Curing Allergy

**Company release No. 24/2012**

# Nine-month interim report (Q3) 2012 (unaudited)

## Performance for the period

*(Comparative figures for the same period of last year are shown in brackets / sales growth is measured in local currencies)*

Operating profit in Q3 was as expected although vaccine sales came in lower than anticipated.

- Q3 revenue grew 17% driven by income from partners and Jext® sales despite a slight decline in vaccine sales.
- Revenue in 9M ended at DKK 1,730 million (1,770). Vaccine sales grew by 1% in local currencies.
- Operating profit (EBITDA) in 9M as expected: DKK 210 million (361).
- Net profit in 9M was DKK 224 million (181).

ALK's pipeline activities and strategic partnerships with Merck in North America and Torii in Japan have shown important progress in recent months:

- Phase III clinical trial with grass AIT (GRAZAX®) in North America involving 1,500 patients met the primary endpoint. The outcome confirms Merck's expectations for a 2013 filing of a registration application with the FDA.
- Merck disclosed plans to initiate a Phase III clinical trial with HDM AIT (MITIZAX®) involving about 1,500 patients.
- Two Phase II/III clinical trials with MITIZAX® involving 1,800 patients were initiated by Torii in Japan. The event released a milestone payment to ALK.
- ALK initiated a Phase II clinical trial for Tree AIT involving 600 patients in Europe.

Financial guidance and new strategy:

- Unchanged EBITDA outlook for 2012: EBITDA to exceed DKK 300 million. Growth in vaccine sales now expected to be slightly positive in the range of 0-2% (previously 3-5%), measured in local currencies. Total revenue of up to DKK 2.4 billion is still expected as revenues from partnerships largely will offset the lower than expected vaccine sales.
- An updated strategy plan has been adopted by the Board of Directors. The plan includes initiatives to capture market shares and expand geographical reach, ensure continued innovation as well as initiate measures to simplify the supply chain and business structure.
- Long-term financial objectives for 2015 remain unchanged.

Hørsholm, 12 November 2012

**ALK-Abelló A/S**

**Contact:**
Jens Bager, President and CEO, tel. +45 4574 7576

*ALK is holding a conference call for analysts and investors today at 2.00 p.m. (CET) at which Jens Bager, President and CEO, and Flemming Pedersen, CFO, will review the results. Participants in the conference call are kindly requested to call in before 1.55 p.m. (CET). Danish participants should call in on tel. +45 7014 0453 and international participants should call in on tel. +44 20 7750 9950. The conference call will also be webcast on our website, www.alk-abello.com/investor, where the related presentation will be available shortly before the conference call begins.*

## FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE ALK GROUP (unaudited)

| Amounts in DKKm | 9M 2012 | 9M 2011 | Full year 2011 |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | **1,730** | 1,770 | 2,348 |
| Operating profit (EBIT) | **116** | 285 | 299 |
| Net financial items | **(2)** | 11 | 22 |
| Profit before tax (EBT) | **114** | 296 | 321 |
| Net profit, continuing operations | **69** | 181 | 200 |
| Net profit, past discontinued operations | **155** | - | - |
| Net profit | **224** | 181 | 200 |
| Operating profit before depreciation and amortisation (EBITDA) | **210** | 361 | 406 |
| Average number of employees | **1,811** | 1,723 | 1,724 |
| **Balance sheet** | | | |
| Total assets | **3,271** | 2,997 | 3,354 |
| Invested capital | **2,038** | 1,681 | 1,644 |
| Equity | **2,317** | 2,144 | 2,167 |
| **Cash flow and investments** | | | |
| Depreciation, amortisation and impairment | **94** | 76 | 107 |
| Cash flow from operating activities | **(5)** | 305 | 431 |
| Cash flow from investing activities | **(143)** | (91) | (160) |
| - of which investment in tangible assets | **(125)** | (68) | (118) |
| Free cash flow | **(148)** | 214 | 271 |
| **Information on shares** | | | |
| Share capital | **101** | 101 | 101 |
| Shares in thousands of DKK 10 each | **10,128** | 10,128 | 10,128 |
| Share price, end of period – DKK | **374** | 318 | 321 |
| Net asset value per share – DKK | **229** | 212 | 215 |
| **Key figures** | | | |
| Gross margin – % | **72** | 75 | 74 |
| EBITDA margin – % | **12** | 20 | 17 |
| Earnings per share (EPS) – DKK | **22.94** | 18.28 | 20.21 |
| Earnings per share (EPS), continuing operations – DKK | **7.07** | 18.28 | 20.21 |
| Earnings per share (DEPS), diluted – DKK | **22.83** | 18.28 | 20.21 |
| Earnings per share (DEPS), diluted, continuing operations – DKK | **7.03** | 18.28 | 20.21 |
| Cash flow per share (CFPS) – DKK | **(0.51)** | 30.80 | 43.49 |
| Share price/Net asset value | **1.6** | 1.5 | 1.5 |

