

Nine-month interim report (Q3) 2019 (Unaudited)

Company release No. 18/2019

On track for double-digit growth

ALK's strategy continued to deliver positive results during Q3, with broad-based growth from all regions. Tablet sales grew by 35% and the portfolio was further strengthened by encouraging first launches of the new tree tablet. In the first nine months of the year, ALK saw growth of 11% and remains on course to deliver revenue growth of 10% or more for the full year. The full-year outlook has been updated to reflect improved earnings.

Q3 2019 highlights

- ▶ Total revenue was up 11% in local currencies at DKK 739 million (661).
- ▶ Tablet sales grew by 35% to DKK 185 million (138) and combined SCIT and SLIT-drops sales were up 4%, reflecting the continued recovery of SCIT sales.
- ▶ There was growth in all sales regions, at 6% in Europe, 17% in North America and 80% in International markets.
- ▶ Operating profit (EBITDA) was DKK 36 million (24) and benefited from higher revenue and operational efficiencies.
- ▶ Free cash flow for the quarter was DKK minus 35 million (minus 153).
- ▶ In the first nine months, total revenue was up 11% at DKK 2,391 million (2,128) and operating profit (EBITDA) was DKK 193 million (126).
- ▶ In the first nine months, free cash flow was DKK minus 184 million (minus 354).

Progress on the four strategic priorities

- ▶ Commercialisation of the tablet portfolio continues to advance with the first launches of the new tree tablet, ITULAZAX[®]. In the first market, Germany, ALK has delivered its best ever tablet launch in terms of patients and sales.
- ▶ In North America, work on the SLIT-tablets opportunity continued to deliver gradual acceptance among key prescribers, with improved prescription depth that is tracking close to plan.
- ▶ Digital patient engagement continued to exceed expectations and ALK will build on the successes of the two pilot markets by expanding activities into 10 further markets in 2020.
- ▶ The site and portfolio strategy remains on track, while quality and efficiency programmes continue to yield results, as evidenced by regulatory inspections of ALK facilities in Q3. ALK also secured an amended approval for SCIT product Alutard SQ[®] in Germany, allowing shorter up dosing to meet patient and prescriber needs.

2019 financial outlook

Based on results for the year to date and the forecast for Q4, ALK's full-year outlook has been updated to reflect improved earnings and the phasing of investments:

- ▶ Full-year revenue is still projected to be DKK 3,200-3,300 million.
- ▶ Operating profit (EBITDA) is now expected at DKK 200-250 million (previously DKK 150-250 million).
- ▶ Free cash flow is now expected at approximately DKK minus 200 million (previously DKK minus 300 million).
- ▶ ALK continues its investment programme to support the three-year strategic transformation of the company between 2018 and 2020, and the associated business investments will continue to affect operating profit and free cash flow.

Hørsholm, 7 November 2019

ALK-Abelló A/S

Comparative figures for 2018 are shown in brackets. Growth rates are stated in local currencies, unless otherwise indicated

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Today, ALK is hosting a conference call for analysts and investors at 1.30 p.m. (CET) at which Management will review the financial results and the outlook. The conference call will be audio cast on <https://ir.alk.net>. Participants for the audio cast are kindly requested to call in before 1.25 p.m. (CET). Danish participants should call in on tel. +45 3544 5577 and international participants should call in on tel. +44 333 300 0804 or +1 631 913 1422. Please use the Participant Pin Code: 95006627#. The conference call will also be webcast live on our website, where the related presentation will be made available shortly before the call begins.

FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR THE ALK GROUP

Amounts in DKKm	9M 2019	9M 2018	Q3 2019	Q3 2018	Full year 2018
Income statement					
Revenue	2,391	2,128	739	661	2,915
Operating profit before depreciation (EBITDA)	193	126	36	24	136
Operating profit/(loss) (EBIT)	(4)	(15)	(18)	(25)	(96)
Net financial items	(13)	(5)	7	(2)	(7)
Profit/(loss) before tax (EBT)	(17)	(20)	(11)	(27)	(103)
Net profit/(loss)	(21)	(24)	(14)	(31)	(170)
Average number of employees (FTE)	2,384	2,336	2,386	2,347	2,341
Balance sheet					
Total assets	5,091	4,861	5,091	4,861	4,865
Invested capital	3,271	3,156	3,271	3,156	2,968
Equity	3,193	3,289	3,193	3,289	3,179
Cash flow and investments					
Depreciations, amortisation and impairment	197	141	54	49	232
Cash flow from operating activities	(60)	(214)	7	(106)	(95)
Cash flow from investing activities	(124)	(140)	(42)	(47)	(199)
- of which investment in tangible and intangible assets	(104)	(119)	(39)	(33)	(178)
- of which acquisitions of companies and operations	(20)	(21)	(3)	(14)	(21)
Free cash flow	(184)	(354)	(35)	(153)	(294)
Information on shares					
Share capital	111	111	111	111	111
Shares in thousands of DKK 10 each	11,141	11,141	11,141	11,141	11,141
Share price, end of period – DKK	1,409	1,072	1,409	1,072	960
Net asset value per share – DKK	287	295	287	295	285
Key figures					
Gross margin – %	58	56	60	56	56
EBITDA margin – %	8	6	5	4	5
Equity ratio – %	63	68	63	68	65
Earnings/(loss) per share (EPS)	(1.9)	(1.7)	(1.3)	(1.7)	(15.6)
Earnings/(loss) per share (DEPS), diluted	(1.9)	(1.7)	(1.3)	(1.7)	(15.6)
Share price/Net asset value	4.9	3.6	4.9	3.6	3.4

INCOME STATEMENT

Q3 2018		Q3 2019		Amounts in DKKm	9M 2019		9M 2018	
	%		%			%		%
661	100	739	100	Revenue	2,391	100	2,128	100
288	44	293	40	Cost of sales	1,014	42	929	44
373	56	446	60	Gross profit	1,377	58	1,199	56
84	13	124	17	Research and development expenses	317	13	252	12
314	48	342	46	Sales, marketing and administrative expenses	1,066	45	962	45
-	-	2	0	Other operating income and expenses	2	0	-	-
(25)	(4)	(18)	(3)	Operating profit/(loss) (EBIT)	(4)	(0)	(15)	(1)
(2)	(0)	7	1	Net financial items	(13)	(1)	(5)	(0)
(27)	(4)	(11)	(2)	Profit/(loss) before tax (EBT)	(17)	(1)	(20)	(1)
4	1	3	0	Tax on profit	4	0	4	0
(31)	(5)	(14)	(2)	Net profit/(loss)	(21)	(1)	(24)	(1)
24	4	36	5	Operating profit before depreciation and amortisation (EBITDA)	193	8	126	6

UPDATE ON BUSINESS PRIORITIES

In Q3, ALK continued its growth strategy which, over the three-year period between 2018 and 2020, is transforming ALK into a broader-based allergy company, while also driving strong sales growth for the tablets. There are four pillars to the strategy:

1. Succeed in North America

Overall growth in North America improved during Q3 and ALK continues to target approximately 10% overall sales growth in 2019, driven by growth from bulk allergen products (SCIT), tablets and diagnostics.

Tablet sales grew by 47% in Q3 but actual sales numbers remained modest at DKK 22 million.

Both new patients and the overall number of prescribers continued to grow. Prescription depth also further improved among targeted prescribers, and ALK's target of roughly doubling the number of prescribers who meet internal benchmarks for satisfactory prescription depth remains achievable.

ALK is also seeing increasing acceptance of the tablets in Canada. Sales continued to grow in Q3 and the majority of allergy specialists are regular prescribers.

Patients' access to reimbursement from managed care providers remains satisfactory. In the USA, 74% of AIT-eligible patients with commercial insurance have access to reimbursement for ODACTRA™ while the equivalent level in Canada exceeds 80%.

ALK's long-term focus in North America remains on increasing acceptance and further developing tablet sales by mobilising patients, increasing prescription

volumes among current prescribers (depth), while growing the number of new prescribers (breadth) and enhancing sales force effectiveness.

