, and new ways of engaging with patients and healthcare professionals.

Our purpose has always been – and always will be – to provide allergy solutions for life. In recent years, we have raised the bar and embarked on a journey to rigorously capture a greater share of the global allergy market. We would like to thank our employees for their relentless commitment to this journey as well as their continuing efforts. Their endeavours allow us to deliver on our ambitious targets.

On that note, the most recent employee engagement survey was very encouraging. This saw us improve our overall engagement score further, and placed ALK among the top 5% of international benchmark companies, well above the healthcare benchmark. Our great employees all over the world are an essential part of what makes ALK successful, and they deserve huge credit for helping to steer ALK though its recent transformation and the turbulence of COVID, while still managing to generate impressive results for the company.

Special thanks are also due to our partners, without whom we could not succeed, and to the patients and prescribers who place their trust in us – a trust we never take for granted and work hard to maintain.

Last, but not least, we would like to thank our shareholders. As ALK's performance continues to improve towards our targets, we look forward to rewarding them through continued, long-term value creation.

Anders Hedegaard
Chair of the Board

Carsten Hellmann
President & CEO

Financial highlights

Revenue
DKK 4,511 million
(+13% l.c.)*

EBITDA
DKK 708 million
(+33% r.c.)**

EBIT
DKK 470 million
(+61% r.c.)**

Free cash flow
DKK 65 million

* l.c.: local currencies
** r.c.: reported currency

Performance highlights

2022 business highlights

Registration application submitted for HDM tablet in China

Phase I clinical development of tablet for treatment of peanut allergy

Agreement with contract manufacturer to secure its tablet capacity towards 2030

Exclusive licensing agreement on launch of ALK's house dust mite tablet in India

Share split completed to support liquidity in ALK's share

Two upgrades to the full-year growth outlook

2022 sustainability highlights

ALK committed to setting new, science-based target for CO_2 reduction

~2.4 million people on treatment with ALK products, a net increase of 300,000

CO_2 emissions down 41% from 2019 baseline

59% of waste was recycled or reused, exceeding 2022 targets

2022 targets for energy and water consumption were met

Share of women in VP and senior director positions increased to 34%

2023 outlook

ALK expects to continue its trajectory of high organic growth and earnings improvement in 2023.

(Revenue growth rates are stated as organic growth in local currencies, unless otherwise indicated)

ALK expects broad-based growth in all sales regions – Europe, North America and International markets – in 2023. Total revenue is expected to grow by 7-11% organically, equalling 8-12% growth when disregarding the one-year temporary mandatory rebate increase of 5 percentage points for all prescription drugs in ALK's largest market, Germany, in 2023.

Tablets will remain key to growth, and are expected to grow by up to 15%, which equals up to 17% growth when disregarding the one-year temporary rebate increase in Germany. Growth is anticipated for all tablet brands and all sales regions, with Central Europe, Northern Europe, Japan and North America expected to lead the way through additional market share gains, further expansion of prescriber and patient bases as well as progress from the ongoing market transition in favour of evidence-based allergy medicines. As in previous years, some fluctuations in the quarterly tablet sales are anticipated, reflecting current market dynamics and phasing of product supply to partners.

In addition, ALK expects sales growth from the remaining non-tablet portfolio, mainly driven by SCIT and life science products, whereas Jext® sales are expected to decline somewhat following the extraordinary sales growth of 2022, fuelled by supply issues in the wider market.

Improving EBIT margin in line with long-term ambitions

ALK expects operating profit to improve in 2023, fuelled by revenue growth, and benefits and efficiencies from increased scale. The EBIT margin is expected at 13-15%, versus 10% in 2022, corresponding to an improvement of 25-45%, which is in line with ALK's long-term earnings ambition of an EBIT margin of around 25% in 2025.

The gross margin is expected to further benefit from higher tablet and SCIT sales volumes as well as efficiencies in product supply. However, this impact will be somewhat offset by different factors, including the increased rebate in Germany, higher tablet shipments to Torii in Japan at lower gross margins, changes to the product mix, and modest cost inflation. Consequently, the gross margin is expected to increase by up to 1% percentage point on the 62% seen in 2022.

2023 targets

Revenue growth

7-11%

Higher EBIT margin

13-15%

(up from 10% in 2022)
13-15% EBIT margin corresponds to a 19-21% EBITDA margin

From EBITDA to EBIT

ALK will use EBIT – Earnings Before Interest and Taxes – as the prime indicator of the company's profitability aspirations going forward. Hence, ALK's short-term financial indications for operating profit are now aligned with its long-term indications, rather than the previously applied EBITDA. The change reflects an increasing focus on the underlying earnings generation of the company and the fact that the next phase of the strategy is one of stable capital expenditure.

The overall capacity cost to revenue is expected to improve as ALK further leverages its existing platforms to drive efficiencies, and normalises R&D spend. Higher sales and marketing costs are planned to support preparations for paediatric tablet launches, the build-up in China, and digital engagement projects, but the overall sales, marketing and administrative expenses ratio to revenue is expected to decrease. R&D expenses are planned to decline to around DKK 600 million, reflecting the start of a normalisation after a number of years with extraordinarily high R&D costs to complete the clinical Phase III programme for the respiratory tablet portfolio.

Key assumptions

- Reduced spending power among consumers amid higher living costs is not expected to materially affect demand for AIT, since the majority of ALK's sales either involve products with no co-payments or insignificant co-payments by patients.
- The overall AIT market in Germany is expected to gradually recover in 2023 following its weakness in the second half of 2022.
- COVID is not assumed to materially affect clinical and commercial activities, sales, nor investments in Europe and North America, however, the pandemic continues to cause a degree of uncertainty regarding capacity at clinics and patients' behaviour in some markets, such as China and Japan.
- Pricing and reimbursement schemes are generally expected to be stable, except for the one-year temporary rebate increase in Germany in 2023, which is expected to lower ALK's revenue by around DKK 50 million, and minor adjustments in certain markets in Southern Europe.
- ALK's exposure to the ongoing inflationary pressure on its cost base is expected to remain modest.
- CAPEX is projected at around DKK 400 million. Free cash flow is expected to be positive.
- The outlook is based on ALK's current portfolio and does not include revenue from acquisitions, new partnerships, or the in-licensing of products, nor does it include payments related to M&A or in-licensing activities.
- The outlook is based on current exchange rates, resulting in a negative effect of approximately 1 percentage point on reported revenue and an immaterial effect on reported EBIT.

Forward-looking statements
This report contains forward-looking statements, including forecasts of future revenue, operating profit, and cash flows as well as expected business-related events. Such statements are, by their very nature, 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. Without being exhaustive, such factors include e.g., consequences of the COVID pandemic, 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 products, as allergy immunotherapy may be associated with allergic reactions of differing extents, durations, and severities.

A century of scientific milestones

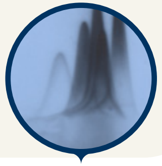
The history of ALK can be traced back 100 years to a seminal moment in a Copenhagen laboratory in 1923. Since then, a series of scientific milestones has fuelled the company's expansion and led to major advances in the treatment of allergies.

1923
After returning from the USA with allergen extract recipes, Doctor Kaj Baagøe and pharmacist Peter Barfod produce the first pharmaceutically manufactured allergen extract at the Copenhagen University Hospital

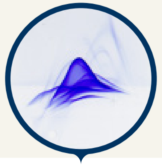
1928
Peter Barfod takes over the Frihavn Pharmacy in Copenhagen where he develops the commercial potential of allergy immunotherapy treatments

1949
Production of allergy immunotherapy treatments and diagnostics is centred at an independent unit called 'Allergologisk Laboratorium København' (ALK)

1961
ALK is transformed into the limited company ALK A/S



1972
ALK develops a technique – crossed radio-immuno-electrophoresis (CRIE) – to accurately identify the proteins that trigger allergies



1976
ALK develops the first standardised process for manufacturing allergen extracts

1978
The world's first standardised allergy immunotherapy, Alutard SQ®, is launched by ALK

1989
The Lundbeck Foundation – which awards research grants primarily to biomedical sciences research with focus on neuroscience – becomes the major shareholder of ALK

1990
ALK (Abelló) introduces the world's first sublingual allergy immunotherapy drops (SLIT-drops)

1992
ALK merges with rival Spanish company Abelló to become ALK-Abelló

2001
ALK introduces the sublingual allergy immunotherapy (SLIT) tablets development programme

2005
ALK becomes independently listed on Nasdaq Copenhagen following the divestment of Chr. Hansen Ingredients. GT-08 trial (grass tablet) is the first SLIT-tablet trial to demonstrate clinical efficacy in allergic rhinitis

2006
GRAZAX® – the world's first SLIT-tablet, is launched in Europe

Continue the journey here

2007
PAT trial publishes 10-year follow-up data showing long-term reduced risk of asthma following treatment with Alutard SQ®

2008
MT-02 trial (house dust mite tablet) is the first SLIT-tablet trial to demonstrate clinical efficacy in allergic asthma. ALK-Abelló introduces new logo and changes name to ALK. ALK-Abelló remains the legal name of the company

2009
GRAZAX® is the first SLIT-tablet to be approved as a disease-modifying treatment. ALK's new headquarters in Hørsholm, Denmark is inaugurated

2011
ALK and Torii agree a partnership to develop and commercialise ALK's house dust mite AIT products for Japan

2014
GRASTEK® – ALK's tablet against grass pollen allergy – is launched in the USA, quickly followed by RAGWITEK® – ALK's tablet against ragweed allergy

2015
ACARIZAX® – for house dust mite allergy – is the world's first SLIT-tablet to be approved for both allergic rhinitis and allergic asthma. In Japan the product is launched under the name MITICURE™

2016
ACARIZAX® – ALK's tablet against house dust mite allergy – is launched in Europe and Australia. The GRAZAX® Asthma Prevention (GAP) trial demonstrates that ALK's grass tablet reduces the risk of asthma symptoms in children with allergic rhinitis

2017
For the first time, allergy immunotherapy is recommended as a treatment option in the Global Initiative for Asthma (GINA) guidelines, based on data for ACARIZAX®

2019
ITULAZAX® – ALK's tablet against tree pollen allergy – is launched in Europe

2021
Real-world evidence study by ALK involving 92,000 allergy patients demonstrates AIT's long-term effects on allergy and asthma. ALK announces an entry into food allergy treatment and begins developing a tablet against peanut allergy

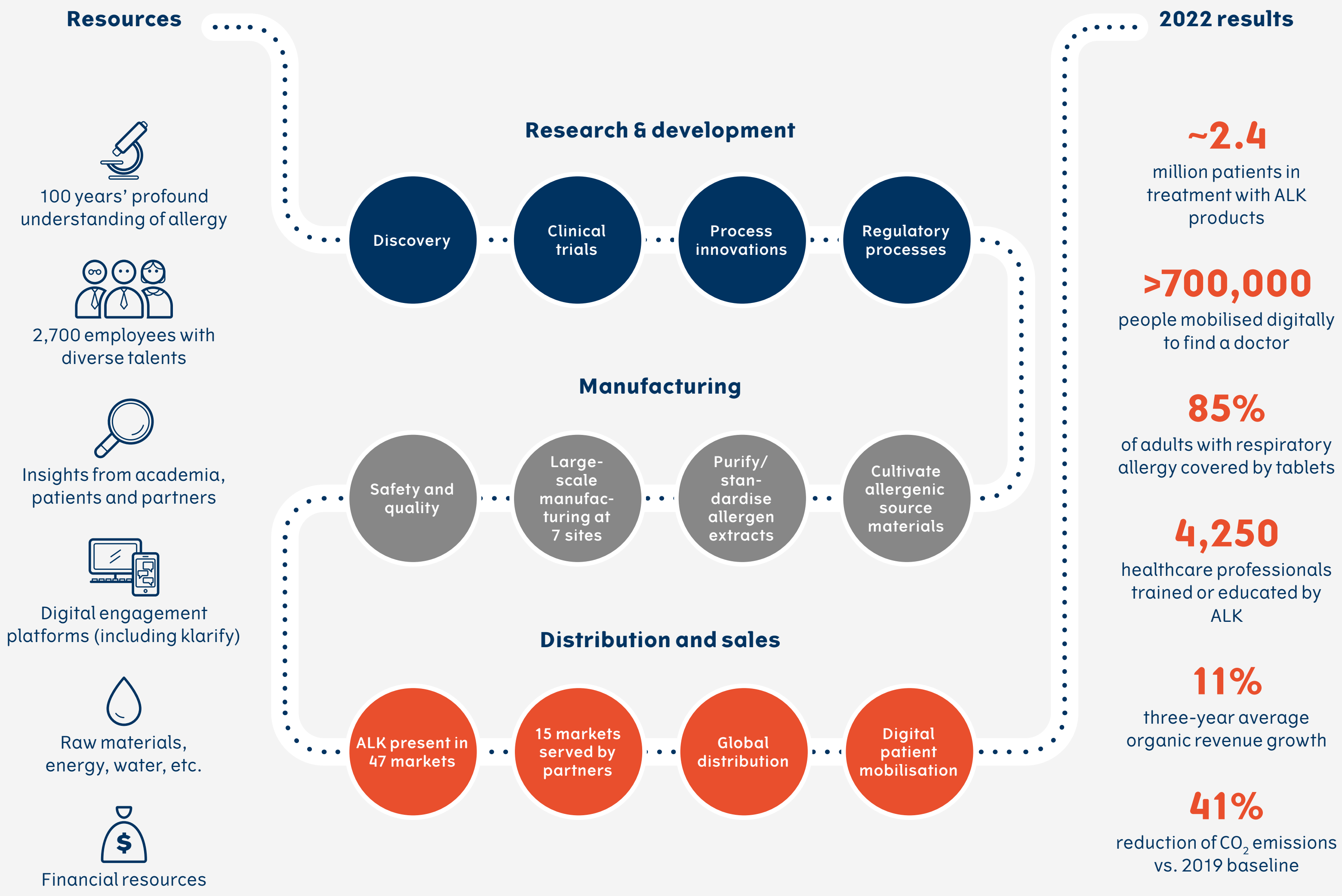
2023
100 years of discoveries and cooperation

ALK at a glance

Becoming relevant for more people with allergy

ALK is a global allergy solutions company with a wide range of diagnostics, allergy immunotherapy (AIT) treatments, and services to meet the unique needs of allergy sufferers, their families, and doctors around the world.

ALK is a world leader in respiratory allergies and holds emerging positions in food allergies and anaphylaxis. Its business model is centred around strong R&D skills, insight into immunology, unique manufacturing processes, and a desire to bring the best of modern science to the allergy field. Based on the industry's most comprehensive clinical data set and insights into patient behaviour, ALK wants to transform the clinical landscape from experience-based to evidence-based medicine for patients, practitioners and payers.



Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm**	DKK 2022	DKK 2021	DKK 2020	DKK 2019	DKK 2018	EUR 2022	EUR 2021
Income statement							
Revenue	4,511	3,916	3,491	3,274	2,915	607	527
EBITDA	708	534	395	241	136	95	72
Operating profit (EBIT)	470	292	150	(14)	(96)	63	39
Net financial items	(23)	(13)	(49)	(17)	(7)	(3)	(2)
Profit before tax (EBT)	447	279	101	(31)	(103)	60	38
Net profit	335	219	25	(50)	(170)	45	29
Average number of employees (FTE)	2,609	2,492	2,419	2,385	2,341	2,609	2,492
Balance sheet							
Total assets	6,308	5,830	5,563	5,495	4,865	848	784
Invested capital	3,400	2,931	2,807	2,759	2,968	457	394
Equity	3,988	3,480	3,153	3,176	3,179	536	468
Cash flow and investments							
Depreciation, amortisation and impairment	238	242	245	255	232	32	33
Cash flow from operating activities	416	468	301	132	(95)	56	63
Cash flow from investing activities	(351)	(266)	(245)	(157)	(199)	(47)	(36)
– of which investment in intangible assets	(55)	(45)	(26)	(20)	(52)	(7)	(6)
– of which investment in tangible assetss	(298)	(218)	(196)	(147)	(126)	(40)	(29)
– of which acquisitions of companies and operations	-	-	-	(20)	(21)	-	-
Free cash flow	65	202	56	(25)	(294)	9	27

* Management's review comprises pages 1-48 as well as 'Financial highlights and key ratios by quarter for the ALK Group' on page 108

** 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 2022 (EUR 100 = DKK 744) (31 December 2021: EUR 100 = DKK 744)

For definitions and reconciliation of alternative performance measures, see page 94

Amounts in DKKm/EURm**	DKK 2022	DKK 2021	DKK 2020	DKK 2019	DKK 2018	EUR 2022	EUR 2021
Information on shares							
Proposed dividend	-	-	-	-	-	-	-
Share capital	111	111	111	111	111	14.9	14.9
Shares in thousands of DKK 0.5 each	222,824	222,824	222,824	222,824	222,824	222,824	222,824
Share price, at year end	96	172	125	82	48	12.9	23.1
Net asset value per share	18	16	14	14	14	2.4	2.1
Key figures							
Gross margin – %	61.9	61.2	58.1	57.8	56.0	61.9	61.2
EBITDA margin – %	15.7	13.6	11.3	7.4	4.7	15.7	13.6
EBIT margin – %	10.4	7.5	4.3	(0.4)	(3.3)	10.4	7.5
Return on equity (ROE) – %	9.0	6.6	0.8	(1.6)	(5.3)	9.0	6.6
ROIC incl. goodwill – %	14.8	10.2	5.5	(0.5)	(3.3)	14.8	10.2
Pay-out ratio – %	-	-	-	-	-	-	-
Earnings per share (EPS)	1.5	1.0	0.1	(0.2)	(0.8)	0.2	0.1
Earnings per share (DEPS), diluted	1.5	1.0	0.1	(0.2)	(0.8)	0.2	0.1
Cash flow per share (CFPS)	1.9	2.1	1.4	0.6	(0.4)	0.3	0.3
Price earnings ratio (PE)	63	172	1,092	(356)	(61)	63	172
Share price/Net asset value	5.4	11.0	8.8	5.7	3.4	5.4	11.0
Revenue growth – %							
Organic growth	13	12	8	11	1	13	12
Exchange rate differences	2	-	(1)	1	(1)	2	-
Acquisitions/divestments	-	-	-	-	-	-	-
Total growth revenue	15	12	7	12	-	15	12

In March 2022, ALK-Abelló A/S completed a share split at a ratio of 1:20, each existing share of a nominal value of DKK 10 was split into 20 new shares of a nominal value of DKK 0.50 each. The company's share capital remains DKK 111,411,960. As a result of the share split, comparison figures for EPS, DEPS, share price, share number, net asset value per share and share price/net asset ratio have been restated accordingly.

Sales and market trends

ALK's full-year revenue for 2022 ended at DKK 4,511 million (3,916) with organic growth of 13%. This was in line with the most recent outlook, issued on 10 November 2022, and reflected growth across all sales regions. Currencies had a positive effect, resulting in reported growth of 15%.

(Comparative figures for 2021 are shown in brackets. Revenue growth rates are organic and stated in local currencies, unless otherwise indicated)

Sales growth was driven by tablets which increased by 18%, while sales of ALK's non-tablet product portfolio were up 8%, boosted by strong growth in International markets and North America as well as by the adrenaline auto-injector (AAI) Jext® in Europe, which benefitted from strong market growth and competitor market supply issues.

Europe

European revenue was up 9% at DKK 3,058 million (2,809), with growth fuelled by tablets – which increased by 13% – and strong Jext® sales.

ALK continued to expand its market position for tablets, as tablets remained a preferred treatment option for people with moderate-to-severe respiratory allergies. Sales grew in double digits in the important northern European markets of the Nordics and Germany on market expansion and market-share gains. Double-digit sales growth was also seen in several other important markets, including the Benelux countries and Eastern Europe, while in France tablet sales grew by high single digits.

In the second half of the year, tablet sales growth was temporarily impacted mainly

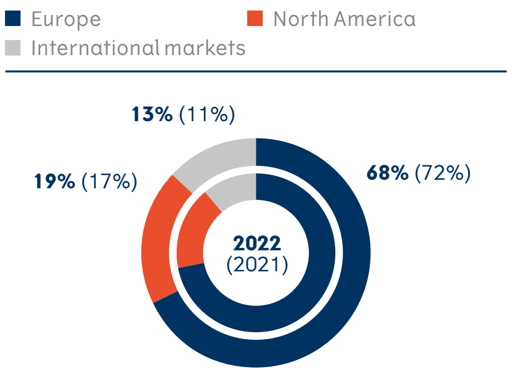
Revenue by geography

Amounts in DKKm	2022	Growth (l.c.)	2021
Europe	3,058	9%	2,809
North America	857	12%	683
Int'l markets	596	39%	424
Overall revenue	**4,511**	**13%**	**3,916**

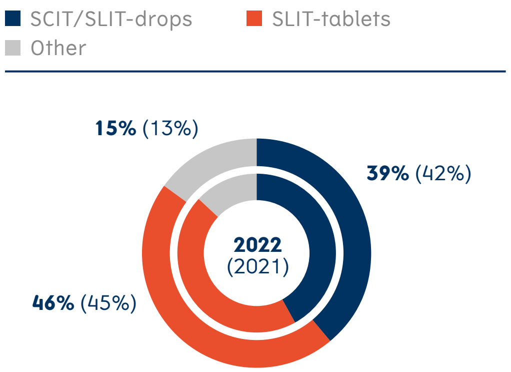
Revenue by product line

Amounts in DKKm	2022	Growth (l.c.)	2021
SCIT/SLIT-drops	1,748	3%	1,655
SLIT-tablets	2,102	18%	1,774
Other products	661	27%	487
Overall revenue	**4,511**	**13%**	**3,916**

Revenue by geography



Revenue by product line



by a weakening of the overall AIT market in Germany. This was attributable to a wave of respiratory infections which crowded out AIT patients from the clinics. This, together with a weak tree pollen season, resulted in fewer patient initiations. In addition, some prescribers responded slowly to the phasing out of reimbursement for non-registered products. As a result, overall AIT industry sales in Germany are estimated to have declined in Q4. Despite this, ALK's market position remained strong, allowing the company to further expand its leadership in the country and contributing to the strong overall results.

Combined sales of SCIT and SLIT-drops were unchanged in light of increased sales of SCIT venom products towards the end of the year as they recovered from the earlier unavailability of specific products and benefitted from supply issues affecting other manufacturers. Sales of other products increased 39% overall, as Jext® sales surged 51% in response to market growth and supply issues affecting other manufacturers of AAIs.

Overall sales in France were slightly down on the combined effects of COVID in the first half of the year and the ongoing local market transition from SLIT-drops to tablets. ALK retained its market leadership in terms of the number of patients treated.

General market conditions were largely stable across Europe in 2022, and there were no notable changes affecting the pricing and reimbursement of AIT products, although Germany did announce a one-year temporary mandatory rebate increase for 2023 of 5 percentage points for all prescription products.

North America

Revenue in North America grew by 12% in local currencies to DKK 857 million (683). Tablet sales increased 14%, supported by strong growth in Canada, whereas the USA still saw an ongoing weak market development. ALK continued its efforts towards building new channels, e.g,the paediatric channel, cf. strategy section on page 23.

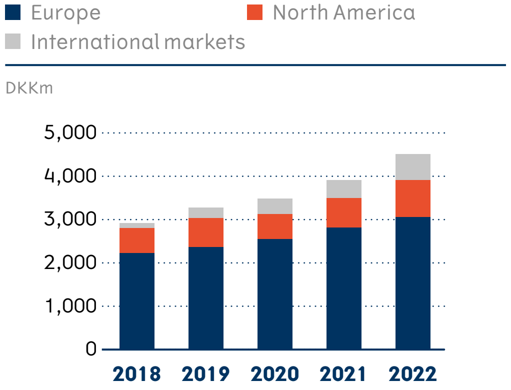
Sales of bulk allergen extracts increased 3%, while revenue from other products improved 22%, helped by strong sales growth from non-allergy-related life science products.