Definitions: see last page


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## INCOME STATEMENT

| Q3 2011 | % | Q3 2012 | % | Amounts in DKKm | 9M 2012 | % | 9M 2011 | % |
|---|---|---|---|---|---|---|---|---|
| 512 | *100* | **608** | *100* | **Revenue** | **1,730** | *100* | 1,770 | *100* |
| 124 | *24* | **154** | *25* | Cost of sales | **479** | *28* | 445 | *25* |
| 388 | *76* | **454** | *75* | **Gross profit** | **1,251** | *72* | 1,325 | *75* |
| 109 | *21* | **113** | *19* | Research and development expenses | **376** | *22* | 320 | *18* |
| 229 | *45* | **242** | *40* | Sales, marketing and administrative expenses | **759** | *44* | 722 | *41* |
| - | - | **-** | - | Other operating income and expenses | **-** | - | 2 | - |
| 50 | *10* | **99** | *16* | **Operating profit (EBIT)** | **116** | *7* | 285 | *16* |
| 16 | *3* | **(6)** | *(1)* | Net financial items | **(2)** | *(0)* | 11 | *1* |
| 66 | *13* | **93** | *15* | **Profit before tax (EBT)** | **114** | *7* | 296 | *17* |
| 25 | *5* | **37** | *6* | Tax on profit | **45** | *3* | 115 | *6* |
| 41 | *8* | **56** | *9* | **Net profit, continuing operations** | **69** | *4* | 181 | *10* |
| - | - | **-** | - | Net profit, past discontinued operations | **155** | *9* | - | - |
| 41 | *8* | **56** | *9* | **Net profit** | **224** | *13* | 181 | *10* |
| 76 | *15* | **131** | *22* | **Operating profit before depreciation and amortisation (EBITDA)** | **210** | *12* | 361 | *20* |

## FINANCIAL REVIEW

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

Total **revenue** consists of sales of allergy immunotherapy (vaccine) products and other products as well as other revenue, mainly license income from partners.

**Revenue** in the third quarter increased by 17% to DKK 608 million (512). Revenue growth was mainly driven by partner income totalling DKK 133 million (49).

Growth in net sales was supported by increased market uptake of the adrenaline auto-injector Jext® and satisfactory development of SLIT sales in France and Germany. This growth, however, was offset by declining markets in Spain and Italy following the economic crisis, and in the Netherlands following a forecasted sales decline of non-registered products.

Revenue in 9M was DKK 1,730 million (1,770). Growth in vaccine sales was 1%. When comparing revenue in 9M 2012 with the same period of last year it should be noted that revenue in 2011 was affected by an extraordinarily high level of partner income – DKK 233 million vs. DKK 193 million in 9M 2012 – and by sales of an inlicensed adrenaline pen, which is being replaced by ALK's own auto-injector, Jext®. Exchange rates affected reported growth positively by approximately 2 p.p.

**Revenue – products and markets**

In 9M, sales of injection based SCIT products totalled DKK 716 million (707) and accounted for 41% (40) of total revenue. Performance has been positive in Northern and Central Europe whereas sales in Spain and Italy, in particular, are increasingly affected by the difficult macroeconomic environment. Additionally, Q3 sales in Central Europe have been affected by a low level of treatment initiations, which most likely is linked to mild pollen seasons.


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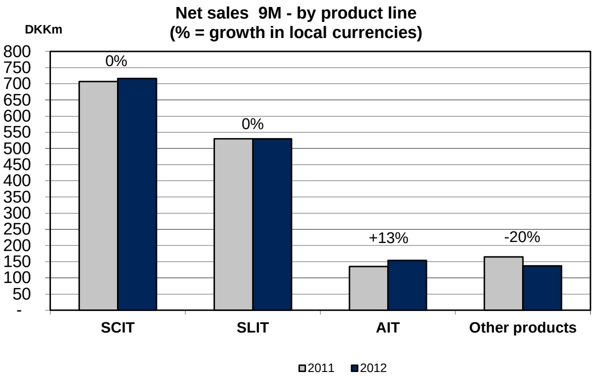
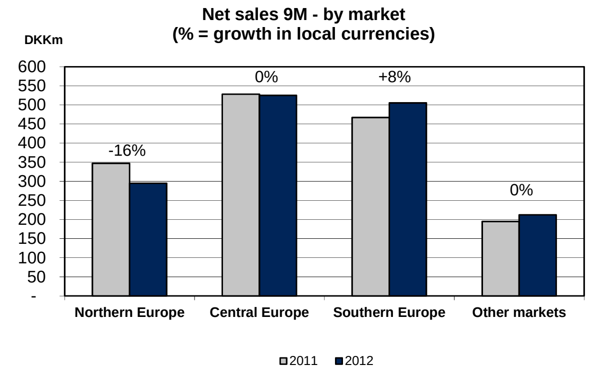
9M sales of drop based SLIT products totalled DKK 530 million (530) and accounted for 31% (30) of total revenue. The development in France, the largest SLIT market, continues to be satisfactory, also in Q3, and the performance in France was also the reason for positive sales growth overall in Southern Europe, despite the declining markets in Spain and Italy. A newly launched SLIT product furthermore positively impacted Q3 sales development in Germany. The forecasted sales decline of non-registered products in the Netherlands, ALK's second-largest SLIT market reduced 9M vaccine sales growth by 1 p.p. and was hence also a key reason for the overall sales decline in Northern Europe.

