



Annual report  
2009



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# Financial highlights and key ratios for the ALK Group

Amounts in DKK/EURm*	<b>DKK 2009</b>	DKK 2008	<b>EUR 2009</b>	EUR 2008
<b>Income statement</b>				
Revenue	<b>1,935</b>	1,784	<b>260</b>	240
Operating profit before depreciation (EBITDA)	<b>260</b>	205	<b>35</b>	28
Operating profit (EBIT)	<b>175</b>	119	<b>24</b>	16
Net financial items	<b>15</b>	38	<b>2</b>	5
Profit before tax (EBT)	<b>190</b>	157	<b>26</b>	21
Net profit	<b>118</b>	95	<b>16</b>	13
Average number of employees	<b>1,513</b>	1,454	<b>1,513</b>	1,454
<b>Balance sheet</b>				
Total assets	<b>2,653</b>	2,538	<b>357</b>	341
Invested capital	<b>1,510</b>	1,367	<b>203</b>	184
Equity	<b>1,928</b>	1,862	<b>259</b>	250
<b>Cash flow and investments</b>				
Depreciation, amortization and impairment	<b>85</b>	86	<b>11</b>	12
Cash flow from operating activities	<b>260</b>	189	<b>35</b>	25
Cash flow from investing activities	<b>(258)</b>	(397)	<b>(35)</b>	(53)
- of which investment in tangible assets	<b>(187)</b>	(364)	<b>(25)</b>	(49)
Free cash flow	<b>2</b>	(208)	<b>-</b>	(28)
<b>Information on shares</b>				
Proposed dividend	<b>51</b>	51	<b>7</b>	7
Share capital	<b>101</b>	101	<b>14</b>	14
Shares in thousands of DKK 10 each	<b>10,128</b>	10,128	<b>10,128</b>	10,128
Share price, at year end - DKK/EUR	<b>409</b>	520	<b>55</b>	70
Net asset value per share - DKK/EUR	<b>191</b>	184	<b>26</b>	25
<b>Key figures</b>				
Gross margin - %	<b>70</b>	70	<b>70</b>	70
EBIT margin - %	<b>9</b>	7	<b>9</b>	7
ROAIC - %	<b>12</b>	10	<b>12</b>	10
Pay-out ratio - %	<b>43</b>	54	<b>43</b>	54
Earnings per share (EPS) - DKK/EUR	<b>11.85</b>	9.51	<b>1.59</b>	1.28
Earnings per share (DEPS), diluted - DKK/EUR	<b>11.85</b>	9.51	<b>1.59</b>	1.28
Cash flow per share (CFPS) - DKK/EUR	<b>26.11</b>	18.90	<b>3.51</b>	2.54
Price earnings ratio (PE)	<b>35</b>	55	<b>35</b>	55
Share price/Net asset value	<b>2.1</b>	2.8	<b>2.1</b>	2.8
<b>Revenue growth - %</b>				
Organic growth	<b>9</b>	10	<b>9</b>	10
Exchange rate differences	<b>(1)</b>	(2)	<b>(1)</b>	(2)
Total growth	<b>8</b>	8	<b>8</b>	8

\*) 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 December 31, 2009 (EUR 100 = DKK 744).

Definitions: see page 72

# Financial highlights and key ratios for the ALK Group

Amounts in DKKm	2009	2008	2007	2006 (12M) Unaudited	2006 (4M)	2005/06
<b>Income statement</b>						
Revenue	1,935	1,784	1,652	1,519	563	1,489
Operating profit before depreciation (EBITDA)	260	205	298	25	2	126
Exceptional items	-	-	-	(40)	(40)	-
Operating profit/(loss) (EBIT)	175	119	218	(55)	(28)	53
Net financial items	15	38	14	27	10	40
Profit/(loss) before tax (EBT)	190	157	232	(28)	(18)	93
Net profit/(loss) continuing operations	118	95	140	(36)	(20)	44
Net profit/(loss)*	118	95	177	(36)	(20)	44
Average number of employees	1,513	1,454	1,392	1,263	1,314	1,227
<b>Balance sheet</b>						
Total assets	2,653	2,538	2,821	2,731	2,731	2,789
Invested capital	1,510	1,367	1,050	1,000	1,000	890
Equity	1,928	1,862	2,112	2,024	2,024	2,094
<b>Cash flow and investments</b>						
Depreciation, amortization and impairment	85	86	80	80	30	73
Cash flow from operating activities	260	189	362	(2)	(39)	60
Cash flow from investing activities	(258)	(397)	(172)	(389)	(41)	(370)
- of which investment in tangible assets	(187)	(364)	(164)	(121)	(40)	(97)
Free cash flow	2	(208)	190	(391)	(80)	(310)
<b>Information on shares</b>						
Proposed dividend	51	51	330	n/a	20	51
Share capital	101	101	101	101	101	101
Shares in thousands of DKK 10 each	10,128	10,128	10,128	10,128	10,128	10,128
Share price, at year end - DKK	409	520	600	1,410	1,410	765
Net asset value per share - DKK	191	184	209	200	200	207
<b>Key figures</b>						
Gross margin - %	70	70	70	67	69	67
EBIT margin - %	9	7	13	(4)	(5)	4
ROAIC - %	12	10	21	(7)	(3)	7
Pay-out ratio - %	43	54	186	n/a	(100)	116
Earnings per share (EPS) - DKK	11.85	9.51	13.96	(3.59)	(1.99)	2.38
Earnings per share (DEPS), diluted - DKK	11.85	9.51	13.91	(3.59)	(1.99)	2.38
Cash flow per share (CFPS) - DKK	26.11	18.90	36.10	(0.20)	(3.88)	5.90
Price earnings ratio (PE)	35	55	43	(392)	(705)	319
Share price/Net asset value	2.1	2.8	2.9	7.0	7.0	3.7
<b>Revenue growth - %</b>						
Organic growth	9	10	10	n/a	6	9
Exchange rate differences	(1)	(2)	(1)	n/a	-	-
Acquisitions	-	-	-	n/a	-	13
Total growth	8	8	9	n/a	6	22

\*) Net profit for 2007 includes profit in connection with the sale of the ingredients business Chr. Hansen.

Definitions: see page 72

## To our shareholders

### A good year with significant progress for our business

2009 was a challenging year for the world's economies, which were hit hard by the recession and the global economic downturn. These developments affected most companies; nevertheless ALK successfully managed to steer through the period and we now stand well prepared to face the future. The company is well-consolidated with good liquidity, insignificant debt, increasingly profitable operations and an expanding free cash flow.

For ALK, 2009 was a good year with significant progress in the business and robust financial results. We generated 10% organic growth in sales of allergy vaccines and concurrently kept a sharp focus on costs. This enabled us to increase our operating profit by 47% to DKK 175 million, which was considerably better than forecast at the beginning of the year, and we are very satisfied with this performance.

ALK achieved several key milestones in 2009. ALK's North American partner, Merck (previously Schering-Plough), successfully completed two clinical studies of GRAZAX® in the USA. The studies will form the basis for submission of a registration application to the US health authorities (the FDA). This has strongly accelerated the process of launching the grass tablet on the important North American markets. In addition, Merck is running a large-scale development programme with the tablet against ragweed allergy and is also planning the further development of the tablet against house dust mite allergy. This makes us confident that ALK has strong prospects in North America.

Based on data from a long-term study which demonstrated a sustained effect upon completion of treatment, the health authorities in Europe approved GRAZAX® as a disease-modifying therapy. The approval marks the provisional culmination of ALK's research and development within tablet-based allergy vaccination and supports our ambition of improving the quality of allergy treatment and expanding the use of vaccine products. This ambition also includes children and adolescents as an important target group, and in 2009 GRAZAX® was successfully launched for children in a number of European countries.

ALK introduced a new, improved injection-based vaccine product, AVANZ®, to further strengthen our product range and market position, primarily on the important German market.

However, market conditions also turned more difficult in 2009, partly as a result of the global economic downturn, and the consequences were most pronounced in Italy and Spain. Here, many allergy patients decided to postpone their treatment because they had to pay a relatively large part of the costs themselves as they are not fully covered by public or private reimbursement schemes.

Moreover, the health authorities in a number of European countries are working to update the rules on the sale and marketing of non-registered vaccine products, resulting in a number of new regulatory requirements to manufacturers. For ALK, these requirements especially affect sales of drop-based products. ALK believes that the growing regulatory requirements will be an advantage for patients and the industry as a whole. Although they will also affect ALK in the short term, they will further enhance our competitive strength in the longer term. We have already invested substantial resources in the development and registration of our tablet-based vaccines, and ALK is the company with the largest number of registered products.

With prospects of sustained sales growth in 2010, ALK is moving in the right direction. The activity level is expected to be high with a focus on sales growth, on complying with future statutory requirements in Europe, on continuing the development of the tablet vaccines and on supporting the intensified collaboration with Merck in its efforts to obtain approval and subsequently launch our tablets on the North American markets.

We therefore believe that ALK is well positioned to further strengthen our leading position within allergy vaccination.

**Jørgen Worning**  
Chairman

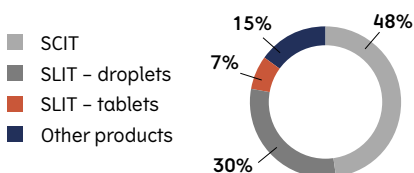
**Jens Bager**  
President and CEO

# Highlights

In 2009, ALK achieved satisfactory growth in sales and earnings exceeding the forecasts in a number of areas.\*

- In Q4, revenue increased by 13% to DKK 542 million (476). The growth rate in the company's core business, allergy vaccine sales, was 11%.
- For 2009 as a whole, ALK's revenue totalled DKK 1,935 million (1,784), and sales of allergy vaccines grew by 10%.
- Operating profit before depreciation and amortization (EBITDA) was DKK 260 million (205).
- Operating profit (EBIT) increased by 47% to DKK 175 million (119). EBIT included net operating income from ALK's US partner of DKK 33 million (28).
- Net profit for the year was DKK 118 million (95).
- ALK's North American partner, Merck, successfully completed a US clinical

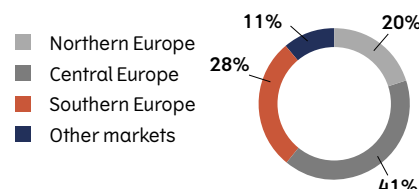
Revenue by product line



study of GRAZAX<sup>®</sup>, which will form the basis for a registration application and subsequent launch of the tablet in North America.

- Based on a long-term study which demonstrated a significant, sustained effect upon completion of treatment, the health authorities in Europe approved GRAZAX<sup>®</sup> as a disease-modifying therapy.
- In order to strengthen its product range and market position, ALK launched a new, improved injection-based vaccine product (AVANZ<sup>®</sup>) in Germany.

Revenue by market



- In 2009, the principal investments in new production facilities were completed.

### Outlook for the 2010 financial year

For the 2010 financial year, ALK forecasts sustained growth in both sales and earnings. However, earnings will be affected by rising costs as a result of increased regulatory requirements in Europe and the intensified activity level in the collaboration with Merck to develop and launch tablets in North America.

See page 5 for further details on the outlook for 2010.

\* Comparative financial figures for the same period of last year are shown in brackets. In Management's review, growth rates are organic growth rates unless otherwise stated.

*This annual report contains forward-looking statements, including forecasts of future revenue and operating profit as well as expected business-related events. Such statements are subject to risks and uncertainties as various factors, some of which are beyond the control of the ALK Group, may cause actual results and performance to differ materially from the forecasts made in this annual report. Without being exhaustive, such factors include, among other things, general economic and business conditions, including legal issues, uncertainty relating to pricing, reimbursement rules and market penetration for GRAZAX<sup>®</sup>, fluctuations in currencies and demand, changes in competitive factors and reliance on suppliers, but also factors such as side effects from the use of the company's existing and future products since allergy vaccination may be associated with allergic reactions of differing extent, duration and severity. Moreover, ALK cannot rule out that a general economic downturn could have an adverse impact on the use of allergy vaccines.*

*This annual report has been translated from Danish into English. However, the Danish text is the governing text for all purposes, and if there is any discrepancy, the Danish wording is applicable.*

## Management's review\*

Income statement								
Q4 2008	%	Q4 2009	%	Amounts in DKKm	2009	%	2008	%
476	100	542	100	<b>Revenue</b>	1,935	100	1,784	100
141	30	159	29	Cost of sales	587	30	527	30
335	70	383	71	<b>Gross profit</b>	1,348	70	1,257	70
81	17	105	19	Research and development expenses	349	18	327	18
213	45	229	42	Sales, marketing and administrative expenses	860	44	836	47
-	-	9	2	Other operating income and expenses	36	2	25	1
41	9	58	11	<b>Operating profit (EBIT)</b>	175	9	119	7
10	2	(1)	-	Financial income	17	1	40	2
-	-	(1)	-	Financial expenses	2	-	2	-
51	11	58	11	<b>Profit before tax (EBT)</b>	190	10	157	9
19	4	22	4	Tax on profit	72	4	62	3
32	7	36	7	<b>Net profit</b>	118	6	95	5
66	14	84	15	<b>Operating profit before depreciation and amortization (EBITDA)</b>	260	13	205	11

### Financial review

**Revenue** in Q4 followed a satisfactory trend and increased by 13%. For the year as a whole, sales increased by 9% to DKK 1,935 million (1,784). The impact from exchange rates was negative by one percentage point, primarily as a consequence of the GBP/DKK exchange rate.

The growth rate in the core business, allergy vaccine sales, was 10% for the full year and was driven by broadly founded growth in sales of injection-based products and high growth in sales of GRAZAX®.

In Q4, sales of allergy vaccines showed growth of 11%, and revenue for the quarter totalled DKK 542 million (476).

Sales of injection-based allergy vaccines (SCIT) grew by 7% to DKK 928 million (864) in 2009. This favourable sales performance was driven by the Northern European Region, the Central European

Region and North America. Sales of injection-based vaccines accounted for an unchanged 48% (48) of total sales.

Sales of drop-based products (SLIT drop-lets) grew by 8% to DKK 573 million (528). Sales performance was satisfactory in France, whereas the economic downturn resulted in more subdued growth in Spain and a drop in sales in Italy. In the Central European Region, sales dropped as a consequence of general market developments. In the Netherlands, the authorities decided to discontinue the reimbursement for non-registered allergy vaccines, which caused a significant drop in sales of SLIT droplets on the Dutch market. Overall, sales of SLIT droplets accounted for an unchanged 30% (30) of ALK's global sales.

The tablet-based product GRAZAX® continued its satisfactory sales performance, and sales increased by 56% to DKK 133 million (87). The Northern European Region and the Central European Region

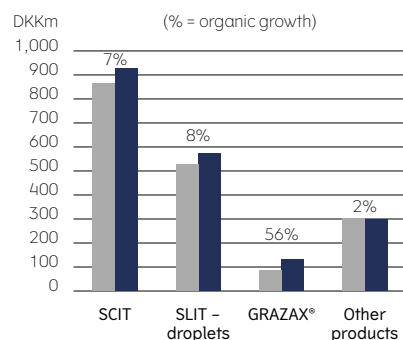
were the main contributors to the growth in tablet sales. The launch of the tablet for children and adolescents in the first markets contributed especially to this sales growth. Tablet sales represent a growing share of ALK's sales and accounted for 7% (5) of total revenue. GRAZAX® was thus the single product contributing the most to ALK's overall sales growth. With the approval of GRAZAX® as a disease-modifying therapy, new launches with the children indication and the generally growing acceptance of the therapy, ALK expects to be able to continue to generate strong growth in its tablet sales, and the long-term commercial potential of the product on the European markets is estimated to be good.

Sales of other products (adrenaline, diagnostics, etc.) totalled DKK 301 million (305) and grew by 2%, net of the effects of exchange rate fluctuations. This was the result of a natural variation in the sale of adrenaline products. Compared to

\* Management's review comprises pages 1-23 as well as Financial highlights and key ratios by the quarter for the ALK Group.

## Revenue by product line

■ 2008 ■ 2009



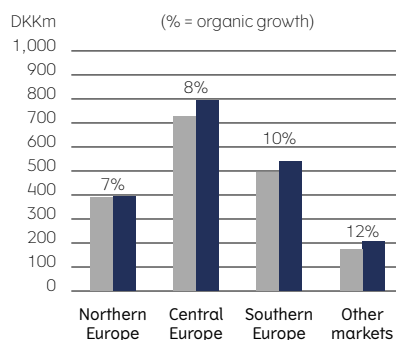
2008, fewer adrenaline pens expired in 2009 and thus had to be renewed. When this variation is taken into account, the trend of adrenaline sales was particularly satisfactory, especially during the second half of the year. Other products accounted for 15% (17) of total sales.

Again in 2009, growth was achieved in all ALK regions in spite of difficult market conditions, and most markets saw a stable and satisfactory sales performance.

In the Northern European Region, sales increased by 7% to DKK 394 million (389). This growth was broadly founded and driven by growth in the sale of tablets, injection-based vaccines and adrenaline pens. As previously mentioned,

## Revenue by market

■ 2008 ■ 2009



performance was adversely affected by the changes in the Dutch reimbursement system, which resulted in falling sales of SLIT droplets. In addition, the developments in the GBP/DKK exchange rate had a significant adverse impact on reported sales in the region. The Northern European Region, covering the Nordic countries, the UK and the Netherlands, accounted for 20% (22) of revenue.

Sales in the Central European Region grew by 8% to DKK 793 million (726), driven by growth in tablet sales and sales of injection-based vaccines. The new injection-based product, AVANZ®, was successfully launched in Germany and already accounts for a substantial share of total treatments among new patients after

only a few months on the market. The Central European Region, primarily consisting of Germany, Austria and Switzerland, accounted for 41% (40) of revenue.

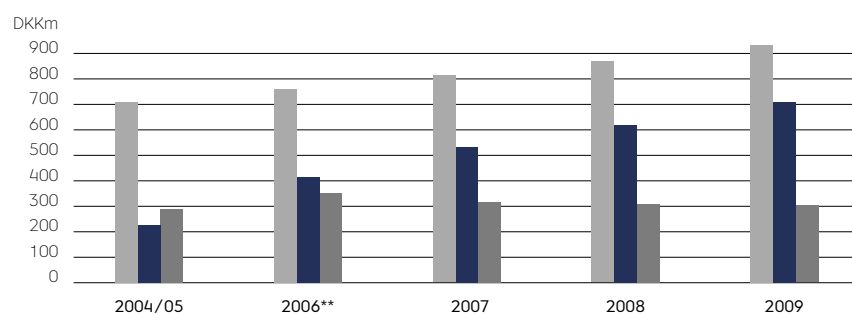
In the Southern European Region, sales increased by 10% to DKK 542 million (495). It was especially France that contributed to this growth, whereas sales were more subdued in Spain. In Italy and Spain, the overall allergy vaccine market was squeezed by the recession. Although partial reimbursement is available for treatment in these countries, patients' own payment makes up a substantial part of the cost of treatment, affecting patients' incentive to begin allergy vaccination. The Southern European Region, primarily consisting of France, Spain and Italy, accounted for an unchanged 28% (28) of revenue.

Revenue from other markets grew by 12% to DKK 206 million (174), mainly driven by sales of injection-based products in North America. Other markets – the USA, Canada, China as well as exports to the rest of the world – accounted for 11% (10) of revenue.

