Annual report 2012

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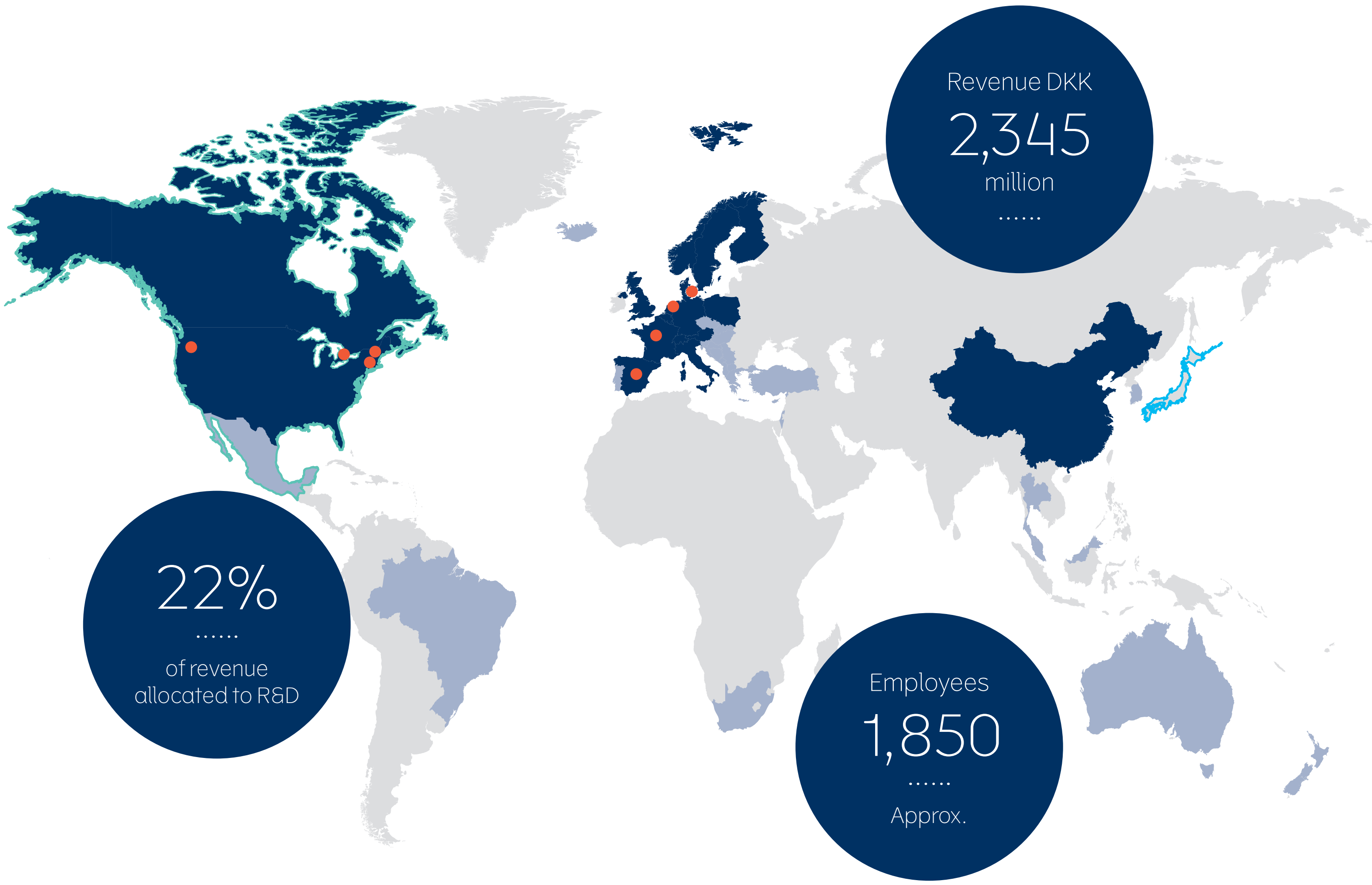
Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm	**DKK 2012**	DKK 2011	DKK 2010	DKK 2009	DKK 2008	**EUR 2012**	EUR 2011
Income statement							
Revenue	**2,345**	2,348	2,159	1,972	1,815	**314**	316
Operating profit before depreciation (EBITDA) before special items	**306**	406	287	260	205	**41**	55
Operating profit before depreciation (EBITDA)	**242**	406	287	260	205	**32**	55
Operating profit (EBIT) before special items	**182**	299	192	175	119	**24**	40
Operating profit (EBIT)	**118**	299	192	175	119	**16**	40
Net financial items	**(5)**	22	15	15	38	**(1)**	3
Profit before tax (EBT)	**113**	321	207	190	157	**15**	43
Net profit, continuing operations	**54**	200	128	118	95	**7**	27
Net profit, past discontinued operations	**155**	-	-	-	-	**21**	-
Net profit	**209**	200	128	118	95	**28**	27
Average number of employees	**1,828**	1,724	1,612	1,513	1,454	**1,828**	1,724
Balance sheet							
Total assets	**3,282**	3,354	2,830	2,653	2,538	**440**	451
Invested capital	**2,014**	1,644	1,723	1,510	1,367	**270**	221
Equity	**2,284**	2,167	2,018	1,928	1,862	**306**	292
Cash flow and investments							
Depreciation, amortisation and impairment	**124**	107	95	85	86	**17**	14
Cash flow from operating activities	**91**	431	274	260	189	**12**	58
Cash flow from investing activities	**(243)**	(160)	(345)	(258)	(397)	**(33)**	(22)
– of which investment in tangible assets	**(183)**	(118)	(138)	(187)	(364)	**(25)**	(16)
– of which acquisitions of companies and operations	**-**	-	(178)	(23)	(18)	**-**	-
Free cash flow	**(152)**	271	(71)	2	(208)	**(20)**	36
Information on shares							
Proposed dividend	**51**	51	51	51	51	**7**	7
Share capital	**101**	101	101	101	101	**14**	14
Shares in thousands of DKK 10 each	**10,128**	10,128	10,128	10,128	10,128	**10,128**	10,128
Share price, at year end - DKK/EUR	**389**	321	322	409	520	**52**	43
Net asset value per share - DKK/EUR	**226**	215	200	191	184	**30**	29
Key figures							
Gross margin – %	**72**	74	70	70	71	**72**	74
EBITDA margin before special items – %	**13**	17	13	13	11	**13**	17
EBITDA margin – %	**10**	17	13	13	11	**10**	17
ROAIC – %	**6**	18	12	12	10	**6**	18
Pay-out ratio – %	**24**	26	40	43	54	**24**	26
Earnings per share (EPS) - DKK/EUR	**21.45**	20.21	12.91	11.85	9.51	**2.87**	2.72
Earnings per share (EPS), continuing operations - DKK/EUR	**5.54**	20.21	12.91	11.85	9.51	**0.74**	2.72
Earnings per share (DEPS), diluted - DKK/EUR	**21.35**	20.21	12.91	11.85	9.51	**2.86**	2.72
Earnings per share (DEPS), diluted, continuing operations - DKK/EUR	**5.51**	20.21	12.91	11.85	9.51	**0.74**	2.72
Cash flow per share (CFPS) - DKK/EUR	**9.34**	43.49	27.65	26.11	18.90	**1.25**	5.85
Cash flow pr. aktie (CFPS), continuing operations – DKK/EUR	**9.34**	43.49	27.65	26.11	18.90	**1.25**	5.85
Price earnings ratio (PE)	**18**	16	25	35	55	**18**	16
Share price/Net asset value	**1.7**	1.5	1.6	2.1	2.8	**1.7**	1.5
Revenue growth - %							
Organic growth	**(1)**	(5)	4	9	10	**(1)**	(5)
Exchange rate differences	**1**	(1)	2	(1)	(2)	**1**	(1)
Acquisitions	**0**	4	5	0	0	**0**	4
Total growth net sales	**0**	(2)	11	8	8	**0**	(2)
Other revenue	**0**	11	(2)	1	(11)	**0**	11
Total growth revenue	**0**	9	9	9	(3)	**0**	9

*) Management's review comprises pages 1-25 as well as Financial highlights and key ratios for the ALK Group on the back cover.

**) Financial highlights and key ratios stated in EUR constitute supplementary information to the annual report. The exchange rate used in translating from DKK to EUR is the exchange rate ruling at 31 December 2012 (EUR 100 = DKK 746).

Definitions: see page 68



- Production
- Distributors
- Subsidiaries in Austria, Canada, Denmark (Nordic), France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, the UK and the USA. Sales offices in China, Finland, Norway and Sweden
- Partnership with Merck in Canada, Mexico and the USA
- Partnership with Torii in Japan

About ALK

ALK is a global research-driven pharmaceutical company focusing on allergy prevention, diagnosis and treatment. Our mission is to improve the quality of life of people suffering from allergy by developing pharmaceutical products targeted at the cause of allergy. ALK is the world leader in allergy immunotherapy – a unique treatment of the underlying cause of allergy. The treatment induces a protective immune response which provides sustained symptom relief and has the potential to reduce the risk of developing asthma. ALK offers allergy immunotherapy products as injections, sublingual drops and tablets, the most recent, best documented and most convenient treatment. Among other things, the product portfolio also includes an adrenaline auto-injector for the treatment of severe allergic reactions (anaphylaxis). ALK invests approximately 20% of its revenue in research and development of new, evidence based allergy immunotherapy products. Our pipeline comprises allergy immunotherapy tablets (AIT) against ragweed, house dust mite and tree pollen allergy, and ALK has already launched an AIT against grass pollen allergy in Europe. ALK has entered into partnerships with Merck & Co., Inc. (MSD outside the USA and Canada) and Torii Pharmaceutical Co., Ltd. to develop, register and commercialise tablets in North America and Japan, respectively. ALK has approximately 1,850 employees with subsidiaries, production facilities and distributors worldwide. The company is headquartered in Hørsholm, Denmark, and listed on NASDAQ OMX Copenhagen (OMX: ALK B). Find more information at www.alk.net.

Highlights 2012-2013*

Q4 2012
Revenue in Q4 increased driven by partner income, sales of adrenaline auto-injectors and increased vaccine sales in France, North America and China, among other countries. Overall, vaccine sales in Europe saw a slight decline. A sharp focus on costs contributed to ALK meeting its earnings outlook.

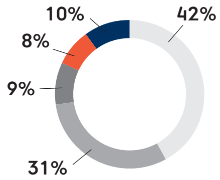
- Revenue in Q4 increased by 6% to DKK 615 million (578)
- Vaccine sales fell by approximately 1% in local currencies
- 30% growth in sales of adrenaline auto-injectors, diagnostics and other products
- Other revenue (primarily partner income) more than doubled to DKK 43 million (15)
- A sharp focus on costs across all functions
- Operating profit (EBITDA) before special items of DKK 96 million (45)
- Special items of DKK 64 million for restructuring activities
- Operating profit (EBITDA) of DKK 32 million (45)

Record:
> 8,000
......
patients in clinical trials

10%
......
increase in sales of GRAZAX®

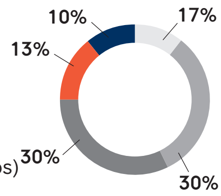
Total revenue by product line

- SCIT
- SLIT
- AIT
- Other products (incl. Jext®)
- Other revenue (e.g. partnerships)



Total revenue by market

- Northern Europe
- Central Europe
- Southern Europe
- Other markets
- Other revenue (e.g. partnerships)



Full-year 2012
ALK advanced its research and development pipeline and made progress with its sales of several new products in 2012. Progress in the partnerships in North America and Japan also contributed to ALK's important steps towards fulfilling the objective of globalising allergy immunotherapy. Financial performance was affected by challenged markets in Europe with low or negative market growth.

- Revenue fell by 1% to DKK 2,345 million
- Adjusted for discontinued sales of an inlicensed adrenaline auto-injector, the growth rate was 1%
- Vaccine sales saw a slight increase of 0.4%
- Sales of GRAZAX® grew by 10%
- Sales of adrenaline auto-injectors, diagnostics and other products fell by 11%
- Other revenue (primarily partner income) of DKK 236 million (248)
- Operating profit (EBITDA) before special items amounted to DKK 306 million (406)
- Operating profit (EBITDA) was DKK 242 million (406)
- Profit, discontinued operations was DKK 155 million
- Net profit increased to DKK 209 million (200)
- Net profit provides return on equity by 9.4% (9.6)

Outlook for 2013
For the 2013 financial year, ALK anticipates revenue to reach the same level as in 2012. ALK expects limited growth in vaccine sales, solid growth in sales of the Jext® adrenaline auto-injector, and a minor improvement in sales of diagnostics and other products. The growth is expected to be offset by lower partner income, primarily due to lower milestone payments. Vaccine sales in a number of European countries are anticipated to remain under pressure due to difficult market conditions.

- Revenue is expected to exceed DKK 2.3 billion
- Lower partner income due to lower milestone payments and cost reimbursements
- Research and development expenses will exceed DKK 500 million
- Unchanged administration, sales and marketing expenses
- Operating profit (EBITDA) before special items is expected to be DKK 200-300 million
- Capital expenditure (CAPEX) is expected to total DKK 200-250 million

* Comparative financial figures for the same period last year are shown in brackets. Growth rates for revenue are stated as growth measured in local currencies, unless otherwise indicated.

See pages 14-15 for a detailed account of the financial results in 2012 and page 13 for a thorough review of the outlook for 2013.

Management's review*

Operating review

It is ALK's objective to ensure global access to allergy immunotherapy. Through own subsidiaries, ALK is responsible for sales in Europe, which accounted for just over 85% of the Group's product sales in 2012. Furthermore, ALK has sales offices in North America and China and sells to distributors in a number of countries. In the world's two largest pharmaceutical markets – the USA and Japan – ALK has strategic partnerships with licensees. Under these partnerships, ALK's allergy immunotherapy tablets (AIT) are in late stage development.

In 2012, ALK advanced its pipeline and sales of new products, and the partnerships in the USA and Japan also showed considerable progress. The challenged markets in Europe, where several countries experienced low or negative market growth, affected ALK's financial results, yet ALK succeeded in achieving growth in vaccine sales. At the end of the year, ALK began implementing the updated strategy that was announced in November.

European activities
Since its launch in 2011, the AVANZ® product line has proved to be a key product line for ALK in the SCIT business (injection based immunotherapy products). In order to accommodate the regulatory requirements regarding named patient products, particularly in Germany, ALK submitted registration applications for a number of products, including AVANZ®, and expects to receive a response from the authorities in 2013. Furthermore, to enhance its clinical documentation, ALK has initiated a Phase III clinical trial with AVANZ® against grass pollen allergy. The trial will complete in 2013, and further clinical trials with AVANZ® are expected to be initiated in the coming years.

ALK consolidated its drop based portfolio of immunotherapy products by introducing the new, improved SLIT product line, SLIToneULTRA®. So far SLIToneULTRA® has been introduced in four markets. The launch contributed positively to the sale of SLIT products in several countries, especially Germany, Europe's largest market for allergy immunotherapy products.

Initially, SLIToneULTRA® has been launched as a named patient product. At the same time, ALK initiated activities to enhance the clinical documentation of SLIToneULTRA® with house dust mites as the first indication.

GRAZAX® was also an important source of growth in 2012. In France, ALK entered into a co-promotion agreement with MSD (known as Merck inside the USA and Canada) where members of MSD's sales force specialised in the respiratory field will promote the use of GRAZAX® by physicians and patients. Following the introduction and training of the sales force, the partnership is expected to increase sales in 2013.

The roll-out of SLIToneULTRA®, AVANZ® and GRAZAX® is an important part of ALK's efforts to simplify the product portfolio by gradually phasing out minor products and replacing them with standardised immunotherapy products.

2012 was the first full year in which Jext®, ALK's own adrenaline auto-injector, was marketed as a substitute for the company's previously inlicensed product. The reception of Jext® was very positive, but for extended periods over the year, the planned scaling up of the production meant that ALK has focused on prioritised markets only. Not until the last months of 2012, ALK was able to meet demand from all 17 markets and sales confirmed the expectations in the ability of Jext® to contribute to increased revenue and earnings in the years to come.

Activities outside Europe
In North America, ALK supplies diagnostic products and allergen extracts to specialists who subsequently make their own individual immunotherapy products for their patients. In 2012, ALK achieved growth in sales of both allergen extracts and diagnostic products, including PRE-

The new flagship in ALK's portfolio of drop based allergy immunotherapy products is SLIToneULTRA®, which in several areas is an improvement compared to existing treatments. SLIToneULTRA® can be stored at room temperature for up to three months and is generally more user-friendly. Initially, SLIToneULTRA® has been launched as a named patient product for treatment of the most common allergies.

* Management's review comprises pages 1-25 as well as financial highlights and key ratios by quarter for the ALK Group on the back cover

PEN®; the only FDA approved penicillin allergy skin test reagent available.

ALK also increased its sales in China and in minor distributor operated markets. In late 2012, ALK submitted an application to the Chinese authorities to conduct a clinical Phase III trial with an AIT against house dust mite allergy (HDM AIT).

The clinical development of ALK's products reached a historically high level in 2012. More than 8,000 patients in 25 countries participated in or are currently participating in clinical trials with ALK's investigational allergy immunotherapy products in Europe, the USA and Japan.

In 2012, Merck – ALK's partner and licensee of ALK's allergy immunotherapy tablets (AIT) in North America – completed the clinical development of both grass AIT (GRAZAX® in Europe) and ragweed AIT, ensuring a significant step towards fulfilling ALK's objective of globalising its AIT portfolio. In 2013, Merck has submitted a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) for approval of grass AIT. Merck is also expected to submit a BLA for ragweed AIT in 2013. ALK will supply information on products and processes for both registration applications and will be responsible for the production of the tablets.

All clinical trials and development activities in Europe, North America and Japan progressed as planned. A detailed overview of the clinical development achieved by ALK and its partners is available on pages 8-10.

Preparing production
With the advanced clinical development of its AIT portfolio, ALK is preparing to supply the European markets as well as its partners in North America and Japan with tablets. ALK is scaling up the production of active ingredients for grass AIT and ragweed AIT and is investing in facilities for the manufacture of the active ingredients for HDM AIT in both Europe and the USA. Production expansion for the tree AIT is in the planning phase.

ALK is also expanding its facilities in France, turning them into a centre of excellence for the manufacture of sublingual products, including SLITone ULTRA®, for Europe. A total of DKK 135 million is being invested in the expansion, which is progressing as planned and expected to be completed in 2014.

Simplification of business structure
In the autumn of 2012, ALK announced an updated strategy plan, 'Focus 2016' (see pages 11-12), and in December ALK finalised the planning of a number of measures to improve efficiency as part of the strategy. Up to 2016, ALK will gradually phase out minor production units and consolidate the production in centres of excellence. Furthermore, the business structure will be streamlined in other areas, including the finance and IT functions, which will be organised in global units. The sales and marketing organisation has also been restructured by consolidating e.g. activities in the German-speaking countries in one organisation and adjusting the staff in some Southern European sales companies to a lower activity level. ALK will cut a number of positions as a result of these changes.

These measures entail restructuring costs of approximately DKK 100 million up to 2016, of which DKK 64 million were recognised in 2012. The measures are intended to lead to net cost savings of approximately DKK 100 million per year to be seen gradually from 2013 and with full effect from 2016. In addition, streamlining the sales and marketing organisation will result in savings that will be reinvested in concrete initiatives to ensure ALK's continued growth.

The Jext® adrenaline auto-injector has the potential to become a broadly used treatment of acute allergic reactions. Jext® has a maximum shelf life of 24 months, which is 33% longer than the standard treatment. Furthermore, Jext® is the only adrenaline auto-injector that does not have a requirement in the summary of product characteristics to constantly store the device below 25 °C, and, Jext® was the first adrenaline auto-injector in Europe to include an automatic needle shield that covers the needle after use. These improvements are designed to make it safer and more convenient for patients and healthcare professionals to use Jext® for the emergency treatment of serious and potentially life-threatening reactions caused by e.g. bee stings or foods.

Market development

World market
In 2012, global sales of allergy immunotherapy products are estimated to remain largely unchanged at a total value of approximately DKK 5.8 billion. The market continues to be dominated by Europe and the USA, accounting for approximately 95% of global sales (95).

ALK continues to be the leading supplier of allergy immunotherapy products with a global market share of approximately 33%. Since no complete official statistics are available, all assessments concerning market development are based on internal analyses and estimates.