9M sales of AIT products (tablets) increased to DKK 154 million (135) and accounted for 9% (8) of total revenue. Major contributors to this positive performance included France and the Nordic countries.

9M sales of other products (adrenaline pens, diagnostics, etc.) declined to DKK 137 million (165) and accounted for 8% (9) of total revenue. The decrease was caused by discontinued sales of an inlicensed adrenaline product which particularly affected sales in Northern Europe. The previously inlicensed product is being replaced by ALK's own auto-injector, Jext®, which was launched in Europe towards the end of last year. The reception of Jext® continues to be promising and Jext® sales contributed to a 35% growth in sales of other products in Q3. Product supply has now been upscaled so that ALK expects to be able to meet current market demand. In addition, sales of diagnostic products developed positively, in particular in North America.

**Revenue – other revenue**
Other revenue for 9M totalled DKK 193 million (233), mainly relating to revenues from the partnerships in Japan and North America. Other revenue accounted for 11% (13) of the company's total revenue.




Torii has recently advanced the clinical development programme for MITIZAX® in Japan. Initiation of patient dosing in the Phase II/III trials in Japan entitled ALK to a milestone payment from Torii which has been fully recognised in Q3. On entering into the partnership with Torii in 2011, ALK received an up-front payment of DKK 224 million of which a total of DKK 75 million is expected to be recognised in 2012.

Furthermore, ALK has recognised income relating to development activities carried out by ALK for Merck and Torii.

**Costs and earnings**
In 9M, **cost of sales** totalled DKK 479 million (445) and gross profit decreased to DKK 1,251 million (1,325). The reported gross margin decreased to 72% (75). Disregarding revenues from partners, the underlying gross margin decreased due to increasing depreciations and increasing costs to prepare the product supply for new markets.

Total **capacity costs** increased to DKK 1,135 million (1,042). The increase was mainly due to ALK's decision to accelerate its R&D activities with a view to securing a rapid development of a broader AIT product portfolio to increase the overall commercial potential of AIT. R&D expenses consequently rose 18% whereas sales and marketing expenses increased moderately primarily due to the recent European launch of a new improved SLIT product and the continued roll-out of the new adrenaline auto-injector, Jext®. Administration expenses were unchanged. Exchange rates have affected capacity costs negatively.

**Operating profit before depreciation and amortisation** (EBITDA) in 9M ended at DKK 210 million (361). Disregarding the extraordinarily high level of partner revenues last year, EBITDA mainly declined as a consequence of the planned acceleration of R&D activities. Exchange rates have not significantly affected operating profit.

**Net financials** were a loss of DKK 2 million (a profit of 11), which was primarily due to unrealised exchange losses.

**Tax on the profit for the period** totalled DKK 45 million (115), corresponding to an effective tax rate of 39% (39).

As previously announced, at the end of the warranty period in July 2012, ALK reversed a provision of DKK 140 million and adjusted a debt obligation by DKK 15 million and consequently recognised DKK 155 million as an adjustment of the original gain on the divestment of Chr. Hansen A/S in 2005. The adjustment is presented separately in the income statement as net profit, past discontinued operations. The **net profit** for the period was thus DKK 224 million (181).

**Cash flow** from operating activities was an outflow of DKK 5 million (an inflow of 305) and was negatively affected by changes in short-term payables as a consequence of changes in deferred income and investments made at the end of 2011. Additionally, short term receivables were affected by partner income. Cash flow from investing activities was an outflow of DKK 143 million (91) relating to amongst other things the expansion of production facilities in France. Free cash flow for the period was an outflow of DKK 148 million (an inflow of 214). Cash flow from financing activities was an outflow of DKK 105 million (61) relating to the on-going share buy-back programme and ordinary dividends. At the end of September, cash and cash equivalents totalled DKK 497 million, compared to DKK 754 million at the end of 2011.

At the end of September, ALK's total holding of **treasury shares** was 414,905 shares, corresponding to 4.1% of the total number of issued shares. Market value of the treasury shares was approximately DKK 155 million.

**Equity** stood at DKK 2,317 million (2,144) at end of the period, and the equity ratio was thus 71% (72).

**Financial outlook**
For the 2012 financial year, ALK expects continued growth in revenue and robust earnings.

In Q3, vaccines sales were somewhat below expectations mainly due to the unfavourable economic climate in Spain and Italy. This leads to an adjustment of the full-year outlook for growth in vaccine sales, where ALK now expects slightly positive growth of 0-2% (previously 3-5%), measured in local currencies.