**Cost of sales** amounted to DKK 587 million (527), and gross profit increased by 9% to DKK 1,348 million (1,257). The reported gross margin was 70% (70), which was in line with the forecast. The margin was adversely affected in 2009 by

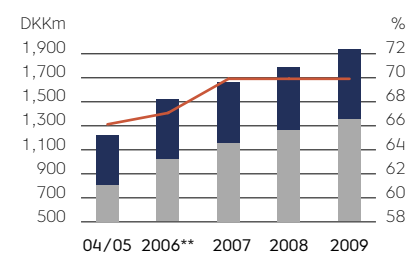
## Revenue

■ SCIT (CAGR: 7%)\* ■ SLIT incl. GRAZAX® (CAGR: 32%)\* ■ Other (CAGR: 3%)\*



## Gross profit

■ Gross profit ■ Cost of sales — Gross margin



\* CAGR: Compound annual growth rate.

\*\* In 2006, the company's financial year was changed to follow the calendar year. The figures for the 2006 calendar year are unaudited.



exchange rate fluctuations and increasing procurement prices of some of ALK's trade goods, including adrenaline pens.

Total **capacity costs** increased by 3% to DKK 1,209 million (1,163). Research and development expenses for the year totalled DKK 349 million (327), equivalent to 18% (18) of revenue. These expenses primarily related to the continued development of tablet-based vaccines, including increased support for the partnership with Merck. Sales, marketing and administrative expenses were DKK 860 million (836).

Operating profit was very satisfactory and better than expected as a consequence of strong earnings towards the end of the year. **Operating profit before depreciation and amortization (EBITDA)** was DKK 260 million (205). Reported operating profit (EBIT) increased by 47% to DKK 175 million (119), corresponding to an EBIT margin of 9%. Exchange rates had an adverse impact on EBIT as compared to 2008. EBIT included net operating income of DKK 33 million from Merck, ALK's US partner. This related to the pharmaceutical development activities concerning the new tablet-based vaccine against ragweed allergy.

**Net financials** were an income of DKK 15 million (38) and consisted of interest income as well as realized and unrealized

exchange gains on intercompany balances in and holdings of foreign currency.

**Income tax** for the year amounted to DKK 72 million (62), corresponding to an effective tax rate of 38%. Net profit for the year was DKK 118 million (95).

**The cash flow** from operating activities followed a satisfactory trend and was an inflow of DKK 260 million (189). The cash flow was affected by changes in working capital and a subsequent adjustment to an installment of corporate income tax paid on account. The cash flow from investing activities was an outflow of DKK 258 million (an outflow of 397) relating to planned investments in buildings and production facilities and ongoing maintenance. The free cash flow for the year was an inflow of DKK 2 million (an outflow of 208). The cash flow from financing activities was an outflow of DKK 61 million (an outflow of 374), primarily relating to the distribution of ordinary dividends of DKK 50 million in respect of the 2008 financial year. At the end of the year, cash totalled DKK 389 million (449).

**Equity** stood at DKK 1,928 million at the end of the year (1,862), corresponding to an equity ratio of 73%.

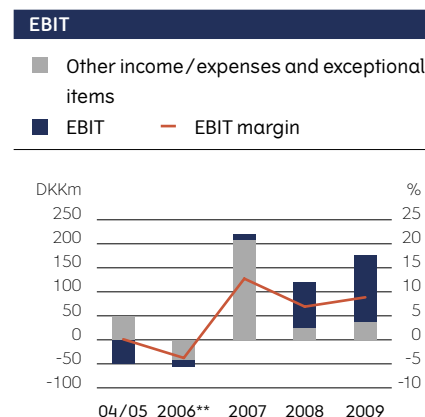
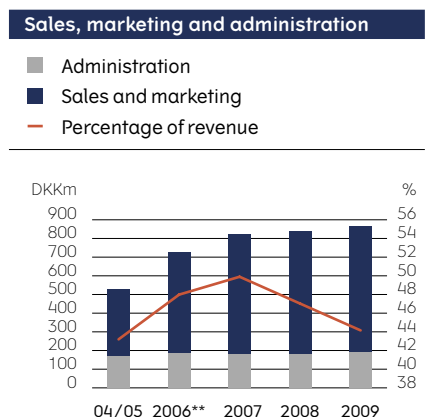
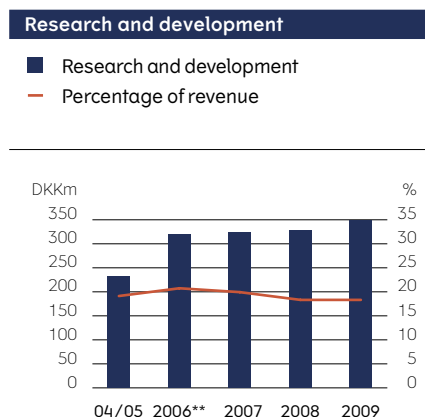
**Outlook for the 2010 financial year**  
For the 2010 financial year, ALK forecasts an increase in sales of allergy vaccines of 5-8% in local currencies. The growth

trend is thus expected to continue in 2010, albeit at a slightly lower level than in previous years as a consequence of the general economic downturn and new regulatory conditions in Europe which especially affect sales of non-registered drop-based products.

It is expected that the gross margin will be slightly lower than last year as a consequence of changes in the product and country mix of sales and growing depreciation as new production facilities are brought into use. To this should be added costs of preparing for FDA approval of tablet production prior to the planned launch of GRAZAX® in North America.

A high level of activity is forecast for 2010 with a number of important strategic initiatives with a view to strengthening the company's position in the longer term. These include the initiation by ALK of a number of major clinical studies of the tablet-based vaccines, including the GAP (*GRAZAX® Asthma Prevention*) study. To this should be added extensive and growing support for the collaboration with Merck with a view to developing and launching the tablets in North America and new regulatory conditions in Europe which involve increased demand for documentation of the non-registered product portfolio.

As a consequence, a minor improvement is expected in EBITDA and EBIT. The earn-



\*\* In 2006, the company's financial year was changed to follow the calendar year. The figures for the 2006 calendar year are unaudited.

ings forecast for 2010 includes agreed milestone payments from the US partner, Merck.

Investments are expected to total approximately DKK 140 million in 2010, which is significantly lower than in previous years. The free cash flow is expected to be an inflow in 2010 and to be higher than in 2009.

The outlook is based on the current exchange rates. ALK's revenue and earnings are exposed to exchange rate fluctuations. The company has estimated the following exchange rate sensitivity based on the current exchange rates: A 10% increase in the exchange rate of USD would increase revenue by approximately DKK 15 million. The same would apply to GBP. All things being equal, a 10% increase in the exchange rate of USD would reduce EBIT by an estimated DKK 15 million net, primarily because purchases of adrenaline products are denominated in USD. A 10% increase in the exchange rate of GBP would increase EBIT by approximately DKK 10 million. A drop in the exchange rates would have the opposite effect.

#### Long-term ambitions

ALK's basic strategic ambition is to expand the use of allergy vaccination through the introduction of new, well-documented, effective and user-friendly tablet-based allergy vaccines that have received regulatory approval.

In the shorter term, it must be expected that the total growth in allergy vaccine sales will be more subdued than previously anticipated as a consequence of the general economic downturn and new regulatory conditions in Europe.

Going forward, the EBITDA and EBIT margins are expected to continue to increase and eventually reach the pharmaceutical industry average. Moreover, from 2011, annual investments are expected to be on a level with annual depreciation and amortization, and a steadily rising cash inflow is expected.

ALK intends to specify new financial objectives when the Board of Directors has approved a revised strategic plan, which is scheduled to take place in the second half of 2010. The new long-term objectives will be updated taking into account Merck's plans for product launches in North America.

#### Operating review

ALK focuses on improving the treatment of allergy through the introduction of new, effective and user-friendly tablet-based vaccines which treat the actual cause of allergy instead of just relieving symptoms. The company's key research and development priority continues to be the introduction of a portfolio of tablets covering the most widespread allergies. GRAZAX® is the first tablet-based allergy vaccine developed and launched in Europe.

The experience with GRAZAX® in Europe has emphasized the importance of introducing a well-documented and registered portfolio of tablets covering the medical needs among a broader group of patients and prescribing physicians to be able to treat the most common allergies.

The close strategic partnership with Merck opens the opportunity for a long-term commercial success with the tablet programmes, also in North America. As part of the partnership agreement with Merck, ALK has undertaken to provide extensive development support for the introduction of the tablets in North America. In particular, this will influence the level of research and development activity over the coming years.

Growing regulatory requirements in a number of European countries for the registration of older, non-registered products have concurrently emphasized that it will be necessary to complete the development of tablets against the most widespread allergies so that any older,

non-registered products that may be removed from the market can be replaced by these tablets.

The continuing development of the tablets therefore represents a significant strengthening of ALK's competitive position.

#### Research and development

The development of GRAZAX® reached a milestone in 2009 with the approval of the product's disease-modifying effect. ALK's efforts to develop the grass tablet will continue in the years ahead through the five-year GAP (*GRAZAX® Asthma Prevention*) study, which is expected to document that treatment with GRAZAX® can reduce the risk of children developing asthma.

In 2010, the key research and development activities will be focused on accelerating the development of the tablets against house dust mite and tree pollen allergy. ALK plans to initiate a major Phase III clinical study of the house dust mite tablet. It is expected that the study will be completed late 2011 and that it will then form the basis for a European registration application with a view to launching the product in the subsequent years. Moreover, ALK intends to prepare the further development of the tree tablet.

#### New injection-based vaccine

ALK has introduced a new, improved injection-based vaccine product, aiming to strengthen its product range and market position, especially in Germany. The new product, AVANZ®, builds on ALK's conventional vaccines and is more convenient to patients, partly because it allows for faster up dosing. The product is initially being marketed on a named patient basis. Based on a number of planned clinical activities, AVANZ® is expected to be registered within a number of years.

#### Recombinant vaccine against cat allergy

ALK and Novozymes have signed an agreement regarding the production

ALK's pipeline							
Product	Indication	Research	Preclinical	Phase I	Phase II	Phase III	Marketed
Tablet	Grass (GRAZAX®)*	█	█	█	█	█	█
Tablet	House dust mites*	█	█	█	█	█	
Tablet	Ragweed*	█	█	█	█	█	
Tablet	Tree	█	█	█	█		
Tablet	Cat (recombinant)	█					
Tablet	Next generation	█					

\* ALK's US partner, Merck, holds product rights for the North American markets.

of industrially produced (recombinant) allergens for use in ALK's future tablet-based allergy vaccines. Initially, ALK will develop a recombinant tablet against cat allergy. The product is at the early research stage.

**Merck partnership**

In 2007, ALK entered into a strategic partnership with Schering-Plough to ensure the efficient introduction of the tablets in North America. In Q4 2009, Schering-Plough was merged with Merck, which thereby assumed the rights to ALK's tablet programmes on the North American markets. The collaboration is progressing satisfactorily and with an increased activity level.

In 2009, Merck and ALK reached a number of key milestones in their joint efforts to launch the tablets in North America.

In early November, positive GRAZAX® results were announced which demonstrated that the tablet had successfully met the primary endpoint of a major clinical study. The study forms the basis for a later registration application to the FDA, which can be submitted in the second half of 2010. The product will be eligible for launch immediately after the FDA has processed and approved the application.

The US study of GRAZAX® was a multi-center, randomized, placebo-controlled, double-blind Phase III clinical study. The objective was to evaluate the efficacy of

GRAZAX® versus placebo and the study included 439 adult patients. The adverse events in patients receiving the grass tablet in this study were similar to previous studies in adult patients, and there were no new or unexpected findings. It is expected that additional data will be presented at a medical conference to be held in the USA in 2010.

A similar GRAZAX® Phase III clinical study including 345 children and adolescents has also been conducted in the USA. The study successfully met its primary endpoint and the data will be presented at the annual meeting of the American Academy of Allergy Asthma & Immunology (AAAAI), February 26 to March 2, 2010, in New Orleans, USA.

Merck has initiated the further clinical development of the tablet against ragweed allergy, which is a very widespread allergy in North America. In late 2009, the company initiated two major Phase III clinical studies approved to include up to 1,400 patients and expected to be completed in early 2011.

In addition, ALK and Merck are discussing the further development programme for the house dust mite tablet.

**New regulatory requirements in Europe**

For many years, certain allergy vaccines have been supplied on a 'named patient' (NP) or individual patient basis in a number of European countries. These products are not registered pharmaceu-

ticals, but are used under the responsibility of the prescribing physician and produced and supplied directly to a named patient. More than 15 different allergy companies, including ALK, market NP products, especially drop-based allergy vaccines, which are more widely used in southern and central Europe. ALK estimates that sales of NP products account for about two thirds of the industry's total European vaccine sales of approximately DKK 5 billion.

The health authorities in a number of countries have worked on modernizing their rules for NP products for a number of years in order to ensure the highest possible documentation and quality in treatment. It is primarily the regulatory authorities in Germany, the Netherlands, Spain and Italy who have started updating the regulations. In France, the authorities established an updated system for approving NP products already in 2004/05.

In 2009, the Dutch regulatory authorities decided to modify the reimbursement schemes for allergy vaccines with a view to rationalizing the use of NP products. This decision will have an adverse impact on ALK's current sales, as the drop-based SLIT products are not registered in the Netherlands. ALK's sales of the affected products in the Netherlands totalled approximately DKK 50 million in 2009 and are expected to fade over the next couple of years. The modification of the reimbursement schemes has caused a general and substantial ad-

verse trend in the Dutch market. In this market, GRAZAX® is the only registered SLIT product and the modification of the reimbursement schemes does not affect GRAZAX®.

In Germany, the authorities have implemented an allergen decree requir-

ing that, going forward, all significant allergen-based products must be registered and receive marketing approval. The affected products are all allergy vaccines sold as NP products and contain pollen from grasses and trees, extracts from house dust mites or bee/wasp venom. The affected products make up

most of the market for allergy vaccines. For ALK, it applies to drop-based products and the new AVANZ® product containing the said allergens. ALK's bee/wasp venom products only exist as registered injection-based products. The allergen decree also contains a number of transition schemes for products that were on

## GRAZAX® – the world's best documented allergy vaccine

The health authorities in 27 European countries approved GRAZAX® in 2009 as a disease-modifying allergy treatment, which was a historic milestone for ALK. The approval was given on the basis of the results from the first follow-up year after the completion of treatment in a long-term study (GT-08) of GRAZAX®. The study provided breakthrough results, as ALK is the first company ever to document a sustained, disease-modifying effect of a tablet-based allergy vaccine. The results have been published in the world's leading allergy journal, *The Journal of Allergy and Clinical Immunology* (January 2010), which highlighted the article on its front page.

GRAZAX® is the world's best documented allergy vaccine. By the end of 2009, 15 randomized, double-blind, placebo-controlled studies and 10 so-called observation studies had been conducted with GRAZAX®. The studies involved more than 6,000 patients, and a total of more than 38,000 treatment years\* with the tablet have been completed, either through patient participation in clinical studies or through actual prescription to a patient by his or her physician.

\* Treatment year: This concept is used to illustrate how widespread the use of a given treatment is. Based on the number of tablets supplied to the market by ALK, a calculation is made of how many patients have theoretically received treatment for a full year. The actual number of patients that have received treatment is likely to be substantially higher than the number of treatment years as patients typically do not fully comply with the recommended treatment regimen.

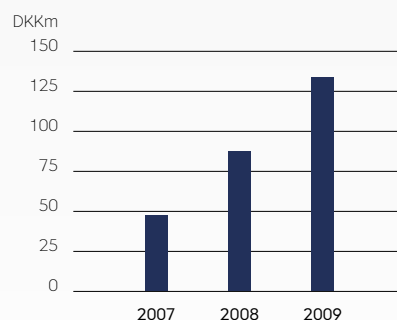
The many clinical studies have so far resulted in 21 peer-reviewed articles in scientific journals describing the various aspects of GRAZAX® for the treatment of grass pollen allergy.

In order to complete the scientific documentation of GRAZAX®, ALK recently announced the start-up of a clinical study called the *GRAZAX® Asthma Prevention*, or GAP, study. The study is the largest

ever of its kind and is designed to investigate the potential of the grass tablet in preventing the development of asthma and new allergies in children and adolescents. Studies of allergic children have shown that they have up to seven times greater risk of developing asthma later in life. The GAP study will run for five years in ten European countries and will include 600 children aged 5-12.

### GRAZAX® revenue

CAGR: 68%



### Countries, in which GRAZAX® is launched with public reimbursement

Country*	Adults	Children and adolescents
Austria	Yes	Yes
Denmark**	Yes	Yes
Finland	Yes	Yes
Germany	Yes	Yes
Greece	Yes	Yes
Ireland	Yes	Yes
Italy**	Yes	Yes
Netherlands	Yes	Yes
Norway	Yes	Yes
Spain	Yes	Yes
Sweden	Yes	Yes
Switzerland	Yes	No
UK**	Yes	Yes

\* GRAZAX® is registered and holds marketing authorization for adults in 28 European countries (27 countries for children and adolescents).

\*\* Individual or regional reimbursement.

the market before the decree came into force. ALK plans to conduct a number of clinical activities in order to comply with the German allergen decree and maintain its sales of drop-based products on the German market.

The authorities in Spain and Italy have also announced that they intend to implement requirements for increased clinical documentation. However, no requirements or processes have yet been communicated by the authorities.

ALK believes that, overall, setting high statutory standards will benefit patients and the industry as a whole. Throughout its history, ALK has worked to promote the greatest possible documentation of the use of allergy vaccines, and its portfolio of registered allergy vaccines is the largest in the industry. In connection with the development and registration of the new tablet-based vaccines, ALK has conducted the most extensive clinical studies ever within allergy vaccination.

## Other business-related events in 2009

### Investment in DBV Technologies

In January, ALK invested DKK 15 million in a French biotech company, DBV Technologies, as part of a follow-up equity financing of the company. The investment provides an opportunity for ALK to later enter into a partnership to develop a new vaccine against peanut allergy.

### Takeover of German distributor

In the second half of 2009, ALK signed an agreement to take over the activities of ThemoCARE Allergiedienst, a small allergy operator in Germany. This previously privately owned company was the distributor of ALK's French products on the German market since 1999. The acquisition strengthens ALK's market position and geographic presence in certain areas of Germany. The effective date of the acquisition was October 1.

### New diagnostic product in the USA

In the second half of 2009, ALK has acquired the rights to introduce a

diagnostic product, PRE-PEN<sup>®</sup>, in the USA. This product allows physicians to efficiently test whether a patient is allergic to penicillin. PRE-PEN<sup>®</sup> is produced by the company AllerQuest and was approved by the FDA in September.

### Completion of investment programme

In 2009, ALK completed significant investments in new tablet production facilities in Denmark, the USA and the UK.

The investments include a new raw materials production unit in Idaho, USA, and a new tablet production line in Swindon, UK. In addition, ALK has completed the construction of a new building at Hørsholm, Denmark, which has made it possible to locate all Danish employees in the Science Park in Hørsholm.

Upon completion of these investments, ALK expects to have sufficient tablet production capacity for the coming years. The overall investment level is therefore expected to be substantially lower going forward than it has been in the last few years.