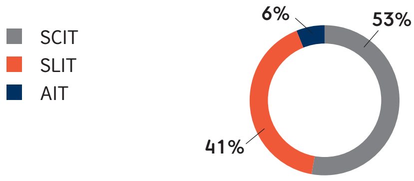
Following strong market growth in the 1990s and 2000s, the mature European specialist markets have stagnated. Although only just over 1.5 million patients are being treated in Europe – including approximately 0.6 million with ALK's immunotherapy products – and although it is estimated that several million patients with moderate to severe symptoms would benefit from better allergy treatment, the industry's sales are declining. Several countries have restricted medicine prices and reimbursement, and at the same time the economic crisis, especially in Southern Europe, is forcing patients to refrain from receiving allergy immunotherapy because they have to pay a substantial part of the treatment cost themselves. Increasing regulatory demands for documentation of products is also putting pressure on the markets, but this is expected to benefit ALK in the long run because, unlike several of its competitors, ALK is making significant investments in clinical and pharmaceutical documentation.

Germany and France are the largest individual markets. At double-digit sales growth in 2012, ALK is estimated to have captured market shares in France, while in Germany, we experienced a minor sales decline in a market that is also estimated to have declined in value. The German market continues to be affected by increased demands for documentation and the political austerity measures targeted at medicine prices in 2010, just as a couple of mild pollen seasons led to fewer patients than normal starting allergy immunotherapy.

Spain and Italy are still rated as the third and fourth largest markets, but in both countries demand for allergy medicine declined in 2012 as a result of the economic crisis. In July, Spain reduced public medicine reimbursement, which had an immediate impact on sales of allergy immunotherapy products as well as other pharmaceutical products.

Outside Europe, the North American market and other overseas markets are considered to have seen growth in 2012. In the USA, approximately 3 million patients are being treated with allergy immunotherapy products prepared by the treating physicians on the basis of allergen extracts from ALK, among others. With few exceptions, allergy immunotherapy in the USA is not standardised and there is only limited documentation for existing products. Also Japan – the world's second largest market for pharmaceutical products – is underdeveloped in the area of allergy immunotherapy, and the same is true of several emerging markets, including China, where, viewed in isolation, the number of allergy sufferers is estimated to be higher than in Europe.

Global sales of allergy immunotherapy products were approximately DKK 5.8 billion in 2012



Outside Europe, approximately 900,000 patients are being treated with allergy immunotherapy products from ALK or immunotherapy products based on allergen extracts from ALK.

ALK's sales by product line
SCIT: In 2012, sales of SCIT products continued to be ALK's largest product group with sales amounting to DKK 987 million (979). SCIT thus accounted for 42% of ALK's total revenue (42). Performance was positive in several Central European markets and in the Netherlands, North America and China. On the other hand, sales declined in Germany, Europe's largest market for SCIT products, as fewer treatments were initiated. In Spain and Italy, sales were increasingly affected by the difficult macroeconomic environment.

Sales of AVANZ® increased by 46% relative to 2011, driven by increased market penetration. AVANZ® has been launched

Immunotherapy treats the cause of allergy

Allergy immunotherapy can be administered in three different ways: as injections (SCIT), drops (SLIT) and tablets (AIT). ALK's product portfolio comprises all three types of treatment and covers all of the most common allergies, including grass, house dust mite, birch, ragweed, cat, bee and wasp.

The principle of allergy immunotherapy is to regularly expose the body to tiny amounts of allergens, e.g. pollen. Gradually desensitising the body to the allergens reduces the immune system's response when it encounters the allergens naturally, thus treating the actual cause of the allergy.

Allergy immunotherapy is the only documented treatment that targets the underlying cause of the allergy while reducing the risk of the allergy developing. It is also the only treatment with the potential to prevent allergy sufferers from developing asthma.

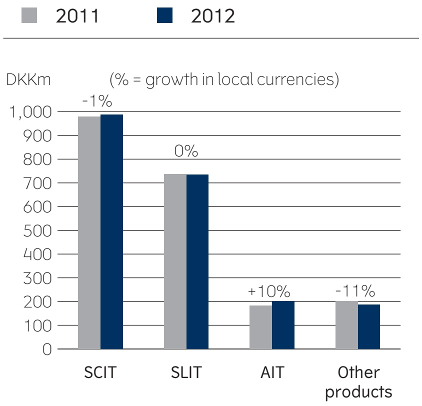
in Germany, Austria, Spain and Italy and here the product line accounts for almost 30% of ALK's total SCIT sales.

SLIT: Sales of SLIT products totalled DKK 734 million (737), SLIT thus accounting for 31% of ALK's total revenue (31). In France, Europe's largest SLIT market, ALK saw double-digit sales growth, and continued to capture market shares and benefit from the underlying market growth. In the Netherlands, the second largest SLIT market, the market developed differently, as the authorities want to phase out non-registered products. As expected, this affected ALK's sales, but the decline was to a lesser extent offset by the transfer of many patients to ALK's registered SCIT products. SLIT products were also under market and regulatory pressure in Central Europe, causing a moderate decline in ALK's sales.

Particularly in Q3 and Q4, the new SLITone ULTRA® product line contributed to sales in Germany and the other markets where the product was launched.

AIT: Sales of AIT products (GRAZAX®) increased by 10% to DKK 202 million (183). GRAZAX® thus accounted for 9% of ALK's total revenue (8). The growth was driven especially by France where the product was launched at the end of 2011, but the Nordic countries and Central and Eastern

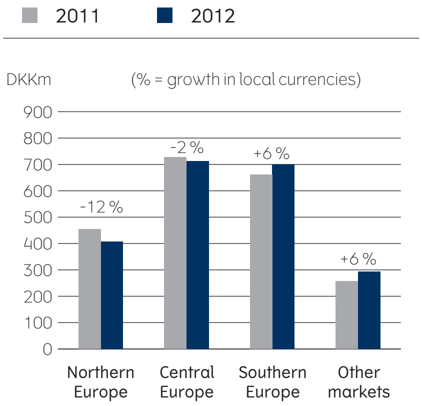
Net sales – by product line



European markets also contributed. As expected, sales in Germany, Europe's largest AIT market, declined following mild pollen seasons in 2010-2011. The underlying growth in volume of sales of GRAZAX® amounted to 15%, confirming the status of the product as one of the market's best-selling products for the treatment of grass pollen allergy.

Other products: Sales of other products (adrenaline auto-injectors, diagnostics and other products) fell by 11% to DKK 186 million. The decline, which was expected, was attributable to the phasing out of the sale of an inlicensed adrenaline product, which is now being replaced by

Net sales – by market



Jext®, ALK's own, improved adrenaline auto-injector. Due to the planned scaling up of the production, ALK was unable to meet the demand for Jext® until the last months of the year, resulting in very high growth rates in Q3 and Q4. Sales of diagnostics and other products developed soundly throughout the year, particularly in North America.

Pipeline and partnerships

8,000 patients in clinical trials
The clinical development of ALK's products reached a historically high level in 2012. More than 8,000 patients in 25 countries participated in or are currently participating in clinical trials with ALK's allergy immunotherapy products in Europe, the USA and Japan.

The clinical development is to support ALK's objective of ensuring global access to allergy immunotherapy by commercialising a portfolio of allergy immunotherapy tablets (AIT) in Europe, North America and Japan. In the USA and Japan, the world's two largest pharmaceutical markets, the clinical development activities are conducted in strategic partnerships with Merck and Torii, which are licensing ALK's tablet products and funding the clinical development costs in the local markets. In Europe, ALK finances the clinical development itself.

In 2012, significant progress was made towards global commercialisation of the AIT portfolio, which is expected to be able to meet the needs of up to 80% of the relevant patients.

AIT against grass pollen allergy
In the summer of 2012, Merck successfully completed a clinical Phase III trial with grass AIT (GRAZAX® in Europe). With about 1,500 participating patients, the trial was the largest GRAZAX® trial to date. The trial achieved its primary efficacy endpoint, reducing the combination of both patients' hay fever symptoms and their use of symptom relieving medication. Merck expects to present the results of the trial at a medical conference in 2013. Merck has submitted a registration application for the product to the U.S. Food and Drug Administration (FDA) in 2013. Merck is also going to discuss the data with the authorities in Canada where Merck submitted a registration application in 2011.

In Europe, GRAZAX® was approved in 2006 . GRAZAX® is today marketed and eligible for reimbursement in all major markets. However, the clinical development continues to investigate the potential of the product to prevent the development of asthma in children and adolescents with grass pollen allergy. Thus, the *GRAZAX® Asthma Prevention* (GAP) trial will run for five years in 11 European countries and will include approximately 800 children aged 5-12 years. Allergic children are up to seven times more at risk of developing asthma.

AIT against ragweed allergy
In 2012, Merck also completed the clinical development of ragweed AIT, the tablet against ragweed allergy. This included a safety trial with approximately 900 subjects, which supports Merck's plans to submit a registration application for the product in 2013. Merck already completed two Phase III trials in 2011, both consistently achieving their primary efficacy endpoints and showing that patients experienced a significant reduction in the combination of allergy symptoms and use of concomitant symptom relieving medication.

Ragweed allergy affects around 30 million North Americans and is almost as widespread in North America as grass pollen allergy.

AIT against house dust mite allergy
The largest of the clinical development programmes with ALK's allergy immunotherapy tablets – in fact the largest development programme ever for an allergy immunotherapy product – targets house dust mite (HDM) allergy. Parallel clinical development programmes are being conducted in Europe, North America and Japan.

House dust mites are the most common cause of allergy and allergic asthma in the world. It is estimated that the allergy is affecting approximately 90 million people in Europe, North America and Japan. If China is included, the figure approaches 200 million. Approximately half of all patients with house dust mite allergy suffer from asthma.

In March, ALK completed patient recruitment for two European pivotal Phase III clinical trials with HDM AIT, the new AIT against house dust mite induced hay fever and asthma. More than 1,700 patients are participating in the trials that will evaluate HDM AIT compared to placebo until mid-2013. The MERIT trial with 900 patients from 12 countries evaluates the efficacy and safety of HDM AIT in the treatment of hay fever, and the MITRA trial with 800 patients from 12 countries evaluates its efficacy and safety in the treatment of asthma.

Partnership with Merck in North America

ALK has entered into a strategic partnership with Merck (MSD outside the USA and Canada) on the development, registration and commercialisation of a portfolio of allergy immunotherapy tablets (AIT) against grass pollen, ragweed and house dust mite allergy in North America.

It is estimated that some 60 million people suffer from allergy in North America alone, of whom an estimated 25 million have been diagnosed as suffering from moderate to severe allergy to grass pollen, ragweed or house dust mites, but in many cases the patients' disease and allergy symptoms are not well-controlled. Only around three million Americans are being treated with a special form of allergy immunotherapy product prepared by the treating physicians on the basis of active ingredients supplied by, for instance, ALK. No registered products are currently available.

In 2013, Merck has submitted a Biologics License Application (BLA, a registration application) to the U.S. Food and Drug Administration (FDA) for approval of grass AIT. Merck is also expected to submit a registration application for ragweed AIT in 2013.

Partnership with Torii in Japan

ALK has entered into a partnership agreement with Torii on the development, registration and commercialisation of, among other products, an allergy immunotherapy tablet against allergy and allergic asthma caused by house dust mites (HDM AIT) in Japan. The agreement also covers ALK's existing SCIT product against house dust mite allergy and diagnostic products. In addition, ALK and Torii collaborates on the joint development of an AIT against Japanese cedar pollen allergy.

It is estimated that 25-35 million Japanese suffer from allergy or asthma primarily caused by house dust mites or pollen from Japanese cedar, which are the most frequent allergies in Japan. As in the USA, there is a significant unmet need for better allergy treatment in Japan.

Torii initiated the clinical development of HDM AIT in 2011, and in 2012, following a successful Phase I trial, Torii accelerated the final clinical development with two Phase II/III trials.

In North America, HDM AIT is being developed in cooperation with Merck. In October 2012, Merck initiated a clinical Phase IIb trial with approximately 120 patients to evaluate dose-related efficacy, safety and tolerability in adults. This trial is expected to complete in 2013.

In the autumn of 2012, Merck decided to begin preparations for a major clinical Phase III trial for which recruitment of about 1,500 patients is expected to be initiated in 2013. The purpose is to investigate the safety and efficacy of HDM AIT in the treatment of house dust mite induced hay fever in both children and adults. This trial is expected to complete in 2015. An estimated 45% of North American allergy sufferers are affected by house dust mite allergy.

In Japan, following a successful clinical Phase I trial in 2011, ALK's partner, Torii, decided to advance the clinical development of HDM AIT. Torii therefore initiated two parallel Phase II/III trials in Japan involving a total of 1,800 patients to investigate the safety and efficacy of HDM AIT in the treatment of allergic rhinitis (hay fever) and in the treatment of allergic asthma caused by house dust mites. These trials are expected to complete in 2014.

In late 2012, ALK submitted an application to the Chinese authorities to conduct a clinical Phase III trial with HDM AIT.

AIT against tree pollen allergy

In 2012, ALK also initiated a clinical Phase II trial concerning the fourth most widespread allergy in Europe and North America, i.e. tree pollen allergy. The trial in Europe is to evaluate the efficacy, safety and tolerability of the tablet compared to placebo. The trial includes approximately 600 patients with moderate to severe hay fever caused by pollen from birch, hazel, alder and other related trees. The trial will complete in 2013.

After allergies caused by grass and house dust mites, allergy against tree pollen from birch, hazel, alder and oak is the third most common type of allergy in Europe. Almost every fifth allergy sufferer

Milestones in ALK's clinical development in 2012

Results of clinical trials

Mar: Merck presents data from two successful Phase III trials with ragweed AIT.

Aug: Merck completes a safety trial with ragweed AIT including approximately 900 subjects. The trial supports its plans to submit a registration application in 2013.

Oct: Merck achieves its primary endpoint with a Phase III trial with grass AIT, which will form the basis for a registration application in 2013.

Mar · July · Aug · Sep · Oct · Nov

Progress in clinical development

Mar: ALK completes the recruitment of more than 1,700 patients for two Phase III trials with HDM AIT, which are expected to complete in 2013.

July: Torii initiates the final clinical development with HDM AIT in Japan with two Phase II/III trials including 1,800 patients.

Sep: Merck initiates a Phase IIb trial with HDM AIT including approximately 120 patients to evaluate efficacy, tolerability, etc.

Sep: ALK begins recruitment of 600 patients for a Phase II trial with tree AIT in Europe in 2013.

Oct: Merck announces a Phase III trial with HDM AIT including approximately 1,500 patients to be conducted in 2013-2015.

Nov: ALK initiates Phase II trial with SLITone$^{ULTRA®}$ for the treatment of house dust mite allergy.

R&D pipeline (AIT)

Product name	Indication	Geography	Preclinical	Phase I	Phase II	Phase III	Target filling	Marketed
GRAZAX®	Grass ARC[1]	Europe						
Grass AIT®[2]	Grass ARC	North America					2013	
GRAZAX®	Asthma prevention	Europe					2016	
Ragweed AIT[2,3]	Ragweed ARC	North America					2013	
HDM AIT[4]	HDM[5] asthma	Europe					2014	
HDM AIT	HDM rhinitis	Europe					2014	
HDM AIT[2]	HDM rhinitis	North America					N.D.[6]	
HDM AIT[7]	HDM asthma	Japan					N.D.	
HDM AIT	HDM rhinitis	Japan					N.D.	
Tree AIT	Tree ARC	Europe					N.D.	

[1] ACR: Allergic Rhinoconjunctivitis
[2] Merck holds the product rights for the North American markets. Brand name not yet disclosed
[3] Ragweed is currently only developed for North America
[4] Expected product name in Europe for HDM AIT in Europe is MITIZAX®
[5] HDM: House Dust Mite
[6] N.D.: Not disclosed
[7] Torii holds the product rights for the Japanese market

in Europe is affected by tree pollen allergy during the season.

In addition, ALK and Torii are preparing a development plan for AIT against Japanese cedar pollen allergy. According to this plan, clinical development of the tablet is to begin within the next year or two.

Other clinical development
ALK also continues its clinical development of selected SCIT and SLIT products with particular focus on SLITone^ULTRA® and AVANZ®. These trials are to further document the properties of the products.

Expected news in 2013

Reporting of trials

- Scientific presentation of results from Phase III trials with grass AIT in the USA and Canada
- HDM AIT MERIT Phase III in Europe
- HDM AIT MITRA Phase III in Europe
- HDM AIT Phase IIb in the USA
- Tree AIT Phase II in Europe
- AVANZ® Grass Phase III in Europe
- SLITone^ULTRA® HDM Phase II in Europe

Registration applications

- Application to the U.S. Food and Drug Administration (FDA) for ragweed AIT

New clinical trials

- Phase III with HDM AIT in the USA

Strategy and targets

The updated strategy plan, Focus 2016, sets out the framework for ALK's development up to 2016. The objective is to generate growth in both revenue and earnings despite the current challenges of low or no growth in large parts of ALK's European home market. The plan includes three central focus areas:

Simplify: ALK will trim its portfolio by manufacturing fewer products in greater volumes. Production will be consolidated at fewer production facilities and the business structure will be streamlined.

Innovate: ALK will launch more AIT products and renew the range of SCIT and SLIT products. Research and development expenses will, however, decline in relation to revenue.

Grow: ALK will invest in capturing market shares in current markets, setting up in new markets – either directly or in partnerships – and promoting wider knowledge of allergy immunotherapy.

The most important initiatives in the three focus areas are:

Simplify

Optimising product portfolio and consolidating production
ALK will phase out minor products and replace them with new, standardised allergy immunotherapy products. The process will be gradual and controlled to allow patients being treated with products to be phased out to complete their treatment. Up to 2016, ALK expects to phase out approximately 60% of its products on the European market in 2010. The portfolio in North America will also be trimmed, albeit at a slower pace.

Optimising the portfolio will ease the documentation workload and enable ALK to focus its sales and marketing activities on fewer products. Besides, it will be possible to consolidate the production at fewer facilities with clear specialties: Denmark (SCIT and AIT), France (SLIT), Spain (diagnostics, packaging and distribution), New York (allergy immunotherapy products for North America) and Idaho (raw materials). As a result, ALK will gradually close minor production units up to 2016.

The production restructuring process will follow separate, but parallel tracks:

- Consolidation of raw materials production in Idaho, USA
- Transfer of production activities from Texas, USA to New York, USA
- Upgrading of the facilities in New York, USA
- Moving packaging activities from Denmark to Spain
- Promoting LEAN programmes in all facilities

Annual savings of DKK 100 million
Measures will also be taken to further simplify and globalise the business structure. IT and finance will be reorganised in global functions, and other back office functions will be transferred from the subsidiaries to central units providing support for the entire Group. Other initiatives will help ensure more effective processes, and restructuring of sales and marketing will provide savings and free resources for growth initiatives. ALK will cut a number of positions as a result of these changes.

Overall, the *Simplify* initiatives are expected to result in annual net savings of DKK 100 million. The savings will be seen gradually and with full effect from 2016. The restructuring costs are estimated at approximately DKK 100 million in total over the period 2012-2016.

Innovate

ALK will continue to allocate considerable funds to research and development. ALK is currently investing an amount corresponding to more than 20% of revenue, but this share is expected to decrease relatively towards 2016 as revenue increases and development of the AIT product portfolio is finalised.

The high rate of innovation will contribute to redefining the treatment of allergy and asthma by making allergy immunotherapy available to a wider group of patients and physicians. The primary means for this is the AIT portfolio, which, by 2016, is to cover the most important global allergies: grass, house dust mites, ragweed and tree pollen. At the same time, ALK will investigate new therapeutic indications for the tablets, including asthma, while enhancing the documentation for its SCIT and SLIT ranges and start developing next generation vaccines that may potentially cover several concomitant allergies and reduce possible side effects.

Focus 2016 in brief

Strategic premises	Strategic initiatives	Objective
Contrasting markets • Weak/negative growth in Europe • Great potential for North America and Japan • Opportunities in emerging markets	***Simplify*** • Optimise product portfolio • Consolidate production • Streamline business	**Globalisation** • Expanding leading position in Europe • AIT portfolio developed • AIT in North America and Japan • ALK in new markets
Complex business • Too many products • Too many production units • Organisation and processes	***Innovate*** • Competitive AIT portfolio • Promote expansion of allergy immunotherapy • Next generation vaccines	**Improved efficiency** • Streamlining products, production and structure
Ready for growth • Robust financial base • Market leader • Strategic partnerships • Strengthened organisation	***Grow*** • Gain market shares • Extend the knowledge of allergy immunotherapy among physicians and patients • Launch AIT in North America and Japan • Expansion to emerging markets	**Financial progress** • 2015: Revenue of DKK 3 billion, operating profit of 25% of revenue • 2016: Annual savings of DKK 100 million

Furthermore, a number of initiatives aim to raise allergy awareness and increase the understanding of allergy immunotherapy.

