

Annual report 2023

Allergy solutions for life



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Contents

Management's review

- 3 Letter from the Chair and CEO
- 7 ALK at a glance:
World leader in allergy immunotherapy (AIT)
- 8 2023 performance highlights
- 9 2024 outlook
- 11 Financial highlights and key ratios
for the ALK Group
- 12 Sales and market trends
- 15 Financial review
- 17 Q4 review
- 19 Introduction to strategy framework and
ALK's growth formula
- 21 Strategy progress including
2023 results and 2024 targets
- 35 Sustainability
- 40 Risk management
- 45 Governance and ownership
- 50 Board of Directors
- 53 Board of Management

Financial statements

- 55 Statement by Management on the annual report
- 56 Independent auditor's report
- 60 Consolidated financial statements
- 65 Notes to the consolidated financial statements
- 102 Parent company financial statements
- 106 Notes to the parent company financial statements

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our website**

Find more information about
ALK at www.alk.net

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ALK has been a pioneer in fighting allergies for 100 years. Its purpose is to continue helping people with allergies for many years to come.



Letter from the Chair and CEO

In 2023, ALK made financial and strategic progress with further growth expected in 2024 and beyond

In 2023, ALK delivered financial results in line with the outlook. We treated 2.4 million people and remain committed to delivering best in class treatments to improve the lives of the many people living with moderate to severe allergies, as we have done consistently over the past 100 years.

Peter Halling,
President & CEO

Anders Hedegaard,
Chair of the Board





While we remain committed to delivering on our short-term promises, we are equally focused on pursuing strategic initiatives to safeguard, and potentially accelerate, ALK's long-term growth."

Anders Hedegaard,
Chair of the Board

During the year, ALK faced a challenging market environment, including a mandated increase in rebates in our largest market, Germany, stagnating tablet sales in Europe during the first half of the year, supply chain issues affecting the adrenaline auto-injector Jext[®], continued inflation, and a complex geopolitical situation.

ALK navigated these challenges and the leadership changes, delivering both strategic and financial progress. Revenue increased by 9% based on organic growth in all sales regions. Earnings (EBIT) increased by 50% to DKK 666 million, driven by top-line growth, margin expansion and efficiencies.

ALK is targeting strong results in 2024, building on the momentum which we established during the second half of 2023. Growth in tablet sales in our main region, Europe, is rebounding and is expected at a level well above that of 2023, fuelled by a higher inflow of new patients. The supply chain for Jext[®] is also being restored. We expect revenue in 2024 to grow by 9-12% in local currencies, while EBIT margin (earnings) is expected to increase to 17-19% (14% in 2023).

We therefore expect 2024 to mark the sixth consecutive year of revenue growth and improved earnings in ALK.

Extending the reach of tablets

While we remain committed to delivering on our short-term promises, we are equally focused on pursuing stra-

tegic initiatives to safeguard, and potentially accelerate, ALK's long-term growth. These initiatives are aimed at expanding the reach of ALK's respiratory tablets to new geographies and additional patient groups and strengthening ALK's relevance in the wider allergy market.

In 2023, we obtained robust data from our two large-scale Phase 3 trials involving the house dust mite and tree pollen tablets in **children**. Both trials confirmed the benefits of treating allergies with ALK's tablets from early childhood. We are presently handling the regulatory processes for paediatric approvals with the authorities in Europe and North America, and we are committed to seizing these opportunities to substantially broaden both patient and prescriber bases.

The commercial potential in treating children is evident, as evidenced in Japan where most tablet users are under 18 years old. Market research shows that parents, caregivers and healthcare professionals recognise the urgency from first-hand observations of allergy-related consequences, including sleep and cognitive impairments and limitations on activities. Treating children's allergies is also important in preventing progression to allergic asthma and other serious comorbidities.

We will continue to drive growth in tablet sales in our key region of **Europe**. In response to a soft 2022 initiation season, where we enrolled fewer new patients than expected, we have worked to deepen and broaden the

prescriber base, engage relevant patients, capture market share, and expand the overall allergy immunotherapy markets. These initiatives showed their effectiveness in the latter half of 2023, and we intend to leverage the insights gained as we move forward.

In **Japan**, we expanded our partnership with Torii to include ALK's grass allergy tablet. This comes in parallel with the ongoing work to further expand the supply chain and manufacturing capacity to meet the demand for Japanese cedar pollen tablets in Japan.

In **China**, we continued to expand our organisation and established a broader allergy immunotherapy prescriber network in preparation for the planned launch of our house dust mite tablet following the approval currently expected in 2024. China is rapidly progressing to become the world's largest market for house dust mite allergy immunotherapy.

Establishing new prescriber networks for tablets is also a priority in **the USA**, where we are increasingly reaching out to new prescribers, particularly paediatricians. This approach aims to address the well-known barriers among US allergists. We are currently piloting various approaches, recognising that success with tablets in the USA – unlike in Europe and Japan – is a long-haul effort, but the potential rewards are attractive. Meanwhile, we were pleased to see double digit growth in tablet sales in both the USA and **Canada**.

Advancing into food allergies

Work on ALK's initiatives beyond respiratory allergies continues. We have recently made progress with our programme to develop new mainstream treatments for potentially life-threatening **food allergies**, leveraging ALK's existing tablet technology. Encouraged by the initial safety results for the peanut tablet, we have made a provisional decision to extend the trial, allowing us to explore the efficacy of the tablet as well.

We see acute treatment of life-threatening allergic reactions (**anaphylaxis**) as relevant for ALK, as it supports our offerings in respiratory allergies and, moving forward, in food allergies. The anaphylaxis market is likely to change, driven by new product innovations. In response, we are currently reviewing our anaphylaxis strategy to adapt to the changing dynamics.

Strategy review to support ambitions

There are ample opportunities to further strengthen ALK's market position and sustain annual revenue growth of 10% while also improving earnings.

Alongside the focus areas of children, geographic expansion, and food allergy, there is untapped potential in our core markets including Germany and the Nordics. Other European markets such as Spain, the UK, and parts of Central and Eastern Europe have the potential to become meaningful contributors to growth in the medium term. We

also have promising early-stage R&D projects addressing both respiratory allergies and associated disease areas.

It is, however, crucial that we pursue opportunities in the right order, at an appropriate pace, and with the correct allocation of capital and resources.

We have therefore initiated a review of ALK's business strategy. While the overall strategic direction remains unchanged, the review will ensure careful prioritisation of ALK's many business opportunities and identify ways to free up resources to fund growth initiatives, for example within R&D or sales and marketing, without compromising profitability improvements. Optimising cost structures and making well-founded choices will be key to these efforts.

We expect to share the results of the strategic review at a Capital Markets Day during the second quarter of 2024, where we also intend to share long-term strategic aspirations towards 2030.

The ambition of achieving an EBIT margin of approximately 25% in 2025 remains unchanged. The fulfilment of this ambition is contingent on average revenue growth in 2024-25 of 10% or more, and modest average growth in total production and capacity costs. The strategy review is expected to identify relevant business optimisations and cost-savings in support of the EBIT aspirations.



The ambition of achieving an EBIT margin of approximately 25% in 2025 remains unchanged. The fulfilment of this ambition is contingent on average revenue growth in 2024-25 of 10% or more, and modest growth in cost”

Peter Halling,
President & CEO

Long-term commitment

At ALK, we recognise our responsibility to **people and the environment**. In 2023, we set new science-based CO₂ reduction targets in line with the Paris Agreement. This means that by 2030, we plan to reduce CO₂ emissions by 42% at our own facilities, with further reductions coming from our suppliers' commitment to reducing their emissions. We are continuing to strengthen our overall sustainability efforts.

In June of 2023, we celebrated ALK's 100-year anniversary. For a century, ALK has been at the forefront of allergy care. While the tools at our disposal today are significantly more advanced than they were 100 years ago, the demand for skilled individuals to drive further research and innovation has never been greater.

We would like to thank our leaders and employees for their commitment to ALK and their endeavours to help more people with allergy live better lives. ALK's success is only possible through their dedication and efforts, and we are pleased to see the positive results from the annual engagement survey. ALK's score reached 8.4 on a

10-point scale, solidifying its top 5% position in the international healthcare industry.

We wish to thank our partners, whose collaboration is part of our success. We also appreciate the growing number of patients and prescribers who are placing their trust in our products and services – a trust we never take for granted and work hard to maintain.

Last, but not least, we would like to thank our shareholders for their patience and support. As ALK's performance continues to strengthen, we look forward to rewarding them through sustainable, long-term value creation.

Anders Hedegaard
Chair of the Board

Peter Halling
President & CEO

ALK at a glance

World leader in allergy immunotherapy (AIT)



Evidence-based portfolio

ALK produces and markets a diversified portfolio of products spanning the diagnosis and treatment of allergies and allergic asthma as well as acute treatment of life-threatening allergic reactions (anaphylaxis).

ALK is a world leader in evidence-based allergy immunotherapy (AIT), which treats the underlying cause of allergy, reduces or eliminates symptoms and provides long-lasting disease improvement. AIT works by giving repeated standardised doses of an allergen as tablets, injections (SCIT) or drops, thereby rebalancing the patient's immune system to gradually build up an immunological tolerance. ALK focuses on treating moderate to severe allergies caused by around 20 different sources.

Fastest growing product range

ALK's tablets cover five of the most important respiratory allergies: Grass, house dust mite, tree pollen, ragweed, and Japanese cedar. Based on unprecedented clinical evidence, tablets have been the fastest growing product range over the past decade.

Sustained market exclusivity

Proteins derived from natural allergenic source materials, serve as key active pharmaceutical ingredients in ALK's core products. Intricate manufacturing processes present significant barriers to entry and ensure a sustained market exclusivity.

~40%

global market share in AIT

2.4 million

patients treated in 2023
(AIT and anaphylaxis)

29% growth

CAGR in tablet sales 2018-23

100 years

experience in allergy and AIT

Committed to growth

ALK is dedicated to growing revenue and earnings. The primary emphasis is on broadening ALK's core business in respiratory allergies and progressively expanding into the broader allergy domain.

Global reach

ALK employs 2,900 people, is present in 46 markets and partners with pharmaceutical companies to commercialise tablets, including Torii (Japan), Abbott (South-East Asia), and Dr. Reddy's (India). ALK's business model is centred around strong R&D skills, insight into immunology, unique manufacturing processes, and a desire to bring the best of modern science to the allergy field.

2023 performance highlights

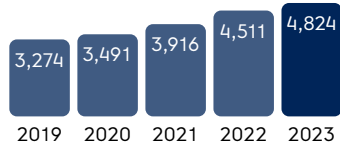
Financial

Non-financial

Revenue, DKK

4,824 million

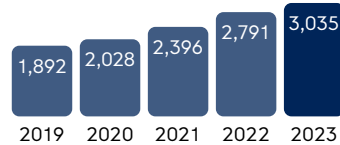
9% organic growth in local currencies, in line with guidance



Gross profit, DKK

3,035 million

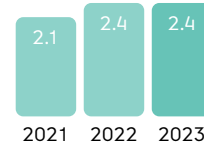
63% gross margin, driven by benefits of scale and efficiencies



Patients in treatment

2.4 million

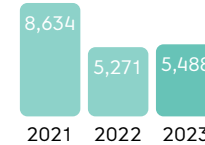
300,000 net increase in patients in treatment with AIT and anaphylaxis since 2021



CO₂ emissions

5,488 tonnes CO₂ eq

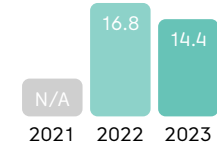
Increase in total CO₂ emissions from own operations (scope 1 and 2) due to enhanced reporting and higher activity.



GHG intensity

14.4

Lower emissions relative to revenue



Earnings (EBIT), DKK

666 million

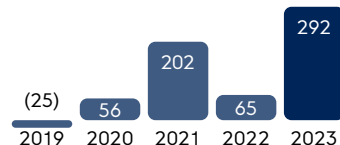
14% EBIT margin, in line with guidance



Free cashflow, DKK

292 million

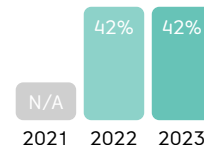
Impact of higher earnings offset by inventory build-up



Underrepresented gender

42%

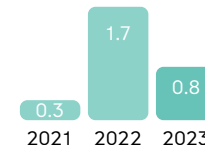
42% of the underrepresented gender in the Board of Management and direct reports



Injury frequency

0.8%

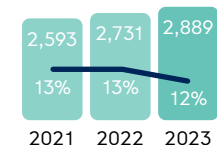
3 occupational accidents with an injury frequency rate of 0.8



Employee headcount and turnover

2,889/12%

Continued high demand for skilled labour in key locations



2024 outlook

ALK expects to continue its trajectory of organic growth and earnings improvement in 2024.

(Revenue growth rates are stated as organic growth in local currencies, unless otherwise indicated)

ALK expects broad-based growth across sales regions and product groups in 2024. Revenue is projected to grow by 9-12% in local currencies.

Tablets continue to be key in driving growth. Global tablet sales are expected to show a double-digit increase. This growth is fuelled by the expansion of both patient and prescriber bases, gains in market share, and the favourable shift towards evidence-based medicines in key markets. Consistent with past trends, some fluctuations in quarterly tablet sales are expected, primarily influenced by the timing of product supply to ALK's partner in Japan.

Growth in European tablet sales is set to rebound to a level well above the growth in 2023, driven by an increased inflow of new patients in the recent initiation season. Similarly, North America and International markets are expected to see continued sales growth for tablets. However, the anticipated growth in revenue from Japan is expected to be somewhat lower than in 2023, mainly attributable to certain intermittent capacity limitations in our partner's manufacturing of the active ingredient for the cedar tablet.

The combined sales of SCIT/SLIT-drops are projected to see continued growth. This growth will primarily be driven by SCIT across regions, although at a somewhat lower rate compared to the notable growth seen in 2023, which was influenced by improved pricing and extraordinary rebate adjustments in Europe. Conversely, sales of SLIT-drops are expected to show a slight decline because of the ongoing market transition in France.

2024 targets

Revenue growth

9-12%

(up from DKKm 4,824 in 2023)

Higher EBIT margin

17-19%

(up from 14% in 2023)

Sales of Other products and services are expected to resume growth, particularly as the supply of Jext® normalises.