## Events after the end of the financial year

### Disease-modifying effect of GRAZAX<sup>®</sup> verified

Early February 2010, ALK announced positive top-line results from the second and final follow-up year in a long-term study (GT-08) with GRAZAX<sup>®</sup>. The results verify that the disease-modifying effect of GRAZAX<sup>®</sup> is sustained after completion of the recommended three-year treatment regimen.

Two years after completed treatment, GRAZAX<sup>®</sup> reduced hay fever symptoms with the same magnitude as in the previous year of the clinical study. The significant reduction in hay fever symptoms was accompanied by less

use of symptomatic medications and consequently, a significant reduction in combined symptom and medication score was obtained. Furthermore, the immunological assessment continues to show a sustained, positive effect on the immune system indicating a lasting tolerance to grass pollen.

The positive results were obtained despite a markedly lower grass pollen exposure during 2009 compared to the previous pollen seasons in 2005-08.

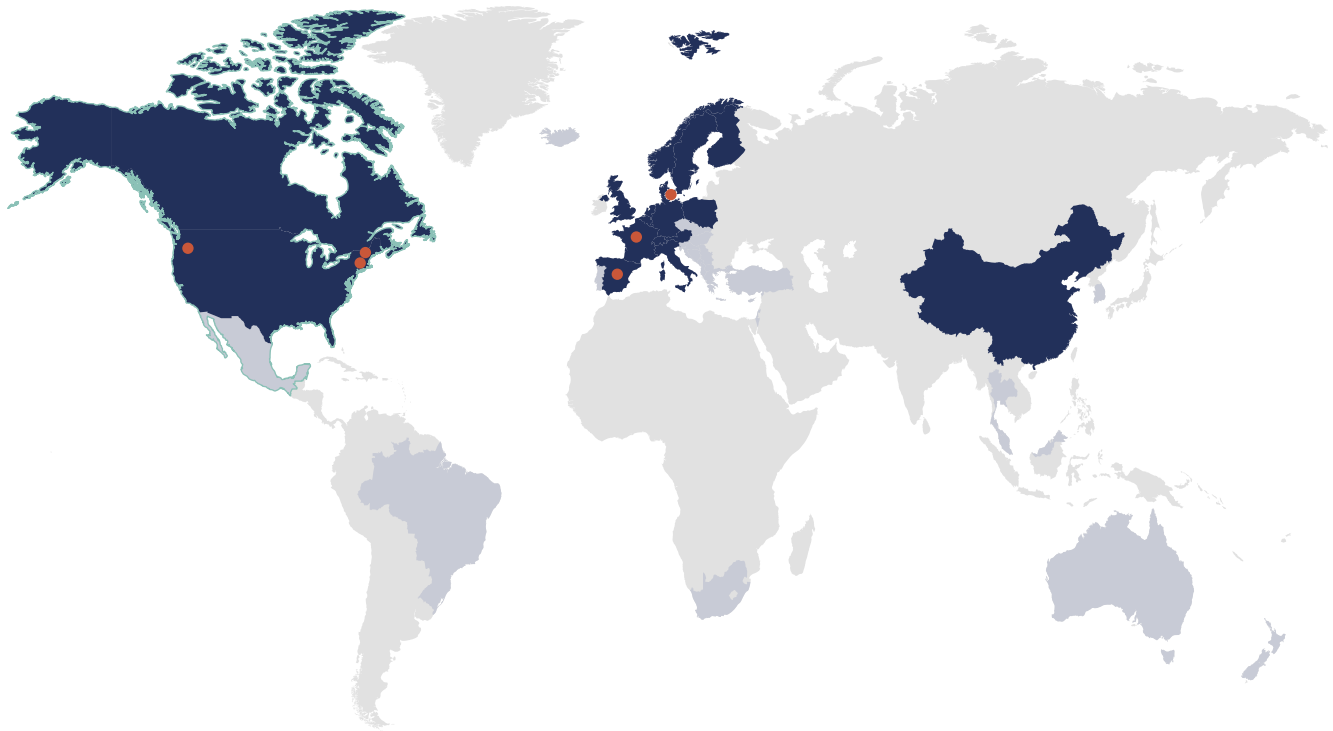
### GRAZAX<sup>®</sup> paediatric trial in the USA meets primary endpoint

Mid-February, ALK announced that GRAZAX<sup>®</sup> successfully met the primary endpoint in an American Phase III study of paediatric patients in the USA.

The study was conducted by Merck, ALK's strategic partner in North America, and was a US multicenter, randomized, placebo-controlled, double-blind, parallel-group clinical trial. The trial was evaluating the efficacy of the grass tablet versus placebo in the treatment of grass pollen-induced rhinoconjunctivitis based on the combined rhinoconjunctivitis daily symptom score and rhinoconjunctivitis daily medication score averaged over the entire grass pollen season. In the study 345 children were randomized to receive either placebo or grass tablet.

The data will be presented by Merck at the annual meeting of the American Academy of Allergy Asthma and Immunology (AAAAI), February 26 to March 2, 2010, in New Orleans, USA.

## Global presence



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

### About ALK

ALK is a research-driven global pharmaceutical company focusing on allergy treatment, prevention and diagnosis. Our mission is to improve the quality of life of persons with allergy by developing pharmaceutical products that target the actual cause of allergy. ALK is the world leader in allergy vaccination (immunotherapy) – a unique treatment that induces a protective immune response which reduces and potentially halts the allergic reaction. Allergy vaccination is traditionally administered as subcutaneous injections or sublingual droplets. Our aim is to extend the use of allergy vaccination by introducing convenient, tablet-based vaccines, thereby offering many more patients a causal allergy treatment. Following this strategy, the world's first tablet-based vaccine against grass pollen allergy, GRAZAX<sup>®</sup>, was launched in Europe in 2007 and ALK has entered a strategic partnership with Merck regarding the tablet programme in North America. In 2009, GRAZAX<sup>®</sup> was approved as a disease-modifying allergy treatment and GRAZAX<sup>®</sup> is now the only registered tablet treatment against grass pollen allergy with documented sustained effect after completion of treatment. ALK has approximately 1,500 employees with subsidiaries, production facilities and distributors worldwide. The company is headquartered in Hørsholm, Denmark, and listed on the NASDAQ OMX Copenhagen A/S. Further information is available at [www.alk-abello.com](http://www.alk-abello.com) and [www.GRAZAX.com](http://www.GRAZAX.com).

## Risk management

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

The following risks are of particular significance to ALK.

### Commercial risks

#### Risks related to the development of new drugs

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

#### Risks related to regulation and price control

ALK's products are subject to a large number of statutory and regulatory requirements with respect to issues such as safety, efficacy and production. In most of the countries in which ALK operates, prescription drugs are subject to

reimbursement from and price control by national authorities. This often results in major price differences in the individual markets. Regulatory requirements and intervention, as well as price control, may therefore have a significant impact on the company's earnings capacity.

#### Risks related to commercialization

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

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

#### Risks related to dependence on third parties

ALK has partnership agreements with third parties with a view to commercializing 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 commercialize products may be affected by conditions and decisions beyond ALK's control. The agreement with Merck (formerly Schering-Plough) entitles ALK to receive certain milestone payments. These payments will depend on continuing favourable results in the development of the pharmaceutical products for which ALK's partner holds the license rights. Moreover, reliance on suppliers and third-party manufacturers entails risks which ALK would not be subject to if the company possessed the necessary in-house manufacturing capabilities. Such risks include but are not limited to:

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

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

#### Risks related to competition

ALK operates in markets characterized 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 or price reductions dictated by the regulatory authorities. Both competition and price are risks that may have a material impact on ALK's ability to achieve its long-term goals. ALK therefore monitors economic developments, the competitive situation and initiatives on all important markets.

#### **Risks related to patents and intellectual property rights**

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

#### **Risks related to production and quality**

ALK has concentrated most of its production capacity at plants in Denmark, France, Spain and the USA. Although the plants are located in areas that have not historically been hit by natural disasters, this geographical diversification calls for risk planning in order to avoid emergency situations, such as lack of or poor access to raw materials, for instance pollen. This planning includes the prevention of unwanted events and preventive inventory management; an example is the build-up of contingency inventories in order to ensure an unbroken chain of production.

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

standards have been developed and optimized over many years.

#### **Risks related to key employees**

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

#### **Risks related to financial reporting**

ALK has designed a number of internal control and risk management systems to ensure that its financial statements provide a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and with a number of other disclosure requirements to the annual reports of listed companies. The systems also support appropriate accounting policies and accounting estimates.

ALK's risk management and internal controls in connection with the financial reporting process, including IT and tax, are designed with a view to managing rather than eliminating the risk of errors and omissions in the Group's financial reporting.

#### **Control environment**

The primary responsibility for the Group's risk management and internal controls in relation to the financial reporting process rests with the Board of Directors and the Board of Management. These two boards are responsible for establishing and approving general policies, procedures and controls in key areas connected with the financial reporting process.

The Board of Management is responsible for the day-to-day maintenance of an ef-

ficient control environment and risk management systems in connection with the financial reporting process. Managers at various levels are responsible within their respective areas.

The policies, procedures and manuals that have been adopted are available on the Group's intranet, and the importance of compliance with these precepts is regularly emphasized. Guidelines for persons authorized to sign for the company are provided through a formalized and documented distribution of responsibilities.

The risk of fraud is mitigated through organizational segregation of incompatible functions and the use of preventive and detective internal controls. The controls are both IT-based and manual.

ALK's control environment consists of its organizational structure and internal guidelines, which are based on legislation and applicable recommendations.

#### **Risk assessment**

There is a relatively greater risk of error in items in the financial statements that are based on estimates or that are generated through complex processes. ALK performs continual risk assessments to identify such items and to assess the scope of the related risks.

Note 2 to the financial statements ('Significant accounting estimates and judgements') contains a description of the estimates and assessments that are considered material to financial reporting.

#### **Control activities**

The purpose of the control activities is to prevent, detect and correct possible errors or irregularities. These activities are integrated in the company's accounting and reporting procedures and include procedures such as certification, authorization, approval, reconciliation,



results analysis, segregation of incompatible functions as well as controls relating to IT applications and general IT controls. The Group Finance function also conducts control activities aimed at ALK's subsidiaries and selected key processes.

#### Information and communication

The company maintains information and communications systems to ensure that its financial reporting is correct and complete. Guidelines for reporting and end-of-month procedures are updated regularly and reviewed at least once a year. These guidelines are available to the relevant staff on ALK's intranet. Amendments to accounting procedures are announced and explained in instructions from the Group Finance function.

#### Monitoring

ALK uses a comprehensive, standardized financial management system, which contributes to the monitoring of the ALK Group's results. The system facilitates early detection and correction of possible errors and irregularities in the Group's financial reporting.

All companies report detailed monthly accounting data that are analyzed and monitored at Group and regional level.

ALK applies a uniform accounting practice in accordance with IFRS, which is described in the corporate accounting manual. The accounting manual contains accounting and assessment principles and reporting instructions which must be strictly observed by all companies of the Group. The manual is updated and reviewed continually, and compliance with the manual is monitored at Group level.

The Board of Management informs the Board of Directors on the degree of compliance with the principles and instructions in the manual.

## Financial risks

Due to the nature of its operations, investments and financing, ALK is exposed to fluctuations in exchange rates and interest rates. The ALK Group's financial risks are managed from headquarters, based on policies approved by the Board of Directors. The objective of ALK's financial risk management is to reduce the sensitivity of earnings to fluctuations in exchange rates, interest rates, liquidity and changes in credit rating. Group policy is to refrain from active financial speculation. See note 35 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 2009, 9% of ALK's revenue was denominated in USD, 7% in GBP and 74% in EUR. ALK's sales are not deemed to be exposed to EUR due to Denmark's participation in the European exchange rate cooperation.

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

DKKm	Revenue	EBIT
USD	approx. +15	approx. -15
GBP	approx. +15	approx. +10

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

The table above shows the estimated effect of a 10% increase in the USD and

GBP exchange rates on revenue and EBIT levels, respectively.

A 10% increase in the exchange rate of USD would increase revenue by approximately DKK 15 million. The same would apply to GBP. All things being equal, a 10% increase in the exchange rate of USD is estimated to reduce EBIT by approximately DKK 15 million net, primarily because purchases of adrenaline products are denominated in USD. A 10% increase in the exchange rate of GBP would increase EBIT by approximately DKK 10 million. A drop in the exchange rates would have the opposite effect. Exchange rate risks relating to operations are primarily hedged by matching receipts and payments in the same currencies and by forward exchange contracts and options.

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

Foreign exchange exposure relating to future transactions and assets and liabilities is evaluated and hedged by instruments such as forward exchange contracts. This serves to limit the impact on the financial results of any exchange rate fluctuations. The exchange rate exposure relating to net investments in foreign subsidiaries is not hedged by forward exchange contracts.

#### Interest rate and liquidity exposure

At the end of the financial year, net interest-bearing assets stood at approximately DKK 400 million. A change in the interest rate level by 1 percentage point would, consequently, correspond to a change in interest income of approximately DKK 4 million. It is not expected that the interest rate exposure will be

hedged as this is not considered financially viable.

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

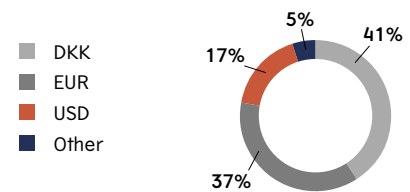
#### Credit exposure

The credit exposure in connection with financial instruments is managed by

contracting only with institutions with satisfactory credit-worthiness, in Denmark as well as abroad. In accordance with ALK's credit-risk policy, such institutions must have a minimum credit rating of AA or similar.

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

Net assets by currency as at December 31, 2009



Net assets are defined as assets less liabilities.

# ALK's Corporate Social Responsibility (CSR)

ALK's mission is to improve quality of life by developing pharmaceuticals that treat the actual cause of allergy instead of just relieving symptoms. This is considered a responsible way of managing allergic diseases from patient and society perspectives – not least because allergy vaccination potentially prevents the development of additional allergies and asthma.

In ALK's products and product development, nature's own allergen compounds are used as raw materials. Pollen from grasses and trees, insect venoms, house dust mites, etc. are cultivated, purified and further processed into active ingredients for allergy vaccines. These vaccines are then used by patients to re-programme their immune system and rebuild tolerance – making it possible to enjoy nature and withstand the natural exposure to those same substances.

The amounts of biological and chemical materials used in the production of allergy vaccines are very small, thus affecting the environment at a very low scale compared to most industries. The gradual paradigm shift in physicians' general treatment of allergy away from short-range symptomatic treatment towards using allergy vaccines to treat the actual cause of allergy is, however, creating sustained growth in the production of ALK's allergy vaccines.

As a growth company, ALK recognizes the need to design and adapt corporate processes with a view to reducing environmental impact, increasing employee welfare and contributing positively to the local and national communities.

### Safety, Health, Environment (SHE)

SHE is well-integrated in the ALK organization as a whole and has been so for a number of years. ALK has been environmentally certified (ISO 14001) and health and safety certified (OHSAS 18001) in Denmark since November 2007.

The other production sites – in Spain, France, the USA and Canada – comply with these standards and are part of the close collaboration to constantly improve Group performance in the SHE field.

In Denmark, ALK received the Nordic Ergonomics Society (NES) corporate award in 2009 for its 'extraordinary work to improve the ergonomic working environment'.

Employee safety, health and welfare are crucial parameters for a sound organization, and ALK is working systematically to reduce work-related absence. ALK's occupational injury rate for 2009 for injuries with more than one day's absence from work was 1.5 injuries per million working hours, equivalent to three accidents with absence from work in all of ALK. This represents a significant reduction on the previous years.

### CSR focus areas at ALK

- Safety, Health and Environment (SHE).
- Employee and Leadership Development.
- Business ethics (Code of Conduct).

### SHE strategy, focus areas and energy reduction targets up to 2014

The primary focus in 2009 was on a general mapping of energy consumption

and identification of potential energy-saving areas.

Moreover, a long-term SHE strategy was defined, with the following areas of global focus:

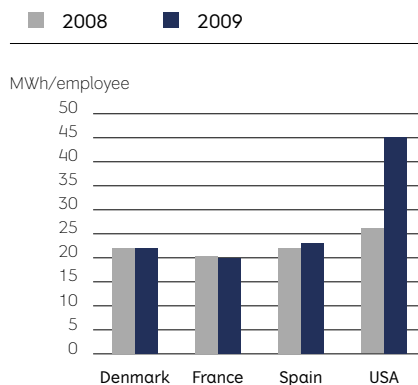
- Reduction of energy consumption and thus CO<sub>2</sub> emissions.
- Job satisfaction.

Energy consumption will be reduced through a systematic implementation of energy-saving projects at all production sites over the next few years.

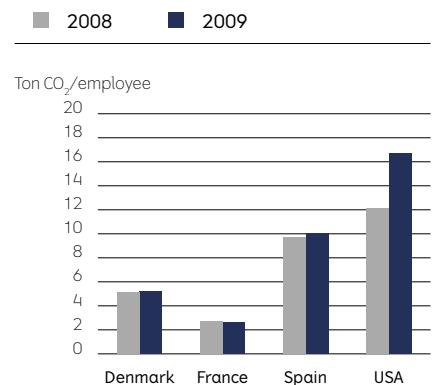
In 2009, ALK's total energy consumption rose by 18% year-on-year, primarily because of the relocation to a new plant in Post Falls, Idaho, that is three times the size of the old plant. To this should be added the relocation to a new administration building in Hørsholm, Denmark, and extreme weather conditions in a number of places. ALK's energy reduction target (measured in absolute consumption figures) is to reduce CO<sub>2</sub> emissions by 15% or more in 2014 compared with the 2008 level.

To achieve these targets, ALK and DONG Energy have signed an energy partnership agreement covering operations in Denmark.

### Energy consumption per full-time employee



### CO<sub>2</sub> emissions per full-time employee



As in previous years, ALK complied with all legislative requirements in 2009, including environmental requirements. No environmental approval violations or unintended spills occurred during the year.

**Employee development**

ALK needs employees who desire and are able to influence the company, who thrive in changing conditions and a dynamic working environment. The employees' general welfare and views on the company's performance are measured every two years in a global employee survey, which was last made in the spring of 2009.

The 2009 survey showed very good results and progress in almost all areas compared with the results from the previous survey. When comparing ALK's results with those of other companies in our countries of operation, our performance is generally above average. Ninety per cent of all staff submitted their opinions on ALK as a workplace in the employee survey, conducted in the spring of 2009.

The results showed that ALK succeeds in creating an attractive and challenging workplace with room for employee performance and development, while also achieving its business objectives.

The areas of special focus at ALK are professional and personal development and cross-organizational collaboration. ALK wishes to remain a workplace where employees see a focus on their development and career and we want to strengthen collaboration across departments and national borders.