A list of ALK's development activities can be seen on pages 8-10.

Grow

ALK expects to increase its sales in Europe up to 2016, although the underlying markets are not growing. ALK will launch new AIT products and also invest in capturing market shares to reach more patients and physicians. Areas of particular focus are the two largest markets, Germany and France. E.g. , in France ALK has entered into a co-promotion agreement with MSD (known as Merck inside the USA and Canada) for GRAZAX®.

The continued roll-out of SLITone ULTRA®, AVANZ® and the Jext® adrenaline auto-injector is also expected to contribute to growth in Europe up to 2016.

In North America and Japan, ALK and its strategic partners will realise the potential of standardised and clinically well-documented allergy immunotherapy products by launching new AIT products that will lead to sales royalties for ALK as well as income from tablet production. In North America and Japan, ALK will also distribute other products, either alone or in strategic partnerships.

Finally, in the period up to 2016, ALK will enter emerging markets that are already experiencing an explosive increase in the number of allergy cases, while allergy immunotherapy, however, is yet at a very early stage. While selected emerging markets are areas of particular focus, ALK also intends to expand its business in China.

Financial targets

The strategy plan is to support ALK's long-term financial targets. ALK aims to achieve revenue of DKK 3 billion and operating profit (EBITDA) corresponding to 25% of revenue in 2015.

The most important assumptions behind the financial targets are:

- Moderate sales growth in ALK's vaccine business in 2013-2015
- Sales of adrenaline auto-injectors (Jext®) exceeding DKK 200 million in 2015
- Successful implementation of savings under the *Simplify* programme
- Reduced R&D/revenue ratio
- Successful launch of the first two AIT products in North America

As the financial targets are not risk-adjusted, they may be affected by significant changes to the above assumptions. At present, ALK believes the most important factors to potentially impact the earnings targets, negatively or positively, are:

Risks

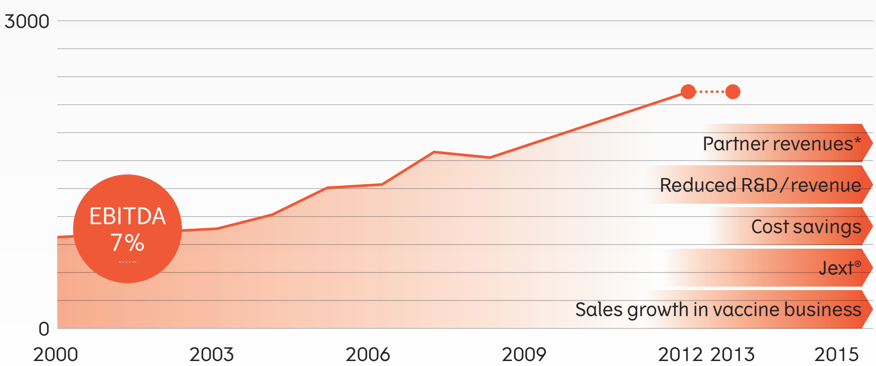
- Partners' sales and product prices
- Unforeseen regulatory demands
- New, mandatory price reductions/ healthcare reforms or expansions of existing

Potential upsides

- Partners' sales and product prices
- New partnerships or extensions of existing
- Expansion to new markets or in existing markets through acquisitions

If ALK's plans for the global commercialisation of allergy immunotherapy products and adrenaline auto-injectors are successful, there is a basis for further increasing its top line and earnings from 2016 onwards. Besides, the *Simplify* and *Innovate* initiatives will not have full effect until 2016, when e.g. the savings under the *Simplify* programme are expected to have full impact, just as the HDM AIT is not expected to be available in North America and Japan until 2016 at the earliest.

The way to achieving the financial targets in 2015



*) includes sales royalties, milestone payments, Product Supply and R&D costs reimbursement

Revenue
3,000
DKK million
(EUR 400m)

EBITDA
25%

Outlook for 2013

For the 2013 financial year, ALK anticipates revenue to reach the same level as in 2012. ALK expects limited growth in vaccine sales, solid growth in sales of the Jext® adrenaline auto-injector and a minor increase in sales of diagnostics and other products. The growth is expected to be offset by lower partner income, primarily due to lower milestone payments. Revenue is expected to exceed DKK 2.3 billion.

The European market is expected to be affected by the continued economic crisis in Southern Europe in particular, the general pressure on public healthcare expenditure and stricter regulatory requirements for documentation of allergy immunotherapy products. Without new changes to prices and reimbursement systems in the primary markets, ALK expects flat to slightly negative market growth in Europe as a whole, but with variations from country to country.

However, ALK expects to be able to generate growth in vaccine sales compared to the market due to ALK's initiatives under the *Grow* programme. As a result of its strengthened sales and marketing activities in several markets, particularly Germany and France, ALK expects to capture market shares with strong products such as GRAZAX®, AVANZ® and SLITone^{ULTRA}®.

Sales of other products in Europe – especially the Jext® adrenaline auto-injector and diagnostic products, etc. – are expected to show solid growth, mainly driven by the continued roll-out of Jext®.

ALK's overall sales outside Europe are expected to increase, including the Chinese vaccine business, vaccine sales to distributors in several markets, and particularly sales of allergen extracts and diagnostic products in North America.

Significant revenues from strategic partnerships are also expected in 2013, but, due to lower milestone payments and cost reimbursement from partners, not quite at the same level as in 2012 when other revenue totalled DKK 236 million. In 2013, Merck is expected to initiate a Phase III trial with HDM AIT, triggering a milestone payment to ALK when the first patient is given the first dose of medication. In addition, ALK will receive a milestone payment when Merck submits its expected registration application to the U.S. Food and Drug Administration (FDA) for ragweed AIT in 2013. ALK will also get partner income in connection with research and development and tablet production, whereas payments of actual sales royalties are not anticipated until a later point in time.

Focus on costs
ALK will keep a sharp focus on costs in 2013, and total capacity costs are expected to remain unchanged. In the areas of sales, marketing and administration, savings will to a large extent finance new initiatives to boost sales. Research and development expenses are expected to be on a level with 2012 (DKK 511 million). This means that these expenses will still account for more than 20% of revenue due to ALK's decision to accelerate the development of a portfolio of allergy immunotherapy tablets against the most widespread allergies.

Operating income
Despite a high level of research and development expenses and lower partner income, ALK expects robust operating profit (EBITDA) before special items of DKK 200-300 million. Among other factors, the uncertainty is related to the timing of the above-mentioned milestone payments from Merck in connection with the Phase III trial of HDM AIT.

In 2013, ALK will continue to simplify its production and business structure under the *Simplify* programme. This will involve restructuring costs, but at a significantly lower level than in 2012. As before, these costs will be reported in a 'special items' line.

Investments
CAPEX is expected to total DKK 200-250 million. The investments are particularly earmarked for the expansion of production in France and the continued development of tablet production in Denmark and the USA. Investments will also be associated with the consolidation of production under the *Simplify* programme.

The above estimates are based on exchange rates at the start of the year.

Outlook for 2013 (DKK million)	
Revenue	Expected to exceed 2,300
Operating profit (EBITDA) before special items	200-300
CAPEX	200-250

This annual report contains forward-looking statements, including forecasts of future revenue and operating profit as well as expected business-related events. Such statements are naturally subject to risks and uncertainties as various factors, some of which are beyond the control of ALK, may cause actual results and performance to differ materially from the forecasts made in this annual report. Without being exhaustive, such factors include e.g. general economic and business-related conditions, including legal issues, uncertainty relating to demand, pricing, reimbursement rules, partners' plans and forecasts, fluctuations in exchange rates, competitive factors and reliance on suppliers. An additional factor is potential side effects from the use of ALK's existing and future products as allergy immunotherapy may be associated with allergic reactions of differing extent, duration and severity.

Financial review*

Revenue

At DKK 2,345 million, ALK's revenue was unchanged compared to 2011 (2,348). Calculated in local currencies, revenue fell by 1%. Sales of vaccines and other products were lower than expected, but this was offset by higher partner income than anticipated.

Total **vaccine sales** increased slightly, by 0.4% in local currencies, to DKK 1,923 million (1,899). This increase was predominantly attributable to AIT sales (GRAZAX®). At the beginning of the year, ALK expected vaccine sales growth of 3-5% in local currencies, but this turned out to be unattainable in the challenged markets with low or negative market growth in most European countries. Accordingly, ALK adjusted the outlook for vaccine sales growth in its nine-month interim report (Q3) to 0-2% in local currencies.

Sales of adrenaline auto-injectors, diagnostics and other products amounted to DKK 186 million in total (201). Sales of diagnostics and other products increased by 4%. Sales of adrenaline auto-injectors fell by 39%, partly due to the phasing out of an inlicensed adrenaline product which is being replaced by ALK's own and improved adrenaline auto-injector Jext® and partly due to the fact that ALK's production was not scaled up to meet demand for Jext® until the last months of the year.

Other revenue of DKK 236 million (248) mainly consisted of income from partners in Japan and North America. Torii, ALK's Japanese partner, initiated Phase II/III trials with HDM AIT, triggering a milestone payment to ALK in Q3. Moreover, ALK recognised DKK 74 million of the up-front payment of DKK 224 million received from Torii when it entered into partnership with ALK in 2011. ALK also recognised income related to development activities carried out by ALK for both Torii and the North American partner Merck. This income exceeded expectations due to the partners' significant development activities.

A breakdown of revenue by product line and geographical location can be seen on pages 6-7. Exchange rates affected revenue positively by 1 p.p.

Costs

Cost of sales increased by 6% to DKK 648 million (611). Gross profit thus fell to DKK 1,697 million (1,737) with a reported gross margin of 72.4% (74.0). The gross margin decreased due to increasing depreciation and increasing costs to prepare the production for launch of SLITone^ULTRA®, Jext ® and AIT.

Total **capacity costs** increased to DKK 1,515 million (1,440). The 5% increase was mainly due to ALK's decision to accelerate its R&D activities with a view to securing the rapid development of a broad AIT product portfolio in the markets. Research and development expenses increased by 12% to DKK 511 million (455).

Sales and marketing expenses saw a moderate increase of 3% to DKK 801 million (781). This growth was based on an expansion of the sales force in selected primary markets as well as expenses for the launch of new products such as Jext® and the SLITone^ULTRA® product line. Administrative expenses were unchanged at DKK 203 million (204). In response to the challenging market conditions, ALK sharpened its focus, especially towards the end of the year, on costs across all functions, leading to sales, marketing and administrative expenses rising at a lower rate than expected. Exchange rates affected capacity costs negatively by 1 p.p.

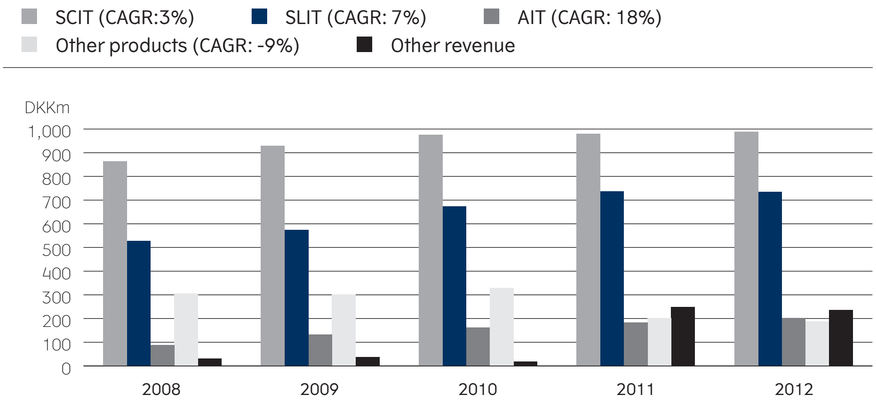
Earnings

Operating profit before depreciation and amortisation, etc. (EBITDA) amounted to DKK 306 million before special items (406), which matched the expectations of operating profit exceeding DKK 300 million. This was originally forecast in ALK's annual report 2011 in February and confirmed in its nine-month interim report (Q3) in November.

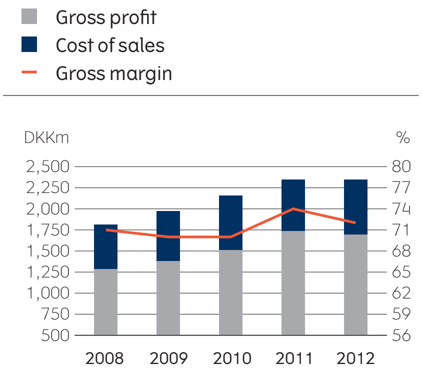
The decline in operating profit compared to 2011 was anticipated and primarily attributable to the decision to accelerate R&D activities. Consequently, the EBITDA margin, calculated on a comparable basis, fell from 17% to 13%.

After **special items** of DKK 64 million for restructuring under the *Simplify* programme, reported **EBITDA** amounted to DKK 242 million. The special items were mainly related to specific activities in connection with the implementation of the updated strategy presented by ALK in its nine-month interim report (Q3), including restructuring of the sales organisation, changes within finance and IT and preparations to consolidate

Revenue



Gross profit



* Growth rates for revenue are stated as growth in local currencies, unless otherwise indicated

ALK's production at fewer units. In total, exchange rates had no material impact on operating profit.

The financial income of DKK 9 million was offset by interest expenses of DKK 11 million and unrealised exchange rate losses etc. of DKK 3 million, especially relating to USD. **Net financials** then amounted to an outflow of DKK 5 million compared to a positive result of DKK 22 million in 2011.

Income tax for the year amounted to DKK 59 million (121), corresponding to an effective tax rate of 52% (38). The tax rate was particularly affected by restructuring activities under the the *Simplify* programme and the geographical distribution of income.

Profit for the year from continuing operations was DKK 54 million (200). Earnings per share (EPS) based on continuing operations amounted to DKK 5.54 (20.21).

Profit from discontinued operations was DKK 155 million, relating to the representations and guarantees issued by ALK in connection with the divestment of the ingredient business, Chr. Hansen A/S, in 2005. At the end of the guarantee period in July 2012, ALK assessed its liabilities and subsequently decided to reverse the original provision of DKK 140 million and to adjust the debt obligations by DKK 15 million. The total amount of DKK 155 million is recognised as an adjustment of the original gain on the divestment of Chr. Hansen A/S and affects neither cash flow nor tax in 2012.

Net profit for the year was DKK 209 million (200). The increase from 2011 is attributable to the adjustment of the gain on the divestment of Chr. Hansen A/S. Net profit provides a return on equity of 9.4% (9.6), corresponding to earnings per share (EPS) of DKK 21.40 (20.21).

Cash flow

The **cash flow** from operating activities was an inflow of DKK 91 million (431) and was negatively affected by changes in short-term payables due to changes in prepayments and to investments made at the end of 2011.

The cash flow from investing activities was an outflow of DKK 243 million (160) relating to, among other factors, the expansion of production facilities in France, the scale up of the Jext® production, build-up of AIT capacity, general maintenance of the production and investments in IT (SAP).

The free cash flow for the year was an outflow of DKK 152 million (an inflow of 271).

The cash flow from financing activities was an outflow of DKK 120 million (an inflow of 225) relating to the share buy-back programmes for the year and the distribution of ordinary dividends.

At the end of the year, cash and cash equivalents totalled DKK 477 million against DKK 754 million at the end of 2011.

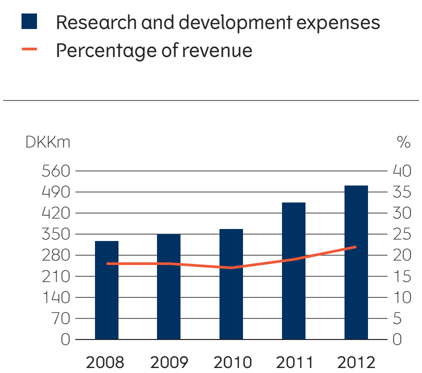
Equity

Equity stood at DKK 2,284 million (2,167) at the end of the year. The increase was due to the profit for the year, less the purchase of own shares and dividends paid. The equity ratio was 70% (65) at the end of the year.

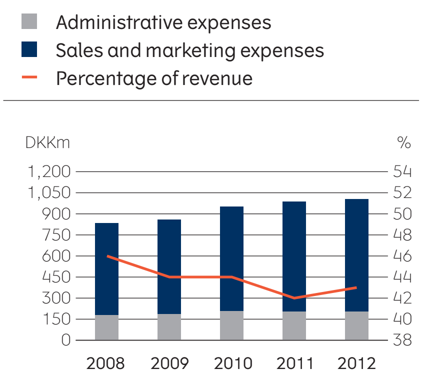
Events after the end of the financial year

As announced on 1 February 2013, Merck, ALK's North American partner (known as MSD outside the USA and Canada), submitted a Biologics License Application for a marketing authorisation in the USA for grass AIT (GRAZAX® in Europe). In addition to that, no events have occurred from the balance sheet date until the publication of this annual report that have not already been recognised and sufficiently stated in the annual report, and which materially affect the assessment of ALK's results and financial position.

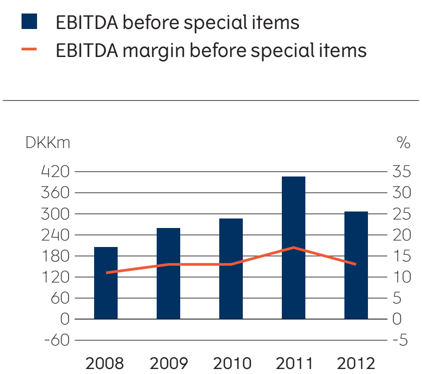
Research and development



Sales, marketing and administration



EBITDA



Risk management

Doing business in the pharmaceutical industry is subject to risk. ALK's Board of Management is responsible for the ongoing management of risk, including risk mapping, assessment of probabilities and potential consequences and launch of risk-reducing measures. Reporting to the Board of Directors' audit committee is done on an annual basis.

The following risks are of particular significance to ALK.

Commercial risks

Risks related to the development of new drugs
The future success of ALK depends on the company's ability to successfully identify, develop and market new, innovative drugs, which involves significant risks. A pharmaceutical drug must be subjected to very extensive and lengthy clinical trials to document aspects such as safety and efficacy before it can be approved for marketing. In the course of the development process, the outcome of these trials is subject to significant risks. Even though substantial resources are invested in the development process, the trials may produce negative results. Delays in obtaining regulatory approvals – or failure to obtain such approvals – may also have a major impact on the ability of ALK to achieve its long-term goals. ALK and its partners perform thorough risk assessments of the research and development programmes throughout the development and registration processes to optimise the probability of the products reaching the market.

Risks related to regulation and price control
ALK's products are subject to a large number of statutory and regulatory requirements with respect to issues such as safety, efficacy and production. In most of the countries in which ALK operates, prescription drugs are subject to reimbursement from and price control by national authorities. This often results in major price differences in the individual markets. Regulatory requirements and intervention, as well as price control, may therefore have a significant impact on the company's earnings capacity.

Risks related to commercialisation
If ALK and its partners succeed in developing new products and obtaining regulatory approval for them, the ability to generate revenue depends on the products being accepted by physicians and patients. The degree of market acceptance of a new product or drug candidate depends on a number of factors, including demonstration of clinical efficacy and safety, cost-effectiveness, convenience and ease of administration, potential advantage over alternative treatment methods, competition and marketing and distribution support. If ALK's new products fail to achieve market acceptance, this could have a significant influence on the company's ability to generate revenue. ALK regularly conducts extensive surveys of market conditions and similar factors and spends significant resources on providing information on its products to physicians and patients. Commercialisation is a crucial part of the company's strategic basis and strategic activities.

ALK's products may be associated with allergic reactions of varying extent, duration and severity. If such events occur in unexpected situations, they may have an impact on the company's earnings and sales. Due to the potentially serious consequences, it is crucial for ALK to keep an eye on product quality and safety, both in clinical development and in sales and marketing activities. If, despite the high level of quality and safety, a situation should occur in which it is necessary to recall a product, ALK has set up procedures to ensure that this can be done swiftly and efficiently.