Total revenue for 2012 of up to DKK 2.4 billion is still expected as revenues from partnerships largely offsets the lower than expected vaccine sales.

Outlook for operating profit (EBITDA) for 2012 remains unchanged: EBITDA to exceed DKK 300 million.

Q4 is expected to show growth in net sales supported by the new SLIT drop product SLITone ULTRA® and the continued roll-out of the adrenaline auto-injector, Jext®.

## BUSINESS REVIEW

### Updated strategy

ALK has updated its strategy plan to cover the period until 2016. Despite the current challenging market conditions in parts of Europe, the revised plan targets further growth in both revenue and earnings and focuses on three core concepts: simplify, innovate and grow. The highlights of the plan are:

- Fewer, high volume product lines
- Fewer production units organised in centres of excellence
- Streamlined business structure and processes
- Focus on innovation maintained although with a declining R&D cost-to-revenue ratio
- Launch of additional AIT products
- Initiatives to capture market shares and expand geographical reach
- Long-term financial objectives maintained

**Simplify:** The future ALK will require an organisation and infrastructure which is capable of supporting a more global business model. To reflect this, ALK will focus on fewer, high volume product lines produced at product supply centres of excellence. Furthermore, ALK will streamline its business structure and reorganise IT, Finance and back/front office teams into dedicated regional and global functions.

The product portfolio will be reduced in a managed phase-out of minor products. In parallel, ALK will consolidate its European product supply at fewer production units organised in centres of excellence in Denmark (SCIT and AIT), France (SLIT) and Spain (skin prick tests, packaging and distribution), while US product supply will be consolidated at the plant in New York. ALK will also consolidate all global source material production at the Idaho facility. This implies that three current production facilities will gradually be phased out and closed down.

These initiatives entail restructuring costs of approximately DKK 100 million and certain capital investments, which are expected to be spread across the years up to 2016. ALK will present these restructuring costs in a special items line in its income statement. When completed, these efforts are expected to lead to cost savings of approximately DKK 100 million per year with full effect from 2016.

**Innovate:** ALK has entered a period with record high R&D spending focusing on a range of future products, with the goal of redefining allergy treatment for millions of people. As a result, further evidence will be generated to demonstrate the usefulness of existing and new products in addressing the unmet needs of allergy sufferers worldwide.

ALK will maintain a competitive SCIT, SLIT and AIT range for the European markets while developing new AIT products that both offer improvements for patients and extend ALK's industry leadership. The development of a broad AIT portfolio against the most common allergies – house dust mites, grass, ragweed and trees – offers a unique opportunity to expand ALK's reach to a wider patient population.

Simultaneously, ALK will work to raise awareness of respiratory allergies, the understanding of how allergy immunotherapy relieves the burden for patients and to improve treatment access for patients world-wide.

This innovation effort will be supported by significant investment in R&D – currently more than 20% of revenue – a figure which will be reduced over the strategy period, mainly due to the anticipated top line growth.

**Grow:** ALK is well equipped for growth, with quality products, a solid market position in Europe and the USA and a business infrastructure that is capable of sustaining further growth. ALK remains committed to growth in all markets – its European core market, North America, Japan as well as China and other emerging markets.

In Europe, ALK intends to launch additional AIT products. Furthermore, ALK will introduce a number of strategic growth initiatives to capture market shares and strengthen the prescriber base and patient relations. The aim is to outperform competitors and to drive an increased use of allergy immunotherapy.

Examples of these growth initiatives are the recent introduction of the enhanced SLIT drop product SLITone$^{ULTRA®}$ and the adrenaline auto-injector,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Jext®, as well as a co-promotion agreement with MSD for GRAZAX® in France. Further initiatives will also include an expansion of the sales force in selected markets.

Outside Europe, there is a large untapped growth potential. ALK will continue to support its strategic partnerships with Merck for North America and Torii for Japan while also extending its geographical reach to new emerging markets, either organically, through partnerships or by acquisitions.

**Financial objectives unchanged:** The updated strategy plan aims to deliver sustained long-term value for shareholders.

ALK continues to target annual revenue of DKK 3,000 million in 2015 and an operating profit (EBITDA) of at least 25% of revenue.

The majority of ALK's objectives for operating profit will be delivered by the 'Grow' part of the plan. Current financial projections assume that, by 2015, approximately half of the increase in operating profit will come from the adrenaline franchise (Jext®) and a continued growth in ALK's allergy immunotherapy business, mainly in Europe. The remainder is expected to come from geographical expansion, including contribution from partnerships.

Many of the 'Simplify' and 'Innovate' initiatives will deliver sizeable financial payoffs, but these will largely come in the years beyond 2015. If plans for the global commercialisation of allergy immunotherapy products and adrenaline auto-injectors are successful, ALK would expect profits to further improve from 2016 and onwards.

**Partnerships**

A key part of ALK's strategy is to ensure global access to allergy immunotherapy through partnerships with other companies. At present, ALK has two strategic partnerships on commercialisation of AIT covering the world's two largest pharmaceutical markets, the USA and Japan.