2. Complete and commercialise the tablet portfolio for all relevant ages

Tablets maintained a strong momentum in Q3, yielding 2019 year-to-date sales growth of 44% as ALK took advantage of continuing market expansion and the market shift towards documented, registered products. Tablet growth over the first nine months is in-line with ALK's expectations for the full year, and well above ALK's short-term ambition of annual growth of 30%.

ALK continues its work on improving access to convenient and effective AIT treatments for more patients with severe allergies. Key to this is expanding the acceptance among allergy specialists to other specialist prescriber groups, supporting and mobilising patients to ask doctors about treatment options, and expanding ALK's tablets into new markets and segments.

In line with this, Q3 saw the first launches of the new tree tablet, ITULAZAX®. Although these are early days, and volumes are still low, in the first market of Germany, ALK has delivered its best ever tablet launch. In total there are more than 4,000 patients estimated on treatment so far, and initial feedback has been very positive, with prescribers citing product efficacy and treatment simplicity as attractive features.

In addition, ALK has begun making its ragweed tablet RAGWIZAX® available in selected European markets according to need. Furthermore, ALK is preparing to submit European, Canadian and US registration applications for paediatric use of the ragweed tablet

based on the successful large-scale Phase III clinical trial reported in early 2019.

Meanwhile, Canadian health authorities are currently conducting a regulatory review of the tree tablet submission, and clinical trials for ACARIZAX®/ ODACTRA™ in China, Europe and North America are all progressing according to plan.

3. Patient engagement and adjacent business

These activities continued in Q3, supporting people with allergy much earlier in their disease journey by engaging with, informing and mobilising relevant patients to seek treatment.

Digital engagement activities continued to exceed expectations. Over the first nine months, ALK has seen ~158,000 downloads of the klara mobile app, ~143,000 online allergy tests conducted and ~50,000 online searches for an allergist. Over the same period, an estimated >100 million messages have been seen via the klarify.me consumer portals. Analysis shows that engagement is at its highest during the peak pollen allergy season, and work is underway to identify opportunities for increasing year-round traffic.

Based on the successes of the two launch markets, and as a first step towards further expansion of digital patient engagement activities, ALK will launch the klara mobile app in 10 additional markets in 2020.

Development work on ALK's recently announced strategy for entering the US market for adrenaline auto-injector pens (AAIs) – a next-generation AAI in partnership with Windgap Medical – continues ahead of submitting a registration application to the US FDA.

Efforts to identify and explore opportunities for additional adjacent products and services continue.

4. Optimise and reallocate

ALK continued with its wide-ranging efficiency programme in Q3, to ensure the company is 'fit for growth'.

This includes the ongoing rationalisation of the product portfolio, with older and less competitive products being phased out in favour of documented, registered products. At the same time, ALK continues to invest in selected core legacy products. During Q3, an amended approval and launch for SCIT product Alutard SQ® was secured in Germany, allowing a shorter uposing phase to reflect patient and prescriber preferences.

Also included is the site strategy of further specialisation at production facilities to enhance quality, robustness and scalability, along with a

general move towards reducing supply chain costs. Further short-term investments are planned in these activities, which are expected to lead to a long-term improvement in the gross margin.

Robustness in manufacturing operations continues to improve and the benefits of recent quality upgrades were further evidenced during recent regulatory inspections of ALK's manufacturing facilities.

Q3 SALES AND MARKET TRENDS

(Comparative figures for Q3 2018 are shown in brackets. Growth rates are stated in local currencies, unless otherwise indicated)

Revenue by geography

DKKm	Q3-2019	Growth (l.c.*)	Share of revenue	Q3-2018
Europe	525	6%	71%	498
North America	176	17%	24%	143
Intl. markets	38	80%	5%	20
Revenue	739	11%	100%	661

* Local currencies

Europe

European revenue grew by 6% to DKK 525 million (498) and growth in the region was in line with expectations.

Tablet sales in the quarter were up 18%, and 30% for the first nine months. However, Q3 tablet sales were negatively affected by quarterly fluctuations in inventory levels at wholesalers. Nevertheless, ALK expects Q4 sales growth in line with the 30% seen during the first nine months. ALK continues to take advantage of the market transition towards evidence-based, registered products, as well as its own initiatives to promote the tablets to medical professionals and payers. The tree SLIT-tablet, ITULAZAX® has been successfully launched in its first markets and made its first contribution to tablet sales in the quarter.

