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Hørsholm
9 February 2015

ALK releases its annual report 2014

ALK (ALKB:DC / OMX: ALK B / AKABY / AKBLF) achieved one of its best-ever results in 2014. Total revenue, including partner income, was DKK 2,433 million (2,244) and EBITDA before special items amounted to DKK 453 million (258).

2014 also saw important progress towards ALK's goal of globalising its SLIT-tablet portfolio:

In North America, Merck launched the first two SLIT-tablets, GRASTEK® and RAGWITEK® and initiated the final stage of clinical development for the SLIT-tablet for house dust mite (HDM) allergy. In Japan, Torii advanced the development of the SLIT-tablet for Japanese cedar pollen allergy to the final stage of clinical development and submitted its own registration application for the SLIT-tablet for HDM allergy. In Europe, ALK submitted a registration application for its most important product, the SLIT-tablet for HDM allergic rhinitis and allergic asthma. Moreover, ALK has entered into a strategic partnership with Abbott for Russia and a collaboration with Eddingpharm in China.

The Board of Directors proposes a dividend of DKK 5 per share to the annual general meeting.

See page 4 in the attached annual report for highlights of Q4 and full-year 2014 and a summary of the 2015 outlook.

Audio cast
Today, ALK hosts a meeting for analysts and institutional investors at 12.30 p.m. (CET) at which Management will review the financial results, the outlook and answer questions. The meeting will be audio cast on www.alk-abello.com/investor.

Participants in the audio cast are kindly requested to call in before 12.25 p.m. (CET). Danish participants should dial in on tel. +45 7025 2300 or +45 7025 6700 and international participants should dial in on tel. +44 208 817 9311. Please use the following Audio Passcode: 8181 5130. The audio cast is available live on our website, where the related presentation will be available shortly before the meeting begins.

ALK-Abelló A/S

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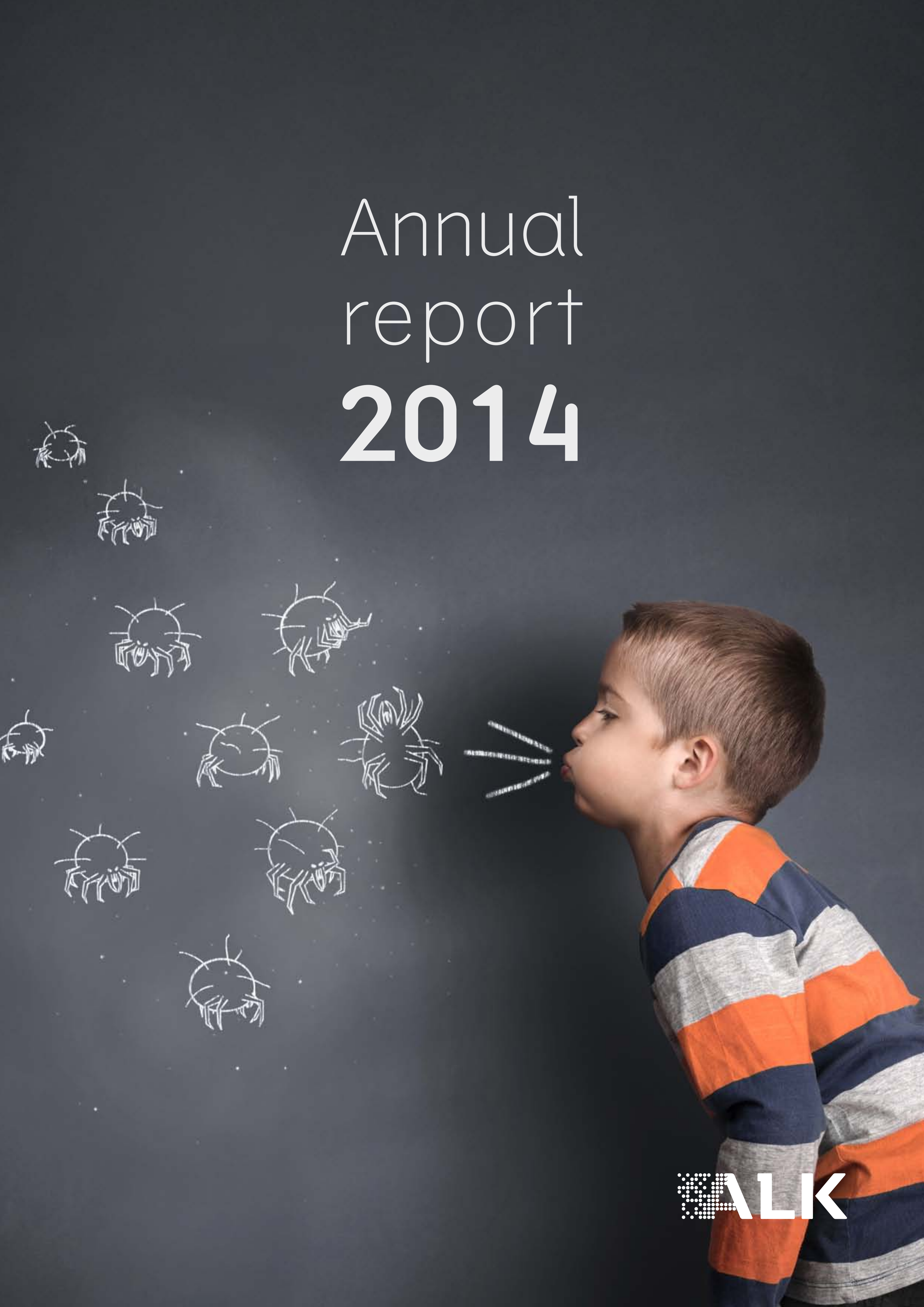
Annual report 2014



ALK

Content

Cover image: House dust mite allergy, the most common allergy in the world, can trigger allergic asthma in children. A new treatment under development by ALK has the potential to stop house dust mite allergy in its tracks, helping both parents and patients to breathe a little easier.

Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm**	DKK 2014	DKK 2013	DKK 2012	DKK 2011	DKK 2010	EUR 2014	EUR 2013
Income statement							
Revenue	**2,433**	2,244	2,345	2,348	2,159	**327**	301
Operating profit before depreciation (EBITDA) before special items	**453**	258	306	406	287	**61**	35
Operating profit before depreciation (EBITDA)	**404**	236	242	406	287	**54**	32
Operating profit (EBIT) before special items	**313**	131	182	299	192	**42**	18
Operating profit (EBIT)	**264**	109	118	299	192	**35**	15
Net financial items	**36**	(5)	(5)	22	15	**5**	(1)
Profit before tax (EBT)	**300**	104	113	321	207	**40**	14
Net profit, continuing operations	**181**	61	54	200	128	**24**	8
Net profit, past discontinued operations	**-**	-	155	-	-	**-**	-
Net profit	**181**	61	209	200	128	**24**	8
Average number of employees	**1,809**	1,804	1,828	1,724	1,612	**1,809**	1,804
Balance sheet							
Total assets	**3,419**	3,268	3,295	3,355	2,833	**460**	438
Invested capital	**2,214**	2,104	1,974	1,639	1,713	**298**	282
Equity	**2,354**	2,249	2,257	2,163	2,011	**316**	301
Cash flow and investments							
Depreciation, amortisation and impairment	**140**	127	124	107	95	**19**	17
Cash flow from operating activities	**320**	146	91	431	274	**43**	20
Cash flow from investing activities	**(219)**	(231)	(243)	(160)	(345)	**(29)**	(31)
– of which investment in tangible and intangible assets	**(202)**	(253)	(243)	(153)	(162)	**(27)**	(34)
– of which acquisitions of companies and operations	**(24)**	-	-	-	(178)	**(3)**	-
Free cash flow	**101**	(85)	(152)	271	(71)	**14**	(11)
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	**651**	614	389	321	322	**88**	82
Net asset value per share – DKK/EUR	**232**	222	223	214	199	**31**	30
Key figures							
Gross margin – %	**70**	69	72	74	70	**70**	69
EBITDA margin before special items – %	**19**	11	13	17	13	**19**	11
EBITDA margin – %	**17**	11	10	17	13	**17**	11
Return on equity (ROE) – %	**8**	3	9	10	7	**8**	3
ROAIC – %	**12**	5	6	18	12	**12**	5
Pay-out ratio – %	**28**	84	24	26	40	**28**	84
Earnings per share (EPS) – DKK/EUR	**19**	6	21	20	13	**3**	1
Earnings per share (EPS), continuing operations – DKK/EUR	**19**	6	6	20	13	**3**	1
Earnings per share (DEPS), diluted – DKK/EUR	**18**	6	21	20	13	**2**	1
Earnings per share (DEPS), diluted, continuing operations – DKK/EUR	**18**	6	6	20	13	**2**	1
Cash flow per share (CFPS) – DKK/EUR	**33**	15	9	43	28	**4**	2
Cash flow pr. share (CFPS), continuing operations – DKK/EUR	**33**	15	9	43	28	**4**	2
Price earnings ratio (PE)	**35**	97	18	16	25	**35**	97
Share price/Net asset value	**2.8**	2.8	1.7	1.5	1.6	**2.8**	2.8
Revenue growth – %							
Organic growth	**8**	(4)	(1)	6	2	**8**	(4)
Exchange rate differences	**1**	-	1	(1)	2	**1**	-
Acquisitions	**-**	-	-	4	5	**-**	-
Total growth revenue	**9**	(4)	-	9	9	**9**	(4)

* Management's review comprises pages 1-25 as well as Financial highlights and key ratios for the ALK Group on page 67.

** 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 2014 (EUR 100 = DKK 744).

Definitions: see page 57

About ALK

ALK is a global, research-driven pharmaceutical company focusing on allergy prevention, allergy diagnosis and the treatment of respiratory allergic rhinitis and allergic asthma.

Our strategy is based on ALK's vision of being both the commercial leader *and* the number one innovator within allergy immunotherapy (AIT). The strategy aims to transform ALK from a largely European company focused on allergic rhinitis to a truly global company whose products also treat, and potentially prevent, allergic asthma.

ALK is the world leader in allergy immunotherapy (AIT) – a unique treatment of the underlying cause of allergy. AIT 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 form of treatment. Among other things, ALK's product portfolio also includes an adrenaline auto-injector for the treatment of severe allergic reactions (anaphylaxis).

We focus on severe allergy sufferers in poor disease control

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

SLIT-tablets to simplify allergy treatment

>15,000

patients in clinical development programmes

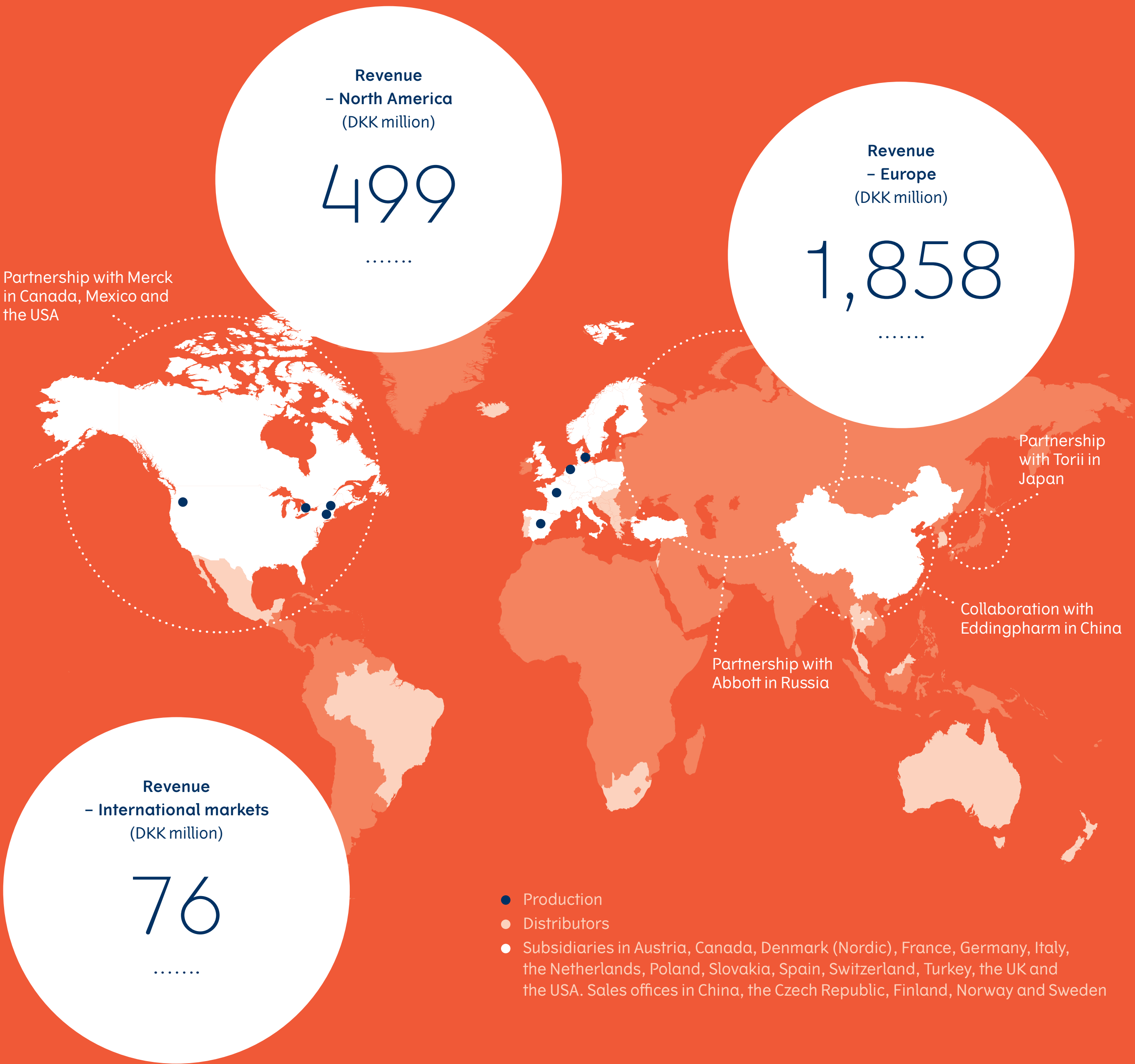
ALK has entered into partnerships with Merck & Co., Inc. (MSD outside the USA and Canada) and Torii Pharmaceutical Co., Ltd. to develop, register and commercialise SLIT-tablets in North America and Japan, respectively. Furthermore, ALK has a partnership with Abbott in Russia, and a collaboration with Eddingpharm in China. More than 1.5 million people globally are being treated with ALK's own products or products based on its allergen extracts. Based on internal analyses and estimates, ALK holds approximately one third of both the global and the European AIT markets and accounts for 57% of the European SLIT-tablet sales.

Employees (approx.)