Risks related to dependence on third parties
ALK has partnership agreements with third parties with a view to commercialising the company's products on a number of markets and with parties supplying important input for key production processes. Although there are financial incentives for all of ALK's partners to fulfil their contractual obligations, there can be no assurance that they will actually do so. The factors that motivate ALK's partners to develop and commercialise products may be affected by conditions and decisions beyond ALK's control. The agreements with Merck and Torii entitle ALK to receive certain milestone payments. These payments will depend on continuing favourable results in the development of the pharmaceutical products to which ALK's partners hold the license rights. Moreover, reliance on suppliers and third-party manufacturers entails risks, which ALK would not be subject to if the company possessed the necessary in-house manufacturing capabilities. Such risks include but are not limited to:

- Reliance on a third party for regulatory compliance and quality assurance
- Possible breach of a manufacturing agreement by a third party due to factors beyond ALK's control and influence
- Reliance on the ability of a third party to deliver and scale up the volume of production

ALK manages these risks through contractual relations, thorough planning and monitoring and through joint steering committees that work together with these external parties.

Risks related to competition
ALK operates in markets characterised by intense competition. If, for instance, a competitor launches a new and more effective treatment of allergy, it may have a material impact on ALK's sales. A competitive market may also lead to market-driven price reductions just as the regulatory authorities may dictate price reductions. Both competition and price are risks that may have a material impact on ALK's ability to achieve its long-term goals. ALK therefore monitors economic developments, the competitive situation and initiatives on all important markets.

Risks related to patents and intellectual property rights
Patents and other intellectual property rights are important for developing and retaining ALK's competitive strength. The risk that ALK infringes patents or trademark rights held by other companies, as well as the risk that other companies may attempt to infringe the patents and trademark rights of ALK are monitored and, if necessary, suitable measures are taken.

Risks related to production and quality
ALK has concentrated most of its production capacity at sites in Denmark, France, Spain and the USA. Although the sites are located in areas that traditionally are not hit by natural disasters, this geographical diversification calls for risk planning in order to avoid emergency situations,

such as lack of or poor access to raw materials, for instance pollen. This planning includes the prevention of unwanted events and preventive inventory management; an example is the build-up of contingency inventories in order to ensure an unbroken chain of production.

Production and manufacturing processes are also subjected to periodic and routine inspections by the regulatory authorities as a regular part of their monitoring process in order to ensure that all manufacturers observe the prescribed requirements and standards. Meeting these quality standards is a prerequisite for the company's competitive strength. ALK's production processes and quality standards have been developed and optimised over many years.

Risks related to key employees
ALK is dependent on being able to attract and retain employees in key positions. A loss of key employees may have a material impact on the company's market and research efforts. ALK manages this risk, among other things, by continuously offering its staff professional development opportunities and competitive compensation.

Risks related to financial reporting

ALK's risk management and internal controls related to financial reporting are designed to effectively control the risk of material misstatements. Detailed description of ALK's internal controls and risk management system in relation to financial reporting processes is included in the Statutory Corporate Governance Statement, cf. section 107b of the Danish Financial Statement Act available at the company's website:
http://ir.alk-abello.com/risk.cfm

Financial risks

Due to the nature of its operations, investments and financing, ALK is exposed to fluctuations in exchange rates and interest rates. The ALK Group's financial risks are managed from headquarters, based on policies approved by the Board of Directors. The objective of ALK's financial risk management is to reduce the sensitivity of earnings to fluctuations in exchange rates, interest rates, liquidity and changes in credit rating. Group policy is to refrain from active financial speculation. See note 36 of this annual report for a specification of the Group's hedging of currency, interest rate and credit risks and the use of derivative financial instruments.

Foreign exchange risk
The general objective of ALK'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 in ALK relates to exchange rate fluctuations. The greatest exposure is to USD and GBP. In 2012, 11% of ALK's revenue was denominated in USD, 2% in GBP and 74% in EUR. ALK's sales and earnings are only slightly exposed to EUR as DKK is linked to EUR.

Sensitivities in the event of a 10% increase in exchange rates

DKKm	Revenue	EBITDA
USD	approx. +30	approx. +10
GBP	approx. +5	approx. 0

The sensitivities are estimated on the basis of the current exchange rates.

As shown in the tabel above, a 10% increase in the exchange rate of USD is estimated to increase revenue by approximately DKK 30 million and have a positive effect on EBITDA of approximately DKK 10 million. A 10% increase in GBP would increase revenue by approximately DKK 5 million and is not estimated to influence EBITDA. On the opposite, a decrease would have a negative effect on EBITDA. Consequently, ALK primarily hedges exchange rate risks relating to operations by matching recepients and payments in the same curencies and by forward exchange contracts and options.

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

Foreign exchange exposure relating to future transactions and assets and liabilities is evaluated and hedged by instruments such as forward exchange contracts. 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.

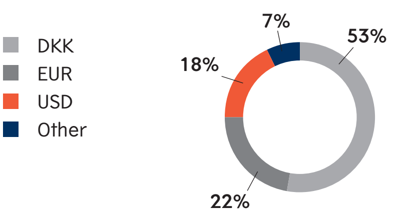
Interest rate and liquidity exposure
At the end of the financial year, net interest-bearing assets stood at approximately DKK 500 million. A change in the interest rate level by 1 percentage point would, consequently, correspond to a change in interest income of approximately DKK 5 million. It is not expected that the interest rate exposure will be hedged as this is not considered financially viable.

Cash is invested in credit-worthy, liquid, interest-bearing instruments with relatively short duration. The liquidity risk is considered to be minimal due to the company's current capital structure.

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

Trade receivables are monitored closely at the local level and are distributed on a number of markets and customers. The credit risk is therefore considered to be low.

Net assets by currency as at 31 December 2012



Net assets are defined as assets less liabilities.

Corporate Social Responsibility (CSR)

As an international pharmaceutial company, ALK has an important social responsibility. ALK strives to live up to this responsibility and be recognised by its stakeholders as a reliable and responsible company characterised by professionalism, honesty and integrity.

ALK's policy for social responsibility is focused on the four areas below:

1. Prevention, diagnosis and treatment of allergy

ALK is the world leader in allergy immunotherapy. ALK therefore has a particular responsibility and is strongly committed in its efforts to fight allergy. ALK makes its knowledge and resources available to promote the prevention, diagnosis and treatment of allergy. ALK cooperates with all relevant stakeholders to fight allergy, including the public authorities and private and public institutions, as well as NGOs. A special focus area of ALK's social commitment is children suffering from allergy, including their risk of developing asthma.

In 2012, ALK sponsored a project on respiratory allergy undertaken by the European Federation of Allergy and Airways Diseases Patients' Associations (EFA). EFA has published a 'Call for Action', encouraging European politicians and other decision makers to ensure improvements of prevention, diagnosis and treatment of allergy.

Furthermore in 2012, ALK's affiliates, in cooperation with patient associations, medical societies and authorities, have undertaken activities to increase awareness of allergy and to make relevant information available to patients and their relatives.

The cooperation with EFA and the local activities will also continue in 2013.

2. Production/environment

ALK works systematically to improve working environment and environmental conditions in every area of the company, supported by the local SHE (Safety, Health, Environment) organisations at all production sites.

ALK has been environmentally certified (ISO 14001) in Denmark since 2007, while the other production sites in Spain, France, the Netherlands, the USA and Canada adhere to the SHE standards.

In 2009, the Management adopted global long-term goals for the SHE-related activities focusing on the reduction of energy consumption, including CO_2 emissions. The objective is that absolute energy consumption in 2014 will not have increased compared to the consumption in 2008[1] while CO_2 emissions will have decreased by at least 15%.

ALK has established a climate partnership agreement with DONG Energy with the primary aim of reducing energy consumption and thereafter reducing CO_2 emissions. As part of the agreement, ALK will on a continuous basis convert its energy consumption in Denmark to CO_2 neutral energy.

In 2012, energy consumption was back on level with consumption in 2008, after adjustment for the establishment of new production sites, closure of old production sites and acquisitions (cf. the Global Greenhouse Gas Protocol). This is in line with the objective for 2014.

Compared with 2008, CO_2 emissions have decreased by 13% as a consequence of greater use of renewable energy sources. Thus, ALK is close to reaching its objective for the reduction of CO_2 emissions by 2014. In the coming years, a continued decrease in CO_2 emissions is expected when the share of renewable energy in Denmark will increase as a result of the establishment of new wind turbines.

For the first time in years, ALK received a complaint. A neighbour complained about fan noise from the new administration building in Hørsholm. ALK's subsequent measurements showed that the noise exceeded the permitted level. At the end of 2012, part of the fan has been replaced in order to bring the noise below the permitted level.

3. Ethical conduct

In 2009, ALK established its ALK Code of Conduct in order to support professionalism, honesty and integrity throughout the company and in relation with customers, employees, shareholders, society, suppliers and partners. All employees are required to adhere to ALK's Code of Conduct, which will be updated in 2013.

In 2012, ALK has worked on establishing a whistleblower scheme, ALK Alertline, giving employees with knowledge of potentially destructive or illegal acts related to ALK's activities the opportunity to report their observations. The scheme minimises the risk of illegalities and irregularities within the areas of financial crime, environmental pollution or inappropriate conduct, as well as other circumstances that may be to the detriment of ALK.

Mid-2012, ALK received permission from the Danish Data Protection Agency to establish the scheme. ALK Alertline is expected to be fully implemented in 2013, when all national approvals are available.

4. Employees

ALK employs 1,855 employees, of whom 706 in Denmark. ALK wishes to continue to be an attractive workplace that can attract and retain the competent, well-functioning and committed employees who are ALK's most important resource. ALK is therefore working systematically to improve safety and the working environment, including the psychosocial working environment, and to develop an organisation, culture and management that encourage professional and personal development.

Safety
ALK in Denmark has been health and safety certified (OHSAS 18001) since 2007. In 2009, Management adopted

Breakdown of employees by employee group

	2008	2009	2010	2011	2012
Production	520	539	569	609	642
Research and development	275	290	330	371	407
Sales, marketing and administration	694	725	795	801	806
Total	**1,489**	**1,554**	**1,694**	**1,781**	**1,855**

[1] Consumption and emissions in 2008 will be adjusted in terms of establishment of new production sites, closure of old production sites, acquisitions, etc., in line with guidelines prepared in accordance with the principles of the Global Greenhouse Gas Protocol.

global and long-term goals for the improvement of safety and well-being at work. The goal is to reduce the number of absence days per employee due to incidents at work on a continous basis.

In 2012, the number of absence days due to work-related injuries fell to 0.045 days per employee, which is a reduction by a good 41% compared to the average for the preceding three years.

Organisation, culture and management

In 2012, ALK focused on strengthening the company's performance culture by streamlining its performance evaluations and by increasing the emphasis on development in performance dialogues over the course of the year. In order to balance tasks and enable employees to use their resources in the most effective way, special attention has been paid to the 'dialogue of development'. All managers have been trained locally in performance evaluation as well as in the 'dialogue of development'.

In connection with the strategy process, the explanation of ALK's values has been updated to better reflect the behaviour expected at ALK. The values will now be activated in connection with the preparation of the performance agreement for 2013. Both employees and managers will be introduced to their roles in activating ALK's values.

As part of its optimisation of global HR processes, ALK decided to revise and integrate the employee survey and leadership assessment into one single survey that will take place every two years, for the first time in spring 2013.

In addition, on an annual basis, ALK reviews the organisation in order to determine whether its strategic goals are aligned with the resources available to the various departments.

Diversity

ALK sees diversity as one of the prerequisites for the company's success, and this naturally includes equal opportunities for men and women to pursue a management career in ALK.

At present, two of the nine members of the Board of Directors are women; there are no women on the Board of Management, while there are five women among the 27 functional managers, managers of subsidiaries, etc. However, at the next management levels, the share of women is considerably higher – 35% among mid-level managers and 49% among first-line managers, including e.g. R&D team leaders. Overall, women thus account for 43% of the managers employed with ALK.

In 2013, ALK will continue its efforts and commitment towards equal opportunities for women and men at all management levels. A central element of these efforts will be to ensure that whenever possible both male and female candidates are considered in connection with internal and external executive recruitment, and that women and men are part of ALK's talent pools for management positions. Furthermore, ALK will use employee surveys and leadership assessment to systematically identify any barriers preventing equal opportunities for women and men to pursue a career.

Diversity at management levels

	Total	Women	Men
First-line managers	225	49% (111)	51% (114)
Mid-level managers	84	35% (29)	65% (55)
Functional managers	27	19% (5)	81% (22)
Business managers	5	0% (0)	100% (5)
Total	**341**	**43% (145)**	**57% (196)**

CSR – key figures

Non-financial key figures[2]

	2008	2009	2010	2011	2012
Working environment					
Accidents with absence (number)	10	3	4	8	13
Accidents with absence (days/full-time employees)	0.157	0.074	0.094	0.062	0.045
Resource consumption					
Energy (MWh) – in real terms	25,603	30,272	34,986	36,530	37,368
Energy (MWh)[3] – adjusted	37,400	37,837	37,502	37,584	37,368
	100%	101%	100%	100%	100%
Water (m^3)	62,320	90,369	102,048	97,230	99,151
Emissions					
CO_2 (tonnes) – in real terms	7,606	8,829	9,945	10,409	10,396
CO_2 (tonnes)[3] – adjusted	11,888	11,163	11,180	10,747	10,396
	100%	94%	94%	90%	87%
Wastewater (m^3)	53,737	56,956	65,535	68,825	72,068
Waste disposal					
Waste (tonnes)	342	324	467	479	571
For recycling (%)	38	34	34	32	34
Production sites					
Area (m^2)	46,060	56,443	58,457	58,525	61,587

[2] Data from production sites in Hørsholm, Madrid, Vandeuil, Varennes, Lelystad, Port Washington, Round Rock, Post Falls, Spring Mills and Mississauga.
[3] To make figures comparable, base year (2008) has been adjusted in terms of establishment of new production sites, closure of old production sites and acquisitions.

Shareholder information

The aim of ALK is that the share price should give a fair presentation of and reflect the company's actual and expected ability to create shareholder value. ALK would furthermore like the share to be liquid and to have a sound foundation for an efficient pricing and trading in the share. In order to further these objectives, ALK seeks to provide timely, accurate and relevant information on matters of importance to the assessment of the share, including strategy, operations, performance, expectations, goals, research and development as well as markets.

Ownership
At the end of the year, the company had 13,302 registered shareholders – a little less than the previous year (14,010). The registered shareholders still own approximately 95% of the share capital.

The largest and principal shareholder was still the Lundbeck Foundation, which beyond holding roughly all unlisted A shares also holds part of the B shares. Again in 2012, the Lundbeck Foundation bought ALK shares, and at the end of the year the Lundbeck Foundation held 40.3% of the share capital and 67.2% of the votes before deduction of ALK's treasury shares. The second largest shareholder re notification was still ATP (the Danish Labour Market Supplementary Pension). ALK's holding of treasury shares represented 4.5% (2.6%) after the share buy-back during the year to cover the incentive schemes. From November 2011 to April 2012 ALK purchased 130,742 own shares for approximately DKK 45 million. On 15 May, the company initiated a new share buy-back programme. According to the programme, ALK can buy no more than 200,000 shares for a maximum amount of DKK 75 million. At the end of the year, ALK had purchased 97,103 own shares under the programme which runs to 4 February 2013, inclusive.

Twenty of the thirty largest shareholders are international investors from North America, UK and Scandinavia, in particular. The international ownership is considered to have decreased slightly from approximately 24% to approximately 23%.

Shareholder return
ALK wishes to provide a reasonable long-term shareholder return by combining a rising share price, dividends and purchase of own shares.

At the beginning of the year, the price of the ALK share was DKK 320 and at the end of the year the price was DKK 389. Including payment of dividend for the year of DKK 5 per share the return on the ALK share was 23%. In comparison, the Danish benchmark OMXC20 index increased by 25% and the Nordic MidCap index by 12%.

Dividend and capital structure
The Board of Directors will submit a recommendation for the dividend on the basis of ALK's actual earnings, risks, strategy, capital resources, investment plans and future prospects. At the annual general meeting to be held in March 2013, the Board of Directors intends to propose an unchanged dividend of DKK 5 per share.

The Board of Directors considers ALK's capital structure to be appropriate for the time being relative to the company's strategy. ALK is well-consolidated, with strong liquidity, reasonable debt obligations and stable earnings relating to operations. It is therefore possible to make considerable investments in research and development, and the financial strength facilitates acquisitions.

Liquidity of the share
On average, the volume of shares traded during 2012 was 6,200 shares per day compared to 11,600 shares per day the previous year. Measured in value the

Core data for the share

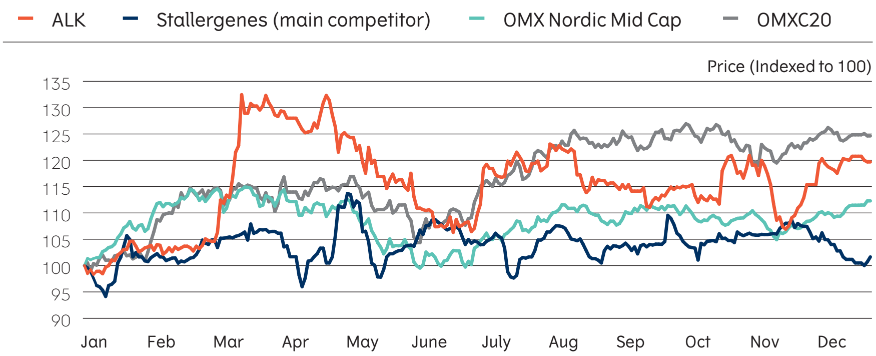
Share capital	DKK 101,283,600
Nominal value per share	DKK 10
Number of A shares	920,760 units with 10 votes per share
Number of B shares	9,207,600 units with 1 vote per share
Stock Exchange	NASDAQ OMX Copenhagen
Ticker symbol	ALK B
Indices	CX4500 (healthcare), OMXCMCGI (MidCap) and OMXCPI (all)
ISIN	DK0060027142
Bloomberg code	ALKB.DC
Reuters code	ALKB_CO

Notified shareholdings of 5% or more of the company's shares

	Registered office	Shares, number	Interest	Votes
The Lundbeck Foundation	Hellerup, Denmark	920,720 A shares 3,158,935 B shares	40.3%	67.2%
ATP*	Hillerød, Denmark	704,340 B shares	7.0%	3.8%

* The Danish Labour Market Supplementary Pension

Relative share price development 2012



volume of traded shares was also lower compared to 2011 with a turnover per trading day of approximately DKK 2.3 million. Approximately 90% of the trading in the ALK share took place at NASDAQ OMX Copenhagen, and the most active stockbrokers were Nordea Bank, Danske Bank, Deutsche Bank, Jyske Bank and Nordnet Bank, which together accounted for 51% of the turnover.

Investor Relations
Based on the IR Policy, ALK continuously works to strengthen the dialogue with shareholders, analysts, potential investors, the media and other stakeholders. In this dialogue, ALK aims at being open, available, service minded and balanced in accordance with good Investor Relations practice and the provisions for companies listed on NASDAQ OMX Copenhagen. The IR Policy is available at www.alk-abello.com/investor.

Following publication of interim financial statements, ALK hosts telephone conferences for investors, analysts and the media. The conference can be accessed real-time by all interested parties via the website. Furthermore, during the year members of the Board of Management and Investor Relations are available for one-on-one meetings, conferences, seminars and other dialogues. In 2012, ALK had approximately 150 individual meetings with analysts and investors, and ALK also participated in various conferences and seminars. The focus of these meetings was to a large extent on pipeline and partnerships as well as on ALK's efforts to redefine allergy treatment. At the end of the year, the updated strategy plan Focus 2016 became the pivotal element of the dialogue with analysts and investors. In relation to private investors ALK has, among other things, participated in two share seminars and published the e-newsletter eNews@ALK.

ALK is followed by analysts from 11 Scandinavian, English and German stockbrokers who regularly make comments and recommendations on the share. The list is available on the website.

During the year, ALK published 27 company releases (26) as well as weekly status notifications under the share buy-back programmes. All releases and status notifications are available on the website.

The responsibility for IR rests with the Board of Management and Per Plotnikof, Director IR & Strategic Planning, is responsible for the day-to-day IR tasks.