International markets

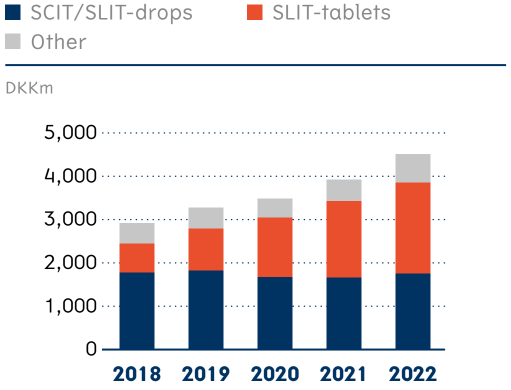
Revenue from International markets increased 39% in local currencies to DKK 596 million (424), largely due to strong performances from the region's two largest markets – China and Japan. In-market sales growth remained resilient despite quarterly fluctuations due to the phasing of product shipments, and despite the strong impact of COVID, in both Japan and China.

Although small in scale, tablet sales through Abbott, ALK's partner for south-east Asia, also grew encouragingly.

5-year total revenue by geography



5-year total revenue by product line



Case story

Germany: a market in transition

Germany, ALK's single largest market, is a pioneer in transforming the allergy immunotherapy (AIT) market.

For years, the local allergy market was typified by individually-produced, so-called 'named-patient products' (NPPs) which is an allergen product, prepared for an individual patient following a prescription by their doctor. But a shift – led by pressure from regulators and payers – towards clinically tested and registered treatments that are documented to pharmaceutical industry standards, has resulted in major changes.

As regulations have tightened, undocumented or unviable products have been squeezed out of the market. Before 2008, there were more than 6,500 individual AIT products available in Germany, for most of which no, or limited data, on quality, safety or efficacy were available or independently assessed. Of those, 123 sought marketing authorisations. To date, just two of these have been approved, and a further 17 were forced to exit the market in 2022. Meanwhile just 44 more of the original 6,500 products remain on the market under transitional arrangements that are expected to end in 2026.

In parallel, further pressure from allergy experts and national and regional payers has seen Germany update its reimbursement and prescription guidelines in favour of evidence-based, authorised AIT products.

As the market further consolidates around authorised products, and those unable to meet the higher documentation thresholds continue to disappear, the market is being fundamentally reshaped. This process has led to some disruption among both traditional AIT manufacturers and the more than 10,000 physicians who traditionally have been involved in AIT.

In 2019, ALK became the first company in Germany to offer a complete product range for major allergens featuring only authorised tablets and SCIT products. Since then, ALK has increased its market share significantly and Germany has become ALK's single largest market, with market share in 2022 estimated at around 35%, up from 23% in 2018.

On an EU level, the importance of the transition from a landscape of undocumented legacy products towards documented and authorised products is underpinned by the 2020 adoption of a new European guideline, which aims to further support the availability of evidence-based, safe and efficacious allergen treatments and diagnostics across Europe.

Financial review

ALK's full-year operating profit (EBITDA) increased 33% in reported currency to DKK 708 million (534), which was in line with the updated outlook issued on 10 November 2022, and reflected higher sales and improved gross margin. The corresponding EBIT margin was 10% (7%).

(Comparative figures for 2021 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated)

2022 revenue increased by 13% in local currencies to DKK 4,511 million (3,916). Exchange rate fluctuations had a positive effect, resulting in reported growth of 15%.

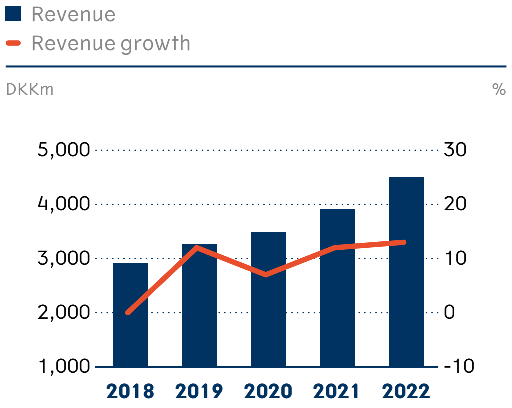
Cost of sales increased 9% in local currencies to DKK 1,720 million (1,520). The gross profit of DKK 2,791 million (2,396) yielded a 1 percentage point improvement in the gross margin to 62% (61%), mainly reflecting increasing tablet sales and production efficiencies – although the gross margin was reduced somewhat by increased shipments to Torii in Japan, which yield lower gross margins. ALK continued to implement its product and site strategy, covering investments for the upgrade of legacy products and associated manufacturing facilities, and to secure quality and robustness in product supply. In the second half of 2022, cost of sales included one-time, extraordinary costs of approximately DKK 30 million related to the discontinuation of a non-strategic product and unplanned facility maintenance.

Capacity costs increased 8% in local currencies to DKK 2,322 million (2,105). As planned, R&D expenses were slightly above the level of 2021, reflecting ongoing Phase III clinical trial activities. Sales and marketing expenses increased by 8% in local currencies, and included investments

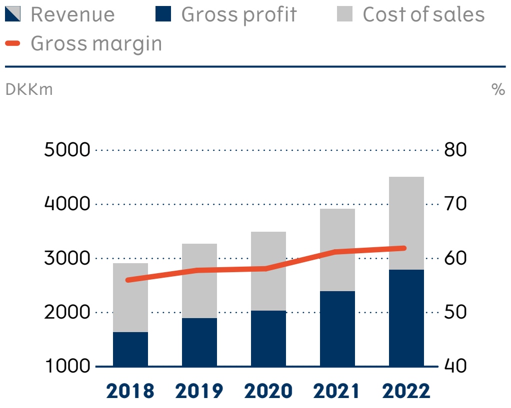
2022 guidance history

Amounts in DKKm	2022E 8 Feb outlook	2022E 4 Aug outlook	2022E 10 Nov outlook	2022 actual
Revenue	8-12% (l.c.)	10-13% (l.c.)	11-13% (l.c.)	13% (l.c.)
EBITDA	DKK 625-725m	DKK 675-750m	DKK 675-750m	DKK 708m

Revenue



Gross margin



in market expansion in China, digital activities, the paediatric expansion, a generally high activity level including medical events and congresses, as well as costs associated with optimising ALK's commercial footprint, including the closing down of activities in Turkey. Administrative expenses increased, mainly due to IT and organisational development activities.

EBITDA (operating profit before depreciation and amortisation) increased 33% in reported currency to DKK 708 million (534), driven by higher sales and an improved gross margin. Exchange rates had only a minor effect on operating profit. **EBIT (operating profit before interest and tax)** increased 61% in reported currency to DKK 470 million (292), which was equivalent to an EBIT margin of 10% (7%).

Net financials were a loss of DKK 23 million (a loss of 13). **Tax on the profit** totalled DKK 112 million (60), and **net profit** increased 53% in reported currency to DKK 335 million (219).

Cash flow from operating activities was DKK 416 million (468), driven by higher earnings which were offset by changes in working capital due to the timing of payments. **Cash flow from investment activities** was DKK minus 351 million (minus 266), on the build-up of additional capacity for SLIT-tablet production, upgrades to legacy production, and investments for the in-house next generation adrenaline auto-injector, which is currently in development. **Free cash flow** was positive at DKK 65 million (202).

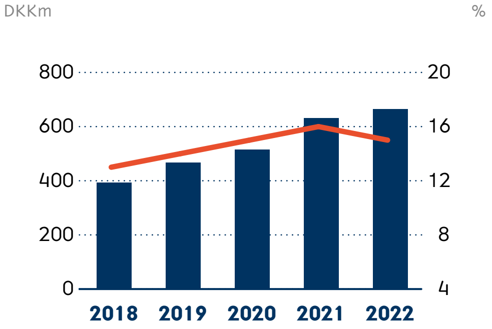
Cash flow from financing activities was DKK minus 42 million (minus 311), mainly relating to the repayment of borrowings. Currently ALK has DKK 1,292 million in unused credit facilities, running until the end of 2025.

At the end of 2022, ALK held 1,824,975 of its **own shares**, or 0.8% of the share capital, versus 1.3% at the end of 2021.

Equity totalled DKK 3,988 million (3,480) at the end of 2022, and the equity ratio was 63% (60%).

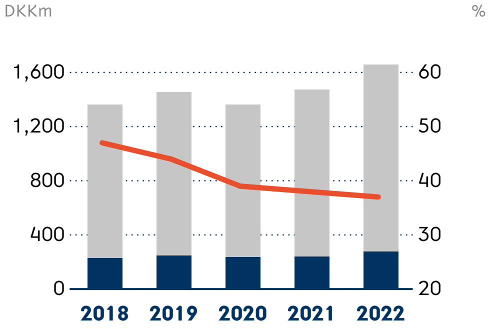
Research and development

Research and development expenses
Percentage of revenue



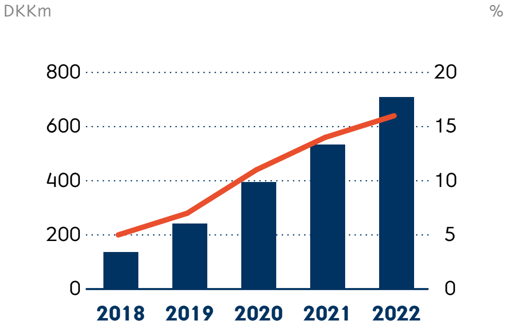
Sales, marketing and administration

Administrative expenses
Sales and marketing expenses
Percentage of revenue



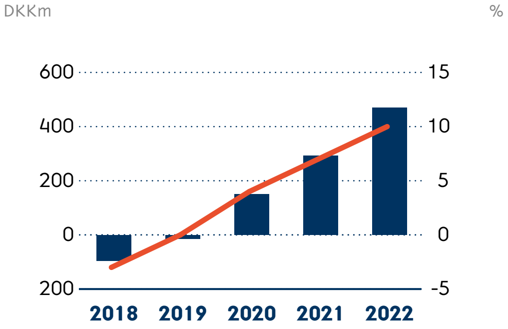
EBITDA

EBITDA
EBITDA margin



EBIT

EBIT
EBIT margin



Q4 review

(Comparative figures for Q4 2021 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated)

Q4 highlights

- Total revenue was up 12% in local currencies at DKK 1,249 million (1,099)
- Tablet sales grew by 14% to DKK 581 million (509)
- Combined SCIT and SLIT-drops sales were up 4% at DKK 512 million (483)
- Sales of other products, including the adrenaline auto-injector, Jext®, increased 37% to DKK 156 million (107)

ALK delivered 2022 full-year results in line with the most recent financial outlook, following a Q4 which saw revenue grow in all regions and across all product groups. Q4 revenue increased 12% to DKK 1,249 million – the highest quarterly revenue to date. Growth was positively impacted by exchange rate fluctuations, so that reported growth in DKK was 14%.

Revenue in **Europe** was up 10% on double-digit growth in SCIT sales and strong triple-digit growth in Jext® sales. SCIT sales benefitted from the ongoing recovery in the venom AIT segment that previously suffered from the temporary unavailability of some venom initiation products, but also from improved pricing and rebate adjustments. Sales of Jext® continued to be fuelled by high demand in the wider market, which was impacted by supply issues.

Tablet sales in **Europe** were up 5%, mainly reflecting the slower start to the initiation season in ALK's main market Germany cf. the sales and market section on pages

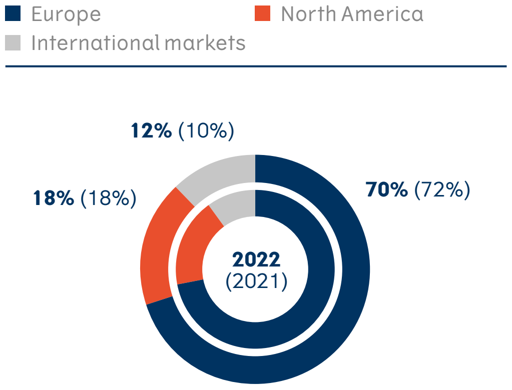
Revenue by geography

Amounts in DKKm	Q4 2022	Growth (l.c.)	Q4 2021
Europe	871	10%	795
North America	226	6%	193
Int'l markets	152	36%	111
Overall revenue	**1,249**	**12%**	**1,099**

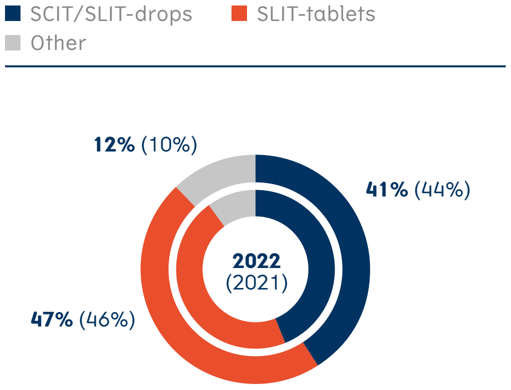
Revenue by product line

Amounts in DKKm	Q4 2022	Growth (l.c.)	Q4 2021
SCIT/SLIT-drops	512	4%	483
SLIT-tablets	581	14%	509
Other products	156	37%	107
Overall revenue	**1,249**	**12%**	**1,099**

Revenue by geography



Revenue by product line



13-14. Overall AIT industry sales in the German market were estimated to have declined in Q4, however, ALK's sales remained resilient, allowing the company to further expand its leadership in both the overall AIT market and the tablet market segment. The Nordic region, Benelux, and a number of smaller markets continued to grow their tablet sales in double digits.

Revenue in **North America** increased 6%, mainly driven by sales growth from life science products. Sales growth in the largest category, bulk allergen extracts (SCIT) was negative and held back by temporary backorders which are expected to be fulfilled in the coming quarters, while growth rates were 4% for tablets and 17% for other products and services, respectively.

Revenue from **International markets** grew by 36%, powered by strong growth in tablet shipments to Torii in Japan, while revenue from China was down on the timing of SCIT product shipments. In Japan, in-market growth was maintained for both MITICURE™ and CEDARCURE™, although new patient initiations were impacted by the ongoing effects of COVID, with fewer than usual patient visits to clinics.

In-market sales growth in China was also strong, despite intermittent regional outbreaks of COVID.

The gross margin was 62% (64%). The margin development reflected large shipments to Torii at lower margins, and continued investments in the implementation of the product and site strategy, as well as extraordinary costs for unplanned facility maintenance.

Capacity costs amounted to DKK 633 million (622). R&D expenses were slightly above those for Q4 2021 due to ongoing clinical trial activity. Sales and marketing expenses increased, when adjusted for one-off restructuring costs in Q4 2021. The development reflected investments in market expansion in China and a generally high activity level in markets with positive momentum. The capacity costs to revenue ratio was down at 51% (57%).

EBITDA of 201 million (136) was in line with the most recent outlook, mirroring higher sales and efficiencies across the business.

EBIT increased 75% in reported currency to DKK 138 million (79).

Income statement

Amounts in DKKm	Q4 2022	Q4 2021
Revenue	1,249	1,099
Cost of sales	478	398
Gross profit	**771**	**701**
Gross margin	**62%**	**64%**
Research and development expenses	185	179
Sales and marketing expenses	372	372
Administrative expenses	76	71
Operating profit (EBIT)	**138**	**79**
Net financials	(34)	(5)
Profit before tax (EBT)	**104**	**74**
Tax on profit	26	(2)
Net profit	**78**	**76**
Operating profit before depreciation and amortisation (EBITDA)	**201**	**136**

The growing burden of allergy

The number of people with respiratory allergies has increased continuously over the past 60 years and allergy is now one of the most common diseases globally, affecting as many as 30% of adults and up to 40% of children in certain parts of the world. ALK estimates that, today, approximately 500 million people suffer from respiratory allergies worldwide.

All of this is already placing a substantial burden on societies around the world – both in terms of direct healthcare costs, but also through lost productivity. In fact, estimates show that around 75% of the cost of allergic rhinitis – commonly known as hay fever – is largely hidden.

The burden of respiratory allergy is expected to increase due to climate change resulting in longer and more severe allergy seasons

Children with allergic rhinitis are more likely to develop allergic asthma

There is also evidence to show that it can have a detrimental effect on academic performance.

The burden of respiratory allergy is expected to increase even further due to climate change, as extended warm spells result in more airborne allergens, resulting in longer and more severe allergy seasons. In addition, climate change is allowing many plant species to migrate beyond their traditional locations, bringing new allergens to previously unaffected regions.

Disease progression is another factor that is increasing the burden on society. For example, studies show that people with allergic rhinitis are significantly more likely to go on to develop allergic asthma. Again, children are particularly at risk, and genetic factors mean the risk is still higher if children have a parent with asthma.

The role of allergy immunotherapy

Despite these challenges, the situation can be improved. Allergy immunotherapy (AIT) has been extensively documented as being effective in reducing the symptoms of allergic rhinitis and asthma, and in improving quality of life for allergy sufferers.

However, ALK estimates that just 1% of people suffering from allergic rhinitis actually receive AIT treatment today, even though the European Academy of Allergy and Clinical Immunology (EAACI) has declared AIT can achieve substantial results for patients, improving their quality of life and changing the course of their disease, while also reducing the long-term costs and disease burden for society.

Changing the paradigm

ALK is working harder than ever to spread this knowledge – and to educate, promote and facilitate earlier access to allergy diagnoses and treatment with AIT. It is also raising awareness of the dangers of disease progression – also known as 'allergic march' – where a child's allergies and symptoms multiply as they grow older, potentially to include allergic asthma.

With its strategic investments over recent years, ALK has become a leader in digital engagement with people with allergy, building a suite of apps, websites and tools under the 'klarify' banner that provides information, education and guidance on managing allergies.

!

The effectiveness of allergy immunotherapy has been documented in multiple clinical trials over decades

ALK believes that early diagnoses and effective treatment interventions are essential, not just for the potential healthcare benefits, but also as a means of reducing the wider costs of allergy to society.

The message is clear: we cannot continue to underestimate the burden respiratory allergies place on either patients or healthcare systems. But unless we adjust our approach, as the prevalence of allergies increases, so will the burden on people with allergies, and the cost to economies through absenteeism, loss of productivity, cost of care, and reduced quality of life.

Strategy progress and 2023 targets

ALK continued the execution of its strategy in 2022, making progress with its focus areas.

ALK's priority for the immediate future is to target continuous growth and improving profitability, as it seeks to become ever more relevant to more people with allergy, and to extend its global leadership in respiratory allergy. The steps towards fulfilling these ambitions fall into four key strategic focus areas: succeed in North America, complete and commercialise the tablet portfolio, consumer engagement and new horizons, and optimise for excellence. All of this is underpinned by a company-wide ambition to lead the way on sustainability, through ALK's 'people and planet' commitments.

The four strategic priorities map a path towards ALK's financial ambitions for 2025 and beyond. The strategy targets sustainable organic growth of 10% or more annually, with strong earnings improvements, to ramp up ALK's EBIT margin to around 25% in 2025, driven by sales growth, gross margin improvements and cost efficiencies. The strategy is further supported by selected longer-term initiatives, designed to safeguard, and potentially accelerate, ALK's growth trajectory towards 2030 and beyond. These 'new horizons' initiatives include developing mainstream food allergy treatments for peanut and tree nut, developing a next-generation anaphylaxis treatment, and pursuing other new innovations through research.

ALK made broad-based progress on all four of its focus areas in 2022, except for the USA, where the tablets' sales progress is still impeded by slow adoption by allergists due to financial disincentives. 2022 progress and 2023 priorities are described on the following pages.

> "ALK's priority for the immediate future is to target continuous growth and improving profitability."

In 2023, ALK will also step up its sustainability efforts, strengthening reporting and committing to a new science-based target for CO_2 emissions (cf. section on pages 34-37).

ALK's strategic focus areas

Succeed in North America

The business model for ALK's US tablets organisation is being adjusted to create a platform to succeed through new prescribers and new sales channels.

Unlock the market
Since 2017, ALK's promotional efforts for tablets in the USA have predominantly been centred on allergists. Despite various strategies and tactics, the vast majority of allergists have been unwilling to adopt the FDA-approved tablet portfolio, because reimbursement of SCIT treatments (allergy shots) that are compounded for individual patients is critical to their income, and multi-allergen treatments remain standard practice.

Accordingly, ALK is adapting its business model for tablets in the USA to unlock the market via new channels. Initial focus will be on paediatricians and new commercial partnerships, while the existing allergist tablets business will be focused on allergists who are supportive of tablets as a treatment concept in selected areas of the USA.

"A key remaining opportunity for tablets is to convince prescribers in the USA, where financial disincentives for allergists continue to block their wider adoption. ALK remains fully committed to succeeding in the USA, and to overcoming these barriers."

Paediatricians, who are estimated to treat 4 million AIT-eligible patients each year, have a high flow of patients with uncontrolled allergies and a high understanding of immunology and allergy, which is similar in its dynamics to that for allergists. But – in contrast to allergists – paediatricians are not equally financially disincentivised to prescribe tablets, and they would potentially welcome additional treatment options.

With the forthcoming paediatric and adolescent indications for the house dust mite tablet, ACARIZAX®/ODACTRA®, and the existing paediatric and adolescent indications for its pollen tablets, ALK is well positioned to capitalise on the need for better treatment options. To prove the business model, ALK will initially target around 2,000 paediatricians who frequently perform allergy tests and regularly issue prescriptions for symptomatic products.

It is estimated that more than 20 million of the AIT-eligible allergy patients in the USA look for help outside of the traditional healthcare system, primarily via retail pharmacies, urgent care clinics or on-demand virtual care providers. To make tablets more widely available, in 2023, ALK will focus on establishing commercial partnerships with selected innovators offering convenient, high-quality care.

The existing allergist business will be refocused to target region-specific opportunities, mainly in east coast and west coast territories. The business will have the opportunity to grow with higher efficiency, supported by Medicaid, paediatric and adolescent indications, and digital consumer engagement programmes.

New leadership and organisation in place

As a result of these changes in focus, ALK's North America organisation has been structured around three business areas under a new leadership:

- The US tablets business is responsible for tablet sales and marketing in the USA and will be deployed to engage with paediatricians, build new partnerships and expand current prescriber and allergist groups.
- Canada, well on track to become a significant contributor to global tablet sales, has become a fully independent sales and marketing organisation within ALK, and its capabilities will be expanded.
- The legacy business in the USA, comprising SCIT bulk extracts, diagnostics, and life science products, will continue to target growth as before.

Efforts to strengthen ALK's position in North America therefore continue, as the company targets additional future growth opportunities at pace, via the initiatives in food allergy, adrenaline, and paediatric and adolescent indications for the tablet portfolio.

Continued double-digit growth

Overall, 2022 sales in North America were up 12%, while tablet sales were up 14%. ALK continues to target double-digit growth in 2023 across the portfolio, including for tablets.

Key priorities for 2023

Build new prescription and sales channels for tablets in the USA with a special focus on paediatricians

Continue to grow tablet sales in North America

Maximise value of legacy business in the USA

Complete and commercialise the tablet portfolio

Efforts to complete and commercialise the tablet portfolio advanced in 2022, with the aim of securing their use in additional patient groups and new geographies.