Improved EBIT margin

ALK expects the operating profit to further improve in 2024, driven by revenue growth, benefits of scale, and a significant reduction in external costs for clinical trials. The EBIT margin is expected to be 17-19% against 14% in 2023, corresponding to a 20-35% improvement in the EBIT margin.

The gross margin is expected to be on a par with or slightly above that for 2023. The gross margin will benefit from increased sales volumes, enhanced efficiencies in product supply, and the reversal of mandatory rebate adjustments in Germany. These positive factors will be somewhat counteracted by inflationary pressures on the cost base in ALK's product supply. The capacity cost-to-revenue ratio is expected to see further improvements as ALK capitalises on existing platforms to enhance effi-

ciencies and reduces R&D expenditure. R&D expenses are expected to decline to around 10% of the expected revenue. This reduction reflects the completion of two large-scale clinical Phase 3 programmes for tablets in 2023, enabling ALK to progressively reallocate resources to areas such as food allergies and other innovations. Sales and marketing expenses are expected to see single digits increases, fuelled by investments in the growth of European tablet sales and including preparations for the planned paediatric tablet launches and the organisational build-up in China. Administrative expenses are expected to see a slight decline from 2023, where there were extraordinary costs related to management changes.

Throughout the year, particular attention will be given to optimisation and prioritisation initiatives, enabling ALK to strategically allocate resources to fund future growth initiatives.

Key assumptions

- The European AIT markets are generally expected to be stable. Exceptions include the reversal of the 2023 mandatory rebate increase in Germany and the possibility of minor adjustments in selected Southern European markets.
- The current waves of respiratory infection across ALK's markets are not expected to materially affect capacity at allergy clinics or patient behaviour, nor are they likely to impact ALK's clinical and commercial activities, sales, and investments.
- Changes in consumers' spending power, amid higher living costs and challenging macroeconomic conditions in some markets, are not expected to materially affect demand for AIT, as the majority of ALK's sales involve products with insignificant co-payments (if any) by patients.
- When excluding the effect of the recent acquisition, free cash flow is projected to increase, driven by higher earnings. CAPEX investments are projected at around DKK 400 million, and ALK expects to see a continued inventory build-up in support of revenue growth.
- The outlook does not include potential one-off costs associated with optimisation and prioritisation initiatives. Furthermore, the outlook is based on ALK's current portfolio and does not include revenue from new acquisitions, new partnerships, or in-licensing of products, nor does it include payments related to M&A or in-licensing activities.
- The outlook is based on current exchange rates, resulting in an immaterial currency effect on reported revenue and EBIT.

Forward-looking statements

This report contains forward-looking statements, including forecasts of future revenue, operating profit, and cash flows as well as expected business-related events. Such statements are, by their very nature, 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. Without being exhaustive, such factors include consequences of COVID and other pandemics, 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 products, as allergy immunotherapy may be associated with allergic reactions of differing extents, durations, and severities.

Financial highlights and key ratios for the ALK Group*

Amounts in DKKm/EURm**	DKK 2023	DKK 2022	DKK 2021	DKK 2020	DKK 2019	EUR 2023	EUR 2022
Income statement							
Revenue	4,824	4,511	3,916	3,491	3,274	647	607
EBITDA	911	708	534	395	241	122	95
Operating profit (EBIT)	666	470	292	150	(14)	89	63
Net financial items	(19)	(23)	(13)	(49)	(17)	(3)	(3)
Profit before tax (EBT)	647	447	279	101	(31)	86	60
Net profit	486	335	219	25	(50)	65	45
Average number of employees (FTE)	2,752	2,609	2,492	2,419	2,385	2,752	2,609
Balance sheet							
Total assets	6,726	6,308	5,830	5,563	5,495	902	848
Invested capital	3,765	3,400	2,931	2,807	2,759	502	457
Equity	4,447	3,988	3,480	3,153	3,176	597	536
Cash flow and investments							
Cash flow from operating activities	667	416	468	301	132	89	56
Cash flow from investing activities	(375)	(351)	(266)	(245)	(157)	(50)	(47)
– of which investment in intangible assets	(69)	(55)	(45)	(26)	(20)	(9)	(7)
– of which investment in tangible assets	(310)	(298)	(218)	(196)	(147)	(42)	(40)
– of which acquisitions of companies and operations	-	-	-	-	(20)	-	-
Free cash flow	292	65	202	56	(25)	39	9

* Management's review comprises pages 1-53 as well as 'Financial highlights and key ratios by quarter for the ALK Group' on page 115

** Financial highlights and key ratios stated in EUR constitute supplementary information to the Management's review. The exchange rate used in translating from DKK to EUR is the exchange rate prevailing on 31 December 2023 (EUR 100 = DKK 745) (31 December 2022: EUR 100 = DKK 744)

For definitions and reconciliation of alternative performance measures, see page 101

Amounts in DKKm/EURm**	DKK 2023	DKK 2022	DKK 2021	DKK 2020	DKK 2019	EUR 2023	EUR 2022
Information on shares							
Proposed dividend	-	-	-	-	-	-	-
Share capital	111	111	111	111	111	14.9	14.9
Shares in thousands of DKK 0.5 each	222,824	222,824	222,824	222,824	222,824	222,824	222,824
Share price, at year end	101	96	172	125	82	13.6	12.9
Net asset value per share	20	18	16	14	14	2.7	2.4
Key figures							
Gross margin – %	62.9	61.9	61.2	58.1	57.8	62.9	61.9
EBIT margin – %	13.8	10.4	7.5	4.3	(0.4)	13.8	10.4
Return on equity (ROE) – %	11.5	9.0	6.6	0.8	(1.6)	11.5	9.0
ROIC incl. goodwill – %	18.6	14.8	10.2	5.5	(0.5)	18.7	14.8
Pay-out ratio – %	-	-	-	-	-	-	-
Earnings per share (EPS)	2.2	1.5	1.0	0.1	(0.2)	0.3	0.2
Earnings per share (DEPS), diluted	2.2	1.5	1.0	0.1	(0.2)	0.3	0.2
Cash flow per share (CFPS)	3.0	1.9	2.1	1.4	0.6	0.4	0.3
Price earnings ratio (PE)	46	63	172	1,092	N/a	46	63
Share price/Net asset value	5.1	5.4	11.0	8.8	5.7	5.1	5.4
Revenue growth – %							
Organic growth	9	13	12	8	11	9	13
Exchange rate differences	(2)	2	-	(1)	1	(2)	2
Acquisitions/divestments	-	-	-	-	-	-	-
Total growth revenue	7	15	12	7	12	7	15

Sales and market trends

ALK's full-year revenue for 2023 was DKK 4,824 million (4,511) after 9% organic growth in local currencies, reflecting continued growth across all sales regions. Exchange rates reduced reported revenue growth by 2 percentage points. SCIT and tablets were the main growth drivers globally with double-digit growth for both product segments.

(Comparative figures for 2022 are shown in brackets. Revenue growth rates are organic and stated in local currencies, unless otherwise indicated)

Europe

European revenue increased by 6% in local currencies reaching DKK 3,216 million (3,058), with growth fuelled by SCIT sales, while tablet sales regained momentum

in the second half of the year. A decline in Jext® sales lowered overall revenue growth by 2.5 p.p. Jext® sales were impacted by intermittent supply shortages from ALK's contract manufacturer of adrenaline-filled cartridges which are being resolved as expected.

The European AIT market showed a gradual recovery from its weakened state in the second half of 2022, primarily due to a surge in respiratory infections that led to a reduction in AIT patient visits to clinics. This resulted in fewer patient initiations, particularly in key markets like Germany and the Nordics, where the number of new patients introduced to tablets fell below ALK's expectations. However, in 2023, the demand for AIT regained strength, and market conditions remained relatively stable, with no significant changes in pricing and reimbursement for AIT products, except for the mandatory rebate increase in Germany, see box to the right. ALK delivered sales growth in

German one-year mandatory rebate increase

In Germany, ALK's largest market, a one-year mandatory rebate *increase* of 5 percentage points was implemented in 2023 for all prescription drugs, including AIT products. This rebate increase resulted in a 1 percentage point reduction in ALK's overall revenue growth and a 2 percentage point decrease in European tablet sales growth in 2023. The rebate increase will have no impact on revenue in 2024, as confirmed by the German authorities at the end of 2023.



Revenue by geography

Amounts in DKKm	2023	Growth (l.c.)	2022
Europe	3,216	6%	3,058
North America	908	9%	857
International markets	700	23%	596
Total revenue	4,824	9%	4,511

Revenue by product line

Amounts in DKKm	2023	Growth (l.c.)	2022
SCIT/SLIT-drops	1,939	12%	1,748
SLIT-tablets	2,296	11%	2,102
Other products and services	589	-9%	661
Total revenue	4,824	9%	4,511

Revenue by geography

- Europe
- North America
- International markets

2023



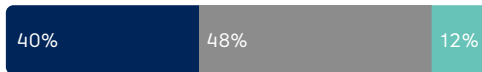
2022



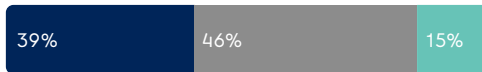
Revenue by product line

- SCIT/SLIT-drops
- SLIT-tablets
- Other

2023



2022



most markets, including Germany, the Nordic countries, Benelux, Switzerland, Austria, Slovakia, Poland, and Italy. Sales remained largely unchanged in France, while there was a decline in the UK and Spain mainly related to the adrenaline auto-injector Jext®.

With gains in market share across key markets, ALK solidified its position as the market leader in European AIT in 2023.

European tablet sales saw an increase of 6% or 8% on a like-for-like basis, excluding the impact of the mandatory rebate increase in Germany. Growth stagnated during the first half of the year. This period was still affected by the trailing impact of lower new patient intake from the previous initiation season in key markets. However, growth then regained momentum, reaching 13% in the second half of the year. This acceleration was particularly attributable to a higher inflow of new patients during the most recent initiation season.

Markets responded well to the series of intensified sales activities strategically

implemented by ALK to provide sufficient momentum in the second half of the year. These activities included digital mobilisation of patients, initiatives to broaden the prescriber base and enhance prescription depth, efforts to reinforce advocacy among key opinion leaders and payers, and work to extend the initiation season to mitigate conflicts with external factors such as common respiratory infections. Leading indicators showed encouraging results with regards to disease burden, patient mobilisations and confirmed doctor visits, treatment initiations and improved market access.

The estimated increase of more than 10% in the number of new patients initiated on tablets during the 2023 initiation season indicates promising growth prospects for 2024.

The combined sales of SCIT and SLIT-drops increased by 13%. Sales of SLIT-drops increased slightly, despite the ongoing market transition in France, while SCIT sales saw a double-digit increase. The growth in SCIT sales was attributable to improved pricing, gains in market share,

especially in the venom sub-segment, and specific rebate adjustments.

Sales of Other products and services decreased by 26%, owing to a significant reduction in sales of Jext[®]. Over and above the expected decline in sales associated with relatively low organic replacement rates in 2023, Jext[®] sales in the second half of the year were further affected by intermittent supply shortages in selected markets. These shortages were a result of temporary restrictions on the supply of

adrenaline-filled cartridges from ALK's contract manufacturer.

North America

Revenue in North America increased by 9% in local currencies, reaching DKK 908 million (857) on growth across all product lines in the USA and Canada.

Sales of the region's largest product group, SCIT bulk allergen extracts, primarily for US allergists, increased by 7%, falling slightly short of expectations. Revenue from Other products and services

increased by 4%, driven by growth in sales of diagnostics and life science products, including vials and diluents.

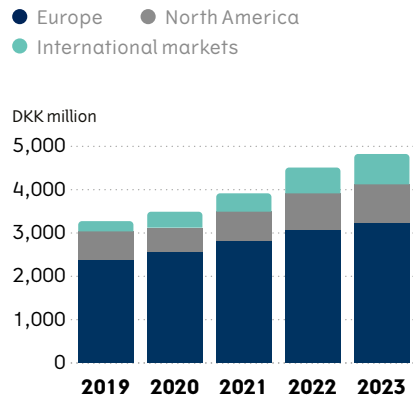
Tablet sales increased by 26% as planned. Canada saw robust, double-digit sales growth consistently throughout the year, while sales growth in the USA picked up in the second half. The US sales organisation continued its initiatives to establish new channels, as outlined in the strategy section on page 22.

ALK is the market leader in Canada and among the leaders in the US AIT market.

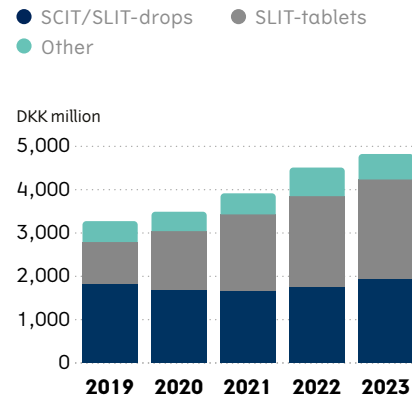
In Japan, in-market sales of tablets rebounded following the challenges posed by COVID-19 in 2022. ALK's partner, Torii, strengthened its position as the market leader in AIT amid increasing public and political attention to pollen allergy, especially related to Japanese cedar trees.

In China, ALK's expanded organisation steadily broadened the prescriber network in preparation for the anticipated future launch of ACARIZAX[®]. In-market sales of SCIT products experienced double-digit growth, solidifying and expanding ALK's position as the second-largest player in the rapidly growing Chinese AIT market.

5-year total revenue by geography



5-year total revenue by product line



International markets

Revenue from International markets increased by 23% in local currencies to reach DKK 700 million (596). This progress was driven by double-digit growth in ALK's product shipments to the region's largest markets, Japan and China, which together account for approximately 90% of revenue in this region.

While still at a modest level, tablet sales showed encouraging growth in the South-east Asian markets operated by ALK's partner, Abbott.

Financial review

ALK's full-year operating profit (EBIT) increased by 50% in local currencies to DKK 666 million (470) which was in-line with the latest outlook issued in November 2023.

(Comparative figures for 2022 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated)

Revenue was up 9% in local currencies at DKK 4,824 million (4,511) which was in line with the latest outlook. Exchange rates

impacted reported revenue growth negatively by 2 p.p.