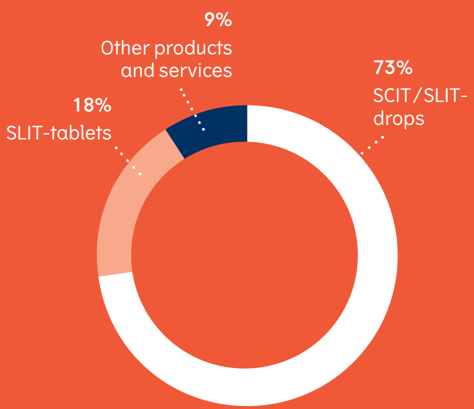
1,800

of whom 300 in R&D

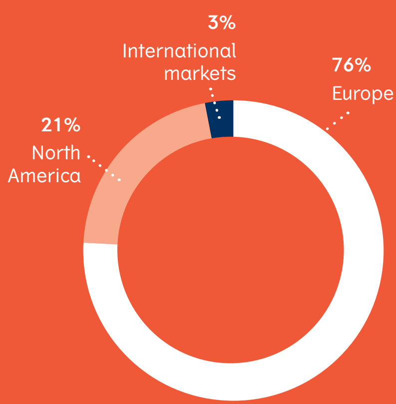
ALK has approximately 1,800 employees, with subsidiaries, production facilities and distributors worldwide. The company is headquartered in Hørsholm, Denmark, and listed on NASDAQ Copenhagen (OMX: ALK B).



Total revenue – by product line



Total revenue – by market



More information at www.alk.net

Highlights

(Comparative figures for 2013 are shown in brackets / revenue growth is measured in local currencies. Revenue from ALK's base business is defined as total revenue excluding revenues from its partnerships for the SLIT-tablet programmes in North America and International markets)

Q4 2014

Revenue and operating profit (EBITDA) in Q4 were in line with expectations and ALK met its full-year outlook.

- Total revenue, including partner income, grew by 2% to DKK 612 million (593)
- Revenue in the base business grew by 5% to DKK 603 million (568). Growth was largely driven by sales of SCIT products, GRAZAX® and Jext®, which in total grew by 9% to DKK 354 million (326)
- EBITDA before special items was DKK 76 million (110)
- The gross margin was 69% (68) while capacity costs increased by 18%. As announced in the Q3 report, ALK has increased its activities and costs in support of key elements of the long-term growth strategy

Full-year 2014

ALK achieved one of its best-ever results in 2014. The progress was driven by continued growth in the base business, increased partner income and improved underlying profitability.

- Total revenue, including partner income, grew by 9% to DKK 2,433 million (2,244)
- Revenue in the base business grew by 4% to DKK 2,219 million (2,145). Growth was largely driven by a 10% increase in revenue from SCIT products and a 10% increase in sales of GRAZAX®
- EBITDA before special items was DKK 453 million (258). Excluding sales royalties and milestone payments, EBITDA before special items grew 24% to 273 DKK million (221)
- Cash flow from operations was DKK 320 million (an inflow of 146). Free cash flow was DKK 101 million (an outflow of 85)

2015 outlook in summary

ALK expects to grow revenue in the base business by 0-5% to DKK 2.2-2.3 billion (2014: DKK 2.2 billion). Operating profit (EBITDA before special items), excluding revenues from sales royalties and milestone payments, is expected to be in the range of DKK 225-300 million (2014: DKK 273 million).

Included in the expected EBITDA are R&D expenses of approximately DKK 400 million, of which, approximately half is allocated for the discovery and development of new products and concepts, with the other half for the maintenance of already marketed products.

ALK will also allocate approximately DKK 200 million to strategic growth initiatives to support geographical expansion, and in preparation for the expected launch of the house dust mite (HDM) SLIT-tablet – including costs associated with the scale-up of manufacturing capacity. The equivalent amount in 2014 was approximately DKK 150 million.

Finally, ALK's partnerships are expected to contribute to revenue and earnings but the level of these income streams is subject to uncertainty, especially in the first few years after the products are launched. ALK expects to recognise milestone payments relating to the registration processes of the HDM SLIT-tablet from the partnerships in both the USA and Japan during 2015 and 2016. The milestone payments that may be recognised during these two years total approximately DKK 170 million (2014: DKK 178 million), however, recognition and the exact timing are subject to uncertainty. Furthermore, the partnership with Merck will generate sales royalties for ALK from 2015 and onwards. ALK will provide regular updates on the partnerships' contributions in the interim reports.

For further details, see the comprehensive financial outlook for 2015 on page 15.

Revenue breakdown

The presentation of revenue reflects ALK's business priorities. The 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 and Canada as well as income from the partnership with Merck for North America.

International markets: ALK's product sales in China and other overseas markets, as well as income 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, as well as revenue from partnerships, including product supply, reimbursements, milestones and royalties.

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

Revenue from ALK's **base business** is defined as: total revenue excluding revenues from its partnerships for the SLIT-tablet programmes in North America and International markets. Please refer to Note 3 for additional information.

Operational review

ALK is a specialty pharmaceutical company focusing on allergy prevention, diagnosis and treatment. As the world's leading manufacturer of allergy immunotherapy (AIT) products, ALK works to improve the quality of life of the many allergy sufferers who are in poor control of their disease despite the use of symptom-relieving medication.

ALK's strategy builds on its vision of being the commercial leader and the foremost innovator in allergy immunotherapy, and of transforming itself from being largely a European company focused on treating allergic rhinitis, to a global company whose products also treat, and potentially prevent, allergic asthma.

The majority of current sales come from Europe where ALK subsidiaries and sales offices serve 18 markets directly with other countries handled by distributors. ALK also has subsidiaries in Canada, the USA and Turkey. In North America, Japan and selected emerging markets, ALK is working with strategic partners to unlock the potential for allergy immunotherapy treatment by launching its innovative SLIT-tablet portfolio. Moreover, ALK products are currently sold via collaborations or distributors in 7 markets in Asia-Pacific, South America, the Middle East and Africa.

Financially, ALK achieved one of its best-ever results in 2014. Progress was driven by three factors:

- Continued growth in the base business, despite challenging market conditions in Europe
- Increased partner income: primarily, milestone payments from Merck
- Improved profitability due to efficiencies and cost savings

2014 also saw important progress towards ALK's goal of globalising its lead products, the SLIT-tablet portfolio:

In North America, ALK's strategic partner Merck launched its first two SLIT-tablets, for grass and ragweed pollen allergies. Merck also initiated the final stage of clinical development for the tablet against house dust mite (HDM) allergy. In Japan, ALK's strategic partner Torii has submitted its own registration application for the SLIT-tablet against HDM allergy in January 2015. Torii has also advanced the development of a tablet for Japanese cedar pollen allergy to the final stage of clinical development.

In Europe, ALK filed for regulatory approval of its most important product candidate, the SLIT-tablet against HDM allergic rhinitis and allergic asthma – the first and only AIT product with proven efficacy in allergic rhinitis and allergic asthma. In addition, ALK entered into a strategic partnership with Abbott to launch the SLIT-tablet portfolio in Russia.

ALK is in the early stages of preparing further clinical trials to allow SLIT-tablets access to other markets, including China.

In 2014, ALK also expanded the reach of its base business. ALK established a presence in Slovakia as a hub to facilitate further growth in eastern Europe and Turkey. In China, ALK entered into collaboration with a local speciality pharma company to accelerate sales growth, while in North America, ALK acquired a leading local veterinary allergy company.

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 has the potential to prevent the progression of an allergic disease into allergic asthma or other allergies.

AIT works by increasing the body's immunological tolerance to specific allergens following repeated administrations of doses of the relevant allergen. As a result, the basic immunological response to the allergen is altered. AIT can be administered in three different ways: SCIT, SLIT-drops and SLIT-tablets. ALK's product portfolio comprises all three types of treatment and covers the most common allergies, including grass, ragweed, house dust mite, tree (birch), cat, bee and wasp.

Subcutaneous injection-based allergy immunotherapy (SCIT): Administered as a series of injections by an allergy specialist, SCIT (or 'allergy shots') is currently the most common form of allergy immunotherapy in Europe and North America. SCIT is available in other markets, though its practice is still in its infancy.

Sublingual drop-based allergy immunotherapy (SLIT-drops): SLIT-drops, applied under the tongue, can be self-administered by patients at home. SLIT-drops are particularly suitable for patients who experience discomfort with SCIT and/or have a fear of needles. SLIT-drops are common in a few European countries, most notably France.

Sublingual allergy immunotherapy tablets (SLIT-tablets): SLIT-tablets are supported by clinical trials evidencing their safety, efficacy and disease-modifying characteristics and can also be taken at home. ALK's tablet for grass pollen allergy is available in Europe under the trade name GRAZAX® and in North America under the name GRASTEK®. The tablet RAGWITEK® for ragweed allergic rhinitis is available in North America. Additional SLIT-tablets are being developed in Europe, North America, Japan and other markets.

SCIT-products and SLIT-drops are commonly administered on a 'named patient' basis by allergy specialists. Named patient products are produced specifically for an individual patient and are used under the responsibility of the prescribing doctor. SLIT-tablets are standardised and approved for use under prescription by patients.

The world market for allergy immunotherapy

Allergic rhinitis (hay fever) is a chronic disease which is estimated to affect 400-500 million people worldwide, 10-20% of whom experience moderate to severe symptoms.

In 2014, global industry sales of allergy immunotherapy (AIT) products are estimated to have increased slightly, to around USD 1.1 billion (DKK 6.6 billion). The industry is still dominated by Europe and the USA which, together, account for more than 90% of global AIT sales. Within this picture, European markets range from zero- to low-growth with the region showing overall growth in low single-digits, while North America and other markets are showing higher growth rates.

At a global level, SCIT continues to be the dominant treatment with SLIT-drops the second most widely used. The fastest growing treatment is SLIT-tablets, despite only being marketed in Europe and North America at present.

The markets for SCIT and SLIT-drops remain relatively fragmented, with market share contested by a number of local manufacturers. Meanwhile, the market for SLIT-tablets is shared by just two manufacturers and their local or regional partners. Approximately 1.5 million people globally are being treated with ALK's own products or products based on its allergen extracts. Based on internal analyses and estimates, ALK holds approximately one third of both the global and the European AIT markets and accounts for 57% of the European SLIT-tablet sales.

Europe

Between 10 and 20 million Europeans suffer from moderate to severe allergic rhinitis, mainly induced by house dust mites (HDM), and grass and tree pollen. Some 1.3 million patients are currently being treated with AIT products – around a third of these are products from ALK. Prescriber coverage is uneven and access to AIT treatment varies from country to country. Germany and France are by far the largest markets, and together, are estimated to account for approximately 70% of AIT sales in Europe.

Generally, European AIT markets are in transition from named patient products (NPP) towards fully documented and registered products. Over recent years, many countries have restricted the pricing and reimbursement of medicines, including AIT. In 2014, new price reductions were introduced in Switzerland, while Italy saw a general decrease of NPP reimbursement in several regions and the Netherlands continued its phase out of unregistered (NPP) AIT products. In contrast, Germany partly eased the mandatory rebate on all prescription drugs from 16% to 7%, although in parallel, it extended its moratorium on price increases to 2017.

Despite these challenges, ALK grew its revenue from Europe in 2013 and in 2014 and is targeting further growth by introducing new innovative products, raising awareness of the allergy's disease burden, securing scientific support, improving market access, as well as increasing patient awareness.

North America

Around 10-15 million North Americans are estimated to suffer from moderate to severe allergic rhinitis, mainly induced by HDM or grass, ragweed and tree pollens. Approximately three million patients are currently being treated with AIT. The predominant treatment is SCIT or 'allergy shots' which are self-mixed or compounded from allergen extracts by allergy specialists. These allergy shots are estimated to generate USD 2-3 billion in yearly billing to the healthcare insurers that reimburse AIT treatment.

SCIT, however, is characterised by low take-up and low treatment compliance (patient drop-outs). It is estimated that approximately 50% of eligible patients refuse treatment due to, among other things, inconvenience or fear of injections. Of those who start treatment, only approximately 15% complete the full treatment course. ALK's partner, Merck, introduced SLIT-tablets into North America in 2014 – some of the first AIT products to be documented and FDA-approved in the USA. The initial focus is on those estimated 4.5 million eligible patients who have either refused allergy shots or have abandoned their injection-treatment.

Japan

Japan has a higher level of diagnosed allergic rhinitis than anywhere in the world. Up to 40% of the population is sensitised to one or more allergies and 5-10 million people are estimated to be moderately or severely affected by their allergies. Nevertheless, AIT is in its infancy and reimbursement systems are only beginning to be developed.

To address the national affliction, ALK's partner Torii is developing SLIT-tablets for the treatment of the two main allergies: HDM and Japanese cedar pollen allergy. Torii has also licensed an HDM SCIT product and an HDM skin prick diagnostic product. Following the authorities' recent approvals of both products, Torii is now in the process of launching these in Japan.

Other markets

China is a market with a large untapped potential. Nearly 100 million Chinese are believed to suffer from HDM allergy and, assuming the same disease pattern as in Europe, up to 40 million Chinese may be experiencing moderate to severe symptoms. AIT is currently not reimbursed in China and treatment must therefore be self-funded by patients.

Other markets with a growing prevalence of allergies and a large unmet medical need include Argentina, Australia, Brazil, Russia, South Korea, Taiwan and Turkey.

The above-mentioned figures solely refer to allergic rhinitis. Please turn to page 13 for information on allergic asthma.

Revenue by geographies

In 2014, ALK's base business revenue grew in all geographic regions, with partner revenue also contributing to overall revenue growth.

Europe

Revenue in Europe grew by 2% to DKK 1,858 million (1,827). Europe thus accounted for 76% of ALK's total revenue (81).

Progress was attributable to SCIT products and the GRAZAX® SLIT-tablet with growth rates of 8% and 10%, respectively, whereas sales of SLIT-drops declined, as anticipated. All in all, sales of allergy immunotherapy (AIT) products increased by 3%.

Sales of the Jext® adrenaline auto-injector were below those of last year due to a phased reintroduction of the product following the temporary suspension of marketing and sales after a product recall in late 2013. Disregarding Jext® sales, revenue in Europe showed growth of 3%.

Overall, sales in Germany, Europe's largest market, developed positively, adding to the momentum established in late 2013. Performance in Germany was assisted by the easing of a mandatory sales rebate on all prescription drugs from 1 January 2014. This measure alone impacted European growth positively by 3 percentage points. Sales in France, the second largest market, also continued to grow. However, growth eased off as anticipated due to the maturing of the French market following years of sustained double-digit growth.

Sales performance was also positive in the Nordic countries and the eastern European markets such as Poland, Slovakia and the Czech Republic. Conversely, sales in southern Europe continued to suffer under previously introduced austerity measures and as the result of continued economic hardship. As expected, sales in the Netherlands showed a pronounced decrease following the Dutch authorities' efforts to phase out the local NPP SLIT-drops portfolio. The decline in sales in the Netherlands negatively affected ALK's European sales by 2 percentage points.

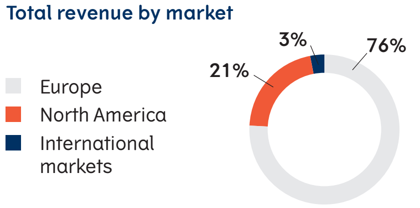
North America

Full-year revenue in North America increased by 42% to DKK 499 million (356). North America thus accounted for 21% of ALK's total revenue (16). Growth was driven by strong performance from ALK's own businesses in the USA and Canada as well as increased revenue (mainly milestones) from the partnership with Merck.

ALK increased its sales of allergen extracts, diagnostics and other products to North American specialists and clinics by 15% to DKK 301 million (266). Growth was particularly strong within allergen extracts and diagnostics. Furthermore, ALK benefited from the acquisition of Bio-Medical Services, a Texas-based laboratory specialising in treating allergic diseases in animals.