Full paediatric coverage

Clinical development of the tablet portfolio continued with particular focus on children and adolescents, and ALK's two large-scale, pivotal Phase III trials in children remained on course for completion in 2023. The trials represent some of the final steps towards gaining full paediatric coverage for the tablet portfolio in Europe and North America, which will be an important driver of continued growth for ALK.

The paediatric Phase III trial in allergic rhinitis for the house dust mite tablet in Europe and North America (MT-12) stayed on track and, despite including participants from Ukraine and Russia, the number of patient dropouts was minimal. The paediatric Phase III trial of the tree pollen tablet in Europe and Canada (TT-06) also includes some participants in Russia, but this trial too, saw minimal dropouts.

Recently, ALK received approval in Canada and the USA for the use of the house dust mite tablet ACARIZAX®/ODACTRA® for the treatment of allergic rhinitis in adolescents.

"Gaining full paediatric coverage for the tablet portfolio in Europe and North America will be an important driver of continued growth for ALK."

Following dialogue with the European authorities, in 2022, ALK decided to end the paediatric Phase III trial of the house dust mite tablet (MT-11) in allergic asthma. The trial was initiated before the outbreak of COVID, but pandemic-related containment measures impaired the trial, as face masks, social distancing, and other factors, significantly reduced the frequency of asthma exacerbations. Since house dust mite-induced allergic asthma is a comorbidity of allergic rhinitis, ALK nevertheless expects to gain full paediatric coverage via the previously mentioned Phase III trial (MT-12).

Geographic expansion

ALK has recently submitted a registration application in China for its house dust mite tablet in adult and adolescent allergic rhinitis. A waiver from the authorities allowed ALK to file its application without finalising the local Phase III registration trial, which was paused because of COVID. The waiver permits relevant data on Chinese patients to be obtained as a follow-up activity, after the tablet's potential approval and launch.

Ahead of the planned launch, ALK recently made the house dust mite tablet ACARIZAX® available in China's Boao Lecheng Medical Pilot Zone, where the first prescriptions were issued in early 2023. ALK expects to gain valuable input from prescribers and patients in the pilot area ahead of a planned nationwide launch of the tablet, which, subject to approval, could take place in 2024/25.

In addition to China, geographic expansion continued in 2022 with the launch of the house dust mite tablet in the United Arab Emirates. ALK also entered into an agreement with Dr. Reddy's Laboratories, which will lead to the future introduction of the house dust mite tablet in India's fast-developing allergy market. ALK will be responsible for product supply, while the partner will be in charge of registration and commercialisation.

Secure commercial momentum

In 2023, ALK's goal is to further grow global tablet sales by up to 15%. This equals growth of up to 17%, when disregarding the impact of the one-year temporary rebate increase in Germany, and implies maintained underlying momentum.

Market expansions will continue and, across markets, ALK will continue efforts to build the tablet prescriber and patient bases for the tablets through targeted activities such as channel expansion, digital engagement, disease awareness programmes, advocacy for evidence-based medicines, and new business models. The organisational build-up in China will continue (cf. to text on next page) while, in Europe and North America, sales and marketing resources will be allocated to preparations for the paediatric launches of the house dust mite and tree tablets which, subject to approval, could take place in 2024/25.

Key priorities for 2023

Complete clinical development and prepare for paediatric launches of house dust mite and tree tablets

Continue build-up ahead of tablet launch in China

Secure commercial momentum globally

Case story

Unlocking the potential in China

ALK continues to ramp up its presence in China according to plan. In 2022, this saw the local organisation grow 64% to 133 employees after expansions of both the sales force and back-office staff. The number of hospital-based clinics using ALK's products grew by 50% to above 500, and ALK accelerated its efforts to train and educate allergy specialists.

The increase in staff aims to speed up the adoption of ALK's existing allergy immunotherapy (AIT) offering and to build the market ahead of the planned introduction of the house dust mite (HDM) tablet ACARIZAX®. As a result, ALK's revenue in China in 2022 grew in double-digits and revenue is expected to further increase in 2023.

Subject to regulatory approval, ACARIZAX® could be on the market in China from 2024/25 onwards. This would offer an important new treatment option in a country where roughly 100 million people are affected by HDM allergy, while just 500,000 at present receive treatment with AIT. China is already a global top market for HDM AIT and has the potential to become the world's largest market. Annual HDM AIT sales are already estimated at more than DKK 1 billion.

There are just three players in the HDM AIT market. A competitor's SLIT-drops product currently has the highest sales, but ALK's market share is growing and currently exceeds 15%. ALK's current range includes the SCIT product line Alutard SQ® and diagnostic products which are prescribed via hospital-based clinics in key locations.

Alongside the build-up in the HDM AIT-market, ALK has teamed up with Grandpharma, China's leading supplier of adrenaline, in an exclusive licensing agreement to launch Jext® as the first adrenaline auto-injector in mainland China. Grandpharma is currently in the process of preparing a regulatory submission.

Case story

A life less allergic for millions of children

Obtaining full approval for the tablet portfolio for young patients is a key strategic priority for ALK and is expected to be an important growth driver for the future.

The planned paediatric indications for ALK's house dust mite and tree tablets will complete the respiratory tablet portfolio for all relevant ages. Large-scale paediatric clinical trials with the two tablets are expected to complete in 2023 and, subject to regulatory approval, both could be available with paediatric indications in Europe and North America in 2024/25.

Globally, it is estimated that more than 10 million children, aged five-to-11, have uncontrolled respiratory allergies and the number is growing, as is the acknowledgement by healthcare professionals that early intervention and adequate control of allergy is crucial to halt the disease's progression to asthma and other comorbidities. By completing its current development activities, ALK will be able to offer a new and potentially important treatment option for these patients.

To build the market ahead of these launches, ALK will organise digital awareness campaigns, webinars, conferences, e-learning activities and will cooperate with medical associations and others to raise awareness of childhood allergies among existing and potential new prescribers. Once potential new prescribers are identified, ALK will further assist them by organising training on how to use AIT and organising peer-to-peer education programmes.

ALK will also increasingly engage with parents and guardians on childhood allergies and their consequences via klarify, other consumer outreach platforms, and patient associations. These efforts aim to help caregivers to recognise the symptoms of allergy, understand the disease's potentially dramatic consequences on quality of life for children, and when they should take a child to see a doctor. Data clearly shows that parents and guardians are much more likely to seek help for children than they would be for themselves.

Several-fold increased risk of asthma

Respiratory allergy symptoms include itchy or watery eyes, a blocked nose, sneezing, headaches, sore throat, coughing, a tight, wheezy chest, and difficulty in breathing. Without proper treatment, these symptoms can worsen and lead to other conditions, including conjunctivitis, dermatitis, and asthma. Furthermore, researchers have demonstrated that childhood allergic rhinitis is associated with a several-fold increase in the risk of asthma in later life.

In addition to the direct health consequences, children also suffer in other ways. For example, trying to avoid allergen exposure often restricts their lives and can have psychological and social consequences. Allergies can also impact their studies – even if they are still able to go to school, their academic performance is often impaired as symptoms drain their mental and physical energy.

Over recent years, ALK has conducted 15 clinical trials involving more than 4,100 children, in order to secure paediatric and adolescent indications for its tablet portfolio. It is also the only AIT-company with a dedicated development programme for children covering all the major respiratory allergies.

More adherent to treatment

Children are more likely to stay on treatment once AIT has been prescribed. Children's adherence rate exceeds that of adults in core EU markets - in part, due to the active role parents or guardians take in their treatment.

Fast-track patients

Adults' journey to AIT can take up to seven-to-10 years, while children typically have a much shorter journey. Children also typically need fewer visits to their doctors before being referred to specialists. Their waiting time at specialists is also shorter.

Expansion of prescriber base

A tablet portfolio with full paediatric and adolescent coverage for the house dust mite and tree tablets would allow ALK to target new prescribers effectively. This would also likely create a halo effect for the other tablets in the portfolio (GRAZAX®/GRASTEK®, RAGWIZAX®/RAGWITEK®).

ALK's tablet portfolio

Ongoing clinical trials and regulatory approvals

Product	Age groups and indication	Phase I	Phase II	Phase III	Filing	Marketed
ACARIZAX® China	Adults – Allergic rhinitis (HDM)					
ACARIZAX® / ODACTRA® Europe & North America	Children – Allergic rhinitis (HDM)					
ITULAZAX®/ITULATEK™ Europe & Canada	Children – Allergic rhinitis (tree: birch family)					
Peanut SLIT-tablet North America & Europe	Adults, adolescents and children – Food allergy (accidental peanut exposure)					

Product approvals

Product	Age groups and indication	Marketed
GRAZAX® / GRASTEK® Europe, North America & International markets	Adults and children – Allergic rhinitis (grass)	2007-17
RAGWIZAX® / RAGWITEK® Europe, North America & International markets	Adults and children – Allergic rhinitis (ragweed)	2014-21
ACARIZAX® Europe & International markets	Adults – Allergic rhinitis and allergic asthma (HDM) Adolescents – Allergic rhinitis (HDM)	2016-21
ACARIZAX® / ODACTRA® North America	Adults – Allergic rhinitis (HDM)	2017-18
MITICURE™ Japan*	Adults and children – Allergic rhinitis (HDM)	2015-18
ODACTRA® North America	Adolescents – Allergic rhinitis (HDM)	2023
CEDARCURE™ Japan*	Adults and children – Allergic rhinitis (Japanese cedar)	2018
ITULAZAX®/ITULATEK™ Europe & Canada	Adults – Allergic rhinitis (tree: birch family)	2019-20

* Licensed to Torii for Japan

Case story

Allergy immunotherapy for respiratory and food allergies

Over the past 20 years, ALK has pioneered the development of purified and standardised natural allergen extracts, formulated as rapidly dissolving SLIT-tablets.

This has resulted in the launch of five tablets which address the most common respiratory allergies worldwide. ALK is now expanding its respiratory allergy leadership by targeting new geographies and patient groups, where growth opportunities are significant. ALK is also leveraging its existing SLIT-tablet technology with the ambition of becoming the leading player in the treatment of severe food allergies – a major commercial opportunity in an area with significant unmet medical need – and Phase I development of a tablet for peanut allergy has already begun.

Consumer engagement and new horizons

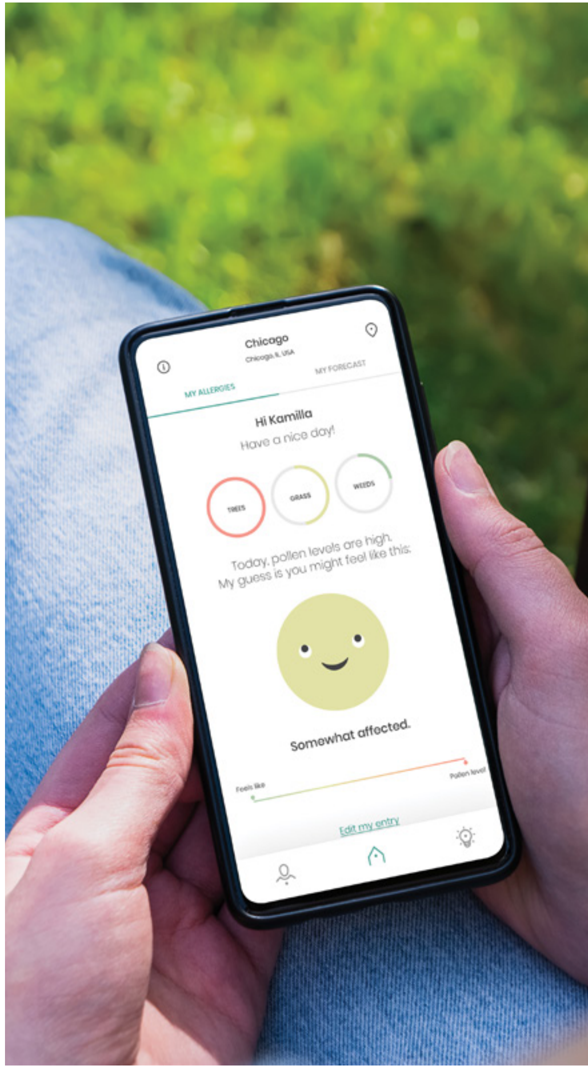
Digital mobilisation of and partnering with people who are living with allergy remains a key priority and saw further advances in 2022. This strategy allows ALK to increase its relevance to people with allergy and to better connect with and support the millions who could benefit from treatment with allergy immunotherapy (AIT), which is particularly important since, for many consumers, allergy is a self-managed disease, and they use up to 10 years before taking action on their disease. In addition, ALK's 'new horizons' priorities cover strategic innovations with the ability to accelerate the company's long-term growth.

Consumer engagement

With its strategic digital investments over recent years, ALK has become a leader in digital engagement with people who have allergy, building a suite of apps, websites and tools under the 'klarify' banner that provides information, education and guidance on managing allergies, while providing ALK with deeper insights into the challenges, behaviours and priorities of people who live with allergic disease. In 2022, new launches in Switzerland, Austria, Czechia, Slovakia and Netherlands brought the total number of countries covered by this initiative to 11, with Norway being added in early 2023.

Tools and services that are already available include a personalised app that tracks pollen counts and has a symptom-tracking diary, a test to determine suitability for AIT treatment, details of local doctors or specialists with the knowledge to treat their condition, and information on allergy symptoms, the path to diagnosis and treatment, and how to prepare for a medical consultation. Historically, the path to AIT treatment has been lengthy and complex, often taking up to 10 years. ALK continues to work towards shortening and simplifying this journey and, in 2022, more than 700,000 unique users found a doctor using these tools, versus around 400,000 in 2021. Furthermore, more than a million symptom diary entries have now been logged by users. Progress was also made on profiling which types of users were most likely to actually book a medical consultation after using one of ALK's digital tools.

All of this is made possible by the investments ALK has made in back-end technologies such as intelligent modelling - including machine learning and lead scoring - which allow the aggregation of large-scale anonymised data, to create tailored, personalised experiences for the benefit of individual consumers. This digital closeness to people with allergy gives ALK access to a continuous stream of real-world evidence that offers valuable insights that allow ALK to continually improve its



resources, tools and discussions with healthcare professionals (HCPs), and to better understand the triggers that ultimately prompt people to finally take action on their allergy. ALK also has plans to publish insights from its digital platforms at medical congresses in 2023.

Also in 2023, ALK will further expand access to its digital engagement tools in countries with a well-developed infrastructure for allergy treatment. Prerequisites include reimbursement systems favouring evidence-based medicines, and broad coverage by allergists and other medical professionals treating allergies. 2023 will also see further moves towards multichannel marketing through increased digital communication with HCPs using insights from a new customer relationship management (CRM) system that will be rolled out globally after a successful test phase in the Nordic countries.

ALK is also using its digital capabilities to deliver education and training to HCPs. In 2022, ALK trained 4,250 HCPs in allergy and AIT, while 25,200 HCPs were trained in allergic disease innovations. This training will continue in 2023.

New horizons

The ‘new horizons’ priority covers initiatives designed to accelerate long-term growth for ALK.

On the first of these, two parallel adrenaline auto-injector (AAI) development projects – the in-house Genesis project, and a project in partnership with Windgap – continued to progress. Development will continue in 2023 towards a planned submission to the US FDA, with the exact timing subject to FDA feedback which is expected in 2023.

Meanwhile, the China-based pharmaceutical company Grandpharma continued its preparatory work ahead of a planned registration and launch of ALK’s existing AAI, Jext®, which would become the first AAI in mainland China. Work will continue into 2023. In addition, Grandpharma has recently received approval under a special import license to make Jext® available in China's Greater Bay area.

“ALK continues to work towards shortening and simplifying this journey and, in 2022, more than 700,000 unique users found a doctor using ALK's tools."

ALK’s work on the food allergy treatment initiative also progressed. After the completion of a formulation feasibility study confirming the suitability of ALK’s existing tablet technology for use in a peanut allergy tablet, ALK initiated a Phase I trial with a new tablet for peanut allergy – the first step in developing new, mainstream treatments for food allergies. The trial will assess the tolerability and safety of a once-daily tablet, initially in adult patients, before progressing to the important younger patients. Recruitment for the trial is ongoing, however, the initial recruitment of adult patients has taken longer than expected, and ALK has implemented several mitigating actions to minimise delays to the trial timeline. First read-outs from the first part of the trial are still expected in 2023, with study completion now expected in 2024.

2023 will also see ALK advancing its early-stage R&D discovery activities with the potential to transform respiratory allergy care.

Key priorities for 2023

Expand digital ecosystem for patients and prescribers

Execute on clinical development of tablet for peanut allergy

Advance AAI projects towards FDA filing

Optimise for excellence

The priority 'optimise for excellence' covers the product and site strategy (PASS) programme and other initiatives aimed at safeguarding ALK's core portfolio of legacy products while, at the same time, building capacity for tablets, adrenaline auto-injectors (AAIs), and other products.

Upscaling tablet capacity

Continued upscaling of capacity for tablet production was in focus in 2022 and will remain a priority in 2023. To secure long-term capacity for the tablet portfolio, in 2022, ALK signed an expanded agreement with the contract manufacturer Catalent, which will accommodate ALK's growth ambitions towards 2030.

To further support tablet volumes build-up, in 2023, ALK will increase its capacity in the USA for the production of house dust mite source materials, and in Denmark for the production of active pharmaceutical ingredients (APIs) for the house dust mite and pollen tablets. Furthermore, ALK will work with Catalent to cross-validate tablet production on additional production lines at Catalent's site.

Simplification of set-up

Under the PASS programme, in 2022, ALK continued to safeguard its core portfolio of legacy products to ensure it remains viable in the long term, which, in part, means upgrading legacy production processes and associated manufacturing facilities so that they continue to meet the very latest regulatory standards. As part of

> "A key element in the PASS programme is to simplify ALK's production set-up by reducing the number of different active pharmaceutical ingredients used across its product portfolio."

this work, in 2022, ALK submitted a total of 1,977 regulatory variations covering 107 products to 44 authorities around the world. Additional documentation efforts will be undertaken in 2023.

A key element in the PASS programme is to simplify ALK's production set-up by reducing the number of different APIs used across its product portfolio, allowing ALK to eventually consolidate production on fewer production lines. Based on an EU regulatory approval from 2021, ALK is particularly focused on driving the necessary changes for the largest EU SCIT product line, Alutard SQ®, which is expected to lead to a streamlined portfolio and increased efficiency, ultimately leading to improvements in the gross margin.

Mitigate cost inflation

In 2023, ALK will continue its 'Fit for Growth' and Manufacturing Excellence programmes to drive efficiencies across Product Supply with the aim of mitigating inflationary effects on input costs and wages.

The PASS programme will continue with particular focus on robustness, efficiency, and profitability, as well as ensuring there are no quality-related major interruptions to product supply.

Finally, in 2023, ALK will prepare Product Supply for the commercial supply of its forthcoming adrenaline auto-injector product.

Key priorities for 2023

Continue upscaling capacity for tablet production

Deliver on PASS and Fit for Growth programmes to drive efficiencies

Prepare Product Supply for commercial supply of new AAI product

Lead the way - People and planet

Sustainability

Building on its progress in 2022, ALK is committing to helping even more people with allergies, setting a new science-based target for CO_2 reductions, and strengthening sustainability efforts even further.

In 2022, ALK progressed on its sustainability focus areas: access to allergy care, people, environment and responsible business practices. Overall, all targets were met, and the route to meeting its long-term targets was confirmed. In addition, governance was updated so that the Board of Directors' Audit Committee now oversees all sustainability disclosures, processes, controls and assurance, when applied/implemented.

Focusing on environmental impacts

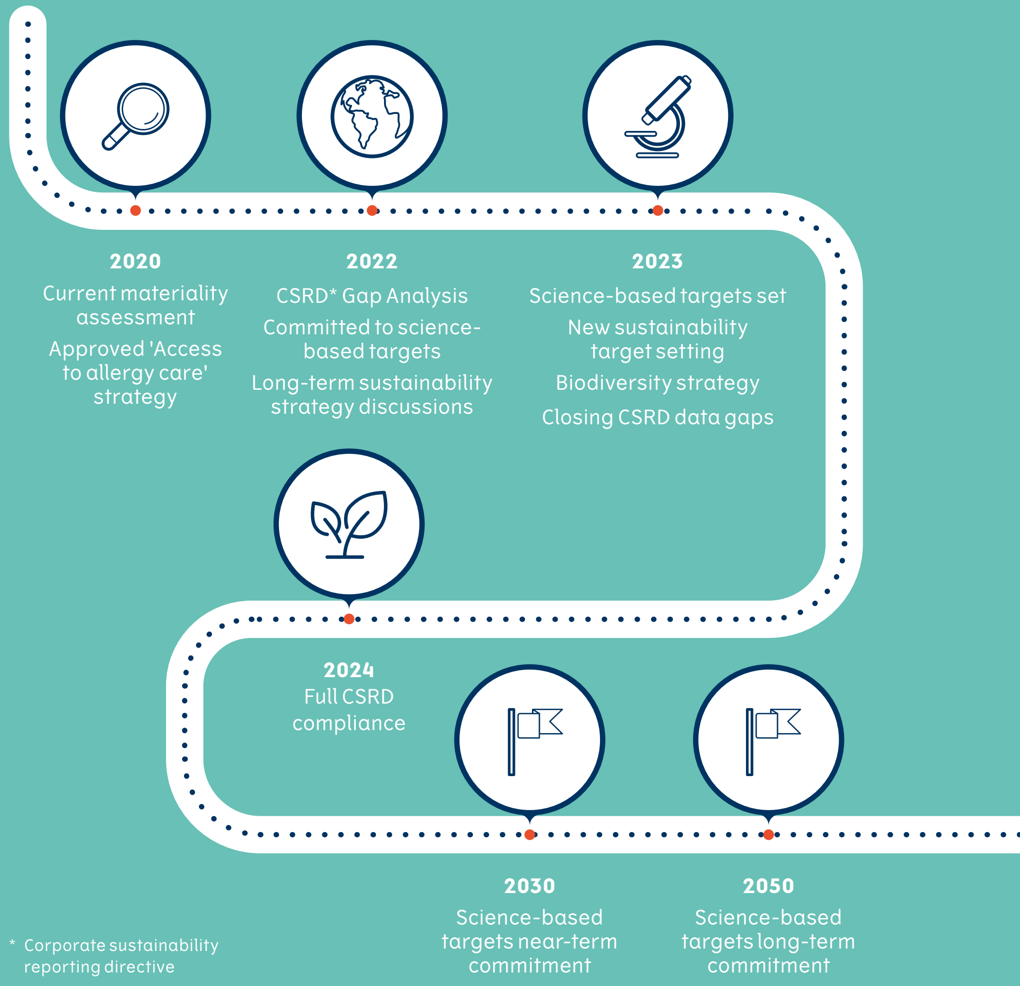
In 2022, ALK implemented several initiatives towards decreasing Scope 1, 2 and 3 emissions by reducing total energy consumption and promoting renewable energy use. As a result, energy intensity relative to net revenue decreased, despite increased medicines production. CO_2 emission intensity also decreased, and total emissions were reduced by 41% compared to a 2019 baseline. Initiatives to reduce water use and improve waste management were also implemented, resulting in both areas exceeding 2022 targets.