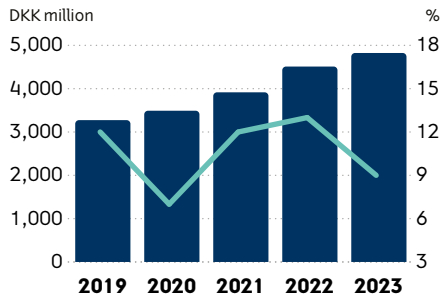
Cost of sales increased 5% in local currencies to DKK 1,789 million (1,720).

The **gross profit** of DKK 3,035 million (2,791) yielded an improved gross margin of 63% (62%), mainly reflecting higher

sales and production efficiencies, partly offset by increasing tablet shipments to Torii at lower margins. ALK continued to implement its product and site strategy, involving investments in upgrading products and associated manufacturing facilities to secure quality and robustness in product supply.

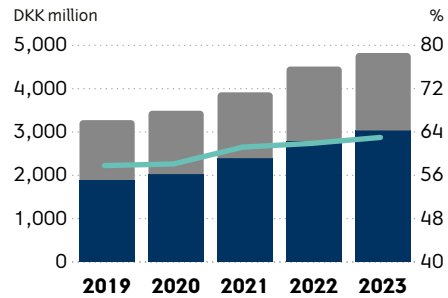
Revenue

- Revenue
- Revenue growth



Gross margin

- Revenue
- Gross profit
- Cost of sales
- Gross margin



2023 guidance history

DKK	2023E 3 Feb outlook	2023E 17 Apr outlook	2023E 24 Aug outlook	2023 actual
Revenue	7-11% (l.c.)	7-11% (l.c.)	8-10% (l.c.)	9% (l.c.)
EBIT margin	13-15%	13-15%	13-15%	14%

Capacity costs increased by 3% in local currencies to DKK 2,371 million (2,322). As planned, R&D expenses decreased 7% in local currencies to DKK 618 million (665) reflecting the recent completion of late-stage clinical trials of the respiratory tablet portfolio. Sales and marketing expenses were up 5% in local currencies, in support of continued growth. Administrative expenses increased 20% in local currencies, mainly reflecting one-off costs in Q2 associated with the leadership changes as well as increased activity levels.

EBIT (operating profit) increased by 50% in local currencies to DKK 666 million (470), improving the EBIT margin from 10% to 14%. Progress was due to higher sales, improved gross margin and a lower capacity cost-to-revenue ratio. Exchange rates impacted growth in reported EBIT negatively by 8 p.p.

Net financials showed a loss of DKK 19 million (loss of 23) related to interest expenses and currency losses. **Tax on the profit** totalled DKK 161 million (112),

and the **net profit** increased to DKK 486 million (335).

Cash flow from operating activities was DKK 667 million (416), as higher earnings were offset by changes in working capital, mainly related to inventory build-up. **Cash flow from investment activities** was DKK minus 375 million (minus 351), mainly reflecting the build-up of capacity for tablet production, upgrades for legacy production, and investments in the next generation adrenaline auto-injector. **Free cash flow** was

positive at DKK 292 million (positive at 65), as planned.

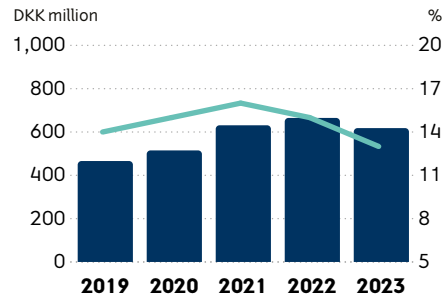
Cash flow from financing activities was DKK minus 31 million (minus 42).

At the end of the year, ALK held 1,634,673 of its **own shares**, or 0.7% of the share capital, against 0.8% at the end of 2022.

Equity totalled DKK 4,447 million (3,988) at the end of the year, and the equity ratio was 66% (63%).

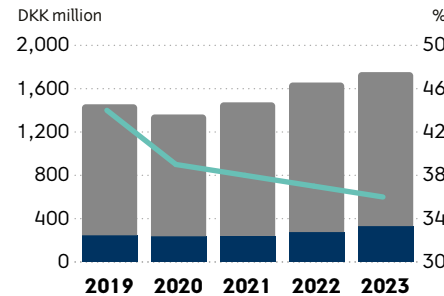
Research and development

- Research and development expenses
- Percentage of revenue



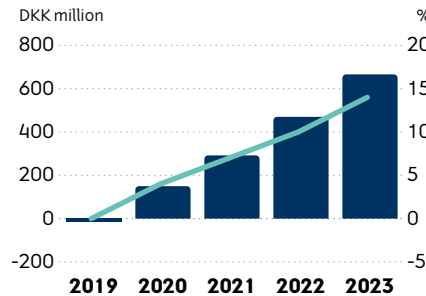
Sales, marketing and administration

- Administrative expenses
- Sales and marketing expenses
- Percentage of revenue



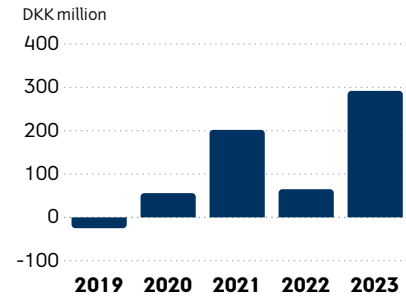
EBIT

- EBIT
- EBIT margin



Free cashflow

- Free cashflow



Q4 review

(Comparative figures for Q4 2022 are shown in brackets. Revenue growth rates are stated in local currencies, unless otherwise indicated).

ALK delivered 2023 full-year results in line with the most recent financial outlook, following a Q4 which saw revenue growth of 10% based on growth in all regions and across all AIT product groups. This was negatively impacted by exchange rate fluctuations, so the reported growth in DKK was 8%.

Revenue in Europe was up 7% on growth in SCIT/SLIT-drops sales which benefitted from the ongoing development in the venom AIT sub-segment. Sales of Jext® continued to be impacted by the intermittent supply shortages caused by ALK's contract manufacturer. The supply is currently improving and the issue is being resolved as expected.

Q4 highlights

<p>Total revenue increased</p> <p>10%</p> <p>in local currencies to DKK 1,345 million (1,249)</p>	<p>Tablet sales increased</p> <p>19%</p> <p>to DKK 677 million (581)</p>	<p>Combined SCIT and SLIT-drops sales increased</p> <p>3%</p> <p>to DKK 522 million (512)</p>	<p>Sales of Other products, including the adrenaline auto-injector, Jext®</p> <p>-3%</p> <p>to DKK 146 million (156)</p>
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Tablet sales in Europe were up 12%, driven mainly by new patient initiations in the main markets of Germany and the Nordics which led to a slightly better than expected performance. ALK also saw double-digit sales growth in the majority of other markets in Europe.

Revenue in North America increased by 16%, driven by broad-based sales growth. Tablets sales increased by 38%.

Revenue from International markets increased by 15%, powered by growth in tablet shipments to Torii in Japan, while revenue from China was down because of the timing of SCIT product shipments.

The gross margin was 63% (62%). The margin development reflected large shipments to Torii at lower margins, and continued investment in the implementation of the product and site strategy.

Capacity costs amounted to DKK 651 million (633). R&D expenses were slightly below those for Q4 2022 due to the recent

Revenue by geography

Amounts in DKKm	Q4 2023	Growth (l.c.)	Q4 2022
Europe	928	7%	871
North America	249	16%	226
International markets	168	15%	152
Total revenue	1,345	10%	1,249

Revenue by geography

- Europe
- North America
- International markets

2023



2022



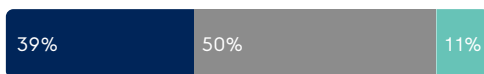
Revenue by product line

Amounts in DKKm	Q4 2023	Growth (l.c.)	Q4 2022
SCIT/SLIT-drops	522	3%	512
SLIT-tablets	677	19%	581
Other products and services	146	-3%	156
Total revenue	1,345	10%	1,249

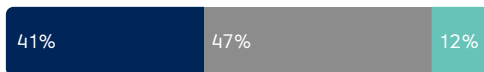
Revenue by product line

- SCIT/SLIT-drops
- SLIT-tablets
- Other

2023



2022



Income statement






Amounts in DKKm	Q4 2023	Q4 2022
Revenue	1,345	1,249
Cost of sales	501	478
Gross profit	844	771
<i>Gross margin</i>	<i>63%</i>	<i>62%</i>
Research and development expenses	151	185
Sales and marketing expenses	407	372
Administrative expenses	93	76
Operating profit (EBIT)	194	138
<i>EBIT margin</i>	<i>14%</i>	<i>11%</i>
Net financials	(8)	(34)
Profit before tax (EBT)	186	104
Tax on profit	(46)	(26)
Net profit	140	78
Operating profit before depreciation and amortisation (EBITDA)	258	201

completion of two large-scale clinical trials. Sales and marketing expenses increased 12%. The development reflected investments in market expansion in China and a generally high activity level in markets with positive momentum. The capacity costs to revenue ratio was down at 48% (51%).

EBIT increased by 37% in local currencies to DKK 194 million (138) which was in line with the most recent outlook, mirroring higher sales and efficiencies across the business.

Introduction to

strategy framework and ALK's growth formula

<p>Outcome Grow the patient base</p> <p>2023 achievements ~2.4 million people on treatment with ALK's products (unchanged). Net increase of ~200,000 AIT patients offset by fewer Jext® patients due to intermittent supply shortages. ALK's AIT products were introduced in 9 new markets</p>	<p>Initiative Broaden and deepen the prescriber base</p> <p>2023 achievements 13,254 healthcare professionals were trained in allergies and AIT</p>	<p>Initiative Gain market shares</p> <p>2023 achievements Gains in market share in Germany and other key European markets, China</p>	<p>Initiative Paediatric launches of HDM and tree pollen tablets</p> <p>2023 achievements Successful completion of paediatric Phase 3 trials with HDM and tree pollen tablets. Preparations for regulatory filings and launches</p>	<p>Initiative Prepare for HDM tablet launch in China</p> <p>2023 achievements Double-digit growth in shipments to China and in-market sales. Expansion of organisation and market coverage. Regulatory review of HDM tablet</p>
<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 
<p>2024 ambitions Grow the number of AIT patients, particularly in Europe. Restore growth in Jext® patient base after restoration of supply chain</p>	<p>2024 ambitions Continue to broaden and deepen prescriber bases. Leverage children indication for tablets to expand position with paediatricians</p>	<p>2024 ambitions Continued gains in market share in key markets as well as newer AIT markets</p>	<p>2024 ambitions Succeed with regulatory filings to authorities in Europe and North America. Continued market build-up ahead of paediatric launches</p>	<p>2024 ambitions Continue to prepare for HDM tablet launch, extend organisational capabilities, and expand prescriber network</p>

Introduction to strategy framework and ALK's growth formula

<p>Initiative Expand partnership for Japan</p> <p>2023 achievements Double-digit growth in revenue from tablet shipments to Japan. Partnership with Torii extended to include grass tablets</p>	<p>Initiative Implement new business model for tablets in the USA</p> <p>2023 achievements Initial prescriber base among paediatricians established after the inclusion of tablets in Medicaid. Test of commercial partnership projects</p>	<p>Initiative Improve market access in current and new markets</p> <p>2023 achievements Tablets launched in six new European markets. Improved public reimbursement in certain Eastern European and Middle Eastern markets</p>	<p>Initiative Extend digital platforms</p> <p>2023 achievements Over 960,000 consumers – a more than 35% increase – connected with HCPs via klarify</p>	<p>Initiative Enter wider allergy sphere</p> <p>2023 achievements Positive interim findings from Phase 1 trial of tablet against peanut allergy. Acquisition of PRE-PEN® for diagnosis of penicillin allergy (early 2024). Anaphylaxis strategy under review</p>
<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 	<p>Trend</p> 
<p>2024 ambitions Sustained growth in revenue from shipments and sales royalties. Initiation of development and approval process for grass tablet. Potential expansion of capacity to meet demand</p>	<p>2024 ambitions Leverage paediatric and adolescent indications to establish scalable approach to paediatricians and further cultivate commercial partnerships</p>	<p>2024 ambitions Consolidate position in new markets. Improve market access in the UK, Spain and Eastern Europe. Selective approach to new markets</p>	<p>2024 ambitions Expansion of digital engagement tools and further moves towards multichannel marketing</p>	<p>2024 ambitions Integrate PRE-PEN® operation. Decide on next steps for food allergy and anaphylaxis. Evolve early stage R&D pipeline</p>

Strategy progress including 2023 results and 2024 targets

ALK continued to execute its business strategy in 2023, making progress with its four focus areas. A routine review of the strategy is ongoing.



The four strategic focus areas – Succeed in North America, Complete and commercialise the tablet portfolio, Consumer engagement and new horizons, and

Optimise for excellence – continued to provide the framework for ALK’s strategic development in 2023, underpinned by a company-wide ambition to advance its sustainability efforts.

ALK made progress with all four of its strategic focus areas, see growth framework on pages 19-20 and the detailed review of each strategic priority on pages 22-34, outlining both 2023 achievements and key priorities for 2024.

Unchanged framework since 2017

The current strategy framework was launched in December 2017 with a view to transforming the company. The framework with its four priorities has remained largely unchanged ever since, except for the addition of new long-term initiatives – expansion in China, food allergy, anaphylaxis, and new innovations through research – in February 2021.

Serving ALK well, the strategy framework has contributed to a consolidation of the company’s global leadership in respiratory allergy, while also delivering sustained growth and earnings improvements. The EBIT margin has been

improved from minus 3% in 2018 to an expected level of 17-19% in 2024, while annual, organic revenue growth in this period averages 10% (CAGR) in local currencies.

Strategy review to support ambitions

The strategy is currently the subject of a routine review. There will be no changes to ALK’s overall ambition of growing revenue by becoming relevant to more people with moderate to severe allergies, and ALK will also continue to work on improving its earnings towards an approximate 25% EBIT margin and on positive cash flow generation. The review will enable ALK to carefully prioritise its many strategic options and pursue relevant opportunities in the right order, at an appropriate pace, and with the correct allocation of resources.

