Selskabsmeddelelse nr. 6/2014

Hørsholm

5. februar 2014

ALK offentliggør årsrapport for 2013

ALK (ALKB:DC / OMX: ALK B / AKABY / AKBLF): Omsætning og primært driftsresultat (EBITDA) var i overensstemmelse med forventningerne. ALK opfyldte dermed forventningerne til året. Nettoomsætningen var DKK 2.244 mio. (2.345), og EBITDA før særlige poster blev DKK 258 mio. (306).

2013 var kendetegnet af udfordrende europæiske markeder, men det lykkedes ALK at øge sine markedsandele og den europæiske omsætning. Produktsalget uden for Europa fortsatte også med at stige. Der blev gjort væsentlige fremskridt mod en godkendelse af de to første SLIT-tabletter i USA (GRASTEK™ og RAGWITEK™), og udviklingen af den nye SLIT-tablet mod allergisk rhinitis og allergisk astma forårsaget af husstøvmider, forløber planmæssigt i forhold til ansøgning om registrering i Europa i 2014.

ALK forventer, at både omsætningen og det primære driftsresultat (EBITDA) stiger i 2014. EBITDA før særlige poster og indtjening fra produktleverancer samt salgsroyalties i Nordamerika forventes at blive DKK 225-400 mio. Den høje ende af intervallet forudsætter, at ALK får de tre milepælsbetalinger fra Merck, ALKs partner i Nordamerika. Eventuel indtjening fra produktleverancer og salgsroyalties i Nordamerika er ikke medregnet i intervallet. Omsætning, eksklusive SLIT-tabletter og relaterede milepælsbetalinger i Nordamerika, forventes at udgøre DKK 2,15-2,2 mia. DKK.

Bestyrelsen indstiller til generalforsamlingen, at der udbetales et udbytte på DKK 5 pr. aktie.

Se side 4 i vedlagte årsrapport for 2013 for hovedpunkter for året og fjerde kvartal.

Bestyrelsen indstiller til generalforsamlingen, at årsrapporten kun offentliggøres på engelsk. Et kort resume på dansk vil snarest være tilgængeligt på www.alk-abello.com/investor.

Audiocast

ALK afholder i dag kl. 14.00 (CET) en telefonkonference for investorer og analytikere, hvor ledelsen fremlægger resultater og forventninger samt besvarer spørgsmål. Mødet audiocastes på www.alk-abello.com/investor.

Deltagere i telefonkonferencen bedes ringe ind senest kl. 13.55 (CET). Danske deltagere skal ringe på tlf. 7026 5040 eller 7027 9009, mens internationale deltagere skal ringe på tlf. +44 20 8817 9301. Telefonkonferencen kan også følges live på hjemmesiden, hvor den tilhørende præsentation vil være tilgængelig kort før start.

ALK-Abelló A/S

Jens Bager
Adm. Direktør

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Annual report
2013

Content

Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm**	DKK 2013	DKK 2012	DKK 2011	DKK 2010	DKK 2009	EUR 2013	EUR 2012
Income statement							
Revenue	**2,244**	2,345	2,348	2,159	1,972	**301**	314
Operating profit before depreciation (EBITDA) before special items	**258**	306	406	287	260	**35**	41
Operating profit before depreciation (EBITDA)	**236**	242	406	287	260	**32**	32
Operating profit (EBIT) before special items	**131**	182	299	192	175	**18**	24
Operating profit (EBIT)	**109**	118	299	192	175	**15**	16
Net financial items	**(5)**	(5)	22	15	15	**(1)**	(1)
Profit before tax (EBT)	**104**	113	321	207	190	**14**	15
Net profit, continuing operations	**61**	54	200	128	118	**8**	7
Net profit, past discontinued operations	**-**	155	-	-	-	**-**	21
Net profit	**61**	209	200	128	118	**8**	28
Average number of employees	**1,804**	1,828	1,724	1,612	1,513	**1,804**	1,828
Balance sheet* **							
Total assets	**3,268**	3,295	3,355	2,833	2,655	**438**	442
Invested capital	**2,104**	1,974	1,639	1,713	1,504	**282**	265
Equity	**2,249**	2,257	2,163	2,011	1,924	**301**	303
Cash flow and investments							
Depreciation, amortisation and impairment	**127**	124	107	95	85	**17**	17
Cash flow from operating activities	**146**	91	431	274	260	**20**	12
Cash flow from investing activities	**(231)**	(243)	(160)	(345)	(258)	**(31)**	(33)
– of which investment in tangible assets	**(186)**	(183)	(118)	(138)	(187)	**(25)**	(25)
– of which acquisitions of companies and operations	**-**	-	-	(178)	(23)	**-**	-
Free cash flow	**(85)**	(152)	271	(71)	2	**(11)**	(20)
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	**614**	389	321	322	409	**82**	52
Net asset value per share – DKK/EUR	**222**	223	214	199	190	**30**	30
Key figures							
Gross margin – %	**69**	72	74	70	70	**69**	72
EBITDA margin before special items – %	**11**	13	17	13	13	**11**	13
EBITDA margin – %	**11**	10	17	13	13	**11**	10
Return on equity (ROE) – %	**3**	9	10	7	6	**3**	9
ROAIC – %	**5**	6	18	12	12	**5**	6
Pay-out ratio – %	**84**	24	26	40	43	**84**	24
Earnings per share (EPS) – DKK/EUR	**6.31**	21.45	20.21	12.91	11.85	**0.85**	2.87
Earnings per share (EPS), continuing operations – DKK/EUR	**6.31**	5.54	20.21	12.91	11.85	**0.85**	0.74
Earnings per share (DEPS), diluted – DKK/EUR	**6.24**	21.35	20.21	12.91	11.85	**0.84**	2.86
Earnings per share (DEPS), diluted, continuing operations – DKK/EUR	**6.24**	5.51	20.21	12.91	11.85	**0.84**	0.74
Cash flow per share (CFPS) – DKK/EUR	**15.11**	9.34	43.49	27.65	26.11	**2.01**	1.25
Cash flow pr. share (CFPS), continuing operations – DKK/EUR	**15.11**	9.34	43.49	27.65	26.11	**2.01**	1.25
Price earnings ratio (PE)	**97**	18	16	25	35	**97**	18
Share price/Net asset value	**2.8**	1.7	1.5	1.6	2.1	**2.8**	1.7
Revenue growth – %							
Organic growth	**(4)**	(1)	(5)	4	9	**(4)**	(1)
Exchange rate differences	**-**	1	(1)	2	(1)	**-**	1
Acquisitions	**-**	-	4	5	-	**-**	-
Total growth revenue	**(4)**	-	9	9	9	**(4)**	-

* Management's review comprises pages 1-27 as well as Financial highlights and key ratios for the ALK Group on page 69.
** 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 2013 (EUR 100 = DKK 746).
*** The figures have been restated to reflect the implementation of the amendment to IAS19 cf. note 1.

Definitions: see page 58

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 by preventing and curing 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 sublingual 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).

Revenue DKK

> 2.2 billion

Employees

1,800

Approx.

SLIT-tablets:

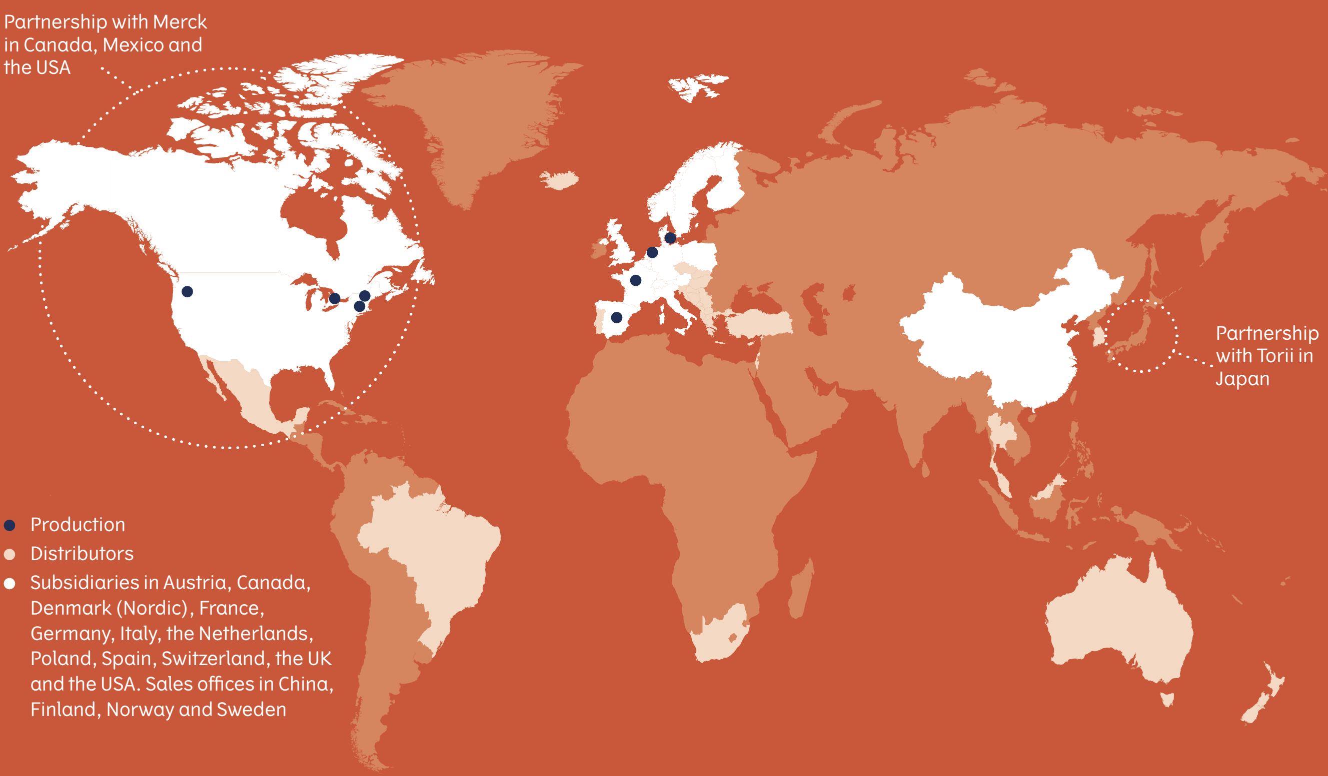
> 15,000

patients in clinical development programmes

In recent years, ALK has invested more than 20% of its revenue in research and development of new, evidence-based allergy immunotherapy products. Our pipeline comprises sublingual immunotherapy tablets (SLIT-tablets) against ragweed, house dust mite and tree pollen allergies, and ALK has already launched a SLIT-tablet against grass pollen allergy in Europe and Canada.

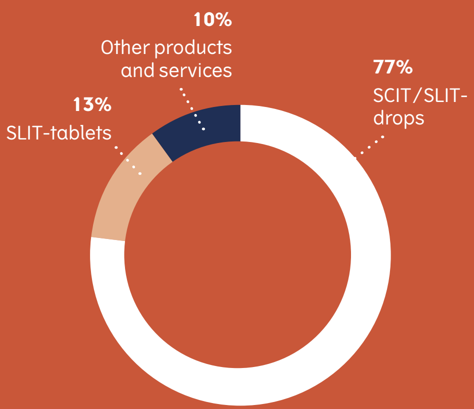
ALK has approximately 1,800 employees with subsidiaries, production facilities and distributors worldwide. The company is headquartered in Hørsholm, Denmark, and listed on NASDAQ OMX Copenhagen (OMX: ALK B).

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 SLIT-tablets in North America and Japan, respectively.

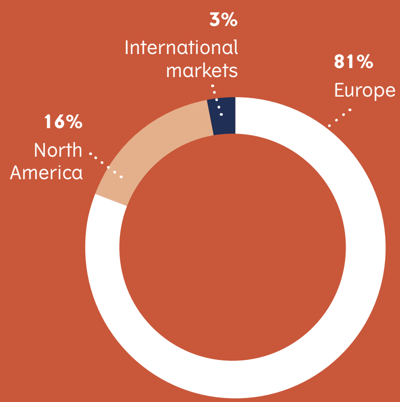


- Production
- Distributors
- Subsidiaries in Austria, Canada, Denmark (Nordic), France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland, the UK and the USA. Sales offices in China, Finland, Norway and Sweden

Total revenue – by product line



Total revenue – by market



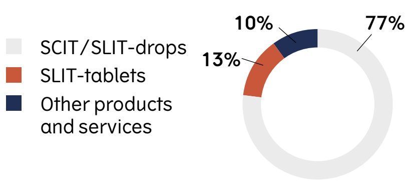
Highlights

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

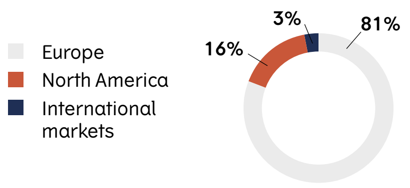
Q4 2013
Revenue and operating profit (EBITDA) in Q4 were in line with expectations and ALK met its full-year outlook. AIT sales grew by 3%, driven by Germany, France, the Nordic region, North America and China. SLIT-tablets experienced renewed growth in Europe. As anticipated, Group revenue decreased 2% due to lower milestone payments and a product recall for Jext®. Despite costs related to the recall and lower partner income, EBITDA before special items increased by 15% as a result of improved organisational efficiencies and lower capacity costs. Key figures are as follows:

- Group revenue was DKK 593 million (615)
- 2% growth in sales of SCIT and SLIT-drops
- 10% growth in sales of SLIT-tablets (GRAZAX®) in Europe
- 24% decline in revenue from other products and services caused by the Jext® product recall
- EBITDA before special items of DKK 110 million (96)

Total revenue by product line



Total revenue by market



Full-year 2013
2013 was characterised by challenging European markets but ALK succeeded in increasing its market shares and growing its European revenue. Product sales outside Europe also continued to grow. Significant progress was made towards the approval of the first two SLIT-tablets in the USA (GRASTEK™ and RAGWITEK™), and the new SLIT-tablet – targeting house dust mite-induced allergic rhinitis and allergic asthma – is on course for a European filing in 2014.

- Group revenue declined 4% to DKK 2,244 million as a result of lower milestone payments
- Revenue grew by 1% in Europe and 21% in North America
- Sales of SCIT and SLIT-drops were stable at DKK 1,719 million
- SLIT-tablet sales in Europe were stable with an upturn in Q4
- 19% growth in sales of other products and services
- EBITDA before special items of DKK 258 million (306)
- EBITDA after special items of DKK 236 million (242)

Outlook for 2014
ALK expects to grow revenue and increase EBITDA in 2014. EBITDA is expected to be DKK 225-400 million before special items and income from product supply and potential sales royalties in North America. The higher end of this range assumes three product development milestone payments from Merck, ALK's partner for North America. Additionally, ALK may recognise income from product supply and sales royalties in North America which have not been included in this outlook. Revenue, excluding SLIT-tablets and related milestone payments in North America, is projected to be DKK 2.15-2.2 billion. Further details on the Outlook can be seen on page 13.

New revenue segmentation

ALK has changed the presentation of revenue to reflect its business priorities. The new breakdown illustrates revenue in ALK's three main geographies as well as its three main product groups.

Europe: ALK's sales of products, services, etc. in Europe.

North America: ALK's product sales in the USA, Canada and Mexico as well as income streams from the partnership with Merck for North America.

International markets: ALK's product sales in China, other overseas markets as well as income streams from partnerships in overseas markets, including the partnership with Torii in Japan.

SCIT and SLIT-drops: ALK's aggregated sales of subcutaneous injection-based allergy immunotherapy (SCIT) products and sublingual drop-based allergy immunotherapy products (SLIT-drops).

SLIT-tablets: ALK's sales of sublingual tablet-based allergy immunotherapy products (previously termed AIT tablets) as well as revenue from partnerships, including product supply, reimbursements, milestones and royalties.

Other products and services: ALK's revenue from adrenaline pens, diagnostics, other products and services.

Comparative financial figures from 2012 have been restated to reflect this new breakdown. Please refer to Note 3 for additional information.

Management's review

Operational review

ALK specialises in the development and manufacture of allergy immunotherapy (AIT) products for the prevention and treatment of allergy. As the world's largest manufacturer of AIT products, the company works to extend access to its products to patients worldwide, while continuing to develop convenient, clinically documented products that advance allergy treatment.