Combined sales of SCIT and SLIT-drops increased by 7%, mainly driven by the continued recovery of SCIT sales and strong growth from venom products in particular, but also by slightly improved pricing and rebate adjustments in selected markets. The decline in SLIT-drops sales was less pronounced than in previous quarters as the effect of market normalisation in the main market, France, levels off after the distortions of previous years.

Sales of other products decreased by 21%. The adrenaline auto-injector Jext® retained the majority of its recent market share gains, however, sales still declined slightly as market supply gradually normalised following last year's supply issues. In addition, Jext® manufacturing capacity was constrained during Q3 due to quality upgrades at a

key sub-supplier. Sales of other products were further affected by the accelerated portfolio rationalisation. Overall revenue increased in most markets, including France, where the effect of the aforementioned SLIT-drops market normalisation is levelling off, benefitting ALK SLIT-drops sales. In Germany, sales of documented, registered AIT products continued to outgrow those of unregistered products, and initiatives to increase the number of patients who can benefit from such products continue.

Allergy market conditions were largely stable in Europe, and there were no major changes to the pricing and reimbursement of AIT products in Q3, although the risk of further pressure in Southern Europe persists.

Nine-month revenue in Europe was DKK 1,730 million (1,618), and growth was 7%. The region's share of overall growth in local currencies in the first nine months was 48%.

North America

Revenue was DKK 176 million (143), with 17% growth in local currencies. Revenue was largely in line with growth expectations for AIT and diagnostic products, and reflected improved sales of other, non-allergy-related products, following a somewhat weak Q2.

SLIT-tablet sales were up 47% and sales of bulk allergen extracts (SCIT) to specialists and clinics grew by 2% following the discontinuation of sales or promotional activities for certain low-margin products and services in line with the overall efforts to phase out older and less competitive products. Disregarding this, sales of continuing SCIT-related products grew by 19%. Meanwhile, sales of diagnostics and other products increased 29%, due to strong performance from the PRE-PEN[®] diagnostic product and improved sales of non-allergy related products, which have experienced fluctuating customer purchasing patterns over recent quarters.

Nine-month revenue was DKK 496 million (422) and growth was 11%. The region's share of overall growth in local currencies in the first nine months was 20%.

International markets

Revenue in International markets was up 80% at DKK 38 million (20). Growth was in line with expectations and mainly attributable to the continued strong uptake of MITICURE[™] and CEDARCURE[™] in Japan. Sales also improved in the newer markets of South-East Asia and Middle-East, while SCIT sales in China were lower due to the phasing of shipments following work to update ALK's import license, which is now complete.

Nine-month revenue in the region was DKK 165 million (88) and growth was 87%. The region's share

of overall growth in local currencies in the first nine months was 32%.

Global revenue by product line

DKKm	Q3-2019	Growth (l.c.*)	Share of revenue	Q3-2018
SCIT and SLIT-drops	422	4%	57%	401
SLIT-tablets	185	35%	25%	138
Other products and services	132	4%	18%	122
Revenue	739	11%	100%	661

* Local currencies

9M FINANCIAL REVIEW

(Comparative figures for 2018 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated)

9M revenue increased by 12% in reported currency to DKK 2,391 million (2,128). Exchange rate fluctuations positively impacted reported revenue by 1 percentage point. Growth in local currencies of 11% was in-line with expectations.

Cost of sales increased 7% in local currencies and 9% in reported currency to DKK 1,014 million (929). The gross profit of DKK 1,377 million (1,199) yielded a gross margin of 58% (56), reflecting increased sales – especially from tablets, with higher volumes absorbed by existing capacity – but also significant costs associated with compliance, efforts to secure robustness in product supply, and the implementation of the product and site strategy. Adjusting for the one-off impairment loss of DKK 30 million recognised in Q2 related to the divestment of ALK's part share of a formulation production line, the adjusted gross margin was 59%.