A key priority for 2023 will be to set a new CO_2 reduction target according to the science-based targets' methodology,

Find out more

in ALK's sustainability report, https://www.alk.net/sustainability

ALK's sustainability journey



* Corporate sustainability reporting directive

ESG key figures overview[1]

Amounts in DKKm	Unit	2022	2021	2020
Environmental data				
Scope 1 emissions	Tonnes CO_2eq	4,857	5,801	5,521
Scope 2 emissions[2]	Tonnes CO_2eq	372	2,833	3,020
Scope 3 emissions (1st leg distribution and travel flights)	Tonnes CO_2eq	5,800	3,180	2,848
Total emissions	Tonnes CO_2eq	11,029	11,814	11,389
GHG intensity per net revenue	Tonnes CO_2eq/ DKKm	2.68	3.02	3.26
Energy consumption	MWh	46,766	44,923	46,811
Energy intensity per net revenue	(MWh/DKKm)	11.3	11.5	13.4
Renewable energy consumption	%	53	45	38
Water consumption	m^3	116,642	127,823	110,530
Water intensity	m^3/DKKm	28.3	32.6	31.7
Total waste generated	Tonnes	1,135[3]	809	851
Total waste recycled	%	59	45	38
Social data				
Workforce	Headcount	2,731	2,593	2,486
Gender diversity (total workforce)	% female	63	62	64
Women in all management levels	%	49	49	46
Gender pay ratio	Times	1.14	1.18	1.14
Employee turnover	%	13	13	10
Lost time injury frequency	LTIF	1.7	0.3	2.9
Absence due to sickness	%	3.2	3.1	3.1
Governance data				
Gender diversity, Board	%	29	33	20
Board meeting attendance rate	%	97	94	98
CEO pay ratio	Times	33	34	34

1 See Definitions of ESG calculations on page 37
2 Calculated using a market-based methodology which considers emissions from specific energy purchase contracts
3 Increase is related to improved and expanded documentation of waste fractions

to align ALK with the goals of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels. Prior to that, ALK will complete an analysis of current Scope 1, 2 and 3 emissions and map the transition needed to reduce emissions across the value chain. To further address environmental impacts, ALK will also be stepping up efforts to make a positive impact on biodiversity through further integration of certain sustainable farming practices at the sites where allergenic source materials are cultivated.

Expanding 'Access to allergy care'

'Access to allergy care' aims to make ALK products and solutions accessible in new geographies and to new patient groups such as children and adolescents. In 2022, allergy diagnosis, allergy immunotherapy (AIT) treatments and adrenaline products were made available to more than 300,000 additional patients, bringing ALK's total number of patients to around 2.4 million.

ALK introduced tablet-based AIT to the United Arab Emirates and the Boao Lecheng Pilot Zone in China - the first step towards making the house dust mite (HDM) tablet available across China, subject to regulatory approval. ALK also continued large-scale clinical trials to secure registrations for the HDM and tree pollen tablets for children in North America and Europe.

ALK's digital channels helped more than 700,000 people to find a doctor, and the klarify digital engagement platform was launched in five new countries to empower people to take action on their allergies. ALK also tested concepts to eliminate friction points on the path to prescriptions for the many untreated patients who are eligible for AIT treatment.

To help overcome the lack of access to specialist doctors, ALK trained 4,250 healthcare professionals on how to diagnose and treat allergies, while 25,000 healthcare professionals were educated in allergic disease innovations.

Find out more
Please see further information on ALK's sustainability report, https://www.alk.net/sustainability

Find out more
Read the financial highlights and key figures overview here

Engagement and development

The 2022 engagement survey had a participation rate of 95% and resulted in an overall engagement score of 8.3 – an improvement of 0.1 from 2021 and 0.7 above the benchmark for the healthcare industry.

ALK invests significantly to ensure all employees have equal opportunities to realise their full potential and development opportunities continue to be one of the major drivers of engagement and are key to ALK's success. As a part of this commitment, 150 senior-level leaders were trained in leading in an agile and inclusive way and 205 leaders were trained in handling health & well-being issues. Annual development agreements were made for all employees and 159 talents took part in the ASPIRE talent programme. In addition, an average of 300 participants attended quarterly ALK Learn events, which are part of an international learning platform for all employees.

Employee turnover was unchanged at 13%, reflecting a very high demand for skilled labour in key locations, particularly in the first half of the year, both in healthcare and other sectors.

ALK took further steps towards increasing gender diversity among senior leaders. In 2022, 34% of vice president and senior director positions were held by women, up from 29% in 2021, and the number is expected to increase further in 2023, supported by talent, mentoring and sponsorship programmes. The talent management programme was also strengthened to ensure a good pipeline of talents globally, and individual development plans were established and supported by Board of Management.

The gender balance at manager and director levels in 2022 remained on track for the target of approximately 50%, at 53% women.

At the end of 2022, ALK's Board of Directors consisted of 10 members. Of the seven shareholder-elected members, two were women. Furthermore, women accounted for 67% of employee-elected Board members.

Policies and guidelines

ALK remains a signatory of the UN Global Compact and supports the UN Sustainable Development Goals. ALK's sustainability efforts are governed by a wide range of policies and guidelines including specific policies on sustainability, as well as the environment, health and safety, access to medicine, diversity & inclusion, remuneration, data ethics, tax, stakeholder communications, investor relations, anti-corruption and bribery, whistleblowing, and a third-party code of conduct. Additionally, ALK's own code of conduct details the company's expectations on professionalism, honesty and integrity. In 2022, 95% of employees completed and signed off on the annual online code of conduct training.

ALK's statutory annual report on sustainability, data ethics and gender diversity (as required by §99a, §99b, §99d and §107d of the Danish Financial Statements Act as well as Article 8 of the EU Taxonomy) is available at https://www.alk.net/sustainability

Definitions of ESG calculations

Environment and climate
All environmental data is reported for main production sites (Hørsholm, Madrid, Oklahoma, Post Falls, Port Washington, Vandeuil and Varennes). Some figures have been corrected from previous years due to improved reporting and documentation of data.

CO_2 emissions
ALK adheres to the principles of the Green House Gas (GHG) Protocol when reporting on emissions. Emissions are measured in metric tonnes of CO_2 equivalents according to Global Warming Potential values published by the IPCC based on a 100-year time horizon.

Scope 1 emissions include direct energy consumption (natural gas, gas oil, diesel and petrol), where emission conversion factors are calculated using the UK's Department for Environment, Food and Rural Affairs (DEFRA) calculation methodology, supported by the GHG Protocol. Scope 1 also includes company car emissions, which are estimated based on fuel type and either fuel consumption or mileage of company cars. Fuel consumption or mileage in December, and in some cases November, were estimated based on average monthly consumption or mileage over the year. Emission conversion factors are calculated using the DEFRA calculation methodology. Scope 1 also includes emissions of ozone-depleting substances, which are defined as those listed in the Montreal Protocol on Substances that Deplete the Ozone Layer, including CFCs, Halons, Halogenated CFCs, methyl tetrachloride, methyl chloroform, HCFCs, HBFCs, methyl bromide, bromochloromethane, hydrofluorocarbons.

Scope 2 emissions include energy consumed for electricity and district heating, where emission conversion factors are calculated using the United States Environmental Protection Agency (US EPA) eGRID emission values, or for facilities outside the USA, emission values from the International Energy Agency (IEA). Scope 2 location-based emissions are calculated based on average energy generation emission factors for defined locations, while scope 2 market-based emissions are calculated based on emissions calculated from specific energy purchase contracts, and therefore consider renewable energy purchase certificates.

Scope 3 emissions include 1st leg distribution emissions, which are emissions arising from intra-company shipments and shipments from ALK product supply sites to ALK commercial fulfilment centres/warehouses. These emissions are calculated using the GHG Protocol scope 3 screening tool, which uses a spend-based methodology, with the values for December estimated based on average monthly spend over the year. Emission conversion factors are calculated using IEA tank-to-wheel emission (TTW) values. The wheel-to-tank (WTT) emissions in % compared to the TTW emissions for various liquid fuels are calculated based on the DEFRA 2022 emissions factors. Since the third-party transportation and business travel represent a diverse mix of transportation modes and fuel types, the average calculated is considered to be representative. Scope 3 also includes travel flight emissions which are reported using a WTT CO_2 report provided by AMEX for all ALK business travel flights in 2022, except in China where flight emissions are estimated using a spend-based method and the GHG Protocol scope 3 screening tool for January-October, and actual emission values for November-December. TTW flight emission values are calculated using IEA values. Travel flight emissions for 2019-2021 do not include flights from China.

GHG intensity and CO_2 reduction are calculated using scope 1, scope 2 market-based and scope 3 emissions. CO_2 reduction is compared to a 2019 baseline considering scope 1, scope 2 location-based and scope 3 emissions.

Energy
Energy consumption is calculated based on meter readings and/or invoices of all energy types at production sites.

Water
Water consumption is measured by meter readings and/or invoices at all production sites.

Waste
Waste is estimated in some sites where waste cannot be directly weighed. The types of materials present in the waste include paper, electronics, medical waste, wood, metal, general solid bio-waste, oil, and chemical waste.

People
Health & safety
Work-related incidents are defined as occurrences arising out of or in the course of work that result in injury or fatality. Injuries that occur when working from home are work related if the injury occurs while the worker is performing work from home, and the injury is directly related to the performance of work rather than the general home environment or setting. Incident cases are reported to our EHS department and include the number of incidents as well as important background details related to the incidents.

Work related accidents are defined as work-related incidents resulting in an individual being physically or mentally unable to work, as diagnosed by a competent medical professional. The rate of work-related accidents, expressed as lost time injury frequency (LTIF) is determined by dividing the number of accidents by the total hours worked, multiplied by 1,000,000 to give number of cases per one million hours worked.

Absence due to illness is calculated as number of total working days with absence due to any illness, work related or otherwise, divided by total working days.

Engagement
Participation rate and engagement score are collected from a survey conducted by a third party.

Workforce Demographics
All employee-related data is downloaded from our internal HR-system, Workday, and is relevant as of 31 December 2022. All figures consider active (permanent and temporary) employees. Non-guaranteed hour employees, and employees outside our own workforce are not included. Temporary employment is defined as employment with a pre-agreed end-date.

Workforce headcount is broken down for countries with more than 50 employees. The employee turnover ratio is calculated by dividing the number of employees who left the company by the average number of employees in the reporting year.

The gender diversity figures from 2021 and earlier do not include Germany, as job grades were not yet approved by the works council in that region.

The CEO annual compensation ratio is determined by the annual total compensation of the CEO against the median annual total compensation for all active (permanent and temporary) employees, excluding the CEO. Annual total compensation includes salary, bonus, allowances, pension and all one-time payments over the course of a year.

Responsible Business Practices
Business ethics
Alertline cases are taken from our external system, Ethics Point. Cases related to discrimination are defined as ´discrimination on the grounds of an individual's uniqueness such as perspectives, work and life experiences, age, gender, race, ethnicity, religion, sexual orientation, ability, or any other characteristics´. Discrimination concerns can be raised through several channels such as our whistle-blower hotline, alertline, or through Employee Representative Groups, HR, EHS and Legal.

When reporting on bribery, bribes can take the form of money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or any other advantage or benefit, and it comprises any financial or other inducement or reward for an action which is illegal, unethical, a breach of trust or improper in any way. When reporting on corruption, this is defined as ´abuse of entrusted power by someone for personal gain´.

Governance
Board diversity is measured by the percentage of female non-executive members.

Board independence is measured by the percent of independent, non-executive members.

The Board Meeting Attendance rate is calculated as (number of meetings*number of members)-meetings not attended/(number of meetings*number of members)*100.

Code of Conduct training is calculated by the percentage of employees completing the training based on internal registrations.

Risk management

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

The Board of Management has 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 systematically assessed according to a two-dimensional matrix, rating the potential impact and probability of each risk. A risk management report with key enterprise risks and recommended mitigation plans is presented to Board of Management before it is submitted to the Board of Directors on an annual basis for their review and approval as part of ALK's long-term strategic planning process.

The following is a description of ALK's key enterprise risks, and the main initiatives taken to mitigate these risks. The risk movements compared to the previous year are indicated.

2022 movement

- The impact of the risk has increased compared to the year before
- The impact of the risk is stable and has not changed from the year before
- The impact of the risk has decreased compared to the year before

Commercial risks impacting revenue growth

Description
The degree of market acceptance for a new product or drug candidate depends on several factors, including the demonstration of clinical efficacy and safety, cost-effectiveness, reimbursement/market access, convenience and ease of administration, potential advantages over alternative treatment methods, competition, and marketing and distribution support. If ALK's new products, primarily tablets, fail to achieve market acceptance, this could have a significant influence on the company's ability to generate revenue.

Price pressures mandated by authorities can have a significant impact on the company's earnings capacity. In most of the countries in which ALK operates, prescription drugs are subject to reimbursement from, and price controls by, national authorities and healthcare providers. This often results in significant price differences between individual markets. Exceptionally, governments and national authorities may introduce economic measures that also affect the pricing and reimbursement of medicines, for example, because of a major economic downturn.

Risk mitigation
ALK closely monitors economic, market and regulatory developments as they relate to product pricing, along with the competitive situation and initiatives in all important markets.

ALK regularly conducts surveys of market conditions and commits significant resources to providing information on allergy treatment to doctors and patients. ALK continues its focus on market access strategies, especially in the USA and China.

ALK actively engages in dialogue with authorities with the aim of securing fair pricing and reimbursement agreements and maintains a strong focus on its market access strategy. ALK is strongly committed to evidenced-based medicine, based on strong clinical and health economic evidence as the basis for pricing and reimbursement.

2022 movement:

Severe IT security breaches

Description
The threat of cyberattacks continues to intensify globally and thus also for ALK. Disruption to IT systems, such as severe breaches of data security, may occur across the global value chain, where well-functioning IT systems and infrastructure are critical for the company's ability to operate effectively.

Risk mitigation
ALK has a security strategy in place to prevent intruders from causing damage to systems or gaining access to critical data and systems. ALK continuously invests in upgrading IT security. Awareness campaigns, access controls, intrusion detection and prevention systems have all been implemented. Further initiatives are planned, and systems are regularly upgraded to increase network security.

2022 movement:

Production and quality issues impacting product supply and patient safety

Description
ALK's products are subject to many statutory and regulatory requirements with respect to issues such as safety, efficacy, and quality. The products may be associated with side-effects such as allergic reactions of varying extents, durations, and severities. Meeting pharmaceutical quality standards is a prerequisite for the company's ability to supply products and hence its competitive strength, and for the company's earnings and sales.

As ALK continues to rationalise its product portfolio, there may be risks associated with the discontinuation of its products. Among others, these may include potential production interruptions at manufacturing sites during decommissioning and change-over work, the loss of sales from products for which no suitable ALK substitute product exists, or the inability to meet sudden spikes in demand for other products due to patients switching from discontinued products.

As part of its supply chain, ALK is dependent on selected key third parties for key production processes and supplies which entails a risk for ALK's ability to deliver products, especially tablets, to the markets.

Risk mitigation
ALK stringently monitors product and manufacturing quality compliance and safety via quality assurance, pharmacovigilance, and 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 effectively and in accordance with regulatory requirements. Production and manufacturing processes are subject to periodic and routine inspections by regulatory authorities as a regular part of their monitoring processes to ensure that ALK observes the prescribed requirements and standards.

ALK has invested significantly to increase the robustness and compliance of the legacy business by reducing manufacturing complexity, and all possible steps are taken during portfolio rationalisation work to mitigate any potential impact on other areas of manufacturing or the wider business. ALK conducts risk planning including for the prevention of unwanted events, and preventative inventory management.

ALK manages key third-party dependency risks through long-term contracts, diligent production forecasting, monitoring, and joint steering committees.

2022 movement: →

Lack of critical competencies due to competitive employment market

Description
The employment market is more competitive than ever. ALK is dependent on being able to attract and retain employees across all key functions and markets to deliver on its strategy. Failure to attract, develop and retain the right talents may have a material impact on the company's market and research efforts.

Risk mitigation
ALK manages this risk, among other things, by continuously monitoring and improving employee engagement, offering its staff opportunities to develop their professional competencies, and by continuously monitoring the total rewards packages against the market. Further, ALK focuses increasingly on how to position ALK as an attractive employer, and how to best identify, attract, and recruit future global and local talents with the competencies and capabilities that will be required in the future.

2022 movement: ↗

Breaches of legal or ethical standards

Description
Non-compliance with applicable regulations, legislation, or ALK's Code of Conduct could negatively impact the company's good reputation which is essential for operating within the pharmaceutical industry. Patents and other intellectual property rights are important for developing and retaining ALK's competitive strength.

Risk mitigation
ALK strives to act professionally, honestly, and with high integrity throughout the company in relation to stakeholders. ALK's Code of Conduct defines ALK's high standard of ethical behaviour in relation to customers, employees, shareholders, society, suppliers, and partners. Annually, all employees are asked to sign and confirm their knowledge of the Code of Conduct and to take an online test. ALK has established a whistleblower scheme which allows for the confidential and anonymous internal and external reporting of potential or suspected wrongdoings. Immediate action is taken on substantiated non-compliance.

Internal controls and policies are in place to safeguard ALK's intellectual property rights. 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 monitored and, if necessary, suitable measures are taken.

2022 movement: →

Failures or delays in product development

Description
The future success of ALK depends on the company's ability to maintain current products and to successfully identify, develop and market new, innovative drugs.

A pharmaceutical product must be subjected to extensive and lengthy clinical trials to document qualities such as safety and efficacy before it can be approved for marketing. During the development process, the outcomes of these trials are subject to significant risks. Even though substantial resources are invested in the development process, the trials may produce negative results. Geopolitical situations may also impact the recruiting and maintaining of patients in the trials.

Failures or delays in the development process, or in obtaining regulatory approvals, may have a major impact for the patients not able to benefit from the products, and on the ability of ALK to achieve its long-term goals.

Risk mitigation
ALK and its collaborative partners perform thorough risk assessments of their 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.

ALK's Scientific Committee is responsible 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.

2022 movement: ↘

Governance and ownership

Corporate governance
ALK's statutory corporate governance statement for 2022, pursuant to section 107b of the Danish Financial Statements Act, is available at https://ir.alk.net/financial-reporting/risk-management

The statement provides an account of ALK's two-tier management structure, including the Board of Directors' composition, competencies, activities, self-assessment, and remuneration. The statement also describes key elements of ALK's internal control and risk management systems related to financial reporting processes.

Board composition
At the Annual General Meeting (AGM) in 2022, Anders Hedegaard (Chair), Lene Skole (Vice Chair), Gitte Aabo, Lars Holmqvist, Bertil Lindmark and Jakob Riis were all re-elected to the Board of Directors, while Alan Main was elected as a new, independent member of the Board.

Following the election of Alan Main, four out of the seven shareholder-elected members are independent, according to the definitions set by the Danish Committee on Corporate Governance. This reflects the Board's efforts to achieve an overweight of independent members on the Board and its committees. The Board is considered

Attendance at meetings

Name (male/female)	Board meetings	Audit Commitee meetings	Remuneration & Nomination Committee meetings	Scientific Committee meetings	Competencies
Anders Hedegaard (m)	●●●●●●●●	●●●●	●●●●	●●●	●●●● ●●
Lene Skole (f)	●●●●●●●●		●●●●	●●●	●●●● ●●
Gitte Aabo (f)	●●●●●●○●	●●●○			●●●●
Lars Holmqvist (m)	●●●●●●●●				●●●●
Bertil Lindmark (m)	●●●●●●●●			●●●	●●●
Alan Main (m)[1]	●●●●●●●		●●●		●●●●
Jakob Riis (m)	●●●●●●●●	●●●●			●●●●
Katja Barnkob (f)[2]	●●●●●●●●				
Nanna Rassov Carlson (f)[2]	●●●●●●●○				
Johan Smedsrud (m)[2]	●●●●●●●●				

[1] elected at the AGM on 16 March 2022
[2] employee-elected

Meeting attendance
- ● Attended
- ○ Absent

Competencies
Core competencies
- Executive experience in a global company
- Life science industry
- Consumer healthcare / OTC
- Financial / Risk
- Commercial
- Digitalisation
- Experience with US market
- Research & Development

Role competencies: Chair & Vice Chair
- Experience at CEO level
- Board experience from other companies

to have the right competencies to support ALK's long-term value creation and strategic process.

All shareholder-elected Board members are elected for a term of one year. In addition, the Board includes three employee-elected members, all elected for a term of four years. The employee-elected members are up for election in March 2023. All Board members are presented on pages 45-47 of this annual report, while the Board of Management is presented on page 48. There were no changes to the Board of Management in 2022 but, in 2023, Henrik Jacobi and Søren Jelert will be leaving ALK. Henriette Mersebach will replace Henrik Jacobi as Executive Vice President, Research & Development on 1 March 2023, while the search for Søren Jelert's successor as CFO is ongoing. Søren Jelert will leave ALK no later than 31 May 2023.

Competency matrix for the Board of Directors

Based on its long-term strategy, ALK has identified the core competencies which must be represented in the Board of Directors for the Board to be able to support the strategy. To assess whether all core competencies are adequately represented, each shareholder-elected member of the Board has been asked to identify a maximum of four primary competencies they bring to the Board, considering ALK's long-term strategy. They may also have knowledge or experience in areas other than the four primary competencies. The matrix shows the responses to the self-assessment process. Employee-elected members are not part of the competency self-assessment. For the Chair and Vice Chair, two additional competencies, specific to these roles, have been identified.

Governance recommendations

The Danish Committee on Corporate Governance has set out a series of recommendations on corporate governance which has been adopted by Nasdaq Copenhagen. ALK complies with all recommendations and the Board of Directors uses these recommendations as inspiration for setting up structures, tasks and procedures. ALK accounts for its compliance with the recommendations in an annual 'comply-or-explain' review.

Remuneration

Remuneration for the Board of Directors and the Board of Management is determined in accordance with ALK's remuneration policy as adopted by the AGM in March 2021. The policy is prepared in accordance with sections 139 and 139a of the Danish Companies Act as well as items 4.1.1-4.1.6 of the latest Danish Corporate Governance Recommendations.

Remuneration

Amounts in DKKt	2022	2021
Board of Directors		
Base fee	4,477	3,650
Committee fees	1,117	998
Total	**5,593**	**4,648**
Board of Management		
Base salary	18,164	17,276
Short-term incentives (cash bonus)	11,652	11,924
Pension incl. social security	1,493	1,396
Other benefits	711	703
Long-term incentives (grant value)	6,692	6,371
Total	**38,712**	**37,670**

On 1 March 2023, Henriette Mersebach will replace Henrik Jacobi as EVP for Research & Development in ALK. Henrik Jacobi has had a leading role in the transformation of global allergy and allergic asthma care. Under his R&D leadership, ALK has become the undisputed leader within allergy immunotherapy, and tablet-based allergy immunotherapies developed by ALK are now available in many parts of the world. On behalf of ALK, the Board of Directors would like to offer its sincere gratitude to Henrik Jacobi for his dedication and contribution during the past 23 years.

Highlights of remuneration report

Remuneration for the Board of Directors and Board of Management is reported

Find out more
ALK's statutory corporate governance statement: https://ir.alk.net/financial-reporting/risk-management

Find out more
The Board of Directors' comply-or-explain review: https://ir.alk.net/corporate-governance

Find out more
ALK's remuneration policy: https://ir.alk.net/corporate-governance

separately in ALK's remuneration report. The report is prepared in accordance with section 139b of the Danish Companies Act.

The report provides an overview of remuneration components, actual remuneration in 2022, its development over the past five years, as well as the shareholdings of Board of Directors and Board of Management members.

All remuneration for the Board of Directors and Board of Management in 2022 followed the principles and framework outlined in ALK's remuneration policy.

Members of the Board of Directors each received a fixed annual fee, with the Vice Chair and Chair receiving double and triple the annual fee, respectively. In addition, members received an additional fee for serving on the Board's committees.