The majority of ALK's current global sales come from Europe via the company's own sales and distribution network. In the USA and Japan, ALK is working with strategic partners Merck and Torii to register and launch its innovative SLIT-tablet portfolio in the world's two largest pharmaceutical markets. ALK also has its own presence in North America and China and its products are available in other countries via a network of distributors.

2013 was characterised by significant pipeline progress as well as the first two SLIT-tablets in North America (GRASTEK™ and RAGWITEK™) moving closer to a possible market introduction.

Increased market share in Europe
European revenue accounted for 81% of Group revenue in 2013 (77% in 2012). Although several countries saw low or negative market growth, ALK succeeded in increasing its overall market share and grew overall European product sales as a consequence of increased AIT product sales in selected markets and the recently launched adrenaline auto-injector Jext®.

Throughout Europe, newer products such as SLITone ULTRA®, AVANZ®, Jext® and GRAZAX® increased their proportion of overall sales, an important factor in ALK's move to simplify its portfolio by phasing out lower-volume products.

Growth in other markets
ALK's revenue in non-European markets accounted for 19% of total revenue (23% in 2012). The most important overseas market was North America, where ALK grew sales of diagnostic products and allergen extracts. ALK also increased sales in China and in a number of minor markets operated by distributors.

In addition to overseas product sales, ALK recognised income from its partners in North America and Japan, although at a lower level than in 2012.

It remains a strategic priority to grow non-European revenue and to increase access to overseas markets, which are expected to offer greater growth potential than Europe for the foreseeable future.

A breakdown of ALK's revenue on markets and products can be seen on pages 7-8.

Facts and glossary:

Immunotherapy treats the cause of allergy

Allergy immunotherapy (AIT) is a treatment which can both reduce allergic symptoms and treat the underlying cause of a specific allergy. AIT also holds the potential to prevent the progression of allergic disease into asthma or other allergies.

AIT works by increasing the body's immunological tolerance to specific allergens following repeated administrations of high doses of the relevant allergen. As a result, the basic immunological response to the allergen is altered.

Allergy immunotherapy can be administered in three different ways:

Subcutaneous injection-based allergy immunotherapy (SCIT): Administered as a series of injections by an allergy specialist, SCIT is the most common form of allergy immunotherapy in Europe and is currently the dominant treatment option in North America. Elsewhere, allergy immunotherapy is rare in Japan, and is in its infancy in China.

Sublingual drop-based allergy immunotherapy (SLIT-drops): SLIT-drops, applied under the tongue, offer a more convenient treatment option as patients can use the drops at home. SLIT-drops are particularly suitable for patients who experience discomfort with SCIT or have a fear of needles. SLIT-drops are common in a few European countries, most notably France. SLIT-drops are rare in North America and Japan.

Sublingual tablet-based allergy immunotherapy (SLIT-tablets): SLIT-tablets are supported by extensive clinical evidence demonstrating their safety, efficacy and disease-modifying characteristics. As with SLIT-drops, tablets can be taken at home. ALK's tablet for grass allergy is available in Europe under the trade name GRAZAX® and has recently been approved and launched in Canada under the trade name GRASTEK®. In the USA, the tablet is currently being reviewed by the US Food and Drug Administration (FDA) following a registration application by Merck. The proposed trade name of the tablet in the USA is GRASTEK™. Merck has also filed a US registration application for a tablet to treat ragweed-induced allergy (proposed trade name RAGWITEK™) and further tablets are in development for patients in Europe, North America and Japan.

ALK's product portfolio comprises all three types of treatment – SCIT, SLIT-drops and SLIT-tablets – and covers the most common allergies, including grass, ragweed, house dust mite, tree (birch), cat, bee and wasp.

SCIT-products and SLIT-drops are commonly administered on a named patient basis by allergy specialists. Named patient products are used under the responsibility of the prescribing doctor and produced specifically for a named patient. SLIT-tablets are standardised and approved for use under prescription from a doctor with expertise in the treatment of allergies.

Partner progress in North America
2013 saw important progress towards the company's goal of globalising its SLIT-tablet portfolio, with two Biologic License Applications (BLAs) submitted by ALK's partner Merck.

The first of these, for GRASTEK™, was reviewed by the Allergenic Products Advisory Committee of the US Food and Drug Administration (FDA) on 12 December. The committee voted unanimously that the available data support the product's efficacy and safety in patients aged five to 65 years.

The BLA for RAGWITEK™ was also referred to a meeting of the Allergenic Products Advisory Committee, held on 28 January 2014. The committee voted that the available data support the efficacy and safety of RAGWITEK™.

The US allergy immunotherapy market is currently dominated by injection-based SCIT treatments which are prepared by specialists for individual patients. If approved, the new tablet products would be the first in their class, representing an important advance for allergy immunotherapy treatment in the USA.

Details on partnership progress can be seen on pages 9-11.

Working to unlock allergic asthma
Development work continues on the SLIT-tablet range, to cover further allergens, and to support entry into additional markets.

In 2013, two important Phase III clinical trials with the house dust mite SLIT-tablet both yielded positive results. House dust mites are the most common cause of allergy in the world and are an important risk factor for the development of allergic asthma. This new product, which targets house dust mite-induced allergic rhinitis and allergic asthma, remains on course for a European regulatory filing during 2014.

The potential of SLIT-tablets in asthma prevention is also being investigated in a five-year GRAZAX® trial, due to complete in 2015, which is looking at preventing the development of grass allergy into allergic asthma in children and adolescents.

Details on ALK's own development programmes can be seen on pages 9-11.

Scaling up production capacity
In anticipation of the launch and take-up of the new SLIT-tablets in Europe, the USA and Japan, ALK has scaled up active ingredient production for the grass and ragweed products and is investing in future capacity for house dust mites.

Strategic development
ALK's strategy plan, Focus 2016, was launched in 2012. Tangible results include progress in developing and commercialising the SLIT-tablet portfolio, and the early realisation of savings following the streamlining of ALK's business structure and simplification of its product supply network. A full progress report can be seen on page 12.

Markets and products

The world market for allergy immunotherapy

In 2013, estimated global sales of allergy immunotherapy (AIT) products remained largely unchanged at approximately DKK 5.8 billion. The landscape is still dominated by Europe and the USA which, together, account for approximately 95% of global sales (95). Within this picture, sales in Europe declined slightly while sales in North America and International markets grew.

In Europe, approximately 1.5 million patients are being treated using allergy immunotherapy – more than a third of these with ALK products. Despite this success, it is estimated that several million additional patients, who experience moderate to severe allergy symptoms, would also benefit from treatment. Outside Europe, approximately 900,000 patients are being treated with ALK products or products based on allergen extracts from ALK; the vast majority in the USA where, in all, almost three million patients are being treated with products prepared by specialists using allergen extracts.

At a global level, SCIT continues to be the dominant treatment with SLIT-drops currently the second most widely used. The heartland for SLIT-drops is in certain parts of central and southern Europe, but in several markets their use is in decline as unregistered products face tighter regulation.

The market for SCIT and SLIT-drops remains relatively fragmented, with a number of local manufacturers. Meanwhile, the market for SLIT-tablets is divided among just two manufacturers.

ALK has an estimated one-third of the global allergy immunotherapy market and accounts for 60% of global SLIT-tablet sales. These assessments are based on internal analyses and estimates.

European markets

Over recent years, several European countries have legislated to restrict pricing and reimbursement of medicines. At the same time, economic hardship in southern Europe has forced some patients to hold back from treating their allergies because they would have to pay a substantial part of the costs themselves.

This trend continued in 2013, when small price cuts were mandated in Sweden and Finland, while in the Netherlands, authorities raised the level of patient co-payment by 50% for all prescription drugs, while also moving to phase out any unregistered allergy immunotherapy products. One piece of positive news came from Germany, with the new government announcing that, from 1 January 2014, it would partly ease the mandatory rebate that was introduced in 2010.

The demand for clinical data in support of older products is not just limited to the Netherlands, but is part of a Europe-wide trend. Although this has placed increased demands on the industry, the move towards thoroughly documented products is expected to benefit ALK in the long run. This is because, unlike many of its smaller competitors, ALK is able to make the necessary investments to meet the more stringent regulations.

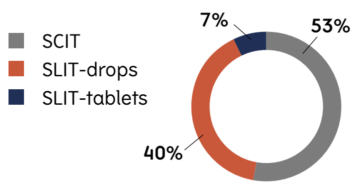
One consequence of the move to tighter regulation will be the creation of further opportunities for newer products, such as the company's SLIT-tablet portfolio. To capitalise on this, ALK will allocate further resources to market shaping activities in 2014 ahead of the anticipated launch of the SLIT-tablet against house dust mite-induced respiratory diseases.

Market conditions outside Europe

In the USA and Japan – the world's two largest markets for pharmaceutical products – ALK's partnerships with Merck and Torii will be instrumental in unlocking the potential for allergy immunotherapy treatment.

Japan in particular, has an underdeveloped allergy immunotherapy market, despite having one of the highest prevalences of allergies in the world. Several other markets, including China, also experience a rapidly increasing number of allergy sufferers.

Global sales of AIT products were approximately DKK 5.8 billion in 2013



ALK's revenue by geographies

Europe
In 2013, revenue in Europe grew by 1% to DKK 1,827 million (1,809). Europe thus accounted for 81% of ALK's total revenue (77). Growth was primarily attributable to the adrenaline auto-injector Jext®.

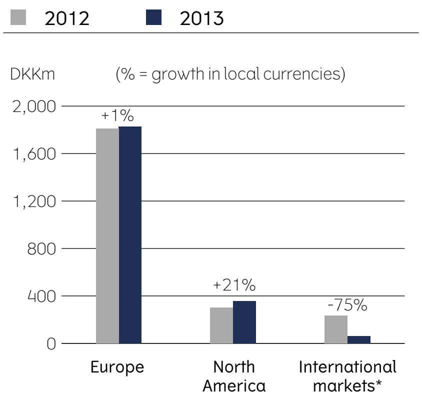
Although still influenced by difficult market conditions, ALK's European AIT sales stabilised and generated full-year revenue of DKK 1,699 million (1,704) with sales estimated to have outgrown the underlying markets. In the latter part of the year, AIT sales showed early signs of an upturn in some markets, particularly Germany. As a result, SCIT/SLIT-drop sales grew by 2% in Q4 while SLIT-tablet sales grew by 10% in Q4.

Nevertheless, conditions in Germany, which is Europe's largest allergy immunotherapy market, continued to be affected by earlier political austerity measures and increased regulatory requirements. Despite these challenges, ALK is estimated to have increased its German market share against a slightly declining market, as a result of the various growth initiatives that were announced in late-2012.

Sales in France, the second largest allergy immunotherapy market in Europe, continued to grow. The growth initiatives introduced in 2012 contributed to this development. Consequently, ALK is estimated to have gained market share. In September 2012, ALK entered into a co-promotion agreement with MSD (known as Merck in the USA and Canada) for GRAZAX® in France. This agreement came to an end in December 2013.

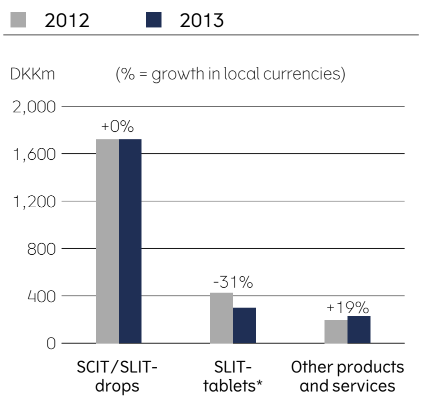
AIT sales also grew in the Nordic region (Denmark, Sweden, Norway and Finland) and in eastern Europe. Sales continued to

Revenue – by market



* Revenue from International markets also includes income from partners, such as milestone payments.

Revenue – by product line



* Revenue from SLIT-tablets also includes income from partners, such as milestone payments.

decline in Italy, largely due to the economic crisis and reduced public medicine reimbursement, while in Spain, the market conditions showed early signs of recovery.

North America
Revenue in North America grew by 21% to DKK 356 million (300) and the region accounted for 16% of ALK's total revenue (13). Growth was fuelled by a milestone payment from Merck as well as increased product supply to Merck ahead of the anticipated 2014 product launches. ALK's own product sales also showed robust growth.

Sales of allergen extracts to specialists in the USA and Canada grew by 6% to DKK 176 million and sales of other products, such as PRE-PEN®, which is the only FDA-approved penicillin allergy skin test reagent, also recorded a 6% growth.

International markets
Revenue in International markets amounted to DKK 61 million (236) which represents 3% of ALK's total revenue (10). The decline was entirely caused by significantly lower milestone payments. Product sales from ALK's Chinese franchise continued to grow by double digits and ALK also increased its shipments to minor distributor-operated markets in the Middle East, Asia and Africa.

ALK's revenue by product line

SCIT and SLIT-drops
Aggregate revenue from SCIT and SLIT-drops totalled DKK 1,719 million (1,721), so that SCIT and SLIT-drops accounted for 77% of ALK's total revenue (73%).

Overall, SCIT sales grew in the Nordic region, Benelux, France, eastern Europe, North America and China, among others. In Germany, Europe's largest market for SCIT products, sales stabilised during the first half of the year and grew in the second half. Sales of the AVANZ® product line grew by 27%, driven by increased market penetration. Together with Alutard SQ®, the AVANZ® product line accounted for 88% of SCIT sales in Europe, clearly benefiting from ALK's efforts to simplify its product portfolio to focus on higher-volume products.

Overall SLIT-drop sales declined in all major markets except for France, which is Europe's largest SLIT-drop market. In the Netherlands, Europe's second largest market for these products, sales were significantly impacted by the reimbursement changes described above. The newer SLITone ULTRA® product line contributed positively in markets where the product is available.

SLIT-tablets
Total revenue from SLIT-tablets was DKK 298 million (428). SLIT-tablets thus accounted for 13% of ALK's total revenue (18). The decrease was entirely caused by significantly lower milestone payments; product sales in Europe were stable and product supply to North America has started to build up.

Sales of GRAZAX® amounted to DKK 199 million (201) with underlying volume growth of 7%. Sales in Q2 and Q3 were negatively impacted by distributors reducing their inventories. However, in Q4 distributors started rebuilding inventories and sales grew in Benelux, the Nordic region and Germany, among others – a trend that is expected to continue.

Revenue in North America more than doubled to DKK 90 million (41) as a result of milestone payments, reimbursement for R&D activities and increased product supply ahead of Merck's anticipated product launches in 2014. ALK recognised a milestone payment of USD 5 million (29) in Q1 when Merck submitted a BLA to the FDA for RAGWITEK™.

Revenue in International markets (Japan) decreased to DKK 9 million (186) as expected. Revenue in 2013 related to reimbursement payments for R&D activities carried out for Torii, while 2012 revenue also included significant one-time milestone payments.

Other products and services
Sales of other products (adrenaline auto-injectors, diagnostics and other products) grew by 19% to DKK 227 million (196) and accounted for 10% of ALK's total revenue (8). Growth was driven by the adrenaline auto-injector Jext® in Europe. Sales of other products also developed steadily throughout the year, particularly in North America, while sales of diagnostics showed a downwards trend, as expected.

Sales of the adrenaline auto-injector, Jext®, nearly doubled in the first three quarters and Jext® continued to gain market shares. In October, Jext® was estimated to have gained almost 20% (moving annual total) of the European adrenaline auto-injector market. In early November, ALK identified a production issue estimated to have affected less than 0.04% of the pens produced from March to October. To ensure patient safety, ALK decided to recall all products in the affected batches and temporarily suspend the production, marketing and sales of Jext®. ALK has taken decisive steps to restore supply at the highest quality standards in 2014.

Pipeline and partnerships

Together with its partners, ALK continues to pursue ever more convenient and effective allergy immunotherapy diagnostics and treatments for patients.

To date, the SLIT-tablet portfolio has seen more than 35 clinical development trials involving in excess of 15,000 patients throughout Europe, Japan and the USA. These trials have consistently demonstrated significant reductions in allergy symptoms and the need for symptom-relieving medicines such as antihistamines and steroids.

In 2013, two Biologic License Applications (BLAs) – for GRASTEK™ and RAGWITEK™ – were submitted to the FDA by ALK's partner Merck. Following positive Advisory Committee meetings for both, decisions from the FDA are expected during the first half of 2014.

Meanwhile, positive results from two Phase III trials with a SLIT-tablet for house dust mite allergy confirmed plans for a European regulatory filing in 2014.