Revenue from the Merck partnership amounted to DKK 198 million (90), corresponding to growth of 127%. The revenue

Total revenue by market



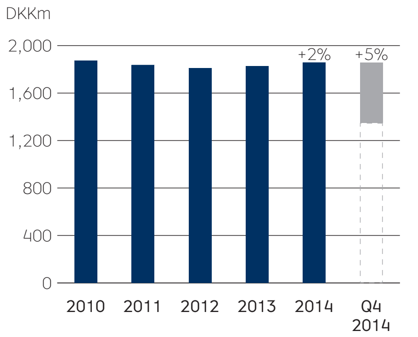
included three milestone payments upon Merck's initiation of the Phase III trial with the HDM SLIT-tablet and the FDA approvals for GRASTEK® and RAGWITEK®. Revenue also included income from sales royalties and product supply as well as reimbursement payments for R&D activities carried out for Merck.

International markets

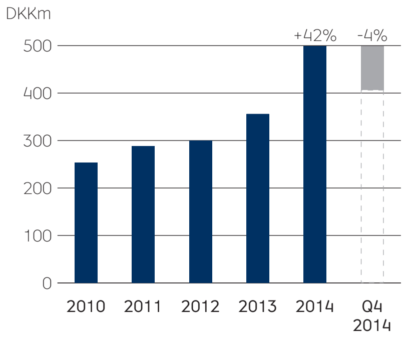
Revenue in International markets grew by 31% to DKK 76 million (61). International markets thus accounted for 3% (3) of ALK's total revenue.

Sales of ALK's own products in Asia-Pacific, the Middle East, South America and other markets showed growth of 7%. Growth was particularly strong in China where the new collaboration with Eddingpharm secured a threefold increase to the sales force behind ALK's HDM allergy products Alutard SQ® and Soluprick®. In addition, ALK recognised income from partnerships and collaborations, partly from an upfront payment from Eddingpharm linked to the collaboration in China, and partly from R&D reimbursements from Torii.

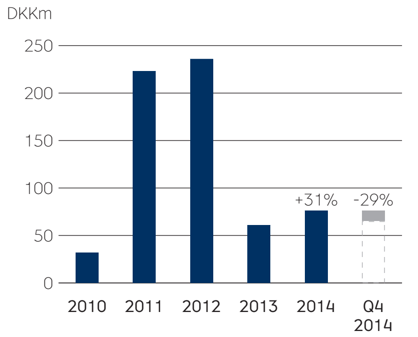
Five-year revenue and Q4 2014 – Europe



Five-year revenue and Q4 2014 – North America



Five-year revenue and Q4 2014 – International markets



Revenue by product lines

In 2014, ALK's revenue from both SCIT products and SLIT-tablets significantly outgrew the decline in revenue from SLIT-drops. In total, revenue from AIT increased by 11%, while revenue from other products decreased by 6%.

SCIT and SLIT-drops

Revenue from SCIT and SLIT-drops grew by 4% to DKK 1,786 million (1,719) so that SCIT and SLIT-drops accounted for 73% of ALK's total revenue (77).

Overall, SCIT sales increased by 10%. SCIT sales grew around 10% in Germany, the Nordic countries, North America and China as well as in the UK and parts of central and eastern Europe. SCIT sales also progressed in other markets.

SLIT-drops sales continued to progress in France, Europe's largest SLIT-drop market, but sales declined in most other markets. As expected, the steepest decline was recorded in the Netherlands. The overall SLIT-drops sales decrease of 4% was due to the changes in reimbursement and documentation requirements that have been introduced over recent years, with the ultimate aim of phasing out unregistered AIT products. This trend favours sales of ALK's clinically validated SLIT-tablets and SCIT products.

SLIT-tablets

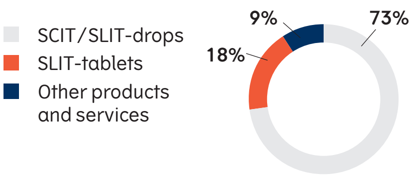
Revenue from SLIT-tablets increased 48% to DKK 432 million (298). SLIT-tablets accounted for 18% of ALK's total revenue (13). Growth was due to GRAZAX® sales and partner income.

In Europe, sales of GRAZAX® amounted to DKK 218 million (199) as a result of 10% sales growth. Following two soft quarters in 2013, when distributors reduced their inventories, GRAZAX® has been growing at or around double-digits for five consecutive quarters. Performance in 2014 was particularly strong in the Nordic countries, the Netherlands, Austria and the eastern European markets.

Revenue in North America totalled DKK 198 million (90), of which, milestone payments accounted for the main part. GRASTEK® and RAGWITEK® became available in pharmacies in the USA during May but effectively missed the pollen seasons as treatment must be initiated at least 12 weeks before each season's onset. Sales have therefore been limited and, to date, Merck has largely focused on market-building activities and the education of AIT practitioners ahead of the 2015 pollen seasons.

Revenue in International markets was DKK 16 million (9), and primarily stemmed from reimbursement payments for R&D activities carried out for Torii.

Total revenue by product lines



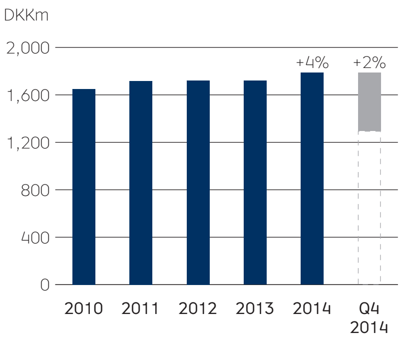
Other products and services

Revenue from other products and services (adrenaline auto-injectors, diagnostics, etc.) decreased by 6% to 215 million (227) and accounted for 9% (10) of ALK's total revenue.

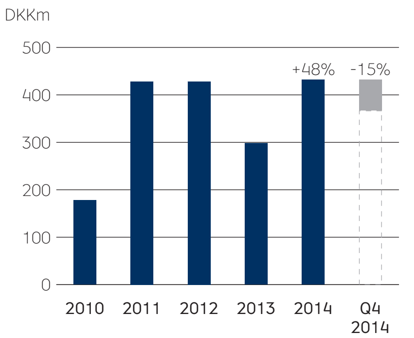
The decrease was solely attributable to interrupted sales for the adrenaline auto-injector Jext®. Following a minor production issue, ALK temporarily suspended the production, marketing and sales of Jext® and, following remedial action, gradually began reintroducing the product into selected markets during 2014. The reintroduction has progressed as planned.

Sales of other products developed steadily throughout the year, particularly in North America. Diagnostics, including PRE-PEN®, the only FDA-approved penicillin allergy skin test reagent, remained an important growth driver.

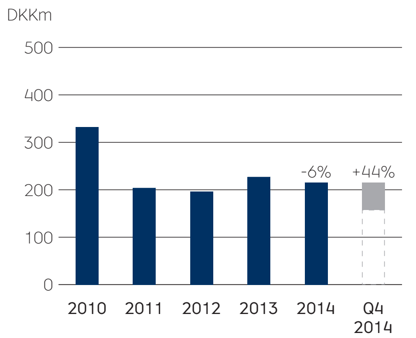
Five-year revenue and Q4 2014 – SCIT/SLIT-drops



Five-year revenue and Q4 2014 – SLIT-tablets



Five-year revenue and Q4 2014 – Other products and services



Pipeline and partnerships

Following many years of R&D investments, including more than 35 clinical trials involving over 15,000 patients, ALK saw launches of the first two SLIT-tablets in North America in 2014. Further SLIT-tablets are nearing the markets in Europe, Japan and North America as well as in selected emerging markets.

Major pipeline events in 2015/16

Region	Event	Expected timing
Europe	Regulatory approval of HDM SLIT-tablet	Q4 2015
	Completion of GAP (asthma prevention trial)	Q4 2015/Q1 2016
	Further clinical development of tree SLIT-tablet	2015/16
North America	Completion of HDM SLIT-tablet (rhinitis) Phase III trial	Q2/Q3 2015
	Submission of BLA for HDM SLIT-tablet	2015/16
	Initiation of paediatric development of RAGWITEK®	2015/16
Japan	Regulatory filing of HDM SLIT-tablet	Jan 2015
	Data from Japanese cedar SLIT-tablet Phase II/III trial	2015/16
	Regulatory review of HDM SLIT-tablet	2015/16
Rest of world	Regulatory filing of GRAZAX® in Russia	2016

ALK's development programmes

In November 2014, the European health authorities accepted for review ALK's regulatory filing for the house dust mite (HDM) SLIT-tablet. The review will follow the Decentralised Procedure, with Germany as the Reference Member State, and is expected to take around 12 months. Subject to approval, the first launches in Europe could take place in 2016.

ALK's regulatory filing is supported by a clinical development programme involving approximately 3,000 patients, including two pivotal Phase III clinical trials in HDM allergic asthma and allergic rhinitis. These trials successfully documented the tablet's efficacy in both conditions.

Other SLIT-tablet activities advanced as planned: ALK continued planning the next steps in the clinical development of the tree SLIT-tablet, while the five-year *GRAZAX® Asthma Prevention* (GAP) trial progressed as planned through its fourth year. The pan-European GAP trial investigates the potential of GRAZAX® in preventing grass allergy from developing into allergic asthma in children aged five to 12.

ALK also conducted development activities for legacy products to meet evolving regulatory requirements. Following discussions with the German authorities, ALK has initiated a clinical trial to further strengthen the documentation for the SCIT product AVANZ® Grass.

Clinical milestones in 2014

Jan
- FDA Advisory Committee recommends approval of RAGWITEK®

Feb
- GRASTEK® approved and launched in Canada

Mar
- Merck presents data from HDM SLIT-tablet Phase IIb trial (rhinitis) in North America
- Completion of Torii's HDM SLIT-tablet (rhinitis) Phase III trial in Japan
- Initiation of Merck's HDM SLIT-tablet Phase III trial (rhinitis) in North America

April
- GRASTEK® approved and launched in the USA
- RAGWITEK® approved and launched in the USA

May
- RAGWITEK® approved and launched in Canada

June
- ALK presents additional data from Phase III trials of HDM SLIT-tablet in Europe
- Completion of Torii's HDM SLIT-tablet (asthma) Phase III trial in Japan

Sep
- Initiation of Torii's Phase II/III trial with Japanese cedar SLIT-tablet in Japan

Nov
- Regulatory filing by ALK for HDM SLIT-tablet in Europe

Dec
- HDM SCIT product and skin prick diagnostic product approved in Japan

R&D pipeline (SLIT-tablets)

ARC: allergic rhinoconjunctivitis
HDM: house dust mites

* Licensed to Merck for North America
** Licensed to Torii for Japan
*** To be communicated

Working with Merck

Under the partnership with Merck, ALK may receive up to DKK 1.6 billion (USD 290 million) in milestone payments, of which DKK 500 million (USD 90 million) has already been recognised since 2007. In addition, ALK is entitled to royalty payments on net sales as well as payments for product supply and R&D support. Merck incurs all costs of clinical development, registration, marketing and sales of the products. ALK is responsible for tablet production and supply.

Partnership with Merck for North America

ALK's partnership with Merck (known as MSD outside the USA and Canada) grants Merck exclusive rights to develop, register and commercialise SLIT-tablets against grass pollen, ragweed pollen and HDM allergies in the USA, Canada and Mexico.

Following positive recommendations from its independent Advisory Committees, in April, the US Food and Drug Administration (FDA) approved Merck's Biologic License Applications for both GRASTEK® and RAGWITEK® – tablets targeting grass and ragweed pollen allergies, respectively; the two most common pollen allergies in North America. GRASTEK® was approved for use in patients aged between five and 65, while RAGWITEK® was approved for use in adults aged 18 to 65, provided that their allergies have been confirmed by positive skin tests or *in vitro* testing. Both SLIT-tablets were also approved by the Canadian authorities and were subsequently launched in both Canada and the USA.

Following the approvals, Merck has commenced a clinical trial to investigate the safety and tolerability of co-administering GRASTEK® and RAGWITEK®. Preparations for a paediatric development programme for RAGWITEK® are also under way.

In 2014, Merck also advanced the clinical development of the HDM SLIT-tablet by initiating a Phase III clinical trial in the USA and Canada. The trial includes approximately 1,500 patients and will investigate the safety and efficacy of the tablet in the treatment of HDM allergic rhinitis. The trial is expected to complete in 2015 and may form the basis for a Biologic License Application (BLA) to the FDA in the USA.

Partnership with Torii for Japan

ALK and Torii have an exclusive license agreement to develop, register and commercialise ALK's AIT products for asthma and allergic rhinitis in Japan. The agreement grants Torii exclusive rights to develop, market and distribute SLIT-tablets against HDM and Japanese cedar pollen allergy. The agreement also covers a SCIT product and diagnostic products against HDM allergy.

In late 2014, the Japanese health authorities approved Torii's marketing authorisation applications for an HDM SCIT product and an HDM skin-prick diagnostic product; both products are manufactured by ALK and licensed to Torii for Japan. The approvals were strategically important as Torii will be introducing the products in Japan as forerunners to the HDM SLIT-tablet.

In 2014, Torii concluded two parallel, pivotal Phase II/III trials involving 1,800 patients, to investigate the safety and efficacy of the HDM SLIT-tablet in the treatment of HDM allergic rhinitis (hay fever) and allergic asthma. The first trial, in allergic rhinitis, met its primary efficacy and further showed that treatment was well tolerated and had a favourable safety profile.

The second trial, in allergic asthma, did not meet its primary efficacy endpoint. Post-completion analysis indicated that the medical condition of patients in the trial was concealed by a high consumption of symptom-relieving medication. The Japanese guidelines for treating asthma are different from the Global Initiative for Asthma (GINA) guidelines.

In January 2015, Torii submitted a registration application to the authorities for the HDM SLIT-tablet. Subject to approval, the SLIT-tablet may potentially reach the market by 2016.

Torii also advanced the clinical development programme for the Japanese cedar pollen SLIT-tablet, which is being co-developed with ALK. A Phase I clinical trial investigating safety and tolerability was concluded at the start of 2014 and Torii moved into Phase II/III with a clinical trial involving approximately 1,000 subjects to investigate safety and efficacy. This trial is expected to be completed by 2016 and may form the basis for a registration application.

Partnership with Abbott for Russia

In 2014, ALK entered into a partnership with the global healthcare company Abbott for the supply and marketing of ALK's SLIT-tablets in Russia. Under the agreement, Abbott obtains exclusive rights to distribute and commercialise the SLIT-tablets covering grass, ragweed, tree and HDM allergies.

The partnership adds ALK's portfolio of SLIT-tablets to Abbott's established franchise of respiratory products in Russia. A first registration trial has been initiated and is expected to lead to a regulatory filing of GRAZAX® in 2016. ALK expects the first launches under the partnership to take place in 2017.

Working with Torii

Under the partnership with Torii, ALK may receive up to DKK 450 million (EUR 60 million) in upfront and development milestone payments, of which approximately DKK 340 million (EUR 45 million) has already been recognised since 2011. In addition, ALK is entitled to royalty payments, sales milestones on the products' net sales, as well as payments for product supply and R&D support. Torii incurs all costs of clinical development, registration, marketing and sales of the products. ALK is responsible for production and supply.

Working with Abbott

Under the partnership, Abbott and ALK will share the revenue generated in the territory covered. Abbott will purchase the products from ALK at agreed prices and, in addition, will pay royalties on net sales. ALK will be the market authorisation holder.

Strategy and targets

The updated Focus 2018 strategy charts the course for ALK up to and including 2018. The strategy is based on ALK's vision of being both the commercial leader *and* the number one innovator within allergy immunotherapy (AIT). The strategy aims to transform ALK from a largely European company focused on allergic rhinitis to a truly global company whose products also treat, and potentially prevent, allergic asthma.