To align fees for serving on the Board of Directors and the Audit Committee more to the market, the fees were adjusted with effect from 2022 following approval at the AGM in March 2022. However, the base fee for serving on the Remuneration & Nomination Committee, and the Scientific Committee, remained unchanged for both the members and chairmen of the committees.

The remuneration for the Board of Management consisted of both fixed pay elements (base-pay and benefits) and variable pay elements in the form of short-term incentive (STI) and long-term incentive (LTI) plans. The variable pay elements reflected a year with solid performance with STI and LTI plans settled above target. The base salary for members of the Board of Management was increased by 3%, in line with the general increase for ALK employees in Denmark, except for the CFO and EVP, Commercial Operations, who received an increase above the general level to bring their base salaries closer to the market level.

The remuneration report for 2022 will be presented for an advisory vote at the AGM on 23 March 2023. The remuneration report is available at https://ir.alk.net/corporate-governance

Investor relations

It is ALK's objective to have a diversified shareholder base in terms of geography, investment profile and time horizon that shares the company's vision and supports its long-term strategy.

In order to enable both a fair valuation and regular trading of its shares, ALK provides relevant, accurate, and timely information on its strategy, operations, performance, expectations, goals, pipeline, market development, and other matters of importance to the assessment of the share.

ALK furthermore works to strengthen its dialogue with all financial stakeholders.

Growing shareholder base

2022 saw further growth in ALK's investor base. On 31 December 2022, ALK had 27,960 registered shareholders versus 20,434 at the end of 2021. The registered shareholders owned 97.2% of the share capital (98%).

To support the liquidity of the share, in 2022 ALK completed a share split at a ratio of 1:20, whereby each share, with a nominal

Shareholder overview as at 31 December 2022

Shareholder	Registered office	No of shares	Interest	Votes
Lundbeck Foundation	Copenhagen, Denmark	18,414,400 A shares 1,841,440 AA shares 69,496,540 B shares	40.3%	67.2%
ATP	Hillerød, Denmark	11,461,329 B shares	5.1%	2.8%
ALK (treasury shares)	Hørsholm, Denmark	1,824,975 B shares	0.8%	-
Other		800 A shares 80 AA shares 119,784,356 B shares	53.8%	29.5%

value of DKK 10, was split into 20 new shares with a nominal value of DKK 0.50.

Following the share split, the share capital of DKK 111,411,960 was divided into 18,415,200 A shares, 1,841,520 AA shares and 202,567,200 B shares. All B shares are listed on Nasdaq Copenhagen and freely negotiable. The A and AA shares are not listed and are predominantly held by the Lundbeck Foundation, an enterprise foundation whose purpose is to strengthen brain health and develop the Danish business sector.

Two shareholders have reported to ALK that they held 5% or more of the shares on 31 December 2022:

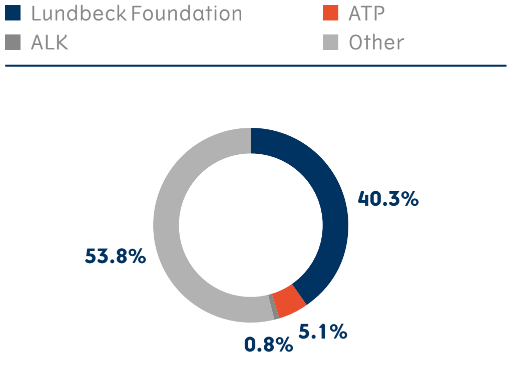
- The Lundbeck Foundation (Copenhagen, Denmark): 40.3% incl. A and AA shares
- ATP (Hillerød, Denmark): 5.1%

Of the largest registered shareholders, the vast majority were institutional investors, and largely from Europe and North America. The international registered ownership was estimated at approximately 33% (31%), representing 55% of the free float of the B shares, excluding the Lundbeck Foundation's holding and treasury shares.

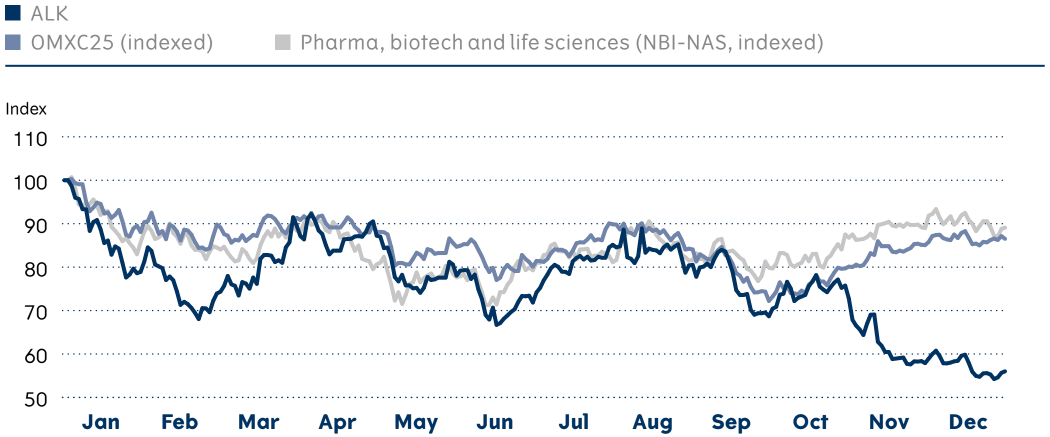
To meet obligations to deliver shares under management incentive programmes, ALK held 1,824,975 of its own shares, or 0.8% of the share capital, versus 1.3% at the end of 2021. The holding was reduced following the settlement of share option and performance share programmes.

The Board of Directors and Board of Management held a total of 275,312 shares at year-end, corresponding to 0.1% of the share capital (0.1%).

Shareholders as at 31 December 2022



The ALK share in 2022



Core data for the share

Share capital	DKK 111,411,960
Nominal value	DKK 0.50 per share
No of A shares	18,415,200 units with 10 votes per share
No of AA shares	1,841,520 units with 10 votes per share
No of B shares	202,567,200 units with 1 vote per share
Stock exchange	Nasdaq Copenhagen
Ticker symbol	ALK B
Indices	X4500 (healthcare), OMXCLCPI (LargeCap) and OMXCPI (all)
ISIN	DK0060027142
Blomberg code	ALKB.DC
Reuters code	ALKB_CO
LEI code	529900SGCREUZCZ7P020

Find out more

Trading information and core data on ALK's share: https://ir.alk.net/share-information

Return to shareholders

At year-end, the closing price of ALK B shares was DKK 96 compared to DKK 171 at the end of 2021.

The total market value of ALK's B shares, excluding treasury shares, was DKK 19.3 billion at year-end, versus DKK 34 billion at the end of 2021. Since end of 2017, when ALK's new strategy was announced, share price increases have yielded an average, annual return of 21% to shareholders.

Dividend and capital structure

The Board of Directors considers that ALK's financial resources, including credit facilities, continue to form a sufficient basis for executing ALK's strategy and to fund investments. At the end of 2022, net interest-bearing debt amounted to DKK 475 million and leverage stood at 0.7 EBITDA (1.0).

In support of ALK's growth strategy, the Board of Directors is extending its recommendation that dividend payments be suspended until ALK's profitability further improves. Accordingly, the Board of Directors will propose to the AGM, that no dividends are declared for 2022. The Board of Directors revisits the dividend policy and ALK's capital structure on an ongoing basis.

Up to and including 15 March 2027, the Board of Directors is authorised to increase the share capital by up to DKK 11,141,196, with or without pre-emption rights for existing shareholders.

The Board of Directors is authorised for the period until 12 March 2024 to let the company acquire its own B shares for a nominal value of up to DKK 11,141,196. The consideration for such shares may not deviate by more than 10% from the official quoted price of the B shares on the date of acquisition.

Investor relations

During 2022, besides hosting regular telephone conferences, ALK representatives participated in many individual meetings and briefing calls with analysts and investors as well as conferences and seminars targeting various audiences.

A total of 24 announcements were published in 2022 (2021: 26), including investor news and reports on transactions by managerial staff. All announcements are available on ALK's main corporate website, together with reports, presentations, recordings of telephone conferences, share price information, analysts' estimates, and related information. Registered shareholders are encouraged to sign up at the InvestorPortal.

Financial calendar 2023

Annual General Meeting	23 March
Three-month interim report (Q1)	9 May
Six-month interim report (Q2)	24 August
Nine-month interim report (Q3)	15 November

Contact Investor Relations

Per Plotnikof, Head of IR
Tel. +45 45747527

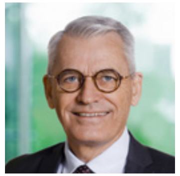
Find out more

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

The Lundbeck Foundation

The Lundbeck Foundation, one of Denmark's largest enterprise foundations, is the controlling shareholder of ALK, owning 67% of the votes and 40% of the capital. The Foundation grants a minimum of DKK 500 million each year to public biomedical and health science research with a particular focus on neuroscience. Its business activities encompass majority shareholdings in two other healthcare companies, H. Lundbeck and Falck, a significant shareholding in Ferrosan Medical Devices, an international portfolio of early-stage biotech companies, as well as management of a DKK 22 billion portfolio of financial investments which are primarily invested in listed securities.

Board of Directors



Anders Hedegaard
(1960, Danish)

Professional board member
Chair

Board member since 2020[2]
Member of the Audit Committee
Chair of the Remuneration & Nomination Committee
Member of the Scientific Committee

Competencies
Specific expertise within management and sales & marketing in international life science and consumer care companies.

Directorships[3]
Rodenstock Group, Germany: Board member and adviser to Management

Lene Skole[1]
(1959, Danish)

The Lundbeck Foundation, CEO and directorships at two other subsidiaries
Vice Chair

Board member since 2014[2]
Member of the Remuneration & Nomination Committee
Member of the Scientific Committee

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

Directorships[3]
Falck A/S: Vice Chair, member of the Audit and the Remuneration Committees
H. Lundbeck A/S: Vice Chair and member of the Nomination, Remuneration, and Scientific Committees
Nordea Bank Abp, Finland: Board member and member of the Audit Committee
Ørsted A/S: Vice Chair and member of the Nomination and Remuneration Committees

Gitte Aabo
(1967, Danish)

GN Hearing, CEO

Board member since 2021[2]
Member of the Audit Committee

Competencies
Extensive global leadership experience and deep understanding of international management, finance, IT, and sales & marketing, as well as considerable insights into building digital communities.

Directorships[3]
Danmarks Nationalbank: Member of the Committee of Directors
HIMPP A/S (Hearing Instrument Manufacturers Patent Partnership): Board member
Union therapeutics A/S: Board member
The Danish Chamber of Commerce: Board member and member of the Executive Committee

Lars Holmqvist[1]
(1959, Swedish)

Professional board member

Board member since 2015[2]

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

Directorships[3]
Biovica International AB: Chair and member of the Audit Committee
H. Lundbeck A/S: Board member and member of the Audit Committee
The Lundbeck Foundation: Board member and Chair of the Investment Committee
Vitrolife AB, Sweden: Board member and member of the Audit Committee
Life Healthcare Group Holdings Ltd, South Africa: Board member and member of the Audit and Investment Committees

[1] 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's shares.
[2] All members elected by the annual general meeting are up for re-election each year.
[3] Directorships do not include those for companies that are privately owned, in whole or in part, by members of the Board of Directors.

Bertil Lindmark
(1955, Swedish)

Galecto A/S, Chief Medical Officer

Board member since 2021[2]
Chair of the Scientific Committee

Competencies
More than 30 years of experience of global R&D leadership in pharmaceuticals and biotech. Brings board-level experience from Almirall and Medicon Valley Alliance, and served on the Research Board of AstraZeneca. Has also participated in a range of IPOs, acquisitions and debt-financing activities.

Directorships[3]
Aqilion AB, Sweden: Chair of the Board
Cellevate, Sweden: Director of the Board

Alan Main
(1963, British)

Senior Adviser, Bamboo Capital Partners

Board member since 2022[2]
Member of the Remuneration & Nomination Committee

Competencies
More than 30 years of experience from the consumer healthcare industry in roles at, amongst others, Sanofi, Bayer and Roche.

Jakob Riis[1]
(1966, Danish)

Falck A/S, President & CEO

Board member since 2013[2]
Chair of the Audit Committee

Competencies
Experience in management and sales & marketing in the international healthcare industry.

Directorships[3]
The Danish Chamber of Commerce: Board member and member of the Executive Committee

[1] 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's shares.
[2] All members elected by the annual general meeting are up for re-election each year.
[3] Directorships do not include those for companies that are privately owned, in whole or in part, by members of the Board of Directors.

Katja Barnkob
(1969, Danish)

Project Director, Global CMC Development, ALK-Abello A/S

Board member since 2011
Employee-elected

Competencies
Experience in project management of global drug development projects in the pharmaceutical industry.

Directorships[3]
The Lundbeck Foundation: Employee-elected board member

Nanna Rassov Carlson
(1976, Danish)

Senior Manager, QA Release, ALK-Abelló A/S

Board member since 2019
Employee-elected

Competencies
Expertise in production and release of ALK's active pharmaceutical ingredients for sublingual immunotherapy products.

Johan Smedsrud
(1972, Danish)

Maintenance Supporter, Process & Production Support, ALK-Abelló A/S

Board member since 2019
Employee-elected

Competencies
Experience in HVAC systems, cleanroom testing, utensil washing and sterilisation for the pharmaceutical industry.

[3] Directorships do not include those for companies that are privately owned, in whole or in part, by members of the Board of Directors.

Board of Management

Carsten Hellmann
(1964, Danish)

President & CEO

Competencies
Executive management experience in global healthcare and biopharmaceutical companies.

Directorships[1]
Coloplast A/S
Copenhagen Capacity
The Danish Chamber of Commerce

Henrik Jacobi[2]
(1965, Danish)

Executive Vice President, Research & Development

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

Henrik Jacobi holds a degree in Medicine from 1993.

Søren Jelert[3]
(1972, Danish)

Executive Vice President & CFO

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

Søren Niegel
(1971, Danish)

Executive Vice President, Commercial Operations

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

[1] Directorships do not include those for companies that are privately owned, in whole or in part, by members of the Board of Directors.
[2] Henrik Jacobi, Executive Vice President, Research & Development will leave ALK on 28 February 2023.
[3] Søren Jelert, Executive Vice President & CFO will leave ALK no later than 31 May 2023.

Financial Statements

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Parent company financial statements
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99 Notes

Statement by Management on the annual report

The Board of Directors and the Board of Management have today considered and adopted the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act. Management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position at 31 December 2022 of the group and the parent company and of the results of the group and parent company's operations and consolidated cash flows for the financial year 1 January to 31 December 2022.

In our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances of the group and the parent company, of the results for the year, and of the financial position of the group and the parent company, as well as a description of the most significant risks and elements of uncertainty facing the group and the parent company.

In our opinion, the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2022 identified as "ALK-2022-12-31.zip" is prepared, in all material respects, in compliance with the European Single Electronic Format (ESEF) Regulation.

We recommend that the annual report be adopted at the annual general meeting.

Hørsholm, 3 February 2023

Board of Management

Carsten Hellmann
President & CEO

Henrik Jacobi
Executive Vice President, Research & Development

Søren Jelert
Executive Vice President & CFO

Søren Daniel Niegel
Executive Vice President, Commercial Operations

Board of Directors

Anders Hedegaard
Chair

Lene Skole
Vice Chair

Gitte Aabo

Katja Barnkob

Nanna Rassov Carlson

Lars Holmqvist

Bertil Lindmark

Alan Main

Jakob Riis

Johan Smedsrud

Independent Auditor's Reports

To the shareholders of ALK-Abelló A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements (pp 55-94) and the Parent Company Financial Statements (pp 95-107) of ALK-Abelló A/S for the financial year 1 January to 31 December 2022 comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company, and statement of comprehensive income and cash flow statement for the Group.

Collectively referred to as the "Financial Statements".

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Appointment

We were first appointed auditors of ALK-Abelló A/S on 11 March 2020 for the financial year 2020. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and related sales deductions The Group sells products in certain markets subject to various rebate and discount arrangements and mandated price adjustments schemes. These arrangements and schemes result in deductions to gross revenue in arriving at net revenue and in accruals for estimated sales deductions. We focused on these areas as accounting for rebates, discounts and mandated price adjustments is complex and requires a high degree of estimation by Management. This includes the estimation uncertainty regarding accruals for estimated sales deductions. We refer to note 2.1 in the consolidated financial statements.	We discussed the principles for accounting for rebates, discounts and mandated price adjustments with Management. We performed risk assessment procedures to obtain an understanding of the IT systems, business processes and relevant controls for revenue recognition and related sales deductions. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatement. We evaluated and challenged the assumptions and estimates, including models and data used for calculating rebates, discounts and mandated price adjustments and accruals for sales deductions. We assessed the appropriateness of the related disclosure provided in the consolidated financial statements.

Statement on Management's Review

Management is responsible for Management's Review (pp 1-48 and 108).

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the 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 further requirements in the Danish Financial Statements Act and for the preparation of parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit 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 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 Company'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 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 Company'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 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 or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2022 with the filename alk-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements including notes.

In our opinion, the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2022 with the file name alk-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 3 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

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Income statement

Amounts in DKKm	Note	2022	2021
Revenue	2.1	4,511	3,916
Cost of sales	2.2-2.4, 3.4, 5.1	1,720	1,520
Gross profit		**2,791**	**2,396**
Research and development expenses	2.2-2.4, 5.1	665	631
Sales and marketing expenses	2.2-2.4, 5.1	1,381	1,234
Administrative expenses	2.2-2.4, 5.1	276	240
Other operating income		1	1
Operating profit (EBIT)		**470**	**292**
Financial income	2.6	4	10
Financial expenses	2.6	27	23
Profit before tax (EBT)		**447**	**279**
Tax on profit	2.7	112	60
Net profit		**335**	**219**
Earnings per share (EPS)	4.1		
Earnings per share (EPS)		1.52	1.00
Earnings per share (DEPS), diluted		1.51	0.99

Statement of comprehensive income

Amounts in DKKm	Note	2022	2021
Net profit		**335**	**219**
Items that will subsequently not be reclassified to the income statement:			
Actuarial gains on pension plans	3.7	96	16
Tax related to actuarial gains/(losses) on pension plans	2.7	(30)	(5)
		66	**11**
Items that will subsequently be reclassified to the income statement, when specific conditions are met:			
Foreign currency translation adjustment of foreign affiliates		61	84
Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	2.7	4	(4)
		65	**80**
Other comprehensive income		**131**	**91**
Total comprehensive income		**466**	**310**

Cash flow statement

Amounts in DKKm	Note	2022	2021
Net profit		**335**	**219**
Adjustments			
Adjustments for non-cash items	5.2	406	400
Changes in working capital	5.2	(235)	(28)
Financial income, received		2	-
Financial expenses, paid		(14)	(23)
Income tax, paid (net)		(78)	(100)
Cash flow from operating activities		**416**	**468**
Investments in intangible assets	3.1	(55)	(45)
Investments in tangible assets	3.2-3.3	(298)	(218)
Investments in other financial assets		2	(3)
Cash flow from investing activities		**(351)**	**(266)**
Free cash flow		**65**	**202**
Sale of treasury shares		42	31
Exercised share options, paid		(11)	(72)
Proceeds from borrowings	5.2	60	226
Repayment of borrowings	5.2	(94)	(464)
Repayment of lease liabilities	5.2	(39)	(32)
Cash flow from financing activities		**(42)**	**(311)**
Net cash flow		**23**	**(109)**
Cash beginning of year		194	298
Unrealised gain/(loss) on cash held in foreign currency and financial assets carried as cash		4	5
Net cash flow		23	(109)
Cash year end		**221**	**194**

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

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets			
Goodwill	3.1	460	457
Other intangible assets	3.1	182	165
		642	**622**
Tangible assets			
Land and buildings	3.2-3.3	991	958
Plant and machinery	3.2	440	451
Other fixtures and equipment	3.2-3.3	76	80
Property, plant and equipment in progress	3.2	511	325
		2,018	**1,814**
Other non-current assets			
Prepayments		94	29
Deferred tax assets	2.7	716	790
Income tax receivables		193	172
		1,003	**991**
Total non-current assets		**3,663**	**3,427**
Current assets			
Inventories	3.4	1,297	1,204
Trade receivables	3.5	764	583
Receivables from group companies	5.3	18	12
Income tax receivables		24	14
Other receivables		82	82
Prepayments	3.6	239	314
Cash		221	194
Total current assets		**2,645**	**2,403**
Total assets		**6,308**	**5,830**

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Share capital	4.1	111	111
Currency translation adjustment		20	(41)
Retained earnings		3,857	3,410
Total equity		**3,988**	**3,480**
Liabilities			
Non-current liabilities			
Mortgage debt	4.2	203	222
Pensions and similar liabilities	3.7	236	324
Lease liabilities	4.2	226	207
Deferred income		49	42
Deferred tax liabilities	2.7	4	1
Income tax payables		203	169
		921	**965**
Current liabilities			
Mortgage debt	4.2	18	18
Bank loans	4.2	208	226
Trade payables		131	115
Lease liabilities	4.2	41	37
Deferred income		4	4
Provisions	3.8	3	12
Income tax payables		16	23
Other payables	3.9	978	950
		1,399	**1,385**
Total liabilities		**2,320**	**2,350**
Total equity and liabilities		**6,308**	**5,830**

Statement of changes in equity

Amounts in DKKm	Share capital	Currency translation adjust-ment	Retained earnings	Total equity
2022				
Equity at 1 January	**111**	**(41)**	**3,410**	**3,480**
Net profit	-	-	335	335
Other comprehensive income	-	61	70	131
Total comprehensive income	**-**	**61**	**405**	**466**
Share-based payments	-	-	27	27
Share options settled	-	-	(11)	(11)
Sale of treasury shares	-	-	42	42
Tax related to items recognised directly in equity	-	-	(16)	(16)
Other transactions	**-**	**-**	**42**	**42**
Equity at 31 December	**111**	**20**	**3,857**	**3,988**

Amounts in DKKm	Share capital	Currency translation adjust-ment	Retained earnings	Total equity
2021				
Equity at 1 January	**111**	**(125)**	**3,167**	**3,153**
Net profit	-	-	219	219
Other comprehensive income	-	84	7	91
Total comprehensive income	**-**	**84**	**226**	**310**
Share-based payments	-	-	36	36
Share options settled	-	-	(72)	(72)
Sale of treasury shares	-	-	31	31
Tax related to items recognised directly in equity	-	-	10	10
Other adjustments	-	-	12	12
Other transactions	**-**	**-**	**17**	**17**
Equity at 31 December	**111**	**(41)**	**3,410**	**3,480**

Section 1 – Basis of reporting

1.1 General accounting policies

The consolidated financial statements for the period 1 January to 31 December 2022 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.

The general accounting policies described below apply to the consolidated financial statements as a whole. To enhance understanding, specific accounting policies are described in the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies.

The accounting policies are unchanged from last year except for the below mentioned impacts of new standards.

New standards effective from 1 January 2022

The ALK Group has implemented all new and amended standards and IFRIC interpretations which are effective for the financial year 2022. This has not resulted in any changes to the accounting policies of the ALK Group.

New standards effective on or after 1 January 2023

A number of IFRS standards, amended standards and IFRIC interpretations, which are effective on or after 1 January 2023, 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.

Basis of consolidation

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 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.

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 nonmonetary 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.

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 94.

Reporting under the ESEF regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF) (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The ESEF Regulation sets out the following main requirements: (1) Issuers shall draw up and disclose their annual financial reports using the XHTML format; and (2) issuers that draw-up their primary consolidated financial statements in accordance with IFRS as endorsed by the EU shall tag those consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL) including block-tag of the notes to the consolidated financial statements.