ALK performs organizational reviews every year to determine whether our strategic goals are aligned with the resources available to the various depart-

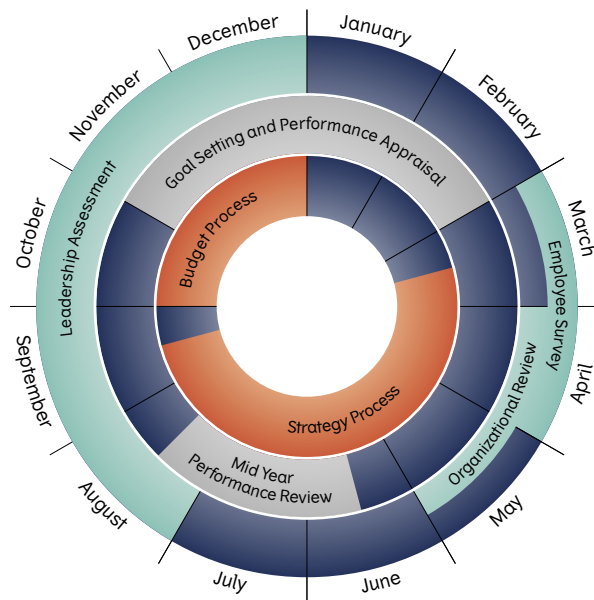
**ALK's employee survey – top 5 (Scale: 1-100)**

1. My department produces results: 86
2. I would like to be working in ALK in two years' time: 85
3. I know which goals I am expected to achieve: 82
4. I have good professional cooperation with my colleagues: 82
5. My immediate superior and I work well together: 82

**Breakdown of employees by employee group**

	2006	2007	2008	2009
Production	519	497	520	539
Research and development	216	281	275	290
Sales, marketing and administration	611	654	694	725
Total	1,346	1,432	1,489	1,554
Revenue per employee in DKK '000	1,129	1,154	1,198	1,245

**Overview of ALK's organizational development processes**



Organizational reviews are carried out every year. The leadership assessments, the overall employee survey and the strategy process are conducted every two years.

ments of the company. Based on these reviews, various initiatives such as supplementary training, talent development and career planning are taken.

On the basis of an increased focus on talent development, ALK developed a 'High-Potential Programme' in 2009 that is aimed at ensuring that we have sufficient in-house talent to fill strategic positions that provide optimal support to our business and culture. Each year, we identify a small group of employees with the potential to fill these key strategic positions.

Every two years, ALK performs a global leadership assessment of all managers followed by a verbal feedback procedure, and the outcome is a personal development plan for each manager. On the individual level, the purpose of the leadership assessment is to help managers define their strengths and develop-

ment areas and lay the foundations of individual development plans. For the company as a whole, the leadership assessment is used to direct overall leadership development initiatives according to the results. In 2009, ALK completed a global management training programme which was conducted over a four-year period and included all management levels. The programme comprised training in Strategy Understanding and Execution, Change Management and Personal Leadership.

In 2010, ALK will continue to focus on a further strengthening of its performance culture, with the objectives of:

- Setting a clear direction and creating a strong focus throughout the organization, both horizontally and vertically.
- Developing and motivating employees through a development process based on strategic requirements.

### **Business ethics**

ALK's Code of Conduct aims to support a working environment where daily business is conducted with professionalism, honesty and integrity, and in the best interest of ALK and our stakeholders. In our Code of Conduct, we adhere to the UN Global Compact ten principles in the areas of human and labour rights, environment and anti-corruption.

ALK's Code of Conduct was published in the form of a folder and distributed to all employees in connection with a general presentation of these standards of business conduct. The Code was presented in all parts of the organization, including all production sites and subsidiaries; it now forms part of the training and education generally provided to employees.

ALK's Code of Conduct is available at the corporate website:  
[www.alk-abello.com/aboutalk/csr](http://www.alk-abello.com/aboutalk/csr).

## Shareholder information

It is ALK's goal to provide timely, accurate and relevant information on its strategy, operations, performance, expectations, the progress of its clinical research and development programmes and on risk factors.

ALK seeks to maintain an active dialogue on company performance with its current and potential investors. Management therefore recommends all shareholders to have their shares registered in the company's register of

shareholders and to sign up for news releases on the corporate website.

A telephone conference accessible via the corporate website is held following each publication of interim financial statements. Members of the Board of Management and Investor Relations hold a number of meetings with investors and analysts during the year and participate in a number of investor conferences. The website is updated regularly to include the latest investor presentations.

### Ownership

As at December 31, 2009, two shareholders had notified the company pursuant to section 28(a) and (b) of the Danish Public Companies Act that they hold 5% or more of the company's shares.

As at December 31, 2009, ALK had 14,849 registered shareholders compared to 14,085 at the end of 2008. The registered shareholders represent approximately 90% of the share capital, and 1,268 of these shareholders are foreign shareholders, holding approximately 20% of the share capital.

### Share price performance

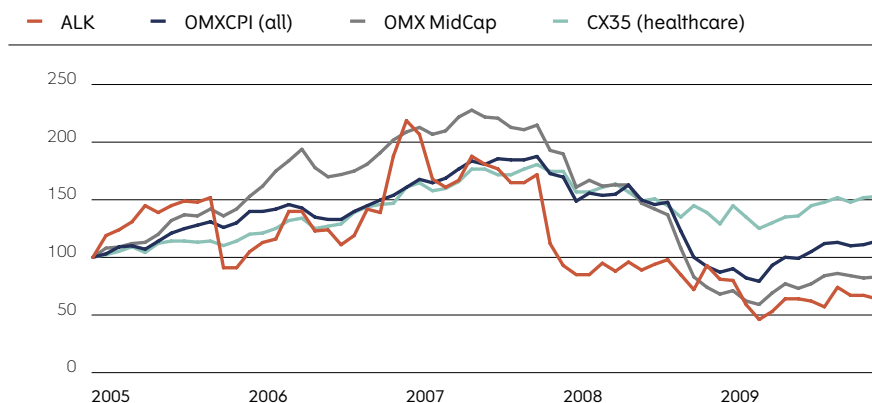
As at December 31, 2009, the price of ALK's shares was DKK 409 (520 in 2008), representing a 21% year-on-year decline.

### Shareholders holding 5% or more of the company's shares

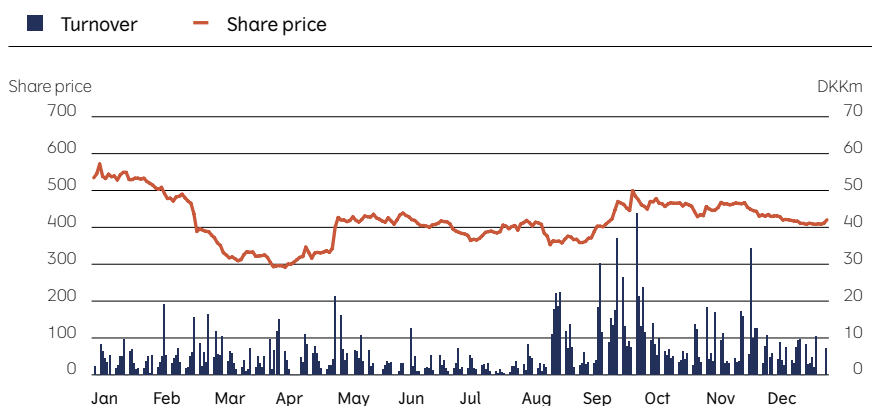
	Registered office	A shares, number	B shares, number	Interest	Votes
LFI a/s	Hellerup, Denmark	919,620	2,906,139	37.8%	65.7%
ATP*	Hillerød, Denmark	-	657,673	6.5%	3.6%
Total				44.3%	69.2%

\* The Danish Labour Market Supplementary Pension.

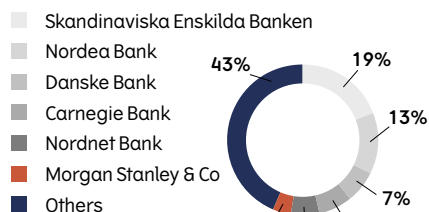
### Relative share price development



### Share price and turnover



### The most active stockbrokers in the ALK share in 2009



Percentages show market shares of trades in ALK shares.

The volume of B shares traded during the year was 4 million (2008: 4.8 million). In 2009, the average turnover per trading day was DKK 7 million (2008: DKK 11 million).

#### Dividend policy and proposed dividend

ALK pays dividends taking into account actual earnings, risk management, strategy and investment plans. At the annual general meeting to be held on March 26, 2010, the Board of Directors intends to propose a dividend of DKK 5 per share of DKK 10 in respect of the 2009 financial year.

Payment of the dividend in respect of 2009 is scheduled for April 6, 2010.

#### Capital structure

With its current capital structure, ALK is well consolidated, with strong liquidity, insignificant debt obligations and growing profits from operations. The Board of Directors of ALK considers the capital structure to be appropriate for the time being relative to the company's long-term strategic plans and the potential of prospective acquisitions. Moreover, the capital structure ensures that ALK is well prepared to withstand an economic downturn.

#### Treasury share policy

The shareholders have authorized the Board of Directors of ALK to let the company acquire own B shares with a nominal value of up to 10% of the share capital at the market price on the date of acquisition, subject to a deviation of up to 10%. The authorization is valid for the period until the next annual general meeting.

As at December 31, 2009, ALK held 168,975 treasury shares, equivalent to 1.7% of the share capital. The treasury shares are used to cover future liabilities in connection with the company's share option and employee share plans. See note 6 to the financial statements for additional details.

#### Analyst coverage

Since the beginning of 2009, several new stockbrokers began to cover ALK, and the total number of analysts covering ALK's shares is thus 14.

#### Investor relations

Management and the investor relations function continuously work to further develop the dialogue with shareholders, analysts, potential investors and other stakeholders via open, honest and accessible information.

The Board of Management is responsible for the company's investor relations.

#### Responsibility for day-to-day investor relations tasks

Per Plotnikof

Head of Investor Relations

Tel: +45 45 74 75 27

Fax: +45 45 74 86 07

E-mail: investor@alk-abello.com

#### Website

At [www.alk-abello.com/investor](http://www.alk-abello.com/investor), you will find relevant investor presentations, telephone conferences, the company's investor relations policy, company releases, financial statements and other relevant information.

ALK invites all interested parties to register for its e-mail news service in order to receive company releases, interim financial statements and other information upon publication. Registration can be made via the corporate website.

#### Annual general meeting

The annual general meeting will be held on March 26, 2010 at 4:00 p.m. at the company's address:

Bøge Allé 1  
2970 Hørsholm, Denmark

#### ALK-Abelló A/S core data

Share capital	DKK 101,283,600
Nominal value per share	DKK 10
Classes of shares	2
Number of shares	10,128,360
A shares	920,760
B shares	9,207,600
Number of votes per A share	10
Number of votes per B share	1
Stock exchange	NASDAQ OMX Copenhagen A/S
Ticker symbol	ALK B
ISIN	DK0060027142
NASDAQ OMX Copenhagen A/S	CX35 (healthcare), MidCap and OMXCPI (all)
Bloomberg code	ALKB.DC
Reuters code	ALKB_CO

#### 2010 financial calendar

Annual general meeting	March 26, 2010
Three-month interim report (Q1) 2010	May 6, 2010
Six-month interim report (Q2) 2010	August 23, 2010
Nine-month interim report (Q3) 2010	November 16, 2010

## Analysts

Stockbrokers	Analysts	Telephone	E-mail
ABG Sundal Collier	Peter Hugrefte	+45 33 18 61 00	peter.hugrefte@abgsc.dk
Alm. Brand Bank	Brian Rathje	+45 35 47 48 48	brian.rathje@almbrand.dk
Carnegie Danmark	Carsten Lønborg Madsen	+45 32 88 02 00	carsten.madsen@carnegie.dk
Danske Equities	Martin Parkhøj	+45 45 12 00 00	mpar@danskebank.com
Goldman Sachs	Elsa A. Rocha	+44 207 552 0158	elsa.rocha@gs.com
Handelsbanken	Michael Novod	+45 33 41 82 00	mino03@handelsbanken.se
Jyske Bank	Frank Hørning Andersen	+45 89 89 89 89	fha@jyskebank.dk
MainFirst Bank AG	Dr. Marcus Wieprecht	+49 69 78808-221	marcus.wieprecht@mainfirst.com
Nordea	Lars Hatholt	+45 33 33 33 33	lars.hatholt@nordea.com
Piper Jaffray	Sam Fazeli	+44 20 3142 8700	sam.m.fazeli@pjc.com
	Tracey Butcher	+44 20 3142 8700	tracey.j.butcher@pjc.com
Proactive Independent Ideas	Frans Høyer	+44 7810 44 5172	frans.hoyer@pi-ideas.co.uk
SEB Enskilda	Henrik Simonsen	+45 36 97 70 00	henrik.simonsen@enskilda.dk
Standard & Poor's	Jacob Thrane	+44 20 7176 7826	jacob_thrane@sandp.com
Sydbank	Rune Majlund Dahl	+45 74 37 37 37	rune.dahl@sydbank.dk

## Company releases in 2009

1	ALK acquires shares in DBV Technologies, France	January 22, 2009
2	Release date of annual report 2008 for ALK and analyst meeting	February 5, 2009
3	Shareholder announcement	February 6, 2009
4	ALK announces annual report for 2008	February 19, 2009
5	ALK and Novozymes enter collaboration on future allergy vaccines	February 23, 2009
6	Annual General Meeting in ALK-Abelló A/S on March 27, 2009	March 5, 2009
7	Report on the Annual General Meeting of ALK-Abelló A/S held on March 27, 2009	March 27, 2009
8	Release date of three-month interim report (Q1) 2009 for ALK	April 24, 2009
9	Three-month interim report (Q1) 2009	May 1, 2009
10	Release date of six-month interim report (Q2) 2009 for ALK	August 11, 2009
11	Six-month interim report (Q2) 2009	August 18, 2009
12	GRAZAX <sup>®</sup> approved as a disease modifying allergy treatment	September 26, 2009
13	GRAZAX <sup>®</sup> trial in the US meets primary endpoint	November 2, 2009
14	Release date of nine-month interim report (Q3) 2009 for ALK	November 13, 2009
15	Nine-month interim report (Q3) 2009	November 19, 2009
16	Grant of share options to members of the Board of Management and senior managers	November 19, 2009
17	Report on transactions with ALK-Abelló A/S shares and associated securities by managerial staff and their related parties	December 2, 2009
18	Financial calendar for the 2010 financial year of ALK-Abelló A/S	December 18, 2009

## After the end of the financial year

1	Disease-modifying effect of GRAZAX <sup>®</sup> verified	February 8, 2010
2	Release date of annual report 2009 for ALK and analyst meeting	February 15, 2010
3	GRAZAX <sup>®</sup> paediatric trial in the US meets primary endpoint	February 15, 2010
4	Updated financial calendar for the 2010 financial year of ALK-Abelló A/S	February 22, 2010



## Corporate governance

The Board of Directors is elected by the shareholders in general meeting and by the company's employees, respectively and is ALK's supreme management. The Board of Directors defines the objectives, goals and strategies of the company and makes decisions on matters of major significance or of an unusual nature. On behalf of the shareholders, the Board of Directors furthermore supervises the organization and sees that the company is managed appropriately and in accordance with legislation and the articles of association. The Board of Directors does not participate in the day-to-day management of the company.

In addition to undertaking the overall management of the company, it is the primary responsibility of the Board of Directors to define the strategic framework for the activities and action plans of the company and to maintain a constructive dialogue with the Board of Management regarding the implementation of the strategies. In addition, the Board of Directors appoints the Board of Management, sets out its terms and tasks and supervises its work and the company's procedures and responsibilities.

The Board of Directors also functions as the audit committee.

The audit committee monitors the financial reporting process, monitors the efficiency of the company's internal control system and risk management systems, monitors the statutory audit, and monitors and verifies the independence of the auditors.

The Board of Directors consists of six members elected by the company's shareholders at the annual general meeting and three members elected by the company's employees. According to article 9.3 of the articles of association, members appointed by the company's shareholders who have attained the age of 70 at the time of the general meeting

are not eligible for election to the Board of Directors.

The Board of Directors is composed in such a way that its directors are able to act independently of special interests. Two of the members elected by the company's shareholders are also members of the Board of Directors of The Lundbeck Foundation and LFI a/s. The other members elected by the shareholders are independent and have no interest in ALK other than the interests they may have as shareholders.

### Guidelines

In 2005, the NASDAQ OMX Copenhagen A/S adopted a set of recommendations on corporate governance, the contents of which companies are required to consider in accordance with the 'comply or explain' principle. The recommendations were updated in 2008. On the basis of these recommendations, the Board of Directors of ALK continuously discusses the general implementation of corporate governance. The general principles for the specific recommendations in the reports have been applied in the Board's regular work for a number of years. ALK meets the recommendations but has chosen different practices in the following areas:

- ALK does not, as proposed in the recommendations, have any guidelines on how many directorships a board member may hold. What is important is each individual member's capacity, competences and contribution.
- The recommendations propose that the remuneration paid to Management be disclosed in detail. ALK believes that focus should be on the total remuneration and any increase or decrease in it. The remuneration paid to the Board of Directors and the Board of Management is disclosed in the annual report.

With respect to the other specific recommendations in the reports, the Board of

Directors includes these in its considerations on corporate governance to the effect that both the company's and the other stakeholders' interests are safeguarded in the best possible way.

### General guidelines for the company's remuneration of members of the Board of Directors and the Board of Management

In accordance with Danish company law, the annual general meeting of ALK shall adopt general guidelines for incentive pay to members of the Board of Directors and the Board of Management. Below is a description of the general principles for the combined remuneration to the Board of Directors and the Board of Management adopted at the annual general meeting of ALK in April 2008. See the corporate website for additional details.

#### Board of Directors

The members of the Board of Directors receive a fixed fee and are not offered any share options, warrants or other incentive plans.

#### Board of Management

##### General principles

The Board of Directors believes that a combination of fixed and performance-based compensation to the Board of Management helps ensure that ALK can attract and retain key persons. At the same time, the Board of Management is given an incentive to create shareholder value. The guidelines on remuneration to the Board of Management contain a fixed framework for the variable pay component, thereby safeguarding ALK's short-term and long-term objectives whilst ensuring that the remuneration structure does not lead to carelessness, unreasonable conduct or acceptance of unnecessary risk.

##### Remuneration components

The terms of employment and the remuneration of the members of the Board of Management are agreed specifically

between each member of the Board of Management and the Board of Directors, and the remuneration will normally include the following components:

- a. Fixed salary ('gross salary'), including pension.
- b. Usual non-pay benefits, such as car, phone, newspaper, etc.
- c. Cash bonus, see below.
- d. Share options, see below.

#### Cash bonus

Individual members of the Board of Management may receive an annual bonus not to exceed 30% of their gross salaries for the year. The aim of the cash bonus is to ensure fulfilment of ALK's short-term objectives. Bonus grants and the amount thereof therefore depend on the fulfilment of objectives agreed upon for one year at a time. The objectives

primarily relate to the fulfilment of ALK's budgeted results or the achievement of financial key figures or other measurable individual performance indicators, whether of a financial or non-financial nature.

#### Share options

Members of the Board of Management are eligible for options. The aim of option grants is to ensure value creation and fulfilment of ALK's long-term objectives. The option plan is based on shares, and grants may be made annually, usually in connection with the presentation of the Q3 financial statements. The present value at the date of grant of options granted in any one year may not exceed 30% of the employee's gross salary. Normally, options are exercisable no earlier than three years after grant, and the exercise price of the options may not

be lower than the market price of ALK's shares at, or immediately before, the date of grant. At December 31, 2009, the five members of the Board of Management held a total of 91,450 outstanding options exercisable in the period from January 1, 2009 until November 1, 2016. See note 6 to the financial statements for additional details.

No agreement has been made with the members of the company's Board of Management for severance pay exceeding usual severance terms.