ALK's partnerships with Merck and Torii have recently both shown very positive progress.

**North America: Partnership with Merck**

The partnership with Merck covers the development, registration and commercialisation of a portfolio of allergy immunotherapy tablets (AITs) against grass pollen, ragweed and house dust mite (HDM) allergy in the USA, Canada and Mexico.

Approximately 60 million people in North America have been diagnosed as suffering from allergy to grass, ragweed or house dust mites. Many patients' disease and allergy symptoms are not well-controlled and there is a significant unmet need for better treatment.

Merck has undertaken a series of important steps to commercialise the tablet portfolio, including:

**Grass AIT**: The recent successful completion of a Phase III clinical trial of grass AIT (known as GRAZAX® in Europe) which met the primary endpoint.

Including approximately 1,500 patients, the trial was the largest trial of grass AIT to date. It was designed to form a pivotal part of the submission package for Merck's filing of a registration application for grass AIT with the U.S. Food and Drug Administration (FDA). Merck has informed ALK that the new data supports and confirms the planned filing of the registration application in 2013. About 50% of the North American allergy sufferers are affected by the seasonal grass allergen.

**Ragweed AIT**: The successful completion of two Phase III clinical trials with ragweed AIT, which both consistently met the primary efficacy endpoints of reducing allergy symptoms and concomitant medication use. Recently, Merck also completed an additional safety trial of 900 patients. The results supported Merck's plans for filing of a registration application with the FDA in 2013. About 50% of the North American allergy sufferers are affected by the seasonal ragweed allergen.

**House Dust Mite AIT**: Recently, Merck initiated a Phase IIb clinical trial for HDM AIT (known as MITIZAX® in Europe and Japan). The purpose is to evaluate dose-related efficacy, safety and tolerability of HDM AIT. The trial is expected to complete in 2013. Additionally, Merck has initiated a

Phase I clinical trial aimed at investigating the tolerability of the product in approximately 200 patients. This trial is also expected to complete in 2013. Finally, Merck has also recently disclosed its plans to initiate a Phase III clinical trial involving about 1,500 patients expected to complete in 2015. Approximately 45% of allergy sufferers in North America are affected by the non-seasonal HDM allergen.

**Japan: Partnership with Torii**
The partnership with Torii covers the development, registration and commercialisation of, among other products, MITIZAX® in Japan. The agreement also covers ALK's existing injection based allergy immunotherapy and diagnostic products against house dust mite allergy as well as an agreement on joint research and development of an AIT against Japanese cedar allergy.

Approximately 35 million people in Japan have been diagnosed as suffering from allergy to house dust mites or Japanese cedar trees. Many patients' disease and allergy symptoms are not well-controlled and there is also in Japan a significant unmet need for better treatment.

Torii has recently advanced the clinical development programme for MITIZAX® by initiating two parallel Phase II/III trials in Japan. The two trials are intended to include approximately 1,800 patients and will investigate safety and efficacy of MITIZAX® in the treatment of house dust mite induced allergic rhinitis and asthma. Initiation of patient dosing in the Phase II/III trials in Japan entitled ALK to a milestone payment from Torii.

**European development programme**
ALK has recently initiated a Phase II clinical trial for Tree AIT to evaluate dose-related efficacy, safety and tolerability of Tree AIT compared to placebo in the treatment of tree pollen-induced allergic rhinoconjunctivitis (hay fever). The trial is expected to enrol 600 adult patients and is scheduled for completion in 2013. Approximately 15% of allergy sufferers in Europe are affected by the seasonal birch pollen allergen.

Additionally, ALK is currently conducting four large-scale Phase III clinical trials which all are running according to plans:

- Two trials with MITIZAX® investigating the treatment effect on allergic rhinitis and asthma, respectively.
- The GAP trial investigating the ability of GRAZAX® to prevent the development of asthma in children suffering from hay fever.
- A trial with the SCIT product AVANZ® investigating the products' efficacy and safety.

In 2012, more than 8,000 patients have been or will be enrolled in clinical trials with ALK's investigational product candidates. This represents an unprecedented high R&D activity level.

**France: Co-promotion with MSD**
ALK has entered into a co-promotion agreement with MSD (known as Merck in the USA and Canada) for GRAZAX® in France aimed at accelerating the uptake of the product by the allergy community in France.

ALK will book all sales of GRAZAX® and MSD will receive a co-promotion fee from ALK which reflects the product's overall sales performance in France. The agreement will not have a material impact on ALK's financial outlook for 2012.

**Risk factors**
This interim 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 interim report. Without being exhaustive, such factors include, e.g. general economic and business conditions, including legal issues, uncertainty relating to pricing, reimbursement rules, 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 immunotherapy may be associated with allergic reactions of differing extent, duration and severity.

**2013 Financial calendar**

| | |
|---|---|
| Silent period | 8 January 2013 |
| Annual report 2012 | 5 February 2013 |


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## STATEMENT BY THE MANAGEMENT

The Board of Directors and Board of Management today considered and approved the interim report of ALK-Abelló A/S for the period 1 January to 30 September 2012.