The new strategy plan builds on the momentum fostered by its predecessor, launched in 2012. Key achievements under the previous strategy plan were the creation of a leaner, more efficient and increasingly profitable ALK, as well as significant progresses towards globalising the SLIT-tablet portfolio.

Building on this momentum, the Focus 2018 strategy targets profitable growth in ALK's base business, despite the challenges in Europe, where markets are anticipated to grow in low single-digits during the strategy period. Outside Europe, markets are expected to show higher growth rates, which will benefit ALK's base business. In addition, the partnerships in North America and Japan are expected to increasingly add to growth in ALK's revenue and earnings.

Grow, Innovate and Simplify remain the guiding principles and the strategic framework.

GROW

ALK intends to grow revenue in its base business through a series of initiatives:

In 2015, ALK will make the Jext® adrenaline auto-injector available across Europe. Moreover, ALK will allocate additional resources to market-building activities ahead of the anticipated European launch of the house dust mite (HDM) SLIT-tablet. These activities include Allergy Unlocked® – an umbrella name for a series of initiatives aimed at easing patients' access to treatment (see box below).

Subject to regulatory approval, ALK expects to start launching the HDM SLIT-tablet in its first European countries in 2016, following market access negotiations on pricing and reimbursement. Preparations are currently progressing as planned. ALK has already started commercial production of source materials as well as API for the tablet and is currently building stocks in preparation for the launch.

The HDM SLIT-tablet is the first of its kind. It targets the world's most prevalent allergy, which is present all year round and involves both allergic rhinitis and allergic asthma. The unmet medical need is substantial. Approximately four million adults and one million children and adolescents are potentially eligible patients in Europe, as they are diagnosed with moderate to severe HDM allergy and are poorly controlled despite the use of symptom-relieving medication. Approximately 50% of these patients have access to AIT with partial or full reimbursement, so the addressable market consists of 1.5 million adults and 0.5 million children and adolescents. Today, just 400,000-450,000 HDM allergy sufferers are being treated with legacy AIT products in Europe. Subject to approval, it is expected that the HDM SLIT-tablet will be launched sequen-

Allergy Unlocked®

An important growth initiative for ALK's long-term success in Europe is Allergy Unlocked® – the umbrella name for a range of ALK activities designed to help improve the way respiratory allergic disease is perceived and treated.

Allergy Unlocked® is intended to broaden access to allergy immunotherapy for patients who remain uncontrolled despite the use of symptomatic medications and is centred around five activities:

1. Addressing the burden of disease by documenting and raising awareness that uncontrolled allergy is a disease which significantly impacts the personal, economic and societal well-being of its sufferers
2. Drive evidence-based care by demonstrating the benefits of allergy immunotherapy through clinical data and translating that data into real-life clinical practice, so that people living with uncontrolled allergy may experience long-lasting symptom relief
3. Broaden market presence by demonstrating the societal and economic value of cost-effective allergy immunotherapy treatments to ensure access for patients
4. Make patients aware of allergy immunotherapy as a treatment option by highlighting the benefits of allergy immunotherapy to potentially provide long-lasting symptom relief for people with uncontrolled allergies and open the door to the possibility of a life released from the burden of their disease
5. Facilitate diagnosis and intervention by reassuring doctors of the clinical benefits of allergy immunotherapy and provide the evidence to enable them to confidently treat their patients

Short-term, focus will primarily be on establishing the burden of disease and securing scientific support for evidence-based care. To advance this objective, ALK has developed dedicated Allergy Unlocked® plans for a number of countries.

In addition, ALK will also work to place allergy on the public agenda at a transnational level, partnering with organisations such as the European Federation of Allergy and Airways Diseases and the European Academy of Allergy and Clinical Immunology.

tially in Europe following price and reimbursement negotiations. The first launches are expected to take place in Germany and the Nordic markets.

Outside Europe, ALK continues to target growth in North America, China and other high-potential markets.

ALK's North American allergen extracts business will seek to capitalise on the raised profile of AIT in the wake of Merck's launches of SLIT-tablets. In China, the collaboration with Eddingpharm is expected to yield growth following the expansion of the joint sales force.

Furthermore, ALK intends to expand its geographic reach and enter new growth markets, either by setting up affiliates, by acquisitions or by entering collaborations where ALK retains long-term control of these markets. Moves will be targeting new markets in Asia-Pacific, the Middle East and South America.

In the years up to 2018, annual revenue growth in the base business is expected to range between zero and 5%. Growth is expected in the higher end of the range in the latter part of the strategy period, when the above-mentioned product launches and geographical expansion take effect.

In addition to base business growth, the SLIT-tablet partnerships in North America, Japan and Russia are expected to make an important contribution to overall revenue growth. While ALK continues to take a conservative view of the SLIT-tablets' sales uptake in the first few years, growth is expected to accelerate from 2017 after the anticipated launches of the HDM SLIT-tablets in Japan and North America.

INNOVATE

ALK's R&D pipeline has the potential to redefine the treatment of allergic rhinitis and allergic asthma. Hence, focus will be on completing a SLIT-tablet portfolio covering the most common global allergies by adding SLIT-tablets for HDM, tree and Japanese cedar allergies to the portfolio and documenting the tablets' benefits in asthma treatment and prevention.

Subject to approvals, the HDM SLIT-tablet could reach markets in both Europe and Japan in 2016, followed by a later launch in North America. Further development work will include trials to support paediatric use and the prevention of allergic asthma. ALK also intends to conduct local clinical trials to support access for the HDM SLIT-tablet in China and other countries, including Russia under the partnership with Abbott.

To complete the tablet portfolio, ALK will advance the development of the tree SLIT-tablet and a Phase III trial in Europe will be completed before the end of the strategy period. Meanwhile, the ongoing Phase II/III trial with the tablet against Japanese cedar pollen allergy being co-developed with Torii is expected to report in 2015/16. Data from this trial is intended to form the basis for a subsequent filing in Japan.

ALK will also conduct development and documentation work to support existing marketed products in Europe. Further-

Next R&D frontier: allergic asthma

The Focus 2018 strategy defines asthma treatment and prevention as ALK's next R&D frontier.

Asthma is a chronic inflammation of the lower airway (the lungs) and is estimated to affect 235-300 million people worldwide. Asthma causes symptoms such as shortness of breath, coughing and wheezing, and can be triggered by a respiratory infection or air pollution. However, in many cases asthma symptoms are caused by allergens.

Allergic asthma and allergic rhinitis are co-morbid diseases, very frequently co-existing in the same person: up to 40% of patients with allergic rhinitis are reported to have concomitant allergic asthma, and up to 90% of asthmatics are reported to have concomitant allergic rhinitis. Allergic rhinitis is one of the most important predictors of asthma development, and constant exposure to allergens may cause chronic lung inflammation, which will worsen asthma symptoms over time. The longer asthma is left untreated, the more severe it is believed to become.

ALK is currently targeting allergic asthma treatment and prevention with two clinical programmes:

The *GRAZAX® Asthma Prevention* (GAP) trial was initiated in 2010 and is expected to complete in late 2015. GAP is a pan-European trial that initially included more than 800 children aged five to 12 in 11 countries. All those involved suffered from grass pollen allergy but not from asthma at the time of trial inclusion, and the trial is investigating the ability of GRAZAX® to prevent grass pollen allergy from developing into allergic asthma. The trial may be an important first step towards potentially using SLIT-tablets to prevent allergic asthma in children and adolescents. Depending on the outcome of the trial, ALK could file for an expanded GRAZAX® label with asthma prevention in the indication.

Clinical trials in Europe with the HDM SLIT-tablet have already documented the tablet's efficacy in both allergic asthma and allergic rhinitis. Subject to approval, the inclusion of asthma treatment in the HDM SLIT-tablet indication would allow ALK to fulfil its ambition of offering a daily HDM SLIT-tablet for both allergic rhinitis and allergic asthma.

Over the strategy period, ALK will conduct additional development work aiming at documenting the SLIT-tablets' benefits in allergic asthma treatment and prevention.

more, ALK will increasingly add resources to explore new technologies for the next generation of AIT products.

SIMPLIFY

Efficiencies generated through the *Simplify* programme remain an important method of funding *Grow* initiatives while also gradually improving earnings and cash flow in ALK's base business.

One important *Simplify* initiative is the Portfolio Optimisation Programme, which is phasing out approximately 600 products and variants in Europe so that the European product portfolio in 2017 will be roughly 40% of its 2010 size. This controlled phase-out reduces costs and documentation workload and allows ALK to focus sales and marketing efforts on fewer products.

In parallel, ALK continues to consolidate the production network in North America and Europe. Efforts are largely on track and, as the number of sites are reduced, further steps will be taken to optimise product supply processes and increase capacity. The Focus 2018 strategy assumes average annual investments of around DKK 200-250 million and much of this is earmarked for investment in raising tablet production capacity.

Following the centralisation of ALK's support functions over recent years, the company will continue to optimise structures, processes and governance within areas such as IT, Finance, Procurement and HR.

The expansion of the *Simplify* programme is estimated to result in total accumulated restructuring costs of up to DKK 200 million from 2012 to 2016. By the end of 2014, DKK 135 million had been recognised and reported under Special items.

Outlook for 2015

Total revenue in ALK comprises revenue from its base business and its partnerships.

Base business revenue

In line with the long-term strategic growth outlook, ALK expects to grow revenue in the base business[1] by 0-5% to DKK 2.2-2.3 billion (2014: DKK 2.2 billion). Growth initiatives are therefore expected to outweigh the impact of European austerities.

European markets, which in 2014 accounted for 84% of revenue in the base business, are expected to remain challenged by price and reimbursement pressures as well as by regulatory requirements.

ALK nevertheless expects to grow sales of both SCIT and SLIT-tablet (GRAZAX®) products. The Jext® adrenaline auto-injector is expected to be another source of growth based on an expanded coverage of European markets. Conversely, SLIT-drops sales are expected to continue to decline following changes in reimbursement and documentation requirements. The steepest decline is projected in the Netherlands due to the final phasing-out of local, unregistered products. Disregarding the Dutch market, revenue growth in the base business is expected to be 2-7%. In total, European revenue is expected to show low, single-digit growth.

In 2014, the markets outside Europe accounted for 16% of revenue. In 2015, ALK expects to generate high single-digit revenue growth in these markets. ALK expects its North American allergen extracts business to benefit from the raised profile of allergy immunotherapy following Merck's introduction of SLIT-tablets. Sales in China are also projected to grow under the collaboration with Eddingpharm and other emerging markets are expected to make an increasing contribution to growth, albeit from a low starting point.

Revenue from partnerships

ALK's SLIT-tablet partnerships in North America and Japan are expected to generate additional revenue in the form of sales royalties, product supply, service fees and, potentially, milestone payments.

During 2015 and 2016, ALK expects to recognise milestone payments from the partnerships in North America and Japan related to the registration processes of the HDM SLIT-tablet. The total milestone payments related to development activities that may be recognised in these two years amount to approximately DKK 170 million. However, the recognition and the exact timing of these payments are subject to uncertainty and ALK therefore finds it inappropriate to provide specific guidance for 2015 (total milestone payments from partnerships and collaborations in 2014: DKK 178 million).

In North America, Merck is introducing the GRASTEK® and RAGWITEK® SLIT-tablets to allergy specialists and patients ahead of the 2015 pollen seasons. While awareness generally seems high and insurance coverage has been established widely, ALK continues to take a conservative view of sales uptake during the first few years after launch. SLIT-tablets represent a new treatment class and ALK expects that it will take time to build and educate the market. A wider adoption of the SLIT-tablets is also likely to occur, once the HDM SLIT-tablet reaches the North American markets which is expected within the next few years. At this stage, revenue from sales royalties and product supply is subject to uncertainty and ALK therefore finds it inappropriate to provide a specific outlook for 2015. ALK intends to provide regular updates on the progress in North America in the interim reports.

Additional growth measures

Pursuant to the updated Focus 2018 strategy, ALK will increasingly allocate funds to sustain future growth and these allocations

2015 outlook in summary

	Comments	2014 actuals
Revenue in base business: DKK 2.2-2.3 billion	Revenue growth of 0-5%	DKK 2.2 billion
Revenue from SLIT-tablet partnerships: -	No guidance provided as income streams are subject to uncertainty	DKK 214 million
R&D expenses: DKK ~400 million	Half of R&D expenses are earmarked for development of new products and new concepts	DKK 394 million
EBITDA: DKK 225-300 million before special items	Excluding sales royalties and milestone payments	DKK 273 million
CAPEX: DKK ~200 million	Mainly HDM SLIT-tablet production capacity and new tree API manufacturing plant	DKK 202 million
Free cash flow: Negative in the range of DKK 100-200 million	Forecast depends amongst others on milestone payments from ALK's partnerships	DKK 101 million

1 Revenue from ALK's base business is defined as total revenue excluding revenues from its partnerships for the SLIT-tablet programmes in North America and International markets

will partly be funded by savings created by the extended *Simplify* programme.

In 2015, ALK will allocate approximately DKK 200 million in support of key elements of the long-term growth strategy. This includes market-building activities under the Allergy Unlocked® initiative ahead of the anticipated European launch of ALK's most important product candidate, the HDM SLIT-tablet. Other activities include ALK's expansion into additional emerging markets as well as the build-up of capacity for the global product supply of, primarily, the HDM SLIT-tablet. In 2014, the equivalent amount was approximately DKK 150 million.

Following these additional growth efforts, total costs of production, R&D, Sales & Marketing and Administration are forecast to increase slightly. Besides capacity build-up for partner supply, production costs will also be negatively influenced by expected changes in the sales mix of the base business, including Jext®. R&D expenses are, in isolation, projected at approximately DKK 400 million (DKK 394 in 2014), approximately half of which is earmarked for the development of new products and concepts.

Earnings and cash flow

The increase in both production and capacity costs following the strategic growth initiatives is expected to be partly counterbalanced by improvements in the profitability of the current base business, as the result of further operational efficiencies and cost savings prompted by the *Simplify* programme.

Operating profit (EBITDA before special items), excluding sales royalties and milestone payments from ALK's partnerships is therefore expected to be in the range of DKK 225-300 million (2014: DKK 273 million).

The ongoing simplification of ALK's production and business structures is expected to entail minor restructuring costs which will be reported in a Special items line.

CAPEX is projected at approximately DKK 200 million (2014: DKK 202 million). Major projects include upscaling of the HDM SLIT-tablet production capacity and construction of a new tree API manufacturing line. Free cash flow is expected to be negative in the range of DKK 100-200 million (2014: positive free cash flow of DKK 101 million). The forecast depends amongst others on milestone payments from ALK's partnerships.

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, durations and severities.

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 the introduction of risk-reducing measures. Board of Management has established a Risk Committee to assist it in meeting its overall responsibility for risk management. Risk management reports are given to the Board of Directors' audit committee 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 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 its research and development programmes throughout the development and registration processes to optimise the likelihood 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 controls by, national authorities. This often results in major price differences between 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 the demonstration of clinical efficacy and safety, cost-effectiveness, convenience and ease of administration, potential advantages over alternative treatment methods, competition, and marketing and distribution support. If ALK's new products fail to achieve market acceptance, this could have a significant influence on the 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 extents, durations and severities. 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 stringently monitor 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 procedures in place to ensure that this can be managed 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 in 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 preventative inventory management; such as the build-up of contingency inventories in order to ensure an unbroken chain of production and supply.