Facts on the company's corporate governance, including information on annual general meetings, management, articles of association, reporting, remuneration and dealings in treasury shares, are available at the company's website: [www.alk-abello.com/investor](http://www.alk-abello.com/investor).

# Board of Directors and Board of Management

## Board of Directors

### Jørgen Worning, 69

Chairman  
First elected in 2005

#### Directorships

Bang & Olufsen a/s, Chairman  
FLSmith & Co. A/S, Chairman

### Thorleif Krarup, 57

Vice Chairman  
First elected in 2005

#### Directorships

Exiqon A/S, Chairman  
Group 4 Securitor plc  
H. Lundbeck A/S, Vice Chairman  
LFI a/s, Vice Chairman  
The Lundbeck Foundation  
Nutri Pharma ASA, Chairman  
Sport One Danmark A/S, Chairman

### Nils Axelsen, 68

First elected in 2005

#### Directorships

LFI a/s  
The Lundbeck Foundation, Vice Chairman

### Jesper Fromberg Nielsen, 41

First elected in 2003  
Senior Project Manager, ALK-Abelló A/S  
Employee-elected

### Anders Gersel Pedersen, 58

First elected in 2005  
H. Lundbeck A/S, Executive Vice President

#### Directorships

Genmab A/S, Vice Chairman  
TopoTarget A/S

### Brian Petersen, 48

First elected in 2009  
Copenhagen Airports A/S,  
President and CEO

#### Directorships

Egmont International Holding A/S  
The Central Board of the Confederation of  
Danish Industry

### Ingelise Saunders, 60

First elected in 2005  
Action Pharma A/S, President and CEO  
TD Vaccines A/S, President and CEO

#### Directorships

Evolve Holding SA  
Nordic Vaccine A/S  
Scandinavian Life Science Invest AB  
TopoTarget A/S

### Lars Simonsen, 32

First elected in 2007  
IT System Administrator, ALK-Abelló A/S  
Employee-elected

### Peter Adler Würtzen, 41

First elected in 2003  
Senior Research Scientist, ALK-Abelló A/S  
Employee-elected

#### Directorships

LFI a/s, employee-elected  
The Lundbeck Foundation, employee-  
elected  
Pharmadanmark – The Association of  
Professionals in Pharmaceutical Sciences

## Board of Management

### Jens Bager, 50

President and CEO

#### Directorships

DBV Technologies S.A.

### Jørgen Damsbo Andersen, 50

Executive Vice President  
Business Operations & International  
Marketing

### Henrik Jacobi, 44

Executive Vice President  
Research & Development

### Flemming Steen Jensen, 48

Executive Vice President  
Global Product Supply

#### Directorships

QAtor A/S, chairman

### Jutta af Rosenborg, 51

CFO, Executive Vice President  
Finance & IT

#### Directorships

Carnegie WorldWide Fund

### Shareholdings in ALK-Abelló A/S as at December 31, 2009

The Board of Directors holds 4,024 shares in  
the company as follows:

Jørgen Worning	2,739 shares
Thorleif Krarup	700 shares
Nils Axelsen	0 shares
Jesper Fromberg Nielsen	9 shares
Anders Gersel Pedersen	0 shares
Brian Petersen	0 shares
Ingelise Saunders	350 shares
Lars Simonsen	78 shares
Peter Adler Würtzen	148 shares

The Board of Management holds 7,594 shares  
in the company as follows:

Jens Bager	5,713 shares
Jørgen Damsbo Andersen	408 shares
Henrik Jacobi	8 shares
Flemming Steen Jensen	127 shares
Jutta af Rosenborg	1,338 shares

# Statement by Management

The Board of Directors and the Board of Management today considered and adopted the annual report for the financial year January 1 to December 31, 2009. The annual report is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

We consider the accounting policies to be adequate to the effect that the annual report gives a true and fair view of the Group's and the Parent Company's assets, equity and liabilities, finan-

cial position, results of operations and cash flows. Furthermore, the Management's review gives a true and fair view of developments in the activities and financial position of the Group and describes the significant risks and uncertainties pertaining to the Group.

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

Hørsholm, February 23, 2010

## Board of Management

**Jens Bager**  
President and CEO

**Jørgen Damsbo Andersen**  
Executive Vice President  
Business Operations &  
International Marketing

**Henrik Jacobi**  
Executive Vice President  
Research & Development

**Flemming Steen Jensen**  
Executive Vice President  
Global Product Supply

**Jutta af Rosenborg**  
CFO, Executive Vice President  
Finance & IT

## Board of Directors

**Jørgen Worning**  
Chairman

**Thorleif Krarup**  
Vice Chairman

**Nils Axelsen**

**Jesper Fromberg Nielsen**

**Anders Gersel Pedersen**

**Brian Petersen**

**Ingelise Saunders**

**Lars Simonsen**

**Peter Adler Würtzen**

# Independent auditor's report

To the shareholders of ALK-Abelló A/S

## Report on the consolidated financial statements and financial statements

We have audited the consolidated financial statements and financial statements of ALK-Abelló A/S for the financial year January 1 to December 31, 2009, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

## Management's responsibility for the consolidated financial statements and financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on these consolidated financial statements and financial statements based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and financial statements 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 evaluating the overall presentation of the consolidated financial statements and financial statements.

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

Our audit has not resulted in any qualification.

## Opinion

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2009, and of their financial performance and their cash flows for the financial year January 1 to December 31, 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

## Statement on the management report

Management is responsible for preparing a management report that contains a fair review in accordance with the Danish Financial Statements Act.

Our audit did not include the management report, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and financial statements.

Based on this, we believe that the disclosures in the management report are consistent with the consolidated financial statements and financial statements.

Copenhagen, February 23, 2010

## Deloitte

Statsautoriseret Revisionsaktieselskab

**Anders O. Gjelstrup**  
State Authorised  
Public Accountant

**Kirsten Aaskov Mikkelsen**  
State Authorised  
Public Accountant





## Income statement

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
607	<b>626</b>	3	<b>Revenue</b>	<b>1,935</b>	1,784
279	<b>342</b>	4-8	Cost of sales	<b>587</b>	527
328	<b>284</b>		<b>Gross profit</b>	<b>1,348</b>	1,257
284	<b>313</b>	4-8	Research and development expenses	<b>349</b>	327
107	<b>90</b>	4-8	Sales and marketing expenses	<b>672</b>	658
69	<b>72</b>	4-8	Administrative expenses	<b>188</b>	178
31	<b>37</b>	9	Other operating income	<b>37</b>	31
1	<b>1</b>	9	Other operating expenses	<b>1</b>	6
(102)	<b>(155)</b>		<b>Operating profit/(loss) (EBIT)</b>	<b>175</b>	119
243	<b>203</b>	10	Financial income	<b>17</b>	40
15	<b>6</b>	11	Financial expenses	<b>2</b>	2
126	<b>42</b>		<b>Profit before tax (EBT)</b>	<b>190</b>	157
(8)	<b>(45)</b>	12	Tax on profit	<b>72</b>	62
134	<b>87</b>		<b>Net profit</b>	<b>118</b>	95
			<b>Earnings per share (EPS)</b>		
		13	Earnings per share (EPS) – DKK	<b>11.85</b>	9.51
		13	Earnings per share (DEPS), diluted – DKK	<b>11.85</b>	9.51

## Statement of comprehensive income

ALK-Abelló A/S				ALK Group	
2008	2009	Amounts in DKKm		2009	2008
134	<b>87</b>		<b>Net profit</b>	<b>118</b>	95
			<b>Other comprehensive income</b>		
-	-		Foreign currency translation adjustment of foreign affiliates	<b>(11)</b>	(6)
3	<b>1</b>		Adjustment of derivative financial instruments for hedging	<b>1</b>	3
-	-		Tax related to other comprehensive income	-	-
3	<b>1</b>		<b>Other comprehensive income</b>	<b>(10)</b>	(3)
137	<b>88</b>		<b>Total comprehensive income</b>	<b>108</b>	92



# Cash flow statement

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
134	<b>87</b>		<b>Net profit</b>	<b>118</b>	95
			Adjustments:		
(8)	<b>(45)</b>	12	Tax on profit	<b>72</b>	62
(228)	<b>(197)</b>		Financial income and expenses	<b>(15)</b>	(38)
7	<b>6</b>	6	Share-based payments	<b>8</b>	10
50	<b>44</b>	8	Depreciation, amortization and impairment	<b>85</b>	86
(10)	-		Change in provisions	<b>13</b>	(10)
33	<b>9</b>		Net financial items, paid	<b>9</b>	28
-	-		Income taxes, paid	<b>(3)</b>	(69)
(22)	<b>(96)</b>		<b>Cash flow before change in working capital</b>	<b>287</b>	164
(17)	<b>11</b>		Change in inventories	<b>(8)</b>	(17)
(15)	<b>6</b>		Change in receivables	<b>(60)</b>	10
(35)	<b>(22)</b>		Change in short-term payables	<b>41</b>	32
(89)	<b>(101)</b>		<b>Cash flow from operating activities</b>	<b>260</b>	189
-	-	5	Acquisitions of companies and operations	<b>(23)</b>	(18)
(94)	<b>(14)</b>		Capital contribution in subsidiaries	-	-
(3)	<b>(13)</b>	15	Additions, intangible assets	<b>(30)</b>	(17)
(241)	<b>(108)</b>	16-19	Additions, tangible assets	<b>(187)</b>	(364)
194	<b>191</b>	10	Dividend from subsidiaries	-	-
2	<b>(18)</b>		Change in other financial assets	<b>(18)</b>	2
(142)	<b>38</b>		<b>Cash flow from investing activities</b>	<b>(258)</b>	(397)
(231)	<b>(63)</b>		<b>Free cash flow</b>	<b>2</b>	(208)
(330)	<b>(50)</b>		Dividend paid to shareholders of the parent	<b>(50)</b>	(330)
(21)	-		Purchase of treasury shares	-	(21)
(25)	<b>(4)</b>		Change in financial liabilities	<b>(11)</b>	(23)
(376)	<b>(54)</b>		<b>Cash flow from financing activities</b>	<b>(61)</b>	(374)
(607)	<b>(117)</b>		<b>Net cash flow</b>	<b>(59)</b>	(582)
953	<b>347</b>		Cash and cash equivalents at beginning of year	<b>449</b>	1,030
1	-		Unrealized gain/ (loss) on foreign currency carried as cash and cash equivalents	<b>(1)</b>	1
(607)	<b>(117)</b>		Net cash flow	<b>(59)</b>	(582)
347	<b>230</b>	26	<b>Cash and cash equivalents at year end</b>	<b>389</b>	449

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

## Balance sheet

ALK-Abelló A/S		Assets		ALK Group	
Dec. 31, 2008	Dec. 31, 2009	Note	Amounts in DKKm	Dec. 31, 2009	Dec. 31, 2008
			<b>Non-current assets</b>		
			<b>Intangible assets</b>		
-	-	14	Goodwill	369	364
18	19	15	Other intangible assets	80	50
18	19			449	414
			<b>Tangible assets</b>		
193	331	16	Land and buildings	530	300
96	104	17	Plant and machinery	153	128
5	6	18	Other fixtures and equipment	62	61
355	284	19	Property, plant and equipment in progress	349	487
649	725			1,094	976
			<b>Other non-currents assets</b>		
760	774	20	Investment in affiliates	-	-
189	264	21	Receivables from affiliates	-	-
2	20	22	Securities and receivables	22	4
31	23	23	Deferred tax assets	53	91
982	1,081			75	95
1,649	1,825		<b>Total non-current assets</b>	1,618	1,485
			<b>Current assets</b>		
130	119	24	Inventories	300	292
5	5	25	Trade receivables	228	188
114	98	21	Receivables from affiliates	51	28
-	-		Income tax receivables	17	43
20	9	25	Other receivables	21	31
5	7	25	Prepayments	29	22
347	230	26	Cash and cash equivalents	389	449
621	468		<b>Total current assets</b>	1,035	1,053
2,270	2,293		<b>Total assets</b>	2,653	2,538

ALK-Abelló A/S		Equity and liabilities		ALK Group	
Dec. 31, 2008	Dec. 31, 2009	Note	Amounts in DKKm	Dec. 31, 2009	Dec. 31, 2008
			<b>Equity</b>		
101	<b>101</b>	27	Share capital	<b>101</b>	101
1,677	<b>1,723</b>		Other reserves	<b>1,827</b>	1,761
1,778	<b>1,824</b>		<b>Total equity</b>	<b>1,928</b>	1,862
			<b>Liabilities</b>		
			<b>Non-current liabilities</b>		
29	<b>28</b>	28	Mortgage debt	<b>28</b>	29
-	-	28	Bank loans and financial loans	<b>13</b>	15
1	<b>1</b>	7	Pensions and similar liabilities	<b>77</b>	73
140	<b>140</b>	29	Other provisions	<b>148</b>	142
-	-	23	Deferred tax liabilities	<b>1</b>	-
3	-		Other payables	-	8
173	<b>169</b>			<b>267</b>	267
			<b>Current liabilities</b>		
1	<b>1</b>	28	Mortgage debt	<b>1</b>	1
-	-	28	Bank loans and financial loans	<b>4</b>	4
57	<b>54</b>	30	Trade payables	<b>134</b>	128
154	<b>117</b>		Payables to affiliates	-	-
-	-		Income taxes	<b>35</b>	31
107	<b>128</b>	30	Other payables	<b>284</b>	245
319	<b>300</b>			<b>458</b>	409
492	<b>469</b>		<b>Total liabilities</b>	<b>725</b>	676
2,270	<b>2,293</b>		<b>Total equity and liabilities</b>	<b>2,653</b>	2,538

## Equity

ALK Group							
Amounts in DKKm							
	Share capital	Other reserves			Retained earnings	Total other reserves	Total equity
		Hedges of future transactions	Currency translation adjustment				
<b>Equity at January 1, 2009</b>	<b>101</b>	-	<b>(28)</b>	<b>1,789</b>	<b>1,761</b>	<b>1,862</b>	
<b>Total comprehensive income</b>	-	<b>1</b>	<b>(11)</b>	<b>118</b>	<b>108</b>	<b>108</b>	
Share-based payments	-	-	-	<b>8</b>	<b>8</b>	<b>8</b>	
Dividend paid	-	-	-	<b>(50)</b>	<b>(50)</b>	<b>(50)</b>	
<b>Other transactions</b>	-	-	-	<b>(42)</b>	<b>(42)</b>	<b>(42)</b>	
<b>Equity at December 31, 2009</b>	<b>101</b>	<b>1</b>	<b>(39)</b>	<b>1,865</b>	<b>1,827</b>	<b>1,928</b>	
<b>Equity at January 1, 2008</b>	101	(3)	(22)	2,036	2,011	2,112	
<b>Total comprehensive income</b>	-	<b>3</b>	<b>(6)</b>	<b>95</b>	<b>92</b>	<b>92</b>	
Share-based payments	-	-	-	10	10	10	
Tax related to items recognized directly in equity	-	-	-	(1)	(1)	(1)	
Purchase of treasury shares	-	-	-	(21)	(21)	(21)	
Dividend paid	-	-	-	(330)	(330)	(330)	
<b>Other transactions</b>	-	-	-	<b>(342)</b>	<b>(342)</b>	<b>(342)</b>	
<b>Equity at December 31, 2008</b>	<b>101</b>	-	<b>(28)</b>	<b>1,789</b>	<b>1,761</b>	<b>1,862</b>	

ALK-Abelló A/S					
Amounts in DKKm					
	Share capital	Hedges of future transactions	Other reserves		Total equity
			Retained earnings	Total other reserves	
<b>Equity at January 1, 2009</b>	<b>101</b>	-	<b>1,677</b>	<b>1,677</b>	<b>1,778</b>
<b>Total comprehensive income</b>	-	<b>1</b>	<b>87</b>	<b>88</b>	<b>88</b>
Share-based payments	-	-	<b>8</b>	<b>8</b>	<b>8</b>
Dividend paid	-	-	<b>(50)</b>	<b>(50)</b>	<b>(50)</b>
<b>Other transactions</b>	-	-	<b>(42)</b>	<b>(42)</b>	<b>(42)</b>
<b>Equity at December 31, 2009</b>	<b>101</b>	<b>1</b>	<b>1,722</b>	<b>1,723</b>	<b>1,824</b>
<b>Equity at January 1, 2008</b>	101	(3)	1,885	1,882	1,983
<b>Total comprehensive income</b>	-	<b>3</b>	<b>134</b>	<b>137</b>	<b>137</b>
Share-based payments	-	-	10	10	10
Tax related to items recognized directly in equity	-	-	(1)	(1)	(1)
Purchase of treasury shares	-	-	(21)	(21)	(21)
Dividend paid	-	-	(330)	(330)	(330)
<b>Other transactions</b>	-	-	<b>(342)</b>	<b>(342)</b>	<b>(342)</b>
<b>Equity at December 31, 2008</b>	<b>101</b>	-	<b>1,677</b>	<b>1,677</b>	<b>1,778</b>

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7	Pensions and similar liabilities	26	Cash and cash equivalents
8	Depreciation, amortization and impairment	27	Share capital
9	Other operating income and other operating expenses	28	Mortgage debt, bank loans and financial loans
10	Financial income	29	Other provisions
11	Financial expenses	30	Other current liabilities and deferred income
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13	Earnings per share	32	Contingent liabilities and commitments
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# Notes to the financial statements

## 1 Accounting policies

### General

The annual report of the ALK Group and ALK-Abelló A/S for the period January 1 – December 31, 2009, has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. Additional Danish disclosure requirements for the annual reports are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

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

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

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

The accounting policies are unchanged from last year.

#### Effect of new financial reporting standards

In 2009, the following standards and interpretations came into force and have thus been implemented:

- Amendment of IAS 1, *Presentation of Financial Statements – Comprehensive Income, etc*
- Amendment of IAS 23, *Borrowing costs*
- Amendment of IAS 27: *Consolidated and Separate Financial Statements*
- Amendment of IFRS 2: *Share-based payment*

- Amendment of IFRS 7, *Financial Instruments: Presentation*
- IFRS 8, *Operating segments*
- Improvements to IFRS 2008
- IFRIC 13, 15 and 16

The implementation has not resulted in any changes in recognition or measurement. As a result of the amendment to IAS 1, the presentation of comprehensive income for the period is placed immediately after the income statement as opposed to previously when it was part of the equity statement. The implementation of IFRS 8 did not result in any changes, as the ALK Group's activities remain solely within one operating segment: "Allergy treatment". The implementation of IAS 23 has not affected the recognition or measurement of self-constructed assets in 2009.

The following new or amended standards and interpretations relevant to the ALK Group had not yet become effective at December 31, 2009, and are therefore not included in this annual report.

- Amendment of IAS 27: *Consolidated and separate financial statements*.
- Amendment of IFRS 3: *Business combinations*.
- IFRS 9: *Financial instruments*.
- Improvements to IFRS 2009.
- IFRIC 17 and 18.

The amendment of IAS 27 and IFRS 3 will result in a change in accounting policies in relation to the treatment of acquisition costs in connection with future business combinations and additional disclosures in the notes to the financial statements. The implementation of other standards and interpretations will result in additional disclosures in the notes to the financial statements.

**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.

The items of the financial statements of subsidiaries are fully consolidated in the Group financial statements. The proportionate share of the results of minority interests is recognized in the consolidated income statement and as a separate item under Group equity.