ALK development programmes for Europe and International markets

ALK's development programmes made substantial progress in 2013.

House dust mite SLIT-tablet
House dust mite-induced respiratory diseases, such as allergic rhinitis and asthma, are the most prevalent allergy-induced diseases in the world. In 2013, ALK's SLIT-tablet against house dust mite-induced respiratory diseases saw positive results from two pivotal Phase III clinical trials, known as the MERIT and MITRA trials.

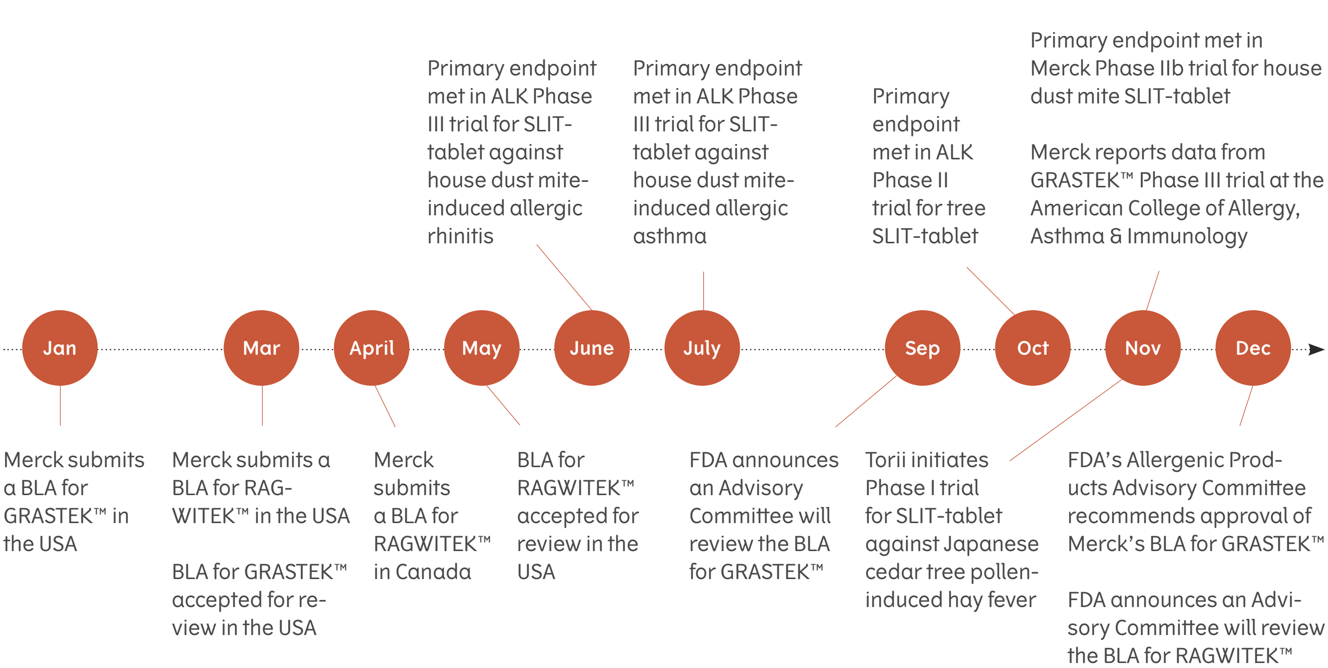
The MERIT trial, involving 992 patients from 12 countries, evaluated the tablet's efficacy and safety in the treatment of house dust mite allergic rhinitis. It met its primary endpoint by showing a statistically significant reduction in rhinitis symptoms and symptomatic medication use compared to placebo, coupled with a favourable safety profile.

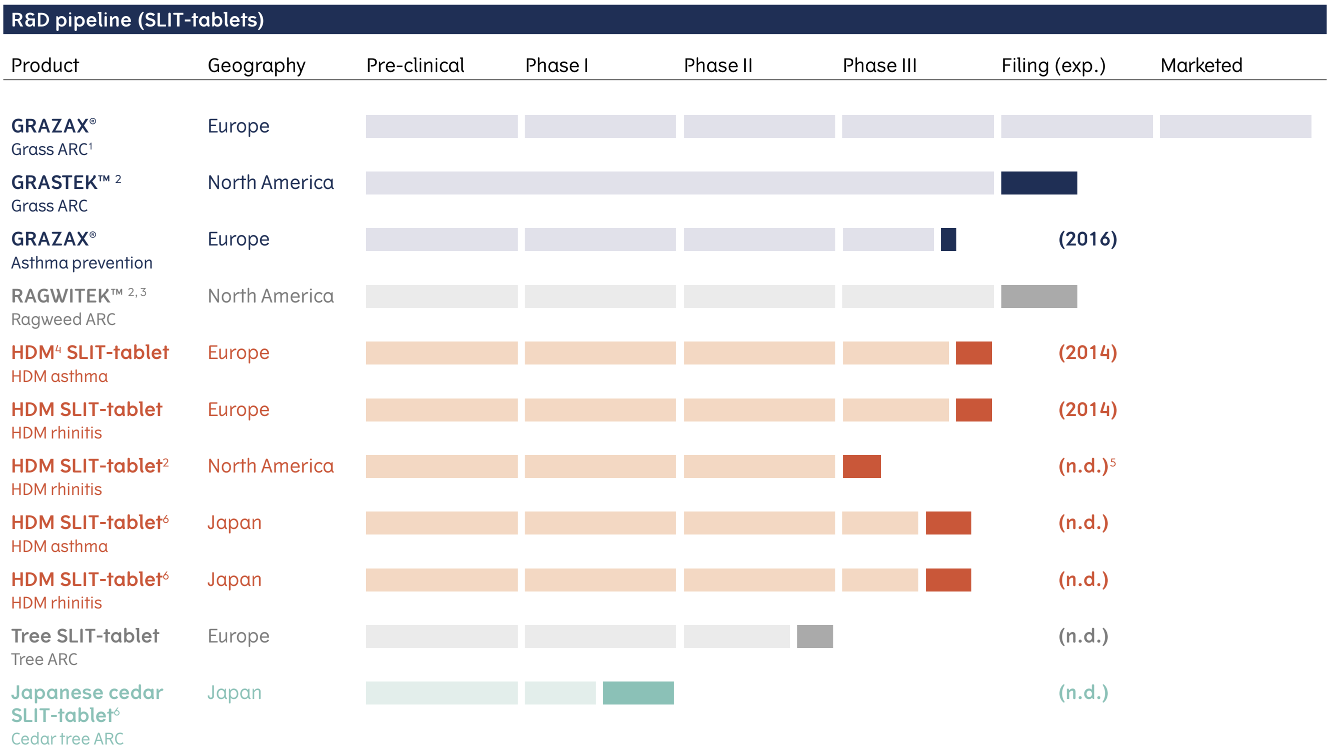
The MITRA trial, involving 834 patients from 13 countries, evaluated the tablet's efficacy and safety in the treatment of house dust mite allergic asthma. Patients received inhaled corticosteroids (ICS) until the last part of the trial, when ICS use was reduced by 50% for three months, and then completely withdrawn for a further three months. This trial also met its primary endpoint with the tablet showing a reduction of more than 30% in the risk of a moderate to severe asthma exacerbation during the ICS reduction phase.

The results from both trials will form a key part of ALK's registration application in Europe which is scheduled for the second half of 2014.

GRAZAX® Asthma Prevention
Allergic children have a risk of developing asthma that is up to seven times higher

Key milestones in clinical development in 2013





1 ARC: allergic rhinoconjunctivitis
2 Merck holds the product rights for the North American markets
3 RAGWITEK™ is currently only developed for North America
4 HDM: house dust mite
5 n.d.: not disclosed
6 Torii holds the product rights for the Japanese market

than the general population. ALK's trial into the potential of GRAZAX® in preventing grass allergy from developing into allergic asthma involves approximately 800 children in 11 countries and runs for five years until late-2015. If the results are positive, the trial will further strengthen the competitive profile of SLIT-tablets.

Tree SLIT-tablet
After grass and house dust mite, allergy against pollen from trees such as birch, hazel, alder and oak is the third most common allergy in Europe. In 2013, ALK successfully completed a Phase II clinical trial into tree pollen allergy. The trial involved 637 adults and adolescents with moderate-to-severe tree pollen induced allergic rhinoconjunctivitis. Results were positive, with the treatment being well-tolerated and showing a clinically relevant effect. The planning of the next steps in the clinical development is in progress.

Named patient products
ALK conducts development activities for important legacy products to meet evolving regulatory requirements. In a Phase III trial conducted in Germany for AVANZ® Grass, however, results were affected by a mild pollen season. Following discussion with the German authorities, ALK has decided to conduct a new trial in 2014 to further strengthen the product documentation.

Merck partnership: SLIT-tablets in North America

ALK's strategic partnership with Merck covers the development, registration and commercialisation of SLIT-tablets against grass pollen, ragweed and house dust mite allergy in North America.

Of the 60 million people estimated to suffer from allergy in North America, an estimated 20 million have been diagnosed as suffering from moderate-to-severe allergy to grass pollen, ragweed or house dust mites. Yet today, just an estimated three million are treated with subcutaneous injection-based allergy immunotherapy (SCIT) – and no FDA-approved product is available to US patients for these allergens.

In the absence of other treatment options, the North American allergy market is currently dominated by antihistamines, steroid treatments and SCIT products; the so-called 'allergy shots'.

GRASTEK™
In March, Merck's Biologic License Application (BLA) for the SLIT-tablet against grass pollen allergy, with the proposed trade name of GRASTEK™, was accepted

for review by the FDA. The application was based on results from an extensive clinical development programme, including the largest trial of SLIT-tablets to date. This Phase III trial, which included 1,501 North American patients, demonstrated that the use of GRASTEK™ significantly reduced nasal and eye symptoms as well as the need for symptom-relieving medication.

In December, the FDA's Allergenic Products Committee voted unanimously that the available data support the efficacy and safety of GRASTEK™ in patients aged five to 65 years, assuming that adrenaline auto-injectors are made available for patients at home.

RAGWITEK™
The seasonal ragweed allergy is almost as widespread in North America as grass pollen allergy.

In May, Merck's BLA for the SLIT-tablet against ragweed allergy, with the proposed trade name of RAGWITEK™, was accepted for review by the FDA. The submission followed two successful Phase III trials in 2011, and a 2012 safety trial in approximately 900 patients. These demonstrated that RAGWITEK™ is well-tolerated and reduces patients' allergy symptoms and their use of symptom relieving medication.

In December, the FDA announced that the RAGWITEK™ BLA would be referred to a meeting of the Allergenic Products Committee. On 28 January 2014, the committee voted that the available data support the efficacy and safety of RAGWITEK™.

HDM SLIT-tablet
An estimated 45% of North American allergy sufferers are affected by house dust mite allergy.

In 2013, Merck concluded a Phase IIb clinical trial for a house dust mite SLIT-tablet. The trial evaluated dose-related efficacy, safety and tolerability in adults and confirmed that the tablet significantly reduces allergic rhinitis symptoms. Merck is initiating a Phase III trial in 1,500 patients, which may subsequently form the basis for a BLA in the USA. The trial is scheduled to complete in 2015.

Torii partnership: SLIT-tablets and other products in Japan

Japan is the second largest pharmaceutical market in the world, where an estimated 25-35 million people suffer from allergy or asthma caused by Japanese cedar pollen or house dust mites. Japan has a higher level of diagnosed allergic rhinitis than anywhere in the world. Nevertheless, allergy immunotherapy has yet to gain a foothold in the market.

ALK's partnership with Torii covers the development, registration and commercialisation of SLIT-tablets against house dust mite-induced allergy and allergic asthma. It also covers ALK's existing SCIT products against house dust mite allergy, diagnostics and the development of a SLIT-tablet against Japanese cedar pollen allergy.

HDM SLIT-tablet
Torii is undertaking two parallel, pivotal Phase II/III clinical trials involving 1,800 patients to investigate the safety and efficacy of the HDM SLIT-tablet in the treatment of house dust mite-induced allergic rhinitis (hay fever) and allergic asthma. These trials are similar in design to the MERIT and MITRA trials that ALK successfully completed in Europe in 2013 (see page 9). The Torii trials are expected to complete in 2014.

Japanese cedar SLIT-tablet
Torii has initiated the clinical development of a SLIT-tablet against Japanese cedar-induced allergic rhinitis. A Phase I clinical trial investigating safety and tolerability has been completed and the next steps in the development are currently under planning.

Expected news in 2014

Completion/reporting of trials
- HDM SLIT-tablet for allergic rhinitis, Phase II/III in Japan
- HDM SLIT-tablet for allergic asthma, Phase II/III in Japan
- Scientific presentation of data from MERIT and MITRA trials in Europe

Registration applications
- FDA decision on the GRASTEK™ SLIT-tablet application
- FDA decision on the RAGWITEK™ SLIT-tablet application
- Application to the European Medicines Agency for the HDM SLIT-tablet

New clinical trials
- Phase III trial with the HDM SLIT-tablet in the USA
- Phase II/III trial with the cedar SLIT-tablet in Japan
- Phase III chamber trial with AVANZ® Grass in Europe.

Strategy and targets

In late-2012, ALK introduced Focus 2016, an updated strategy plan defining the company's development through to 2016. It set out actions in three areas, each of which has seen significant progress:

Simplify: *Reduce the ALK portfolio to focus on fewer products with greater volumes, with production consolidated at fewer production facilities and a more streamlined business structure.*

By the end of 2016, ALK expects to have eliminated around 60% of its 2010 European portfolio, while in North America, similar measures are being taken, albeit more slowly.

In 2016, production will be centralised in Denmark (SCIT and SLIT-tablets), France (SLIT-drops), Spain (diagnostics, packaging and distribution), New York (allergy immunotherapy products for North America) and Idaho (raw materials).

Meanwhile, ALK's IT, Finance and Human Resources have been consolidated into global functions, and the Sales and Marketing function restructured.

In all, *Simplify* initiatives are expected to yield annual net savings of DKK 100 million in 2016. Restructuring costs of DKK 86 million associated with these initiatives have been recognised in 2012-13.

Innovate: *Expand the range of marketed SLIT-tablets and update the range of SCIT and SLIT-drops. At the same time, reduce research and development expenses as a percentage of overall revenue.*

As its expanded range of SLIT-tablets moves closer to launch, ALK is investigating new therapeutic indications, such as the treatment and prevention of allergic asthma. It is also strengthening documentation for SCIT and SLIT-drop products.

However, as SLIT-tablet development work reduces and post-launch revenue grows, R&D spend, which peaked at more than 20% of revenue, will gradually be reduced so that, by 2016, it is expected to stabilise at around 15% of revenue.

ALK will also look at whether more closely aligning certain SLIT-tablet development activities with partners could exploit any additional savings.

Grow: *Invest to capture market share in existing markets, while also expanding into new markets – either directly or via partnerships. In addition, promote a wider recognition and adoption of allergy immunotherapy.*

Growth is being targeted through a blend of new product launches and investments to capture market shares in key markets, such as Germany and France. Meanwhile, SLIT-tablet launches by partners in North America and Japan are expected to bring in sales royalties and income from tablet supply.

Elsewhere, ALK is supporting work to promote allergy treatment knowledge at both a global and national level, and plans to expand its existing business in China and to expand into other selected growth markets.

Financial targets

Since 2011, ALK has been targeting revenue of DKK 3 billion and operating profit (EBITDA) corresponding to 25% of revenue by 2015. The achievement of these financial targets is subject to several factors, some of which are outside ALK's control. Most significantly, the combination of harsher than anticipated European market conditions, and uncertainty around the timing, pricing, launch and subsequent commercial success of SLIT-tablets in North America. In consequence, ALK is suspending its guidance on 2015 financial targets with the intention of revisiting them when it has a clearer picture of the unfolding situation in North America.