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.

Risks related to business ethics and legal issues

Business ethics
ALK's good reputation is essential for operating within the pharmaceutical industry. ALK aims to maintain its standing by acting in compliance with all applicable regulation and legislation. ALK strives to act professionally, honestly and with high integrity throughout the company in relation to 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/or 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 relating to financial reporting are designed to effectively control the risk of material misstatements. A detailed description of ALK's internal controls and risk management system in relation to financial reporting processes is 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 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 2014, 19% of ALK's revenue was denominated in USD, 2% in GBP and 67% in EUR. ALK's sales are not deemed to be exposed to EUR due to Denmark's participation in the European Exchange Rate Mechanism.

Sensitivities for 2015 in the event of a 10% increase in exchange rates

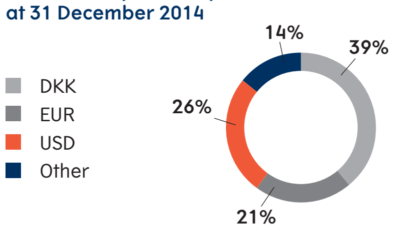
DKKm	Revenue	EBITDA
USD	Approx. +40	Approx. 0
GBP	Approx. +5	Approx. 0

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 ALK's 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

Net assets by currency as at 31 December 2014



Net assets are defined as assets less liabilities.

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 interest rate exposure will be hedged as this is not considered financially viable.

Cash is invested in credit-worthy, liquid, interest-bearing instruments of 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 across a number of markets and customers. The credit risk is therefore considered to be low.

Corporate matters

Corporate governance

ALK's Statutory Corporate Governance Statement for the financial year 2014, pursuant to section 107b of the Danish Financial Statement Act, is available at http://ir.alk-abello.com/risk.cfm

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

As a listed company, ALK is subject to the recommendations by the Danish Committee on Corporate Governance. ALK fulfils this obligation either by complying with the recommendations or by explaining the reason for non-compliance. ALK complies with 46 of the 47 recommendations. The Board of Directors' 'comply or explain' review of all 47 guidelines are available at http://ir.alk-abello.com/guidelines.cfm.

At the annual general meeting in March 2014, the shareholders elected Lene Skole as a new member of the Board of Directors instead of Jes Østergaard who did not seek re-election. The annual general meeting further adopted a proposal that the Chairman and the Vice Chairman of the Board of Directors shall be elected by the annual general meeting and Steen Riisgaard and Christian Dyvig were subsequently re-elected as Chairman and Vice Chairman, respectively.

In October, 2014 Helle Skov was appointed as the new Executive Vice President, Product Supply and a member of the Board of Management, replacing Flemming Steen Jensen.

At the annual general meeting in March 2015, ALK will propose that the remuneration for the members of the Board of Directors remains unchanged.

Corporate Social Responsibility

ALK's Statutory Report on Corporate Social Responsibility for the financial year 2014, pursuant to sections 99a and 99b of the Danish Financial Statements Act, is available at: http://www.alk-abello.com/aboutalk/csr/AnnualCSRReports/Pages/home.aspx

The report provides a detailed account of the principles underpinning Corporate Social Responsibility at ALK, namely the Code of Conduct and the CSR Policy. The Code of Conduct describes the ethical requirements for all employees' behaviour in relation to customers, employees, shareholders, society, suppliers and partners. The Code of Conduct supports and integrates the UN Global Compact's 10 principles in the areas of human and labour rights, environment and anti-corruption. Based on the Code of Conduct, and anchored in ALK's core values, the CSR Policy outlines current priorities and focus areas. The CSR Policy is implemented via various policies and procedures, including HR policies, SHE (Safety, Health & Environment) action plans and organisations, quality procedures etc.

The Statutory Report on Corporate Social Responsibility furthermore reviews ALK's actual performance in the focus areas, measured by a number of Key Performance Indicators. In 2009, Board of Management adopted long-term goals for selected areas such as energy consumption, CO_2 emissions and well-being at work. The targets for CO_2 emissions and well-being at work were met in 2014. The target for energy consumption was not met, but through the implementation of a number of energy saving measures, the energy level in 2014 was kept at a level marginally above the 2008 level despite a much higher activity level.

The CSR Policy was updated in 2014. New targets were set for 2015-2018 and overall efforts were expanded to encompass a reduction of water usage in Europe.

Shareholder Information

The aim is that the share price gives a fair presentation of ALK and reflects the company's actual and expected ability to create shareholder value. ALK would further like the share to be liquid and to have a sound foundation for an efficient pricing of and trading in the share.

Ownership
At the end of the year, ALK had 14,203 registered shareholders – an increase compared

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 Copenhagen
Ticker symbol	ALK B
Indices	CX4500 (healthcare), OMXCMCGI (MidCap) and OMXCPI (all)
ISIN	DK0060027142
Bloomberg code	ALKB.DC
Reuters code	ALKB_CO
ADR ticker symbol	AKABY

to 2013 (12,999). The registered shareholders own 95% of the share capital (95).

Three shareholders have notified shareholdings of 5% or more: The Lundbeck Foundation has a 40.3% interest (including all A shares), ATP has a 5.8% interest and Invesco Canada has a 6.2% interest. 17 of the 30 largest shareholders are international institutional investors, from North America, the UK and Scandinavia in particular. The international ownership is estimated at approximately 20% (23), representing 36% of the free float of the share capital (40).

ALK did not acquire any of its own shares in 2014. The holding of own shares thus remained at 4.6% (4.6) of the share capital which is considered sufficient to cover current share option obligations.

Return and liquidity

ALK aims to provide long-term shareholder return through an increased share price, the paying-out of dividends, and the purchase of own shares.

At the end of the previous year, the share price was DKK 614 and the share closed the year at DKK 651. Including payment of a dividend of DKK 5 per share, the return on the ALK share was 7%. By comparison, the Danish benchmark OMXC20 index increased by 20% and the Nordic MidCap index by 5%.

On average, the volume of shares traded during 2014 was 15,158 shares per day (9,036). Measured in value, the average turnover per trading day was DKK 11 million (4.4). Approximately 98% of the trading took place via NASDAQ Copenhagen.

Dividend and capital structure

The Board of Directors submits a recommendation for the dividend on the basis of ALK's earnings, risk, strategy, capital resources, investment plans and prospects. At the annual general meeting in March 2015, the Board of Directors proposes an unchanged dividend of DKK 5 per share.

The Board of Directors reviews ALK's capital structure on an ongoing basis. The Board considers that the current capital structure is appropriate, relative to ALK's strategy. ALK is well-consolidated, with strong liquidity, reasonable debt obligations and stable earnings. Consequently, ALK is able to make the necessary investments in R&D, supply chain and growth initiatives, and this financial strength also facilitates acquisitions.

Investor Relations

Based on its IR Policy (http://ir.alk-abello.com/policy.cfm) ALK seeks to provide timely, accurate and relevant information on matters of importance to the assessment of the share, including strategy, operations, performance, expectations, pipeline, market development, etc. ALK furthermore continuously works to strengthen the dialogue with all financial stakeholders in accordance with good IR practice and the provisions for companies listed on NASDAQ Copenhagen.

Besides hosting regular telephone conferences, ALK representatives held approximately 300 individual meetings with analysts and investors in 2014 and also presented at various conferences. In May, ALK hosted a well-attended R&D and Business Briefing in New York.

During the year, ALK published 37 company announcements (30), including reports on transactions by managerial staff. All announcements are available on the website together with e-newsletters, reports, presentations, telephone conferences, share price information, estimates from the 12 analysts following the share, etc. Registered shareholders are encouraged to sign up at the InvestorPortal.

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

	Registered office	Shares, number	Interest	Votes
The Lundbeck Foundation	Hellerup, Denmark	920,720 A shares	40.3%	67.2%
		3,158,935 B shares		
Invesco Ltd.	Toronto, Canada	626,055 B shares	6.2%	3.4%
ATP*	Hillerød, Denmark	583,652 B shares	5.8%	3.2%
ALK – own shares	Hørsholm, Denmark	468,349 B shares	4.6%	-

* The Danish Labour Market Supplementary Pension

Financial calendar 2015

Annual general meeting	12 March
Payment of dividend	17 March
Three-month interim report (Q1)	5 May
Six-month interim report (Q2)	18 August
Nine-month interim report (Q3)	12 November

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


Lene Skole


Katja Barnkob Thalund

Steen Riisgaard (1951)
Chairman
Board member since 2011
Member of the Audit Committee
Chairman 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, Chairman
Xellia Pharmaceutical A/S, Chairman
The Novo Nordisk Foundation, Vice Chairman
The Willum Foundation, Vice Chairman
Novo A/S
Aarhus University
Corbion
WWF Danmark (Chairman)

Christian Dyvig (1964)*
Vice Chairman
C P Dyvig & Co., CEO
Board member since 2012
Member of the Remuneration Committee

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

Directorships
FIH Erhvervsbank A/S, Chairman
Kompan Holding A/S, Chairman
H. Lundbeck A/S, Vice Chairman
Kwintet AB, Vice Chairman

Jacob Kastrup (1961)
Board member since 2011
Facility Manager, 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
Exiqon A/S, Chairman
Falck A/S, Chairman
Brøndbyernes I.F. Fodbold 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, Vice Chairman
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
Director, Biometrics Medical Writing, ALK-Abelló A/S
Employee-elected

Lene Skole (1959)*
The Lundbeck Foundation, CEO
Board member since 2014

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

Directorships
Tryg A/S

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

* 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


Søren Niegel


Flemming Pedersen


Helle Skov

Jens Bager (1959)
President & CEO

Directorships
Ambu a/s, Chairman

Henrik Jacobi (1965)
Executive Vice President, Research & Development

Søren Niegel (1971)
Executive Vice President, Commercial Operations

Flemming Pedersen (1965)
Executive Vice President & CFO

Directorships
MBIT A/S

Helle Skov (1960)
Executive Vice President, Product Supply

Remuneration

Directors' fees
The directors' fees were unchanged in 2014. 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 board committees receive a fee of DKK 100,000 – the Chairman of the Committee receiving DKK 150,000. The Board of Directors recommends to the annual general meeting that the fees be maintained in 2015. The members of the Board of Directors are not offered any share options, conditional shares or other incentive plans.

Board of Management remuneration
The remuneration guidelines for ALK's Board of Management are reviewed and approved by shareholders at the annual general meeting. Remuneration is structured to offer a balance between fixed and performance-based pay to ensure ALK is able to attract and retain key personnel. The structure also serves to incentivise management to create long-term value for shareholders.

In addition to a fixed salary, pension and other, standard non-monetary benefits, Board of Management members are eligible for a performance-related cash bonus, capped at the equivalent of nine months' salary for the CEO and six months' salary for other Board of Management members.

In addition, Board of Management members are granted share options and conditional shares, the value of which may not exceed 30% of the combined base salaries and pension of the Board of Management.

Grants to Board of Management members are shown in the table below and are described in detail in Note 5. Total Board of Management remuneration appears in Note 4.

The Board of Directors' shares in ALK

	Holding as at 31 December 2014	Changes during the year
Steen Riisgaard	0	-
Christian Dyvig*	0	-
Jacob Kastrup	8	-
Thorleif Krarup*	700	-
Anders Gersel Pedersen	0	-
Jakob Riis	550	-
Dorthe Seitzberg	102	-
Lene Skole*	**250	-
Katja Barnkob Thalund	24	-
Total	**1,634**	**-**

The Board of Management's ownership interests in ALK as at 31 December 2014

	Shares	Changes during the year	Options	Net changes during the year***	Conditional shares	Changes during the year
Jens Bager	11,713	-	56,350	-28,300	4,875	+1,125
Henrik Jacobi	8	-	32,525	-19,450	2,700	+600
Søren Niegel	500	-	15,625	+3,625	2,475	+600
Flemming Pedersen	1,116	-	32,825	-9,875	2,750	+600
Helle Skov	-	-	-	-	600	+600
Total	**13,337**	**-**	**137,325**	**-54,000**	**13,400**	**+3,525**

* Christian Dyvig, Thorleif Krarup and Lene Skole are affiliated with the Lundbeck Foundation, which owns 40.3% of ALK
** Shares acquired prior to election to the Board of Directors
*** The figure indicates the net movement in the course of the year, i.e., options granted less exercised and expired options

Financial review[1]

Revenue grew by 9% to DKK 2,433 million (2,244). Developments in exchange rates impacted revenue-reported growth positively by 1 percentage point.

Cost of sales totalled DKK 736 million (697) and gross profit was DKK 1,697 million (1,547), which corresponds to a gross margin of 70% (69). The improved margin was mainly due to three milestone payments from Merck. Disregarding these payments, the margin was negatively affected by changes in the sales mix in the base business and a build-up of partner supply capacities.

Capacity costs decreased by 2% to DKK 1,388 million (1,417). Research and development expenses decreased 15% and corresponded to 16% of revenue (21), reflecting the planned normalisation of R&D expenses following the completion of a number of clinical development activities.

Sales and marketing expenses and administrative expenses were up by 4% reflecting the increased activity level in preparation for the HDM SLIT-tablet launch in Europe, geographical expansion outside Europe and the acquisition of Bio-Medical Services in the USA.

Throughout the year, ALK maintained a strong focus on the strategic initiatives under the *Simplify* programme to drive efficiency improvements and reduce costs.

EBITDA (operating profit before depreciation and amortisation) before special items improved by 76% to DKK 453 million (258). After special items of DKK 49 million (22), reported EBITDA was DKK 404 million (236). The special items relate to on-going restructuring activities under the *Simplify* programme. Excluding sales royalties and milestone payments, EBITDA before special items grew 24% to DKK 273 million (221).

The improvement of the EBITDA margin to 17% (11) was largely the result of lower R&D expenses and higher milestone payments. Exchange rates did not materially affect EBITDA.

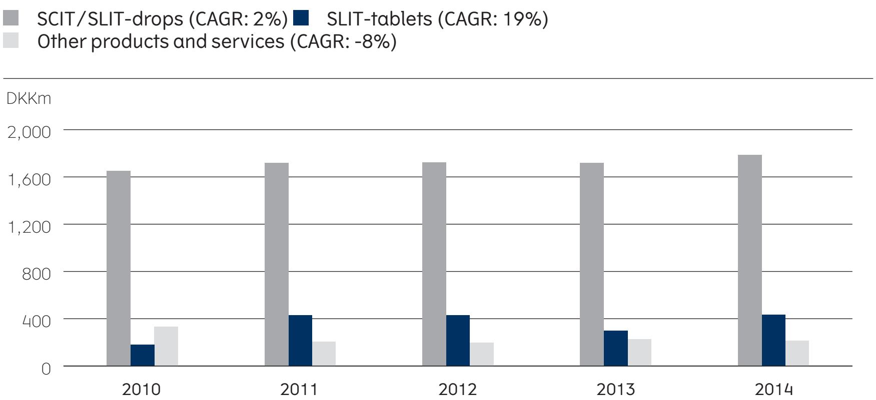
Net financials were a gain of DKK 36 million (a loss of 5), primarily related to the net gain from shares sold in DBV Technologies and currency gains.

Tax on the profit totalled DKK 119 million (43), corresponding to an effective tax rate of 40% (41). The relatively high effective tax rate is a result of the current geographical distribution of income in the Group.