The interim report has been prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for the interim reports of listed companies. As in previous years, the interim report has not been subject to audit or review.

In our opinion, the interim report gives a true and fair view of the Group's assets, equity and liabilities, financial position, results of operations and cash flows for the period 1 January to 30 September 2012. Moreover, in our opinion, the interim report gives a true and fair view of developments in the Group's activities and financial position and describes significant risk and uncertainty factors that may affect the Group.

**Hørsholm, 12 November 2012**

**Board of Management**

| | | |
|---|---|---|
| Jens Bager<br>(President and CEO) | Henrik Jacobi | Flemming Steen Jensen |
| Søren Daniel Niegel | Flemming Pedersen | |

**Board of Directors**

| | | |
|---|---|---|
| Steen Riisgaard<br>(Chairman) | Christian Dyvig<br>(Vice Chairman) | Lars Holmqvist |
| Jacob Kastrup | Thorleif Krarup | Anders Gersel Pedersen |
| Dorthe Seitzberg | Katja Barnkob Thalund | Jes Østergaard |


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## INCOME STATEMENT (unaudited)

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|---|---|---|---|---|
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| 388 | **454** | **Gross profit** | **1,251** | 1,325 |
| 109 | **113** | Research and development expenses | **376** | 320 |
| 179 | **193** | Sales and marketing expenses | **606** | 570 |
| 50 | **49** | Administrative expenses | **153** | 152 |
| - | **-** | Other operating income | **-** | 2 |
| 50 | **99** | **Operating profit (EBIT)** | **116** | 285 |
| 16 | **(6)** | Net financial items | **(2)** | 11 |
| 66 | **93** | **Profit before tax (EBT)** | **114** | 296 |
| 25 | **37** | Tax on profit | **45** | 115 |
| 41 | **56** | **Net profit, continuing operations** | **69** | 181 |
| - | **-** | Net profit, past discontinued operations | **155** | - |
| 41 | **56** | **Net profit** | **224** | 181 |
| 4.14 | **5.76** | Earnings per share (EPS) – DKK | **22.94** | 18.28 |
| 4.14 | **5.76** | Earnings per share (EPS), continuing operations – DKK | **7.07** | 18.28 |
| 4.14 | **5.73** | Earnings per share (DEPS), diluted – DKK | **22.83** | 18.28 |
| 4.14 | **5.73** | Earnings per share (DEPS), diluted, continuing operations – DKK | **7.03** | 18.28 |

## STATEMENT OF COMPREHENSIVE INCOME (unaudited)

| ALK Group | | | ALK Group | |
|---|---|---|---|---|
| Q3 2011 | Q3 2012 | Amounts in DKKm | 9M 2012 | 9M 2011 |
| 41 | **56** | **Net profit for the period** | **224** | 181 |
| | | **Other comprehensive income** | | |
| 13 | **(6)** | Foreign currency translation adjustment of foreign subsidiaries | **5** | (13) |
| - | **(1)** | Net fair value adjustment of financial assets available for sale | **23** | - |
| (2) | **1** | Tax related to other comprehensive income | **(6)** | 1 |
| 11 | **(6)** | **Other comprehensive income** | **22** | (12) |
| 52 | **50** | **Total comprehensive income** | **246** | 169 |


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## CASH FLOW STATEMENT (unaudited)

| | ALK Group | |
|---|---|---|
| Amounts in DKKm | **9M 2012** | **9M 2011** |
| **Net profit** | **224** | 181 |
| Adjustments: | | |
| Change in provisions and payables from past discontinued operations | **(155)** | - |
| Tax on profit | **45** | 115 |
| Financial income and expenses | **2** | (11) |
| Share-based payments | **8** | 7 |
| Depreciation, amortisation and impairment | **94** | 76 |
| Change in provisions | **6** | 1 |
| Net financial items, paid | **10** | 11 |
| Income taxes, paid | **(105)** | (92) |
| **Cash flow before change in working capital** | **129** | 288 |
| Change in inventories | **(1)** | 11 |
| Change in receivables | **(68)** | (31) |
| Change in short-term payables | **(65)** | 37 |
| **Cash flow from operating activities** | **(5)** | 305 |
| Additions, intangible assets | **(18)** | (23) |
| Additions, tangible assets | **(125)** | (68) |
| **Cash flow from investing activities** | **(143)** | (91) |
| **Free cash flow** | **(148)** | 214 |
| Dividend paid to shareholders of the parent | **(49)** | (50) |
| Purchase of treasury shares | **(55)** | - |
| Change in financial liabilities | **(1)** | (11) |
| **Cash flow from financing activities** | **(105)** | (61) |
| **Cash flow from past discontinued operations** | **-** | - |
| **Net cash flow** | **(253)** | 153 |
| Cash and cash equivalents at 1 January | **754** | 250 |
| Unrealised gain/(loss) on foreign currency and financial assets carried as cash and cash equivalents | **(4)** | - |
| Net cash flow | **(253)** | 153 |
| **Cash and cash equivalents at 30 September** | **497** | 403 |

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.