Focus 2016 in brief

Strategic premises	Strategic initiatives	Objective
Contrasting markets • Negative growth in Europe • Potential in North America and Japan • Opportunities in emerging markets	**Simplify** • Optimise product portfolio • Consolidate production • Streamline business	**Globalisation** • Expanding leading position in Europe • SLIT-tablet portfolio developed • SLIT-tablets in North America and Japan • ALK in new markets
Complex business • Many products • Multiple production sites • Organisation and processes	**Innovate** • Competitive SLIT-tablet portfolio • Next generation vaccines	**Improved efficiency** • Streamlining products, production and business structures
Ready for growth • Robust financial base • Market leader • Strategic partnerships • Strengthened organisation	**Grow** • Gain market shares in Europe • Launch SLIT-tablets in North America and Japan • Expansion to emerging markets • Extend the knowledge of allergy immunotherapy among doctors and patients	**Financial progress** • Improved operating profit • Annual net savings of DKK 100 million in 2016 • R&D costs moving towards 15% of revenue

Outlook for 2014

ALK expects to grow revenue and increase operating profit (EBITDA) in 2014. As a result, EBITDA is expected to be between DKK 225-400 million before special items and income from product supply and potential sales royalties in North America. The higher end of this range assumes the recognition of three product development milestone payments from ALK's North American partner Merck. In addition to this, the partnership with Merck may potentially yield income streams from product supply and sales royalties which have not been included in the stated range.

Revenue, excluding SLIT-tablets in North America
ALK's revenue, excluding SLIT-tablets and related milestone payments in North America, is projected to show low single-digit growth and to generate revenue of DKK 2.15-2.2 billion. However, sales development trends in individual markets are expected to vary greatly. Sales of Jext® adrenaline auto-injectors are forecast to remain largely unchanged versus 2013 due to the recent product recall.

In Europe's largest allergy market, Germany, the new government has decided to partially revoke the AMNOG legislation on pharmaceutical pricing, which was introduced in 2010. Amongst other things, AMNOG introduced a mandatory 16% sales rebate for all prescription drugs and established a moratorium which fixed drug prices at 2009 levels. However, with effect from 1 January 2014, the rebate will be reduced to 7%. This change alone is expected to improve ALK's 2014 revenue and earnings by DKK 50-52 million, assuming sales are at a similar level to 2013. The positive effect of this has been included in the outlook.

Even so, most of ALK's European markets are still expected to be affected by the continuing austerity measures that have restricted access to medicines and affected the markets negatively over recent years. Consequently, for Europe as a whole, ALK anticipates slightly negative market growth, but expects to continue to outgrow this underlying trend by increasing market shares. Meanwhile, overseas markets, however, are expected to offer more substantial rates of growth.

SLIT-tablets in North America (partner income)
ALK is entitled to milestone payments from Merck, which are conditional upon the US Food and Drug Administration's (FDA's) granting of marketing authorisations for GRASTEK™ and RAGWITEK™ as well as Merck's initiation of treatment in the planned Phase III trial with the house dust mite SLIT-tablet.

Furthermore, the partnership with Merck in North America may potentially yield additional income streams from product supply and royalties related to sales of GRASTEK™ and RAGWITEK™ in the USA and Canada. These income streams will most likely be limited in 2014 as the products have not yet been approved by the FDA. In addition, they are subject to a number of factors outside of ALK's control, such as launch time, product pricing, market uptake, etc. At this stage, ALK therefore finds it appropriate not to provide specific guidance for product supply and sales royalties. ALK will provide regular updates on these factors during 2014.

Cost structure
Production costs are expected to increase as capacity is built up for the production of Jext® and the SLIT-tablet range. Additionally, ALK will also be experiencing increasing depreciations.

Capacity costs are forecast to remain at the same level as in 2013. R&D expenses are projected to decrease after the completion of a variety of SLIT-tablet development activities. Sales and marketing expenses are expected to increase, reflecting new market-shaping and growth efforts, including European pre-launch activities for the house dust mite SLIT-tablet. Finally, administrative expenses are expected to stay unchanged following a decrease of 5% in 2013.

ALK continues to benefit from efforts to improve profitability through a simplification of business and production structure, including the series of measures undertaken as part of the *Simplify* programme, announced in 2012.

Operating income (EBITDA)
EBITDA before special items is estimated to amount to DKK 225-400 million with the higher end of this range reflecting the full inclusion of the three product development milestone payments from Merck. Additionally, ALK may recognise income from product supply and sales royalties in North America. The simplification of the production and business structures under the *Simplify* programme will entail minor restructuring costs, which will be reported in a 'special items' line.

Investments
The cash flow effect from investments (CAPEX) is expected to total DKK 200-250 million. These investments are particularly targeted at the continued development of production capacity for the SLIT-tablet range and the Jext® adrenaline auto-injectors. Also included are investments associated with the consolidation of production under the *Simplify* programme. Free cash flow is expected to be positive, subject to the above-mentioned milestone payments from Merck.

The outlook is based on current foreign exchange rates.

Forward-looking statements

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

Financial review[1]

Revenue

Full-year revenue of DKK 2,244 million (2,345) was in line with the expectations of a DKK 2.2-2.25 billion revenue, which was forecast in ALK's nine-month interim report in November. The revenue decline of 4% in both DKK and local currencies was due to lower milestone payments from partners.

ALK grew its product sales in Europe, North America, China and overseas markets. Revenue, excluding SLIT-tablet related income from partners in North America and Japan, totalled DKK 2,145 million (2,118).

SLIT-tablet related income from partners in North America and Japan oppositely declined to 99 million (227) as there were fewer events triggering milestone payments in 2013.

A breakdown of revenue by geographies and products can be seen on pages 7-8.

Costs

Cost of sales totalled DKK 697 million (648). Gross profit fell to DKK 1,547 million (1,697), corresponding to a gross margin of 69% (72). The decline was caused by fewer milestone payments, changed product sales mix, increasing depreciations and costs to prepare production for SLIT-tablets as well as costs related to the Jext® product recall in Q4. Costs associated with the recall impacted full-year gross margin negatively by approximately 1 percentage point.

Total **capacity costs** decreased by 6% to DKK 1,417 million (1,515). The decrease was mainly the result of savings following the streamlining of ALK's business structure under the *Simplify* programme. Research and development expenses were also impacted by lower activity following the finalisation of certain SLIT-tablet development activities. R&D expenses decreased 9%, sales and marketing expenses declined 5% and administrative expenses were reduced by 5%. Exchange rates had no material impact on capacity costs.

Earnings

Operating profit before depreciation and amortisation (EBITDA) before special items amounted to DKK 258 million (306), which matched the expectations of approximately DKK 250 million forecast in ALK's nine-month interim report in November.

The decline relative to 2012 was anticipated and primarily attributable to lower milestone payments from partners. This impact was largely offset by a stronger than expected improvement in ALK's operating profit following efforts to drive profitability and reduce capacity costs. The EBITDA margin fell from 13% to 11%.

After **special items** of DKK 22 million (64) for restructuring under the *Simplify* programme, reported **EBITDA** amounted to DKK 236 million (242). Exchange rates had no material impact on operating profit. Reported **EBIT** was DKK 109 million (118) corresponding to an EBIT margin of 5% (5).

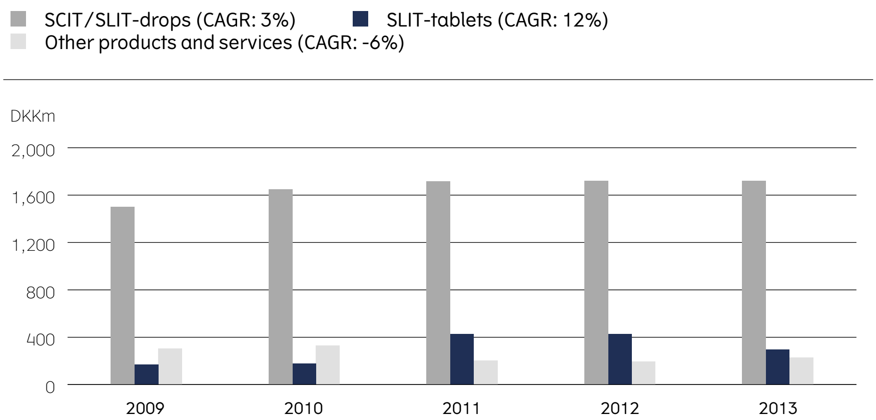
Net financials were a loss of DKK 5 million (5), as financial income of DKK 20 million, mainly related to the net gain of shares sold in DBV Technologies, was offset by interest expenses etc. of DKK 13 million and unrealised exchange rate losses of DKK 12 million mainly related to USD.

Income tax amounted to DKK 43 million (59), corresponding to an effective tax rate of 41% (52). The tax rate was affected by restructuring activities under the *Simplify* programme and the geographical distribution of income.

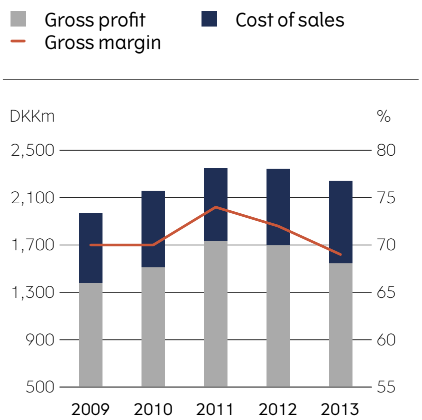
Net profit from continuing operations was DKK 61 million (54). Earnings per share (EPS) based on continuing operations amounted to DKK 6.31 (5.54).

Net profit was DKK 61 million (209) and the decrease was entirely attributable to the DKK 155 million adjustment of the

Revenue



Gross profit



[1] Growth rates for revenue are stated as growth in local currencies, unless otherwise indicated

gain on the divestment of Chr. Hansen A/S which ALK recognised in 2012. Net profit provides a return on equity of 2.7% (9.5), corresponding to earnings per share (EPS) of DKK 6.31 (21.45).

Cash flow

Cash flow from operating activities was an inflow of DKK 146 million (91), while cash flow from investments was an outflow of DKK 231 million (243) primarily relating to the expansion of ALK's production in France, build-up of production capacity for SLIT-tablets and Jext® as well as the on-going consolidation of the production network.

Free cash flow for the year was an outflow of DKK 85 million (152). Cash flow from financing was an outflow of DKK 74 million (120) relating to the share buy-back programme, which was completed in February, the distribution of ordinary dividend and exercise of share options.

At the end of the year, cash and cash equivalents totalled DKK 312 million (477).

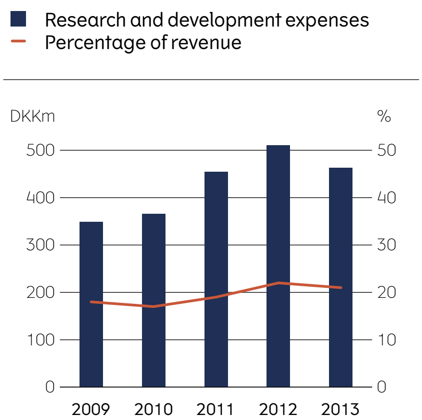
Equity

Equity stood at DKK 2,249 million (2,257) at the end of the year and the equity ratio was 69% (68).

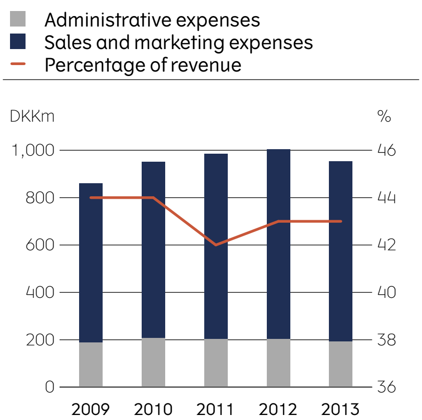
Events after the end of the financial year

On 28 January 2014, the Allergenic Products Advisory Committee of the US Food and Drug Administration (FDA) voted that the available data support the efficacy and safety of Merck's RAGWITEK™. 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.

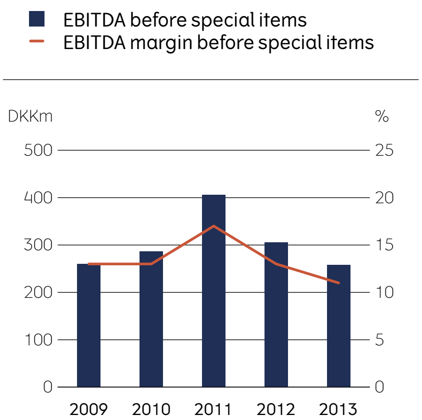
Research and development



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. In 2013, Board of Management has established a Risk Committee to assist its overall responsibility of risk management. 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 research and development
The future success of ALK depends on the company's ability to maintain current products and successfully identify, develop and market new, innovative drugs, which involves significant risks. A pharmaceutical drug must be subjected to 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 collaborative 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 market conditions

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.

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 doctors 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 doctors 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.

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 infrastructure

Production and quality
ALK has concentrated most of its production capacity at plants in Denmark, France, Spain and the USA. Although the plants are located in areas that have not historically been hit by natural disasters, this geographical 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.

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 & Co., Inc. and Torii Pharmaceutical Co., Ltd. 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 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.

Risk related to business ethics and legal

Business ethics
ALK's reputation is essential for operating within the pharmaceutical industry. ALK aims to maintain its good reputation by acting in compliance with all applicable regulation and legislation. ALK strives to act professionally, honestly and with high integrity throughout the company in relation to the stakeholders from customers, employees and shareholders to society, suppliers and partners.

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 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 centrally, based on policies approved by the Board of Directors. The objective of ALK's financial risk management is to reduce the sensitivity of earnings to fluctuations in exchange rates, interest rates, liquidity and changes in credit rating. Group policy is to refrain from active financial speculation. See Note 28 in the consolidated financial statements 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 2013, 15% of ALK's revenue was denominated in USD, 2% in GBP and 74% in EUR. ALK's sales are not deemed to be exposed to EUR due to Denmark's participation in the European exchange rate cooperation.

Sensitivities for 2014 in the event of a 10% increase in exchange rates

DKKm	Revenue	EBITDA
USD	approx. +50	approx. +20
GBP	approx. +5	approx. 0

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

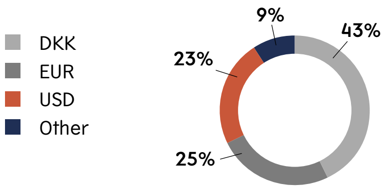
The table above shows the estimated effect of a 10% increase in the USD and GBP exchange rates on revenue and EBITDA levels, respectively. Exchange rate risks relating to operations are primarily hedged by matching receipts and payments in the same currencies and by forward exchange contracts and options.

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 300 million. A change in the interest rate level by 1 percentage point would, consequently, correspond to a change in interest income of approximately DKK 3 million. It is not expected that the

Net assets by currency as at 31 December 2013



Net assets are defined as assets less liabilities.

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.

Corporate Social Responsibility (CSR)

As an international pharmaceutical 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 2013, ALK sponsored a project to raise awareness on respiratory allergy undertaken by the European Federation of Allergy and Airways Diseases Patients' Associations (EFA). The sponsorship was initiated in 2012. Within the framework of this sponsorship EFA has published a 'Call to Action', encouraging European politicians and other decision makers to ensure improvements of prevention, diagnosis and treatment of allergy. As part of ALK's activities during the annual European Academy of Allergy and Clinical Immunology (EAACI) congress, ALK promoted the Call to Action issued by EFA. During the congress, EFA furthermore presented the results of an Austrian pilot project investigating if pharmacies can play an active role in diagnosis of allergy. This project was also supported by the ALK sponsorship to EFA.

In 2013, ALK's affiliates, in cooperation with patient associations, medical societies and authorities, have also undertaken other activities to increase awareness of allergy and patients' access to treatment and to make relevant information available to patients and their relatives.

The cooperation with EFA, EAACI and the local activities will also continue in 2014.

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 and was recertified for another three years in 2013. 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%.

In 2013, ALK in Denmark has converted more than half of the electricity consumption (about 20% of the total energy consumption) to come from a CO_2 neutral energy source – power from wind turbines[2] – thereby reducing the CO_2 emission with more than 1,000 tonnes.

Production changes in the USA and building activities in France in 2013 have a significant impact on the energy consumption. To make the energy consumption comparable, baseline (year 2008) has to be adjusted due to these changes and expansions. By end of 2013, it was not yet possible to calculate and adjust for the changes according to the guidelines from the Greenhouse Gas Protocol. Data are therefore missing in the table Non-financial key figures. The energy consumption in real terms has increased by 8%.

A number of energy-saving projects were implemented in 2013. Examples are ventilation improvements, new roof coating decreasing building temperature and improvement of a cooling system.

In 2013, ALK received no complaints and experienced no unintended spills. Specific waste water contents exceed the limits at one site where ALK is in close dialogue with the local authorities and action will be taken. All other legislative requirements are in compliance.