Website and InvestorPortal
ALK provides easy and equal access to information via the website www.alk-abello.com/investor, which is updated regularly with company releases, e-newsletters, reports, presentations, telephone conferences, share price etc. ALK encourages interested parties to register for a news service whereby it is possible to receive material by e-mail upon publication.

Registered shareholders have access to ALK's InvestorPortal. On the portal, shareholders can see their holding of registered ALK shares, register for the general meeting, cast votes in advance of the general meeting and order material. On the portal, shareholders should enter their e-mail addresses to receive the notice convening the general meeting as well as other news from ALK via e-mail.

Annual general meeting in 2013
The annual general meeting will be held on 12 March at 4.00 p.m. at the company's address: Bøge Allé 1, 2970 Hørsholm, Denmark.

Financial calendar 2013	
Annual general meeting	12 March
Payment of dividend	18 March
Three-month interim report (Q1)	3 May
Six-month interim report(Q2)	14 August
Nine-month interim report (Q3)	8 November

The Lundbeck Foundation

The Lundbeck Foundation is the largest shareholder of ALK, owning approximately 67% of the votes (40% of the capital). It is an active industrial foundation established in 1954 by Grete Lundbeck, widow of the founder of the pharmaceutical company Lundbeck.

The main objective of the Foundation is to maintain and expand the activities of its subsidiaries and portfolio companies through active value-adding ownership. The Foundation furthermore provides grants for scientific research of the highest international quality with ties to Denmark in order to make a significant difference to human health and life. Grants are given based on external peer review and independently of ALK and Lundbeck.

In 2012, the Foundation granted DKK 482 million to support research within medical and natural sciences, which is approximately the same amount as in 2011. The Lundbeck Foundation has stepped up its efforts towards young research talents by increasing the number of Lundbeckfond Fellowships.

In addition to its interest in ALK, the Foundation also has controlling shareholdings in Lundbeck A/S and Falck A/S and manages a substantial portfolio of financial investments through Lundbeckfond Invest as well as Lundbeckfond Ventures, which has been established to invest in early stage life science companies.

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

eNews@ALK

Sign up for ALK's electronic newsletter at www.alk-abello.com/media/Pages/Newsletter.aspx or scan the QR-code.

Corporate governance

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

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

The Board of Directors is authorised to let ALK acquire up to 10% of the Company's own B shares. Furthermore, the Board of Directors is authorised to increase the share capital by up to nominally DKK 10,128,360 new shares – the ratio being up to nominally DKK 920,760 A shares and DKK 9,207,600 B shares. Both authorisations are valid for the period until the next annual general meeting in 2013.

The Board of Directors also has a standing authorisation to decide to pay extraordinary dividend, and, finally, the Board of Directors may issue warrants until 2016, granting the Board of Management and key employees the right to subscribe for up to 280,000 B shares.

Composition of the Board of Directors
The Board of Directors consists of nine members – six members elected by the shareholders at the annual general meeting and three members elected by the company's employees. The members elected by the shareholders are elected for a one-year term and the employees for a four-year term. The age limit is 70 years.

At the annual general meeting in 2012, Christian Dyvig was elected as a new member instead of Brian Petersen. The other members were re-elected. The Board of Directors subsequently elected Steen Risgaard to be Chairman and Christian Dyvig to be Vice Chairman.

The members of the board committees elected by the Board of Directors are listed on page 25.

The composition of ALK's Board of Directors is generally established with the emphasis on the members having experience from the management of international companies, particular regard being given to their insight into the management and globalisation of R&D driven companies. The Board of Directors is deemed to have the competences that are relevant to further the development of ALK.

None of the members elected by the shareholders have previously been employed with ALK, and none of them have an interest in ALK other than the interests they may have as shareholders. Three of the members elected by the shareholders are affiliated with ALK's principal shareholder, the Lundbeck Foundation, while the other three are independent. All the members' profiles can be seen on page 24-25.

The Board of Directors' activities
The Board of Directors' work follows a calendar, ensuring the consideration of all relevant topics over the year. In 2012, the Board of Directors held six meetings (unchanged), the meeting in August being a two-day seminar focusing on the updated Focus 2016 strategy, which was followed up on by the Board of Directors in November. The Audit Committee and the Remuneration Committee both met three times (two and three meetings, respectively, in 2011).

At the end of the year, the Board of Directors evaluated its work and its cooperation with the Board of Management. The evaluation was based on a questionnaire and conducted with the aid of an external consultant who presented the results at the Board of Directors' meeting in December. In general, the Board of Directors and the Board of Management considered the cooperation very sound. The establishment of board committees in 2011 has resulted in better opportunities for thorough information and discussion between the Board of Management and the Board of Directors. The Board of Directors and the Board of Management have been particularly satisfied with the work on ALK's new strategy in 2012. In 2013, one focus area for the Board of Directors will be the continuous follow-up on the implementation of the Focus 2016 strategy.

Directors' fees
The directors' fees were unchanged in 2012. The base fee is DKK 275,000, the Vice Chairman receiving double the amount and the Chairman getting three times the base fee. In addition, the members of the Remuneration Committee and the Audit Committee receive a fee of DKK 100,000 – the Chairman of each Committee receiving DKK 150,000. The Board of Directors recommends to the annual general meeting that the fees be maintained in 2013. The members of the Board of Directors are not offered any share options, conditional shares or other incentive plans.

Corporate Governance
Since 2005, the Committee on Corporate Governance has drawn up a set of recommendations on corporate governance that has been adopted by NASDAQ OMX Copenhagen. The recommendations are generally in compliance with the practice of the OECD. ALK's Board of Directors has continuously taken the Committee's recommendations into consideration and drawn inspiration from them to discuss and in certain areas change its practice. As a result, the Board of Directors set up a remuneration committee and an audit committee in 2011, and ALK also decided to establish a whistleblowing scheme, ALK Alertline. The scheme is expected to be fully implemented in the first half of 2013 when the national approvals have been obtained.

The Board of Directors' shares in ALK

	Holding as at 31 December 2012	Changes during the year
Steen Riisgaard	0	-
Christian Dyvig*	0	-
Lars Holmqvist	1,500	-
Jacob Kastrup	8	-
Thorleif Krarup*	700	-
Anders Gersel Pedersen	0	-
Dorthe Seitzberg	102	+94
Katja Barnkob Thalund	24	-
Jes Østergaard*	227	-
Total	**2,561**	**+94**

* Christian Dyvig, Thorleif Krarup and Jes Østergaard are affiliated with the Lundbeck Foundation which owns 40.3% of ALK.

ALK has considered all the Committee's 79 guidelines in a 'comply or explain' review available on ALK's website at http://ir.alk-abello.com/guidelines.cfm. ALK is in compliance with almost all the guidelines but has in one area chosen a different practice that is deemed to be more appropriate for the company:

- According to the guidelines, the remuneration of each member of the Board of Management should be disclosed in detail in the annual report. ALK describes the options and conditional shares granted to each director, however, ALK believes that the disclosure of each director's individual salary and bonus would constitute an invasion of their personal privacy. The decisive factor is for the shareholders to be able to consider the overall remuneration and its development. Note 4 shows the combined salary and remuneration, including share options and conditional shares, of the members of the Board of Management

In January 2013, the Committee on Corporate Governance presented a proposal for a new set of recommendations which ALK will address in the annual report for 2013 and on ALK's website.

The Board of Management's ownership interests in ALK as at 31 December 2012

	Shares	Changes during the year	Options	Net changes during the year**)	Conditional shares	Changes during the year
Jens Bager	11,713	-	77,350	+6,250	1,900	+1,900
Henrik Jacobi	8	-	47,825	+1,000	1,050	+1,050
Flemming Steen Jensen	127	-	47,825	+1,000	1,050	+1,050
Søren Niegel*)	500	+500	7,000	+7,000	1,050	+1,050
Flemming Pedersen	1,116	-	36,000	+7,000	1,050	+1,050
Total	**13,464**	**+500**	**216,000**	**+22,250**	**6,100**	**+6,100**

*) Søren Niegel was employed on 1 August 2012
**) The figure indicates the net movement in the course of the year, i.e. options granted less expired options

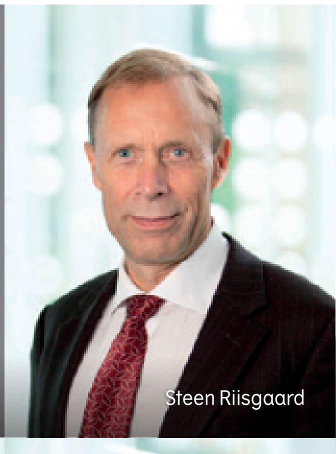
Remuneration
A new set of guidelines for incentive pay for the Board of Management was adopted at the annual general meeting on 27 March 2012. The principal changes were that cash bonus was restricted to six and four months, respectively, of the base salary of the President and CEO and the other members of the Board of Management. Moreover, a new incentive – 'conditional shares'- was introduced. This incentive grants members of the Board of Management and other key employees a right to receive, after three years, a number of shares free of charge, *if* ALK achieves a number of predetermined results during that period. If there is no actual value creation in the company during the three-year period, the entitlement to receive the conditional shares will lapse. When granted, the value of the conditional shares may not exceed 15% of the individual member's base salary plus pension. The same limit – 15% of the salary – also applies to grants of share options, and the criteria for grants of conditional shares and share options are the same.

In May 2012, based on the new guidelines, the Board of Directors granted 15,300 conditional shares to the members of the Board of Management and key employees, including 6,100 to the Board of Management. The market value was approximately DKK 6 million, and the shares will be available in May 2015. In addition, the Board of Directors granted 101,000 share options to key employees and the members of the Board of Management, including 40,250 to the Board of Management. The market value of the options also amounted to approximately DKK 6 million, and the options will be exercisable in 2015-2019. The grants to the Board of Management appear from the above table and are described in detail in Note 5.

Other facts concerning ALK's corporate governance, including its annual general meeting, management, articles of association, reporting, remuneration, trade in own shares, etc., are available on ALK's website at www.alk-abello.com/investor

Board of Directors and Board of Management

Board of Directors


Steen Riisgaard


Christian Dyvig


Lars Holmqvist


Jacob Kastrup


Thorleif Krarup


Anders Gersel Pedersen


Dorthe Seitzberg


Katja Barnkob Thalund


Jes Østergaard

Board of Management


Jens Bager


Henrik Jacobi


Flemming Steen Jensen


Søren Niegel


Flemming Pedersen

Board of Directors

Steen Riisgaard (1951)
Chairman
Novozymes A/S, President and CEO
Elected 2011
Member of the Audit Committee
Member of the Remuneration Committee

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

Directorships
The Egmont Foundation, Vice Chairman
Egmont International Holding A/S, Vice Chairman
Forskerparken CAT A/S
Rockwool International A/S, Vice Chairman
WWF (World Wide Fund for Nature) Denmark, Chairman

Christian Dyvig (1964)*
Vice Chairman
The Lundbeck Foundation, CEO
Elected 2012

Competences
Extensive international experience from the financial sector with special focus on acquisitions and expertise in strategic ownership.

Directorships
H. Lundbeck A/S, Vice Chairman
FIH Erhvervsbank A/S, Chairman
C P Dyvig & Co.

Lars Holmqvist (1959)
Dako A/S, President and CEO
Elected 2010
Chairman of the Audit Committee

Competences
Experience in management, finance, sales and marketing in the international pharmaceutical industry.

Jacob Kastrup (1961)
Elected 2011
Project Coordinator, ALK-Abelló A/S
Employee-elected

Thorleif Krarup (1952)*
Elected 2005
Member of the Audit Committe

Competences
Experience in managing large international companies. Financial and economic expertise. Extensive board experience from listed companies.

Directorships
Bisca A/S
Exiqon A/S, Chairman
Falck A/S, Vice Chairman
H. Lundbeck A/S
The Lundbeck Foundation

Anders Gersel Pedersen (1951)
H. Lundbeck A/S, Executive Vice President
Elected 2005
Member of the Remuneration Committee

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

Directorships
Bavarian Nordic A/S
Genmab A/S, Chairman

Dorthe Seitzberg (1968)
Elected 2011
Manager, Clinical Project Management, ALK-Abelló A/S
Employee-elected

Katja Barnkob Thalund (1969)
Elected 2011
Senior CMC Project Manager, ALK-Abelló A/S
Employee-elected

Jes Østergaard (1948)*
Elected 2011
Chairman of the Remuneration Committee

Competences
Extensive experience in management of international companies within biotech, pharmaceuticals and diagnostics as well as board experience from listed companies.

Directorships
H. Lundbeck A/S
HEED Diagnostics
The Lundbeck Foundation
Scion DTU A/S

*These board members are not regarded as independent in the sense of the definition contained in the Danish recommendations on Corporate Governance.

Board of Management

Jens Bager (1959)
President & CEO

Directorships
Ambu A/S, Chairman
Odin Equity Partners

Henrik Jacobi (1965)
Executive Vice President
Research & Development

Flemming Steen Jensen (1961)
Executive Vice President
Product Supply

Directorships
QAtor A/S, Chairman

Søren Niegel (1971)
Executive Vice President
Commercial Operations

Flemming Pedersen (1965)
CFO & Executive Vice President
Finance, IT, IR & Business Development

Directorships
MBIT A/S

Statement by Management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2012.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 as well as of their financial performance and their cash flow for the financial year 1 January to 31 December 2012.

We believe that the management review contains a fair review of the development and performance of the Group's and the Parent's business and of their position as well as the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Hørsholm, 5 February 2013

Board of Management

Jens Bager
President and CEO

Henrik Jacobi
Executive Vice President
Research & Development

Flemming Steen Jensen
Executive Vice President
Product Supply

Søren Niegel
Executive Vice President
Commercial Operations

Flemming Pedersen
CFO, Executive Vice President
Finance, IT, IR &
Business Development

Board of Directors

Steen Riisgaard
Chairman

Christian Dyvig
Vice Chairman

Lars Holmqvist

Jacob Kastrup

Thorleif Krarup

Anders Gersel Pedersen

Dorthe Seitzberg

Katja Barnkob Thalund

Jes Østergaard

Independent auditor's report

To the shareholders of ALK-Abelló A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of ALK-Abelló A/S for the financial year 1 January to 31 December 2012, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on management's review
Pursuant to the Danish Financial Statements Act we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 5 February 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen State Authorised Public Accountant	**Martin Faarborg** State Authorised Public Accountant

Financial statements

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Income statement

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
814	**823**	3	Revenue	**2,345**	2,348
285	**299**	4-7	Cost of sales	**648**	611
529	**524**		**Gross profit**	**1,697**	1,737
413	**477**	4-7	Research and development expenses	**511**	455
85	**99**	4-7	Sales and marketing expenses	**801**	781
82	**87**	4-7	Administrative expenses	**203**	204
2	**-**		Other operating income	**-**	2
(49)	**(139)**		**Operating profit (EBIT) before special items**	**182**	299
-	**(60)**	8	Special items	**(64)**	-
(49)	**(199)**		**Operating profit (EBIT)**	**118**	299
202	**204**	9	Financial income	**9**	30
9	**15**	10	Financial expenses	**14**	8
144	**(10)**		**Profit before tax (EBT)**	**113**	321
(23)	**(45)**	11	Tax on profit, continuing operations	**59**	121
167	**35**		**Net profit, continuing operations**	**54**	200
-	**155**	12	Net profit, past discontinued operations	**155**	-
167	**190**		**Net profit**	**209**	200
		13	**Earnings per share (EPS)**		
			Earnings per share (EPS) – DKK	**21.45**	20.21
			Earnings per share (EPS), continuing operations – DKK	**5.54**	20.21
			Earnings per share (DEPS), diluted – DKK	**21.35**	20.21
			Earnings per share (DEPS), diluted, continuing operations – DKK	**5.51**	20.21

Statement of comprehensive income

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
167	**190**		**Net profit**	**209**	200
			Other comprehensive income		
-	**-**		Foreign currency translation adjustment of foreign affiliates	**-**	2
-	**20**		Fair value adjustment of financial assets available for sale	**20**	-
-	(5)	11	Tax related to other comprehensive income	**(5)**	(1)
-	**15**		**Other comprehensive income**	**15**	1
167	**205**		**Total comprehensive income**	**224**	201

Cash flow statement

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
167	**190**		**Net profit**	**209**	200
			Adjustments:		
-	**(155)**		Change in provisions and payables from past discontinued operations	**(155)**	-
(23)	**(45)**	11	Tax on profit	**59**	121
(193)	**(189)**		Financial income and expenses	**5**	(22)
6	**8**	5	Share-based payments	**11**	9
44	**59**	7	Depreciation, amortisation and impairment	**124**	107
-	**55**		Change in provisions	**70**	1
233	**(166)**	31	Changes in working capital	**(81)**	137
10	**9**		Net financial items, paid	**4**	4
18	**(2)**		Income taxes, paid	**(155)**	(126)
262	**(236)**		**Cash flow from operating activities**	**91**	431
(67)	**-**		Capital contribution in subsidiaries	**-**	-
(20)	**(21)**	15	Additions, intangible assets	**(60)**	(35)
(48)	**(64)**	16-19	Additions, tangible assets	**(183)**	(118)
167	**189**	9	Dividend from subsidiaries	**-**	-
(8)	**-**		Change in other financial assets	**-**	(7)
24	**104**		**Cash flow from investing activities**	**(243)**	(160)
286	**(132)**		**Free cash flow**	**(152)**	271
(50)	**(49)**		Dividend paid to shareholders of the parent	**(49)**	(50)
(11)	**(69)**		Purchase of treasury shares	**(69)**	(11)
290	-		Change in financial liabilities	**(2)**	286
229	**(118)**		**Cash flow from financing activities**	**(120)**	225
515	**(250)**		**Net cash flow**	**(272)**	496
172	**695**		Cash and cash equivalents beginning of year	**754**	250
8	**(5)**		Unrealised gain/(loss) on foreign currency and financial assets carried as cash and cash equivalents	**(5)**	8
515	**(250)**		Net cash flow	**(272)**	496
695	**440**	26	**Cash and cash equivalents year end**	**477**	754

The cash flow statement has been adjusted to the effect that exchange rate adjustments in foreign subsidiaries are not included in the statement. As a result, the individual figures in the cash flow statement cannot be reconciled directly to the income statement and balance sheet.