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## BALANCE SHEET (unaudited)

| Assets | ALK Group | | |
|---|---|---|---|
| Amounts in DKKm | 30 Sept. 2012 | 31 Dec. 2011 | 30 Sept. 2011 |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Goodwill | **408** | 408 | 407 |
| Other intangible assets | **207** | 211 | 205 |
| | **615** | 619 | 612 |
| **Tangible assets** | | | |
| Land and buildings | **650** | 561 | 550 |
| Plant and machinery | **275** | 176 | 166 |
| Other fixtures and equipment | **60** | 62 | 62 |
| Property, plant and equipment in progress | **307** | 437 | 419 |
| | **1,292** | 1,236 | 1,197 |
| **Other non-current assets** | | | |
| Securities and receivables | **58** | 35 | 28 |
| Deferred tax assets | **57** | 68 | 69 |
| | **115** | 103 | 97 |
| **Total non-current assets** | **2,022** | 1,958 | 1,906 |
| **Current assets** | | | |
| Inventories | **292** | 291 | 296 |
| Trade receivables | **261** | 254 | 244 |
| Receivables from affiliates | **-** | - | 27 |
| Income tax receivables | **73** | 30 | 22 |
| Other receivables | **89** | 31 | 70 |
| Prepayments | **37** | 36 | 29 |
| Cash and cash equivalents | **497** | 754 | 403 |
| **Total current assets** | **1,249** | 1,396 | 1,091 |
| **Total assets** | **3,271** | 3,354 | 2,997 |


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## BALANCE SHEET (unaudited)

| Equity and liabilities | ALK Group | | |
|---|---|---|---|
| Amounts in DKKm | **30 Sept. 2012** | **31 Dec. 2011** | **30 Sept. 2011** |
| **Equity** | | | |
| Share capital | **101** | 101 | 101 |
| Currency translation adjustment | **(4)** | (9) | (22) |
| Retained earnings | **2,220** | 2,075 | 2,065 |
| **Total equity** | **2,317** | 2,167 | 2,144 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Mortgage debt | **24** | 25 | 25 |
| Bank loans and financial loans | **304** | 305 | 8 |
| Pensions and similar liabilities | **100** | 93 | 89 |
| Other provisions | **1** | 142 | 146 |
| Deferred tax liabilities | **25** | 21 | 25 |
| | **454** | 586 | 293 |
| **Current liabilities** | | | |
| Mortgage debt | **2** | 1 | 1 |
| Bank loans and financial loans | **3** | 3 | 3 |
| Trade payables | **97** | 147 | 74 |
| Income taxes | **35** | 61 | 76 |
| Other payables | **344** | 315 | 326 |
| Deferred income | **19** | 74 | 80 |
| | **500** | 601 | 560 |
| **Total liabilities** | **954** | 1,187 | 853 |
| **Total equity and liabilities** | **3,271** | 3,354 | 2,997 |


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## EQUITY (unaudited)

ALK Group

| Amounts in DKKm | Share capital | Other reserves: Foreign currency translation adjustment | Retained earnings | Total equity |
|---|---|---|---|---|
| **Equity at 1 January 2012** | **101** | **(9)** | **2,075** | **2,167** |
| Net profit | - | - | 224 | 224 |
| Foreign currency translation adjustment of foreign subsidiaries | - | 5 | - | 5 |
| Net fair value adjustment of financial assets available for sale | - | - | 23 | 23 |
| Tax related to other comprehensive income | - | - | (6) | (6) |
| **Other comprehensive income** | **-** | **5** | **17** | **22** |
| **Total comprehensive income** | **-** | **5** | **241** | **246** |
| Share-based payments | - | - | 8 | 8 |
| Purchase of treasury shares | - | - | (55) | (55) |
| Dividend paid | - | - | (51) | (51) |
| Dividends on treasury shares | - | - | 2 | 2 |
| **Other transactions** | **-** | **-** | **(96)** | **(96)** |
| **Equity at 30 September 2012** | **101** | **(4)** | **2,220** | **2,317** |

| Amounts in DKKm | Share capital | Other reserves: Foreign currency translation adjustment | Retained earnings | Total equity |
|---|---|---|---|---|
| **Equity at 1 January 2011** | **101** | **(10)** | **1,927** | **2,018** |
| Net profit | - | - | 181 | 181 |
| Foreign currency translation adjustment of foreign subsidiaries | - | (13) | - | (13) |
| Tax related to other comprehensive income | - | 1 | - | 1 |
| **Other comprehensive income** | **-** | **(12)** | **-** | **(12)** |
| **Total comprehensive income** | **-** | **(12)** | **181** | **169** |
| Share-based payments | - | - | 7 | 7 |
| Dividend paid | - | - | (50) | (50) |
| **Other transactions** | **-** | **-** | **(43)** | **(43)** |
| **Equity at 30 September 2011** | **101** | **(22)** | **2,065** | **2,144** |


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## NOTES (unaudited)

### 1 ACCOUNTING POLICIES

The interim report for the period 1 January to 30 September 2012 is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The additional Danish disclosure requirements are defined in the Danish Executive Order on Interim Reports issued under the Danish Financial Statements Act.