3. Ethical conduct

In 2009, ALK launched 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.

ALK's commitment to managing human rights in our business is contained in the ALK Code of Conduct. In the Code of Conduct we describe the requirements we have established for our actions and behaviours. We support the UN Global Compact's 10 principles, not least in the areas of human and labour rights, the environment and anti-corruption and we have integrated these principles in the ALK Code of Conduct. To see ALK's Code of Conduct please visit http://www.alk-abello.com/aboutalk/csr/businessethics/Pages/home.aspx.

[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.

[2] ALK has in 2013 bought RECS-certificates (Renewable Energy Certificate System) equivalent to 3,479 MWh.

In 2013, the ALK Code of Conduct was updated. The updated version will be launched in 2014.

In September 2013, ALK launched 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.

No reports have been filed through the ALK Alertline in 2013.

4. Employees

ALK employs 1763 employees, of whom 672 are employed 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. To obtain this ALK works 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. In this way we also ensure that the human rights of our employees are respected.

Safety
In ALK we have a long tradition of working systematically to improve working environment and conditions.

ALK in Denmark has been health and safety certified (OHSAS 18001) since 2007 and in 2013, ALK was recertified for another three years.

In 2009, Management adopted 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 continuous basis.

In 2013, the number of days of absence due to work-related injuries decreased to 0.053 days per employee, which is a reduction of 21% compared to the average for the preceding three years.

Organisation, culture and management
Over the past four years, ALK has worked to establish a performance culture. To further strengthen the ability to execute the strategy and to support a uniform performance management process, a new IT tool PerformIT was introduced in 2013. This tool documents for all employees what they are accountable for, how they are performing and what they should develop to improve even more.

In spring 2013, the integrated Engagement and Leadership Survey was run with a response rate of 91%. The results of the survey have been discussed throughout the organisation in order to further improve and promote the positive and productive working environment.

In addition, ALK reviews the organisation on an annual basis to determine whether the structure, resources and competences are fit to reach the strategic goals.

Diversity
ALK seeks 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, there are no women on the Board of Directors elected by the general meeting. ALK aims for a gender represen-

Diversity at management levels

Diversity at management levels	Total	Women	Men
First-line managers	221	51% (113)	49% (108)
Mid-level managers	86	34% (29)	66% (57)
Functional managers	25	12% (3)	88% (22)
Business managers	5	0% (0)	100% (5)
Total	**337**	**43% (145)**	**57% (192)**

Breakdown of employees by employee group

	2009	2010	2011	2012	2013
Production	539	569	609	642	648
Research and development	290	330	371	407	366
Sales, marketing and administration	725	795	801	806	749
Total	**1,554**	**1,694**	**1,781**	**1,855**	**1,763**

tation of one or two women out of the six members elected by the general meeting. The goal is to be met by 2017.

Presently, there are no women on the Board of Management while there are three women among the 25 functional managers. However, among first-line managers and mid-level managers the share of women is considerably higher. The share of women is 34% among mid-level managers and 51% among first-line managers, including e.g. R&D team leaders. Overall, women account for 43% of the managers employed with ALK.

In 2014, ALK will continue its efforts and commitment towards equal opportunities for women and men at all management levels.

One way to ensure this is to consider both male and female candidates in connection with internal and external executive recruitment and that at least one candidate from the under-represented sex is on the short list when recruiting for management positions. Furthermore, it will be ensured that both women and men are part of ALK's talent pools for management positions.

ALK wishes to have more attention to women's career progression and development and will offer female managers participation in networks or mentoring schemes.

When conducting the yearly Organisational Review, ALK will have increased focus on monitoring the share of women at all management levels.

Non-financial key figures[3]

	2008	2009	2010	2011	2012	2013
Working environment						
Accidents with absence (number)	10	3	4	8	13	11
Accidents with absence (days/full-time employees)	0.157	0.074	0.094	0.062	0.045	0.053
Resource consumption						
Energy (MWh) – in real terms	25,603	30,272	34,986	36,530	37,368	40,390
Energy (MWh)[4] – 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	111,125
Emissions						
CO_2 (tonnes) – in real terms	7,606	8,829	9,945	10,409	10,396	9,172
CO_2 (tonnes)[4] – 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	74,120
Waste disposal						
Waste (tonnes)	342	324	467	479	571	578
For recycling (%)	38	34	34	32	34	34
Production sites						
Area (m^2)	46,060	56,443	58,457	58,525	61,587	68,526

[3] Data from production sites in Hørsholm, Madrid, Vandeuil, Varennes, Lelystad, Port Washington, Round Rock, Post Falls, Spring Mills and Mississauga.

[4] 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. By end of 2013 it was not yet possible to calculate and adjust for the changes.

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 12,999 registered shareholders – a little less than the previous year (13,302). The registered shareholders still own approximately 95% of the share capital.

ALK's holding of treasury shares represented 4.6% (4.5%) after the share buy-back during the year as a hedge of incentive schemes. From May 2012 to February 2013, ALK purchased 110,632 own shares amounting to approximately DKK 42 million under the programme initiated on 15 May 2012, of which a total of 13,529 shares amounting to approximately DKK 5.5 million were purchased in 2013.

Twenty of the thirty largest shareholders are international investors from North America, the UK and Scandinavia, in particular. The international ownership is considered to have remained largely unchanged at approximately 23%, representing 40% of the free float of the share capital.

Shareholder return

ALK aims at providing long-term shareholder return through an increased share price, pay-out of dividends and purchase of own shares.

At the beginning of the year, the price of the ALK share was DKK 389 and at the end of the year the price was DKK 614. Including payment of dividend for the year of DKK 5 per share, the return on the ALK share was 60%. In comparison, the Danish benchmark OMXC20 index increased by 24% and the Nordic MidCap index by 37%.

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 2014, 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.

Core data for the share

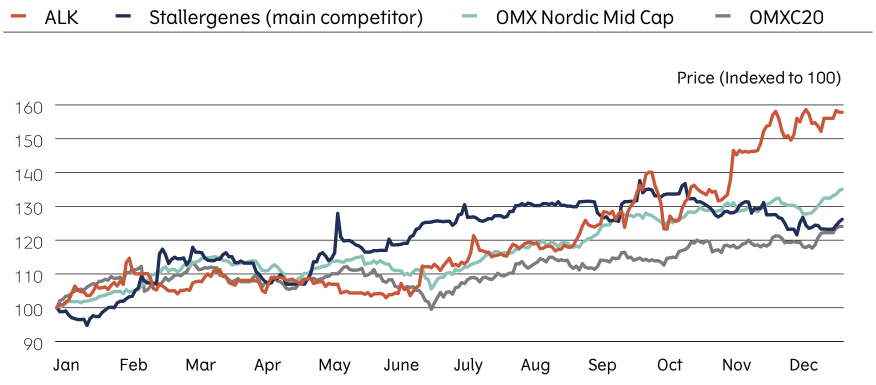
Share capital	DKK 101,283,600
Nominal value per share	DKK 10
Number of A shares	920,760 units with 10 votes per share
Number of B shares	9,207,600 units with 1 vote per share
Stock Exchange	NASDAQ OMX Copenhagen
Ticker symbol	ALK B
Indices	CX4500 (healthcare), OMXCMCGI (MidCap) and OMXCPI (all)
ISIN	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	620,169 B shares	6.1%	3.4%

* The Danish Labour Market Supplementary Pension

Relative share price development 2013



Source: FactSet Prices

Liquidity of the share

On average, the volume of shares traded during 2013 was 9,036 shares per day compared to 7,815 shares per day the previous year. Measured in value the volume of traded shares was higher compared to 2012 with a turnover per trading day of approximately DKK 4.4 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, Nordnet Bank, Sydbank, Deutsche Bank, Jyske Bank and Morgan Stanley Bank, which together accounted for 55% 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 2013, ALK had approximately 250 individual meetings with analysts and investors, and ALK also participated in various conferences and seminars. With specific focus on private investors ALK has, among other things, published the e-newsletter eNews@ALK.

ALK is followed by analysts from 12 Scandinavian, English, Dutch and German stockbrokers who regularly make comments and recommendations on the share. The list is available on the website.

During the year, ALK published 30 company releases (27) 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 2014

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 2014	
Annual general meeting	12 March
Payment of dividend	18 March
Three-month interim report (Q1)	8 May
Six-month interim report(Q2)	13 August
Nine-month interim report (Q3)	14 November

The Lundbeck Foundation

The Lundbeck Foundation is the largest and controlling shareholder of ALK, owning 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 Lundbeck. The objective of the Foundation is in part to maintain and expand the activities of Lundbeck as well as of the Foundation's other subsidiaries and portfolio companies through active value-adding ownership, and in part to provide grants for scientific research of the highest international quality 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 addition to its ownership of ALK, the Foundation also has controlling shareholdings in Lundbeck and Falck and manages its portfolio of financial investments through Lundbeckfond Invest and Lundbeckfond Ventures. The Foundation annually grants between DKK 400-500 million to support medical research and educational and communication activities. The Lundbeck Foundation has in recent years increased its focus on personal grants. The Foundation's latest initiative, Lundbeckfond Emerge, works to accelerate the commercialisation of early scientific projects by way of investment and active project participation.

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 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 2014.

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 members elected by the employees for a four-year term. The age limit is 70 years.

At the annual general meeting in 2013, Jakob Riis was elected as a new member instead of Lars Holmqvist. The other members were re-elected. The Board of Directors subsequently elected Steen Riisgaard as Chairman and Christian Dyvig as Vice Chairman.

The members of the board committees elected by the Board of Directors are listed on page 26.

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 26.

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.

In 2013, the Committee on Corporate Governance presented a new set of recommendations. ALK has considered all the Committee's 47 guidelines in a 'comply or explain' review available on ALK's website at http://ir.alk-abello.com/guidelines.cfm.

ALK is in full compliance with all the guidelines but two where the company complies partially: According to the guidelines, the remuneration of each member of the Board of Directors and Board of Management should be disclosed in detail in the annual report. The remuneration for each member of the Board of Directors is disclosed but for the Board of Management only the total remuneration is disclosed. In addition, ALK describes the share options and conditional shares granted to each member of Board of Management, however, ALK believes that the disclosure of each Board of Management member'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. This is shown in Note 4. Furthermore, the Charter of the Nomination Committee is currently not available on the company's website.

The Board of Directors' activities
The Board of Directors' work follows a calendar, ensuring the consideration of all relevant topics over the year. In 2013, the Board of Directors held seven meetings (six meetings in 2012), the meeting in September being a two-day seminar focusing on strategy including the progress of the Focus 2016 strategy. The Audit Committee and the Remuneration Committee both met three times (three meetings in 2012). The new Scientific Committee met twice in 2013.

At the end of the year, the Board of Directors evaluated their work and their co-operation with the Board of Management. The evaluation was based on a questionnaire and on individual interviews with the Board members as well as the members of the Board of Management. The interviews were conducted with the aid of an external consultant who presented the results at the Board of Directors' meeting in November. In general, the Board of Directors and the Board of Management considered the cooperation excellent. The evaluation identified a number of topics Board of Directors would like to focus more on. One topic, Risk management, has already been discussed in the Audit Committee as well as the Board of Directors. The other topics will be discussed in 2014.

In addition, the Audit Committee and the Remuneration Committee evaluated their work and their cooperation with the Board of Management. The outcome of the evaluation was very positive.

Directors' fees
The directors' fees were unchanged in 2013. The fees were approved by the annual general meeting in March. 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 Remu-

neration Committee, the Audit Committee and the Scientific 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 2014. The members of the Board of Directors are not offered any share options, conditional shares or other incentive plans.

The Board of Directors' shares in ALK

	Holding as at 31 December 2013	Changes during the year
Steen Riisgaard	0	-
Christian Dyvig*	0	-
Jacob Kastrup	8	-
Thorleif Krarup*	700	-
Anders Gersel Pedersen	0	-
Jakob Riis	550	+550
Dorthe Seitzberg	102	-
Katja Barnkob Thalund	24	-
Jes Østergaard*	227	-
Total	**1,611**	**+550**

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

Board of Management remuneration

The remuneration of the Board of Management is approved by the annual general meeting. The remuneration is a combination of fixed and performance-based pay to ensure attraction and retention of key persons. At the same time the Board of Management is given an incentive to create shareholder value through partly incentive-based pay.

In addition to the fixed wages, pension and usual non-pay benefits, the Board of Management is eligible for a cash bonus 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, Board of Management and other key employees are granted share options and conditional shares. The value of the share options and conditional shares may not exceed 30% of the individual member of the Board of Management's total base salary plus pension.

The grants to the Board of Management appear from the below table and are described in detail in Note 5. The total remuneration of the Board of Management appears in Note 4.

At the annual general meeting in 2014, the Board of Directors will propose amendments to the guidelines for incentive pay to the Board of Management. The Board proposes that in addition to the fixed wages, pension and usual benefits, the Board of Management is eligible for a cash bonus restricted to nine and six months, respectively, of the base salary of the President and CEO and the other members of the Board of Management. Moreover, the total value of the share options and conditional shares may not exceed 30% of the Board of Management's total salaries plus pension.

The Board of Management's ownership interests in ALK as at 31 December 2013

	Shares	Changes during the year	Options	Net changes during the year*	Conditional shares	Changes during the year
Jens Bager	11,713	-	84,650	+7,300	3,750	+1,850
Henrik Jacobi	8	-	51,975	+4,150	2,100	+1,050
Flemming Steen Jensen	127	-	51,675	+3,850	2,050	+1,000
Søren Niegel	500	-	12,000	+5,000	1,875	+825
Flemming Pedersen	1,116	-	42,700	+6,700	2,150	+1,100
Total	**13,464**	**-**	**243,000**	**+27,000**	**11,925**	**+5,825**

* The figure indicates the net movement in the course of the year, i.e. options granted less expired options

Other facts

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


Jacob Kastrup


Thorleif Krarup


Anders Gersel Pedersen


Jakob Riis


Dorthe Seitzberg


Katja Barnkob Thalund


Jes Østergaard

Steen Riisgaard (1951)
Chairman
Board member since 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
COWI Holding A/S, Chairman
Egmont International Holding A/S, Vice Chairman
Novo A/S
ROCKWOOL International A/S, Chairman
Xellia Pharmaceutical A/S, Chairman
The Egmont Foundation, Vice Chairman
The Novo Nordisk Foundation
The Willum Foundation
Aarhus University

Christian Dyvig (1964)*
Vice Chairman
The Lundbeck Foundation, CEO
Board member since 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.

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

Thorleif Krarup (1952)*
Board member since 2005
Chairman of the Audit Committee

Competences
Experience in managing large international companies. Financial and economic expertise. Extensive board experience from listed companies in Denmark, the UK and USA.

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
Board member since 2005
Member of the Remuneration Committee
Chairman of the Scientific Committee

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

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

Jakob Riis (1966)
Novo Nordisk A/S, Executive vice president
Board member since 2013
Member of the Audit Committee

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

Directorships
Copenhagen Institute of Interaction Design, Chairman

Dorthe Seitzberg (1968)
Board member since 2011
Manager, Clinical Development, ALK-Abelló A/S
Employee-elected

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

Jes Østergaard (1948)*
Board member since 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
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


Henrik Jacobi


Flemming Steen Jensen


Søren Niegel


Flemming Pedersen

Jens Bager (1959)
President & CEO

Directorships
Ambu a/s, Chairman

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 2013.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2013 as well as of their financial performance and the Group's cash flow for the financial year 1 January to 31 December 2013.

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 2014

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

Jacob Kastrup

Thorleif Krarup

Anders Gersel Pedersen

Jakob Riis

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 2013, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as for the Parent, and the statement of comprehensive income and cash flow statement for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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 give a true and fair view of the Group's financial position at 31December 2013, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31December 2013, and of the results of its operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act.