Capacity costs increased 13% in local currencies and 14% in reported currency to DKK 1,383 million (1,214). R&D expenses increased by 25% in line with expectations in support of clinical trials. Sales and marketing expenses grew by 9%, reflecting the activities in the USA, efforts to support tablet launches, as well as the cost of developing digital patient engagement platforms. Administrative expenses increased 11% largely as a consequence of strengthening selected support functions and certain one-off items.

EBITDA (operating profit before depreciation and amortisation) of DKK 193 million (126) was better than expected, reflecting higher revenue, better margins, efficiencies and savings. Exchange rates did not materially affect operating profits.

Net financials were a loss of DKK 13 million (loss of 5) mainly related to net interest expenses. **Tax on the profit** totalled DKK 4 million (4) and **net profit** was DKK minus 21 million (minus 24).

Cash flow from operating activities was DKK minus 60 million (outflow) (minus 214) mainly as a consequence of planned changes in working capital.

Cash flow from investment activities was DKK minus 124 million (minus 140) mainly relating to upgrades to legacy production and the build-up of capacity for SLIT-tablet production. **Free cash flow** was DKK minus 184 million (minus 354) which was better than expected, due to higher earnings and lower investments, and partly attributable to phasing.

Cash flow from financing activities was DKK minus 48 million (minus 25), mainly relating to the settlement of incentive programmes.

At the end of September, ALK held 253,744 of its **own shares** or 2.3% of the share capital, versus 2.4% at the end of 2018, and 2.4% at the end of September 2018.

At the end of September, **cash and marketable securities** totalled DKK 167 million, versus DKK 396 million at the end of 2018, and DKK 340 million at the end of September 2018. In addition, ALK has an unused credit facility of DKK 600 million which runs until the end of 2022.

Equity totalled DKK 3,193 million (3,289) at the end of the period, and the equity ratio was 63% (68%).

OUTLOOK FOR 2019

Based on the year-to-date results and the forecast for Q4, ALK has now updated its full-year outlook to reflect improved earnings and the phasing of investments:

- ▶ Full-year revenue is still projected to be DKK 3,200-3,300 million.
- ▶ Operating profit (EBITDA) is now expected at DKK 200-250 million (previously DKK 150-200 million).
- ▶ Free cash flow is now expected approximately at DKK minus 200 million (previously DKK minus 300 million).

Guidance history

DKK m	Total revenue	EBITDA	Free cash flow
7 Nov	3.2-3.3bn	200-250m	Approx. -200m
13 Aug	3.2-3.3bn	150-250m	Approx. -300m
9 May *	3.1-3.3bn	100-200m	-400m or better
7 Feb	3.1-3.3bn	100-200m	Approx. -400m
2018 Actuals	2.9bn	136m	-294m

*Guidance "tracking towards the higher end of range"

For 2019, ALK continues to expect broad-based growth across its sales regions and product segments. Earnings (EBITDA) and free cash flow will continue to be subdued, as ALK accelerates its investments to transform the company.

The revenue guidance still assumes that sales in Europe will grow in single digits, driven by strong growth in tablet sales and increasing SCIT sales. By contrast, European growth is still expected to be negatively impacted by portfolio rationalisations and lower SLIT-drops sales, as well as a normalisation of Jext[®] sales.

Revenue in North America is expected to increase by approximately 10%, while revenue in International markets is projected to grow in high double digits on increased tablet income from Japan and geographic expansion.

The guidance still assumes that the gross margin will increase incrementally, while capacity costs will be impacted by a significant increase in R&D expenses in support of the global clinical development of ACARIZAX[®]/ODACTRA[™] for children, as well as a clinical trial to pave the way for a launch of ACARIZAX[®] in China. Sales and marketing expenses are still expected to increase modestly to support the launch of ITULAZAX[®], the tree tablet, in Europe, the continued commercialisation of tablets in the USA, international expansion, and patient engagement activities. Administrative expenses are still expected to show a modest increase.

The free cash flow guidance has now been updated to reflect the improved earnings outlook and the phasing of certain investments. More generally, it also reflects continued business investment in support of strategic growth, as well as recent divestments. CAPEX is projected at approximately DKK 200 million, with investments focused on streamlining the manufacturing footprint and further specialisation at ALK's production facilities, in line with the site strategy.