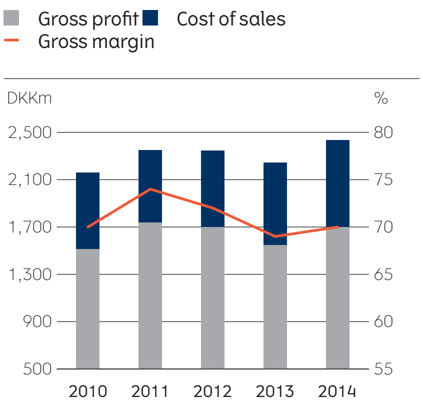
The net profit for the year was DKK 181 million (61).

Cash flow from operating activities was DKK 320 million (an inflow of 146). The increase was primarily driven by the growth

Revenue



Gross profit



1 Comparative figures for 2013 are shown in brackets / revenue growth rates are stated as growth in local currencies unless otherwise stated

in net profit. Cash flow was negatively impacted by changes in working capital, largely due to build-up of HDM SLIT-tablet inventories.

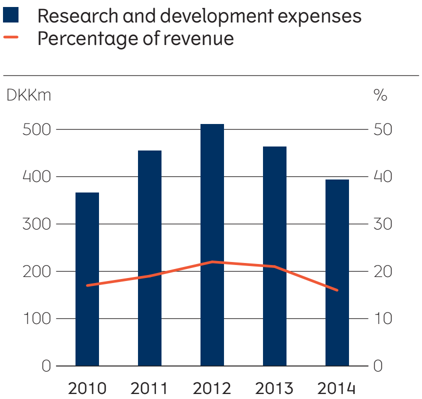
Cash flow from investment activities was an outflow of DKK 219 million (231) including the acquisition of Bio-Medical Services in Q1 and the continued build-up of capacity for tablet production.

Free cash flow was DKK 101 million (an outflow of 85). Cash flow from financing was an outflow of DKK 124 million (an outflow of 74) relating to the dividend payment of DKK 5 per share after the AGM and the net cash settlement of share options. ALK did not acquire any of its **own shares** during 2014. At the end of 2014, ALK held 468,349 of its **own shares** or 4.6% of the share capital.

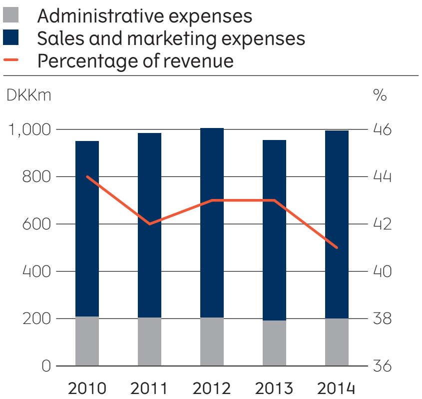
At the end of 2014, **cash and cash equivalents** totalled DKK 289 million vs. DKK 312 million at the end of 2013.

Equity totalled DKK 2,354 million (2,249) at the end of 2014, and the equity ratio was 69% (69%).

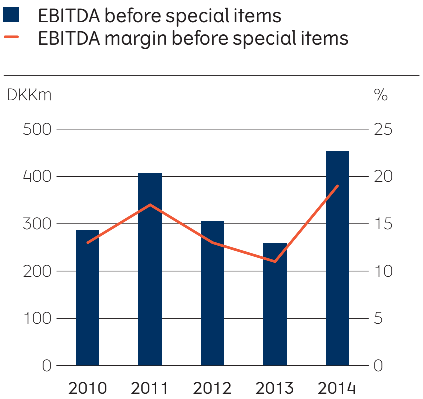
Research and development



Sales, marketing and administration



EBITDA



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 2014.

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 2014 as well as of their financial performance and the Group's cash flow for the financial year 1 January to 31 December 2014.

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, 9 February 2015

Board of Management

Jens Bager
President and CEO

Henrik Jacobi
Executive Vice President
Research & Development

Søren Niegel
Executive Vice President
Commercial Operations

Flemming Pedersen
Executive Vice President
CFO

Helle Skov
Executive Vice President
Product Supply

Board of Directors

Steen Riisgaard
Chairman

Christian Dyvig
Vice Chairman

Jacob Kastrup

Thorleif Krarup

Anders Gersel Pedersen

Jakob Riis

Dorthe Seitzberg

Lene Skole

Katja Barnkob Thalund

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 2014, 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 regulations. 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 31 December 2014, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2014 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 31 December 2014, and of the results of its operations for the financial year 1 January to 31 December 2014 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, 9 February 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Martin Faarborg
State Authorised Public Accountant

Financial statements 2014

Consolidated financial statements

Content

Consolidated financial statements

Notes to the consolidated financial statements

Income statement

Amounts in DKKm	Note	2014	2013
Revenue	3	2,433	2,244
Cost of sales	4-7,15	736	697
Gross profit		**1,697**	1,547
Research and development expenses	4-7	394	463
Sales and marketing expenses	4-7	795	762
Administrative expenses	4-7	199	192
Other operating income		4	2
Other operating expenses		-	1
Operating profit (EBIT) before special items		**313**	131
Special items	7	(49)	(22)
Operating profit (EBIT)		**264**	109
Financial income	8	51	20
Financial expenses	8	15	25
Profit before tax (EBT)		**300**	104
Tax on profit	9	119	43
Net profit		**181**	61
Earnings per share (EPS)	19		
Earnings per share (EPS) – DKK		18.74	6.31
Earnings per share (DEPS), diluted – DKK		18.32	6.24

Statement of comprehensive income

Amounts in DKKm	Note	2014	2013
Net profit		**181**	61
Other comprehensive income			
Items that will subsequently not be reclassified to the Income statement:			
Actuarial gains/(loss) on pension plans	20	(26)	3
Tax related to actuarial profit/(loss) on pension plans		8	-
Items that will subsequently be reclassified to the Income statement, when specific conditions are met:			
Foreign currency translation adjustment of foreign affiliates		43	(18)
Fair value adjustment of financial assets available for sale		-	10
Gain on sale of financial assets available for sale recognised in financial income		(10)	(20)
Tax related to other comprehensive income, that will subsequently be reclassified to the Income statement		(1)	5
Other comprehensive income		**14**	(20)
Total comprehensive income		**195**	41

Cash flow statement

Amounts in DKKm	Note	2014	2013
Net profit		**181**	61
Adjustments:			
Tax on profit	9	119	43
Financial income and expenses		(36)	5
Share-based payments	5	11	14
Depreciation, amortisation and impairment	6	140	127
Change in provisions		3	(6)
Changes in working capital	24	53	6
Net financial items, paid		1	14
Income taxes, paid		(152)	(118)
Cash flow from operating activities		**320**	146
Acquisitions of companies and operations	10	(24)	-
Additions, intangible assets	11	(36)	(67)
Additions, tangible assets	12	(166)	(186)
Change in other financial assets	14	7	22
Cash flow from investing activities		**(219)**	(231)
Free cash flow		**101**	(85)
Dividend paid to shareholders of the parent		(49)	(49)
Purchase of treasury shares		-	(6)
Exercise of share options	5	(73)	(14)
Change in financial liabilities		(2)	(5)
Cash flow from financing activities		**(124)**	(74)
Net cash flow		**(23)**	(159)
Cash and cash equivalents beginning of year		312	477
Unrealised gain/(loss) on foreign currency and financial assets carried as cash and cash equivalents		-	(6)
Net cash flow		(23)	(159)
Cash and cash equivalents year end	18	**289**	312

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. 2014	31 Dec. 2013
Non-current assets			
Intangible assets			
Goodwill	11	415	407
Other intangible assets	11	248	267
		663	674
Tangible assets			
Land and buildings	12	681	610
Plant and machinery	12	328	265
Other fixtures and equipment	12	59	60
Property, plant and equipment in progress	12	481	470
		1,549	1,405
Other non-currents assets			
Securities and receivables	14	7	24
Deferred tax assets	13	168	136
		175	160
Total non-current assets		**2,387**	2,239
Current assets			
Inventories	15	408	336
Trade receivables	17	240	224
Receivables from affiliates	16	1	57
Income tax receivables		13	12
Other receivables	17	53	58
Prepayments	17	28	30
Cash and cash equivalents	18	289	312
Total currents assets		**1,032**	1,029
Total assets		**3,419**	3,268

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2014	31 Dec. 2013
Equity			
Share capital	19	101	101
Currency translation adjustment		16	(27)
Retained earnings		2,237	2,175
Total equity		**2,354**	2,249
Liabilities			
Non-current liabilities			
Mortgage debt	21	20	22
Bank loans and financial loans	21	299	300
Pensions and similar liabilities	20	190	147
Other provisions	22	4	15
Deferred tax liabilities	13	28	33
		541	517
Current liabilities			
Mortgage debt	21	2	2
Bank loans and financial loans	21	3	3
Trade payables	23	90	100
Income taxes		6	28
Other provisions	22	32	34
Other payables	23	391	335
		524	502
Total liabilities		**1,065**	1,019
Total equity and liabilities		**3,419**	3,268

Equity

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
Equity at 1 January 2014	**101**	**(27)**	**2,175**	**2,249**
Net profit	-	-	181	181
Other comprehensive income	-	43	(29)	14
Total comprehensive income	**-**	**43**	**152**	**195**
Share-based payments	-	-	11	11
Share options settled	-	-	(73)	(73)
Tax related to items recognised directly in equity	-	-	21	21
Dividend paid	-	-	(51)	(51)
Dividend on treasury shares	-	-	2	2
Other transactions	**-**	**-**	**(90)**	**(90)**
Equity at 31 December 2014	**101**	**16**	**2,237**	**2,354**

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
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 directly 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

Notes to the consolidated financial statements

1 Accounting policies

General

The consolidated financial statements for the period 1 January – 31 December 2014 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 also 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

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 2014. A number of IFRS standards, amended standards and IFRIC interpretations which are effective on or after 1 January 2015 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 and activities 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 or activity 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 or activity 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 or activity over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

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

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

Foreign currency translation
On initial recognition, transactions denominated in currencies other than the 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 in-

Notes to the consolidated financial statements

1 Accounting policies (continued)

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

Income statement

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

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

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

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

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

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

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 and termination benefits 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.

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 development of intangible assets are included in cost if they relate to the development period. Other borrowing costs are charged to the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

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 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.

Notes to the consolidated financial statements

1 Accounting policies (continued)

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, cash settlement of share options and payment of dividends.

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

Cash and 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 57, 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 2014, 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 2014, the carrying amount of goodwill is DKK 415 million (2013: DKK 407 million).

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. At 31 December 2014, the value of IPO is DKK 120 million (2013: DKK 107 million) on the 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 2014, the value of deferred tax assets and liabilities is DKK 140 million (2013: DKK 103 million).

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 of 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 2014, other provisions amount to DKK 36 million (2013: DKK 49 million). Other provisions mainly include provisions for restructuring.

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.

	Europe		North America		International markets		Total	
Amounts in DKKm	2014	2013	2014	2013	2014	2013	2014	2013
SCIT/SLIT-drops	1,530	1,500	198	176	58	43	1,786	1,719
SLIT-tablets	218	199	198	90	16	9	432	298
Other products and services	110	128	103	90	2	9	215	227
Total revenue	**1,858**	1,827	**499**	356	**76**	61	**2,433**	2,244
Sale of goods							2,202	2,147
Royalties							2	1
Milestone and upfront payments							178	36
Services							51	60
Total revenue							**2,433**	2,244

Of total revenue, DKK 45 million (2013: DKK 39 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	2014	2013	2014	2013	2014	2013	2014	2013
Non-current assets	**1,722**	1,688	**490**	391	**-**	-	**2,212**	2,079

Of total non-current assets, DKK 616 million are assets in Denmark (2013: DKK 611 million). The geographical information on assets is based on asset location.

Notes to the consolidated financial statements

4 Staff costs

Amounts in DKKm	2014	2013
Wages and salaries	931	869
Pensions, cf. note 20	85	79
Other social security costs, etc.	122	115
Share-based payments, cf. note 5	7	13
Total	**1,145**	1,076
Staff costs are allocated as follows:		
Cost of sales	326	279
Research and development expenses	206	234
Sales and marketing expenses	388	373
Administrative expenses	148	139
Included in the cost of assets	39	36
Special items cf. note 7	38	15
Total	**1,145**	1,076
Remuneration to Board of Management:		
Salaries	15	16
Cash bonuses (paid)	5	2
Pensions	2	1
Termination benefits	5	-
Calculated costs regarding share-based payments, cf. note 5	2	5
Total	**29**	24
Remuneration to Board of Directors		
Remuneration to the Board of Directors [1]	4	4
Employees		
Average number	1,809	1,804
Number year end	1,844	1,763

[1] The total remuneration to the Board of Directors includes remuneration for participation in the Audit Committee DKK 350 thousand (2013: DKK 350 thousand), the Remuneration Committee DKK 350 thousand (2013: DKK 350 thousand) and the Scientific Committee DKK 150 thousand (2013: DKK 112 thousand).

5 Share-based payments

Amounts in DKKm	2014	2013
Cost of share-based payments	11	14
Total	**11**	14
Cost for the year regarding share-based payments are recognised as follows:		
Cost of sales	1	3
Research and development expenses	2	3
Sales and marketing expenses	2	3
Administrative expenses	2	4
Financial expenses	4	1
Total	**11**	14

The total costs of share-based payment for 2014 includes a financial expense of DKK 4 million due to the exercise and cash settlement of 2007-2011 share options plans (2013: DKK 1 million).

In 2014 an income of DKK 4 million related to adjustment in the number of conditional shares expected to vest is included in the cost of share-based payments.

5 Share-based payments (continued)

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 programme.

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:

2014	Board of Manage-ment Units	Other key personnel Units	Total Units	Average exercise price DKK
Outstanding options at 1 January	243,000	321,475	564,475	416
Additions	21,300	32,100	53,400	739
Exercised	(104,750)	(100,075)	(204,825)	390
Expired	(5,500)	(12,400)	(17,900)	794
Cancellations	(16,725)	(850)	(17,575)	537
Outstanding at 31 December	**137,325**	**240,250**	**377,575**	**443**

At 31 December 2014 the total number of vested share options amounts to 155,225 units.

The Board of Directors decided for each open window that share options exercised in 2014 were to be settled by cash settlement. A total of 204,825 share options were exercised and total payment amounted to DKK 73 million.

2013	Board of Manage-ment 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 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.

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
2008 Plan	4,750	552	1 Nov 2011	1 Nov 2011 1 Nov 2015
2009 Plan	5,150	499	1 Nov 2012	1 Nov 2012 1 Nov 2016
2010 Plan	13,075	360	1 Nov 2013	1 Nov 2013 1 Nov 2017
2011 Plan	132,250	328	1 Nov 2014	1 Nov 2014 1 Nov 2018
2012 Plan	91,550	408	1 May 2015	1 May 2015 1 May 2019
2013 Plan	81,875	464	1 Mar 2016	1 Mar 2016 1 Mar 2020
2014 Plan	48,925	739	1 Mar 2017	1 Mar 2017 1 Mar 2021
Outstanding at 31 December	**377,575**			

	2014	2013
Average remaining life of outstanding share options at year end (years)	0.6	0.9
Exercise prices for outstanding share options at year end (DKK)	328-739	342-799

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:

	2014 Plan	2013 Plan
Average share price (DKK)	669	420
Average exercise price (DKK)[1]	739	464
Expected volatility rate	25% p.a.	24% p.a.
Expected option life	5 years	5 years
Expected dividend per share	5	5
Risk-free interest rate	1.20% p.a.	1.30% p.a.
Calculated market price of granted share options (DKK)	123	69

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

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

5 Share-based payments (continued)

Conditional shares

The ALK Group has established conditional share 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.