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 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Martin Faarborg
State Authorised Public Accountant

Consolidated financial statements 2013

Content

Income statement

Amounts in DKKm	Note	2013	2012
Revenue	3	2,244	2,345
Cost of sales	4-7,15	697	648
Gross profit		**1,547**	1,697
Research and development expenses	4-7	463	511
Sales and marketing expenses	4-7	762	801
Administrative expenses	4-7	192	203
Other operating income		2	-
Other operating expenses		1	-
Operating profit (EBIT) before special items		**131**	182
Special items	7	(22)	(64)
Operating profit (EBIT)		**109**	118
Financial income	8	20	9
Financial expenses	8	25	14
Profit before tax (EBT)		**104**	113
Tax on profit, continuing operations	9	43	59
Net profit, continuing operations		**61**	54
Net profit, past discontinued operations	10	-	155
Net profit		**61**	209
Earnings per share (EPS)	19		
Earnings per share (EPS) – DKK		6.31	21.45
Earnings per share (EPS), continuing operations – DKK		6.31	5.54
Earnings per share (DEPS), diluted – DKK		6.24	21.35
Earnings per share (DEPS), diluted, continuing operations – DKK		6.24	5.51

Statement of comprehensive income

Amounts in DKKm	Note	2013	2012
Net profit		**61**	209
Other comprehensive income			
Items that will not subsequently be reclassified to the Income statement:			
Actuarial profit/(loss) on pension plans	20	3	(35)
Tax related to actuarial profit/(loss) on pension plans		-	12
Items that will subsequently be reclassified to the Income statement, when specific conditions are met:			
Foreign currency translation adjustment of foreign affiliates		(18)	-
Fair value adjustment of financial assets available for sale		10	20
Gain on sale of financial assets available for sale recognised in financial income		(20)	-
Tax related to other comprehensive income, that will subsequently be reclassified to the Income statement	9	5	(5)
Other comprehensive income		**(20)**	(8)
Total comprehensive income		**41**	201

Cash flow statement

Amounts in DKKm	Note	2013	2012
Net profit		**61**	209
Adjustments			
Change in provisions and payables from past discontinued operations		-	(155)
Tax on profit	9	43	59
Financial income and expenses		5	5
Share-based payments	5	14	11
Depreciation, amortisation and impairment	6	127	124
Change in provisions		(6)	70
Changes in working capital	24	6	(81)
Net financial items, paid		14	4
Income taxes, paid		(118)	(155)
Cash flow from operating activities		**146**	91
Additions, intangible assets	11	(67)	(60)
Additions, tangible assets	12	(186)	(183)
Change in other financial assets	14	22	-
Cash flow from investing activities		**(231)**	(243)
Free cash flow		**(85)**	(152)
Dividend paid to shareholders of the parent		(49)	(49)
Purchase of treasury shares		(6)	(69)
Exercise of share options	5	(14)	-
Change in financial liabilities		(5)	(2)
Cash flow from financing activities		**(74)**	(120)
Net cash flow		**(159)**	(272)
Cash and cash equivalents beginning of year		477	754
Unrealised gain/(loss) on foreign currency and financial assets carried as cash and cash equivalents		(6)	(5)
Net cash flow		(159)	(272)
Cash and cash equivalents year end	18	**312**	477

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 – Assets

Amounts in DKKm	Note	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Non-current assets				
Intangible assets				
Goodwill	11	407	409	408
Other intangible assets	11	267	240	211
		674	649	619
Tangible assets				
Land and buildings	12	610	644	561
Plant and machinery	12	265	254	176
Other fixtures and equipment	12	60	63	62
Property, plant and equipment in progress	12	470	362	437
		1,405	1,323	1,236
Other non-currents assets				
Securities and receivables	14	24	56	35
Deferred tax assets	13	136	82	69
		160	138	104
Total non-current assets		**2,239**	2,110	1,959
Current assets				
Inventories	15	336	295	291
Trade receivables	17	224	248	254
Receivables from affiliates	16	57	61	-
Income tax receivables		12	12	30
Other receivables	17	58	46	31
Prepayments	17	30	46	36
Cash and cash equivalents	18	312	477	754
Total currents assets		**1,029**	1,185	1,396
Total assets		**3,268**	3,295	3,355

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Equity				
Share capital	19	101	101	101
Currency translation adjustment		(27)	(9)	(9)
Retained earnings		2,175	2,165	2,071
Total equity		**2,249**	2,257	2,163
Liabilities				
Non-current liabilities				
Mortgage debt	21	22	24	25
Bank loans and financial loans	21	300	303	305
Pensions and similar liabilities	20	147	144	98
Other provisions	22	15	7	142
Deferred tax liabilities	13	33	19	21
		517	497	591
Current liabilities				
Mortgage debt	21	2	1	1
Bank loans and financial loans	21	3	4	3
Trade payables	23	100	136	147
Income taxes		28	17	61
Other provisions	22	34	54	-
Other payables	23	335	329	315
Prepayments		-	-	74
		502	541	601
Total liabilities		**1,019**	1,038	1,192
Total equity and liabilities		**3,268**	3,295	3,355

Equity

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
Equity at 1 January 2013	**101**	**(9)**	**2,192**	**2,284**
Effect of change in accounting policies	-	-	(27)	(27)
Adjusted equity at 1 January 2013	**101**	**(9)**	**2,165**	**2,257**
Net profit	-	-	61	61
Other comprehensive income	-	(18)	(2)	(20)
Total comprehensive income	**-**	**(18)**	**59**	**41**
Share-based payments	-	-	14	14
Share options settled	-	-	(14)	(14)
Purchase of treasury shares	-	-	(6)	(6)
Tax related to items recognised direct in equity	-	-	6	6
Dividend paid	-	-	(51)	(51)
Dividend on treasury shares	-	-	2	2
Other transactions	**-**	**-**	**(49)**	**(49)**
Equity at 31 December 2013	**101**	**(27)**	**2,175**	**2,249**
Equity at 1 January 2012	101	(9)	2,075	2,167
Effect of change in accounting policies	-	-	(4)	(4)
Adjusted equity at 1 January 2012	101	(9)	2,071	2,163
Net profit	-	-	209	209
Other comprehensive income	-	-	(8)	(8)
Total comprehensive income	-	-	201	201
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)	2,165	2,257

Notes to the consolidated financial statements

1 Accounting policies

General

The consolidated financial statements for the period 1 January – 31 December 2013 have 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 consolidated financial statements are presented in Danish kroner (DKK), which is considered the primary currencies of the Group's activities and the functional currency of the parent company.

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

The accounting policies are unchanged from last year except for the changes described below.

The accounting policies have been changed with respect to the implementation of the amendment to IAS 19: Employee Benefits and implementation of the amendment to IAS 1: Presentation of Financial statements.

Due to the implementation of the amendment to IAS 19, ALK has ceased using the "corridor method" for actuarial gains and losses. In future, changes in the expected pension obligations and plan assets will be recognised immediately in other comprehensive income. Previously, the "corridor method" made it possible to defer recognition of certain actuarial gains and losses. The comparative figures for 2012 have been restated accordingly and accumulated actuarial gains and losses are recognised directly in equity. The total effect of immediately recognised actuarial gains and losses in the statement of comprehensive income is recognised in Q4. The effect on equity is presented in the table below:

Amounts in DKKm	2013	2012
Equity, beginning of year, previous policy	2,284	2,167
Deferred actuarial losses, reversed	(40)	(5)
Deferred tax	13	1
Equity, beginning of year, new policy	**2,257**	2,163

For the 2013 financial year, equity was reduced by DKK 27 million, the pension liability was increased by DKK 40 million and the deferred tax asset was increased by DKK 13 million. For the 2012 financial year, the change in accounting policy decreased equity by DKK 4 million, increased the pension liability by DKK 5 million and increased the deferred tax asset by DKK 1 million.

Implementation of IAS 19 did not have any effect on profit before tax, tax, and profit for the year or earnings per share.

Implementation of the amendment to IAS 1 affects the presentation of other comprehensive income. Items are grouped based on whether they are to be reversed through the income statement or not.

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 2013.

A number of IFRS standards, amended standards and IFRIC interpretations which are effective on or after 1 January 2014 have not been implemented. It is estimated that these standards and interpretations are deemed to have no material impact on the consolidated financial statements in the coming years.

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

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 and conditional 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.

The share option agreement entitled ALK to demand cash settlement of the options. Cash settled share options are recognised as other liabilities and adjusted to fair value when ALK has an obligation to settle in cash. The subsequent adjustment to fair value is recognised in the income statement under financial income or financial expenses.

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

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

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

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

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

The parent company is included in 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.

Notes to the consolidated financial statements

1 Accounting policies (continued)

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

Research and development expenses
The item comprises research and development expenses, including expenses incurred for wages and salaries, amortisation 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 terms 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.

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

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 writedown. For intangible assets with indeterminable useful lives and goodwill, the recoverable amount is calculated annually, regardless of whether any indications of impairment have been found.

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

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

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

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

Other 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

Notes to the consolidated financial statements

1 Accounting policies (continued)

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 net present value.

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 concerning previous financial years are recognised in other comprehensive income.

Provisions
Provisions are recognised when, as a consequence of a past event during the financial year or previous years, the 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 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 58, respectively.

Notes to the consolidated financial statements

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 2013, Management considers the following estimates and related judgements material to the assets and liabilities recognised 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 2013, the carrying amount of goodwill is DKK 407 million (DKK 409 million at 31 December 2012).

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 utilisation 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.

As at 31 December 2013, the value of IPO is DKK 67 million (DKK 54 million at 31 December 2012) on inventories.

Tax
Management is required to make an estimate in the recognition of deferred tax assets and liabilities. The ALK Group recognises deferred tax assets if it is probable that they can be set off against future taxable income. At 31 December 2013, the value of deferred tax assets and liabilities is DKK 103 million (DKK 63 million at 31 December 2012).

Provisions and contingent 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 2013, others provisions amounts to DKK 49 million (2012: DKK 61 million). Other provisions mainly include provisions for restructuring and Jext® recall.

Notes to the consolidated financial statements

3 Segment information

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 has changed the presentation of revenue to reflect its business priorities. The new breakedown illustrates revenue in ALK's three main geographies as well as its three main product groups.

	Europe		North America		International markets		Total	
Amounts in DKKm	2013	2012	2013	2012	2013	2012	2013	2012
SCIT/SLIT-drops	1,500	1,503	176	172	43	46	1,719	1,721
SLIT-tablets	199	201	90	41	9	186	298	428
Other products and services	128	105	90	87	9	4	227	196
Total revenue	**1,827**	1,809	**356**	300	**61**	236	**2,244**	2,345
Sale of goods							2,147	2,109
Royalties							1	1
Milestone and upfront payments							36	148
Services							60	87
Total revenue							**2,244**	2,345

Of total revenue, DKK 39 million (2012: DKK 40 million) derived from Denmark.

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

	Europe		North America		International markets		Total	
Amounts in DKKm	2013	2012	2013	2012	2013	2012	2013	2012
Non-current assets	**1,688**	1,613	**391**	359	**-**	-	**2,079**	1,972

Of total non-current assets, DKK 611 million are assets in Denmark (2012: DKK 589 million). The geographical information on assets is based on asset location.

Notes to the consolidated financial statements

4 Staff costs

Amounts in DKKm	2013	2012
Wages and salaries	869	939
Pensions, cf. note 20	79	78
Other social security costs, etc.	115	120
Share-based payments, cf. note 5	13	11
Total	**1,076**	1,148
Staff costs are allocated as follows:		
Cost of sales	279	274
Research and development expenses	234	248
Sales and marketing expenses	373	400
Administrative expenses	139	145
Included in the cost of assets	36	20
Special items cf. note 7	15	61
Total	**1,076**	1,148
Remuneration to Board of Management		
Salaries	16	17
Cash bonuses	2	4
Pensions	1	1
Calculated costs regarding share-based payments, cf. note 5	5	4
Total	**24**	26
Remuneration to Board of Directors		
Remuneration to the Board of Directors*	4	4
Employees		
Average number	1,804	1,828
Number year end	1,763	1,855

* The total remuneration to the Board of Directors includes remuneration for participation in the audit committee DKK 350 thousand (2012: 275 thousand), the Remuneration Committee DKK 350 thousand (2012: 350 thousand) and the Scientific Committee DKK 112 thousand (2012: 0).

5 Share-based payments

Amounts in DKKm	2013	2012
Cost of share-based payments	14	11
Total	**14**	11
Cost for the year regarding share-based payments are recognised as follows:		
Cost of sales	3	2
Research and development expenses	3	3
Sales and marketing expenses	3	3
Administrative expenses	4	3
Financial expenses	1	-
Total	**14**	11

The total cost of share-based payment for 2013 includes a financial expense of DKK 1 million due to the exercise and settlement of 2008-2010 plans granted to other key employees.

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.

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.

Specification of outstanding options:

2013	Board of Management Units	Other key personnel Units	Total Units	Average exercise price DKK
Outstanding options at 1 January	216,000	372,475	588,475	440
Additions	35,500	53,500	89,000	464
Exercised	-	(77,700)	(77,700)	409
Expired	(8,500)	(17,725)	(26,225)	993
Cancellations	-	(9,075)	(9,075)	393
Outstanding options at 31 December	**243,000**	**321,475**	**564,475**	**416**

At 31 December 2013 the total number of vested share options amounts to 182,150 units.

The Board of Directors decided that share options exercised in 2013 were to be settled by cash settlement. A total of 77,700 share options were exercised and total payment amounted to DKK 14 million (2012: DKK 0).

2012	Board of Management Units	Other key personnel Units	Total Units	Average exercise price DKK
Outstanding options at 1 January	236,825	351,525	588,350	483
Additions	40,250	60,750	101,000	440
Expired	(18,000)	(35,800)	(53,800)	882
Cancellations	(43,075)	(4,000)	(47,075)	441
Outstanding options at 31 December	216,000	372,475	588,475	440

At 31 December 2012 the total number of vested share options amounts to 134,875 units.

Notes to the consolidated financial statements

5 Share-based payments (continued)

Outstanding options have the following characteristics:

	Options Units	Exercise price DKK	Vested as per	Exercise periode
2007 Plan	23,850	799	1 Nov 2010	1 Nov 2010 1 Nov 2014
2008 Plan	29,300	544	1 Nov 2011	1 Nov 2011 1 Nov 2015
2009 Plan	31,100	492	1 Nov 2012	1 Nov 2012 1 Nov 2016
2010 Plan	95,000	356	1 Nov 2013	1 Nov 2013 1 Nov 2017
2011 Plan	198,700	342	1 Nov 2014	1 Nov 2014 1 Nov 2018
2012 Plan	98,550	435	1 May 2015	1 May 2015 1 May 2019
2013 Plan	87,975	464	1 Mar 2016	1 Mar 2016 1 Mar 2020
Outstanding at 31 December	**564,475**			

	2013	2012
Average remaining life of outstanding share options at year end (years)	0.9	1.2
Exercise prices for outstanding share options at year end (DKK)	342-799	339-1,005

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

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

	2013 Plan	2012 Plan
Average share price (DKK)	420	399
Average exercise price (DKK)*	464	440
Expected volatility rate	24% p.a.	22% p.a.
Expected option life	5 years	5 years
Expected dividend per share	5	5
Risk-free interest rate	1.30% p.a.	1.49% p.a.
Calculated market price of granted share options (DKK)	69	61

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

* 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.

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 programme. Conditional shares will be available three years after the date of grant, provided that ALK achieves the targets for vesting.

2013	Board of Management Units	Other key personnel Units	Total Units
Outstanding conditional shares at 1 January	6,100	9,200	15,300
Additions	5,825	8,775	14,600
Cancellations	-	(700)	(700)
Outstanding conditional shares at 31 December	**11,925**	**17,275**	**29,200**

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

The conditional shares have 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 have been granted at DKK 420 per share (2012: DKK 399). Conditional shares are considered sufficiently covered by treasury shares.

Outstanding conditional shares have the following characteristics:

	Conditinal share units	Vested as per
2012 Plan	14,900	1 May 2015
2013 Plan	14,300	1 Mar 2016
Outstanding at 31 December	**29,200**	

Notes to the consolidated financial statements

6 Depreciation, amortisation and impairment

Amounts in DKKm	2013	2012
Depreciation and amortisation are allocated as follows:		
Cost of sales	65	62
Research and development expenses	12	13
Sales and marketing expenses	21	20
Administrative expenses	29	29
Total	**127**	124

7 Special items

Amounts in DKKm	2013	2012
Severance pay etc.	15	61
Other restructuring expenses	7	3
Total	**22**	64
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	8	5
Research and development expenses	7	6
Sales and marketing expenses	3	44
Administrative expenses	4	9
Total	**22**	64

Special items represent one-off costs associated with the initiatives to streamline the business structure under the *Simplify* programme initiated in 2012.