The outlook does not include any revenue from acquisitions, new partnerships or adjacent products and services, nor does it include any sizeable payments related to future in-licensing or M&A activity. The outlook is based on current exchange rates.

RISK FACTORS

This interim report contains forward-looking statements, including forecasts of future revenue, operating profit and cash flow as well as expected business-related events. Such statements are naturally subject to risks and uncertainties, as various factors, some of which are beyond the control of ALK, may cause actual results and performance to differ materially from the forecasts made in this announcement. Without being exhaustive, such factors include e.g., general economic and business-related conditions, including legal issues, uncertainty relating to demand, pricing, reimbursement rules, partners' plans and forecasts, fluctuations in exchange rates, competitive factors and reliance on suppliers. Additional factors include the risks associated with the

sourcing and manufacturing of ALK's products as well as the potential for side effects from the use of ALK's existing and future products, as allergy immunotherapy may be associated with allergic reactions of differing extents, durations and severities.

Financial calendar

Silent period
Annual report 2019

8 January 2020
5 February 2020

R&D PIPELINE STATUS

ALK aims to globalise a portfolio of SLIT-tablets for all relevant ages, covering five of the most common respiratory allergies: house dust mite, grass, tree, ragweed and Japanese cedar.



*) Licensed to Torii for Japan **) Licensed Abbott for South-East Asia and Seqirus for Australia/New Zealand ***) Already marketed in selected markets

STATEMENT BY 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 2019. The interim report has not been audited or reviewed by the company's independent auditor.

The consolidated interim report has been prepared in accordance with IAS 34 'Interim financial reporting' and additional Danish disclosure requirements for the presentation of quarterly interim reports by listed companies.

In our opinion, the interim report gives a true and fair view of the ALK Group's assets, equity and liabilities, financial position, results of operations and cash flow for the period 1 January to 30 September 2019. We further consider that the Management review in the preceding pages gives a true and fair view of the development in the ALK Group's activities and business, the profit for the period and the ALK Group's financial position as a whole, and a description of the most significant risks and uncertainties to which the ALK Group is subject.

Hørsholm, 7 November 2019

Board of Management

Carsten Hellmann
President & CEO

Henrik Jacobi
Executive Vice President
Research & Development

Søren Jelert
CFO & Executive Vice President

Søren Daniel Niegel
Executive Vice President
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Lars Holmqvist

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Johan Smedsrud

Vincent Warnery

INCOME STATEMENT FOR THE ALK GROUP

Q3 2018	Q3 2019	Amounts in DKKm	9M 2019	9M 2018
661	739	Revenue	2,391	2,128
288	293	Cost of sales	1,014	929
373	446	Gross profit	1,377	1,199
84	124	Research and development expenses	317	252
264	286	Sales and marketing expenses	885	800
50	56	Administrative expenses	181	162
-	2	Other operating income	2	-
(25)	(18)	Operating profit/(loss) (EBIT)	(4)	(15)
(2)	7	Net financial items	(13)	(5)
(27)	(11)	Profit/(loss) before tax (EBT)	(17)	(20)
4	3	Tax on profit	4	4
(31)	(14)	Net profit/(loss)	(21)	(24)
		Earnings per share (EPS)		
(2.4)	(1.3)	Earnings/(loss) per share (EPS)	(1.9)	(1.7)
(2.4)	(1.3)	Earnings/(loss) per share (DEPS), diluted	(1.9)	(1.7)

STATEMENT OF COMPREHENSIVE INCOME

Q3 2018	Q3 2019	Amounts in DKKm	9M 2019	9M 2018
(31)	(14)	Net profit/(loss)	(21)	(24)
		Other comprehensive income		
		<i>Items that will subsequently be reclassified to the income statement, when specific conditions are met:</i>		
3	34	Foreign currency translation adjustment of foreign affiliates	41	27
-	(5)	Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	(5)	(4)
3	29	Total	36	23
(28)	15	Total comprehensive income/(loss)	15	(1)