Section 1 – Basis of reporting

1.1 General accounting policies – continued

The combination of the XHTML format with the iXBRL tags makes the annual financial reports both human-readable and machine-readable, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for elements corresponding to subtotals.

The annual report 2022 for the ALK Group submitted to the Danish Financial Supervisory Authority and Nasdaq consists of the XHTML document together with some technical files all included in a ZIP file named “ALK-2022-12-31-en.zip”.

Key definitions
XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in an updated standard Web browser like Chrome or Edge.

iXBRL tags (or Inline XBRL tags) are hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

The tagging process is a process where iXBRL tags are applied to financial statement line items, notes etc.

Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

ESEF data

Name of reporting entity or other means of identification
ALK-Abelló A/S

Domicile of entity
Denmark

Legal form of entity
A/S

Country of incorporation
Denmark

Address of entity’s registered office
Bøge Allé 6-8, DK-2970 Hørsholm

Principal place of business
Global

Description of nature of entity’s operations and principal activities
ALK is a global allergy solutions company

Name of parent entity
Lundbeckfond Invest A/S

Name of ultimate parent of group
Lundbeck Foundation

Section 1 – Basis of reporting

1.2 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.

Management considers those listed below as the key accounting estimates and related judgements used in the preparation of the consolidated financial statements.

A description of significant accounting estimates and judgements as well as assumptions applied is included in the relevant notes.

Note	Key accounting estimates and judgements	Estimate/ judgement
2.1 Revenue and segment information	Sales deductions comprising rebates, discounts, and mandated price adjustments	Estimate
2.2 Expenses	Recognition of costs for outsourced clinical trials	Estimate
2.7 Income tax and deferred tax	Provision for uncertain tax positions and measurement of deferred tax assets	Estimate/ judgement
3.1 Intangible assets	Recoverable amount of goodwill	Estimate
3.4 Inventories	Valuation of inventories and capitalisation of indirect production costs	Estimate

Section 2 – Results for the year

2.1 Revenue and segment information

	Europe		North America		International markets		Total	
Amounts in DKKm	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
SCIT/SLIT-drops	1,266	1,273	349	302	133	80	1,748	1,655
SLIT-tablets	1,519	1,340	151	120	432	314	2,102	1,774
Other products and services	273	196	357	261	31	30	661	487
Total revenue	**3,058**	**2,809**	**857**	**683**	**596**	**424**	**4,511**	**3,916**
Sale of goods							4,411	3,835
Royalties							93	81
Services							7	-
Total revenue							**4,511**	**3,916**

Of total revenue, DKK 119 million (2021: DKK 101 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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-current tangible and intangible assets	1,754	1,671	899	763	7	2	2,660	2,436

Of total non-current tangible and intangible assets, DKK 1,356 million relates to assets in Denmark (2021: DKK 1,283 million).

§ Accounting policies

Segment information
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. Even though revenue within the operating segment "Allergy treatment" can be divided by product lines and market, 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. The disclosures in the financial statements include a breakdown of revenue by product line and a geographical breakdown of revenue and non-current assets. The geographical information on markets is based on customer and asset location.

Revenue
The primary performance obligation of the ALK Group is the sale and delivery of own-manufactured goods and goods for resale for allergy treatment. Revenue from the sale of goods is recognised in the income statement upon the control of the goods being transferred to the customer, i.e. when goods are delivered. Revenue is recognised by the ALK Group at a point in time.

Section 2 – Results for the year

2.1 Revenue and segment information

The ALK Group's customers have payment terms that reflect the customer type and the market in which sales take place, which typically varies from 0 to 180 days.

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 the income statement in accordance with the agreements and when the ALK Group obtains the right to the payments, which is when services have been delivered to the customer or at the point in time the subsequent sales occur.

When combined contracts are entered, the elements of the contracts are identified and assessed separately for accounting purposes.

Significant accounting estimates and judgements

Sales deductions comprising rebates, discounts, and mandated price adjustments are estimated and accrued for at the time when the related sales are recorded. Management is required to make significant estimates in the revenue recognition relating to the accruals for sales deductions as not all conditions are known at the time of sale and as revenue can only be recognised to the extent that it is probable that a significant reversal of the recognised revenue will not occur.

Management's estimate of accruals for sales deductions is based on a calculation taking into consideration among other factors, existing contractual obligations, the extent of predictability, historical experience with similar transactions and whether the consideration is highly susceptible to factors outside ALK's influence.

ALK considers the accruals established for sales deductions to be reasonable and appropriate based on currently available information. The accruals for sales deductions are adjusted regularly as new or more detailed information becomes available and when actual amounts are processed.

2.2 Expenses

§ Accounting policies

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.

Section 2 – Results for the year

2.2 Expenses - continued

Significant accounting estimates and judgements

Clinical trials, which are outsourced to Clinical Research Organisations ("CROs"), take several years to complete. As such, Management is required to make estimates based on the progress and costs incurred to-date for the ongoing trials. Estimates are made in determining the amount of costs to be expensed during the period or recognised as prepayments or accruals on the balance sheet.

At 31 December 2022, DKK 114 million is recognised as accrued expenses (2021: DKK 179 million) and DKK 130 million as prepayments in the balance sheet (2021: DKK 240 million). In 2022, clinical trials expenses of DKK 240 million have been recognised in the income statement (2021: DKK 242 million).

2.3 Depreciation, amortisation and impairment

Amounts in DKKm	2022	2021
Depreciation, amortisation and impairment allocation:		
Cost of sales	163	158
Research and development expenses	9	8
Sales and marketing expenses	23	36
Administrative expenses	43	40
Total	**238**	**242**

Impairment amounts to DKK 2 million (2021: DKK 20 million), of which DKK 1 million relates to impairment of tangible assets (2021: DKK 8 million) and DKK 1 million relates to intangible assets (2021: DKK 12 million).

The impairment of tangible assets is related to impairment of production equipment of DKK 1 million with no recoverable amount after impairment. The impairment is recognised as cost of sales.

The impairment of intangible assets is related to impairment of goodwill of DKK 1 million with no recoverable amount after impairment. The impairment is associated with closing down activities in Turkey and is recognised as sales and marketing expenses.

2.4 Staff costs

Amounts in DKKm	2022	2021
Wages and salaries	1,584	1,425
Pensions, cf. note 3.7	131	115
Other social security costs, etc.	207	193
Share-based payments, cf. note 5.1	27	35
Total	**1,949**	**1,768**
Staff costs are allocated as follows:		
Cost of sales	747	682
Research and development expenses	279	254
Sales and marketing expenses	673	604
Administrative expenses	187	170
Included in the cost of assets	63	58
Total	**1,949**	**1,768**
Remuneration to Management:		
Remuneration to Board of Management:*		
Salaries	19	18
Short-term incentive (cash bonus)	12	12
Pensions	1	1
Long-term incentives (share-based) based on expensed accounting value	7	11
Total remuneration to Board of Management	**39**	**42**
Remuneration to Board of Directors	6	5
Total remuneration to Board of Management and Board of Directors	**45**	**47**
Employees		
Average number (FTE)	2,609	2,492
Number year end (FTE)	2,680	2,537

* The expensed costs include DKK 0 (2021: DKK 5 million) related to adjustment in the share options and performance share units expected to vest.

Section 2 – Results for the year

2.5 Fees to the ALK Group's auditors

Amounts in DKKm	2022	2021
Fees to the auditors appointed at the annual general meeting:		
Audit services	3	3
Other opinions	-	-
Tax advisory services	-	1
Other services	1	-
Total	**4**	**4**

The fee for non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (Denmark) of DKK 1 million (2021: DKK 1 million) relates to HR consulting and other general financial accounting matters.

For information on ALK entities intended to be exempt from local audits of the 2022 accounts, see note 5.6.

2.6 Financial income and expenses

Amounts in DKKm	2022	2021
Interest income	4	1
Financial income from financial assets measured at amortised cost	4	1
Currency gains, net	-	9
Total financial income	**4**	**10**
Interest expenses*	22	23
Financial expenses from financial liabilities measured at amortised cost	22	23
Interest expenses on uncertain tax positions, net	2	-
Currency losses, net	3	-
Total financial expenses	**27**	**23**

* Includes interest expenses related to leasing of DKK 6 million (2021: DKK 7 million).

§ Accounting policies

Financial items comprise interest receivable and interest payable, the interest element of lease payments, realised and unrealised gains and losses on securities, cash, liabilities and foreign currency transactions, mortgage amortisation premium/allowance etc. and provisions for uncertain tax position.

Interest expenses and income related to uncertain tax position are recognised on the balance sheet as tax liabilities and tax assets respectively upon the receipt of ruling from the tax authorities and correspondingly reflected in the income statement as financial items net.

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.

Section 2 – Results for the year

2.7 Income tax and deferred tax

Amounts in DKKm	2022	2021
Tax on profit		
Current income tax	91	154
Adjustment of deferred tax	20	(97)
Prior years adjustments, income tax	3	3
Prior years adjustments, deferred tax	(2)	-
Tax on profit for the year	**112**	**60**
Profit before tax	447	279
Income tax, tax rate of 22% (2021: 22%)	98	61
Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	14	11
Permanent differences	(10)	(14)
Other taxes and adjustments	11	1
Change in valuation of net tax assets	(2)	(2)
Prior years adjustments, income tax	3	3
Prior years adjustments, deferred tax	(2)	-
Tax on profit for the year	**112**	**60**

Tax related to equity comprises an expense of DKK 16 million (2021: income of DKK 10 million) and other comprehensive income comprises an expense of DKK 26 million (2021: expense of DKK 9 million).

Section 2 – Results for the year

2.7 Income tax and deferred tax – continued

Amounts in DKKm	Intangible assets	Tangible assets	Current and other assets	Liabilities	Tax losses carried forward	Total
2022						
Deferred tax						
Carrying amount beginning of year	(20)	(98)	438	129	340	789
Adjustment to prior years' deferred tax	-	(3)	1	2	2	2
Adjustment of receivables from group companies	-	-	-	-	(17)	(17)
Currency adjustments	-	(3)	-	2	1	-
Adjustment of deferred tax due to coming year change of tax rates	-	(1)	-	1	-	-
Recognised in the income statement, net	(4)	(2)	(37)	-	21	(22)
Change in valuation of net tax assets	-	-	-	2	-	2
Recognised in other comprehensive income, net	-	-	-	(30)	4	(26)
Recognised in equity, net (share-based payments)	-	-	(32)	-	16	(16)
Carrying amount year end	**(24)**	**(107)**	**370**	**106**	**367**	**712**
2021						
Deferred tax						
Carrying amount beginning of year	(7)	(103)	340	135	332	697
Adjustment to prior years' deferred tax	3	1	(4)	-	-	-
Adjustment of receivables from group companies	-	-	-	-	(6)	(6)
Currency adjustments	-	(2)	-	1	1	-
Recognised in the income statement, net	(16)	6	125	(4)	(16)	95
Change in valuation of net tax assets	-	-	-	2	-	2
Recognised in other comprehensive income, net	-	-	-	(5)	(4)	(9)
Recognised in equity, net (share-based payments)	-	-	(23)	-	33	10
Carrying amount year end	**(20)**	**(98)**	**438**	**129**	**340**	**789**

Deferred tax consists of deferred tax assets of DKK 716 million (2021: DKK 790 million) and deferred tax liabilities of DKK 4 million (2021: DKK 1 million).

Unrecognised deferred tax assets comprising tax losses carried forward amount to DKK 11 million and relate to US entities (2021: DKK 14 million). The tax losses have no expiry date.

Section 2 – Results for the year

2.7 Income tax and deferred tax – continued

Accounting policies

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.

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

Uncertain tax position is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority (and a future inflow of funds from a tax authority). The uncertain tax position is measured at the best estimate of the amount expected to become payable (and receivable).

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. Deferred tax assets including the tax value of tax losses are recognised if it is probable that it can be utilised against future taxable income within a foreseeable future. This includes an assessment of the possibilities to utilise tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S).

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.

Significant accounting estimates and judgements

Management is required to make an estimate in the recognition of deferred tax assets. This assessment includes estimates of future taxable income in ALK and other members of the joint Danish taxation scheme with the Lundbeck Foundation. The forecasts for ALK-Abelló A/S with increased positive results (EBT) is based on growth in revenue and earnings driven by SLIT-tablets.

At 31 December 2022, the value of the total net deferred tax asset is DKK 712 million (2021: DKK 789 million). It includes a net deferred tax asset in Denmark related to tax losses carried forward of DKK 343 million (2021: DKK 328 million).

Complying with tax rules, when conducting business globally, can be complex as the interpretation of legislation and case law may change over time or may not always be clear. Management's judgements are applied to assess the possible effect of exposures and the possible outcome of disputes or interpretational uncertainties when transfer pricing disputes with local tax authorities may occur. Dialogue with local tax authorities, tax advisors, business plans and knowledge of the business are key parameters for Management to estimate the tax assets and liabilities.

At 31 December 2022, the ALK Group recognises uncertain tax position as part of non-current tax. The actual outcome may deviate and depends on the result of litigation and settlements with the relevant local tax authorities.

Section 3 – Operating assets and liabilities

3.1 Intangible assets

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other intangible assets*	Total
2022					
Cost beginning of year	479	420	236	249	1,384
Currency adjustments	4	-	3	2	9
Additions	-	8	-	47	55
Disposals	(1)	(4)	(32)	-	(37)
Transfer to/from other groups	-	35	-	(35)	-
Cost year end	**482**	**459**	**207**	**263**	**1,411**
Amortisation and impairment beginning of year	22	332	225	183	762
Currency adjustments	-	1	3	1	5
Amortisation for the year	-	28	6	4	38
Disposals during the year	(1)	(4)	(32)	-	(37)
Impairment during the year, cf. note 2.3	1	-	-	-	1
Amortisation and impairment year end	**22**	**357**	**202**	**188**	**769**
Carrying amount year end	**460**	**102**	**5**	**75**	**642**

* Other intangible assets includes individual minor development projects running for short-term periods.

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other intangible assets*	Total
2021					
Cost beginning of year	475	396	231	245	1,347
Currency adjustments	4	1	5	1	11
Additions	-	8	1	36	45
Disposals	-	(17)	(1)	(1)	(19)
Transfer to/from other groups	-	32	-	(32)	-
Cost year end	**479**	**420**	**236**	**249**	**1,384**
Amortisation and impairment beginning of year	23	313	214	173	723
Currency adjustments	(1)	-	4	1	4
Amortisation for the year	-	25	7	9	41
Disposals during the year	-	(17)	(1)	-	(18)
Impairment during the year, cf. note 2.3	-	11	1	-	12
Amortisation and impairment year end	**22**	**332**	**225**	**183**	**762**
Carrying amount year end	**457**	**88**	**11**	**66**	**622**

Section 3 – Operating assets and liabilities

3.1 Intangible assets – continued

Goodwill
Goodwill is related to acquisition of companies in previous years and 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 2022 revealed no need for impairment of goodwill.

Impairment of goodwill in 2022 of DKK 1 million is associated with closing down activities in Turkey.

Goodwill has been tested at an aggregated level for ALK as one cash-generating unit. In the calculation of the value in use of the cash-generating unit, future free net cash flow is estimated based on Board of Directors-approved budget (2023) and financial forecasts (2024-2025) in line with the ALK Group's strategy.

The budget and the forecast 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 three year forecast period (2023-2025), the cash flows in the most recent period have been extrapolated adjusted for a growth factor of 1.5% (2021: 1.5%) during the terminal period. The discount rate used is 9.6% pre-tax and 7.5% after tax (2021: 9% pre-tax and 7% after tax).

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

§ Accounting policies

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.

On recognition of goodwill, the goodwill amount is allocated to the ALK Group's cash-generating unit. The ALK Group is considered as one cash-generating unit as the individual companies and business units in the ALK Group cannot be evaluated separately due to the value-adding processes are generated across corporations and entities.

Goodwill is not amortised, but is tested for impairment at least once a year. To the extent that the carrying amount of goodwill exceeds the recoverable amount, goodwill is written down to this lower amount. Impairment of goodwill is not reversed.

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

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

Intangible assets with determinable useful lives are amortised on a straight-line basis over the expected useful lives of the assets, typically 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. The carrying amounts are reviewed at the balance sheet date to determine whether there are any indications of impairment. If such indications are identified, 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.

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.

See note 3.2 for more information on assessment, recognition and reversal of impairment.

Other intangible assets
Other intangible assets includes individual minor development projects running for short-term periods, including software development projects, which fulfil the requirements in IFRS. The measurement and impairment follow the same rules as described above for software, patents, trademarks, and rights.

Significant accounting estimates and judgements

The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating unit. 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 2022, the carrying amount of goodwill is DKK 460 million (2021: DKK 457 million).

Section 3 – Operating assets and liabilities

3.2 Property, plant and equipment

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2022					
Cost beginning of year	1,623	1,028	272	325	3,248
Currency adjustments	35	19	2	5	61
Additions	83	23	11	260	377
Lease contract modifications	(17)	-	-	-	(17)
Disposals	(11)	(67)	(11)	-	(89)
Transfer to/from other groups	30	45	4	(79)	-
Cost year end	**1,743**	**1,048**	**278**	**511**	**3,580**
Depreciation and impairment beginning of year	665	577	192	-	1,434
Currency adjustments	7	9	1	-	17
Depreciation for the year	91	87	20	-	198
Disposals during the year	(11)	(66)	(11)	-	(88)
Impairment during the year, cf. note 2.3	-	1	-	-	1
Depreciation and impairment year end	**752**	**608**	**202**	**-**	**1,562**
Carrying amount year end	**991**	**440**	**76**	**511**	**2,018**
of which financing costs					-
Value of land and buildings subject to mortgages					176

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The leases are open-ended and the estimated lease terms are 15 years. See also note 3.3.

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2021					
Cost beginning of year	1,493	947	256	269	2,965
Currency adjustments	41	21	2	7	71
Additions	46	18	12	176	252
Disposals	(1)	(25)	(13)	(1)	(40)
Transfer to/from other groups	44	67	15	(126)	-
Cost year end	**1,623**	**1,028**	**272**	**325**	**3,248**
Depreciation and impairment beginning of year	572	505	184	-	1,261
Currency adjustments	9	12	2	-	23
Depreciation for the year	85	77	19	-	181
Disposals during the year	(1)	(24)	(13)	(1)	(39)
Impairment during the year, cf. note 2.3	-	7	-	1	8
Depreciation and impairment year end	**665**	**577**	**192**	**-**	**1,434**
Carrying amount year end	**958**	**451**	**80**	**325**	**1,814**
of which financing costs					-
Value of land and buildings subject to mortgages					186

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The leases are open-ended and the estimated lease terms are 15 years. See also note 3.3.

Section 3 – Operating assets and liabilities

3.2 Property, plant and equipment – continued

§ Accounting policies

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 depreciation base is cost less the estimated residual value at the end of the useful life. The residual value 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.

Tangible 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.

Impairment
The carrying amounts of tangible assets 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.

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 the cash-generating unit, 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.

Section 3 – Operating assets and liabilities

3.3 Leases

Specification of right-of-use assets:

Amounts in DKKm	Land and buildings*	Other fixtures and equipment	Total
2022			
Cost beginning of year	335	2	337
Currency adjustments	5	-	5
Additions	78	1	79
Lease contract modifications**	(17)	-	(17)
Disposals	(6)	-	(6)
Cost year end	**395**	**3**	**398**
Depreciation beginning of year	109	1	110
Currency adjustments	1	-	1
Depreciation for the year	43	-	43
Disposals	(6)	-	(6)
Depreciation year end	**147**	**1**	**148**
Carrying amount year end	**248**	**2**	**250**

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The leases are open-ended and the estimated lease terms are 15 years.
** Lease contract modifications include changes to existing lease contracts different from lease extensions or new lease contracts that are included as additions.

Specification of right-of-use assets:

Amounts in DKKm	Land and buildings*	Other fixtures and equipment	Total
2021			
Cost beginning of year	295	2	297
Currency adjustments	6	-	6
Additions	34	-	34
Cost year end	**335**	**2**	**337**
Depreciation beginning of year	69	1	70
Currency adjustments	2	-	2
Depreciation for the year	38	-	38
Depreciation year end	**109**	**1**	**110**
Carrying amount year end	**226**	**1**	**227**

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The leases are open-ended and the estimated lease terms are 15 years.

Section 3 – Operating assets and liabilities

3.3 Leases – continued

Leases in the income statement

Amounts in DKKm	2022	2021
Expenses from short-term leases	2	1
Expenses from low-value assets (including cars)	18	19
Depreciation of right-of-use assets	43	38
Interest expenses on lease liabilities	6	7
Total	**69**	**65**

Cash outflow related to lease agreements was DKK 45 million (2021: DKK 39 million).

Lease liabilities are disclosed in note 4.2 Financial risks and financial instruments.

§ Accounting policies

Lease liabilities
Lease assets are recognised at the commencement date of the contract if it is or contains a lease. Lease assets are recognised at cost less accumulated depreciation and impairment. Cost is defined as the lease liability adjusted for any lease payments made at or before the commencement date. Lease assets are depreciated on a straight-line basis over the lease term.

On initial recognition, lease liabilities are measured as the present value of future payments. The lease payments contain fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

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.

If the interest rate cannot be determined in the agreement, the lease payments are discounted using the ALK Group's incremental borrowing rate adjusted for the functional currency and length of the lease term. The lease liability is remeasured if or when the future payment or lease term changes.

Short term lease expenses and low value assets are not recognised as part of lease liabilities. They are recognised in the income statement when incurred as an operating expense.

Section 3 – Operating assets and liabilities

3.4 Inventories

Amounts in DKKm	2022	2021
Raw materials	265	245
Work in progress	507	432
Manufactured goods and goods for resale	525	527
Total	**1,297**	**1,204**
Amount of write-down of inventories during the year	50	40
Amount of reversal of write-down of inventories during the year*	19	15
Total cost of materials included in cost of sales	490	396
Net carrying amount of inventory not expected to be sold in following year	333	209

* Reversal of provision for slow moving items, sold in 2022.

§ Accounting policies

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.

A minor part of ALK's raw materials inventory contains biological assets from agricultural activities. Due to missing market on which a fair value can be established these products are not valuated.

Significant accounting estimates and judgements

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 the production process. If the expected sales price less any completion costs and costs to execute sales (net realisable value) of inventories is lower than the carrying amount, the inventories are written down to net realisable value. When assessing salability and net realisable value, Management uses estimates for future sales and related costs.

End of 2022, the write-down of inventories to net realisable value amounted to DKK 85 million (2021: DKK 97 million).

Further, work in progress and manufactured goods and goods for resale are measured at cost including indirect production costs. The indirect production costs are measured using a standard cost method. This is reviewed regularly to ensure reliable measurement of employee costs, capacity utilisation, cost drivers and other relevant factors. When including the indirect productions costs for capitalisation, Management makes estimates about cost of production, standard cost variances, cost drivers and capacity utilisation. Changes in these parameters may have a significant impact on the gross margin and the overall valuation of work in progress and manufactured goods and goods for resale.

End of 2022, the indirect production costs capitalised under inventories amounted to DKK 442 million (2021: DKK 406 million).