The accounting policies are unchanged compared to the Annual Report 2011. Please see this report for a more detailed description of the Group's accounting policies.

### 2 REVENUE

| ALK Group | | | ALK Group | |
|---|---|---|---|---|
| **Q3 2011** | **Q3 2012** | Amounts in DKKm | **9M 2012** | **9M 2011** |
| | | **Net sales by product line** | | |
| 242 | **235** | SCIT | **716** | 707 |
| 150 | **155** | SLIT | **530** | 530 |
| 38 | **38** | AIT | **154** | 135 |
| 430 | **428** | **Total vaccines** | **1,400** | 1,372 |
| 33 | **47** | Other products | **137** | 165 |
| 463 | **475** | **Total net sales** | **1,537** | 1,537 |
| 49 | **133** | Other revenue | **193** | 233 |
| 512 | **608** | **Total revenue** | **1,730** | 1,770 |
| | | **Revenue by market** | | |
| 93 | **98** | Northern Europe | **295** | 347 |
| 176 | **173** | Central Europe | **525** | 528 |
| 131 | **135** | Southern Europe | **505** | 467 |
| 63 | **69** | Other markets | **212** | 195 |
| 463 | **475** | **Total net sales** | **1,537** | 1,537 |
| 49 | **133** | Other revenue | **193** | 233 |
| 512 | **608** | **Total revenue** | **1,730** | 1,770 |

| Q3 2012 | | | 9M 2012 | |
|---|---|---|---|---|
| **Growth** | **Growth local currencies** | | **Growth local currencies** | **Growth** |
| **-3%** | **-5%** | SCIT | **0%** | **1%** |
| **3%** | **3%** | SLIT | **0%** | **0%** |
| **0%** | **-2%** | AIT | **13%** | **14%** |
| **0%** | **-2%** | **Total vaccines** | **1%** | **2%** |
| **42%** | **35%** | Other products | **-20%** | **-17%** |
| **3%** | **1%** | **Total net sales** | **-1%** | **0%** |
| **171%** | **174%** | Other revenue | **-19%** | **-17%** |
| **19%** | **17%** | **Total revenue** | **-4%** | **-2%** |
| **5%** | **3%** | Northern Europe | **-16%** | **-15%** |
| **-2%** | **-2%** | Central Europe | **0%** | **-1%** |
| **3%** | **4%** | Southern Europe | **8%** | **8%** |
| **10%** | **0%** | Other markets | **0%** | **9%** |
| **3%** | **1%** | **Total net sales** | **-1%** | **0%** |
| **171%** | **174%** | Other revenue | **-19%** | **-17%** |
| **19%** | **17%** | **Total revenue** | **-4%** | **-2%** |


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NOTES (unaudited)

## 3 DISCONTINUED OPERATIONS

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

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

## 4 KEY CURRENCIES AND CURRENCY SENSITIVITY

Average exchange rates

| | **9M 2012** | **9M 2011** |
|---|---|---|
| USD | **5.77** | 5.30 |
| GBP | **9.14** | 8.52 |

Sensitivity in the event of a 10% increase in exchange rates (full year effect)

| Amounts in DKKm | **Net sales** | **EBITDA** |
|---|---|---|
| USD | **approx. + 20** | **approx. 0** |
| GBP | **approx. + 5** | **approx. 0** |

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


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## DEFINITIONS

| | |
|---|---|
| **Invested capital** | *Intangible assets, tangible assets, inventories and current receivables reduced by liabilities except for mortgage debt, bank loans and financial loans* |
| **Gross margin – %** | *Gross profit x 100 / Revenue* |
| **EBITDA margin – %** | *Operating profit before depreciation and amortisation x 100 / Revenue* |
| **Net asset value per share** | *Equity at end of period / Number of shares at end of period* |
| **Earnings per share (EPS)** | *Net profit/(loss) for the period / Average number of outstanding shares* |
| **Earnings per share (DEPS), diluted** | *Net profit/(loss) for the period / Diluted average number of outstanding shares* |
| **Cash flow per share (CFPS)** | *Cash flow from operating activities / Average number of outstanding shares* |
| **Markets** | *Geographical markets (based on customer location):*<br>*- Northern Europe comprises the Nordic region, the UK and the Netherlands*<br>*- Central Europe comprises Germany, Austria, Switzerland, Poland and minor selected markets in Eastern Europe*<br>*- Southern Europe comprises Spain, Italy, France, Greece, Portugal and minor markets in Southern Europe*<br>*- Other markets comprise the USA, Canada, China and rest of world* |

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


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