CASH FLOW STATEMENT FOR THE ALK GROUP

Amounts in DKKm	9M 2019	9M 2018
Net profit/(loss)	(21)	(24)
Adjustments for non-cash items (note 3)	257	155
Changes in working capital	(190)	(209)
Net financial items, paid	(21)	(7)
Income taxes, paid	(85)	(129)
Cash flow from operating activities	(60)	(214)
Acquisitions of companies and operations*	(20)	(21)
Additions, intangible assets	(11)	(36)
Additions, tangible assets	(93)	(83)
Cash flow from investing activities	(124)	(140)
Free cash flow	(184)	(354)
Dividend paid to shareholders of the parent	-	-
Sale of treasury shares	3	4
Exercise of share options and settlement of Restricted Stock Units	(24)	(17)
Repayment of lease liabilities (note 1)	(15)	-
Repayment of borrowings	(12)	(12)
Cash flow from financing activities	(48)	(25)
Net cash flow	(232)	(379)
Cash at beginning of year	296	162
Marketable securities beginning of year	100	549
Cash and marketable securities beginning of year	396	711
Unrealised gains/(losses) on cash held in foreign currency and financial assets carried as cash and marketable securities	3	2
Net cash flow	(232)	(379)
Cash end of period	117	190
Marketable securities end of period	50	150
Cash and marketable securities end of period	167	340

The consolidated statement of cash flow is compiled using the indirect method. As a result, the individual figures in the cash flow statement cannot be reconciled directly to the income statement and the balance sheet.

Transactions related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent have no cash flow effect, hence eliminated in the consolidated statement of cash flow.

* Relates to the acquired assets in Allergy Laboratory of Oklahoma Inc. and Crystal Labs LLC in 2017.

BALANCE SHEET - ASSETS FOR THE ALK GROUP

Amounts in DKKm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current assets			
Intangible assets			
Goodwill	469	463	465
Other intangible assets	233	291	260
	702	754	725
Tangible assets			
Land and buildings (note 1)	1,002	868	878
Plant and machinery	318	389	382
Other fixtures and equipment (note 1)	56	50	52
Property, plant and equipment in progress	319	271	272
	1,695	1,578	1,584
Other non-current assets			
Securities and receivables	62	9	9
Deferred tax assets	643	531	548
	705	540	557
Total non-current assets	3,102	2,872	2,866
Current assets			
Inventories	1,077	966	993
Trade receivables	436	385	328
Receivables from affiliates	18	26	28
Income tax receivables	49	123	58
Other receivables	105	59	113
Prepayments	137	90	83
Marketable securities	50	150	100
Cash	117	190	296
	1,989	1,989	1,999
Total current assets	1,989	1,989	1,999
Total assets	5,091	4,861	4,865

BALANCE SHEET - EQUITY AND LIABILITIES FOR THE ALK GROUP

Amounts in DKKm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity			
Share capital	111	111	111
Currency translation adjustment	(1)	(60)	(42)
Retained earnings	3,083	3,238	3,110
Total equity	3,193	3,289	3,179
Liabilities			
Non-current liabilities			
Mortgage debt	263	280	276
Bank loans and financial loans	448	449	449
Pensions and similar liabilities	236	227	227
Lease liabilities (note 1)	197	-	-
Other provisions	1	5	2
Deferred tax liabilities	5	23	6
	1,150	984	960
Current liabilities			
Mortgage debt	17	17	17
Bank loans and financial loans	-	1	-
Trade payables	100	60	135
Income taxes	10	7	9
Lease liabilities (note 1)	25	-	-
Other provisions	6	26	26
Other payables	590	477	539
	748	588	726
Total liabilities	1,898	1,572	1,686
Total equity and liabilities	5,091	4,861	4,865

EQUITY FOR THE ALK GROUP

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
Equity at 1 January 2019	111	(42)	3,110	3,179
Net profit/(loss)	-	-	(21)	(21)
Other comprehensive income/(loss)	-	41	(5)	36
Total comprehensive income/(loss)	-	41	(26)	15
Share-based payments	-	-	20	20
Share options settled	-	-	(24)	(24)
Sale of treasury shares	-	-	3	3
Other transactions	-	-	(1)	(1)
Equity at 30 September 2019	111	(1)	3,083	3,193
Equity at 1 January 2018	111	(87)	3,266	3,290
Net profit/(loss)	-	-	(24)	(24)
Other comprehensive income/(loss)	-	27	(4)	23
Total comprehensive income/(loss)	-	27	(28)	(1)
Share-based payments	-	-	13	13
Share options and Restricted Stock Units settled	-	-	(17)	(17)
Sale of treasury shares	-	-	4	4
Other transactions	-	-	-	-
Equity at 30 September 2018	111	(60)	3,238	3,289