Section 3 – Operating assets and liabilities

3.5 Trade receivables

	Days past due				
Amounts in DKKm	**Not due**	**<180 days**	**180-360**	**>360 days**	**Total**
2022					
Average expected credit loss rate	1%	2%	8%	50%	
Trade receivables (gross)	671	86	13	2	772
Loss allowance	4	2	1	1	8
Trade receivables (net)	**667**	**84**	**12**	**1**	**764**
Loss allowance:					
Balance beginning of year					11
Change in allowances during the year					2
Realised losses during the year					(5)
Loss allowance, year end					**8**
2021					
Average expected credit loss rate	1%	6%	20%	50%	
Trade receivables (gross)	519	68	5	2	594
Loss allowance	5	4	1	1	11
Trade receivables (net)	**514**	**64**	**4**	**1**	**583**
Loss allowance:					
Balance beginning of year					15
Change in allowances during the year					(1)
Realised losses during the year					(3)
Loss allowance, year end					**11**

§ Accounting policies

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.

ALK recognises expected credit losses that result from default events possible within the whole asset life. Risk related to trade receivables is managed in ALK locally by entities, based on an individual assessment. Loss allowance for doubtful trade receivables is also based on an individual assessment of the receivables. ALK has not implemented a global provision matrix due to different characteristics related to receivables across the ALK Group. Loss allowance are calculated based on variables, e.g. probability-weighted amount (based on historical realised losses), the time value of money, additional supportable information, including an individual assessment of each customer/customer group.

An impairment loss or reversal of prior impairment 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.

3.6 Prepayments

Amounts in DKKm	**2022**	**2021**
Clinical trials, cf. note 2.2	130	240
Royalties	39	-
Other	70	74
Total	**239**	**314**

§ Accounting policies

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

Section 3 – Operating assets and liabilities

3.7 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, France and Switzerland. The defined benefit plans guarantee employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. 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.

Amounts in DKKm	2022	2021
Costs related to defined contribution plans	107	91
Costs related to defined benefit plans	24	24
Total	**131**	**115**
Present value of funded pension obligations	24	25
Fair value of plan assets (100% insurance contract)	(21)	(17)
Funded pension obligations, net	**3**	**8**
Present value of unfunded pension obligations	161	246
Pension obligations	**164**	**254**
Anniversary liabilities	10	11
Other liabilities*	62	59
Pension obligations and similar liabilities, year end	**236**	**324**

* Other liabilities include liability related to the transition period for the Danish Holiday Act of DKK 60 million (2021: DKK 59 million).

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 16.58 years (2021: 19.24 years).

Amounts in DKKm	2022	2021
The principal assumptions used for the actuarial valuations		
Discount rate range of 2% - 3.9% (weighted average rate)	3.8%	1.0%
Expected future rate of salary increase range of 1% - 2.5% (weighted average rate)	2.4%	2.4%
Assumed life expectations on retirement age for current pensioners (years based on weighted average)*:		
Males	21.1	21.1
Females	24.3	24.4
Assumed life expectations on retirement age for current employees (future pensioners) (years based on weighted average)*:		
Males	22.4	22.4
Females	26.3	26.3
Sensitivity analysis:		
Significant actuarial assumptions for determining the defined benefit obligation		
Discount rate, effect in case of increase in range of 0.25% - 1%**	(21)	(42)
Discount rate, effect in case of decrease in range of 0.25% - 1%**	27	50
Salary, effect in case of 0.25% - 0.5% increase**	2	4
Salary, effect in case of 0.25% - 0.5% decrease**	(2)	(4)
Life expectancy, effect in case of increase by 1 year*	6	11
Life expectancy, effect in case of decrease by 1 year*	(6)	(11)
Movements in the present value of the funded defined benefit obligation in the current year		
Opening funded defined benefit obligation	25	20
Current service costs	2	2
Actuarial (gains)/losses arising from changes in financial assumptions	(5)	-
Benefits paid	1	2
Currency translation adjustment	1	1
Closing funded defined benefit obligation	**24**	**25**

* Based on national statistics for mortality.
** Based on actuarial reports with different rates.

Section 3 – Operating assets and liabilities

3.7 Pensions and similar liabilities – continued

Amounts in DKKm	2022	2021
Movements in the fair value of the plan assets in the current year		
Opening fair value of plan assets	17	13
Contribution from plan participants	2	2
Benefits paid	1	2
Currency translation adjustment	1	-
Closing fair value of plan assets (fully invested in insurance contracts)	**21**	**17**
Movements in present value of unfunded pension obligations in the current year		
Opening present value of unfunded pension obligations	246	268
Other adjustments	-	(12)
Current service costs	7	7
Interest costs	3	2
Actuarial (gains)/losses from changes in financial assumptions	(87)	(15)
Actuarial (gains)/losses arising from experience adjustments	(4)	(1)
Benefits paid	(4)	(3)
Closing present value of unfunded pension obligations	**161**	**246**
Amount recognised as staff expenses in the income statement		
Current service costs	9	10
Net interest expense	3	2
Total	**12**	**12**
Amount recognised in comprehensive income in respect of defined benefit plans		
Actuarial (gains)/losses	(96)	(16)
Total	**(96)**	**(16)**

The expected contribution for 2023 for the defined benefit plans is DKK 13 million (2022: DKK 12 million).

The most recent actuarial valuations of the defined benefit liability were carried out by external independent actuary agents at 31 December 2022.

§ Accounting policies

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.

Section 3 – Operating assets and liabilities

3.8 Provisions

Amounts in DKKm	Restructuring programs*	Other provisions**	Total
2022			
Provisions beginning of year	10	2	12
Provisions made during the year	-	1	1
Used during the year	(10)	-	(10)
Provisions, year end	**-**	**3**	**3**
Provisions are recognised as follows:			
Current liabilities	-	3	3
Provisions, year end	**-**	**3**	**3**
2021			
Provisions beginning of year	-	3	3
Provisions made during the year	10	-	10
Used during the year	-	(1)	(1)
Provisions, year end	**10**	**2**	**12**
Provisions are recognised as follows:			
Current liabilities	10	2	12
Provisions, year end	**10**	**2**	**12**

* Provision used in 2022 for restructuring programs of DKK 10 million relates to restructuring of ALK's Spanish entity ALK-Abelló S.A.
** Other provisions include a provision for sales in Italy of DKK 3 million (2021: DKK 2 million).

§ Accounting policies

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 ALK Group'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.

3.9 Other payables

Amounts in DKKm	2022	2021
Rebates and commissions, cf. note 2.1	274	294
Salaries, holiday payments etc.	270	239
Clinical trials, cf. note 2.2	114	179
VAT and other taxes	81	85
Other	239	153
Total	**978**	**950**

§ Accounting policies

Other payables are recognised as a current liability and comprise costs due in the subsequent financial year. Other payables are measured at amortised cost.

Section 3 – Operating assets and liabilities

3.10 Contingent liabilities and commitments

Contingent liabilities

In the ordinary course of business, the ALK Group is involved in certain claims, disputes etc. In the opinion of Management, settlement or continuation 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.

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. The total tax obligation under the joint Danish taxation scheme is shown in the financial statements of the Lundbeck Foundation (Lundbeckfond Invest A/S).

Change of control

The ALK Group's credit facilities and drawn loans are subject to standard change of control clauses according to which the lender has the right to cancel the commitment and demand repayment of outstandings.

Commitments

Land and buildings provided as security vis-à-vis for mortgage debt amount to DKK 176 million (2021: DKK 186 million) out of mortgage debt of DKK 221 million (2021: DKK 240 million).

Amounts in DKKm	2022	2021
Bank guarantees*	76	2
Other guarantees	11	6
Total	**87**	**8**

* Bank guarantees include DKK 75 million related to ongoing tax audits (2021: DKK 0)

Section 4 – Capital structure and financing

4.1 Share capital and earnings per share

	2022		2021	
	Units	Nominal value (DKKm)	Units	Nominal value (DKKm)
Share capital				
The share capital consists of:				
A shares (nominal value of DKK 0.5)	18,415,200	9	18,415,200	9
AA shares (nominal value of DKK 0.5)	1,841,520	1	1,841,520	1
B shares (nominal value of DKK 0.5)	202,567,200	101	202,567,200	101
Total	**222,823,920**	**111**	**222,823,920**	**111**

In March 2022, ALK-Abelló A/S completed a share split at a ratio of 1:20, each existing share of a nominal value of DKK 10 was split into 20 new shares of a nominal value of DKK 0.50 each. The company's share capital remains DKK 111,411,960. As a result of the share split, comparison figures for number of shares, EPS, and DEPS have been restated accordingly.

Each A and AA share carries 10 votes, whereas each B share carries 1 vote. AA shares no longer held by individuals or legal entities other than the Lundbeck Foundation or companies which are group affiliated with the Lundbeck Foundation, cf. the definition of groups in section 6 of the Danish Companies Act, or in the event that a company which holds AA shares is no longer group affiliated with the Lundbeck Foundation, such AA shares shall be transferred to the B share capital.

According to a resolution passed by the parent company at the annual general meeting, the parent company is allowed to purchase treasury shares, up to 10% of the share capital. The parent company has purchased treasury shares in connection with the issuance of share-based incentive plans. All shares are paid in.

	2022	2021
Treasury shares		
Treasury shares beginning of year (B-shares), units	2,970,560	4,257,460
Sale of treasury shares, units	(1,145,585)	(1,286,900)
Treasury shares year end (B-shares), units	**1,824,975**	**2,970,560**
Proportion of share capital year end	0.8%	1.3%
Nominal value year end	0.9	1.5
Market value year end	175	509
Earnings per share		
The calculation of earnings per share is based on the following:		
Net profit (DKKm)	335	219
Number in units:		
Average number of issued shares	222,823,920	222,823,920
Average number of treasury shares	(2,321,447)	(3,430,180)
Average number of shares used for calculation of earnings per share	**220,502,473**	**219,393,740**
Average dilutive effect of outstanding share options	870,206	1,596,200
Average number of shares used for calculation of diluted earnings per share	**221,372,679**	**220,989,940**
Earnings per share (EPS) (DKK)	**1.52**	**1.00**
Earnings per share, diluted (DEPS) (DKK)	**1.51**	**0.99**

§ **Accounting policies**

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.

Section 4 – Capital structure and financing

4.2 Financial risks and 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 dividend policy of the ALK Group is to distribute maximum possible dividend to ALK-Abelló A/S.

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. 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. In case it is evaluated to be relevant, 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.

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 2022, 17% (2021: 15%) 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.

No exchange rate hedge contracts were open at 31 December 2022 or 31 December 2021.

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, EBIT and equity levels, respectively. A decrease in the exchange rates will have a corresponding adverse effect. In the sensitivity analysis, data for revenue and EBIT are based on current short-term expectations and data for equity are based on actual equity at 31 December 2022.

Amounts in DKKm	Revenue	EBIT	Equity
31 December 2022			
USD	approx. +80	approx. +5	approx. +15
31 December 2021			
USD	approx. +65	approx. -10	approx. 0

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Net positions

Amounts in DKKm	Cash	Receivables	Liabilities	Amount hedged	Net position
31 December 2022					
DKK	(12)	89	(909)	-	(832)
USD	111	228	(328)	-	11
EUR	48	433	(956)	-	(475)
GBP	2	18	(21)	-	(1)
SEK	2	34	(16)	-	20
Other	70	180	(90)	-	160
Total	**221**	**982**	**(2,320)**	**-**	**(1,117)**
31 December 2021					
DKK	(9)	69	(957)	-	(897)
USD	67	123	(176)	-	14
EUR	75	342	(1,093)	-	(676)
GBP	4	12	(21)	-	(5)
SEK	3	39	(19)	-	23
Other	54	135	(84)	-	105
Total	**194**	**720**	**(2,350)**	**-**	**(1,436)**

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 2022					
Mortgage debt and bank loans	429	432	229	73	130
Trade payables	131	131	131	-	-
Lease liabilities	267	292	46	167	79
Other financial liabilities	994	994	994	-	-
Financial liabilities	**1,821**	**1,849**	**1,400**	**240**	**209**
31 December 2021					
Mortgage debt and bank loans	466	472	245	76	151
Trade payables	115	115	115	-	-
Lease liabilities	244	269	43	134	92
Other financial liabilities	973	973	973	-	-
Financial liabilities	**1,798**	**1,829**	**1,376**	**210**	**243**

* Total cash flow includes interest.

Section 4 – Capital structure and financing

4.2 Financial risks and 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 2022					
Cash	221	Various		Floating	(0.6)-4.75
Interestbearing assets	**221**				
Mortgage debt	221	DKK	2035	Floating	0.2
Lease liabilities	267	Various	2023-2036	Fixed	2.0
Bank loans	208	Various	2023	Fixed	2.8-3.3
Interestbearing liabilities	**696**				
31 December 2021					
Cash	194	Various		Floating	(1.09)-(0.10)
Interestbearing assets	**194**				
Mortgage debt	240	DKK	2035	Floating	0.2
Lease liabilities	244	Various	2022-2033	Fixed	2.0
Bank loans	226	EUR	2022	Fixed	0.4-0.5
Interestbearing liabilities	**710**				

An increase in the interest rate of 1 percentage point on mortgage debt and bank loans would decrease net profit and equity by approximately DKK 4 million (2021: decrease of DKK 4 million). An increase in the interest of 1 percentage point on cash would increase net profit and equity by approximately DKK 2 million (2021: increase of DKK 2 million).

Credit risk

The ALK Group's primary credit exposure is related to trade receivables and cash. 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. For more information, see note 3.5.

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.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Categories of financial instruments

Amounts in DKKm		2022	2021
Financial assets			
Financial assets measured at amortised cost	**Impairment method**		
Receivables from group companies	12m ECL	18	12
Prepayments	12m ECL	94	29
Trade receivables	Lifetime ECL (simplified approach)	764	583
Other receivables	12m ECL	82	82
Cash		221	194
Total		**1,179**	**900**
Financial liabilities			
Financial liabilities measured at amortised cost			
Mortgage debt		221	240
Bank loans		208	226
Lease liabilities		267	244
Trade payables		131	115
Other payables		978	950
Total		**1,805**	**1,775**

Measurement and fair value hierarchy

		Revaluation/payment date		
Amounts in DKKm	Fair value	Within 1 year	From 1-5 years	After 5 years
31 December 2022				
Mortgage debt	225	18	74	133
Bank loans	208	208	-	-
Total	**433**	**226**	**74**	**133**
31 December 2021				
Mortgage debt	243	18	73	152
Bank loans	226	226	-	-
Total	**469**	**244**	**73**	**152**

All financial assets and liabilities are measured at cost or amortised cost. The carrying amounts for these approximate fair value.

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.

No financial derivatives were used in 2022 or 2021.

Financial resources
The ALK Group has a DKK 1,500 million credit facility which runs until the end of 2025. By the end of 2022, DKK 208 million was drawn.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Accounting policies

Financial assets
On initial recognition, investments and other financial assets are measured at cost, corresponding to fair value. They are subsequently measured at fair value either through the income statement or through comprehensive income.

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

Debt
Trade payables, other payables, including sales discounts and rebates as well as debt to public authorities etc., are measured at amortised cost.

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.

Section 5 – Other disclosures

5.1 Share-based payments

The ALK Group has established long-term equity-based incentive plans linked to the creation of shareholder value and the fulfilment of strategic goals. The plans are established for the members of Board of Management and other key employees, reward long-term value creation and align to interests of the shareholders.

The incentive plans consist of share options and performance share units that are considered sufficiently covered by treasury shares.

Ordinary incentive plans
The share options entitle the holder to acquire one existing B share of DKK 0.5 nominal value in the company per share option and the performance share units entitle the holder to receive one existing B share per performance share unit free of charge.

The vesting period for both share options and performance share units is three years after grant. Vesting is conditional upon certain targets being met and upon the participant not having resigned. Target achievement is met upon fulfilment of strategic key performance indicators. In case performance is below the threshold there will be no units vesting, and if above target, a multiplier is applied that can increase the vesting by up to 100%.

The exercise of share options is possible in the trading windows following the release of annual and interim reports conditional upon the share option holder not having resigned at the time of exercise. For performance share units, the final transfer of ownership takes place at vesting three years after the grant.

Special incentive plan 2018
ALK's special incentive plan was a one-time scheme designed to implement ALK's growth strategy and consisted of both share options and performance share units with a vesting period of three years.

The special incentive plan was adopted at the annual general meeting in March 2018 and vested in March 2021. The grant value of the plan did not exceed 50% of the Executive's 2018 annual base salary on the grant date. The plan was conditional upon strategic key performance indicators being attained. Based on the financial results for 2020, the KPI achievements exceeded their targets increasing the granted number of performance shares and share options by 100%. 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.

Share split
In March 2022, ALK-Abelló A/S completed a share split at a ratio of 1:20, each existing share of a nominal value of DKK 10 was split into 20 new shares of a nominal value of DKK 0.50 each. As a result of the share split, comparison figures for number of share options and performance share units, share prices, exercise prices, and calculated fair value of granted share options have been adjusted accordingly.

Expensed in the income statement:

Amounts in DKKm	2022	2021
Cost for the year regarding share-based payments is recognised as follows:		
Cost of sales	4	5
Research and development expenses	7	7
Sales and marketing expenses	8	11
Administrative expenses	8	12
Financial expenses	-	1
Total	**27**	**36**

In 2022, the total cost of share-based payments did not include a financial expense due to the exercise and cash settlement of share options (2021: DKK 1 million). The total cost included DKK 3 million related to adjustment in the share options and performance share units expected to vest (2021: DKK 11 million).

Section 5 – Other disclosures

5.1 Share-based payments – continued

Specification of outstanding share options and performance share units:

	Share options				Performance share units		
	Board of Management units	Other key employees units	Total units	Weighted average exercise price DKK	Board of Management units	Other key employees units	Total units
2022							
Outstanding at 1 January	1,285,800	768,180	2,053,980	59	130,220	518,180	648,400
Additions	261,420	227,420	488,840	108	58,860	244,980	303,840
Exercised/settled	(851,200)	(356,860)	(1,208,060)	48	(92,720)	(328,540)	(421,260)
Cancellations	(105,900)	-	(105,900)	90	(17,340)	(10,700)	(28,040)
Outstanding at 31 December	**590,120**	**638,740**	**1,228,860**	**82**	**79,020**	**423,920**	**502,940**
Total number of vested share options			507,180				
Average remaining life at year end (years)			2.0				
Exercise prices at year end (DKK)			41-141				
2021							
Outstanding at 1 January	1,795,160	1,186,760	2,981,920	49	268,880	708,520	977,400
Additions	596,220	509,880	1,106,100	56	125,000	215,980	340,980
Exercised/settled	(1,105,580)	(926,460)	(2,032,040)	42	(263,660)	(406,320)	(669,980)
Expired	-	(2,000)	(2,000)	40	-	-	-
Outstanding at 31 December	**1,285,800**	**768,180**	**2,053,980**	**59**	**130,220**	**518,180**	**648,400**
Total number of vested share options			984,940				
Average remaining life at year end (years)			2.1				
Exercise prices at year end (DKK)			40-116				

The Board of Directors decided for four trading windows in 2022 to settle share options by shares and a total of 1,208,060 share options were exercised.

The Board of Directors decided for one trading window in 2021 to settle share options by cash and a total of 1,339,720 share options were exercised and total cash payments amounted to DKK 62 million. For three trading windows the Board of Directors decided to settle share options by shares and a total of 692,320 share options were exercised.

Section 5 – Other disclosures

5.1 Share-based payments – continued

Outstanding share options and performance share units have the following characteristics:

	Share options				Performance share units	
Plan	Units	Average exercise price DKK	Vested as per	Exercise periode (years)	Units	Vested as per
2016 Plan	14,000	56	1 Mar 2019	4		
2018 Plan	22,660	40	1 Mar 2021	2		
2018 Plan – special plan*	238,920	40	1 Mar 2021	2		
2019 Plan	231,600	57	1 Mar 2022	2		
2020 Plan	340,520	73	1 Mar 2023	2	213,140	1 Mar 2023
2021 Plan	200,500	122	1 Mar 2024	2	150,120	1 Mar 2024
2022 Plan	180,660	148	1 Mar 2025	2	139,680	1 Mar 2025
Outstanding at 31 December	**1,228,860**				**502,940**	

* The payout upon exercise of the outstanding options cannot exceed DKK 5 million according to the conditions of the plan.

Fair value of share options and performance share units granted:

Share options

Fair value at grant date is measured in accordance with the Black & Scholes model for valuation of share options, using the following assumptions:

	2022 Plan	2021 Plan
Average share price (DKK)	141	116
Expected exercise price (DKK)	152	125
Expected volatility rate, based on the historical volatility	35% p.a.	36% p.a.
Expected option life	4 years	4 years
Expected dividend per share	-	-
Risk-free interest rate	0.14% p.a.	-0.49% p.a.
Calculated fair value of granted share options (DKK)	33	29

Performance share units

Performance share units have been granted at DKK 141 per share (2021: DKK 116 per share).

§ Accounting policies

Share-based incentive plans (equity-settled share-based payments), which comprise share options and performance share units, 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 exercise price is equivalent to the average market price of the share for the five trading days immediately preceeding the date of grant and is increased by 2.5% p.a. and reduced by dividends paid. The fair value of performance share units is determined using the average share price (closing) five days after annual general meeting.

The ALK Group settles the equity-settled share-based 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.

Section 5 – Other disclosures

5.2 Cash flow

Adjustment for non-cash items

Amounts in DKKm	2022	2021
Tax on profit	112	60
Financial income and expenses	23	13
Share-based payments	27	36
Depreciation, amortisation and impairment	238	242
Other adjustments*	6	49
Total	**406**	**400**

* In 2021, other adjustments included non-cash transactions related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent of DKK 33 million.

Changes in working capital

Amounts in DKKm	2022	2021
Change in inventories	(74)	(84)
Change in receivables and prepayments	(172)	(5)
Change in short-term payables	11	61
Total	**(235)**	**(28)**

Reconciliation of liabilities arising from financing activities

Amounts in DKKm	2022	2021
Liabilities from financing activities at 1 January	710	943
Proceeds from borrowings	60	226
Repayment of borrowings	(94)	(464)
Lease additions, modifications and, disposals	56	34
Instalments of lease liabilities	(39)	(32)
Exchange rate adjustments	3	3
Liabilities from financing activities at 31 December	**696**	**710**

Financial reserves

Amounts in DKKm	2022	2021
Cash	221	194
Undrawn facilities	1,292	1,277
Total	**1,513**	**1,471**

ALK has a DKK 1,500 million credit facility which runs until the end of 2025. By the end of 2022, DKK 208 million was drawn.

§ Accounting policies

Cash flow

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 at the beginning and at the end of the financial year.

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, lease liabilities, purchase of treasury shares, and settlement of share options and payment of dividends.

Section 5 – Other disclosures

5.2 Cash flow – continued

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 comprise cash 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.

5.3 Related parties

Related party exercising control
ALK-Abelló A/S is controlled by the Lundbeck Foundation (Lundbeckfond Invest A/S) domiciled in Copenhagen, Denmark, which holds 67.2% of the total number of votes in ALK Abelló A/S. The remaining shares are widely held. ALK-Abelló A/S is parent company, and ultimate parent for the ALK Group is the Lundbeck Foundation (Lundbeckfond Invest A/S, incorporated in Denmark).

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 e.g, 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 received DKK 52 million (2021: DKK 26 million) concerning outstanding company tax from the Lundbeck Foundation (Lundbeckfond Invest A/S). The company tax relates to ALK-Abelló A/S and ALK-Abelló Nordic A/S.
- Receivables from group companies to ALK-Abelló A/S relate to outstanding company tax of DKK 18 million (2021: DKK 12 million) covering ALK-Abelló A/S and ALK-Abelló Nordic A/S.

Transactions with key management personnel consist of remuneration and exercise of share options, see notes 2.4 and 5.1 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.