#### Business combinations

Newly acquired or newly established companies are recognized in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the Group. Companies sold or discontinued are recognized 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.

## Notes to the financial statements

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

The cost of a company is the fair value of the consideration paid plus costs directly attributable to the business combination. If the final determination of the consideration is conditional on one or more future events, these adjustments are only recognized in cost if the event in question is likely to occur and its effect on cost can be reliably measured.

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

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognized 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 September 1, 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 recognized 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 taken directly to equity and anticipated disposal costs. The disposal amount is measured as the fair value of the consideration received.

### Foreign currency translation

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

Exchange rate differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financial items. Property, plant and equipment 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 taken directly to equity. Similarly, exchange rate differences arising as a result of changes made directly in the equity of the foreign subsidiary are also taken directly to equity.

Foreign exchange rate adjustment of receivables or debt to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are also taken directly to equity 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 recognized asset or a recognized liability are recognized 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 recognized directly in equity. When the hedged transactions are realized, cumulative changes are recognized 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 recognized directly in equity 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 recognized 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 employee share plans are measured at the grant date at fair value and recognized in the income statement under the respective functions over the vesting period. The balancing item is recognized in equity.

The fair value of share options is determined using the Black & Scholes-model with the parameters stated in note 6.

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

#### Tax

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

Current tax payable and receivable is recognized 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 recognized 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 crystallize as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognized in the income statement or in equity, depending on where the deferred tax was originally recognized.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the balance sheet at the value at which the asset is expected to be realized, 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 utilized.

The parent company is taxed jointly with the company's principal shareholder, LFI

α/s and its Danish subsidiaries. The tax charge for the year is allocated among the jointly taxed companies in proportion to the taxable incomes of individual companies, taking into account taxes paid.

#### Discontinued operations

Discontinued operations are major business areas or geographical areas which have been sold or which are held for sale according to an overall plan.

The results of discontinued operations are presented as a separate item in the income statement, consisting of the activity's operating profit/loss after tax and any gains or losses on fair value adjustments or sale of the related assets.

#### Income statement

##### Revenue

Revenue from the sale of goods for resale and manufactured goods is recognized 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.

##### 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, amortization and impairment of property, plant and equipment and intangible assets used in production as well as operation, administration and management of factories are recognized in cost of sales and production costs. In addition, the costs and write-down to net realizable value

# Notes to the financial statements

of obsolete and slow-moving goods are recognized.

## Research and development expenses

The item comprises research and development expenses, including expenses incurred for wages and salaries, amortization and other overheads as well as costs relating to research partnerships.

Research expenses are recognized in the income statement when incurred.

Due to the long development periods and significant uncertainties in relation to the development of new products, including risk regarding clinical trials and regulatory approvals, it is the assessment that most of the ALK Group's development expenses do not meet the capitalization criteria in IAS 38, *Intangible Assets*. Consequently, development expenses are generally recognized 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 capitalized 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, amortization and impairment losses on the property, plant and equipment 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, amortization and impairment losses on the property, plant and equipment and intangible assets used in administration.

## Other operating income and expenses

Other operating income and expenses comprise income and expenses of a

secondary nature relative to the principal activities of the ALK Group.

The item includes up-front payments, milestone payments and other revenue in connection with research and development partnerships and the sale of intellectual property rights. These revenues are recognized 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 recognized when the related right is obtained, whereas payments attributable to subsequent research and development activities are recognized 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.

## Financial items

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

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

Dividends from investments in subsidiaries are recognized in the parent company 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.

## Balance sheet

### Goodwill

On initial recognition, goodwill is measured and recognized 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 recognized.

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 amortized, 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 amortization and impairment.

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

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

Such acquired intellectual property rights are amortized 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 amortized 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 capitalized under other intangible assets as described under "Research and development costs" and are measured at cost less accumulated amortization and impairment.

Intangible assets with indeterminable useful lives are not amortized, 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 property, plant and equipment 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.

Property, plant and equipment are written down to the recoverable amount, if lower, cf. below.

#### **Impairment of property, plant and equipment and intangible assets**

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

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

The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset or the cash-generating unit, respectively. In determining the value in use, the estimated future cash flows are discounted to their present value, using a discount rate reflecting current market assessments of

the time value of money as well as risks that are specific to the asset or the cash-generating unit and which have not been taken into account in the estimated future cash flows.

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

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

#### **Investments in subsidiaries in the financial statements of the parent company**

Investments in subsidiaries are measured at cost.

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

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

#### **Other long-term financial assets**

Other securities and receivables that are accounted for as long-term finan-

# Notes to the financial statements

cial assets are measured at fair value. Adjustments are recognized directly in equity.

## Inventories

Inventories are measured at cost determined under the FIFO method or net realizable 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 realizable 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 amortized cost. Receivables are written down for anticipated losses.

## Prepayments

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

## Dividend

Dividend is recognized 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 recognized 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 recognized in the income statement during the period in which the employee renders the related service. Payments due are recognized as a liability in the balance sheet.

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

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

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

The net present value of pension liabilities is recognized 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 realized return on plan assets, actuarial

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

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

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

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

## Provisions

Provisions are recognized 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.

In connection with a planned restructuring of the Group, provision is made only for liabilities relating to restructurings that at the balance sheet date have been set out in a specific plan and where those affected have been informed of the overall plan.

#### **Mortgage debt**

Mortgage debt is recognized 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 amortized cost.

#### **Lease liabilities**

Lease liabilities regarding assets held under finance leases are recognized 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 amortized cost. The difference between the present value and the nominal value of lease payments is recognized in the income statement over the term of the lease as a finance charge.

Lease payments regarding operating leases are recognized 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 amortized cost.

#### **Deferred income**

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

### Other accounting information

#### **Cash flow statement**

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

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognized from the date of acquisition, while cash flows concerning divested companies are recognized 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 property, plant and equipment. Also recognized are cash flows from assets held under finance lease in the form of lease payments made.

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, acquisition of treasury shares and payment of dividends.

Cash flows in currencies other than the functional currency are recognized 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 organized 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 2005" issued by the Danish Association of Financial Analysts.

Key ratios and definitions are shown on the covers of the annual report and page 72, respectively.

# Notes to the financial statements

## 2 Significant accounting estimates and judgements

In the preparation of the financial statements 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 2009, Management considers the following estimates and related judgements material to the assets and liabilities recognized in the financial statements.

### **Recoverable amount of goodwill**

The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating units to which the goodwill amounts have been allocated. The determination of the value in use requires estimates of the expected future cash flows of each cash-generating unit and a reasonable discount rate. At December 31, 2009, the carrying amount of goodwill was DKK 369 million (DKK 364 million at December 31, 2008).

### **Indirect production overheads**

Indirect production overheads (IPO) are measured on the basis of the standard cost method. The basis of standard costs is reassessed regularly to ensure that standard costs are adjusted for changes in the utilization of production capacity, production times and other relevant factors. Changes in the method of determining standard costs may significantly affect gross margin and the valuation of inventories. At December 31, 2009, the value of IPO was DKK 44 million (DKK 46 million at December 31, 2008).

### **Tax**

Management is required to make an estimate in the recognition of deferred tax assets and liabilities. The ALK Group recognizes deferred tax assets if it is probable that they can be set off against future taxable income. At December 31, 2009, the value of deferred tax assets and liabilities was DKK 53 million (DKK 91 million at December 31, 2008).

### **Provisions and contingent assets and liabilities**

In connection with the sale of the ingredients business in 2005, ALK-Abelló A/S assumed the usual representations and guarantees related to the sale. The representations and guarantees expire successively over the coming years. DKK 140 million (2008: DKK 140 million) have been provided for specific risks. The provision has been reassessed during the financial year 2009 and, based on Management's assessment of the specific risks, the provision remains unchanged.

### 3 Segment information for the ALK Group

Based on the internal reporting which Management uses to assess profit and allocation of resources, the company has identified one business area “allergy treatment” which is in compliance with the organization 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.

<b>ALK Group</b>		
Amounts in DKKm	<b>2009</b>	2008
<b>Revenue by product line</b>		
SCIT	<b>928</b>	864
SLIT – droplets	<b>573</b>	528
SLIT – tablets (GRAZAX®)	<b>133</b>	87
<b>Vaccines</b>	<b>1,634</b>	1,479
Other products	<b>301</b>	305
<b>Total</b>	<b>1,935</b>	1,784
<b>Revenue by market</b>		
Northern Europe <sup>1)</sup>	<b>394</b>	389
Central Europe	<b>793</b>	726
Southern Europe	<b>542</b>	495
Other markets	<b>206</b>	174
<b>Total</b>	<b>1,935</b>	1,784
<sup>1)</sup> Northern Europe includes revenue in Denmark of DKK 39 million (2008: DKK 38 million)		
Revenue by market is split based on customer location.		
<b>Non-current assets by market</b>		
The ALK Group’s non-current assets except non-current financial assets are distributed among the following geographical markets:		
	<b>Dec. 31 2009</b>	Dec. 31 2008
Northern Europe <sup>1)</sup>	<b>746</b>	672
Central Europe	<b>346</b>	303
Southern Europe	<b>193</b>	199
Other markets	<b>258</b>	216
<b>Total</b>	<b>1,543</b>	1,390

<sup>1)</sup> Northern Europe includes non-current assets in Denmark of DKK 642 million (2008: DKK 581 million)

The geographical information on assets is based on asset location.

# Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		4	Staff costs		
3	3		Remuneration to the Board of Directors	3	3
279	304		Wages and salaries	681	618
25	27		Pensions, cf. Note 7	55	53
10	11		Other social security costs, etc.	83	78
7	6		Share-based payments, cf. Note 6	8	10
324	351		<b>Total</b>	<b>830</b>	762
			Staff costs are allocated as follows:		
95	106		Cost of sales	217	193
132	143		Research and development expenses	172	163
38	38		Sales and marketing expenses	318	295
59	64		Administrative expenses	123	111
324	351		<b>Total</b>	<b>830</b>	762
			<b>Remuneration to Board of Management:</b>		
16	15		Board of Management remuneration, exclusive of share-based payments	15	16
4	4		Calculated costs regarding share-based payments to Board of Management	4	4
			<b>Employees</b>		
531	537		Average number	1,513	1,454
534	547		Number at year end	1,554	1,489

## 5 Acquisitions of companies and operations

In 2009, ALK took over the activities of its former distributor in Germany, ThemoCARE GmbH, with a view to strengthening ALK's market position and presence in the German market. The acquisition was made with effect from October 1, 2009, through a newly established German subsidiary, which takes over the name ThemoCARE GmbH.

The transaction was accounted for using the purchase method.

In 2008, ALK took over the allergy vaccination activities of its former distributor in Canada, Western Allergy Services Ltd. with a view to strengthening ALK's global presence and ensuring continuing growth in the Canadian market. The acquisition was made through ALK's Canadian subsidiary, ALK-Abelló Pharmaceuticals Inc.

The transaction was accounted for using the purchase method.



## 5 Acquisitions of companies and operations (continued)

**Statement of acquired net assets and cash purchase price:**

ALK Group		
Amounts in DKKm	Book value before acquisition	Fair value on acquisition
<b>2009</b>		
Other fixtures and equipment	1	1
Other intangible assets	-	18
<b>Acquired net assets</b>	<b>1</b>	<b>19</b>
Goodwill		4
<b>Cash purchase price</b>		<b>23</b>
<b>Elements of cash purchase price</b>		
Cash		8
Other provisions		7
Other payables		7
Direct purchase costs		1
<b>Total</b>		<b>23</b>
<b>2008</b>		
Other intangible assets	-	9
Inventories	1	2
Receivables	1	1
Non-current liabilities	(1)	(1)
<b>Acquired net assets</b>	<b>1</b>	<b>11</b>
Goodwill		7
<b>Cash purchase price</b>		<b>18</b>
<b>Elements of cash purchase price</b>		
Cash		17
Direct purchase costs		1
<b>Total</b>		<b>18</b>

After recognition of identifiable assets and liabilities at fair value, goodwill related to the acquisition in 2009 amounts to DKK 4 million (2008: DKK 7 million). The balance represents the value of the assets that could not be measured reliably at fair value, future growth potential and the value of acquired employees. Part of the purchase price is contingent and is recognized as provisions.

Out of the ALK Group's revenue and profit for 2009 of DKK 1,935 million (2008: DKK 1,784 million) and DKK 118 million (2008: DKK 95 million), respectively, a profit of DKK 9 million (2008: DKK 0 million) and DKK 3 million (2008: DKK (1) million), respectively was generated by the acquired operations after the acquisition date.

The ALK Group's revenue and profit made up pro forma as if ThemoCARE GmbH was acquired on January 1, 2009, amounts to DKK 1,955 million and DKK 122 million, respectively. Management's assessment is that a fair value adjustment as of January 1, 2009, would have been the same as the fair value adjustment as of the acquisition date.

Information on acquired activities in 2008 stated as if they had been owned for the entire year of acquisition is not possible due to differences in the financial years of the acquired activities and the ALK Group.

# Notes to the financial statements

## 6 Share-based payments

### Share option plans

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

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

Share options are considered sufficiently covered by treasury shares.

### 2009 plan

In November 2009, 58,300 share options were granted, comprising 23,600 to members of the Board of Management (five persons) and 34,700 to a number of key personnel. As of December 31, 2009 the plan comprised a total of 58,300 share options.

The options were issued at exercise price DKK 465 equivalent to the average of the market price of the company's share during the period from November 12 to 18, 2009. The exercise price is increased by 2.5% p.a. and reduced by dividends paid.

The options can be exercised during the period from November 1, 2012 to November 1, 2016.

### 2008 plan

In November 2008, 47,600 share options were granted, comprising 19,100 to members of the Board of Management (five persons) and 28,500 to a number of key personnel. As of December 31, 2009 the plan comprised a total of 47,350 share options.

The options were issued at exercise price DKK 504 equivalent to the average of the market price of the company's share during the period from November 13 to 19, 2008. The exercise price is increased by 2.5% p.a. and reduced by dividends paid.

The options can be exercised during the period from November 1, 2011 to November 1, 2015.

### 2007 plan

In November 2007, 29,000 share options were granted, comprising 11,500 to members of the Board of Management (five persons) and 17,500 to a number of key personnel. As of December 31, 2009 the plan comprised a total of 28,600 share options.

The options were issued at exercise price DKK 727 equivalent to the average of the market price of the company's share during the period from November 15 to 21, 2007. The exercise price is increased by 2.5% p.a. and reduced by dividends paid.

The options can be exercised during the period from November 1, 2010 to November 1, 2014.

### 2006 plan

In November 2006, 33,375 share options were granted, comprising 13,350 to members of the Board of Management (five persons), 20,025 to a number of key personnel, and 1,500 shares granted in 2007. As of December 31, 2009 the plan comprised a total of 31,475 share options.

The options were issued at exercise price DKK 896 equivalent to the average of the market price of the company's share during the period from November 6 to 10, 2006. The exercise price is increased by 2.5% p.a. and reduced by dividends paid.

The options can be exercised during the period from November 1, 2009 to November 1, 2013.

### 2005/06 plan

In March 2006, 68,000 share options were granted, comprising 30,000 to members of the Board of Management (five persons) and 38,000 to a number of key personnel. As of December 31, 2009 the plan comprised a total of 60,250 share options.

The options were issued at exercise price DKK 742 equivalent to the average of the market price of the company's share during the period from March 1 to 14, 2006. The exercise price is increased by 6% p.a. and reduced by dividends paid.

The options can be exercised during the period from January 1, 2009 to January 1, 2012.

## 6 Share-based payments (continued)

## Specification of outstanding options:

	Board of Management, units	Other key employees, units	Total, units	Average exercise price DKK
Outstanding options at January 1, 2009	<b>67,850</b>	<b>100,975</b>	<b>168,825</b>	<b>789</b>
Additions	<b>23,600</b>	<b>34,700</b>	<b>58,300</b>	<b>513</b>
Cancellations	-	<b>(1,150)</b>	<b>(1,150)</b>	<b>805</b>
Outstanding options at December 31, 2009	<b>91,450</b>	<b>134,525</b>	<b>225,975</b>	<b>714</b>
Outstanding options at January 1, 2008	48,750	74,525	123,275	914
Additions	19,100	28,500	47,600	556
Cancellations	-	(2,050)	(2,050)	900
Outstanding options at December 31, 2008	67,850	100,975	168,825	789

	2009	2008
Average remaining life of outstanding share options at year end (years)	<b>1.2</b>	1.3
Exercise prices for outstanding share options at year end (DKK)	<b>501-1,020</b>	543-1,025
Number of share options which can be exercised at year end	<b>91,725</b>	-
Average exercise prices for outstanding share options which can be exercised at year end (DKK)	<b>910</b>	-

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

# Notes to the financial statements

## 6 Share-based payments (continued)

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

	<b>2009 plan</b>	2008 plan
Average share price (DKK)	<b>465</b>	504
Average exercise price (DKK)	<b>513</b>	556
Expected volatility rate	<b>45 % p.a.</b>	45 % p.a.
Expected option life	<b>5.0 years</b>	5.0 years
Expected dividend per share	<b>5</b>	5
Risk-free interest rate	<b>3.6 % p.a.</b>	4.4 % p.a.
Calculated market price per share option granted (DKK)	<b>173</b>	195

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

### Employee shares

In August 2006, it was decided to offer employee shares (free shares) to the ALK Group's employees. In certain countries, the plan was structured as a share-like plan, but with cash payments calculated based on the price performance of the company's share. For this part of the plan, the cost is accrued over the vesting period of three years as from August 31, 2006. The costs is calculated on the basis of the assessed number of employees expected to meet the criteria and the officially quoted price of the company's shares. The cost in 2009 was less than DKK 1 million (2008: less than DKK 1 million).

### Total share-based payments

ALK-Abelló A/S		Amounts in DKKm	ALK Group	
2008	2009		2009	2008
7	<b>6</b>	Costs regarding share options	<b>8</b>	10
-	-	Costs regarding employee shares	-	-
7	<b>6</b>	<b>Total</b>	<b>8</b>	10
Costs for the year regarding share-based payments are recognized as follows:				
1	<b>1</b>	Cost of sales	<b>1</b>	2
2	<b>2</b>	Research and development expenses	<b>2</b>	2
2	<b>1</b>	Sales and marketing expenses	<b>3</b>	3
2	<b>2</b>	Administrative expenses	<b>2</b>	3
7	<b>6</b>	<b>Total</b>	<b>8</b>	10

## 7 Pensions and similar liabilities

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

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

ALK-Abelló A/S		Amounts in DKKm	ALK Group	
2008	2009		2009	2008
1	1	Pensions	62	57
-	-	Similar liabilities	15	16
1	1	<b>Total</b>	<b>77</b>	<b>73</b>
25	27	<b>Costs related to defined contribution plans</b>	<b>50</b>	47
		<b>Defined benefit plans</b>		
-	-	Pension costs in the current financial year	2	3
-	-	Calculated interest on the obligations	3	3
-	-	<b>Costs related to defined benefit plans</b>	<b>5</b>	6
1	1	Provisions for defined benefit plans at beginning of year	57	51
-	-	Recognized in the current financial year	5	6
1	1	<b>Obligations, defined benefit plan at year end</b>	<b>62</b>	57
		The pension obligations are specified as follows:		
1	1	Present value of unfunded pension obligations	68	51
-	-	Unrecognized actuarial profit / (loss)	(6)	6
1	1	<b>Total</b>	<b>62</b>	57

The latest actuarial calculation of the pension obligations related to the defined benefit plans was made at December 31, 2009.