Balance sheet

ALK-Abelló A/S		Assets		ALK Group	
31 Dec. 2011	**31 Dec. 2012**	Note	Amounts in DKKm	**31 Dec. 2012**	31 Dec. 2011
			Non-current assets		
			Intangible assets		
-	**-**	14	Goodwill	**409**	408
34	**46**	15	Other intangible assets	**240**	211
34	**46**			**649**	619
			Tangible assets		
305	**402**	16	Land and buildings	**644**	561
91	**175**	17	Plant and machinery	**254**	176
12	**11**	18	Other fixtures and equipment	**63**	62
311	**145**	19	Property, plant and equipment in progress	**362**	437
719	**733**			**1,323**	1,236
			Other non-currents assets		
842	**842**	20	Investment in affiliates	**-**	-
425	**489**	21	Receivables from affiliates	**-**	-
34	**54**	22	Securities and receivables	**56**	35
24	**7**	23	Deferred tax assets	**69**	68
1,325	**1,392**			**125**	103
2,078	**2,171**		**Total non-current assets**	**2,097**	1,958
			Current assets		
82	**74**	24	Inventories	**295**	291
15	**15**	25	Trade receivables	**248**	254
118	**130**	21	Receivables from affiliates	**61**	-
-	**-**		Income tax receivables	**12**	30
11	**18**	25	Other receivables	**46**	31
14	**24**	25	Prepayments	**46**	36
695	**440**	26	Cash and cash equivalents	**477**	754
935	**701**		**Total currents assets**	**1,185**	1,396
3,013	**2,872**		**Total assets**	**3,282**	3,354

ALK-Abelló A/S 31 Dec. 2011	ALK-Abelló A/S **31 Dec. 2012**	Note	Equity and liabilities Amounts in DKKm	ALK Group **31 Dec. 2012**	ALK Group 31 Dec. 2011
			Equity		
101	**101**	27	Share capital	**101**	101
-	**-**		Currency translation adjustment	**(9)**	(9)
1,896	**1,994**		Retained earnings	**2,192**	2,075
1,997	**2,095**		**Total equity**	**2,284**	2,167
			Liabilities		
			Non-current liabilities		
25	**24**	28	Mortgage debt	**24**	25
297	**298**	28	Bank loans and financial loans	**303**	305
-	**-**	6	Pensions and similar liabilities	**104**	93
140	**6**	29	Other provisions	**7**	142
-	**-**	23	Deferred tax liabilities	**19**	21
462	**328**			**457**	586
			Current liabilities		
1	**1**	28	Mortgage debt	**1**	1
-	**-**	28	Bank loans and financial loans	**4**	3
62	**45**	30	Trade payables	**136**	147
299	**240**		Payables to affiliates	**-**	-
-	**-**		Income taxes	**17**	61
-	**49**	29	Other provisions	**54**	-
118	**114**	30	Other payables	**329**	315
74	**-**	30	Prepayments	**-**	74
554	**449**			**541**	601
1,016	**777**		**Total liabilities**	**998**	1,187
3,013	**2,872**		**Total equity and liabilities**	**3,282**	3,354

Equity

ALK Group

Amounts in DKKm	Share capital	Currency translation adjustments	Retained earnings	Total equity
Equity at 1 January 2012	**101**	**(9)**	**2,075**	**2,167**
Net profit	-	-	209	209
Other comprehensive income	-	-	15	15
Total comprehensive income	**-**	**-**	**224**	**224**
Share-based payments	-	-	11	11
Purchase of treasury shares	-	-	(69)	(69)
Dividend paid	-	-	(51)	(51)
Dividends on treasury shares	-	-	2	2
Other transactions	**-**	**-**	**(107)**	**(107)**
Equity at 31 December 2012	**101**	**(9)**	**2,192**	**2,284**
Equity at 1 January 2011	101	(10)	1,927	2,018
Net profit	-	-	200	200
Other comprehensive income	-	1	-	1
Total comprehensive income	-	1	200	201
Share-based payments	-	-	9	9
Purchase of treasury shares	-	-	(11)	(11)
Dividend paid	-	-	(50)	(50)
Other transactions	-	-	(52)	(52)
Equity at 31 December 2011	101	(9)	2,075	2,167

ALK-Abelló A/S

Amounts in DKKm	Share capital	Retained earnings	Total equity
Equity at 1 January 2012	**101**	**1,896**	**1,997**
Net profit	-	190	190
Other comprehensive income	-	15	15
Total comprehensive income	**-**	**205**	**205**
Share-based payments	-	11	11
Purchase of treasury shares	-	(69)	(69)
Dividend paid	-	(51)	(51)
Dividends on treasury shares	-	2	2
Other transactions	**-**	**(107)**	**(107)**
Equity at 31 December 2012	**101**	**1,994**	**2,095**
Equity at 1 January 2011	101	1,781	1,882
Net profit	-	167	167
Total comprehensive income	-	167	167
Share-based payments	-	9	9
Purchase of treasury shares	-	(11)	(11)
Dividend paid	-	(50)	(50)
Other transactions	-	(52)	(52)
Equity at 31 December 2011	101	1,896	1,997

Notes to the financial statements

1. Accounting policies

General

The annual report of the ALK Group and ALK-Abelló A/S for the period 1 January – 31 December 2012, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. Additional Danish disclosure requirements for the annual reports are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

The annual report also complies with the International Financial Reporting Standards issued by the IASB.

The annual report is presented in Danish kroner (DKK), which is considered the primary currency of the Group's activities and the functional currency of the parent company.

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

The accounting policies are unchanged from last year.

Effect of new financial reporting standards
The ALK Group has implemented all new and amended standards and interpretations (IFRIC) which are effective for the financial year 2012. The implementation has not affected the annual report.

The following new or amended standards and interpretations relevant to the ALK Group had not yet become effective at 31 December 2012, and are therefore not included in this annual report:

- Amendment to IAS 1: Presentation of Financial Statements
- Amendment to IAS 19: Employee Benefits

The amendment to IAS 1 will change the presentation of other comprehensive income, where items must be grouped based on whether they are to be reversed through the income statement or not. This is effective from the financial reporting for 2013.

The amendment to IAS 19 will mean that the 'corridor method' used by the ALK Group can no longer be applied. In future, ALK must immediately recognise actuarial gains and losses, as well as pension costs concerning previous financial years, in other comprehensive income. This is effective from the financial reporting for 2013. For 2012 the change is expected to increase the pension liability approximately DKK 40 million and reduce other comprehensive income and equity approximately DKK 27 million after deduction of deferred tax.

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

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

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

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

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

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

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

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

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

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

In connection with the transition to IFRS in 2005/06 the ALK Group chose to apply the optional exemption in IFRS 1, under which business combinations effected before 1 September 2004 are not adjusted in accordance with the provisions of IFRS, except that identifiable intangible assets acquired in business combinations are separated from the calculated goodwill and recognised as separate items under intangible assets.

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

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

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

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

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

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

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

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions are recognised in other comprehensive income. When the hedged transactions are realised, cumulative changes are recognised as part of the cost of the transactions in question.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries are recognised in other comprehensive income to the extent that the hedge is effective. On disposal of the foreign subsidiary in question, the cumulative changes are transferred to the income statement.

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

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

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

Share-based incentive plans (cash-settled share-based payments) which comprise employee share-like plans in specific countries are measured at fair value at the grant date and at each subsequent balance sheet date and recognised in the income statement under the respective functions over the vesting period. The balancing item is recognised as liabilities.

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

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

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income.

Deferred tax is calculated based on the planned use of each asset and settlement of each liability, respectively.

Deferred tax is measured using the tax rates and tax rules that, based on legislation enacted or in reality enacted at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, in other comprehensive income or in equity, depending on where the deferred tax was originally recognised.

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

The parent company is included in national jointly taxation with the Lundbech Foundation and its Danish subsidiaries. The tax charge for the year is allocated among the jointly taxed companies in proportion to the taxable incomes of individual companies, taking into account taxes paid.

Income statement

Revenue
Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement if delivery and the transfer of risk to the purchaser have taken place.

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 other revenues in connection with research and development partnerships. These revenues are recognised when it is probable that future economic benefits will flow to the ALK Group and these benefits can be measured reliably. Non-refundable payments that are not attributable to subsequent research and development activities are recognised when the related right is obtained, whereas payments attributable to subsequent research and development activities are recognised over the term of the activities. When combined contracts are entered into, the elements of the contracts are identified and assessed separately for accounting purposes.

Cost of sales
The item comprises cost of sales and production costs incurred in generating the revenue for the year. Costs for raw materials, con-

Notes to the financial statements

sumables, 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 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 the 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 the tangible assets and intangible assets used in administration.

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

Special items
Special items include significant income and expenses of a special nature in term of the ALK Group's revenue-generating operating activities, such as the cost of extensive restructuring, as well as gains or losses arising from disposals in this connection which have a material effect over a given period.

These items are shown separately in order to give a more true and fair view of the ALK Group's operating profit.

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

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

Dividends from investments in subsidiaries are recognised in the parent company financial statement 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.

Discontinued operations
Discontinued operations are major business areas or geographical areas which have been sold or which are held for sale according to an overall plan. The result of discontinued operations are presented as a separate item in the income statement, consisting of the activitiy´s operating profit/loss after tax and any gains or losses on fair value adjustments or sale of the related assets.

Past discontinued operations are adjustments to discontinued operations in prior years.

Balance sheet

Goodwill
On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under Business Combinations. In addition, goodwill on acquisition of investments in subsidiaries from minority interests is recognised.

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

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

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

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

The cost of software includes costs of planning work, including direct salaries.

Such acquired intellectual property rights are amortised on a straight-line basis over the contract period, not exceeding 10 years. If the actual useful life is shorter than either the remaining life or the contract period, the asset is amortised over this shorter useful life.

Acquired intellectual property rights are written down to their recoverable amount where this is lower than the carrying amount, as described below.

Individual minor development projects running for short-term periods and subject to limited risk are capitalised under other intangible assets as described under 'Research and development expenses' and are measured at cost less accumulated amortisation and impairment.

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

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

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

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

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

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

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

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

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

Depreciation methods, useful lives and residual values are reassessed once a year.

Tangible assets are written down to the recoverable amount, if lower, cf. below.

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

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

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

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

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

Investments in subsidiaries in the financial statements of the parent company
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.

Dividend from subsidiaries is recognised in the income statement. In the event of indications of impairment, an impairment test is performed of investments in subsidiaries.

Other long-term financial assets
Other securities and receivables that are accounted for as long-term financial assets are measured at fair value. Adjustments are recognised directly in other comprehensive income.

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

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

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

Receivables
On initial recognition, receivables are measured at fair value, and subsequently they are measured at amortised cost. Receivables are written down for anticipated losses. An impairment account is used for this purpose.

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

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

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

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

In respect of defined contribution plans, the 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 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 Group and which will have to be paid under the plan. The Projected Unit Credit Method is applied to determine value in use.

The net present value is calculated based on assumptions of the future developments 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 are only recognised if the accumulated gains and losses at the beginning of a financial year exceed the higher numerical value of 10% of the pension liabilities or 10% of the fair value of plan assets (the corridor method). If this is the case, the excess amount is recognised in the income statement, distributed on the expected remaining average working life of the employees covered by the plan.

Notes to the financial statements

If the pension plan represents a net asset, the asset is only recognised to the extent that it does not exceed the sum of unrecognised actuarial losses, unrecognised past service costs and the present value of any refunds from the plan or reductions in future contributions to the plan.

If the benefits relating to the employees' service in prior periods change, this results in a change to the actuarial net present value which is considered a past service cost. If the employees covered by the plan have already earned the right to the changed benefits, the change is made in the income statement immediately. Otherwise, the change is recognised in the income statement over the period during which the employees earn the right to the benefits.

In connection with the transition to IFRS in 2005/06 the ALK Group chose to apply the optional exemption in IFRS 1, under which actuarial gains and losses according to the corridor method are stated as a net loss at 1 September 2004, which is reduced to nil by increasing the pension provision and adjusting equity accordingly in the opening balance sheet.

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

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

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

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

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

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

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

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

Other accounting information

Cash flow statement
The cash flow statement of the Group and the parent company is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and 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 operating profit, adjusted for non-cash operating items and changes in working capital, less the income tax paid during the year attributable to operating activities.

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 assets and tangible assets.

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

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

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

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

Definitions and ratios
The key ratios have been calculated in accordance with 'Recommendations and Financial Ratios 2010' issued by the Danish Association of Financial Analysts.

Key ratios and definitions are shown on the covers of the annual report and page 80, respectively.

2 Significant accounting estimates and judgements

In the preparation of the annual report according to generally accepted accounting principles, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgements made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Similarly, the value of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to set out e.g. a course of events that reflects Management's assessment of the most probable course of events.

In the financial statements for 2012, Management considers the following estimates and related judgements material to the assets and liabilities recognized in the financial statements.

Recoverable amount of goodwill
The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating units to which the goodwill amounts have been allocated. The determination of the value in use requires estimates of the expected future cash flows of each cash-generating unit and a reasonable discount rate. At 31 December 2012, the carrying amount of goodwill is DKK 409 million (DKK 408 million at 31 December 2011).

Indirect production overheads
Indirect production overheads (IPO) are measured on the basis of the standard cost method. The basis of standard costs is reassessed regularly to ensure that standard costs are adjusted for changes in the utilization of production capacity, production times and other relevant factors. Changes in the method of determining standard costs may significantly affect gross margin and the valuation of inventories. At 31 December 2012, the value of IPO is DKK 54 million (DKK 47 million at 31 December 2011) on the inventories.

Tax
Management is required to make an estimate in the recognition of deferred tax assets and liabilities. The ALK Group recognizes deferred tax assets if it is probable that they can be set off against future taxable income. At 31 December 2012, the value of deferred tax assets and liabilities is DKK 50 million (DKK 47 million at 31 December 2011).

Provisions and contingencies assets and liabilities
Management assesses provisions, contingent assets and contingent liabilities as well as likely outcome of pending or probable lawsuits etc. on an ongoing basic. The result depends on future events, which by nature are uncertain. In assessment on the likely outcome of lawsuits and tax disputes etc., management bases its assessment on established legal precedents and external legal advisors. In connection with restructuring, an assessment of the employee obligations and other liabilities occurring in connection with restructuring has been taken into account.

As at 31 December 2012, provisions to restructure amounts to DKK 60 million (2011: DKK 0 million).

Notes to the financial statements

3 Segment information for the ALK Group

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

ALK Group

Amounts in DKKm	**2012**	2011
Net sales by product line		
SCIT	**987**	979
SLIT	**734**	737
AIT	**202**	183
Total vaccines	**1,923**	1,899
Other products	**186**	201
Total net sales	**2,109**	2,100
Other revenue [1]	**236**	248
Total revenue	**2,345**	2,348
Revenue by market		
Northern Europe [2]	**406**	455
Central Europe	**712**	727
Southern Europe	**698**	661
Other markets	**293**	257
Total net sales	**2,109**	2,100
Other revenue [1]	**236**	248
Total revenue	**2,345**	2,348

Revenue by market is split based on customer location.

Non-current assets by market

The ALK Group's non-current assets except non-current financial assets are distributed among the following geographical markets:

	31 Dec. 2012	31 Dec. 2011
Northern Europe [3]	**900**	886
Central Europe	**399**	375
Southern Europe	**314**	242
Other markets	**359**	352
Total	**1,972**	1,855

[1] Other revenue consists of up-front payments, milestone payments and other revenue concerning research and development partnerships. Other revenue is related to other markets DKK 228 million (2011: DKK 246 million) and to the northern European market DKK 8 million (2011: DKK 2 million).

[2] Northern Europe includes revenue in Denmark of DKK 40 million (2011: DKK 37 million)

[3] Northern Europe includes non-current assets in Denmark of DKK 589 million (2011: DKK 549 million). The geographical information on assets is based on asset location.

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		4	## Staff costs		
375	**418**		Wages and salaries	**939**	807
33	**38**		Pensions, cf. note 6	**78**	70
14	**17**		Other social security costs, etc.	**120**	107
6	**8**		Share-based payments, cf. note 5	**11**	9
428	**481**		**Total**	**1,148**	993
			Staff costs are allocated as follows:		
124	**138**		Cost of sales	**274**	247
187	**216**		Research and development expenses	**248**	221
35	**37**		Sales and marketing expenses	**400**	372
78	**74**		Administrative expenses	**145**	147
4	**10**		Included in the cost of assets	**20**	6
-	**6**		Special items cf. note 8	**61**	-
428	**481**		**Total**	**1,148**	993
			Remuneration to Board of Management:		
16	**17**		Salaries	**17**	16
3	**4**		Cash bonuses	**4**	3
-	**1**		Pensions	**1**	-
4	**4**		Calculated costs regarding share-based payments, cf. note 5	**4**	4
23	**26**		**Total**	**26**	23
			Remuneration to Board of Directors		
4	**4**		Remuneration to the Board of Directors [1)]	**4**	4
			Employees		
635	**702**		Average number	**1,828**	1,724
676	**706**		Number year end	**1,855**	1,781

[1)] The total remuneration to the Board of Directors includes remuneration for participation in the Audit Committee DKK 275 thousand (2011: DKK 262 thousand) and participation in the Remuneration Committee DKK 350 thousand (2011: DKK 262 thousand).

Notes to the financial statements

5 Share-based payments

Share option plans

The ALK Group has established share option plans for the Board of Management and a number of key employees as a part of a retention program introduced in 2006.

Each share option entitles the holder to acquire one existing B share of DKK 10 nominal value in the company. The right to exercise the option is subject to the holder of the option not having resigned at the time of exercise. No other vesting conditions apply. The option can be exercised only during a period of four weeks after the publication of annual reports or interim financial statements. Share options are considered sufficiently covered by treasury shares.

	2012 plan	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan	2006 plan
Share options granted total, no.	**101,000**	220,000	174,000	58,300	47,600	29,000	33,375
Share options granted to Board of Management, no.	**40,250**	88,000	73,200	23,600	19,100	11,500	13,350
Vested as per	**1 May 2015**	1 Nov 2014	1 Nov 2013	1 Nov 2012	1 Nov 2011	1 Nov 2010	1 Nov 2009
Exercise periode starts	**1 May 2015**	1 Nov 2014	1 Nov 2013	1 Nov 2012	1 Nov 2011	1 Nov 2010	1 Nov 2009
Exercise periode ends	**1 May 2019**	1 Nov 2018	1 Nov 2017	1 Nov 2016	1 Nov 2015	1 Nov 2014	1 Nov 2013
Exercise price [1)]	**399**	319	345	465	504	727	896
Outstanding share options 31 December 2012	**100,200**	202,200	151,200	46,750	38,050	23,850	26,225

Specification of outstanding options:

	Board of Management Units	Other key personnel Units	Total Units	Average exercise price DKK
Outstanding options at 1 January 2012	**236,825**	**351,525**	**588,350**	**483**
Additions	**40,250**	**60,750**	**101,000**	**440**
Cancellations	**(18,000)**	**(35,800)**	**(53,800)**	**441**
Expired	**(39,575)**	**(7,500)**	**(47,075)**	**882**
Outstanding options at 31 December 2012	**219,500**	**368,975**	**588,475**	**440**
Outstanding options at 1 January 2011	148,825	233,325	382,150	576
Additions	88,000	132,000	220,000	352
Cancellations	-	(13,800)	(13,800)	520
Outstanding options at 31 December 2011	236,825	351,525	588,350	483

In 2012 no share options were exercised. At 31 December 2012 the total number of vested share options amounts to 134,875 units.

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

5 Share-based payments (continued)

	2012	2011
Average remaining life of outstanding share options at year end (years)	**1.2**	1.7
Exercise prices for outstanding share options at year end (DKK)	**339-1,005**	344-1,010

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

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

	2012 plan	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan	2006 plan
Average share price (DKK)	**399**	319	345	465	504	727	896
Average exercise price (DKK)	**440**	352	381	513	556	802	989
Expected volatility rate	**22 % p.a.**	24 % p.a.	25 % p.a.	45 % p.a.	45 % p.a.	35 % p.a.	35 % p.a.
Expected option life	**5 years**	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividend per share	**5**	5	5	5	5	-	-
Risk-free interest rate	**1.49 % p.a.**	1.68 % p.a.	2.21 % p.a.	3.58 % p.a.	4.40 % p.a.	4.00 % p.a.	3.75 % p.a.
Calculated market price of granted share options (DKK)	**61**	52	63	173	195	246	300

The expected volatility rate is based on the historical volatility (measured over 12 months).

Conditional shares

The ALK Group has established conditional shares plans for the Board of Management and a number of key employees as a part of a retention program in 2012. Conditional shares will be available in May 2015, three years following the date of grant, provided that ALK achieves the financial targets for vesting.

Specification of conditional shares:	Board of Management Units	Other key personnel Units	Total Units
Outstanding conditional shares at 1 January 2012	**-**	**-**	**-**
Additions	**6,100**	**9,200**	**15,300**
Cancellations	**-**	**-**	**-**
Outstanding conditional shares at 31 December 2012	**6,100**	**9,200**	**15,300**

The conditional shares has been granted at the average market price of the company's share for the five trading days immediately preceding the date of grant. The conditial shares has been granted at DKK 399 per share. Conditional shares are considered sufficiently covered by treasury shares.

ALK-Abelló A/S			ALK Group	
2011	**2012**	Amounts in DKKm	**2012**	2011
6	**8**	Costs of share based payments	**11**	9
6	**8**	**Total**	**11**	9
		Cost for the year regarding share-based payments are recognised as follows:		
1	**2**	Cost of sales	**2**	2
2	**3**	Research and development expenses	**3**	2
1	**-**	Sales and marketing expenses	**3**	3
2	**3**	Administrative expenses	**3**	2
6	**8**	**Total**	**11**	9

Notes to the financial statements

6 Pensions and similar liabilities

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

In defined contribution plans, the employer 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.