5.4 Events after the reporting period

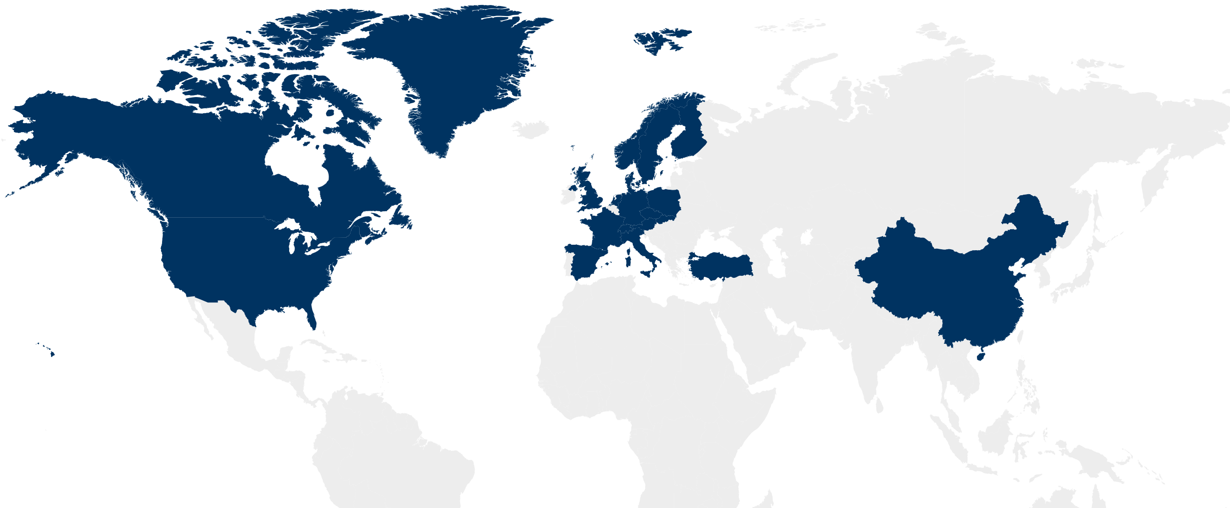
No events have occured after the reporting period, that influence the evaluation of the consolidated financial statements.

5.5 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 3 February 2023.

Section 5 – Other disclosures

5.6 List of companies in the ALK Group



Activity
- ● Production
- ● Sales and distribution
- ● Research and development
- ● Services

Entity	Country	Percentage of shares owned	Activity
Parent company			
ALK-Abelló A/S	Denmark		Production, Sales and distribution, Research and development, Services
Subsidiaries by geographical area			
Europe			
ALK-Abelló Allergie-Service GmbH	Austria	100%	Sales and distribution
ALK-Abelló Nordic A/S	Denmark	100%	Sales and distribution
ALK-Abelló Nordic A/S (branch)	Finland	100%	Services
ALK-Abelló Nordic A/S (branch)	Norway	100%	Services
ALK-Abelló Nordic A/S (branch)	Sweden	100%	Services
ALK-Abelló S.A.S.	France	100%	Production, Sales and distribution, Research and development
ALK-Abelló Arzneimittel GmbH	Germany	100%	Sales and distribution
ALK-Abelló B.V.*	Netherlands	100%	Sales and distribution
ALK-Abelló Sp. z o.o.	Poland	100%	Services
ALK Slovakia s.r.o.	Slovakia	100%	Sales and distribution
ALK Slovakia s.r.o. – odštěpný závod (branch)	Czech Republic	100%	Services
ALK-Abelló S.A.	Spain	100%	Production, Sales and distribution, Research and development
ALK-Abelló S.p.A.	Italy	100%	Sales and distribution
ALK AG (in liquidation)	Switzerland	100%	Services
ALK-Abelló AG	Switzerland	100%	Sales and distribution
ALK-Abelló Ltd.	United Kingdom	100%	Sales and distribution

* Exemption for local audit of the 2022 accounts under the ruling of the Article 2:403 of the Dutch Civil Code is intended – Btw-nr. NL005302766B01

Entity	Country	Percentage of shares owned	Activity
North America			
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%	Sales and distribution
ALK-Abelló, Inc.	USA	100%	Production, Sales and distribution, Research and development
OKC Allergy Supplies, Inc.	USA	100%	Production
ALK-Abelló Source Materials, Inc.	USA	100%	Production, Sales and distribution, Research and development
OKC Crystal Laboratory, Inc.	USA	100%	Production
International markets			
ALK-Abelló A/S (branch)	China	100%	Sales and distribution
ALK (Shanghai) Medical Technology Co., Ltd.	China	100%	Services
ALK (Shanghai) Medical Technology Co., Ltd. Beijing (branch)	China	100%	Services
ALK (Shanghai) Medical Technology Co., Ltd. Guangzhou (branch)	China	100%	Services
ALK (Guangzhou) Medical Technology Co., Ltd.	China	100%	Services
Tasfiye Halinde ALK Ilac ve Alerji Ürünleri Ticaret Anonim Sirketi (in liquidation)	Turkey	100%	Sales and distribution

Definitions

Term	Definitions
Gross margin – %	Gross profit x 100 / Revenue
EBITDA margin – %	EBITDA x 100 / Revenue
EBIT margin – %	EBIT 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 and bank 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, UK, 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	2022	2021
EBITDA reconciliation to net profit		
Net profit	335	219
Tax on profit	112	60
Financial income	(4)	(10)
Financial expenses	27	23
Depreciation, amortisation and impairment	238	242
EBITDA	**708**	**534**
Net asset value		
Equity	3,988	3,480
Net asset value	**3,988**	**3,480**
Invested capital reconciliation		
Intangible assets	642	622
Tangible assets	2,018	1,814
Inventories	1,297	1,204
Trade receivables	764	583
Receivables from group companies	18	12
Income tax receivables	24	14
Other receivables	82	82
Prepayments	239	314
Pensions and similar liabilities	(236)	(324)
Lease liabilities (non-current)	(226)	(207)
Deferred income (non-current)	(49)	(42)
Trade payables	(131)	(115)
Lease liabilities (current)	(41)	(37)
Deferred income (current)	(4)	(4)
Provisions (current)	(3)	(12)
Income tax payables (current)	(16)	(23)
Other payables	(978)	(950)
Invested capital	**3,400**	**2,931**

Parent company financial statements

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Income statement

Amounts in DKKm	Note	2022	2021
Revenue	2	2,114	2,299
Cost of sales	3,4	1,044	1,030
Gross profit		**1,070**	**1,269**
Research and development expenses	3,4	622	577
Sales and marketing expenses	3,4	341	263
Administrative expenses	3,18	124	114
Operating profit/(loss) (EBIT)		**(17)**	**315**
Income from investments in subsidiaries	10	427	15
Financial income	5	24	21
Financial expenses	5	20	23
Profit before tax (EBT)		**414**	**328**
Tax on profit/(loss)	6	(40)	27
Net profit	19	**454**	**301**

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets			
Intangible assets	7	146	127
		146	**127**
Tangible assets			
Land and buildings	8	273	312
Plant and machinery	8	233	244
Other fixtures and equipment	8	47	47
Property, plant and equipment in progress	8	303	194
		856	**797**
Other non-current assets			
Investments in subsidiaries	10	1,058	1,057
Receivables from group companies		1,780	1,840
Prepayments		88	23
Deferred tax assets	9	282	311
Income tax receivables		146	122
		3,354	**3,353**
Total non-current assets		**4,356**	**4,277**
Current assets			
Inventories	11	526	420
Trade receivables		79	53
Receivables from group companies		451	372
Other receivables		60	56
Prepayments		205	275
		1,321	**1,176**
Cash		31	51
Total current assets		**1,352**	**1,227**
Total assets		**5,708**	**5,504**

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Share capital		111	111
Retained earnings		3,490	2,993
Capitalised development costs		2	3
Total equity		**3,603**	**3,107**
Liabilities			
Non-current liabilities			
Mortgage debt	12	203	222
Pensions and similar liabilities	13	60	58
Lease liabilities	14	93	120
Deferred income		49	42
Income tax payables to group companies	15	120	115
		525	**557**
Current liabilities			
Mortgage debt	12	18	18
Bank loans	12	208	223
Trade payables		48	58
Payables to group companies		974	1,156
Lease liabilities	14	11	10
Deferred income		3	2
Other payables		318	373
		1,580	**1,840**
Total liabilities		**2,105**	**2,397**
Total equity and liabilities		**5,708**	**5,504**

Statement of changes in equity

Amounts in DKKm	Share capital	Retained earnings	Reserve for capitalised development costs	Proposed dividend	Total equity
2022					
Equity at 1 January	111	2,993	3	-	3,107
Appropriated from net profit	-	454	-	-	454
Share-based payments	-	27	-	-	27
Share options settled	-	(11)	-	-	(11)
Sale of treasury shares	-	42	-	-	42
Transfer to/(from) legal reserves	-	1	(1)	-	-
Tax related to items recognised directly in equity	-	(16)	-	-	(16)
Other transactions	**-**	**497**	**(1)**	**-**	**496**
Equity at 31 December	**111**	**3,490**	**2**	**-**	**3,603**

See note 4.1 in the consolidated financial statements for information on treasury shares.

Notes

1 Accounting policies

General

The financial statements of the parent company ALK-Abelló A/S for the period 1 January to 31 December 2022 have been prepared in accordance with the Danish Financial Statements Act for large reporting class D enterprises.

From 1 January 2022, ALK-Abelló A/S was merged with its wholly owned subsidiary ALK e-com A/S (CVR number 39266881). Intragroup business combinations are accounted for under the aggregation method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any considerations which exceed the carrying amount of the acquired enterprise are recognised directly in equity. The aggregation method is applied as if the two enterprises had always been combined by restating comparative figures.

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 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 based on 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 less deferred tax is recognised in the statement of equity. The reserve contains development costs, less amortisation/impairment losses, and less deferred tax, 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

2 Revenue and segment information

Amounts in DKKm	2022	2021
Sale of goods	2,014	2,218
Royalties	93	81
Services	7	-
Total revenue	**2,114**	**2,299**
Europe	1,682	1,972
International markets	432	327
Total revenue	**2,114**	**2,299**

3 Staff costs

Amounts in DKKm	2022	2021
Wages and salaries	667	654
Pensions	63	59
Other social security costs, etc.	13	12
Share-based payments	18	24
Total	**761**	**749**
Staff costs are allocated as follows:		
Cost of sales	307	295
Research and development expenses	240	219
Sales and marketing expenses	66	94
Administrative expenses	99	96
Included in the cost of assets	49	45
Total	**761**	**749**

Remuneration to Board of Management and Board of Directors:
See note 2.4 and 5.1 in the consolidated financial statements

Employees	2022	2021
Average number (FTE)	928	913
Number year end (FTE)	901	954

Notes

4 Special items

Amounts in DKKm	2022	2021
Impairment of intangible assets	-	11
Impairment of tangible assets	-	7
Impairment of investments in subsidiaries	-	4
Total	**-**	**22**

In 2021, the impairment of intangible assets included DKK 11 million relating to impairment of software. In the income statement, the impairment of intangible assets was recognised as sales and marketing expenses. The impairment of tangible assets included DKK 7 million related to impairment of plant and machinery. In the income statement, the impairment of tangible assets was recognised with DKK 6 million as cost of sales and DKK 1 million as research and development expenses. The impairment of investments in subsidiaries included DKK 4 million impairment of ALK-Abelló A/S' investment in its subsidiary in Turkey.

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.

5 Financial income and expenses

Amounts in DKKm	2022	2021
Interest on receivables from group companies	17	11
Other interest income	6	4
Currency gain, net	1	6
Total financial income	**24**	**21**
Other interest expenses*	20	23
Total financial expenses	**20**	**23**

* In 2022, other interest expenses include net interest related to uncertain tax position of DKK 0 (2021: DKK 3 million) and IFRS 16 interest expenses of DKK 2 million (2021: DKK 3 million).

6 Income tax

Amounts in DKKm	2022	2021
Current income tax	(36)	(11)
Adjustment of deferred tax	2	38
Prior years adjustments, income tax	-	3
Prior years adjustments, deferred tax	(6)	(3)
Total	**(40)**	**27**
Profit before tax	414	328
Income tax, tax rate of 22%	91	72
Permanent differences	(108)	(13)
Prior years adjustments, income tax	-	3
Prior years adjustments, deferred tax	(6)	(3)
Other taxes and adjustments	(17)	(32)
Tax on profit for the year	**(40)**	**27**

Notes

7 Intangible assets

Amounts in DKKm	Goodwill	Patents, trademarks and rights	Development cost*	Software	Assets in progress	2022	2021
Cost beginning of year	867	69	23	308	35	1,302	1,284
Additions	-	-	19	7	28	54	43
Disposals	-	-	-	(4)	(8)	(12)	(25)
Transfer to/from other groups	-	-	-	27	(27)	-	-
Cost year end	**867**	**69**	**42**	**338**	**28**	**1,344**	**1,302**
Amortisation and impairment beginning of year	867	68	9	231	-	1,175	1,155
Amortisation for the year	-	-	1	26	-	27	25
Disposals during the year	-	-	-	(4)	-	(4)	(16)
Impairment during the year	-	-	-	-	-	-	11
Amortisation and impairment year end	**867**	**68**	**10**	**253**	**-**	**1,198**	**1,175**
Carrying amount year end	**-**	**1**	**32**	**85**	**28**	**146**	**127**

* The capitalised development cost relates to development of medical device products where the individual minor development projects are running for short-term periods and are subject to limited risk. The development projects are generating economic benefits in the form of sale of goods. At 31 December 2022, the capitalised development cost relates to the development of the adrenaline auto-injector for the European and US markets.

Notes

8 Property, plant and equipment

Amounts in DKKm	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	2022	2021
Cost beginning of year	622	536	62	194	1,414	1,330
Additions	6	9	8	133	156	103
Lease contract modifications	(18)	-	-	-	(18)	-
Disposals	(6)	(51)	(7)	-	(64)	(19)
Transfer to/from other groups	1	21	2	(24)	-	-
Cost year end	**605**	**515**	**65**	**303**	**1,488**	**1,414**
Depreciation and impairment beginning of year	310	292	15	-	617	557
Depreciation for the year	24	41	10	-	75	72
Disposals during the year	(2)	(51)	(7)	-	(60)	(19)
Impairment during the year	-	-	-	-	-	7
Depreciation and impairment year end	**332**	**282**	**18**	**-**	**632**	**617**
Carrying amount year end	**273**	**233**	**47**	**303**	**856**	**797**
of which assets held under leases*	97	-	1	-	98	125
Value of land and buildings subject to mortgages					176	186

* Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The leases are open-ended and the estimated lease terms are 15 years.

Notes

9 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current and other assets	Liabilities	Tax losses carried forward	Total
2022						
Carrying amount beginning of year	(17)	(64)	24	40	328	311
Adjustment to prior years	-	(1)	-	1	6	6
Adjustment of receivables from group companies	-	-	-	-	(17)	(17)
Recognised in the income statement, net	(2)	4	(11)	(5)	12	(2)
Recognised in equity, net (share-based payments)	-	-	(32)	-	16	(16)
Carrying amount year end	**(19)**	**(61)**	**(19)**	**36**	**345**	**282**
2021						
Carrying amount beginning of year	(5)	(65)	60	30	321	341
Adjustment to prior years	3	-	-	-	-	3
Adjustment of receivables from group companies	-	-	-	-	(5)	(5)
Recognised in the income statement, net	(15)	1	(13)	10	(21)	(38)
Recognised in equity, net (share-based payments)	-	-	(23)	-	33	10
Carrying amount year end	**(17)**	**(64)**	**24**	**40**	**328**	**311**

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 utilised against future taxable income within a foreseeable future. This includes an assessment of the possibilities to utilise tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S).

Notes

10 Investments in subsidiaries

Amounts in DKKm	2022	2021
Cost beginning of year	1,469	1,469
Capital contribution in subsidiaries during the year	1	-
Cost year end	**1,470**	**1,469**
Write-down beginning of year	412	408
Write-down during the year, cf. note 4	-	4
Write-down year end	**412**	**412**
Carrying amount year end	**1,058**	**1,057**

In the income statement, income from investments in subsidiaries is dividends, which amounts to DKK 427 million (2021: DKK 19 million) less write-down of investments in subsidiaries which amounts to DKK 0 (2021: DKK 4 million).

For an overview of all subsidiaries see note 5.6 in the consolidated financial statements.

11 Inventories

Amounts in DKKm	2022	2021
Raw materials	115	102
Work in progress	372	284
Manufactured goods and goods for resale	39	34
Total	**526**	**420**
Amount of write-down of inventories during the year	18	13
Amount of reversal of write-down of inventories during the year	2	8

12 Mortgage debt and bank loans

Amounts in DKKm	2022	2021
Debt to mortgage credit institutions secured by buildings		
Mortgage debt is due as follows:		
Within 1 year	18	18
From 1-5 years	73	73
After 5 years	130	149
Total	**221**	**240**
Bank loans		
Bank loans are due as follows:		
Within 1 year	208	223
From 1-5 years	-	-
After 5 years	-	-
Total	**208**	**223**

Notes

13 Pensions and similar liabilities

Amounts in DKKm	2022	2021
Pensions and similar liabilities expire as follows:*		
Within 1 year	-	-
From 1-5 years	3	3
After 5 years	57	55
Total	**60**	**58**

* Pensions and similiar liabilities relate to the provision for transition period for the Danish Holiday Act.

14 Lease liabilities

Amounts in DKKm	2022	2021
Lease liabilities expire as follows:		
Within 1 year	11	10
From 1-5 years	35	41
After 5 years	58	79
Total	**104**	**130**

15 Income tax payables to group companies

Non-current income tax payables to group companies of DKK 120 million (2021: DKK 115 million) is expected to expire between 1 to 5 years.

16 Contingent liabilities and commitments

In December 2022, ALK-Abelló A/S issued a hold-harmless letter to ALK -Abelló Arzneimittel GmbH regarding costs under the ongoing tax audits in Germany (unlimited guarantee). The hold-harmless letter replaces the letter issued in December 2021.

Provisions recognised as debt to affiliates have been made to cover such exposures and the mentioned possible uncertainties are in addition to what is already provided for.

For more information on contingent liabilities and commitments, see note 3.10 in the consolidated financial statements.

17 Related parties

ALK-Abelló A/S is included in the consolidated financial statements of the Lundbeck Foundation (Lundbeckfond Invest A/S, incorporated in Denmark).

ALK-Abelló A/S has had transactions with susidiaries during 2022. All subsidiaries are owned 100%. The transactions are eliminated in the consolidated financial statements.

Transactions with the majority shareholder are disclosed in note 5.3 in the consolidated financial statements. Apart from remuneration, 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 note 2.4 and 5.1 in the consolidated financial statements.

Notes

18 Fees to ALK-Abelló A/S' auditors

Amounts in DKKm	2022	2021
Fees to the auditors appointed at the annual general meeting:		
Audit services	2	2
Tax advisory services	-	1
Other services	1	-
Total	**3**	**3**

19 Proposed appropriation of net profit

Amounts in DKKm	2022	2021
Proposed dividend	-	-
Retained earnings	454	301
Net profit	**454**	**301**

20 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	2022	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Income statement					
Revenue	4,511	1,249	1,062	1,045	1,155
Cost of sales	1,720	478	422	404	416
Research and development expenses	665	185	161	162	157
Sales and marketing expenses	1,381	372	345	358	306
Administrative expenses	276	76	67	72	61
Other operating items, net	1	-	1	-	-
Operating profit (EBIT)	470	138	68	49	215
Net financial items	(23)	(34)	2	7	2
Profit before tax (EBT)	447	104	70	56	217
Net profit	335	78	52	42	163
EBITDA	708	201	128	107	272
Average number of employees (FTE)	2,609	2,676	2,655	2,617	2,566

Revenue (Growth in revenue in local currency %)	2022	%	Q4	%	Q3	%	Q2	%	Q1	%
Europe	**3,058**	**(9)**	**871**	**(10)**	**683**	**(6)**	**713**	**(14)**	**791**	**(4)**
– SCIT/SLIT-drops	1,266	(-1)	394	(8)	279	(-5)	267	(-1)	326	(-6)
– SLIT-tablets	1,519	(13)	421	(5)	314	(13)	366	(21)	418	(15)
– Other products and services	273	(39)	56	(98)	90	(30)	80	(54)	47	(-1)
North America	**857**	**(12)**	**226**	**(6)**	**228**	**(16)**	**217**	**(19)**	**186**	**(8)**
– SCIT/SLIT-drops	349	(3)	93	(-3)	91	(5)	86	(6)	79	(3)
– SLIT-tablets	151	(14)	37	(4)	36	(8)	41	(19)	37	(27)
– Other products and services	357	(22)	96	(17)	101	(32)	90	(35)	70	(6)
International markets	**596**	**(39)**	**152**	**(36)**	**151**	**(24)**	**115**	**(30)**	**178**	**(62)**
– SCIT/SLIT-drops	133	(57)	25	(-25)	37	(64)	27	(93)	44	(179)
– SLIT-tablets	432	(38)	123	(64)	108	(18)	73	(5)	128	(63)
– Other products and services	31	(-3)	4	(-20)	6	(-8)	15	(206)	6	(-61)
Total revenue	**4,511**	**(13)**	**1,249**	**(12)**	**1,062**	**(11)**	**1,045**	**(17)**	**1,155**	**(11)**
– SCIT/SLIT-drops	1,748	(3)	512	(4)	407	(1)	380	(4)	449	(2)
– SLIT-tablets	2,102	(18)	581	(14)	458	(13)	480	(18)	583	(24)
– Other products and services	661	(27)	156	(37)	197	(29)	185	(50)	123	(-5)

Amounts in DKKm	2022	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Balance sheet					
Total assets	6,308	6,308	6,282	6,207	5,967
Invested capital	3,400	3,400	3,292	3,155	3,067
Equity	3,988	3,988	3,948	3,786	3,656
Cash flow and investments					
Depreciation, amortisation and impairment	238	63	60	58	57
Cash flow from operating activities	416	85	95	145	91
Cash flow from investing activities	(351)	(118)	(90)	(90)	(53)
– of which investment in intangible assets	(55)	(24)	(13)	(10)	(8)
– of which investment in tangible assets	(298)	(94)	(75)	(82)	(47)
Free cash flow	65	(33)	5	55	38
Information on shares					
Dividend	-	-	-	-	-
Share capital	111	111	111	111	111
Shares in thousands of DKK 0.50 each	222,824	222,824	222,824	222,824	222,824
Share price, end period – DKK	96	96	121	123	149
Net asset value per share – DKK	18	18	18	17	16
Key figures					
Gross margin – %	62	62	60	61	64
EBITDA margin – %	16	16	12	10	24
EBIT margin - %	10	11	6	4	19
Earnings per share (EPS) – DKK	1.5	0.4	0.2	0.2	0.7
Earnings per share diluted (DEPS) – DKK	1.5	0.4	0.2	0.2	0.7
Cash flow per share (CFPS) – DKK	1.9	0.4	0.4	0.7	0.4
Share price/Net asset value	5.4	5.4	6.8	7.3	9.1

* Management's review comprises this page as well as pages 1-48 and Financial highlights and key ratios for the ALK Group on page 12.

Definitions: see page 94.

In March 2022, ALK-Abelló A/S completed a share split at a ratio of 1:20, each existing share of a nominal value of DKK 10 was split into 20 new shares of a nominal value of DKK 0.50 each. The company's share capital remains DKK 111,411,960. As a result of the share split, comparison figures for EPS, DEPS, share price, share number, net asset value per share, and share price/net asset ratio have been restated accordingly.

Design and production: Noted

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