The strategy review will also focus on pathways to free up resources to fund long-term growth initiatives without compromising profitability improvements. Optimising cost structures and making well-founded choices will be key to these efforts.

Succeed in North America

The business in North America delivered 9% growth in 2023. The business model for tablets was adjusted to increase the focus on new prescribers and new sales channels.

The tablet business

Tablet sales in North America saw growth of 26% in local currencies in 2023 and ALK expects continued growth in 2024. The sales and marketing organisation in Canada achieved consistent double-digit growth throughout the year. Meanwhile, tablet sales in the USA gained momentum in the second half, driven by increased volumes from established prescribers and improved average selling prices. The increased volume from existing US tablet prescribers, primarily allergists, was particularly influenced by the introduction of a new adolescent indication for the ODACTRA® house dust mite tablet.

In 2023, a primary strategic objective for the US tablet organisation was to initiate the establishment of new sales and prescription channels, with particular emphasis on paediatricians and exploring commercial partnerships with retail pharmacies, urgent care clinics and on-demand virtual care providers. Many paediatricians manage a sizeable inflow of patients with uncontrolled allergies and possess a good understanding of immunology and allergy, mirroring the dynamics observed among allergists. A noteworthy distinction lies in the fact that paediatricians do not face the same financial disincentives as allergists when it comes to prescribing tablets. According to plan, ALK established an initial, though modest, prescriber base amongst US paediatricians.


Leveraging the current paediatric and adolescent indications for its pollen tablets, and in anticipation of the upcoming paediatric indication for ODACTRA®, ALK will in 2024 continue its efforts to establish a scalable approach

to engaging paediatricians effectively. At the same time, efforts will be maintained to cultivate commercial partnerships in the USA. In Canada, the emphasis remains on delivering sustained sales growth.

The legacy business

In 2023, ALK's legacy business in the USA, encompassing SCIT bulk extracts, diagnostics, and life science products, showed overall progress. Although there was some volatility in the sales of life science products, the focus for the upcoming year remains on targeting sustainable and profitable growth. Particularly, SCIT bulk extracts continue to be important for the business in North America, with ALK supplying these extracts to allergists nationwide in the USA.

At the beginning of 2024, ALK took steps to enhance the robustness of its portfolio by acquiring PRE-PEN®, a product approved by the US FDA for diagnosing penicillin allergy. Previously, ALK held exclusive distribution rights for the product in North



Key priorities for 2024

- Continue to build new prescription and sales channels and grow US tablet sales
- Maintain strong tablet sales growth in Canada
- Secure continued value growth in SCIT bulk and other life science businesses

America, but the acquisition secured global rights to all assets, encompassing the production facility and the entire value chain. ALK remains committed to pursuing further initiatives aimed at bolstering the long-term resilience of its legacy business.

Complete and commercialise the tablet portfolio

In 2023, efforts were made to advance the tablet portfolio, with the overarching goal of expanding the use of tablets to new patient groups and geographical markets.

Restore growth in Europe

A key strategic focus in 2023 was to restore the growth in tablet sales in Europe, primarily by increasing the number of new patients undergoing treatment, particularly in key markets such as Germany and the Nordics. Addressing the previous year's lower-than-expected enrolment of new patients onto tablets during the initiation season, ALK undertook further initiatives to actively engage people with allergies, capture a larger share of the market, broaden prescriber bases, and encourage healthcare professionals to initiate patients earlier than

the typical timeline. The number of new patient initiations in key markets exceeded last year's numbers by more than 10%, and ALK recorded a noteworthy 13% increase in European tablet sales during the second half of the year.

Children indications

Progress was also achieved in supporting the long-term commercial potential of the respiratory tablet portfolio. Two pivotal Phase 3 clinical trials were successfully completed, both demonstrating the advantages of initiating allergy treatment with ALK's tablets from early childhood. These outcomes are crucial to ALK's aspirations to introduce tablets to patients at an earlier stage in life, thus facilitating the expansion of both patient and prescriber demographics.

- A Phase 3 clinical trial involving the house dust mite (HDM) tablet in Europe

and North America, encompassing 1,458 children aged five to 11, met its primary endpoint. The results demonstrated that the HDM tablet effectively reduced allergy symptoms and decreased the need for allergy pharmacotherapy in the participating children.

- Similarly, a Phase 3 trial involving the tree pollen tablet, which included 952 children aged five to 17 in Europe and Canada, successfully met its primary endpoint.

ALK is currently working to gain approval for the use of tablets in young children - an essential catalyst for sustainable long-term growth, as detailed in the corresponding section on page 27-28.

Geographic expansion

Expanding both patient and prescriber demographics remained a priority in 2023, also via geographic expansion.



Key priorities for 2024

- Support upcoming paediatric tablet launches
- Secure approval of ACARIZAX® in China
- Improve market access in existing EU markets

In **Europe in 2023**, tablets were launched in Croatia, Greece, Serbia, and Slovenia, while launch preparations were made in Hungary and Romania.

In **Japan**, ALK and Torii Pharmaceutical Co., Ltd. entered into an additional

agreement, granting Torii exclusive rights to develop and market ALK's tablet for treating grass pollen allergy. The partnership with Torii – the most important contributor to ALK's tablet sales outside Europe – currently includes CEDARCURE™ for Japanese cedar pollen allergy and MITICURE™ for HDM allergy.

ALK's Biologics License Application for ACARIZAX® was accepted for review by the authorities in **China** and the review is ongoing. Approval is still expected in 2024. Ahead of the planned launch, ACARIZAX® was made available in a medical pilot zone.

Meanwhile, preparations for a regulatory filing of ACARIZAX® continued in **India**, another emerging allergy market, where Dr. Reddy's is responsible for registration and commercialisation under an exclusive licensing agreement with ALK.

Finally, in the USA, ALK continued to establish new sales channels, especially paediatricians (cf. page 22).

Improving market access

In 2023, ACARIZAX® became the first respiratory AIT tablet product to be submitted for assessment by the National Institute for Health and Care Excellence (NICE) in the **UK**.

The institute conducts reviews to assess the clinical benefits and cost-effectiveness of healthcare interventions, treatments, and technologies. These reviews aim to provide evidence-based guidance to the national health system on the adoption of specific medical interventions. The UK stands out among European markets as one of the few where ACARIZAX®, ITULAZAX®, and GRAZAX® have received approval but lack public national reimbursement. The ongoing assessment represents a potential advance towards national reimbursement, with anticipated results expected during 2024.

2023 saw progress in market access for tablets in other markets: **Poland** granted reimbursement for ACARIZAX® in adolescents. Reimbursement for ACARIZAX® in adults and adolescents was re-gained in the **Czech Republic**, where reimbursement of ITULAZAX® is expected to be re-gained shortly. Finally, in the newer **Middle Eastern markets**, ALK also secured progress on reimbursements for tablets.



ALK's clinical R&D portfolio

Over the past decades, ALK has pioneered the development of standardised allergen extracts, formulated as rapidly dissolving SLIT-tablets. ALK is now expanding its leadership and targeting new geographies and patient groups while also leveraging its technology and capabilities within food allergy and other related disease areas.

Ongoing clinical trials and regulatory approvals

Product	Age groups and indications	Clinical Development Progress				
		Pre-clinical	Phase 1	Phase 2	Phase 3	Filing
ACARIZAX® China	Adults – Allergic rhinitis (HDM)					
ACARIZAX® / ODACTRA® Europe & North America	Children – Allergic rhinitis (HDM)					
ITULAZAX® / ITULATEK™ Europe & Canada	Children – Allergic rhinitis (tree: birch family)					
Peanut SLIT-tablet North America & Europe	Adults, adolescents, and children – Food allergy (accidental peanut exposure)					
Early stage R&D projects	Non-disclosed					

Product approvals

Product	Age groups and indications	Marketed
GRAZAX® / GRASTEK® Europe, North America & International markets	Adults and children – Allergic rhinitis (grass)	2007-17
RAGWIZAX® / RAGWITEK® Europe, North America & International markets	Adults and children – Allergic rhinitis (ragweed)	2014-21
ACARIZAX® Europe & International markets	Adults – Allergic rhinitis and allergic asthma (HDM) Adolescents – Allergic rhinitis (HDM)	2016-21
ACARIZAX® / ODACTRA® North America	Adults and adolescents – Allergic rhinitis (HDM)	2017-18
MITICURE™ Japan*	Adults and children – Allergic rhinitis (HDM)	2015-18
ODACTRA® North America	Adolescents – Allergic rhinitis (HDM)	2023
CEDARCURE™ Japan*	Adults and children – Allergic rhinitis (Japanese cedar)	2018
ITULAZAX® / ITULATEK™ Europe & Canada	Adults – Allergic rhinitis (tree: birch family)	2019-20

* Licensed to Torii for Japan

Global availability of tablets

The tablet for grass pollen allergy (GRAZAX® or GRASTEK®) is approved in 34 countries in Europe, North America, and the Asia Pacific region. Clinical development will be initiated in Japan in 2024.

The tablet for house dust mite allergy (ACARIZAX®, ODACTRA® or MITICURE™) is approved in 43 countries in Europe, North America, the Middle East, and the Asia Pacific region. Regulatory filing processes are ongoing in China and India.

The tablet for tree pollen allergy (ITULAZAX® or ITULATEK®) is approved in 22 countries in Europe and Canada.

The tablet for ragweed pollen allergy (RAGWIZAX® or RAGWITEK®) is approved in 15 countries in Europe and North America.

The tablet for Japanese cedar pollen allergy (CEDARCURE™) is approved in Japan.

Maintain momentum in 2024

In 2024, ALK is targeting additional growth in global tablet sales. The company will persist with market expansions, employing targeted initiatives across various markets to expand tablet prescriber and patient bases, not least by leveraging the planned paediatric launches. These efforts include activities such as expansion of sales channels, digital engagement and mobilisations, disease awareness programmes, advocacy for evidence-based medicines, and exploration of new business models.

Preparations for the planned launch of ACARIZAX® in China will continue. In Europe and North America, sales and marketing resources will be strategically reallocated to support the upcoming launches of paediatric indications for the house dust mite and tree pollen tablets.

~10 million eligible patients

Around 1.5 million children aged five to 11 are receiving AIT but more than 10 million are eligible for treatment.

The number of children with moderate to severe respiratory allergies is growing, as is the acknowledgement by healthcare professionals that early intervention and adequate control are crucial to halting the allergy's progression to asthma and other comorbidities.

Market research shows that children are more likely to stay on AIT treatment – their adherence rate exceeds that of adults in core European markets, as parents are likely to be more vigilant about their children's health than their own. Children also have a shorter journey to AIT compared to adults. Children typically need fewer visits to their doctors before being referred to specialists, and their waiting time at specialists is also shorter.



Helping children to a better life

Securing full approval for the tablet portfolio across all relevant age groups is expected to be a key catalyst for future growth.

Based on the successful paediatric trials with the house dust mite (HDM) and tree pollen allergy tablets, ALK is now in the process of securing regulatory approvals from the authorities to expand the product indications to include children. The timetable for the planned submissions is as follows:

- The application for the HDM tablet (ACARIZAX®) in Europe was accepted for review in January 2024. Subject to approval, the tablet could become available for children, aged five to 11, in Europe in 2024/25.
- The application for the HDM tablet (ODACTRA®) in the USA will be submitted in the first half of 2024, so that, subject to approval, the tablet could become available for children aged five to 11 in the USA in 2025.
- Regulatory submissions for the tree pollen tablet (ITULAZAX® / ITULATEK®) in Europe and Canada are planned for mid-2024, so that this tablet could become available for children and adolescents aged five to 17 in 2025.



To pave the way for the launches, ALK is in advanced planning and execution of a multitude of sales and marketing activities, including digital awareness campaigns, webinars, conferences, and work with medical associations. This work is focused on building awareness of childhood allergies among both existing and potential new prescribers. Overall, in 2023 alone, ALK trained 13,254 healthcare professionals in allergies and allergy immunotherapy treatment across the globe. 52,673 healthcare professionals were also trained in advances in allergic disease management.



In addition to the clinical trial data, benefits of AIT have also been confirmed via real world evidence studies. The large REACT study, based on >90,000 German subjects, demonstrated the long-term effectiveness of AIT. In a 2023 publication based on the same cohort it was also shown that the burden of allergy among children at the time when they initiate AIT is higher than in adults. This indicates that there is a significant unmet need for better AIT options for children.

ALK also plans to intensify engagement with parents and other caregivers through the klarify digital platforms, as well as through partnerships with patient associations. These initiatives are designed to empower caregivers in recognising allergy symptoms, understanding the impli-

cations for children, and knowing when and how to seek medical advice.

Increased risk of allergic asthma

In the absence of appropriate treatment, the allergic disease in children with a respiratory allergy can escalate, potentially resulting in other conditions such as conjunctivitis, dermatitis and asthma. Research indicates a significant association between childhood allergic rhinitis and a several-fold increase in the risk of allergic asthma later in life. Beyond the health repercussions, children may experience adverse effects in other aspects of their lives, including compromised academic performance, as symptoms deplete their mental and physical energy.

A recently published health economic analysis demonstrates that early initiation of AIT in children reduces the risk of developing asthma and is cost-saving for the health care system. The real world evidence study, REACT, also showed that AIT reduces the burden of asthma compared to a control group among the subjects who had asthma before starting AIT.

All relevant ages

ALK stands as the sole AIT company with a comprehensive clinical development programme aimed at securing paediatric and adolescent indications for its tablet portfolio across the spectrum of main respiratory allergies. The grass allergy tablet has already gained approval for children, adolescents, and adults in Europe and North America. The ragweed allergy tablet is also approved for all age groups in North America and Europe, and both the Japanese cedar tablet and the HDM allergy tablet are approved for all age groups in Japan. With the intended paediatric indications for the HDM and tree pollen allergy tablets, these two treatments will receive approval for all relevant age groups in all pertinent markets.

Children constitute the vast majority of new tablet patients in Japan.

The market transition in favour of evidence-based AIT

Germany, Europe's largest allergy immunotherapy (AIT) market, is transitioning towards evidence-based AIT, while Spain has taken the first steps towards focusing on registered AIT products.