8 Financial income and expense

Amounts in DKKm	2013	2012
Interest income	-	9
Gains on avaliable-for-sale financial assets	20	-
Financial income from financial assets not measured at fair value in the income statement	20	9
Total financial income	**20**	9
Interest expenses	11	11
Other financial expenses	2	-
Financial expenses relating to financial liabilities not measured at fair value in the income statement	13	11
Currency loss, net	12	3
Total financial expense	**25**	14

9 Tax on profit for the year, continuing operations

Amounts in DKKm	2013	2012
Current income tax	75	61
Adjustment of deferred tax	(29)	(3)
Prior year adjustments	(3)	1
Total	**43**	59
Profit before tax	104	113
Income tax, tax rate of 25%	26	28
Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	34	32
Non-taxable income	(6)	(2)
Non-deductible expenses	5	7
Prior year adjustments	(3)	1
Other taxes and adjustments	(13)	(7)
Tax on profit for the year, continuing operations	**43**	59

Tax related to equity and other comprehensive income of DKK 11 million (2012 expense DKK 5 million) relates to fair value adjustments.

10 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 was recognised as an adjustment of the original gain on the divestment of Chr. Hansen A/S and was presented separately in the income statement as Net profit, past discontinued operations. The recognition did not affected the company's cash flows or tax.

Notes to the consolidated financial statements

11 Intangible assets

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other	Total
2013					
Cost beginning of year	429	231	178	78	916
Currency adjustments	(2)	-	(3)	(1)	(6)
Additions	-	22	11	34	67
Transfer to/from other groups	-	-	13	(13)	-
Cost year end	**427**	**253**	**199**	**98**	**977**
Amortisation and impairment beginning of year	20	184	55	8	267
Amortisation for the year	-	13	17	6	36
Amortisation and impairment year end	**20**	**197**	**72**	**14**	**303**
Carrying amount year end	**407**	**56**	**127**	**84**	**674**

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other	Total
2012					
Cost beginning of year	428	209	162	59	858
Currency adjustments	1	-	1	-	2
Additions	-	22	15	19	56
Disposals	-	(4)	-	-	(4)
Transfer to/from other groups	-	4	-	-	4
Cost year end	429	231	178	78	916
Amortisation and impairment beginning of year	20	177	40	2	239
Amortisation for the year	-	11	15	6	32
Amortisation on disposals	-	(4)	-	-	(4)
Amortisation and impairment year end	20	184	55	8	267
Carrying amount year end	409	47	123	70	649

Goodwill has been subjected to an impairment test is submitted to the Audit Committee for subsequent approval by the Board of Directors. The impairment test performed in 2013 revealed no need for an impairment write-down of goodwill.

Goodwill has been tested at an agreegated level as the ALK Group is considered as one CGU as individual companies and business units in ALK cannot be evaluated separately due to value adding processes is generated across corporations and entities. 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. The key parameters in the calculation of the value in use are revenue, earnings, working capital, discount rate and the preconditions for the terminal period. 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 (2012: 10% after tax, 12% before tax).

The additions for the year include software development in progress DKK 11 million (2012: DKK 15 million).

Other intangible assets concern minor finished development projects and development projects in progress.

Notes to the consolidated financial statements

12 Property, plant and equipment

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2013					
Cost beginning of year	905	469	228	362	1,964
Currency adjustments	(8)	(3)	(1)	(5)	(17)
Additions	1	15	9	161	186
Disposals	(3)	(1)	(4)	-	(8)
Transfer to/from other groups	5	37	6	(48)	-
Cost year end	**900**	**517**	**238**	**470**	**2,125**
Depreciation and impairment beginning of year	261	215	165	-	641
Currency adjustments	(2)	(2)	-	-	(4)
Depreciation for the year	34	40	17	-	91
Depreciation of disposals	(3)	(1)	(4)	-	(8)
Depreciation and impairment year end	**290**	**252**	**178**	**-**	**720**
Carrying amount year end	**610**	**265**	**60**	**470**	**1,405**
of which financing costs	-				
of which assets held under finance leases	124				
Value of land and buildings subject to mortgages	153				

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2012					
Cost beginning of year	788	368	223	437	1,816
Currency adjustments	(2)	-	-	(1)	(3)
Additions	4	11	8	164	187
Disposals	(3)	(15)	(14)	-	(32)
Transfer to/from other groups	118	105	11	(238)	(4)
Cost year end	905	469	228	362	1,964
Depreciation and impairment beginning of year	227	192	161	-	580
Depreciation for the year	36	38	18	-	92
Depreciation of disposals	(2)	(15)	(14)	-	(31)
Depreciation and impairment year end	261	215	165	-	641
Carrying amount year end	644	254	63	362	1,323
of which financing costs	-				
of which assets held under finance leases	129				
Value of land and buildings subject to mortgages	152				

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

Notes to the consolidated financial statements

13 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2013						
Carrying amount beginning of year	(17)	(28)	52	38	18	63
Recognised in the income statement, net	(2)	11	31	(17)	6	29
Recognised in other comprehensive income, net	-	-	5	-	-	5
Recognised in equity, net	-	-	-	6	-	6
Carrying amount year end	**(19)**	**(17)**	**88**	**27**	**24**	**103**
2012						
Carrying amount beginning of year	(15)	(16)	59	6	13	47
Recognised in the income statement, net	(2)	(12)	(7)	19	5	3
Recognised in other comprehensive income, net	-	-	-	13	-	13
Carrying amount year end	(17)	(28)	52	38	18	63

Deferred tax at 31 December 2013 consists of deferred tax assets of DKK 136 million (2012: DKK 82 million) and deferred tax liabilities of DKK 33 million (2012: DKK 19 million).

Deferred tax 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.

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

14 Securities and receivables

Amounts in DKKm	2013	2012
Beginning of year	36	35
Additions	-	1
Disposals	(22)	-
Year end	**14**	36
Revaluation and impairment beginning of year	20	-
Revaluation for the year	10	20
Disposals	(20)	-
Revaluation and impairment year end	**10**	20
Carrying amount year end	**24**	56

15 Inventories

Amounts in DKKm	2013	2012
Raw materials and consumables	118	97
Work in progress	111	95
Manufactured goods and goods for resale	107	103
Total	**336**	295
Amount of write-down of inventories during the year	34	12
Amount of reversal of write-down of inventories during the year	1	2

The total consumption of materials included in cost of sales amounted to DKK 207 million (2012: DKK 174 million).

16 Receivables from affiliates

Amounts in DKKm	2013	2012
Beginning of year	61	-
Additions	57	61
Disposals	(61)	-
Year end	**57**	61
Carrying amount year end	**57**	61

Notes to the consolidated financial statements

17 Receivables and prepayments

Amounts in DKKm	2013	2012
Trade receivables (gross)	235	258
Allowances for doubtful trade receivables:		
Balance beginning of year	10	10
Change in allowances during the year	2	-
Realised losses during the year	(1)	-
Provision for doubtful trade receivables year end	11	10
Trade receivables (net)	**224**	248

Allowances for doubtful trade receivables are based on an individual assesment of receivables.

Trade receivables (net) can be specified as follows:

	2013	2012
Not due	178	185
Overdue by:		
Between 1 and 179 days	37	51
Between 180 and 360 days	5	10
More than 360 days	4	2
Trade receivables (net)	**224**	248
Other receivables		
VAT and other taxes	22	22
Miscellaneous receivables	36	24
Total	**58**	46
Prepayments		
Operating expenses	24	35
Insurance	3	4
Other prepayments	3	7
Total	**30**	46

The carrying amount is equivalent to the fair value of the assets.

18 Cash and cash equivalents

Amounts in DKKm	2013	2012
Securities subject to insignificant risk of changes in value	157	435
Cash and bank deposits	155	42
Cash and cash equivalents	**312**	477

19 Share capital and earnings per share

Amounts in DKKm	2013	2012
Share capital		
The share capital consists of:		
A shares, 920,760 shares of DKK 10 each	9	9
B shares, 9,207,600 shares of DKK 10 each	92	92
Total nominal value	**101**	101

Each A share carries 10 votes, whereas each B share carries 1 vote.

	2013	2012
Treasury shares*		
Treasury shares beginning of year (B-shares), units	454,820	262,954
Purchase of treasury shares, units	13,529	191,866
Treasury shares year end (B-shares), units	**468,349**	454,820
Proportion of share capital year end	4.6%	4.5%
Nominal value year end	4.7	4.5
Market value year end	288	175

Earnings per share

The calculation of earnings per share is based on the following:

	2013	2012
Net profit	61	209
Net profit, continuing operations	61	54
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	(468,219)	(383,088)
Average number of shares used for calculation of earnings per share	**9,660,141**	9,745,272
Average dilutive effect of outstanding share options	114,384	42,716
Average number of shares used for calculation of diluted earnings per share	**9,774,525**	9,787,988
Earnings per share (EPS), continuing operations	6.31	5.54
Earnings per share (EPS), past discontinued operations	-	15.91
Earnings per share (EPS)	**6.31**	21.45
Diluted earnings per share (DEPS), continuing operations	6.24	5.51
Diluted earnings per share (DEPS), past discontinued operations	-	15.84
Earnings per share (DEPS), diluted	**6.24**	21.35

* 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 consolidated financial statements

20 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. The ALK Group has defined benefit plans in Germany, The Netherlands and Switzerland.

Amounts in DKKm	2013	2012
Costs related to defined contribution plans	**65**	66
Costs related to defined benefit plans	**14**	12
Present value of funded pension obligations	39	45
Fair value of plan assets	(34)	(39)
Funded pension obligations, net	**5**	6
Present value of unfunded pension obligations	121	116
Pension obligations	**126**	122
Similar liabilities	21	22
Pension obligations and similar obligations, year end	**147**	144
Defined benefit plans:		
Provisions for defined benefit plans beginning of year	122	80
Contributions to plan assets	(7)	(5)
Actuarial (gain)/loss	(3)	35
Recognised in the current financial year	14	12
Obligation regarding defined benefit plans, year end	**126**	122
The actuarial calculations at the balance sheet date are based on the following factors:		
Average discount rate used	3.1%	3.1%
Expected return on plan assets	2.9%	2.9%
Expected future rate of salary increase	2.0%	2.0%
Sensitivity analysis:		
The table below shows the sensitivity of the pension obligations to changes in the key assumptions:		
Sensitivity related to discount rate, effect if 1% decrease	22	
Sensitivity related to salary increase, effect if 1% increase	5	
Sensitivity related to life expectancy, effect if + 1 year	5	

The latest actuarial calculation of the pension obligations related to the defined benefit plans was made at 31 December 2013.

Amounts in DKKm	2013	2012
Change in present value of funded pension obligations		
Present value of funded pension obligations beginning of year	45	31
Interest expenses relating to the obligations	2	1
Actuarial (gains)/losses	(4)	9
Other (gains)/expenses	4	4
Benefit payments from plan assets	(4)	-
Present value of funded pension obligations year end	**43**	45
Change in fair value of plan assets*		
Fair value of plan assets beginning of year	39	27
Contributions	7	4
Other expenses	(1)	(1)
Actuarial gains/(losses)	(3)	8
Expected return on plan assets	-	1
Benefit payments from plan assets	(4)	-
Fair value of plan assets year end	**38**	39
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations beginning of year	116	76
Pension expenses	3	3
Interest expenses relating to the obligations	4	3
Actuarial (gains)/losses	(2)	34
Present value of unfunded pension obligations year end	**121**	116
The pension obligations are expected to fall due as follows:		
0-1 years	4	
1-5 years	16	
Over 5 years	106	
Total	**126**	

The expected contribution for 2014 for the defined benefit plans is DKK 14 million (2013: DKK 14 million).

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

Notes to the consolidated financial statements

21 Mortgage debt, bank loans and financial loans

Amounts in DKKm	2013	2012
Debt to mortgage credit institutions secured by real property		
Mortgage debt is due as follows:		
Within 1 year	2	1
From 1-5 years	7	8
After 5 years	15	16
Total	**24**	25
Bank loans and financial loans		
Bank loans and financial loans are due as follows:		
Within 1 year	3	4
From 1-5 years	300	303
After 5 years	-	-
Total	**303**	307

Amounts in DKKm	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value DKKm
31 December 2013						
Mortgage debt						
Mortgage debt	DKK	2026	Floating	2.0	24	24
Total					**24**	**24**
Bank loans and financial loans						
Leasing debt	EUR, USD	2014-2016	Floating	3.5	5	5
Other bank loans and financial loans	EUR	2016	Fixed	3.1	298	298
Total					**303**	**303**
31 December 2012						
Mortgage debt						
Mortgage debt	DKK	2028	Fixed	4.0	25	25
Total					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
Total					307	306

Notes to the consolidated financial statements

22 Other provisions

Amounts in DKKm	2013	2012
Other provisions beginning of year	61	142
Provisions made during the year	37	60
Used during the year	48	-
Reversals during the year	1	141
Other provisions year end	**49**	61
Other provisions are recognised as follows:		
Non-current liabilities	15	7
Current liabilities	34	54
Other provisions year end	**49**	61

23 Other current liabilities

Amounts in DKKm	2013	2012
Trade payables	**100**	136
Other payables		
Salaries, holiday payments, etc.	186	181
VAT and other taxes	33	30
Miscellaneous payables	116	118
Total	**335**	329

The carrying amount is equivalent to the fair value of the liabilities.

24 Changes in working capital

Amounts in DKKm	2013	2012
Change in inventories	(44)	(5)
Change in receivables	83	(19)
Change in short-term payables	(33)	(57)
Cash flow from changes in working capital	**6**	(81)

25 Contingent liabilities and commitments

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

Liabilities relating to research and development projects and asset acquirements are estimated at DKK 28 million as at 31 December 2013 (31 December 2012: DKK 3 million).

Joint taxation scheme
ALK-Abelló A/S is part of a Danish joint taxation scheme with the Lundbeck Foundation. As from the 2013 financial year, the company has partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies, and as from 1 July 2012 it also has partly a joint and several liability and partly a secondary liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies. However, in both cases 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 12.

Amounts in DKKm	2013	2012
Collaterals and guarantees	**13**	13

26 Operating lease liabilities

Amounts in DKKm	2013	2012
Minimum lease payments recognised in the income statement	**49**	47
The total future minimum lease payments cf. interminable lease agreements:		
Within 1 year	45	42
From 1-5 years	68	62
After 5 years	29	10
Total	**142**	114

27 Finance lease liabilities

Amounts in DKKm	2013	2012
Finance lease liabilities are due as follows:		
Within 1 year	2	3
From 1-5 years	3	5
After 5 years	-	-
Total	**5**	8
Amortisation premium for future expensing	-	1
Present value of finance lease liabilities	**5**	7

Finance lease concern lease of building.

Notes to the consolidated financial statements

28 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 rate, 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 rate exposure through matching of payments received and paid in the same currency and through forward exchange rate 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 2013 in the event of a 10% increase in exchange rates

Amounts in DKKm	Revenue	EBITDA	Equity
31 December 2013			
USD	approx. 30	approx. 10	approx. 40
GBP	approx. 5	approx. 0	approx. 0
31 December 2012			
USD	approx. 25	approx. 5	approx. 40
GBP	approx. 5	approx. 0	approx. 0

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.

Amounts in DKKm	Cash and securities	Receivables	Liabilities	Amount hedged	Net position
31 December 2013					
DKK	195	128	(257)	-	66
USD	30	46	(10)	-	66
EUR	57	209	(726)	-	(460)
GBP	4	5	(9)	-	-
SEK	2	10	(12)	-	-
Other	24	7	(5)	-	26
Total	**312**	**405**	**(1,019)**	**-**	**(302)**
31 December 2012					
DKK	443	97	(220)	-	320
USD	-	63	(36)	-	27
EUR	13	267	(748)	-	(468)
GBP	5	12	(12)	-	5
SEK	1	8	(10)	-	(1)
Other	15	22	(12)	-	25
Total	477	469	(1,038)	-	(92)

Notes to the consolidated financial statements

28 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's policy.

The ALK Group has the following open contracts as of 31 December 2013 related to cash flow hedge (2012: no open exchange rate hedging contracts).

Amounts in DKKm	Contract value	Fair value	Value adjustment recognised in other comprehensive income
31 December 2013			
Currency options, USD	159	1	-

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.

	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 2013						
Securities and receivables	-	2	22	24	-	
Trade receivables	224	-	-	224	-	
Other receivables	157	-	-	157	-	
Cash and cash equivalents	312	-	-	312	-	
Financial assets	**693**	**2**	**22**	**717**	**-**	
Mortgage debt, bank loans and financial loans	5	308	14	327	298	2.0-3.5
Trade payables	100	-	-	100	-	
Other financial liabilities	363	-	-	363	-	
Financial liabilities	**468**	**308**	**14**	**790**	**298**	
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	

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

Future interest on financial assets and liabilities is not included.