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

	2009	2008
Average discount rate used	5.3%	6.5%
Expected future rate of salary increase	3.0%	3.0%

## Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		8	Depreciation, amortization and impairment		
			Depreciation, amortization and impairment are allocated as follows:		
11	11		Cost of sales	32	29
9	12		Research and development expenses	16	13
9	2		Sales and marketing expenses	6	11
21	19		Administrative expenses	31	33
50	44		<b>Total</b>	<b>85</b>	<b>86</b>

### 9 Other operating income and other operating expenses

Other operating income and other operating expenses relate to income and expenses of a secondary nature in relation to ALK's main activities. The item includes income and expenses amounting to net DKK 33 million (2008: DKK 28 million) in relation to an agreement with Merck (former Schering-Plough) on a strategic alliance to develop and commercialize ALK's tablet-based allergy vaccines against grass pollen allergy (GRAZAX®), house dust mite allergy and ragweed allergy for the North American markets.

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		10	Financial income		
9	3		Interest on receivables from affiliates	-	-
28	9		Other interest income	11	31
12	-		Currency gains, net	6	9
194	191		Dividend from affiliates	-	-
243	203		<b>Total</b>	<b>17</b>	<b>40</b>
		11	Financial expenses		
4	1		Interest on payables to affiliates	-	-
2	2		Other interest expenses	2	2
-	3		Currency loss, net	-	-
9	-		Adjustment of investments in affiliates	-	-
15	6		<b>Total</b>	<b>2</b>	<b>2</b>
		12	Tax on profit for the year		
(28)	(51)		Current income tax	43	59
21	8		Adjustment of deferred tax	31	4
(1)	(2)		Prior year adjustments	(2)	(1)
(8)	(45)		<b>Total</b>	<b>72</b>	<b>62</b>
126	42		Profit before tax	190	157
32	11		Income tax, tax rate of 25%	47	39
-	-		Effect of deviation of foreign subsidiaries' tax rates relative to Danish tax rate	20	14
(46)	(48)		Non-taxable income	-	(6)
3	3		Non-deductible expenses	6	9
(1)	(2)		Prior year adjustments	(2)	(1)
4	(9)		Other taxes and adjustments	1	7
(8)	(45)		<b>Tax on profit for the year</b>	<b>72</b>	<b>62</b>

# Notes to the financial statements

ALK Group	2009	2008
<b>13 Earnings per share</b>		
<i>Amounts in DKKm</i>		
The calculation of earnings per share is based on the following:		
<b>Net profit</b>	<b>118</b>	95
<i>Number in units</i>		
Average number of issued shares	<b>10,128,360</b>	10,128,360
Average number of treasury shares	<b>168,975</b>	134,561
<b>Average number of shares used for calculation of earnings per share</b>	<b>9,959,385</b>	9,993,799
Average dilutive effect of outstanding share options	<b>233</b>	688
<b>Average number of shares used for calculation of diluted earnings per share</b>	<b>9,959,618</b>	9,994,487
<i>Amounts in DKK</i>		
Earnings per share (EPS)	<b>11.85</b>	9.51
Earnings per share (DEPS), diluted	<b>11.85</b>	9.51
<b>14 Goodwill</b>		
<i>Amounts in DKKm</i>		
Cost at beginning of year	<b>384</b>	396
Currency adjustments	-	1
Additions	<b>4</b>	7
Adjustments	-	(20)
<b>Cost at year end</b>	<b>388</b>	384
Amortization and impairment at beginning of year	<b>20</b>	20
Currency adjustments	<b>(1)</b>	-
<b>Amortization and impairment at year end</b>	<b>19</b>	20
<b>Carrying amount at year end</b>	<b>369</b>	364

The adjustment in 2008 is related to a change in the cost of a subsidiary acquired in 2005.

Goodwill has been subjected to an impairment test, which revealed no need for an impairment write-down. In the calculation of the value in use of cash-generating units, the cash flows in the latest, Management-approved budget for the coming financial year have been used. For financial years after the budget period, the cash flows in the most recent budget period have been extrapolated adjusted for a growth factor of 2% during the terminal period. The growth rate applied does not exceed the average expected long-term growth rate for the markets in question.

The estimated growth rates are based on industry forecasts.

Estimated changes in sales prices and production costs are based on historical data and expectations of future changes in the market.

The discount rate used is 9% after tax.



ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		15	Other intangible assets		
			<b>Software</b>		
113	119		Cost at beginning of year	174	168
3	3		Additions	4	3
(1)	(4)		Disposals	(5)	(1)
4	9		Transfer to/from other groups	10	4
119	127		<b>Cost at year end</b>	<b>183</b>	<b>174</b>
92	103		Amortization and impairment at beginning of year	148	132
12	10		Amortization and impairment for the year	15	17
(1)	(3)		Amortization and impairment on disposals	(3)	(1)
103	110		<b>Amortization and impairment at year end</b>	<b>160</b>	<b>148</b>
16	17		<b>Carrying amount at year end</b>	<b>23</b>	<b>26</b>
			<b>Patents, trademarks and rights</b>		
26	26		Cost at beginning of year	36	26
-	-		Currency adjustments	1	-
-	1		Additions	3	1
-	-		Acquisitions of operations, cf. Note 5	18	9
26	27		<b>Cost at year end</b>	<b>58</b>	<b>36</b>
16	24		Amortization and impairment at beginning of year	25	16
8	1		Amortization and impairment for the year	2	9
24	25		<b>Amortization and impairment at year end</b>	<b>27</b>	<b>25</b>
2	2		<b>Carrying amount at year end</b>	<b>31</b>	<b>11</b>
			<b>Other</b>		
-	-		Cost at beginning of year	13	-
-	-		Additions	13	13
-	-		<b>Cost at year end</b>	<b>26</b>	<b>13</b>
-	-		<b>Carrying amount at year end</b>	<b>26</b>	<b>13</b>
18	19		<b>Other intangible assets at year end</b>	<b>80</b>	<b>50</b>
			Other includes minor development projects in progress.		

## Notes to the financial statements

ALK-Abelló A/S			ALK Group		
2008	2009	Note	Amounts in DKKm	2009	2008
		16	Land and buildings		
288	<b>289</b>		Cost at beginning of year	<b>446</b>	439
-	-		Currency adjustments	<b>(1)</b>	2
2	<b>45</b>		Additions	<b>49</b>	5
(1)	-		Disposals	<b>(2)</b>	(1)
-	<b>106</b>		Transfer to/from other groups	<b>205</b>	1
289	<b>440</b>		<b>Cost at year end</b>	<b>697</b>	446
85	<b>96</b>		Depreciation and impairment at beginning of year	<b>146</b>	128
12	<b>13</b>		Depreciation and impairment for the year	<b>22</b>	19
(1)	-		Depreciation and impairment of disposals	<b>(1)</b>	(1)
96	<b>109</b>		<b>Depreciation and impairment at year end</b>	<b>167</b>	146
193	<b>331</b>		<b>Carrying amount at year end</b>	<b>530</b>	300
-	-		of which financing costs	-	-
-	-		of which assets held under finance leases	<b>23</b>	24
			Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The lease period for this land is unlimited.		
138	<b>180</b>		Value of land and buildings subject to mortgages	<b>180</b>	138
		17	Plant and machinery		
183	<b>186</b>		Cost at beginning of year	<b>255</b>	241
-	-		Currency adjustments	<b>(1)</b>	1
3	<b>9</b>		Additions	<b>29</b>	17
(4)	-		Disposals	-	(10)
4	<b>13</b>		Transfer to/from other groups	<b>19</b>	6
186	<b>208</b>		<b>Cost at year end</b>	<b>302</b>	255
77	<b>90</b>		Depreciation and impairment at beginning of year	<b>127</b>	112
17	<b>14</b>		Depreciation and impairment for the year	<b>22</b>	24
(4)	-		Depreciation and impairment of disposals	-	(9)
90	<b>104</b>		<b>Depreciation and impairment at year end</b>	<b>149</b>	127
96	<b>104</b>		<b>Carrying amount at year end</b>	<b>153</b>	128

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		18	Other fixtures and equipment		
30	19		Cost at beginning of year	182	193
1	1		Additions	8	7
(12)	-		Disposals	(4)	(20)
-	2		Transfer to/from other groups	11	2
-	-		Acquisitions of operations, cf. Note 5	1	-
19	22		<b>Cost at year end</b>	<b>198</b>	<b>182</b>
25	14		Depreciation and impairment at beginning of year	121	124
1	2		Depreciation and impairment for the year	18	17
(12)	-		Depreciation and impairment of disposals	(3)	(20)
14	16		<b>Depreciation and impairment at year end</b>	<b>136</b>	<b>121</b>
5	6		<b>Carrying amount at year end</b>	<b>62</b>	<b>61</b>
		19	Property, plant and equipment in progress		
128	355		Cost at beginning of year	487	151
-	-		Currency adjustments	(2)	14
235	62		Additions	111	335
-	(3)		Disposals	(2)	-
-	-		Depreciation and impairment for the year	-	-
(8)	(130)		Transfer to/from other groups	(245)	(13)
355	284		<b>Cost at year end</b>	<b>349</b>	<b>487</b>
355	284		<b>Carrying amount at year end</b>	<b>349</b>	<b>487</b>
91	104		of which assets held under finance leases	104	91
			Property, plant and equipment in progress include a new product line at Catalent Pharma Solutions in Swindon, UK.		

## Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		20	Investments in affiliates		
675	<b>760</b>		Cost at beginning of year		
94	<b>14</b>		Capital contribution in affiliates		
(9)	<b>-</b>		Distribution of cost		
760	<b>774</b>		<b>Cost at year end</b>		
-	<b>-</b>		<b>Impairment at year end</b>		
760	<b>774</b>		<b>Carrying amount at year end</b>		
		21	Receivables from affiliates		
250	<b>303</b>		Cost at beginning of year	<b>28</b>	25
230	<b>197</b>		Additions	<b>51</b>	28
(177)	<b>(138)</b>		Disposals	<b>(28)</b>	(25)
303	<b>362</b>		<b>Cost at year end</b>	<b>51</b>	28
303	<b>362</b>		<b>Carrying amount at year end</b>	<b>51</b>	28
			Receivables from affiliates are recognised as follows:		
189	<b>264</b>		Non-current assets	-	-
114	<b>98</b>		Current assets	<b>51</b>	28
303	<b>362</b>		<b>Total</b>	<b>51</b>	28
		22	Securities and receivables		
4	<b>2</b>		Cost at beginning of year	<b>4</b>	6
-	<b>18</b>		Additions	<b>18</b>	-
2	<b>-</b>		Disposals	-	2
2	<b>20</b>		<b>Cost at year end</b>	<b>22</b>	4
-	<b>-</b>		<b>Revaluation and impairment at year end</b>	-	-
2	<b>20</b>		<b>Carrying amount at year end</b>	<b>22</b>	4

## 23 Deferred tax

ALK Group					
Amounts in DKKm	Non-current assets	Current assets	Liabilities	Tax losses carried forward	Total
<b>2009</b>					
Carrying amount at beginning of year	8	42	14	27	91
Transfer from income taxes at beginning of year	-	-	(8)	-	(8)
Recognized in the income statement, net	(25)	(7)	(1)	2	(31)
Recognized in equity, net	-	-	-	-	-
<b>Carrying amount at year end</b>	<b>(17)</b>	<b>35</b>	<b>5</b>	<b>29</b>	<b>52</b>

Deferred tax at year end consists of deferred tax assets of DKK 53 million and deferred tax liabilities of DKK 1 million.

<b>2008</b>					
Carrying amount at beginning of year	26	29	12	28	95
Recognized in the income statement, net	(18)	14	2	(1)	(3)
Recognized in equity, net	-	(1)	-	-	(1)
<b>Carrying amount at year end</b>	<b>8</b>	<b>42</b>	<b>14</b>	<b>27</b>	<b>91</b>

ALK-Abelló A/S					
Amounts in DKKm	Non-current assets	Current assets	Liabilities	Tax losses carried forward	Total
<b>2009</b>					
Carrying amount at beginning of year	12	(1)	(7)	27	31
Recognized in the income statement, net	(19)	2	9	-	(8)
Recognized in equity, net	-	-	-	-	-
<b>Carrying amount at year end</b>	<b>(7)</b>	<b>1</b>	<b>2</b>	<b>27</b>	<b>23</b>
<b>2008</b>					
Carrying amount at beginning of year	29	2	(6)	27	52
Recognized in the income statement, net	(17)	(2)	(1)	-	(20)
Recognized in equity, net	-	(1)	-	-	(1)
<b>Carrying amount at year end</b>	<b>12</b>	<b>(1)</b>	<b>(7)</b>	<b>27</b>	<b>31</b>

Deferred tax in both ALK-Abelló A/S and the ALK Group is recognized 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 utilized. Deferred tax in Denmark is recognized at a tax rate of 25%.

ALK-Abelló A/S is jointly taxed with LFI a/s.

## Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		24	Inventories		
48	46		Raw materials and consumables	105	94
35	40		Work in progress	87	76
47	33		Manufactured goods and goods for resale	108	122
130	119		<b>Total</b>	<b>300</b>	292
18	15		Amount of write-down of inventories during the year	22	32
6	4		Amount of reversal of write-down of inventories during the year	6	19
		25	Receivables and prepayments		
5	5		Trade receivables (gross)	251	208
			<i>Allowances for doubtful trade receivables:</i>		
-	-		Balance at beginning of year	20	13
-	-		Change in allowances during the year	4	11
-	-		Realized losses during the year	(1)	(4)
-	-		Provision for doubtful trade receivables at year end	23	20
5	5		<b>Trade receivables (net)</b>	<b>228</b>	188
			Allowances for doubtful trade receivables are based on an individual assessment of receivables.		
			<i>Trade receivables (gross) can be specified as follows:</i>		
4	5		Not due	146	132
			<i>Overdue by:</i>		
1	-		Between 1 and 179 days	82	56
-	-		Between 180 and 360 days	8	6
-	-		More than 360 days	15	14
5	5		Trade receivables (gross)	251	208
			<b>Other receivables</b>		
13	7		VAT and other taxes	16	20
7	2		Miscellaneous receivables	5	11
20	9		<b>Total</b>	<b>21</b>	31
			<b>Prepayments</b>		
4	6		Operating expenses	21	9
1	1		Insurance	5	2
-	-		Other prepayments	3	11
5	7		<b>Total</b>	<b>29</b>	22
			The carrying amount is equivalent to the fair value of the assets.		

ALK-Abelló A/S			ALK Group		
2008	2009	Note	Amounts in DKKm	2009	2008
		26	Cash and cash equivalents		
-	-		Securities subject to insignificant risk of changes in value	-	16
347	230		Cash and bank deposits	389	433
347	230		<b>Cash and cash equivalents</b>	<b>389</b>	<b>449</b>
		27	Share capital		
			The share capital consists of:		
9	9		A shares, 920,760 shares of DKK 10 each	9	9
92	92		B shares, 9,207,600 shares of DKK 10 each	92	92
101	101		<b>Total nominal value</b>	<b>101</b>	<b>101</b>
			Each A share carries 10 votes, whereas each B share carries 1 vote		
		28	Mortgage debt, bank loans and financial loans		
			<b>Debt to mortgage credit institutions secured by real property</b>		
			Mortgage debt is due as follows:		
1	1		Within 1 year	1	1
6	6		From 1-5 years	6	6
23	22		After 5 years	22	23
30	29		<b>Total</b>	<b>29</b>	<b>30</b>
			<b>Bank loans and financial loans</b>		
			Bank loans and financial loans are due as follows:		
-	-		Within 1 year	4	4
-	-		From 1-5 years	10	10
-	-		After 5 years	3	5
-	-		<b>Total</b>	<b>17</b>	<b>19</b>

# Notes to the financial statements

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

ALK Group						
	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value DKKm
<b>December 31, 2009</b>						
<b>Mortgage debt</b>						
Mortgage debt	DKK	2025	Fixed	4.3	29	29
					29	29
<b>Bank loans and financial loans</b>						
Leasing debt	EUR	2016	Floating	1.7	16	15
Other bank loans and financial loans	EUR, USD	2010-2014	Floating	1.6 - 4.0	1	1
					17	16
<b>December 31, 2008</b>						
<b>Mortgage debt</b>						
Mortgage debt	DKK	2025	Fixed	4.3	30	29
					30	29
<b>Bank loans and financial loans</b>						
Leasing debt	EUR	2016	Floating	3.5	18	17
Other bank loans and financial loans	EUR, USD	2009 - 2010	Floating	2.1 - 3.3	1	1
					19	18
<b>ALK-Abelló A/S</b>						
	Currency	Expiry date	Fixed/ Floating	Effective interest rate %	Carrying amount DKKm	Fair value DKKm
<b>December 31, 2009</b>						
<b>Mortgage debt</b>						
Mortgage debt	DKK	2025	Fixed	4.3	29	29
					29	29
<b>December 31, 2008</b>						
<b>Mortgage debt</b>						
Mortgage debt	DKK	2025	Fixed	4.3	30	29
					30	29



ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		29	Other provisions		
150	140		Other provisions at beginning of year	142	157
-	-		Provisions made during the year	7	1
(6)	-		Used during the year	(1)	(8)
(4)	-		Reversals during the year	-	(8)
140	140		<b>Other provisions at year end</b>	148	142
			Other provisions are recognized as follows:		
140	140		Non-current liabilities	148	142
-	-		Current liabilities	-	-
140	140		<b>Other provisions at year end</b>	148	142
			In connection with the divestment of the ingredients business Chr. Hansen, in 2005, ALK-Abelló A/S has undertaken the usual representations and warranties towards the buyer. The representations and warranties expire successively over the coming years. A provision of DKK 140 million (2008: DKK 140 million) has been made to cover specific risks.		
		30	Other current liabilities and deferred income		
57	54		<b>Trade payables</b>	134	128
			<b>Other payables</b>		
46	67		Salaries, holiday payments, etc.	140	108
-	-		VAT and other taxes	34	33
5	8		Acquisitions of companies and operations	15	5
56	53		Miscellaneous payables	95	99
107	128		<b>Total</b>	284	245
			The carrying amount is equivalent to the fair value of the liabilities.		