NOTES

1 ACCOUNTING POLICIES

This non-audited interim report for the first nine months of 2019 has been prepared in accordance with IAS 34 and the additional Danish regulations for the presentation of quarterly interim reports by listed companies. The Interim report for the first nine months of 2019 follows the same accounting policies as the annual report for 2018, except for new, amended or revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2019.

IFRS 16 Leases is effective from 1 January 2019. ALK transitioned to IFRS 16 in accordance with the modified retrospective method. As a result, the prior-year figures were not adjusted. ALK has applied the lease recognition exceptions for short term lease contracts and low-value leases. Car leases are treated as low-value agreements reported in OPEX since the Balance Sheet and EBITDA impact of these leases is considered immaterial. Newly recognised lease liabilities have been measured at the present value of the remaining lease payments at 1 January 2019, discounted using the incremental borrowing rate. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Due to the implementation of this standard, right-of-use assets and lease liabilities have been recognised in the Balance Sheet, as jointly equal to DKK 212 million. Right-of-use assets have been included in "Land & Building" at DKK 211 million and in "Other fixtures and equipment" at DKK 1 million. The implementation of IFRS 16 had a DKK 28 million positive impact on EBITDA in the first nine months of 2019.

2 REVENUE AND SEGMENT INFORMATION

Amounts in DKKm	Europe		North America		International markets		Total	
	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2018
SCIT/SLIT-drops	1,051	1,058	223	197	43	46	1,317	1,301
SLIT-tablets	536	411	67	47	101	31	704	489
Other products and services	143	149	206	178	21	11	370	338
Total revenue	1,730	1,618	496	422	165	88	2,391	2,128
Sale of goods							2,368	2,114
Royalties							23	7
Services							-	7
Total revenue							2,391	2,128

Growth, 9M 2019	Europe		North America		International markets		Total	
	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth
SCIT/SLIT-drops	-1%	-1%	7%	13%	-12%	-7%	0%	1%
SLIT-tablets	30%	30%	36%	43%	238%	226%	44%	44%
Other products and services	-4%	-4%	9%	16%	82%	91%	6%	9%
Total revenue	7%	7%	11%	18%	87%	88%	11%	12%

Geographical markets (based on customer location):

- o Europe comprises the EU, Norway and Switzerland
- o North America comprises the USA and Canada
- o International Markets comprise Japan, China and all other countries

NOTES

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Amounts in DKKm	Europe		North America		International markets		Total	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
SCIT/SLIT-drops	341	320	77	72	4	9	422	401
SLIT-tablets	135	115	22	15	28	8	185	138
Other products and services	49	63	77	56	6	3	132	122
Total revenue	525	498	176	143	38	20	739	661
Sale of goods							733	655
Royalties							10	4
Services							(4)	2
Total revenue							739	661

Growth, Q3 2019	Europe		North America		International markets		Total	
	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth	Growth local currencies	Growth
SCIT/SLIT-drops	7%	7%	2%	7%	-69%	-56%	4%	5%
SLIT-tablets	18%	17%	47%	47%	282%	250%	35%	34%
Other products and services	-21%	-22%	29%	38%	56%	100%	4%	8%
Total revenue	6%	5%	17%	23%	80%	90%	11%	12%

Geographical markets (based on customer location):
o Europe comprises the EU, Norway and Switzerland
o North America comprises the USA and Canada
o International Markets comprise Japan, China and all other countries

3 ADJUSTMENTS FOR NON-CASH ITEMS

Amounts in DKKm	9M 2019	9M 2018
Tax on profit	4	(4)
Financial income and expenses	13	5
Share-based payment costs	20	13
Depreciation, amortisation and impairment*	197	141
Other adjustments	23	-
Total	257	155

* Impairment includes DKKm 30 related to the divestment of ALK's part-share of a formulation production line for tablets to production partner Catalent