2014	Board of Management Units	Other key personnel Units	Total Units
Outstanding conditional shares at 1 January	11,925	17,275	29,200
Additions	3,525	5,350	8,875
Cancellations	(2,050)	(0)	(2,050)
Outstanding conditional shares at 31 December	**13,400**	**22,625**	**36,025**

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

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 condirial shares have been granted at DKK 738 per share (2013: DKK 420). Conditional shares are considered sufficiently covered by treasury shares.

Outstanding conditional shares have the following characteristics:

	Conditinal share units	Vested as per
2012 Plan	13,850	1 May 2015
2013 Plan	13,300	1 Mar 2016
2014 Plan	8,875	1 Sep 2017
Outstanding at 31 December	**36,025**	

Notes to the consolidated financial statements

6 Depreciation, amortisation and impairment

Amounts in DKKm	2014	2013
Depreciation and amortisation are allocated as follows:		
Cost of sales	82	65
Research and development expenses	10	12
Sales and marketing expenses	22	21
Administrative expenses	26	29
Total	**140**	127

In 2014, an impairment loss on minor assets was recognised. DKK 1 million in cost of sales and DKK 2 million in administrative expenses (2013: DKK 0 million).

7 Special items

Amounts in DKKm	2014	2013
Severance pay etc.	38	15
Other restructuring expenses	11	7
Total	**49**	22
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	11	8
Research and development expenses	2	7
Sales and marketing expenses	20	3
Administrative expenses	16	4
Total	**49**	22

Special items represent one-off costs from 2012 to 2016 associated with the initiatives to streamline the business structure under the *Simplify* programme.

8 Financial income and expenses

Amounts in DKKm	2014	2013
Interest income	2	-
Gains on avaliable-for-sale financial assets	10	20
Financial income from financial assets not measured at fair value in the income statement	12	20
Currency gains, net	39	-
Total financial income	**51**	20
Interest expenses	11	11
Other financial expenses	4	2
Financial expenses relating to financial liabilities not measured at fair value in the income statement	15	13
Currency loss, net	-	12
Total financial expense	**15**	25

9 Tax on profit for the year

Amounts in DKKm	2014	2013
Current income tax	130	75
Adjustment of deferred tax	(9)	(29)
Prior year adjustments	(2)	(3)
Total	**119**	43
Profit before tax	300	104
Income tax, tax rate of 24,5%	74	26
Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	42	34
Non-taxable income	(2)	(6)
Non-deductible expenses	11	5
Prior year adjustments	(3)	(3)
Other taxes and adjustments	(3)	(13)
Tax on profit for the year	**119**	43

Tax related to equity and other comprehensive income of DKK 28 million (2013: income DKK 11 million) relates to fair value adjustments.

10 Acquisitions of companies and operations

In 2014, ALK took over the activities of the company Bio-Medical Services. The acquisition is part of the Focus 2016 growth strategy and was made with effect as of 12 February 2014. The activities have been fully integrated in ALK's US subsidiary, ALK-Abelló, Inc. Bio Medical Services is a veterinary reference laboratory specialising in allergy testing and treatment for dogs, cats and horses in the USA.

Statement of acquired net assets and cash purchase price:

Amounts in DKKm	Fair value on acquisition
Bio-Medical Services	
Property, plant and equipment	1
Other intangible assets	17
Acquired net assets	**18**
Goodwill	6
Cash purchase price	**24**
Elements of purchase price	
Cash	21
Other provisions	3
Total	**24**

After recognition of identifiable assets and liabilities at fair value, goodwill related to the acquisition in 2014 has been calculated at DKK 6 million. The balance represents the value of assets, the fair value of which cannot be measured reliably, future growth potential and the value of acquired employees.

Out of the ALK Group's revenue of DKK 2,433 million, DKK 14 million is attributable to sales generated by the acquired operations after the acquisition date.

Had the activities in Bio-Medical Services been consolidated from 1 January 2014, the contribution to revenue and profit would have been DKK 16 million and less than DKK 1 million, respectively.

Notes to the consolidated financial statements

11 Intangible assets

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other	Total
2014					
Cost beginning of year	427	253	199	98	**977**
Currency adjustments	2	-	5	1	**8**
Additions	-	22	4	10	**36**
Acquisitions of companies and operations	6	-	17	-	**23**
Disposals	-	(2)	-	-	**(2)**
Transfer to/from other groups	-	-	-	(39)	**(39)**
Cost year end	**435**	**273**	**225**	**70**	**1,003**
Amortisation and impairment beginning of year	20	197	72	14	**303**
Amortisation for the year	-	15	18	5	**38**
Amortisation on disposals	-	(1)	-	-	**(1)**
Amortisation and impairment year end	**20**	**211**	**90**	**19**	**340**
Carrying amount year end	**415**	**62**	**135**	**51**	**663**

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

Goodwill has been subject to an impairment test and submitted to the Audit Committee for subsequent approval by the Board of Directors. The impairment test performed in 2014 revealed no need for impairment of goodwill.

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

In the calculation of the value in use of cash-generating units, future free net cash flow is estimated based on Board of Directors-approved budget, ALK's Focus 2018 strategy and projections for subsequent years. The budget and the strategy plan are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value. Estimates are based on historical data and expectations on future changes in the markets and products. These expectations are based on a number of assumptions including expected product launches, volume forecasts and price information regarding ALK's partnerships for the SLIT-tablet programmes, ALK's sales projections from base business including SLIT-tablets and adrenaline auto-injectors as well as geographical expansions. The Focus 2018 strategy including the guiding principles of *Grow, Innovate and Simplify* is described on pages 12-14. For financial years after the strategy period, the cash flows in the most recent period have been extrapolated adjusted for a growth factor of 2% during the terminal period. The calculated value-in-use shows that future earnings and cash flows fully support the book value of total net assets, including goodwill.

The discount rate used is 9% after tax, 11% before tax (2013: 10% after tax, 12% before tax).

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

The additions for the year include software development in progress DKK 21 million (2013: DKK 11 million).

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
2014					
Cost beginning of year	900	517	238	470	**2,125**
Currency adjustments	23	8	2	22	**55**
Additions	2	10	6	148	**166**
Acquisitions of companies and operations	-	-	1	-	**1**
Disposals	-	(3)	(4)	-	**(7)**
Transfer to/from other groups	88	102	8	(159)	**39**
Cost year end	**1,013**	**634**	**251**	**481**	**2,379**
Depreciation and impairment beginning of year	290	252	178	-	**720**
Currency adjustments	6	5	2	-	**13**
Depreciation for the year	36	50	16	-	**102**
Depreciation of disposals	-	(1)	(4)	-	**(5)**
Depreciation and impairment year end	**332**	**306**	**192**	**-**	**830**
Carrying amount year end	**681**	**328**	**59**	**481**	**1,549**
of which financing costs	-				
of which assets held under finance leases	117				
Value of land and buildings subject to mortgages	146				

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				

* 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
2014						
Carrying amount beginning of year	(19)	(17)	88	27	24	**103**
Recognised in the income statement, net	6	(6)	(32)	23	18	**9**
Recognised in other comprehensive income, net	-	-	7	-	-	**7**
Recognised in equity, net	-	-	-	21	-	**21**
Carrying amount year end	**(13)**	**(23)**	**63**	**71**	**42**	**140**
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

Deferred tax at 31 December 2014 consists of deferred tax assets of DKK 168 million (2013: DKK 136 million) and deferred tax liabilities of DKK 28 million (2013: DKK 33 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 joint taxation with the Lundbeck Foundation and its Danish subsidiaries.

Notes to the consolidated financial statements

14 Securities and receivables

Amounts in DKKm	2014	2013
Beginning of year	14	36
Additions	1	-
Disposals	(8)	(22)
Year end	**7**	14
Revaluation and impairment beginning of year	10	20
Revaluation for the year	-	10
Disposals	(10)	(20)
Revaluation and impairment year end	**-**	10
Carrying amount year end	**7**	24

15 Inventories

Amounts in DKKm	2014	2013
Raw materials and consumables	151	118
Work in progress	124	111
Manufactured goods and goods for resale	133	107
Total	**408**	336
Amount of write-down of inventories during the year	19	34
Amount of reversal of write-down of inventories during the year	1	1

The total consumption of materials included in cost of sales amounted to DKK 200 million (2013: DKK 207 million).

16 Receivables from affiliates

Amounts in DKKm	2014	2013
Beginning of year	57	61
Additions	1	57
Received	(57)	(61)
Year end	**1**	57
Carrying amount year end	**1**	57

17 Receivables and prepayments

Amounts in DKKm	2014	2013
Trade receivables (gross)	251	235
Allowances for doubtful trade receivables:		
Balance beginning of year	11	10
Change in allowances during the year	1	2
Realised losses during the year	(1)	(1)
Provision for doubtful trade receivables year end	11	11
Trade receivables (net)	**240**	224
Allowances for doubtful trade receivables are based on an individual assesment of receivables.		
Trade receivables (net) can be specified as follows:		
Not due	183	178
Overdue by:		
Between 1 and 179 days	51	37
Between 180 and 360 days	3	5
More than 360 days	3	4
Trade receivables (net)	**240**	224
Other receivables		
VAT and other taxes	26	22
Miscellaneous receivables	27	36
Total	**53**	58
Prepayments		
Operating expenses	19	24
Insurance	4	3
Other prepayments	5	3
Total	**28**	30

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

18 Cash and cash equivalents

Amounts in DKKm	2014	2013
Securities subject to insignificant risk of changes in value	208	157
Cash and bank deposits	81	155
Cash and cash equivalents	**289**	312

Notes to the consolidated financial statements

19 Share capital and earnings per share

Amounts in DKKm	2014	2013
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.		
Treasury shares[1]		
Treasury shares beginning of year (B-shares), units	468,349	454,820
Purchase of treasury shares, units	-	13,529
Treasury shares year end (B-shares), units	**468,349**	468,349
Proportion of share capital year end	4.6%	4.6%
Nominal value year end	4.7	4.7
Market value year end	305	288
Earnings per share		
The calculation of earnings per share is based on the following:		
Net profit	181	61
Number in units:		
Average number of issued shares	10,128,360	10,128,360
Average number of treasury shares	(468,349)	(468,219)
Average number of shares used for calculation of earnings per share	**9,660,011**	9,660,141
Average dilutive effect of outstanding share options	218,055	114,384
Average number of shares used for calculation of diluted earnings per share	**9,878,066**	9,774,525
Earnings per share (EPS)	**18.74**	6.31
Earnings per share (DEPS), diluted	**18.32**	6.24

1 According to a resolution passed by the company at the annual 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.

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	2014	2013
Costs related to defined contribution plans	71	65
Costs related to defined benefit plans	14	14

Notes to the consolidated financial statements

20 Pensions and similar liabilities (continued)

Amounts in DKKm	2014	2013
Present value of funded pension obligations	58	43
Fair value of plan assets	(52)	(38)
Funded pension obligations, net	**6**	**5**
Present value of unfunded pension obligations	154	121
Pension obligations	**160**	**126**
Similar liabilities	30	21
Pension obligations and similar obligations, year end	**190**	**147**
The actuarial calculations at the balance sheet date are based on the following factors:		
Average discount rate used	2.5%	3.1%
Expected return on plan assets	2.6%	2.9%
Expected future rate of salary increase	3.0%	2.0%
Sensitivity analysis:		
Sensitivity of the pension obligations to changes in the key assumptions.		
Sensitivity related to discount rate, effect if 1% decrease	30	22
Sensitivity related to salary increase, effect if 1% increase	6	5
Sensitivity related to life expectancy, effect if +1 year	8	5
The latest actuarial calculation, for the most important pension obligations, related to the defined benefit plans was made at 31 December 2014.		
The fair value of the plan assets break down as follows:		
Other assets	52	38
Total	**52**	**38**
Plan assets solely consist of assets placed in pension companies. Assets are placed in investments classified as other assets than shares, bonds and property by the pension companies, and are not measured at quoted prices.		
Change in present value of funded pension obligations		
Present value of funded pension obligations beginning of year	43	45
Interest expenses relating to the obligations	2	2
Other (gains)/losses	4	4
Adjustment relating to economic assumptions, (gains)/losses	13	(4)
Benefit payments from settlements of plans	(4)	(4)
Present value of funded pension obligations year end	**58**	**43**
Change in fair value of plan assets		
Fair value of plan assets beginning of year	38	39
Interest income	1	-
Other expenses	(2)	(1)
Contributions	6	7
Change of assumptions, gains/(losses)	13	(3)
Benefit payments from settlements of plans	(4)	(4)
Fair value of plan assets year end	**52**	**38**
Change in present value of unfunded pension obligations		
Present value of unfunded pension obligations beginning of year	121	116
Pension expenses	4	3
Interest expenses relating to the obligations	3	4
Adjustment relating to economic assumptions, (gains)/losses	30	-
Experience adjustments	(4)	(2)
Present value of unfunded pension obligations year end	**154**	**121**
Expenses recognised in the income statement		
Pension expenses	10	8
Finance cost	4	6
Total	**14**	**14**
Amount recognised in the statement of comprehensive income		
Actuarial (gains)/losses	26	(3)
Total	**26**	**(3)**

The expected contribution for 2015 for the defined benefit plans is DKK 14 million (2014: DKK 14 million).

Notes to the consolidated financial statements

21 Mortgage debt, bank loans and financial loans

Amounts in DKKm	2014	2013
Debt to mortgage credit institutions secured by real property		
Mortgage debt is due as follows:		
Within 1 year	2	2
From 1-5 years	9	7
After 5 years	11	15
Total	**22**	24
Bank loans and financial loans		
Bank loans and financial loans are due as follows:		
Within 1 year	3	3
From 1-5 years	299	300
After 5 years	-	-
Total	**302**	303

Amounts in DKKm	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value[1] DKKm
31 December 2014						
Mortgage debt						
Mortgage debt	DKK	2026	Floating	2.0	22	23
Total					**22**	**23**
Bank loans and financial loans						
Leasing debt	EUR, USD	2016-2020	Floating	3.5 - 4.0	4	4
Other bank loans and financial loans	EUR	2016	Fixed	3.1	298	298
Total					**302**	**302**
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

1 Fair value is measured by listed prices in an efficient market.

Notes to the consolidated financial statements

22 Other provisions

Amounts in DKKm	2014	2013
Other provisions beginning of year	49	61
Provisions made during the year	32	37
Used during the year	45	48
Reversals during the year	-	1
Other provisions, year end	**36**	49
Other provisions are recognised as follows:		
Non-current liabilities	4	15
Current liabilities	32	34
Other provisions, year end	**36**	49

23 Other current liabilities

Amounts in DKKm	2014	2013
Trade payables	**90**	100
Other payables		
Salaries, holiday payments, etc.	200	186
VAT and other taxes	35	33
Miscellaneous payables	156	116
Total	**391**	335

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

24 Changes in working capital

Amounts in DKKm	2014	2013
Change in inventories	(68)	(44)
Change in receivables	58	83
Change in short-term payables	63	(33)
Cash flow from changes in working capital	**53**	6

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 5 million as at 31 December 2014 (31 December 2013: DKK 28 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	2014	2013
Collaterals and guarantees	**9**	13

26 Operating lease liabilities

Amounts in DKKm	2014	2013
Minimum lease payments recognised in the income statement	**48**	49
Total future minimum lease payments cf. interminable lease agreements:		
Within 1 year	46	45
From 1-5 years	107	68
After 5 years	24	29
Total	**177**	142

27 Finance lease liabilities

Amounts in DKKm	2014	2013
Finance lease liabilities are due as follows:		
Within 1 year	2	2
From 1-5 years	2	3
After 5 years	-	-
Total	**4**	5
Amortisation premium for future expensing	-	-
Present value of finance lease liabilities	**4**	5

Finance leases 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 2014 in the event of a 10% increase in exchange rates

Amounts in DKKm	Revenue	EBITDA	Equity
31 December 2014			
USD	approx. + 50	approx. + 20	approx. + 40
GBP	approx. + 5	approx. 0	approx. 0
31 December 2013			
USD	approx. + 30	approx. + 10	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 2014					
DKK	193	17	(220)	-	(10)
USD	23	58	(55)	-	26
EUR	23	192	(750)	-	(535)
GBP	2	8	(15)	-	(5)
SEK	23	13	(11)	-	25
Other	25	26	(14)	-	37
Total	**289**	**314**	**(1,065)**	**-**	**(462)**
31 December 2013					
DKK	195	119	(257)	-	57
USD	30	38	(10)	-	58
EUR	57	199	(726)	-	(470)
GBP	4	4	(9)	-	(1)
SEK	2	9	(12)	-	(1)
Other	24	6	(5)	-	25
Total	312	375	(1,019)	-	(332)

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 no open exchange rate hedging contracts as of 31 December 2014

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.