## Notes to the financial statements

ALK-Abelló A/S			ALK Group		
2008	2009	Note	Amounts in DKKm	2009	2008
		31	Treasury shares		
131,432	<b>168,975</b>		Treasury shares at beginning of year (B-shares), units	<b>168,975</b>	131,432
37,543	-		Purchase of treasury shares, units	-	37,543
168,975	<b>168,975</b>		<b>Treasury shares at year end (B-shares), units</b>	<b>168,975</b>	168,975
1.7%	<b>1.7%</b>		Proportion of share capital at year end	<b>1.7%</b>	1.7%
1.7	<b>1.7</b>		Nominal value at year end	<b>1.7</b>	1.7
86	<b>69</b>		Market value at year end	<b>69</b>	86
			According to a resolution passed by the company in general meeting, the company is allowed to purchase treasury shares, equal to 10% of the share capital. The company has purchased treasury shares in connection with the issuance of share options and employee shares.		
		32	Contingent liabilities and commitments		
-	-		<b>Collaterals and guarantees</b>	<b>3</b>	10
			<b>Contingent liabilities and assets</b>		
			The Board of Management assesses that the outcome of pending claims and other disputes will not have a material impact on the company's and ALK Group's financial position.		
			In connection with the divestment of the ingredients business, Chr. Hansen, in 2005, ALK-Abelló A/S has undertaken the usual representations and warranties towards the buyer. The representations and warranties expire successively over the coming years. A provision of DKK 140 million (2008: DKK 140 million) has been recognized to cover specific risks.		
			Liabilities relating to research and development projects are estimated at DKK 11 million at December 31, 2009 (December 31, 2008: DKK 7 million).		
			ALK-Abelló A/S and Chr. Hansen A/S are jointly and severally liable for the joint corporation tax for the period until August 31, 2005. At August 31, 2005, the jointly taxed companies had no current tax liability.		
			<b>Commitments</b>		
			For information on land and buildings provided as security vis-à-vis credit institutions, see note 16.		

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		33	Operating lease liabilities		
16	17		Minimum lease payments recognized in the income statement	32	29
			The total future minimum lease payments cf. interminable lease agreements:		
12	12		Within 1 year	26	24
2	5		From 1 - 5 years	26	19
-	-		After 5 years	-	-
14	17		<b>Total</b>	<b>52</b>	<b>43</b>
		34	Finance lease liabilities		
			Finance lease liabilities are due as follows:		
-	-		Within 1 year	3	3
-	-		From 1-5 years	11	11
-	-		After 5 years	2	4
-	-		<b>Total</b>	<b>16</b>	<b>18</b>
-	-		Amortization premium for future expensing	1	1
-	-		<b>Present value of finance lease liabilities</b>	<b>15</b>	<b>17</b>

# Notes to the financial statements

## 35 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 on the exchange, interest rate and credit exposure see page 11. ALK-Abelló A/S manages the ALK Group's financial risks centrally and coordinates the ALK Group's cash management, including the raising of capital and investment of excess cash. The ALK Group complies with a policy, approved by the Board of Directors, to maintain a low risk profile, ensuring that the ALK Group is only exposed to exchange rate, interest rate and credit risk in connection with its commercial activities.

#### Exchange rate exposure

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

#### Interest rate exposure

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

#### Credit exposure

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

### Exchange rate exposure – recognized assets and liabilities

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

ALK Group					
Amounts in DKKm	Cash and securities	Receivables	Liabilities	Amount hedged	Net position
<b>December 31, 2009</b>					
DKK	224	74	(321)	-	(23)
USD	8	38	(34)	-	12
EUR	131	198	(337)	-	(8)
GBP	2	36	(14)	-	24
SEK	11	10	(6)	-	15
Other	13	12	(13)	-	12
<b>Total</b>	<b>389</b>	<b>368</b>	<b>(725)</b>	-	<b>32</b>
<b>December 31, 2008</b>					
DKK	321	62	(294)	-	89
USD	10	29	(68)	-	(29)
EUR	96	199	(276)	-	19
GBP	-	13	(23)	-	(10)
SEK	8	6	(8)	-	6
Other	14	7	(7)	-	14
<b>Total</b>	<b>449</b>	<b>316</b>	<b>(676)</b>	-	<b>89</b>

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

ALK-Abelló A/S					
Amounts in DKKm	Cash and securities	Receivables	Liabilities	Amount hedged	Net position
<b>December 31, 2009</b>					
DKK	<b>223</b>	<b>72</b>	<b>(314)</b>	-	<b>(19)</b>
USD	<b>2</b>	<b>183</b>	<b>(21)</b>	-	<b>164</b>
EUR	<b>3</b>	<b>62</b>	<b>(120)</b>	-	<b>(55)</b>
GBP	<b>1</b>	<b>28</b>	<b>(4)</b>	-	<b>25</b>
SEK	-	<b>1</b>	<b>(1)</b>	-	-
Other	<b>1</b>	<b>57</b>	<b>(9)</b>	-	<b>49</b>
<b>Total</b>	<b>230</b>	<b>403</b>	<b>(469)</b>	-	<b>164</b>
<b>December 31, 2008</b>					
DKK	314	56	(287)	-	83
USD	(3)	143	(16)	-	124
EUR	33	94	(165)	-	(38)
GBP	-	13	(15)	-	(2)
SEK	-	-	(3)	-	(3)
Other	3	29	(6)	-	26
<b>Total</b>	<b>347</b>	<b>335</b>	<b>(492)</b>	-	<b>190</b>

At December 31, 2009, the fair value of derivative financial instruments entered into to hedge recognized financial assets and liabilities against exchange rate exposure totalled DKK 0 million (2008: DKK 0 million) for the ALK Group and DKK 0 million (2008: DKK 0 million) for ALK-Abelló A/S. The fair value of the derivative financial instruments is recognized under other payables/other receivables and set off in the income statement against exchange rate adjustments of the hedged assets and liabilities.

# Notes to the financial statements

## 35 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 6 months by means of forward exchange contracts and currency options in accordance with the ALK Group's policy. Open exchange rate hedging contracts are specified as follows, where contracts for the sale of currency are stated with a positive contract value:

ALK Group				
Amounts in DKKm				
	Term to maturity, months	Contract value	Fair value	Value adjustment recognized in equity
<b>December 31, 2009</b>				
Currency options, USD	1-3	(45)	1	-
<b>Total</b>		<b>(45)</b>	<b>1</b>	<b>-</b>
<b>December 31, 2008</b>				
Forward exchange contracts, USD	1-2	(26)	1	1
Currency options, USD	1-3	(39)	-	-
Currency options, GBP	1	(11)	(1)	(1)
<b>Total</b>		<b>(76)</b>	<b>-</b>	<b>-</b>
ALK-Abelló A/S				
Amounts in DKKm				
	Term to maturity, months	Contract value	Fair value	Value adjustment recognized in equity
<b>December 31, 2009</b>				
Currency options, USD	1-3	(45)	1	-
<b>Total</b>		<b>(45)</b>	<b>1</b>	<b>-</b>
<b>December 31, 2008</b>				
Forward exchange contracts, USD	1-2	(26)	1	1
Currency options, USD	1-3	(39)	-	-
Currency options, GBP	1	(11)	(1)	(1)
<b>Total</b>		<b>(76)</b>	<b>-</b>	<b>-</b>

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

**Interest rate exposure**

On the ALK Group's financial assets and financial liabilities, the earlier of the contractual revaluation and payment dates are as follows. Effective interest rates are stated on the basis of the level of interest rates at the balance sheet date.

ALK Group						
Amounts in DKKm	Revaluation/payment date			Total	Of these, fixed interest	Effective interest rate %*
	Within 1 year	From 1-5 years	After 5 years			
<b>December 31, 2009</b>						
Securities and receivables	2	-	20	22	-	
Trade receivables	228	-	-	228	-	
Other receivables	118	-	-	118	-	
Cash and cash equivalents	389	-	-	389	187	1.4-2.1
<b>Financial assets</b>	<b>737</b>	<b>-</b>	<b>20</b>	<b>757</b>	<b>187</b>	
Mortgage debt, bank loans and financial loans	5	16	25	46	29	4.3
Trade payables	134	-	-	134	-	
Other financial liabilities	319	-	-	319	-	
<b>Financial liabilities</b>	<b>458</b>	<b>16</b>	<b>25</b>	<b>499</b>	<b>29</b>	
<b>December 31, 2008</b>						
Securities and receivables	-	-	4	4	-	
Trade receivables	188	-	-	188	-	
Other receivables	124	-	-	124	-	
Cash and cash equivalents	449	-	-	449	309	2.7-6.7
<b>Financial assets</b>	<b>761</b>	<b>-</b>	<b>4</b>	<b>765</b>	<b>309</b>	
Mortgage debt, bank loans and financial loans	5	16	28	49	30	4.3
Trade payables	128	-	-	128	-	
Other financial liabilities	276	5	3	284	-	
<b>Financial liabilities</b>	<b>409</b>	<b>21</b>	<b>31</b>	<b>461</b>	<b>30</b>	

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

## Notes to the financial statements

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

ALK-Abelló A/S						
Amounts in DKKm	Revaluation/payment date			Total	Of these, fixed interest	Effective interest rate %*
	Within 1 year	From 1-5 years	After 5 years			
<b>December 31, 2009</b>						
Securities and receivables	1	-	19	20	-	
Trade receivables	5	-	-	5	-	
Other receivables	114	264	-	378	-	
Cash and cash equivalents	230	-	-	230	187	1.4-2.1
<b>Financial assets</b>	<b>350</b>	<b>264</b>	<b>19</b>	<b>633</b>	<b>187</b>	
Mortgage debt, bank loans and financial loans	1	6	22	29	29	4.3
Trade payables	54	-	-	54	-	
Other financial liabilities	245	-	-	245	-	
<b>Financial liabilities</b>	<b>300</b>	<b>6</b>	<b>22</b>	<b>328</b>	<b>29</b>	
<b>December 31, 2008</b>						
Securities and receivables	-	-	2	2	-	
Trade receivables	5	-	-	5	-	
Other receivables	139	189	-	328	-	
Cash and cash equivalents	347	-	-	347	290	6.2-6.7
<b>Financial assets</b>	<b>491</b>	<b>189</b>	<b>2</b>	<b>682</b>	<b>290</b>	
Mortgage debt, bank loans and financial loans	1	6	23	30	30	4.3
Trade payables	57	-	-	57	-	
Other financial liabilities	171	93	-	264	-	
<b>Financial liabilities</b>	<b>229</b>	<b>99</b>	<b>23</b>	<b>351</b>	<b>30</b>	

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



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

**Credit exposure**

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

**Embedded derivative financial instruments**

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

**Categories of financial instruments**

ALK-Abelló A/S		Note	Amounts in DKKm	ALK Group	
2008	2009			2009	2008
303	<b>362</b>		Receivables from affiliates	<b>51</b>	28
2	<b>5</b>		Securities and receivables	<b>7</b>	4
5	<b>5</b>		Trade receivables	<b>228</b>	188
20	<b>8</b>		Miscellaneous receivables	<b>20</b>	18
330	<b>380</b>		<b>Loans and receivables</b>	<b>306</b>	238
-	<b>15</b>		Securities and receivables	<b>15</b>	-
-	<b>15</b>		<b>Financial assets available for sale</b>	<b>15</b>	-
-	<b>1</b>		Derivative financial instruments entered into to hedge future transactions	<b>1</b>	-
-	<b>1</b>		<b>Financial assets used as hedging</b>	<b>1</b>	-
30	<b>29</b>		Mortgage debt	<b>29</b>	30
-	-		Bank loans and financial loans	<b>17</b>	19
57	<b>54</b>		Trade payables	<b>134</b>	128
154	<b>117</b>		Payables to affiliates	-	-
110	<b>128</b>		Miscellaneous payables	<b>284</b>	253
351	<b>328</b>		<b>Financial liabilities measured at amortized cost</b>	<b>464</b>	430
















Financial assets available for sale consist of unlisted shares which according to the fair value hierarchy are classified as measured by valuation methods of which material information is not based on observable market data. Financial assets used as hedging are, according to the fair value hierarchy classified as measured by listed prices in an efficient market.

## Notes to the financial statements

ALK-Abelló A/S				ALK Group	
2008	2009	Note	Amounts in DKKm	2009	2008
		36	Related parties		
			<b>Related parties exercising control</b>		
			Parties exercising control are ALK-Abelló A/S' principal shareholder, LFI a/s and that company's principal shareholder, the Lundbeck Foundation. Other related parties comprise ALK-Abelló A/S' Board of Management and Board of Directors, companies in which the principal shareholders exercise control and their subsidiaries, in this case H. Lundbeck A/S and its subsidiaries.		
			For an overview of subsidiaries, see page 71.		
			<b>Affiliates</b>		
			Intra-group trading comprised:		
551	<b>602</b>		Sale of goods		
44	<b>40</b>		Sale of services		
21	<b>14</b>		Purchase of goods		
24	<b>33</b>		Purchase of services		
			In respect of amounts owed by and to affiliates, see the balance sheet. Interest income and expenses regarding intra-group accounts are shown in notes 10 and 11 to the financial statement.		
			Intra-group transactions and accounts have been eliminated in the consolidated financial statements in accordance with the accounting policies.		
			No security or guarantees have been issued for amounts outstanding at the balance sheet date. Receivables as well as debt will be settled against payment in cash. During the financial year, no bad debt losses have been realised regarding amounts owed by related parties, nor have any provisions been made for any such doubtful debts.		
			<b>Remuneration etc. to Board of Directors and Board of Management</b>		
			For information on remuneration paid to the ALK Group's Board of Directors and Board of Management, see note 4 to the financial statements.		
			No other transactions have taken place during the year with the Board of Directors, Board of Management, other key employees, major shareholders or other related parties.		
		37	Fees to the ALK Group's auditors		
			Fees to the auditors, Deloitte, appointed at the general meeting:		
1	<b>1</b>		Audit	<b>2</b>	2
-	<b>-</b>		Audit related services	<b>1</b>	1
-	<b>1</b>		Tax advisory services	<b>2</b>	2
1	<b>1</b>		Other services	<b>1</b>	-
2	<b>3</b>		<b>Total</b>	<b>6</b>	5

## List of companies in the ALK Group

December 31, 2009 (wholly owned unless otherwise stated). Nominal capital in 1,000.

Denmark 		Switzerland 	
ALK-Abelló A/S	DKK 101,284	ALK-Abelló AG	CHF 100
CVR no. 63 71 79 16		Volketswil	
Hørsholm			
ALK-Abelló Nordic A/S	DKK 500	ALK AG	CHF 1,000
CVR no. 31 50 12 96		Volketswil	
Hørsholm			
Sweden 		Netherlands 	
ALK Sverige AB	SEK 500	ALK-Abelló B.V.	EUR 23
Kungsbacka		Nieuwegein	
Norway 		Spain 	
ALK Sverige AB (branch)		ALK-Abelló S.A.	EUR 4,671
Oslo		Madrid	
Finland 		Italy 	
ALK-Abelló Nordic A/S (branch)		ALK-Abelló S.p.A.	EUR 3,680
Helsinki		Milan	
United Kingdom 		Poland 	
ALK-Abelló Ltd.	GBP 1	ALK-Abelló sp. z o.o	PLN 50
Hungerford		Warsaw	
France 		USA 	
ALK-Abelló S.A.	EUR 160	ALK-Abelló, Inc.	USD 50
Courbevoie		Austin	
Germany 		ALK-Abelló, Source Materials, Inc.	
ALK-Abelló Arzneimittel GmbH	EUR 1,790	Spring Mills	USD 5
Hamburg			
ThemoCARE GmbH	EUR 25	Canada 	
Mönchengladbach		ALK-Abelló Pharmaceuticals, Inc.	CAD 0
Austria 		Mississauga	
ALK-Abelló Allergie-Service GmbH	EUR 73	China 	
Linz		ALK-Abelló A/S (branch)	
		Hong Kong	

## Definitions

<b>Invested capital</b>	Intangible assets, tangible assets, inventories and current receivables reduced by liabilities except for mortgage debt, bank loans and financial loans
<b>Gross-margin – %</b>	Gross profit x 100 / Revenue
<b>EBIT margin – %</b>	Operating profit x 100 / Revenue
<b>Net asset value per share</b>	Equity at end of period / Number of shares at end of period
<b>ROAIC – %</b>	Return on average invested capital (Operating profit x 100 / Average invested capital)
<b>Pay-out ratio – %</b>	Proposed dividend x 100 / Net profit for the year
<b>Earnings per share (EPS)</b>	Net profit/(loss) for period / Average number of outstanding shares
<b>Earnings per share (DEPS), diluted</b>	Net profit/(loss) for the period / Diluted average number of outstanding shares
<b>Cash flow per share (CFPS)</b>	Cash flow from operating activities / Average number of outstanding shares
<b>Price earnings ratio (PE)</b>	Share price / Earnings per share
<b>CAGR</b>	Compound annual growth rate
<b>Markets</b>	<p>Geographical markets (based on customer location):</p> <ul style="list-style-type: none"> <li>• Northern Europe comprises the Nordic Region, UK and the Netherlands</li> <li>• Central Europe comprises Germany, Austria, Switzerland, Poland and minor selected markets in Eastern Europe</li> <li>• Southern Europe comprises Spain, Italy, France, Greece, Portugal and minor markets in Southern Europe</li> <li>• Other markets comprise USA, Canada, China and rest of world</li> </ul>

Key figures are calculated in accordance with “Recommendations and Ratios 2005” issued by the Danish Society of Financial Analysts.

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

Amounts in DKKm	2009	Q4 unaudited	Q3 unaudited	Q3 unaudited	Q1 unaudited
<b>Income statement</b>					
Revenue	1,935	542	466	434	493
Cost of sales	587	159	142	152	134
Research and development expenses	349	105	82	81	81
Sales and marketing expenses	672	174	159	173	166
Administrative expenses	188	55	46	43	44
Net other operating income/ (other operating expenses)	36	9	9	9	9
Operating profit/(loss) (EBIT)	175	58	46	(6)	77
Net financial items	15	-	(1)	4	12
Profit/(loss) before tax (EBT)	190	58	45	(2)	89
Net profit/(loss)	118	36	28	(1)	55
Operating profit before depreciation (EBITDA)	260	84	66	14	96
Average number of employees	1,513	1,545	1,516	1,494	1,491
Revenue by market:					
Northern Europe	394	100	109	100	85
Central Europe	793	230	196	170	197
Southern Europe	542	160	111	114	157
Other markets	206	52	50	50	54
Revenue by product line:					
SCIT	928	262	230	195	241
SLIT-droplets	573	172	118	125	158
SLIT-tablets	133	39	29	32	33
Other products	301	69	89	82	61
Growth in revenue by product line - %:					
SCIT	7	4	6	5	15
SLIT-droplets	9	16	6	-	10
SLIT-tablets	53	63	53	60	38
Vaccines, total	10	11	9	6	15
Other products	(1)	36	(2)	(14)	(10)
Total	8	14	7	2	11
<b>Balance sheet</b>					
Total assets	2,653	2,653	2,578	2,580	2,640
Invested capital	1,510	1,510	1,452	1,383	1,403
Equity	1,928	1,928	1,882	1,863	1,930
<b>Cash flow and investments</b>					
Depreciation, amortization and impairment	85	26	20	20	19
Cash flow from operating activities	260	124	(6)	36	106
Cash flow from investing activities	(258)	(99)	(37)	(39)	(83)
- of which investment in tangible assets	(187)	(67)	(35)	(26)	(59)
Free cash flow	2	25	(43)	(3)	23
<b>Information on shares</b>					
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, at year end - DKK	409	409	474	415	293
Net asset value per share - DKK	191	191	186	184	191
<b>Key figures</b>					
Gross margin - %	70	71	70	65	73
EBIT margin - %	9	11	10	(1)	16
Earnings per share (EPS) - DKK	11.85	3.61	2.81	(0.10)	5.52
Earnings per share (DEPS), diluted - DKK	11.85	3.61	2.81	(0.10)	5.52
Cash flow per share (CFPS) - DKK	26.11	12.45	(0.60)	3.61	10.64
Share price/Net asset value	2.1	2.1	2.5	2.3	1.5

Definitions: see page 72