A German health insurance society has recently engaged in a series of lawsuits aimed at contesting the reimbursement of non-registered AIT products, thereby supporting the market transition towards documented and registered AIT products. These court rulings suggest that insurance companies and other private payers may reject reimbursement for non-registered AIT products. If established, this legal practice may exert additional pressure on non-registered AIT products. Non-registered AIT products

for major allergens currently constitute around 20% of the market in Germany.

ALK is working with healthcare professionals, medical associations and other stakeholders to ensure that relevant patients get access to an effective treatment.

More than 6,000 products phased out

The German AIT market has witnessed substantial changes in the last decade. Before 2008, there were over 6,500 individual AIT products available in Germany, many lacking sufficient data on quality, safety or efficacy. The introduction of the Therapieallergeneverordnung (Therapy Allergen Ordinance (TAO)) in 2008 kickstarted the phasing out of undocumented, unregistered products from the market. The regulatory authority has announced that the transition period will end in 2026, meaning that from 2024,



only patients initiated on registered products can be sure of finishing their treatment.

The push from allergy experts, regulators, and payers has expedited the transition, leading to updates in reimbursement and prescription guidelines favouring evidence-based, registered AIT products.

Gains in market share

The market transition has caused some disruptions both for traditional AIT manufacturers, some of whom struggled to meet elevated documentation standards, and for the more than 10,000 physicians traditionally involved in AIT. While the recent court cases might introduce short-term uncertainty and could lead to disengagement from AIT among some healthcare professionals, the emerging legal practice presents an opportunity for ALK and other providers of registered AIT products.

In 2019, ALK became the first AIT company in Germany to offer a comprehensive product range for major allergens, exclusively featuring registered AIT tablets and SCIT products. Since then, ALK has significantly expanded its market share, and Germany has become the company's largest market, with an estimated market share of around 38% in 2023, up from 23% in 2018.

Other countries

At the EU level, the shift from undocumented legacy products to documented and authorised AIT products was supported by the adoption of guidelines in 2020. These guidelines aim to enhance the availability of evidence-based, safe, and effective allergen treatments and diagnostics across Europe.

Within the Nordic countries of Denmark, Sweden, Norway, and Finland – collectively ALK's third-largest market in Europe – marketing and sales are exclusively permitted for documented, registered AIT products. The same requirement applies in the Netherlands, the UK, and Eastern European countries such as Slovakia and the Czech Republic.

In 2023, Spain, a top-5 AIT market in Europe, initiated the transition towards registered, evidence-based AIT. The Ministry of Health published new orders requiring companies to submit applications for marketing authorisations for already marketed AIT products. Timelines for these applications should be established in 2024.



Consumer engagement and new horizons

The digital platforms for patients and healthcare professionals were expanded in 2023, while ALK also advanced its peanut AIT development programme.

In 2023, the digital mobilisation of individuals living with allergies saw further progress, with over 960,000 users connecting with doctors through the tools within ALK's online klarify universe. This marked an increase from approximately 700,000 users in 2022. The digitally-driven patient journey proved particularly valuable in key European markets, where ALK's digital platforms played an important role in mobilising AIT-eligible patients towards relevant doctors ahead of the latest initiation season.

Currently available in 12 countries across Europe and North America, klarify is a comprehensive suite of websites, apps, and tools designed to offer education and

guidance on allergy symptoms, the diagnostic journey, and AIT treatment. Noteworthy features include monitoring of pollen flights, a symptom-tracking diary, a suitability test for AIT treatment, and a doctor finder for relevant healthcare professionals (HCPs) close to where the patient lives.

Operating in a mutually beneficial manner, klarify also provides ALK with insights into the behaviours and priorities of individuals living with allergies which were published at the EAACI medical congress in 2023.

In 2024, ALK will further expand its digital engagement, while also using its digital capabilities to deliver education and training to HCPs. In 2023, ALK trained 13,254 HCPs (2022: 4,258) in allergies and AIT, while 52,673 HCPs (2022: 25,185) were trained in allergic disease awareness. This training will continue in 2024. In addition, ALK is increasingly leveraging emerging technologies such as AI and machine learning to improve outcomes for people with allergy.

New horizons

The 'new horizons' priority covers innovations aimed at securing and potentially accelerating ALK's long-term growth by establishing a more extensive presence in the broader allergy space, including a focus on food allergy.

In early 2024, ALK announced that it had successfully completed the first part of the Phase 1 clinical trial with its novel once-daily SLIT-tablet for peanut allergy treatment. This part showed that for all investigated doses, the tablet was safe and tolerable. The trial now progresses into its second part, which is expected to complete later in 2024. Furthermore, ALK has made a provisional decision to extend the trial with a third part allowing it to explore efficacy of the tablet as well.

ALK is initially focusing on the most critical unmet need among children with food allergies, namely peanut allergy. This condition affects approximately



Key priorities for 2024

- Further expand ALK's digital engagement capabilities with patients and healthcare professionals
- Progress clinical development of peanut tablet
- Decide on future anaphylaxis strategy

2.5 million children and adolescents in the USA and Europe.

Other innovations

ALK's two concurrent projects aimed at developing a next-generation adrenaline auto-injector (AAI) – the in-house Genesis project and a collaboration with the company Windgap – continued in 2023. Due to recent developments in this domain, ALK's anaphylaxis strategy is currently under review. Meanwhile, China-based Grandpharma continues to work toward the registration and launch of ALK's existing AAI, Jext[®], aiming to make it the first AAI available in mainland China.

ALK's early-stage R&D activities include programmes for respiratory allergies and other adjacent disease areas. The R&D organisation was restructured in late 2023 to ensure a future-proof set-up and the right capabilities to strengthen drug discovery, advancing the pipeline, and facilitating expansion into new, adjacent therapy areas.

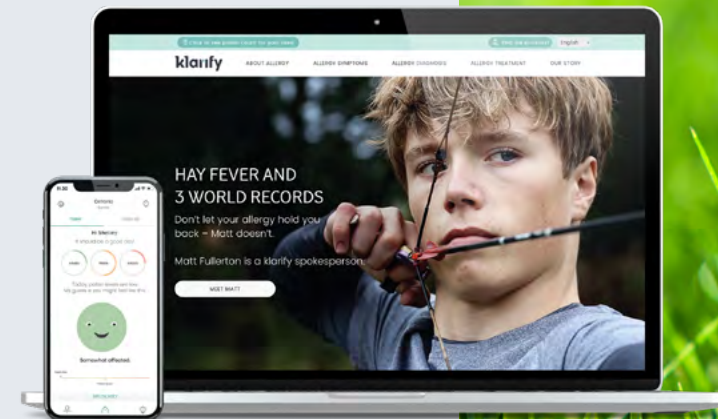
Working digitally with new sales channels

To streamline the pathway to AIT for patients and alleviate the pressure on conventional allergy clinics, ALK is working to expand the prescriber base by educating more healthcare professionals in the potential benefits of AIT treatment.

A Nordic digital healthcare provider has recently emerged as a novel prescription channel for ALK's tablets. Through its mobile or web app, consumers can access a dedicated symptom form, followed by a video consultation with a

trained healthcare professional. Relevant patients are directed to one of the provider's physical health centres for a comprehensive assessment and diagnosis. AIT-eligible patients with moderate to severe allergies may then be approved for the prescription-based AIT tablets. The healthcare provider also conducts regular follow-ups with patients undergoing treatment.

ALK's digital allergy universe, klarify, was launched in Germany in April 2018, and has since been extended to a number of other markets.



Optimise for excellence

In 2023, ALK continued to expand its capacity for tablets and other products, while simultaneously ensuring the robustness and efficacy of the portfolio of legacy products.

Upscaling tablet capacity

In 2023, to support the planned growth in tablet volumes, ALK invested in expanding tablet manufacturing capacity. ALK's ongoing investment programme seeks to increase current tablet capacity by up to 300% by 2030, compared to the capacity in 2022. In 2023, the emphasis was on the production of house dust mite source materials in the USA and manufacturing active pharmaceutical ingredients (APIs) for house dust mite and pollen tablets in Denmark. ALK's tablet formulation contract manufacturer is also working to increase its capacity allocated to ALK.

ALK and Torii are also evaluating the possibility of expanding the supply chain for the Japanese cedar pollen allergy tablet, which could include options for pollen sourcing and scaling up production for both active pharmaceutical ingredients and finished products.

Optimisations

Under the Portfolio and Site Strategy ("PASS") programme, ALK continued to upgrade production facilities and processes to ensure that legacy products remain viable in the longer term. As part of this work, ALK submitted a total of 1,494 regulatory variations covering 98 products to 46 authorities around the world.

A key element in the PASS programme is to simplify ALK's production set-up by reducing the number of different API processes across the product portfolio. Streamlining the portfolio will allow

ALK to consolidate production around fewer production lines and so reduce complexity.

Furthermore, to support ALK's market access in France, a clinical study involving 445 patients was completed in 2023. The study aimed to document the safety and efficacy of ALK's OSIRIS® SLIT-drops. It achieved its primary endpoint by significantly reducing the combined impact on symptoms and the use of symptomatic medication use, with a 27% reduction ($p < 0.005$). The study also showed that the treatment was well-tolerated.



Key priorities for 2024

- Continue to expand production capacity
- Progress PASS strategy and enhance manufacturing excellence
- Optimise costs to mitigate inflationary effects on input costs



Mitigate cost inflation

In 2024, ALK plans to establish additional documentation for its legacy portfolio to support the consolidation efforts while also driving efficiencies across its product supply chain to mitigate inflationary effects on input costs and wages. Although this was generally successful in 2023, the cost base is expected to be impacted in 2024 by inflationary pressures, particularly in ALK's product supply.

The PASS programme will continue with a particular emphasis on robustness, efficiency and profitability, preventing major quality-related interruptions to product supply.

Employees at work at ALK's production site in Hørsholm, Denmark.



Operational excellence in Product Supply

ALK is conducting extensive training in operational excellence across its global manufacturing sites, aiming to continuously enhance work routines for maximum efficiency.

Since the introduction of the training programme in 2022, more than 100 improvement ideas have been generated each month, with around one-third of them being implemented. Many of these changes, although small, have produced noticeable improvements in company efficiency.

A specific example comes from ALK's production site in Idaho, USA. They enhanced the process of rinsing house dust mite source materials (utilised in the house dust

mite AIT tablet) with ethanol. To achieve this improvement, multiple analyses were conducted to determine the optimum volumes of ethanol for the process. With these new analyses and processes in place, productivity and output have increased, human errors have been reduced, and overall efficiency has improved. The training initiatives also yield benefits for employees, contributing to increased job satisfaction and improved teamwork. This, in turn, frees up resources for new activities within the organisation.



Sustainability

ALK continues to expand its sustainability initiatives, including setting science-based CO₂ reduction targets, enhancing biodiversity reporting, fostering a diverse and engaged workforce, engaging both healthcare professionals and people with allergies, and training employees in business ethics.

In 2023 ALK carried out a double materiality assessment in line with the European Sustainability Reporting Standards. The material sustainability matters identified largely align with the topics ALK has previously identified and reported progress on, with the addition of pollution prevention control and biodiversity.

ⁱ See Definitions of ESG calculations on pages 38-39

ⁱⁱ Calculated using a market-based methodology which considers emissions from specific energy purchase contracts

ⁱⁱⁱ Increase in 2022 is related to improved and expanded documentation of waste fractions

ⁱⁱⁱⁱ New definition of underrepresented gender in management ref. §99b

^v Gender pay ratio from 2022 and earlier report on median earnings, while 2023 reports on average

^{vi} For 2023, CEO total compensation includes compensation for the previous CEO and the new CEO for their period of employment respectively and includes all compensation elements except for termination payments and sign-on compensation

ESG Key figures overview ⁱ	Unit	2023	2022	2021	2020	2019
Environmental data						
Scope 1 emissions	Tonnes CO ₂ eq	5,128	4,924	5,801	5,521	5,479
Scope 2 emissions ⁱⁱ	Tonnes CO ₂ eq	360	347	2,833	3,020	3,003
Scope 3 emissions	Tonnes CO ₂ eq	64,067	70,475	N/A	N/A	N/A
Total emissions	Tonnes CO ₂ eq	69,555	75,746	N/A	N/A	N/A
GHG intensity per net revenue	Tonnes CO ₂ eq/DKKm	14.4	16.8	N/A	N/A	N/A
Energy consumption	MWh	49,626	48,251	46,827	44,923	46,766
Energy intensity per net revenue	(MWh/DKKm)	10.3	10.7	12.0	12.9	14.3
Renewable energy consumption	%	48%	45%	33%	N/A	N/A
Water consumption	m ³	128,087	119,395	127,823	110,530	122,461
Water intensity	m ³ /DKKm	26.6	26.5	32.6	31.7	37.4
Total waste generated ⁱⁱⁱ	Tonnes	1,939	2,194	809	851	572
Social data						
Workforce	Headcount	2,889	2,731	2,593	2,486	2,406
Gender diversity (total workforce)	% female	62%	63%	62%	64%	62%
	# Men	5	5	4	4	5
	# Women	2	2	2	1	1
Gender diversity Board of Directors	Total	7	7	6	5	6
	% underrepresented gender	29	29	33	20	17
	# Men	25	25	N/A	N/A	N/A
Gender diversity in Board of Management and their direct reports ⁱⁱⁱⁱ	# Women	18	18	N/A	N/A	N/A
	Total	43	43	N/A	N/A	N/A
	% underrepresented gender	42	42	N/A	N/A	N/A
Gender Pay Ratio ^v	Times	1.19	1.14	1.18	1.14	1.13
Employee turnover	%	12%	13%	13%	10%	11%
Lost time due to work-related accidents	LTIF	0.8	1.7	0.3	2.9	3.5
Governance data						
Board meeting attendance rate	%	97	97	94	98	97
CEO annual compensation ratio ^{vi}	Times	30	33	34	34	29

Setting science-based CO₂ reduction targets

In 2023, ALK set absolute CO₂ reduction targets which were confirmed by the Science Based Targets initiative (SBTi) in January 2024 to be in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: limiting global warming to 1.5°C above pre-industrial levels.

ALK has committed to reducing CO₂ emissions from scope 1 and 2 by 42% by 2030 and to ensuring that 80% of emissions come from suppliers with science-based targets by 2028¹. The CO₂ reduction plan includes increasing the share of renewable energy use as well as energy efficiency

projects, electrification of equipment and replacing the company fleet with electric vehicles.