In defined benefit plans the employer is obliged to pay a certain payment when a pre-agreed event occurs. The employer bears the risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

ALK-Abelló A/S			ALK Group	
2011	**2012**	Amounts in DKKm	**2012**	2011
33	**38**	**Costs related to defined contribution plans**	**66**	58
		Defined benefit plans		
-	-	Pensions costs in the current financial year	**8**	9
-	-	Calculated interest on the obligations	**5**	5
-	-	Expected return on plan assets	**(1)**	(1)
-	-	Recognised actuarial (profit)/loss	**-**	(1)
-	-	**Costs related to defined benefit plans**	**12**	12

ALK-Abelló A/S			ALK Group				
2011	**2012**	Amounts in DKKm	**2012**	2011	2010	2009	2008
		Pensions and similar obligations					
-	-	Present value of funded pension obligations	**45**	31	26	20	20
-	-	Fair value of plan assets	**(39)**	(27)	(26)	(20)	(20)
-	-	**Funded pension obligations, net**	**6**	4	-	-	-
-	-	Present value of unfunded pension obligations	**116**	76	77	68	51
-	-	Unrecognised actuarial profit/(loss)	**(40)**	(5)	(10)	(6)	6
-	-	**Pension obligations, net**	**82**	75	67	62	57
-	-	Similar liabilities	**22**	18	17	15	16
-	-	**Pension obligations and similar obligations, total**	**104**	93	84	77	73
		Defined benefit plans					
-	-	Provisions for defined benefit plans beginning of year	**75**	67	62	57	51
-	-	Contributions to plan assets	**(5)**	(4)	-	-	-
-	-	Recognised in the current financial year	**12**	12	5	5	6
-	-	**Obligation regarding defined benefit plans year end**	**82**	75	67	62	57

6 Pensions and similar liabilities (continued)

The latest actuarial calculation of the pension obligations related to the defined benefit plans was made at 31 December 2012.

The actuarial calculations at the balance sheet date are based on the following factors:

	2012	2011	2010	2009	2008
Average discount rate used	**3.1%**	4.1%	5.0%	5.3%	6.5%
Expected return on plan assets	**2.9%**	3.6%	0.0%	0.0%	0.0%
Expected future rate of salary increase	**2.0%**	2.0%	3.0%	3.0%	3.0%

ALK Group

Amounts in DKKm	**2012**	2011
Change in present value of funded pension obligations		
Present value of funded pension obligations beginning of year	**31**	26
Interest expenses relating to the obligations	**1**	2
Actuarial (gains)/losses	**9**	-
Pension expenses	**4**	3
Present value of funded pension obligations year end	**45**	31
Change in fair value of plan assets		
Fair value of plan assets beginning of year	**27**	26
Contributions	**4**	4
Other expenses	**(1)**	(4)
Actuarial gains/(losses)	**8**	-
Expected return on plan assets	**1**	1
Fair value of plan assets year end	**39**	27

Plan assets solely consist of assets placed in pension companies. The pension companies place assets in investments classified as other assets than shares, bonds and property.

Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations beginning of year	**76**	77
Pension expenses	**3**	2
Interest expenses relating to the obligations	**3**	2
Actuarial (gains)/losses	**34**	(5)
Present value of unfunded pension obligations year end	**116**	76

The expected contribution for 2013 for the defined benefit plans is DKK 12 million (2012: DKK 12 million).

Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		7	Depreciation, amortisation and impairment		
			Depreciation and amortisation are allocated as follows:		
14	**28**		Cost of sales	**62**	45
9	**9**		Research and development expenses	**13**	13
1	**1**		Sales and marketing expenses	**20**	20
20	**21**		Administrative expenses	**29**	29
44	**59**		**Total**	**124**	107
		8	Special items		
-	**57**		Severance pay etc.	**61**	-
-	**3**		Other restructuring expenses	**3**	-
-	**60**		**Total**	**64**	-
			If special items had been recognised in operating profit before special items, they would have been included in the following items:		
-	**3**		Cost of sales	**5**	-
-	**1**		Research and development expenses	**6**	-
-	**1**		Sales and marketing expenses	**44**	-
-	**1**		Administrative expenses	**9**	-
-	**54**		Other operating expenses	**-**	-
-	**60**		**Total**	**64**	-

Special items represent one-off costs associated with the initiatives to streamline the business structure under the *simplify program* initiated in the 4th quarter of 2012.

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Note	Amounts in DKKm	ALK Group 2012	ALK Group 2011
		9	Financial income		
6	**6**		Interest on receivables from affiliates	**-**	-
20	**9**		Other interest income	**9**	21
167	**189**		Dividend from affiliates	**-**	-
193	**204**		**Financial income from financial assets not measured at fair values in the income statement**	**9**	21
9	**-**		Currency gains, net	**-**	9
202	**204**		**Total**	**9**	30
		10	Financial expenses		
1	**1**		Interest on payables to affiliates	**-**	-
8	**11**		Other interest expenses	**11**	8
9	**12**		**Financial expenses relating to financial liabilities not measured at fair values in the income statement**	**11**	8
-	**3**		Currency loss, net	**3**	-
9	**15**		**Total**	**14**	8
		11	Tax on profit for the year, continuing operations		
-	**(66)**		Current income tax	**61**	127
(4)	**17**		Adjustment of deferred tax	**(3)**	(7)
(19)	**4**		Prior year adjustments	**1**	1
(23)	**(45)**		**Total**	**59**	121
144	**(10)**		Profit before tax	**113**	321
36	**(3)**		Income tax, tax rate of 25 %	**28**	80
-	**-**		Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	**32**	30
(50)	**(48)**		Non-taxable income	**(2)**	(1)
10	**2**		Non-deductible expenses	**7**	5
(19)	**4**		Prior year adjustments	**1**	1
-	**-**		Other taxes and adjustments	**(7)**	6
(23)	**(45)**		**Tax on profit for the year, continuing operations**	**59**	121

Tax related to other comprehensive income for the ALK Group DKK 5 million. (2011: DKK 1 million) relates to fair value adjustments.

12 Past discontinued operations

In connection with the divestment of the ingredients business, Chr. Hansen A/S, in 2005, ALK-Abelló A/S assumed the usual representations and warranties towards the buyer, and a provision of DKK 140 million was recognised to cover specific risks. Furthermore, specific debt obligations related to the sale were recognised.

On expiry of the warranty period at the end of July 2012, the management assessed the company's liabilities towards the buyer, which resulted in a reversal of the provision of DKK 140 million and an adjustment of debt obligations by DKK 15 million. The total amount of DKK 155 million has been recognised as an adjustment of the original gain on the divestment of Chr. Hansen A/S and is presented separately in the income statement as Net profit, past discontinued operations. The recognition has not affected the company's cash flows or tax.

Notes to the financial statements

ALK Group

	2012	2011
13 Earnings per share		
Amounts in DKKm		
The calculation of earnings per share is based on the following:		
Net profit	**209**	200
Net profit, continuing operations	**54**	200
Net profit, past discontinued operations	**155**	-
Number in units		
Average number of issued shares	**10,128,360**	10,128,360
Average number of treasury shares	**(383,088)**	(231,175)
Average number of shares used for calculation of earnings per share	**9,745,272**	9,897,185
Average dilutive effect of outstanding share options	**42,716**	368
Average number of shares used for calculation of diluted earnings per share	**9,787,988**	9,897,553
Amounts in DKK		
Earnings per share (EPS), continuing company	**5.54**	20.21
Earnings per share (EPS), past discontinued operations	**15.91**	-
Earnings per share (EPS)	**21.45**	20.21
Diluted earnings per share (DEPS), continuing company	**5.51**	20.21
Diluted earnings per share (DEPS), past discontinued operations	**15.84**	-
Earnings per share (DEPS), diluted	**21.35**	20.21
14 Goodwill		
Amounts in DKKm		
Cost beginning of year	**428**	427
Currency adjustments	**1**	1
Cost year end	**429**	428
Amortisation and impairment beginning of year	**20**	19
Currency adjustments	**-**	1
Amortisation and impairment year end	**20**	20
Carrying amount year end	**409**	408

Goodwill has been subjected to an impairment test, which revealed no need for an impairment write-down. In the calculation of the value in use of cash-generating units, the cash flows in the latest, Management-approved budget for the coming financial year have been used. For financial years after the budget period, the cash flows in the most recent budget period have been extrapolated adjusted for a growth factor of 2% during the terminal period.

Estimated growth in revenue is based on historical data and expectations on future changes in the market.

The discount rate used is 10% after tax, 12% before tax (2011: 10% after tax, 12% before tax)

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		15	Other intangible assets		
			Software		
130	**153**		Cost beginning of year	**209**	186
20	**21**		Additions	**22**	21
-	**(4)**		Disposals	**(4)**	(1)
3	**-**		Transfer to/from other groups	**4**	3
153	**170**		**Cost year end**	**231**	209
117	**124**		Amortisation and impairment beginning of year	**177**	169
7	**8**		Amortisation for the year	**11**	9
-	**(4)**		Amortisation on disposals	**(4)**	(1)
124	**128**		**Amortisation and impairment year end**	**184**	177
29	**42**		**Carrying amount year end**	**47**	32
			The additions for the year includes of software development in progress (DKK 15 million).		
			Patents, trademarks and rights		
27	**27**		Cost beginning of year	**162**	158
-	**-**		Currency adjustments	**1**	-
-	**-**		Additions	**15**	4
27	**27**		**Cost year end**	**178**	162
25	**25**		Amortisation and impairment beginning of year	**40**	26
-	**1**		Amortisation for the year	**15**	14
25	**26**		**Amortisation and impairment year end**	**55**	40
2	**1**		**Carrying amount year end**	**123**	122
			Other		
6	**3**		Cost beginning of year	**59**	50
-	**-**		Currency adjustments	**-**	2
-	**-**		Additions	**19**	10
(3)	**-**		Transfer to/from other groups	**-**	(3)
3	**3**		**Cost year end**	**78**	59
-	**-**		Amortisation and impairment beginning of year	**2**	-
-	**-**		Amortisation for the year	**6**	2
-	**-**		**Amortisation and impairment year end**	**8**	2
3	**3**		**Carrying amount year end**	**70**	57
34	**46**		**Other intangible assets year end**	**240**	211
			Other intangible assets concern minor finished development projects and development projects in progress.		

Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		16	**Land and buildings**		
448	**450**		Cost beginning of year	**788**	770
-	**-**		Currency adjustments	**(2)**	3
1	**3**		Additions	**4**	5
-	**-**		Disposals	**(3)**	(3)
1	**115**		Transfer to/from other groups	**118**	13
450	**568**		**Cost year end**	**905**	788
127	**145**		Depreciation and impairment beginning of year	**227**	198
18	**21**		Depreciation for the year	**36**	32
-	**-**		Depreciation of disposals	**(2)**	(3)
145	**166**		**Depreciation and impairment year end**	**261**	227
305	**402**		**Carrying amount year end**	**644**	561
-	**-**		of which financing costs	**-**	-
-	**109**		of which assets held under finance leases	**129**	22
			Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The lease period for this land is unlimited.		
162	**152**		Value of land and buildings subject to mortgages	**152**	162
		17	**Plant and machinery**		
210	**216**		Cost beginning of year	**368**	335
-	**-**		Currency adjustments	**-**	1
3	**4**		Additions	**11**	19
-	**(10)**		Disposals	**(15)**	(3)
3	**104**		Transfer to/from other groups	**105**	16
216	**314**		**Cost year end**	**469**	368
111	**125**		Depreciation and impairment beginning of year	**192**	166
14	**24**		Depreciation for the year	**38**	29
-	**(10)**		Depreciation of disposals	**(15)**	(3)
125	**139**		**Depreciation and impairment year end**	**215**	192
91	**175**		**Carrying amount year end**	**254**	176

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		18	Other fixtures and equipment		
35	**37**		Cost beginning of year	**223**	226
1	**3**		Additions	**8**	9
-	**(7)**		Disposals	**(14)**	(16)
1	**1**		Transfer to/from other groups	**11**	4
37	**34**		**Cost year end**	**228**	223
20	**25**		Depreciation and impairment beginning of year	**161**	154
5	**5**		Depreciation for the year	**18**	21
-	**(7)**		Depreciation of disposals	**(14)**	(14)
25	**23**		**Depreciation and impairment year end**	**165**	161
12	**11**		**Carrying amount year end**	**63**	62
		19	Property, plant and equipment in progress		
273	**311**		Cost beginning of year	**437**	382
-	**-**		Currency adjustments	**(1)**	3
43	**54**		Additions	**164**	85
(5)	**(220)**		Transfer to/from other groups	**(238)**	(33)
311	**145**		**Cost year end**	**362**	437
311	**145**		**Carrying amout year end**	**362**	437
114	**-**		of which assets held under finance leases	**-**	114

Notes to the financial statements

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Note	Amounts in DKKm	ALK Group 2012	ALK Group 2011
		20	Investments in affiliates		
775	**842**		Cost beginning of year		
67	**-**		Capital contribution in affiliates		
842	**842**		**Cost year end**		
-	**-**		**Impairment year end**		
842	**842**		**Carrying amount year end**		
		21	Receivables from affiliates		
556	**543**		Cost beginning of year	**-**	27
243	**259**		Additions	**61**	-
(256)	**(183)**		Disposals	**-**	(27)
543	**619**		**Cost year end**	**61**	-
543	**619**		**Carrying amount year end**	**61**	-
			Receivables from affiliates are recognised as follows:		
425	**489**		Non-current assets	**-**	-
118	**130**		Current assets	**61**	-
543	**619**		**Total**	**61**	-
		22	Securities and receivables		
26	**34**		Cost beginning of year	**35**	28
8	**-**		Additions	**1**	8
-	**-**		Disposals	**-**	(1)
34	**34**		**Cost year end**	**36**	35
-	**-**		Revaluation and impairment at the beginning of the year	**-**	-
-	**20**		Revaluation for the year	**20**	-
-	**20**		**Revaluation and impairment year end**	**20**	-
34	**54**		**Carrying amount year end**	**56**	35

23 Deferred tax

ALK Group

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2012						
Carrying amount beginning of year	**(15)**	**(16)**	**59**	**6**	**13**	**47**
Recognised in the income statement, net	**(2)**	**(12)**	**(7)**	**19**	**5**	**3**
Carrying amount year end	**(17)**	**(28)**	**52**	**25**	**18**	**50**

Deferred tax at 31 December 2012 consists of deferred tax assets of DKK 69 million and deferred tax liabilities of DKK 19 million.

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2011						
Carrying amount beginning of year	(15)	(30)	35	18	32	40
Recognised in the income statement, net	-	14	24	(12)	(19)	7
Carrying amount year end	(15)	(16)	59	6	13	47

Deferred tax at 31 December 2011 consists of deferred tax assets of DKK 68 million and deferred tax liabilities of DKK 21 million.

ALK-Abelló A/S

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2012						
Carrying amount beginning of year	**(2)**	**2**	**21**	**1**	**2**	**24**
Recognised in the income statement, net	**(5)**	**(7)**	**(19)**	**14**	**-**	**(17)**
Carrying amount year end	**(7)**	**(5)**	**2**	**15**	**2**	**7**
2011						
Carrying amount beginning of year	(3)	(8)	3	1	27	20
Recognised in the income statement, net	1	10	18	-	(25)	4
Carrying amount year end	(2)	2	21	1	2	24

Deferred tax in both ALK-Abelló A/S and the ALK Group is recognised as tax assets in the balance sheet, since it is assessed to be probable that sufficient future taxable income will be generated for the deferred tax asset to be utilised. Deferred tax in Denmark is recognised at a tax rate of 25%.

ALK-Abelló A/S is included in national jointly taxation with the Lundbeck Foundation and its Danish subsidiaries.

Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		24	**Inventories**		
28	**20**		Raw materials and consumables	**97**	105
25	**25**		Work in progress	**95**	85
29	**29**		Manufactured goods and goods for resale	**103**	101
82	**74**		**Total**	**295**	291
4	**6**		Amount of write-down of inventories during the year	**12**	11
-	**2**		Amount of reversal of write-down of inventories during the year	**2**	1
			The total consumption of material included in cost of sales for 2012 amounted to DKK 174 million (2011: DKK 184 million).		
		25	**Receivables and prepayments**		
16	**15**		Trade receivables (gross)	**258**	264
			Allowances for doubtful trade receivables:		
-	**1**		Balance beginning of year	**10**	9
1	**(1)**		Change in allowances during the year	**-**	2
-	**-**		Realised losses during the year	**-**	(1)
1	**-**		Provision for doubtful trade receivables year end	**10**	10
15	**15**		**Trade receivables (net)**	**248**	254
			Allowances for doubtful trade receivables are based on an individual assesment of receivables		
			Trade receivables (net) can be specified as follows:		
11	**14**		Not due	**185**	160
			Overdue by:		
4	**1**		Between 1 and 179 days	**51**	85
-	**-**		Between 180 and 360 days	**10**	9
-	**-**		More than 360 days	**2**	-
15	**15**		**Trade receivables (net)**	**248**	254
			Other receivables		
-	**-**		VAT and other taxes	**22**	15
11	**18**		Miscellaneous receivables	**24**	16
11	**18**		**Total**	**46**	31
			Prepayments		
11	**20**		Operating expenses	**35**	27
1	**1**		Insurance	**4**	3
2	**3**		Other prepayments	**7**	6
14	**24**		**Total**	**46**	36
			The carrying amount is equivalent to the fair value of the assets.		

ALK-Abelló A/S				ALK Group	
2011	**2012**	Note	Amounts in DKKm	**2012**	2011
		26	Cash and cash equivalents		
529	**435**		Securities subject to insignificant risk of changes in value	**435**	529
166	**5**		Cash and bank deposits	**42**	225
695	**440**		**Cash and cash equivalents**	**477**	754
		27	Share capital		
			The share capital consists of:		
9	**9**		A shares, 920,760 shares of DKK 10 each	**9**	9
92	**92**		B shares, 9,207,600 shares of DKK 10 each	**92**	92
101	**101**		**Total nominal value**	**101**	101
			Each A share carries 10 votes, whereas each B share carries 1 vote.		
		28	Mortgage debt, bank loans and financial loans		
			Debt to mortgage credit institutions secured by real property		
			Mortgage debt is due as follows:		
1	**1**		Within 1 year	**1**	1
7	**8**		From 1-5 years	**8**	7
18	**16**		After 5 years	**16**	18
26	**25**		**Total**	**25**	26
			Bank loans and financial loans		
			Bank loans and financial loans are due as follows:		
-	**-**		Within 1 year	**4**	3
297	**298**		From 1-5 years	**303**	305
-	**-**		After 5 years	**-**	-
297	**298**		**Total**	**307**	308

Notes to the financial statements

28 Mortgage debt, bank loans and financial loans (continued)

ALK Group

	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value DKKm
31 December 2012						
Mortgage debt						
Mortgage debt*	**DKK**	**2028**	**Fixed**	**4.0**	**25**	**25**
					25	**25**
Bank loans and financial loans						
Leasing debt	**EUR, USD**	**2014-2016**	**Floating**	**3.5**	**9**	**8**
Other bank loans and financial loans	**EUR**	**2016**	**Fixed**	**3.1**	**298**	**298**
					307	**306**
31 December 2011						
Mortgage debt						
Mortgage debt	DKK	2028	Fixed	4.0	26	26
					26	26
Bank loans and financial loans						
Leasing debt	EUR, USD	2014-2016	Floating	3.5	11	11
Other bank loans and financial loans	EUR	2016	Fixed	3.1	297	297
					308	308

ALK-Abelló A/S

	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value DKKm
31 December 2012						
Mortgage debt						
Mortgage debt*	**DKK**	**2028**	**Fixed**	**4.0**	**25**	**25**
					25	**25**
Bank loans and financial loans						
Other bank loans and financial loans	**EUR**	**2016**	**Fixed**	**3.1**	**298**	**298**
					298	**298**
31 December 2011						
Mortgage debt						
Mortgage debt	DKK	2028	Fixed	4.0	26	26
					26	26
Bank loans and financial loans						
Other bank loans and financial loans	DKK	2016	Fixed	3.1	297	297
					297	297

* Mortage debt will be converted to floating interest at the beginning of 2013

ALK-Abelló A/S				ALK Group	
2011	**2012**		Amounts in DKKm	**2012**	2011
		29	Other provisions		
140	**140**		Other provisions beginning of year	**142**	150
-	**55**		Provisions made during the year	**60**	-
-	**-**		Used during the year	**-**	8
-	**140**		Reversals during the year	**141**	-
140	**55**		**Other provisions year end**	**61**	142
			Other provisions are recognised as follows:		
140	**6**		Non-current liabilities	**7**	142
-	**49**		Current liabilities	**54**	-
140	**55**		**Other provisions year end**	**61**	142
		30	Other current liabilities		
62	**45**		**Trade payables**	**136**	147
			Other payables		
67	**77**		Salaries, holiday payments, etc.	**181**	159
5	**9**		VAT and other taxes	**30**	26
46	**28**		Other payables	**118**	130
118	**114**		**Total**	**329**	315
			Prepayments		
74	**-**		Prepayments	**-**	74
74	**-**		**Total**	**-**	74
			The carrying amount is equivalent to the fair value of the liabilities		
		31	Changes in working capital		
32	**8**		Change in inventories	**(5)**	22
14	**(33)**		Change in receivables	**(19)**	22
187	**(141)**		Change in short-term payables	**(57)**	93
233	**(166)**		**Cash flow from working capital**	**(81)**	137
		32	Treasury shares		
226,975	**262,954**		Treasury shares beginning of year (B-shares), units	**262,954**	226,975
35,979	**191,866**		Purchase of treasury shares, units	**191,866**	35,979
262,954	**454,820**		**Treasury shares year end (B-shares), units**	**454,820**	262,954
2.6%	**4.5%**		Proportion of share capital year end	**4.5%**	2.6%
2.6	**4.5**		Nominal value year end	**4.5**	2.6
85	**175**		Market value year end	**175**	85

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

Notes to the financial statements

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Amounts in DKKm	ALK Group 2012	ALK Group 2011
		33 Contingent liabilities and commitments		
-	-	**Collaterals and guarantees**	**13**	9

Contingent liabilities and assets

The Board of Management assesses that the outcome of pending claims and other disputes will not have a material impact on the company's and the ALK Group's financial position.