	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 2014						
Securities and receivables	-	2	5	7	-	
Trade receivables	240	-	-	240	-	
Other receivables	67	-	-	67	-	
Cash and cash equivalents	289	-	-	289	-	
Financial assets	**596**	**2**	**5**	**603**	**-**	
Mortgage debt, bank loans and financial loans	5	327	10	342	-	1.3-3.5
Trade payables	90	-	-	90	-	
Other financial liabilities	397	-	-	397	-	
Financial liabilities	**492**	**327**	**10**	**829**	**-**	
31 December 2013						
Securities and receivables	-	2	22	24	-	
Trade receivables	224	-	-	224	-	
Other receivables	127	-	-	127	-	
Cash and cash equivalents	312	-	-	312	-	
Financial assets	663	2	22	687	-	
Mortgage debt, bank loans and financial loans	5	335	14	354	-	2.0-3.5
Trade payables	100	-	-	100	-	
Other financial liabilities	363	-	-	363	-	
Financial liabilities	468	335	14	817	-	

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

An increase in interest rate by 1 percentage point on mortgage debt, bank loans and financial loans will reduce profit and loss and equity by less than DKK 1 million. An increase on cash and cash equivalents would consequently increase profit and loss and equity approximately DKK 7 million.

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	2014	2013
Categories of financial instruments		
Receivables from affiliates	1	57
Securities and receivables	7	6
Trade receivables	240	224
Other receivables	53	57
Loans and receivables	**301**	344
Securities and receivables	-	18
Financial assets available for sale	**-**	18
Currency option	-	1
Financial assets used as hedging	**-**	1
Mortgage debt	22	24
Bank loans and financial loans	302	303
Trade payables	90	100
Other payables	391	335
Financial liabilities measured at amortised cost	**805**	762

29 Fees to the ALK-Abelló Group's auditors

Amounts in DKKm	2014	2013
Fees to the auditors, Deloitte, appointed at the annual general meeting:		
Audit	**2**	2
Audit related services	**1**	-
Tax advisory services	**1**	1
Other services	**-**	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 2014 constituting DKK 20 million (2013: DKK 20 million)

ALK received DKK 54 million (2013: DKK 64 million) concerning outstanding company tax from the Lundbeck Foundation

Receivables from affiliates in the ALK Group relates to outstanding company tax of DKK 1 million (2013: DKK 57 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 2014 (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

Turkey

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

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

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

Slovakia

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

Czech Republic

ALK Slovakia s.r.o. – od štěpný závod (branch)
Prague

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

Content

Income statement

Amounts in DKKm	Note	2014	2013
Revenue		941	791
Cost of sales	2	344	308
Gross profit		**597**	483
Research and development expenses	2	361	432
Sales and marketing expenses	2	153	101
Administrative expenses	2, 15	92	84
Other operating income		2	2
Operating profit/(loss) (EBIT)		**(7)**	(132)
Income from investments in subsidiaries	8	44	73
Financial income	3	83	24
Financial expenses	3	12	27
Profit/(loss) before tax (EBT)		**108**	(62)
Tax on profit	4	2	(35)
Net profit/(loss)		**106**	(27)
Proposed appropriation of net profit:			
Retained earnings		55	(78)
Dividends		51	51
		106	(27)

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2014	31 Dec. 2013
Non-current assets			
Intangible assets			
Intangible assets	5	66	56
		66	56
Tangible assets			
Land and buildings	6	369	387
Plant and machinery	6	188	182
Other fixtures and equipment	6	11	10
Property, plant and equipment in progress	6	158	152
		726	731
Other non-currents assets			
Investment in subsidaries	8	803	803
Receivables from affiliates		980	736
Securities and receivables		5	22
		1,788	1,561
Total non-current assets		**2,580**	2,348
Current assets			
Inventories	9	**86**	79
Receivables			
Trade receivables		12	22
Receivables from affiliates		238	135
Other receivables		24	34
Prepayments		6	9
		280	200
Cash and cash equivalents		**220**	252
Total currents assets		**586**	531
Total assets		**3,166**	2,879

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2014	31 Dec. 2013
Equity			
Share capital		101	101
Retained earnings		1,851	1,858
Proposed dividend		51	51
Total equity		**2,003**	2,010
Deferred tax liabilities	7	18	16
Other provisions	13	12	15
Provisions		**30**	31
Liabilities			
Mortgage debt	10	20	22
Bank loans and financial loans	10	298	298
Non-current liabilities		**318**	320
Mortgage debt	10	2	2
Trade payables		27	34
Payables to affiliates		652	360
Other payables		134	122
Current liabilities		**815**	518
Total liabilities		**1,133**	838
Total equity and liabilities		**3,166**	2,879

Equity

Amounts in DKKm	Share capital	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2014	**101**	**1,858**	**51**	**2,010**
Appropriated from net profit	-	55	51	106
Share-based payments	-	9	-	9
Share options settled	-	(73)	-	(73)
Dividend paid	-	-	(51)	(51)
Dividend on treasury shares	-	2	-	2
Other transactions	**-**	**(7)**	**-**	**(7)**
Equity at 31 December 2014	**101**	**1,851**	**51**	**2,003**

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 2014 have been prepared in accordance with the Danish Financial Statements Act for large reporting class D enterprises.

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

The accounting policies are as described below. The accounting policies are unchanged from last 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 write-downs 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 exceed the accumulated earnings in the company since the acquisition date. In the event of indications of impairment, an impairment test is performed of investments in subsidiaries.

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	2014	2013
Wages and salaries	431	418
Pensions	41	39
Other social security costs, etc.	16	13
Share-based payments	5	9
Total	**493**	479
Staff costs are allocated as follows:		
Cost of sales	160	137
Research and development expenses	201	213
Sales and marketing expenses	35	40
Administrative expenses	80	73
Included in the cost of assets	17	16
Total	**493**	479
Employees		
Average number	675	691
Number year end	701	672

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	2014	2013
Interest on receivables from affiliates	25	14
Other interest income	2	-
Fair value adjustment of financial assets	-	10
Currency gain, net	56	-
Total financial income	**83**	24
Other interest expenses	12	12
Currency loss, net	-	15
Total financial expenses	**12**	27

4 Tax on profit for the year

Amounts in DKKm	2014	2013
Current income tax	-	(51)
Adjustment of deferred tax	2	17
Prior year adjustments	-	(1)
Total	**2**	(35)
Profit before tax	108	(62)
Income tax, tax rate of 24.5%	26	(15)
Non-taxable income	(10)	(28)
Non-deductible expenses	(14)	9
Prior year adjustments	-	(1)
Tax on profit for the year	**2**	(35)

5 Intangible assets

Amounts in DKKm	Software	Patents, trademarks and rights	Other	2014	2013
Cost beginning of year	190	27	4	221	200
Additions	23	-	-	23	21
Disposals	(1)	-	-	(1)	-
Cost year end	**212**	**27**	**4**	**243**	221
Amortisation and impairment beginning of year	139	26	-	165	154
Amortisation for the year	12	-	-	12	11
Amortisation on disposals	-	-	-	-	-
Amortisation and impairment year end	**151**	**26**	**-**	**177**	165
Carrying amount year end	**61**	**1**	**4**	**66**	56

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	2014	2013
Cost beginning of year	573	347	38	152	1,110	1,061
Additions	1	5	1	41	48	49
Disposals	-	(6)	-	-	(6)	-
Transfer to/from other groups	-	31	4	(35)	-	-
Cost year end	**574**	**377**	**43**	**158**	**1,152**	1,110
Depreciation and impairment beginning of year	186	165	28	-	379	328
Depreciation for the year	19	29	4	-	52	51
Depreciation of disposals	-	(5)	-	-	(5)	-
Depreciation and impairment year end	**205**	**189**	**32**	**-**	**426**	379
Carrying amount year end	**369**	**188**	**11**	**158**	**726**	731
of which assets held under finance leases	100				100	105
Value of land and buildings subject to mortgages	146				146	153

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
2014						
Carrying amount beginning of year	(11)	(17)	3	7	2	**(16)**
Recognised in the income statement, net	1	(4)	-	1	-	(2)
Carrying amount year end	**(10)**	**(21)**	**3**	**8**	**2**	**(18)**
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)

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 joint taxation with the Lundbeck Foundation and its Danish subsidiaries.

Notes to the parent company financial statements

8 Investments in subsidiaries

Amounts in DKKm	2014	2013
Cost beginning of year	905	905
Cost year end	**905**	905
Write-down at the beginning of the year	102	66
Write-down during the year	-	36
Write-down year end	**102**	102
Carrying amount year end	**803**	803

Income from investments in subsidiaries are dividends, which amounted to DKK 44 million (2013: Dividend DKK 109 million) and write-down which amount to DKK 0 million (2013: DKK 36 million).

For an overview of all subsidiaries refer to page 56 in the consolidated financial statements.

9 Inventories

Amounts in DKKm	2014	2013
Raw materials and consumables	30	22
Work in progress	30	34
Manufactured goods and goods for resale	26	23
Total	**86**	79
Amount of write-down of inventories during the year	3	2
Amount of reversal of write-down of inventories during the year	1	1

10 Mortgage debt, bank loans and financial loans

Amounts in DKKm	2014	2013
Debt to mortgage credit institutions secured by real property		
Mortgage debt is due as follows:		
Within 1 year	2	2
From 1-5 years	9	7
After 5 years	11	15
Total	**22**	24
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	2014	2013
Minimum lease payments recognised in the income statement	**17**	15
Total future minimum lease payments cf. interminable lease agreements:		
Within 1 year	14	13
From 1-5 years	32	4
After 5 years	-	-
Total	**46**	17

12 Contingent liabilities and commitments

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

13 Other provisions

Amounts in DKKm	2014	2013
Other provisions beginning of year	15	55
Provisions made during the year	10	3
Used during the year	13	42
Reversals during the year	-	1
Total	**12**	15

14 Related parties

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

15 Fees to the ALK-Abelló A/S auditors

Amounts in DKKm	2014	2013
Fees to the auditors, Deloitte, appointed at the annual general meeting:		
Audit	1	1
Audit related services	-	-
Tax advisory services	-	-
Other services	-	-
Total	**1**	1

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

Amounts in DKKm	2014	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Income statement					
Revenue	**2,433**	612	522	615	684
Cost of sales	**736**	187	184	186	179
Research and development expenses	**394**	116	88	97	93
Sales and marketing expenses	**795**	220	182	207	186
Administrative expenses	**199**	55	46	51	47
Operating profit (EBIT) before special items	**313**	38	22	74	179
Special items	**(49)**	(19)	(4)	(21)	(5)
Operating profit (EBIT)	**264**	19	18	53	174
Net financial items	**36**	2	25	-	9
Profit before tax (EBT)	**300**	21	43	53	183
Net profit	**181**	16	26	31	108
Operating profit before depreciation and amortisation (EBITDA) before special items	**453**	76	57	109	211
Operating profit before depreciations (EBITDA)	**404**	57	53	88	206
Average number of employees	**1,809**	1,824	1,820	1,818	1,782
Revenue (Growth in revenue in local currency %)					
Europe	**1,858 (2)**	509 (5)	428 (2)	414 (-3)	507 (4)
– SCIT/SLIT-drops	**1,530 (2)**	427 (2)	348 (3)	332 (-1)	423 (5)
– SLIT-tablets	**218 (10)**	56 (7)	40 (12)	56 (9)	66 (12)
– Other products and services	**110 (-15)**	26 (65)	40(-11)	26 (-36)	18 (-36)
North America	**499 (42)**	92 (-4)	77 (-8)	169 (117)	161 (65)
– SCIT/SLIT-drops	**198 (13)**	55 (13)	50 (18)	50 (16)	43 (6)
– SLIT-tablets	**198 (127)**	6 (-74)	2(-90)	94 (694)	96 (155)
– Other products and services	**103 (14)**	31 (27)	25 (8)	25 (8)	22 (15)
International markets	**76 (31)**	11 (-29)	17(201)	32 (71)	16 (-4)
– SCIT/SLIT-drops	**58 (42)**	8 (-38)	11(383)	26 (61)	13 (44)
– SLIT-tablets	**16 (100)**	3 (-9)	5(107)	5 (221)	3 (290)
– Other products and services	**2 (-73)**	- (155)	1 (12)	1 (-57)	- (-93)
Total revenue	**2,433 (9)**	612 (2)	522 (3)	615 (17)	684 (14)
– SCIT/SLIT-drops	**1,786 (4)**	490 (2)	409 (7)	408 (3)	479 (6)
– SLIT-tablets	**432 (48)**	65 (-15)	47(-16)	155 (143)	165 (70)
– Other products and services	**215 (-6)**	57 (44)	66 (-4)	52 (-20)	40 (-26)
Balance sheet					
Total assets	**3,419**	3,419	3,364	3,318	3,345
Invested capital	**2,214**	2,214	2,282	2,178	2,183
Equity	**2,354**	2,354	2,345	2,298	2,293
Cash flow and investments					
Cash flow from operating activities	**320**	157	(16)	86	93
Cash flow from investing activities	**(219)**	(82)	(39)	(44)	(54)
– of which investment in tangible and intangible assets	**(202)**	(83)	(39)	(44)	(36)
– of which acquisitions of companies and operations	**(24)**	-	-	-	(24)
Free cash flow	**101**	75	(55)	42	39
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 period – DKK	**651**	651	713	842	655
Net asset value per share – DKK	**232**	232	232	227	226
Key figures					
Gross margin – %	**70**	69	65	70	74
EBITDA margin – % before special items	**19**	12	11	18	31
EBITDA margin – %	**17**	9	10	14	30
Earnings per share (EPS) – DKK	**19**	2	3	3	11
Diluted earnings per share (DEPS) – DKK	**18**	2	3	3	11
Cash flow per share (CFPS) – DKK	**33**	16	(2)	9	10
Share price/Net asset value	**2.8**	2.8	3.1	3.7	2.9

* Management's review comprises pages 1-25 as well as Financial highlights and key ratios for the ALK Group on page 67.

Definitions: see page 57

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