In 2023, ALK's scope 1 and 2 CO₂ emissions increased 4% from a 2022 baseline. ALK recognizes that the rise in CO₂ emissions resulting from own operations is unfavourable. The elements contributing to this can be attributed to enhanced reporting of refrigerant chemical usage and increased business activities.

Climate risk

ALK has developed strategies to mitigate and adapt to pollen supply risks brought by climate change. These include reserving at

least two years of pollen safety stock and distributing pollen collection operations across a diverse range of ecosystems, climates and micro-climates across the USA and Europe. ALK's commitment to sustainable farming practices, including crop diversity and soil management, also ensures resilience to provide a steady and high-quality supply of pollen.

From farm to pharma

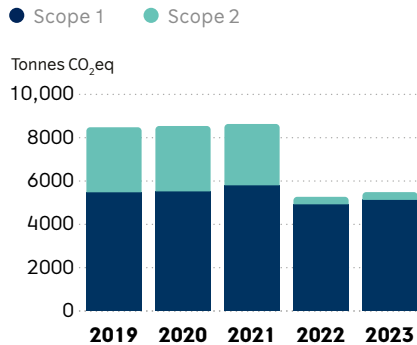
Most of ALK's allergen source materials, including tree pollen, ragweed, grass, house dust mites and insect venom, are cultivated on ALK's farm in Post Falls, Idaho, USA. Here, systemic sustainable agricultural practices are implemented to minimise

impacts on nature, including crop species diversity, minimising the use of fertiliser and pesticides, minimising soil disturbance and protecting native flora and fauna.

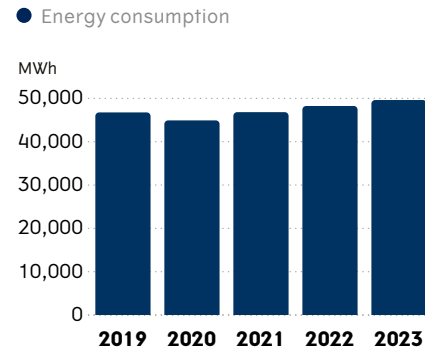
Employee engagement and development

In 2023, ALK's employee engagement score reached 8.4 on a 10-point scale (2022: 8.3), positioning ALK in the top 5% within the healthcare industry. The employee engagement survey, which saw an impressive 95% participation rate for the second consecutive year, facilitates direct communication between employees and their managers, fostering a culture of openness and constructive dialogue.

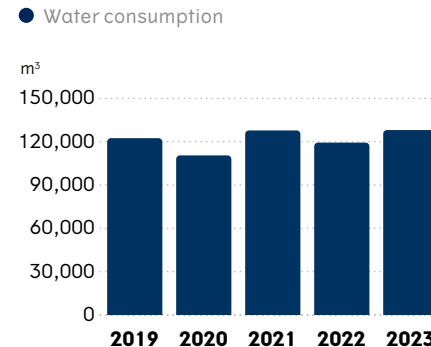
Scope emissions



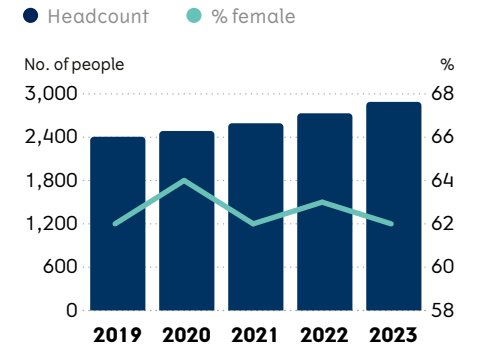
Energy consumption



Water consumption



Workforce



¹ Covering purchased goods and services, capital goods, upstream and downstream transportation and distribution, and business travel.

ALK invests significantly to ensure that all employees are enabled to realise their full potential, and development opportunities continue to be one of the major drivers of engagement and a key to ALK's success. ALK continued the rollout of its leadership programme called "Leading with Impact". This initiative provided training in agile and inclusive leadership to 120 leaders across the organisation in 2023. Annual development agreements were drawn up for all employees, and ALK continued to work with and refine its ASPIRE talent programme. In addition, ALK also continued to host learning events on its internal online platform, ALK Learn, which is available to all employees globally.

Although employee engagement was high, employee turnover was 12% (2022: 13%), reflecting the persistent high demand for skilled labour in key locations within the healthcare industry. This underscores the ongoing challenges ALK faces in retaining employees and emphasises the importance of the continued efforts to create a supportive and fulfilling workplace.

Ensuring diversity

ALK meets the targets for the underrepresented gender in accordance with section

99b of the Danish Financial Statements Act. ALK's Board of Management and their direct reports with managerial responsibility currently comprise 42% women and 58% men, thus reaching the target to maintain a minimum of 40% for the underrepresented gender. At Board of Directors level, two of the shareholder-elected members are women (29%), meeting the Danish Business Authority guidelines for equal representation with a minimum of two members of the underrepresented gender out of a total of seven shareholder-elected members. Including employee-elected members, five of the 11 members of the Board are women. Please refer to table on page 35.

Reaching more patients through digital engagement

To help elevate the standard of care in allergy diagnosis and treatment, ALK engages systematically in educational activities, training and dialogue with healthcare professionals. In 2023, ALK trained 13,254 healthcare professionals in allergies and allergy immunotherapy treatment across the globe. 52,673 healthcare professionals were also educated in advancements in allergic disease management. A total of 2.4 million patients were undergoing treatment for allergy and

anaphylaxis through ALK's product portfolio (2022: 2.4 million).

Expanding our product reach

In the past year, ALK's products were introduced in a number of countries. ALK is also actively engaged in clinical trials and studies across the globe to demonstrate the safety and efficacy of allergy immunotherapy in children and adolescents with respiratory allergies.

Business conduct

All ALK suppliers are expected to comply with the Third-party Code of Conduct, which is aligned with the Ten Principles of the United Nations Global Compact, as well as all applicable laws, regulations, standards and labour agreements. To address supplier risk, ALK utilises the EcoVadis supplier evaluation platform to identify potential environmental, labour & human rights and procurement risks. Out of our total of +7,000 suppliers, over 400 of the suppliers approved for our GxP processes have been screened. None of those suppliers have been identified as high-risk suppliers.

ALK remains a signatory of the UN Global Compact and supports the UN Sustain-

able Development Goals. ALK's sustainability efforts are governed by a wide range of policies and guidelines including specific policies on sustainability as well as the environment, health and safety, access to medicine, diversity and inclusion, remuneration, data ethics, tax, stakeholder communications, investor relations, anti-corruption and bribery, whistleblowing, and the third-party code of conduct. ALK's code of conduct also details the company's expectations for professionalism, honesty and integrity. In 2023, 98% of employees completed and signed off on the annual online code of conduct training.



Find out more

ALK's statutory annual report on sustainability, data ethics and gender diversity (as required by sections 99a, 99d and 107d of the Danish Financial Statements Act as well as Article 8 of the EU Taxonomy) is available in the sustainability report at <https://www.alk.net/sustainability>



Find out more

Reporting practices for ESG key figures can be found in the 2023 sustainability report, <https://www.alk.net/sustainability>

Definitions and calculations

Reporting scope

The reporting period covered by this report extends from 1 January 2023 to 31 December 2023. Environmental data collected in this report covers ALK's production sites in the USA (Post Falls, Port Washington, Oklahoma City and Luther), Denmark (Hørsholm), Spain (Madrid), and France (Vandeuil and Varennes). Our 23 sales offices located across the globe have been excluded from reporting on environmental data, due to being less than 2.5% of our scope 1 and 2 footprint. All other information covers the entire ALK group, unless otherwise stated.

We seek to align our reporting with the draft EFRAG standards, and follow the Danish Financial Statements Act sections 99a, 99b, 99d and 107d.

Environment

Intensity calculations are reported as unit/annual revenue in million DKK.

CO₂ emissions

Carbon emissions are reported in metric tonnes of carbon dioxide equivalents according to global warming potential values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100-year time horizon.

Scope 1 emissions include direct fuel consumption (natural gas, gas oil, diesel and petrol), which is calculated using emission factors provided by the UK's Department for Environment, Food and Rural Affairs (DEFRA). Also included in scope 1 is our company fleet, where average passenger vehicle emission factors have been taken from DEFRA to calculate emission based on either on litres of fuel consumed, kWh used, actual mileage, or contracted annual mileage. Fuel consumption and mileage were estimated for the months of November and December based on average monthly consumption over the year. Finally, scope 1 also includes emissions of refrigerant chemicals which are defined as those listed in the Montreal Protocol on Substances that Deplete the Ozone Layer. Emission factors are taken from IPCC for global warming potential 4 (GWP4) and GWP6 chemicals.

Scope 2 emissions include electricity and district heating, where emission values for sites in the USA are taken from the United States Environmental Protection Agency (USEPA) eGRID, and emission values for sites in Europe are taken from the International Energy Agency (IEA). For electric company vehicle, emission factors have been obtained from DEFRA. Scope 2 location-based emissions are calculated based on average energy generation emission factors for defined locations, while scope 2 market-based emissions are calculated based on emissions calculated from specific energy purchase contracts, and therefore consider renewable energy purchase certificates.

All **Scope 3 emissions**, except category 3, 5 and 7, are calculated based on data covering January – October 2023. The months of November and December are estimated based on average consumption in the reporting year. Category 3, 5 and 7 cover actual values from January - December.

Purchased goods and services (Category 1): Calculated using spend-based emission factors from the Comprehensive Environmental Data Archive (CEDA).

Capital goods (Category 2): Calculated using spend-based emission factors from CEDA for upstream emissions of industrial machinery owned and operated by ALK.

Fuel and energy related activities (Category 3): Calculated for upstream transmission & distribution losses of fuels, electricity and district heating consumed by ALK in scope 1 and 2 using emission factors from DEFRA.

Upstream transportation and distribution (Category 4): Calculated using a mix of spend-based emission factors from CEDA and primary emissions from certain distribution providers. Well-to-tank emission factors are provided by DEFRA. Waste generated in operations (Category 5): Calculated using emission factors from DEFRA dependent on material type, treatment type, material location and material weight

Business travel (Category 6): Calculated using well-to-wheel flight emissions from DEFRA including radiative force emissions. A small amount of business travel is also calculated using spend-based emission factors from CEDA, and well-to-tank emission factors from DEFRA.

Employee commuting (Category 7): Estimated using Quantis emission factors based on the average number of FTEs in the reporting year, with well-to-tank emission factors from DEFRA.

Downstream transportation and distribution (Category 9): Calculated using spend-based emission factors from CEDA for warehousing and storage.

End-of-life treatment of sold products (Category 12): Estimated for materials used in ALK products using DEFRA emission factors for material type, country of distribution, assumed treatment type and weight.

Energy

Energy consumption is based on meter readings and/or invoices at individual production sites and reported in MWh. Conversion factors for each energy source are taken from the local supplier or a unit converter. While invoice service periods do not correspond with calendar months, they are approximately one month long. Reporting time periods will correspond to the invoice period ending in that month.

Water

Water consumption is reported in m³ based on meter readings and/or invoices at individual production sites.

Waste

Waste is reported in metric tonnes at all sites. For compacted mixed municipal solid waste at production sites in the USA, we use the volume-to-weight conversion factors provided by the United States Environmental Protection Agencies (EPA). At one site where the area and waste container are shared with another entity, waste is estimated based on proportion of occupied square footage.

Social

Employee engagement

Participation rate and engagement score are collected from a survey conducted by a third party.

Characteristics of employees

All employee-related data is downloaded from our internal HR-system, Workday, and is relevant as of 31 December 2023.

Workforce headcount is broken down for countries with more than 50 employees.

The employee turnover ratio is calculated by dividing the number of employees who left the company by the average number of employees in the reporting year.

Diversity indicators

The gender diversity figures from 2021 and earlier do not include Germany, as job grades were not yet approved by the works council in that region.

The gender pay ratio is presented as the average gross hourly earnings of male employees compared to female employees. Figures from 2022 and earlier report on the median earnings.

The CEO annual compensation ratio is determined by the annual total compensation of the CEO against the median annual total compensation for all active (permanent and temporary) employees, excluding the CEO. Annual total compensation includes salary, bonus, allow-

ances, pension and all one-time payments over the course of a year.

Cases related to discrimination are all cases that have been reported and investigated in the reporting year, and includes discrimination on the grounds of an individual's uniqueness such as perspectives, work and life experiences, age, gender, race, ethnicity, religion, sexual orientation, ability, or any other characteristics. Discrimination concerns can be raised through several channels such as our whistle-blower hotline, Alertline, through direct managers or through Employee Representative Groups, P&O, EHS and direct managers.

Health & safety

Work-related accidents are reported to our EHS department and are defined as occurrences arising out of or in the course of work that result in injury.

Work-related accidents with absence is defined as work-related injuries resulting in an individual being physically or mentally unable, as determined by a competent medical person, to work on the next scheduled day or shift.

Lost time due to work-related accidents is determined by dividing the number of work-related accidents with absence by the total hours worked, multiplied by 1,000,000 to give the number of cases per one million hours worked.

Absence due to illness is calculated as the number of total working days with absence due to any illness, work related or otherwise, divided by total working days to give a percentage.

Governance

Alertline cases are all cases from our external system that have been reported and investigated in the reporting year.

When reporting on bribery, cases that have been reported and investigated in the reporting year are included. Bribes can take the form of money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or any other advantage or benefit, and it comprises any financial or other inducement or reward for an action which is illegal or unethical. When reporting on corruption, this is defined as 'abuse of entrusted power by someone for personal gain'.

Board diversity is measured by the percentage of female shareholder-elected members.

Code of Conduct training is calculated by the percentage of employees completing the training based on internal registrations.

Risk management

ALK's Board of Management is responsible for the ongoing management of risks throughout the value chain, including risk identification, the assessment of probabilities and potential consequences, and the introduction of risk-reducing measures.

The Board of Management has a risk committee to assist it in meeting its overall responsibility for risk management. The Risk Committee comprises representatives from each functional area relevant to ALK's risk profile. The Risk Committee meets twice a year or more, as and when required to perform its tasks. Risks are systematically assessed according to a two-dimensional matrix, rating the

potential impact and probability of each risk. A risk management report with key enterprise risks and recommended mitigation plans is presented to the Board of Management before it is submitted to the Board of Directors each year for their review and approval as part of ALK's long-term strategic planning process.