In connection with the divestment of the ingredients business, Chr. Hansen A/S, in 2005, ALK-Abelló A/S has undertaken the usual representations and warranties towards the buyer. On the expiry of the warranty period at the end of July 2012, the management assessed the company's liability towards the buyer, which resulted in a reversal of a provision of DKK 140 million recognised to cover specific risks cf. note 12.

Liabilities relating to research and development projects are estimated at DKK 3 million at 31 December 2012 (31 December 2011: DKK 3 million).

Joint taxation scheme

ALK-Abelló A/S is part of a Danish Joint taxation scheme with the Lundbech Foundation. As from 1 July 2012, the company has partly a joint and several liability and partly a secondary liability with respect to any obligations to withholding tax on interest, royalties and dividends for the jointly-taxed companies. However, the secondary liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company.

Commitments

For information on land and buildings provided as security vis-à-vis credit institutions, see note 16.

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Amounts in DKKm	ALK Group 2012	ALK Group 2011
		34 Operating lease liabilities		
15	**14**	Minimum lease payments recognised in the income statement	**43**	39
		The total future minimum lease payments cf. interminable lease agreements:		
13	**13**	Within 1 year	**36**	35
3	**4**	From 1 - 5 years	**45**	41
-	-	After 5 years	**7**	10
16	**17**	**Total**	**88**	86
		35 Finance lease liabilities		
		Finance lease liabilities are due as follows:		
-	-	Within 1 year	**3**	3
-	-	From 1-5 years	**5**	8
-	-	After 5 years	**-**	-
-	-	**Total**	**8**	11
-	-	Amortisation premium for future expensing	**1**	1
-	-	**Present value of finance lease liabilities**	**7**	10

Finance leases concern leases of building

36 Exchange rate, interest rate and credit exposure and the use of derivative financial instruments

Financial risk management policy
As a result of its operations, its investments and its financing, the ALK Group is exposed to exchange and interest rate changes. For further information of exchange, interest rate and credit exposure see page 17. 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 exchange rate, interest rate and credit risk in connection with its commercial activities.

Exchange rate exposure
The ALK Group mainly hedges its foreign exchange exposure through matching of payments received and paid in the same currency and through forward exchange contracts and currency options.

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

Credit exposure
According to the Group's credit risk policy, all major customers and other business partners are credit rated regularly.

Sensitivities in 2012 in the event of a 10% increase in exchange rates

Amounts in DKKm	Revenue	EBITDA	Equity
USD	approx. 25	approx. 5	approx. 40
GBP	approx. 5	approx. 0	approx. 0

Sensitivities are unchanged from 2011.

Notes to the financial statements

36 Exchange rate, interest rate and credit exposure and the use of derivative financial instruments (continued)

Exchange rate exposure – recognised assets and liabilities
The ALK Group uses hedging instruments in the form of forward exchange contracts and currency options to hedge recognised assets and liabilities. Hedging of recognised assets and liabilities mainly comprises cash and cash equivalents, receivables and financial liabilities.

ALK Group

Amounts in DKKm	Cash and securities	Receivables	Liabilities	Amount hedged	Net position
31 December 2012					
DKK	**443**	**97**	**(220)**	**-**	**320**
USD	**-**	**63**	**(36)**	**-**	**27**
EUR	**13**	**267**	**(708)**	**-**	**(428)**
GBP	**5**	**12**	**(12)**	**-**	**5**
SEK	**1**	**8**	**(10)**	**-**	**(1)**
Other	**15**	**22**	**(12)**	**-**	**25**
Total	**477**	**469**	**(998)**	**-**	**(52)**
31 December 2011					
DKK	573	41	(409)	-	205
USD	3	52	(40)	-	15
EUR	158	241	(698)	297	(2)
GBP	(4)	8	(12)	-	(8)
SEK	1	19	(11)	-	9
Other	23	25	(17)	-	31
Total	754	386	(1,187)	297	250

ALK-Abelló A/S

Amounts in DKKm	Cash and securities	Receivables	Liabilities	Amount hedged	Net position
31 December 2012					
DKK	**434**	**106**	**(379)**	**-**	**161**
USD	**-**	**287**	**(31)**	**-**	**256**
EUR	**-**	**222**	**(341)**	**-**	**(119)**
GBP	**3**	**25**	**(2)**	**-**	**26**
SEK	**-**	**-**	**(14)**	**-**	**(14)**
Other	**3**	**90**	**(10)**	**-**	**83**
Total	**440**	**730**	**(777)**	**-**	**393**
31 December 2011					
DKK	699	46	(549)	-	196
USD	-	273	(25)	-	248
EUR	-	215	(419)	297	93
GBP	(4)	19	(2)	-	13
SEK	-	-	(13)	-	(13)
Other	-	64	(8)	-	56
Total	695	617	(1,016)	297	593

36 Exchange rate, interest rate and credit exposure and the use of derivative financial instruments (continued)

Exchange rate exposure – future transactions

The ALK Group hedges exchange rate exposure regarding future sales and purchases of goods in the coming six months by means of forward exchange contracts and currency options in accordance with the ALK Group policy. Open exchange rate hedging contracts are specified as follows, where contracts for the sale of currency are stated with a positive contract value:

The ALK Group and ALK-Abelló A/S has no open exchange rate hedging contracts regarding future transactions at 31 December 2012 or at 31 December 2011.

Interest rate exposure

Concerning the ALK Group's financial assets and financial liabilities, the earlier of the contractual revaluation and redemption dates are as follows. Effective interest rates are stated on the basis of the current level of interest rates on the balance sheet date. Future expected interest is not included in the overview.

ALK Group

	Revaluation/payment date					
Amounts in DKKm	Within 1 year	From 1-5 years	After 5 years	Total	Of these, fixed interest	Effective interest rate %*
31 December 2012						
Securities and receivables	**-**	**1**	**55**	**56**	**-**	
Trade receivables	**248**	**-**	**-**	**248**	**-**	
Other receivables	**165**	**-**	**-**	**165**	**-**	
Cash and cash equivalents	**477**	**-**	**-**	**477**	**-**	
Financial assets	**890**	**1**	**55**	**946**	**-**	
Mortgage debt, bank loans and financial loans	**5**	**311**	**16**	**332**	**323**	**3,1-4,0**
Trade payables	**136**	**-**	**-**	**136**	**-**	
Other financial liabilities	**346**	**-**	**-**	**346**	**-**	
Financial liabilities	**487**	**311**	**16**	**814**	**323**	
31 December 2011						
Securities and receivables	-	1	34	35	-	
Trade receivables	254	-	-	254	-	
Other receivables	96	-	1	97	-	
Cash and cash equivalents	754	-	-	754	50	1.0
Financial assets	1,104	1	35	1,140	50	
Mortgage debt, bank loans and financial loans	4	311	19	334	323	3,1-4,0
Trade payables	147	-	-	147	-	
Other financial liabilities	373	3	-	376	-	
Financial liabilities	524	314	19	857	323	

*) Effective interest rate of fixed interest-bearing financial assets and financial liabilities.

Notes to the financial statements

36 Exchange rate, interest rate and credit exposure and the use of derivative financial instruments (continued)

ALK-Abelló A/S

Amounts in DKKm	Revaluation/payment date: Within 1 year	From 1-5 years	After 5 years	Total	Of these, fixed interest	Effective interest rate %*
31 December 2012						
Securities and receivables	**-**	**-**	**54**	**54**	**-**	
Trade receivables	**15**	**-**	**-**	**15**	**-**	
Other receivables	**172**	**-**	**489**	**661**	**-**	
Cash and cash equivalents	**440**	**-**	**-**	**440**	**-**	
Financial assets	**627**	**-**	**543**	**1,170**	**-**	
Mortgage debt, bank loans and financial loans	**1**	**306**	**16**	**323**	**323**	**3,1-4,0**
Trade payables	**45**	**-**	**-**	**45**	**-**	
Other financial liabilities	**354**	**-**	**-**	**354**	**-**	
Financial liabilities	**400**	**306**	**16**	**722**	**323**	
31 December 2011						
Securities and receivables	-	-	34	34	-	
Trade receivables	15	-	-	15	-	
Other receivables	143	-	425	568	-	
Cash and cash equivalents	695	-	-	695	50	1.0
Financial assets	853	-	459	1,312	50	
Mortgage debt, bank loans and financial loans	1	303	19	323	323	3,1-4,0
Trade payables	62	-	-	62	-	
Other financial liabilities	417	-	-	417	-	
Financial liabilities	480	303	19	802	323	

*) Effective interest rate of fixed interest-bearing financial assets and financial liabilities.

36 Exchange rate, interest rate and credit exposure and the use of derivative financial instruments (continued)

Credit exposure

The ALK Group's primary credit exposure is related to trade receivables and cash and cash equivalents. The ALK Group has no major exposure relating to any one customer or business partner. According to the ALK Group's policy for assuming credit exposure, all customers and business partners are credit rated regularly.

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.

Categories of financial instruments

ALK-Abelló A/S			ALK Group	
2011	**2012**	Amounts in DKKm	**2012**	2011
543	**619**	Receivables from affiliates	**61**	-
5	**5**	Securities and receivables	**7**	6
15	**15**	Trade receivables	**248**	254
11	**18**	Other receivables	**46**	31
574	**657**	**Loans and receivables**	**362**	291
29	**49**	Securities and receivables	**49**	29
29	**49**	**Financial assets available for sale**	**49**	29
26	**25**	Mortgage debt	**25**	26
297	**298**	Bank loans and financial loans	**307**	308
62	**45**	Trade payables	**136**	147
299	**240**	Payables to affiliates	**-**	-
118	**114**	Other payables	**329**	315
802	**722**	**Financial liabilities measured at amortised cost**	**797**	796

Financial assets available for sale in 2011 consist of unlisted shares which according to the fair value hierarchy are classified as measured by valuation methods of which material information is not based on observable market data (level 3). In 2012 financial assets available for sale are, according to the fair value hierarchy, classified as measured by listed prices in an efficient market (level 1).

Notes to the financial statements

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Amounts in DKKm	ALK Group 2012	ALK Group 2011

37 Related parties

Related parties exercising control
Parties exercising control are ALK-Abelló A/S' principal shareholder, the Lundbeck Foundation.

Other related parties comprise ALK-Abelló A/S' Board of Management and Board of Directors, companies in which the principal shareholders exercise control, and such companies' affiliates, in this case H. Lundbeck A/S and Falck Holding A/S and their affiliates.

For an overview of subsidiaries, see page 67.

Affiliates

2011	2012	Amounts in DKKm		
		Intra-group trading comprised:		
536	**547**	Sale of goods		
36	**35**	Sale of services		
14	**11**	Purchase of goods		
45	**50**	Purchase of services		

In respect of amounts owed by and to affiliates, see the balance sheet. Receivables from affiliates in the ALK Group is outstanding company tax of DKK 61 million (2011: DKK 0 million). In 2012 ALK-Abelló A/S received DKK 0 million (2011: DKK 27 million) concerning outstanding company tax from the Lundbeck Foundation. ALK-Abelló A/S has paid dividends to the Lundbeck Foundation in 2012 constituting DKK 20 million (2011: DKK 19 million) Interest income and expenses regarding intra-group accounts are shown in notes 9 and 10 to the financial statement.

Intra-group transactions and accounts in the ALK Group have been eliminated in the consolidated financial statements in accordance with the accounting policies.

No security or guarantees have been issued for amounts outstanding at the balance sheet date. Receivables as well as debt will be settled against payment in cash. During the financial year, no bad debt losses have been realised regarding amounts owed by related parties, nor have any provisions been made for any such doubtful debts.

Remuneration etc. to Board of Directors and Board of Management
For information on remuneration paid to the ALK Group's Board of Directors and Board of Management, see note 4 to the financial statements.

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

38 Fees to the auditors elected by general meeting

Fees to the auditors, Deloitte, elected by general meeting:

ALK-Abelló A/S 2011	ALK-Abelló A/S 2012	Amounts in DKKm	ALK Group 2012	ALK Group 2011
1	**1**	Audit	**2**	2
-	**-**	Audit related services	**-**	1
-	**1**	Tax advisory services	**1**	1
-	**-**	Other services	**1**	1
1	**2**	**Total**	**4**	5

List of companies in the ALK Group

31 December 2012 (wholly owned unless otherwise stated). Nominal capital in 1,000.

Denmark

ALK-Abelló A/S — DKK 101,284
CVR no. 63 71 79 16
Hørsholm

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

Sweden

ALK-Abelló Nordic A/S (branch)
Kungsbacka

Norway

ALK-Abelló Nordic A/S (branch)
Oslo

Finland

ALK-Abelló Nordic A/S (branch)
Helsinki

United Kingdom

ALK-Abelló Ltd. — GBP 1
Reading

France

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

Germany

ALK-Abelló Arzneimittel GmbH — EUR 1,790
Hamburg

Austria

ALK-Abelló Allergie-Service GmbH — EUR 73
Linz

Switzerland

ALK-Abelló AG — CHF 100
Volketswil

ALK AG
Volketswil — CHF 1,000

Netherlands

ALK-Abelló B.V. — EUR 23
Nieuwegein

Artu Biologicals Europe B.V. — EUR 182
Lelystad
Wholly owned by ALK-Abelló B.V.

Artu Biologicals Onroerend Goed B.V. — EUR 18
Lelystad
Wholly owned by ALK-Abelló B.V.

Spain

ALK-Abelló S.A. — EUR 4,671
Madrid

Italy

ALK-Abelló S.p.A. — EUR 3,680
Milan
Wholly owned by ALK-Abelló S.A.

Poland

ALK-Abelló sp. z o.o — PLN 325
Warsaw

USA

ALK-Abelló, Inc. — USD 50
Austin

ALK-Abelló, Source Materials, Inc. — USD 5
Spring Mills

Canada

ALK-Abelló Pharmaceuticals, Inc. — CAD 3,000
Mississauga

China

ALK-Abelló A/S (branch)
Hong Kong

Definitions

Invested capital	Intangible assets, tangible assets, inventories and current receivables reduced by liabilities except for mortgage debt, bank loans and financial loans
Gross-margin – %	Gross profit x 100 / Revenue
EBITDA margin – %	Operating profit before depreciation and amortisation x 100 / Revenue
Net asset value per share	Equity end of period / Number of shares end of period
ROAIC – %	Return on average invested capital (Operating profit x 100 / Average invested capital)
Pay-out ratio - %	Proposed dividend x 100 / Net profit/ (loss) for the year
Earnings per share (EPS)	Net profit/ (loss) for the period / Average number of outstanding shares
Earnings per share (DEPS), diluted	Net profit/ (loss) for the period / Average number of outstanding shares
Cash flow per share (CFPS)	Cash flow from operating activities / Average number of outstanding shares
Price earnings ratio (PE)	Share price / Earnings per share
CAGR	Compound annual growth rate
Markets	Geographical markets (based on customer location): • Northern Europe comprises the Nordic region, UK and the Netherlands • Central Europe comprises Germany, Austria, Switzerland, Poland and minor selected markets in Eastern Europe • Southern Europe comprises Spain, Italy, France, Greece, Portugal and minor markets in Southern Europe • Other markets comprise USA, Canada, China and rest of world

Key figures are calculated in accordance with "Recommendations and Ratios 2010" issued by the Danish Society of Financial Analysts.

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

Amounts in DKKm	**2012**	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Income statement					
Revenue	**2,345**	615	608	515	607
Cost of sales	**648**	169	154	163	162
Research and development expenses	**511**	135	113	136	127
Sales and marketing expenses	**801**	195	193	216	197
Administrative expenses	**203**	50	49	54	50
Operating profit/ (loss) (EBIT) before special items	**182**	66	99	(54)	71
Special items	**(64)**	(64)	-	-	-
Operating profit/ (loss) (EBIT)	**118**	2	99	(54)	71
Net financial items	**(5)**	(3)	(6)	9	(5)
Profit before tax (EBT)	**113**	(1)	93	(45)	66
Net profit, continuing operations	**54**	(15)	56	(27)	40
Net profit, past discontinued operations	**155**	-	-	155	-
Net profit	**209**	(15)	56	128	40
Operating profit before depreciation and amortisation (EBITDA) before special items	**306**	96	131	(23)	102
Operating profit before depreciations (EBITDA)	**242**	32	131	(23)	102
Average number of employees	**1,828**	1,861	1,846	1,822	1,796
Revenue by market:					
Northern Europe	**406**	111	98	98	99
Central Europe	**712**	187	173	155	197
Southern Europe	**698**	193	135	159	211
Other markets	**293**	81	69	74	69
Other revenue	**236**	43	133	29	31
Revenue by product line					
SCIT	**987**	271	235	218	263
SLIT	**734**	204	155	163	212
AIT	**202**	48	38	59	57
Other products	**186**	49	47	46	44
Total net sales	**2,109**	572	475	486	576
Other revenue	**236**	43	133	29	31
Total revenue	**2,345**	615	608	515	607
Growth in revenue in local currency by product line - %:					
SCIT	**(1)**	(2)	(5)	4	0
SLIT	**0**	(1)	3	(7)	4
AIT	**10**	(1)	(2)	27	12
Vaccines, total	**0**	(1)	(2)	2	3
Other products	**(11)**	30	35	8	(53)
Total net sales	**(1)**	1	1	3	(6)
Total revenue	**(1)**	6	17	(2)	(18)
Balance sheet					
Total assets	**3,282**	3,282	3,271	3,207	3,343
Invested capital	**2,014**	2,014	2,038	2,002	1,636
Equity	**2,284**	2,284	2,317	2,278	2,140
Cash flow and investments					
Depreciation, amortisation and impairment	**124**	30	32	31	31
Cash flow from operating activities	**91**	96	66	(116)	45
Cash flow from investing activities	**(243)**	(100)	(48)	(45)	(50)
– of which investment in tangible assets	**(183)**	(58)	(41)	(38)	(46)
Free cash flow	**(152)**	(4)	18	(161)	(5)
Information on shares					
Share capital	**101**	101	101	101	101
Shares in thousands of DKK 10 each	**10,128**	10,128	10,128	10,128	10,128
Share price, end quarter - DKK	**389**	389	374	348	417
Net asset value per share - DKK	**226**	226	229	225	212
Key figures					
Gross margin – %	**72**	73	75	68	73
EBITDA margin before special items – %	**13**	16	22	(4)	17
EBITDA margin – %	**10**	5	22	(4)	17
Earnings per share (EPS) - DKK	**21.45**	(1.55)	5.76	13.11	4.08
Earnings per share (EPS), continuing operations - DKK	**5.54**	(1.55)	5.76	(2.77)	4.08
Earnings per share (DEPS), diluted - DKK	**21.35**	(1.55)	5.73	13.04	4.08
Earnings per share (DEPS), diluted, continuing operations - DKK	**5.51**	(1.55)	5.73	(2.77)	4.08
Cash flow per share (CFPS) - DKK	**9.34**	8.88	7.81	(11.88)	4.59
Cash flow pr. aktie (CFPS), continuing operations – DKK	**9.34**	8.88	7.81	(11.88)	4.59
Share price / Net asset value	1.7	1.7	1.6	1.5	2.0

*) Management's review comprises pages 1-25 as well as Financial highlights and key ratios for the ALK Group on the back cover.
Definitions: see page 68

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