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.

Notes to the consolidated financial statements

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

Amounts in DKKm	2013	2012
Categories of financial instruments		
Receivables from affiliates	57	61
Securities and receivables	6	7
Trade receivables	224	248
Other receivables	57	46
Loans and receivables	**344**	362
Securities and receivables	18	49
Financial assets available for sale	**18**	49
Currency option	1	-
Financial assets used as hedging	**1**	-
Mortgage debt	24	25
Bank loans and financial loans	303	307
Trade payables	100	136
Payables to affiliates	-	-
Other payables	335	329
Financial liabilities measured at amortised cost	**762**	797

Financial assets available for sale are, according to the fair value hierarchy, classified as measured by listed prices in an efficient market (level 1).

29 Fees to the ALK-Abelló Group's auditors

Amounts in DKKm	2013	2012
Fees to the auditors, Deloitte, appointed at the general meeting:		
Audit	2	2
Audit related services	-	-
Tax advisory services	1	1
Other services	1	1
Total	**4**	4

30 Related parties

Related parties exercising control
Parties exercising control are ALK's principal shareholder, the Lundbeck Foundation.

Other related parties comprise ALK'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.

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

ALK has paid dividends to the Lundbeck Foundation in 2013 constituting DKK 20 million (2012: DKK 20 million).

ALK received DKK 64 million (2012: DKK 0 million) concerning outstanding company tax from the Lundbeck Foundation.

Receivables from affiliates in the ALK Group relates to outstanding company tax of DKK 57 million (2012: DKK 61 million).

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.

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

List of companies in the ALK Group

31 December 2013 (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 – %	Operating profit x 100 / Average invested capital
Return on equity (ROE) – %	Net profit/(loss) for the period x 100 / Average equity
Pay-out ratio – %	Proposed dividend x 100 / Net profit/(loss) for the year
Earnings 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): • Europe comprises the EU, Norway and Switzerland • North America comprises the USA and Canada • International Markets comprise Japan, China and all other countries

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

Parent company financial statements 2013

Content

Parent company financial statements

Notes to the parent company financial statements

Income statement

Amounts in DKKm	Note	2013	2012
Revenue		791	823
Cost of sales	2	308	302
Gross profit		**483**	521
Research and development expenses	2	432	478
Sales and marketing expenses	2	101	100
Administrative expenses	2, 15	84	88
Other operating income		2	155
Other operating expenses		-	54
Operating profit (EBIT)		**(132)**	(44)
Income from investments in subsidiaries	8	73	186
Financial income	3	24	35
Financial expenses	3	27	15
Profit before tax (EBT)		**(62)**	162
Tax on profit	4	(35)	(40)
Net profit		**(27)**	202
Proposed appropriation of net profit:			
Dividends		51	51
Retained earnings		(78)	151
		(27)	202

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2013	31 Dec. 2012
Non-current assets			
Intangible assets			
Intangible assets	5	56	46
		56	46
Tangible assets			
Land and buildings	6	387	402
Plant and machinery	6	182	175
Other fixtures and equipment	6	10	11
Property, plant and equipment in progress	6	152	145
		731	733
Other non-currents assets			
Investment in subsidiaries	8	803	839
Receivables from affiliates		736	495
Securities and receivables		22	54
Deferred tax assets	7	-	1
		1,561	1,389
Total non-current assets		**2,348**	2,168
Current assets			
Inventories	9	**79**	74
Receivables			
Trade receivables		22	15
Receivables from affiliates		135	130
Other receivables		34	18
Prepayments		9	24
		200	187
Cash and cash equivalents		**252**	440
Total currents assets		**531**	701
Total assets		**2,879**	2,869

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2013	31 Dec. 2012
Equity			
Share capital		101	101
Proposed dividends		51	51
Retained earnings		1,858	1,940
Total equity		**2,010**	2,092
Deferred tax liabilities	7	16	-
Other provisions	13	15	55
Provisions		**31**	55
Liabilities			
Mortgage debt	10	22	24
Bank loans and financial loans	10	298	298
Non-current liabilities		**320**	322
Mortgage debt	10	2	1
Trade payables		34	45
Payables to affiliates		360	240
Other payables		122	114
Current liabilities		**518**	400
Total liabilities		**838**	722
Total equity and liabilities		**2,879**	2,869

Equity

Amounts in DKKm	Share capital	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2013	**101**	**1,943**	**51**	**2,095**
Effect of change in accounting policies	-	(3)	-	(3)
Adjusted equity at 1 January 2013	**101**	**1,940**	**51**	**2,092**
Appropriated from net profit	-	(78)	51	(27)
Share-based payments	-	14	-	14
Share options settled	-	(14)	-	(14)
Purchase of treasury shares	-	(6)	-	(6)
Dividend paid	-	-	(51)	(51)
Dividend on treasury shares	-	2	-	2
Other transactions	**-**	**(82)**	**-**	**(82)**
Equity at 31 December 2013	**101**	**1,858**	**51**	**2,010**

Please refer to note 19 in the consolidated financial statements for information on treasury shares.

Notes to the parent company financial statements

1 Accounting policies

General

The financial statements of the parent company ALK-Abelló A/S for the period 1 January – 31 December 2013 has been prepared in accordance with the Danish Financial Statements Act for large reporting class D enterprises.

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

Transition to the Danish Financial Statements Act
The financial statements for 2013 has been transitioned from IFRS to the Danish Financial Statements Act, which has given rise to a change in accounting policies for financial assets, investment in subsidiaries and minor changes and a reduction in disclosure requirements compared with IFRS.

The policy changes in respect of financial assets and investment in subsidiaries has affected the parent company's figures for 2012 and 2013. The effect is presented in the table below:

Amounts in DKKm	2013	2012
Net profit, previous policy	2	190
Fair value adjustment of financial assets	10	20
Write down of investments in subsidiaries	(36)	(3)
Tax on profit	(3)	(5)
Net profit, new policy	**(27)**	202
Equity, end of year, previous policy	2,046	2,095
Write down of investments in subsidiaries	(36)	(3)
Equity, end of year, new policy	**2,010**	2,092

Other than that, the accounting policies are unchanged from previous year.

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

Income statement

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

Balance sheet

Investments in subsidiaries
Investments in subsidiaries are measured at cost.

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

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

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

Other accounting information

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

Statement of changes in equity
Pursuant to the requirements of the Danish Financial Statements Act, entries recognised in the statement of comprehensive income in the consolidated financial statements are recognised directly in the statement of change in equity in the parent company's financial statements except for entries concerning other financial assets.

Notes to the parent company financial statements

2 Staff costs

Amounts in DKKm	2013	2012
Wages and salaries	418	418
Pensions	39	38
Other social security costs, etc.	13	17
Share-based payments	9	8
Total	**479**	481
Staff costs are allocated as follows:		
Cost of sales	137	141
Research and development expenses	213	217
Sales and marketing expenses	40	38
Administrative expenses	73	75
Included in the cost of assets	16	10
Total	**479**	481
Employees		
Average number	691	702
Number year end	672	706

Remuneration to Board of Management
See note 4 Staff cost in the consolidated financial statements

Remuneration to Board of Directors
See note 4 Staff cost in the consolidated financial statements

3 Financial income and expenses

Amounts in DKKm	2013	2012
Interest on receivables from affiliates	14	6
Other interest income	-	9
Fair value adjustment of financial assets	10	20
Total financial income	**24**	35
Interest on payables to affiliates	-	1
Other interest expenses	12	11
Currency loss, net	15	3
Total financial expenses	**27**	15

4 Tax on profit for the year

Amounts in DKKm	2013	2012
Current income tax	(51)	(67)
Adjustment of deferred tax	17	23
Prior year adjustments	(1)	4
Total	**(35)**	(40)
Profit before tax	(65)	165
Income tax, tax rate of 25%	(16)	41
Non-taxable income	(28)	(87)
Non-deductible expenses	10	2
Prior year adjustments	(1)	4
Tax on profit for the year	**(35)**	(40)

5 Intangible assets

Amounts in DKKm	Software	Patents, trademarks and rights	Other	2013	2012
Cost beginning of year	170	27	3	200	183
Additions	17	-	4	21	21
Disposals	3	-	(3)	-	(4)
Cost year end	**190**	**27**	**4**	**221**	200
Amortisation and impairment beginning of year	128	26	-	154	149
Amortisation for the year	11	-	-	11	9
Amortisation on disposals	-	-	-	-	(4)
Amortisation and impairment year end	**139**	**26**	**-**	**165**	154
Carrying amount year end	**51**	**1**	**4**	**56**	46

Notes to the parent company financial statements

6 Property, plant and equipment

Amounts in DKKm	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	2013	2012
Cost beginning of year	568	314	34	145	1,061	1,014
Additions	1	4	1	43	49	64
Disposials	-	-	-	-	-	(17)
Transfer to/from other groups	4	29	3	(36)	-	-
Cost year end	**573**	**347**	**38**	**152**	**1,110**	1,061
Depreciation and impairment beginning of year	166	139	23	-	328	295
Depreciation for the year	20	26	5	-	51	50
Depreciation on disposials	-	-	-	-	-	(17)
Depreciation and impairment year end	**186**	**165**	**28**	**-**	**379**	328
Carrying amount year end	**387**	**182**	**10**	**152**	**731**	733
of which assets held under finance leases	105				105	109
Value of land and buildings subject to mortgages	153				153	152

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

7 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current assets	Liabilities	Tax losses carried forward	Total
2013						
Carrying amount beginning of year	(7)	(5)	1	10	2	1
Recognised in the income statement, net	(4)	(12)	2	(3)	-	(17)
Carrying amount year end	**(11)**	**(17)**	**3**	**7**	**2**	**(16)**
2012						
Carrying amount beginning of year	(2)	2	21	1	2	24
Recognised in the income statement, net	(5)	(7)	(20)	9	-	(23)
Carrying amount year end	(7)	(5)	1	10	2	1

Deferred tax in ALK-Abelló A/S 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.

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

Notes to the parent company financial statements

8 Investments in subsidiaries

Amounts in DKKm	2013	2012
Cost beginning of year	905	905
Cost year end	**905**	905
Write-down at the beginning of the year	66	63
Write-down during the year	36	3
Write-down year end	**102**	66
Carrying amount year end	**803**	839

Income from investments in subsidiaries is dividends, which amounted to DKK 109 million and write-down which amount to DKK 36 million (2012: Dividens DKK 189 million and write-down DKK 3 million).

For an overview of all subsidiaries please refere to page 57 in the consolidated financial statements.

9 Inventories

Amounts in DKKm	2013	2012
Raw materials and consumables	22	20
Work in progress	34	25
Manufactured goods and goods for resale	23	29
Total	**79**	74
Amount of write-down of inventories during the year	2	6
Amount of reversal of write-down of inventories during the year	1	2

10 Mortgage debt, bank loans and financial loans

Amounts in DKKm	2013	2012
Debt to mortgage credit institutions secured by real property		
Mortgage debt is due as follows:		
Within 1 year	2	1
From 1-5 years	7	8
After 5 years	15	16
Total	**24**	25
Bank loans and financial loans		
Bank loans and financial loans are due as follows:		
Within 1 year	-	-
From 1-5 years	298	298
After 5 years	-	-
Total	**298**	298

11 Operating lease liabilities

Amounts in DKKm	2013	2012
Minimum lease payments recognised in the income statement	**15**	14
The total future minimum lease payments cf. interminable lease agreements:		
Within 1 year	13	13
From 1-5 years	4	4
After 5 years	-	-
Total	**17**	17

12 Contingent liabilities and commitments

For information on contingent liabilities and commitments, please refer to note 25 in the consolidated financial statements.

13 Other provisions

Amounts in DKKm	2013	2012
Other provisions beginning of year	55	140
Provisions made during the year	3	55
Used during the year	42	-
Reversal during the year	1	140
Total	**15**	55

14 Related parties

For information on transactions with related parties, please refer to note 30 in the consolidated financial statements.

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

15 Fees to the ALK-Abelló A/S auditors

Amounts in DKKm	2013	2012
Fees to the auditors, Deloitte, appointed at the general meeting:		
Audit	1	1
Audit related services	-	-
Tax advisory services	-	1
Other services	-	-
Total	**1**	2

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

Amounts in DKKm	2013	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Income statement					
Revenue	**2,244**	593	509	532	610
Cost of sales	**697**	189	163	181	164
Research and development expenses	**463**	96	95	136	136
Sales and marketing expenses	**762**	186	181	202	193
Administrative expenses	**192**	48	48	49	47
Operating profit/(loss) (EBIT) before special items	**131**	77	22	(38)	70
Special items	**(22)**	(15)	(5)	(2)	-
Operating profit/(loss) (EBIT)	**109**	62	17	(40)	70
Net financial items	**(5)**	5	(1)	(12)	3
Profit/(loss) before tax (EBT)	**104**	67	16	(52)	73
Net profit/(loss), continuing operations	**61**	40	9	(30)	42
Net profit/(loss)	**61**	40	9	(30)	42
Operating profit/(loss) before depreciation and amortisation (EBITDA) before special items	**258**	110	54	(7)	101
Operating profit/(loss) before depreciations (EBITDA)	**236**	95	49	(9)	101
Average number of employees	**1,804**	1,787	1,801	1,795	1,827
Revenue by market**					
Europe	**1,827**	487	419	430	491
North America	**356**	87	84	84	101
International markets	**61**	19	6	18	18
Revenue by product line**					
SCIT/SLIT-drops	**1,719**	481	384	399	455
SLIT-tablets	**298**	77	56	66	99
Other products and services	**227**	35	69	67	56
Total revenue	**2,244**	593	509	532	610
Growth in revenue in local currency by product line – %**					
SCIT/SLIT-drops	**-**	2	(1)	5	(5)
SLIT-tablets	**(31)**	(14)	(66)	(25)	14
Other products and services	**19**	(24)	40	42	15
Total revenue	**(4)**	(2)	(16)	3	-
Balance sheet					
Total assets	**3,268**	3,268	3,218	3,222	3,282
Invested capital	**2,104**	2,104	2,159	2,111	1,992
Equity	**2,249**	2,249	2,219	2,222	2,249
Cash flow and investments					
Cash flow from operating activities	**146**	144	7	(87)	82
Cash flow from investing activities	**(231)**	(75)	(40)	(60)	(56)
– of which investment in tangible assets	**(186)**	(68)	(30)	(51)	(37)
Free cash flow	**(85)**	69	(33)	(147)	26
Information on shares					
Dividend	**49**	-	-	49	-
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	**614**	614	525	438	421
Net asset value per share – DKK	**222**	222	219	219	222
Key figures					
Gross margin – %	**69**	68	68	66	73
EBITDA margin – % before special items	**11**	19	11	1	17
EBITDA margin – %	**11**	16	10	2	17
Earnings per share (EPS) – DKK	**6.3**	4.1	0.9	(3.1)	4.4
Earnings per share (EPS) – DKK, continuing operations	**6.3**	4.1	0.9	(3.1)	4.4
Diluted earnings per share (DEPS) – DKK	**6.2**	4.0	0.9	(3.1)	4.3
Diluted earnings per share (DEPS) – DKK, continuing operations	**6.2**	4.0	0.9	(3.1)	4.3
Cash flow per share (CFPS) – DKK	**15.1**	14.9	0.7	(9.0)	8.5
Cash flow per share (CFPS), continuing operations – DKK	**15.1**	14.9	0.7	(9.0)	8.5
Share price/Net asset value	**2.8**	2.8	2.4	2.0	1.9

Amounts in DKKm	2012	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Restatement of 2012 figures to new revenue segmentation:					
Revenue by market**					
Europe	**1,809**	488	406	410	505
North America	**300**	79	73	75	73
International markets	**236**	48	129	30	29
Revenue by product line**					
SCIT/SLIT-drops	**1,721**	475	390	381	475
SLIT-tablets	**428**	88	168	86	86
Other products and services	**196**	52	50	48	46
Total revenue	**2,345**	615	608	515	607

* Management's review comprises pages 1-27 as well as Financial highlights and key ratios for the ALK Group on page 69.
** The figures have been restated to reflect the change in revenue reporting.

Definitions: see page 58

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