The following is a description of ALK's key enterprise risks, and the main initiatives taken to mitigate these risks. The risk movements compared to the previous year are indicated.

Risk impact

- ↗ The impact of the risk has increased compared to the year before
- The impact of the risk is stable and has not changed from the year before
- ↘ The impact of the risk has decreased compared to the year before



Commercial risks impacting revenue growth

Description

The degree of market approval and acceptance for a new product, or a new indication for an existing product, depends on several factors, including the demonstration of clinical efficacy and safety, cost-effectiveness, reimbursement/market access, convenience and ease of administration, potential advantages over alternative treatment methods, competition, and marketing and distribution support. If ALK's products, primarily tablets, fail to achieve acceptance in major markets, this could have a significant impact on the company's ability to generate revenue.

Price pressures mandated by authorities can have a significant impact on the company's earning capacity. In most of the countries in which ALK operates, prescription drugs are subject to reimbursement from, and price controls by, national authorities and healthcare providers. This often results in significant price differences between individual markets. Exceptionally, governments and national authorities may introduce permanent or temporary economic measures that also affect the pricing and reimbursement of medicines, for example, because of a major economic downturn.

Risk mitigation

ALK closely monitors economic, market and regulatory developments as they relate to product pricing, along with the competitive situation and initiatives in all important markets. ALK regularly conducts surveys of market conditions and commits significant resources to providing information on allergy treatment to doctors and patients. ALK continues its focus on market access strategies, especially in the USA, China, Spain, and UK.

ALK actively engages in dialogue with authorities with the aim of securing fair pricing and reimbursement agreements and maintains a strong focus on its market access strategy. ALK is strongly committed to evidenced-based medicine, based on strong clinical and health economic evidence as the basis for pricing and reimbursement.

2023 movement:



Severe IT security breaches

Description

The threat of cyberattacks continues to intensify globally and ALK is no exception. Disruption to IT systems, such as severe breaches of data security, may occur across the global value chain, where well-functioning IT systems and infrastructure are critical for the company's ability to operate effectively.

Risk mitigation

ALK has an IT and cybersecurity strategy in place to prevent intruders from causing damage to systems or gaining access to critical data and systems. ALK continuously invests in upgrading IT security. Awareness campaigns, access controls, intrusion detection and prevention systems have all been implemented. Further initiatives are planned, and systems are regularly upgraded to increase network security.

2023 movement:



Production and quality issues impacting product supply and patient safety

Description

ALK's products are subject to many statutory and regulatory requirements with respect to issues such as safety, efficacy and quality. The products may be associated with side-effects such as allergic reactions of varying extent, duration, and severity. Meeting pharmaceutical quality standards is a prerequisite for the company's ability to supply products and hence its competitive strength, and for the company's earnings and sales.

As ALK continues to rationalise its product portfolio, there may be risks associated with the discontinuation of its products. Among others, these may include potential production interruptions at manufacturing sites during decommissioning and change-over work, loss of sales from products for which no suitable ALK substitute product exists, or inability to meet sudden spikes in demand for other products due to patients switching from discontinued products.

As part of its supply chain, ALK is dependent on selected key third parties for key production processes and supplies, which poses a risk for ALK's ability to deliver products, especially tablets, to the markets.

Risk mitigation

ALK stringently monitors product and manufacturing quality compliance and safety via quality assurance, pharmacovigilance and sales and marketing activities. If, despite the high levels of quality and safety, a situation should occur in which it is necessary to recall a product, ALK has procedures in place to ensure that this can be managed swiftly and effectively and in accordance with regulatory requirements. Production and manufacturing processes are subject to periodic and routine inspections by regulatory authorities as a regular part of their monitoring to ensure that ALK observes the prescribed requirements and standards.

ALK has invested significantly in recent years to increase the robustness and compliance of the legacy business by reducing manufacturing complexity, and all possible steps are taken during portfolio rationalisation work to mitigate any potential impact on other areas of manufacturing or the wider business. ALK conducts risk planning including the prevention of unwanted events, and preventive inventory management.

ALK manages key third-party dependency risks through long-term contracts, diligent production forecasting, monitoring, and joint steering committees. ALK continuously monitors its dependencies on key third parties and considers relevant risk mitigation measures including alternative supply setups.

2023 movement:



Lack of critical competencies due to competitive employment market

Description

The employment market continues to be very competitive. ALK is dependent on being able to attract and retain employees across all key functions and markets to deliver on its strategy. Failure to attract, develop and retain the right talents may have a material impact on the company's market and research efforts.

Risk mitigation

Among other things ALK manages this risk by continuously monitoring and improving employee engagement, offering its staff opportunities to develop their professional competencies, and by continuously monitoring the total reward packages against the market. ALK is also focusing increasingly on how to position itself as an attractive employer, and how best to identify, attract and recruit future global and local talents with the skills and capabilities that will be required in the future.

2023 movement:



Breaches of legal or ethical standards

Description

Compliance requirements are generally increasing in many areas, and as ALK expands into more markets, the company is exposed to more complex compliance requirements. Non-compliance with applicable regulations and legislation, or ALK's Code of Conduct, could negatively impact the company's good reputation which is essential to operating within the pharmaceutical industry. Patents and other intellectual property rights are important for developing and retaining ALK's competitive strength.

Risk mitigation

ALK strives to act professionally, honestly and with high integrity throughout the company in its dealings with stakeholders. ALK's Code of Conduct defines the company's high standards of ethical behaviour in relation to customers, employees, shareholders, society, suppliers and partners. Each year, all employees are asked to sign and confirm their knowledge of the Code of Conduct and to take an online test. ALK has established a whistleblower scheme which allows for confidential and anonymous internal and external reporting of potential or suspected wrongdoing. Immediate action is taken on substantiated non-compliance.

Internal controls and policies are in place to safeguard ALK's intellectual property rights. The risk that ALK might infringe patents or trademark rights held by other companies, along with the risk that other companies might attempt to infringe ALK's own patents and/or trademark rights, are monitored and, if necessary, suitable measures are taken.

2023 movement:



Failures or delays in product development

Description

The future success of ALK depends on the company's ability to maintain current products and to successfully identify, develop and market new, innovative drugs.

A pharmaceutical product must be subjected to extensive and lengthy clinical trials to document qualities such as safety and efficacy before it can be approved for marketing. During the development process, the outcomes of these trials are subject to significant risks. Even though substantial resources are invested in the development process, the trials may produce negative results. The risk fluctuates over time in line with the extent and nature of ALK's product development activities.

Failures or delays in the development process, or in obtaining regulatory approvals, may have a major impact on patients who are not able to benefit from the products, and on ALK's ability to achieve its long-term goals.

Risk mitigation

ALK and its collaboration partners carry out thorough risk assessments of their research and development programmes throughout the development and registration processes, in the interests of risk mitigation to maximise the likelihood of the products reaching the market.

ALK's Scientific Committee is responsible for other patient/product-related innovation activities. The committee provides instrumental strategic sparring on matters relating to R&D activities and other patient/product-related innovation, including reviewing R&D programmes and the overall R&D pipeline.

2023 movement:



Governance and ownership

Corporate governance

ALK's statutory corporate governance statement for 2023, pursuant to section 107b of the Danish Financial Statements Act, is available at <https://ir.alk.net/financial-reporting/risk-management>

The statement provides an account of ALK's two-tier management structure, including the composition, competencies, activities, self-assessment, and remuneration of the Board of Directors. The statement also describes key elements of ALK's internal control and risk management systems related to financial reporting processes.

Board composition

At the Annual General Meeting (AGM) in 2023, Anders Hedegaard (Chair), Lene Skole (Vice Chair), Gitte Aabo, Lars Holmqvist, Bertil Lindmark and Alan Main were all re-elected to the Board of Directors, while Jesper Høiland was elected as a new, independent member of the Board. Jakob Riis did not seek re-election.

Following the election of Jesper Høiland, five out of the seven shareholder-elected members are independent, according to the definitions set by the Danish Committee on Corporate Governance. This reflects the Board's efforts to achieve a preponderance of independent members on the Board and its committees. The Board is considered to have the right

Attendance at meetings

Name (male/female)	Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings	Scientific Committee meetings	Competencies
Anders Hedegaard ¹	●●●●●●●●●●	●	●●●●●●	●●●●●●	●●●●●●
Lene Skole (f)	●●●●●●●●●●		●●●●●●	●●●●●●	●●●●●●
Gitte Aabo (f)	●●●●●●●●●●	●●●●●●			●●●●●●
Lars Holmqvist (m) ²	●●●●●●●●●●	●●●●			●●●●●●
Bertil Lindmark (m)	●●●●●●●●●●			●●●●●●	●●●●
Jesper Høiland (m) ^{2,3}	●●●●●●●●●●	●●●●			●●●●●●
Alan Main (m)	●●●●●●●●●●		●●●●●●		●●●●●●
Jakob Riis (m) ^{1,4}	●	●			●●●●●●
Katja Barnkob (f) ⁵	●●●●●●●●●●				
Nanna Rasso Carlsson (f) ⁵	●●●●●●●●●●				
Lise Lund Mærkedahl (f) ^{3,5}	●●●●●●●●●●				
Johan Smedsrud (m) ³	●●●●●●●●●●				

Meeting attendance

- Attended
- Absent

Competencies

Core competencies

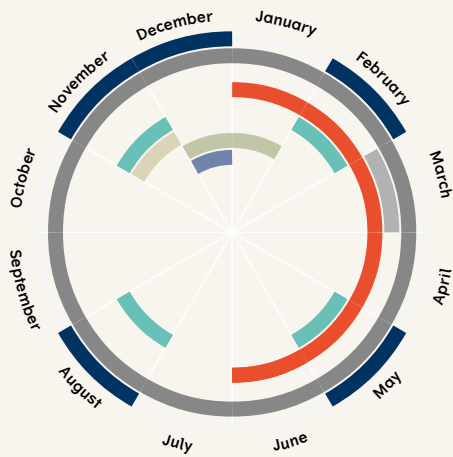
- Executive experience in a global company
- Life science industry
- Consumer healthcare / OTC
- Financial / Risk
- Commercial
- Digitalisation
- Experience with US market
- Research & Development

Role competencies: Chair & Vice Chair

- Experience at CEO level
- Board experience from other companies

¹ stepped down from the Audit Committee (AC) on 23 March 2023 ² elected to the AC on 23 March 2023 ³ elected at the AGM on 23 March 2023
⁴ stepped down at the AGM on 23 March 2023 ⁵ employee-elected

Board of Director's annual cycle



- Board meetings
- Monthly reports
- Annual General Meeting
- Strategy work
- Review of financial performance
- Evaluation of collaboration between the Board of Directors and Board of Management
- Organisational performance review and succession planning
- Next year's budget

competencies to support ALK's long-term value creation and strategic process.

All shareholder-elected Board members are elected for a term of one year. The Board also includes four employee-elected members, all elected for a term of four years in March 2023. All Board members are presented on pages 50-52 of this annual report, while the Board of Management is presented on page 53. There were the following changes to the Board of Management in 2023: on 1 March 2023, Henriette Mersebach joined ALK as EVP R&D, replacing Henrik Jacobi; Claus Steensen Sølje joined ALK on 1 June 2023 as CFO & EVP, replacing Søren Jelert; while Peter Halling joined ALK on 1 November 2023 as President & CEO, replacing Carsten Hellmann.

Competency matrix for the Board of Directors

Based on its long-term strategy, ALK has identified the core competencies which must be represented in the Board of Directors for the Board to be able to support the strategy. These are reviewed annually by the Remuneration & Nomination Committee and the Board of Directors to

ensure continued alignment with ALK's long-term strategy. To assess whether all core competencies are adequately represented, each shareholder-elected member of the Board has been asked to identify a maximum of four primary competencies they bring to the Board, considering ALK's long-term strategy. They may also have knowledge or experience in areas other than the four primary competencies. The matrix shows the responses to the self-assessment process. Employee-elected members are not part of the competency self-assessment. For the Chair and Vice Chair, two additional competencies specific to these roles have been identified.

Governance recommendations

The Danish Committee on Corporate Governance has set out a series of recommendations on corporate governance which have been adopted by Nasdaq Copenhagen. ALK complies with all recommendations and the Board of Directors uses these recommendations as inspiration in setting up structures, tasks and procedures. ALK accounts for its compliance with the recommendations in an annual 'comply-or-explain' review.

Remuneration

Remuneration of the Board of Directors and the Board of Management is determined in accordance with ALK's remuneration policy as adopted by the AGM in March 2023. The policy is prepared in accordance with sections 139 and 139a of the Danish Companies Act as well as items 4.1.1-4.1.6 of the latest Danish Corporate Governance Recommendations.

Highlights of remuneration report

Remuneration of the Board of Directors and Board of Management is reported separately in ALK's remuneration report. The report is prepared in accordance with section 139b of the Danish Companies Act.

The report provides an overview of remuneration components, actual remuneration in 2023, its development over the past five years, as well as the shareholdings of Board of Directors and Board of Management members.

All remuneration of the Board of Directors and Board of Management in 2023 followed the principles and framework outlined in ALK's remuneration policy.

Members of the Board of Directors each received a fixed annual fee, with the Vice Chair and Chair receiving double and triple the annual fee respectively. Members also received an additional fee for serving on the Board's committees. Their fees for serving on the Board and the Board's committees remained unchanged in 2023.

The remuneration of the Board of Management consisted of both fixed pay elements (base pay and benefits) and variable pay elements in the form of short-term incentive (STI) and long-term incentive (LTI) plans. The variable pay elements reflected a year with solid performance; the STI plan settled close to target and the LTI plan above target. The general increase in base salary for members of the Board of Management was 3.5%, in line with the general increase for ALK employees in Denmark. The CFO and EVP of Research and Development, who joined ALK in 2023, did not get an increase in their base salary in 2023.

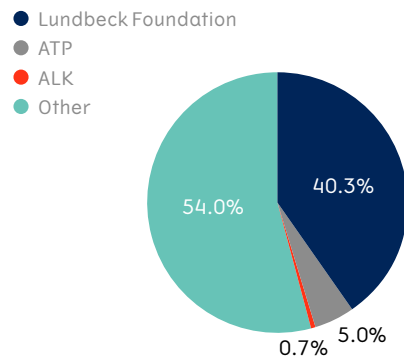
The remuneration report for 2023 will be presented for an advisory vote at the AGM on 14 March 2024. The remuneration report is available at <https://ir.alk.net/corporate-governance>

Remuneration

Amounts in DKK†	2023	2022
Board of Directors		
Base fee	4,820	4,477
Committee fees	1,137	1,117
Total	5,957	5,593
Board of Management*		
Base salary	18,249	18,164
Short-term incentives (cash bonus)	7,852	11,652
Pension & benefits	2,434	2,204
Long-term incentives (grant value)	3,940	6,692
Total	32,475	38,712

* Excluding sign-on and severance payments.

Shareholders as at 31 December 2023



Growing shareholder base

It is ALK's objective to have a diversified shareholder base in terms of geography, investment profile and time horizon that shares the company's vision and supports its long-term strategy.

In order to enable both a fair valuation and regular trading of its shares, ALK provides relevant, accurate, and timely information on its strategy, operations, performance, expectations, goals, pipeline, market development, and other matters relevant to assessing the share.

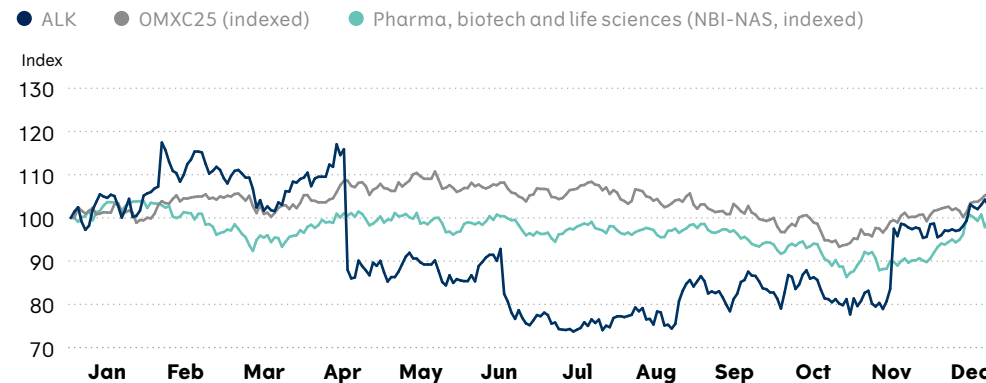
ALK also works to strengthen its dialogue with all financial stakeholders.

2023 saw further growth in ALK's investor base. On 31 December 2023, ALK had 39,766 registered shareholders, against 27,960 at the end of 2022. The registered shareholders owned 97.3% of the share capital (97.2%).

Two shareholders have reported to ALK that they held 5% or more of the shares on 31 December 2023:

- The Lundbeck Foundation (Copenhagen, Denmark): 40.3% incl. A and AA shares
- ATP (Hillerød, Denmark): 5.0%

The ALK share in 2023



Core data for the share

Share capital	DKK 111,411,960
Nominal value	DKK 0.50 per share
No of A shares	18,415,200 units with 10 votes per share
No of AA shares	1,841,520 units with 10 votes per share
No of B shares	202,567,200 units with 1 vote per share
Stock exchange	Nasdaq Copenhagen
Ticker symbol	ALK B
Indices	X4500 (healthcare), OMXCLCPI (LargeCap) and OMXCPI (all)
ISIN	DK0061802139
Blomberg code	ALKB.DC
Reuters code	ALKB_CO
LEI code	529900SGCREUZCZ7P020



Find out more

Trading information and core data on ALK's share: <https://ir.alk.net/share-information>

The vast majority of the largest registered shareholders were institutional investors, largely from Europe and North America. The international registered ownership was estimated at approximately 28% (33%).

To meet obligations to deliver shares under management incentive programmes, ALK held 1,634,673 of its own shares, or 0.7% of the share capital, against 0.8% at the end of 2022. The holding was reduced following the settlement of share option and performance share programmes.

The Board of Directors and Board of Management held a total of 92,531 shares at year-end, corresponding to less than 0.1% of the share capital (0.1%).

Return to shareholders

At year-end, the closing price of ALK B shares was DKK 101 compared to DKK 96 at the end of 2022.

The total market value of ALK's B shares, excluding treasury shares, was DKK 20.3 billion at year-end, against DKK 19.3 billion at the end of 2022. Since end of 2017,

when ALK's strategy was announced, share price increases have yielded an average annual return of 18% to shareholders.

Dividend and capital structure

The Board of Directors considers that ALK's financial resources, including credit facilities, continue to form a sufficient basis for executing ALK's strategy and funding investments. At the end of 2023, net interest-bearing debt amounted to DKK 291 million (475) and leverage stood at 0.3 EBITDA (0.7).

In support of ALK's growth strategy, the Board of Directors is extending its recommendation that dividend payments be suspended until ALK's profitability further improves. Accordingly, the Board of Directors will propose to the AGM that no dividends be declared for 2023. The Board of Directors revisits the dividend policy and ALK's capital structure on an ongoing basis.

Up to and including 15 March 2027, the Board of Directors is authorised to increase the share capital by up to DKK

11,141,196, with or without pre-emption rights for existing shareholders.

The Board of Directors is authorised for the period until 22 March 2028 to let the company acquire its own B shares for a nominal value of up to DKK 11,141,196. The consideration for such shares may not deviate by more than 10% from the official quoted price of the B shares on the date of acquisition.



Find out more

ALK's statutory corporate governance statement: <https://ir.alk.net/financial-reporting/risk-management>



Find out more

The Board of Directors' comply-or-explain review: <https://ir.alk.net/corporate-governance>



Find out more

ALK's remuneration policy: <https://ir.alk.net/corporate-governance>



Management's review

Investor relations

During 2023, besides hosting regular telephone conferences, ALK representatives participated in many individual meetings and briefing calls with analysts and investors as well as conferences and seminars targeting various audiences.

A total of 21 announcements were published in 2023 (2022: 24), including investor news and reports on transactions

by managerial staff. All announcements are available on ALK's main corporate website, together with reports, presentations, recordings of telephone conferences, share price information, analysts' estimates, and related information. Registered shareholders are encouraged to sign up at the InvestorPortal.

Contact Investor Relations

Per Plotnikof, Head of IR
Tel. +45 45747527



Find out more

Visit Investor Relations:
<https://ir.alk.net/investors>

Shareholder overview as at 31 December 2023

Shareholder	Registered office	No of shares	Interest	Votes
Lundbeck Foundation	Copenhagen, Denmark	18,414,400 A shares 1,841,440 AA shares 69,496,540 B shares	40.3%	67.2%
ATP	Hillerød, Denmark	11,226,329 B shares	5.0%	2.8%
ALK (treasury shares)	Hørsholm, Denmark	1,634,673 B shares	0.7%	-
Other		800 A shares 80 AA shares 120,209,658 B shares	54.0%	29.7%

Financial calendar 2024

Annual General Meeting

14 March

Three-month interim report (Q1)

3 May

Six-month interim report (Q2)

23 August

Nine-month interim report (Q3)

14 November



The Lundbeck Foundation

The Lundbeck Foundation, one of Denmark's largest enterprise foundations, is the controlling shareholder of ALK, holding 67% of the votes and 40% of the capital. The Foundation grants a minimum of DKK 500 million each year to public biomedical and health science research with a particular focus on neuroscience. Its business activities encompass majority shareholdings in two other healthcare companies, H. Lundbeck and Falck, a significant shareholding in Ferrosan Medical Devices and Ellab, and an international portfolio of early-stage biotech companies, as well as management of a DKK 20+ billion portfolio of financial investments, primarily in listed securities.

Board of Directors




Anders Hedegaard
(1960, Danish)

Professional board member

Chair
Board member since 2020²
Chair of the Remuneration & Nomination Committee
Member of the Scientific Committee

Competencies
Specific expertise within management and sales & marketing in international life science companies.

Directorships³
Ellab: Chair and member of the Remuneration Committee
Rodenstock Group, Germany: Member of the Advisory Board



Lene Skole¹
(1959, Danish)

The Lundbeck Foundation, CEO and directorships at two other subsidiaries

Vice Chair
Board member since 2014²
Member of the Remuneration & Nomination Committee
Member of the Scientific Committee

Competencies
Experience in management, financial and economic expertise, experience in strategy and communication in international companies.

Directorships³
Falck A/S⁴: Vice Chair and member of the Audit and Remuneration and Nomination Committees
H. Lundbeck A/S⁴: Vice Chair and member of the Remuneration & Nomination and the Scientific Committees
Nordea Bank Abp, Finland: Vice Chair and member of the Audit Committee
Ørsted A/S: Vice Chair and member of the Nomination & Remuneration Committee
The Committee on Foundation Governance: Vice Chair



Gitte Aabo
(1967, Danish)

Professional board member

Board member since 2021²
Chair of the Audit Committee

Competencies
Extensive global leadership experience and deep understanding of international management, finance, IT, and sales & marketing, as well as considerable insights into building digital communities.

Directorships³
Danmarks Nationalbank: Member of the Committee of Directors
UNION therapeutics A/S: Board member
The Danish Chamber of Commerce: Board member and member of the Executive Committee



Lars Holmqvist¹
(1959, Swedish)

Professional board member

Board member since 2015²
Member of the Audit Committee

Competencies
Experience in management, finance and sales & marketing in international life science companies, including med tech and pharmaceutical companies.

Directorships³
Biovica International AB, Sweden: Chair and member of the Audit Committee
H. Lundbeck A/S: Board member and member of the Audit Committee
The Lundbeck Foundation: Board member and Chair of the Investment Committee
Vitrolife AB, Sweden: Board member and member of the Audit Committee
Life Healthcare Group Holdings, Ltd, South Africa: Board member and member of the Audit and Investment Committees

¹ These board members are not regarded as independent in meaning of the Danish recommendations on corporate governance because of their affiliation with the Lundbeck Foundation, which owns 40.3% of ALK's shares.

² All members elected by the annual general meeting are up for re-election each year.

³ Directorships do not include those for companies that are privately owned, wholly or in part, by members of the Board of Directors.

⁴ Board positions included in the position as CEO of the Lundbeck Foundation



Jesper Høiland
(1960, Danish)

*Strategic adviser,
PharmaCo Consult ApS*

Board member since 2023¹
Member of the Audit Committee

Competencies

Extensive managerial and commercial experience from 35 years with global pharmaceutical companies, including roles at Ascendis Pharma, Inc., Radius Health, Inc. and Novo Nordisk Inc., USA. Unique expertise in establishing and expanding commercial activities in North America, including product launches.

Directorships²

Diætlinikken Holding ApS: Partner and board member



Bertil Lindmark
(1955, Swedish)

*Chief Medical Officer,
Vicore Pharma Holding AB*

Board member since 2021¹
Chair of the Scientific Committee

Competencies

More than 30 years' experience of global executive R&D leadership in pharmaceuticals (Astra, AstraZeneca, Almirall) and biotech (ASLAN Pharmaceuticals, eTheRNA Immunotherapies, Galecto Inc.). Multi therapy area experience and brought blockbuster therapeutics to market globally. Served on the Research Board of AstraZeneca. Participated in a range of IPOs, acquisitions, and debt-financing activities.

Directorships²

Aqilion AB, Sweden: Chair of the Board and member of the Remuneration Committee
Cellevate, Sweden: Director of the Board



Alan Main
(1963, British)

*Senior Adviser,
Canson Capital Partners*

Board member since 2022¹
Member of the Remuneration & Nomination Committee

Competencies

More than 30 years of experience from the consumer healthcare industry in roles at amongst others Sanofi, Bayer and Roche.

¹ All members elected by the annual general meeting are up for re-election each year.

² Directorships do not include those for companies that are privately owned, wholly or in part, by members of the Board of Directors.



Katja Barnkob
(1969, Danish)

*Project Director,
Global Clinical Development,
ALK-Abelló A/S*

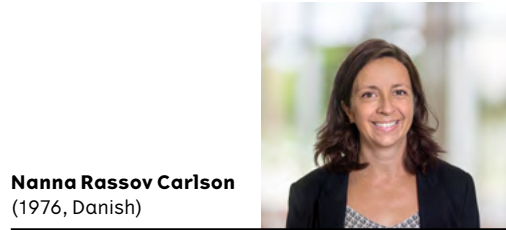
Board member since 2011
Employee-elected

Competencies

Experience in project management of global drug development projects in the pharmaceutical industry.

Directorships³

The Lundbeck Foundation: Board member, employee-elected



Nanna Rassov Carlson
(1976, Danish)

*Senior Manager,
QA Release,
ALK-Abelló A/S*

Board member since 2019
Employee-elected

Competencies

Expertise in production and release of ALK's active pharmaceutical ingredients for sublingual immunotherapy products.



Lise Lund Mærkedahl
(1967, Danish)

*Project Director,
Global Research & Drug Discovery,
ALK-Abelló A/S*

Board member since 2023
Employee-elected

Competencies

Experience within development of new vaccines, including development of immunochemical methods and *in vivo* studies, and latest within project management of drug discovery projects.



Johan Smedsrud
(1972, Danish)

*Senior Maintenance Supporter,
Process & Production Support,
ALK-Abelló A/S*

Board member since 2019
Employee-elected

Competencies

Experience in HVAC systems, cleanroom testing, utensil washing and sterilisation for the pharmaceutical industry.

Board of Management



Peter Halling
(1977, Danish)

President & CEO

Competencies

Executive management experience with a commercial and strategic background from pharmaceutical, ingredient and biotech industries.

Peter Halling holds a master's degree in International Marketing & Management from Copenhagen Business School from 2003.



Claus Steensen Sølje
(1972, Danish)

Executive Vice President & CFO

Competencies

International experience in management, finance, and other CFO-related areas in the pharmaceutical/med tech industry.

Claus Steensen Sølje holds a master's degree in Economics from the University of Copenhagen from 1999.

Directorships¹

Sonion A/S: Board member and member of the Remuneration & Nomination Committee



Søren Niegel
(1971, Danish)

Executive Vice President, Commercial Operations

Competencies

Experience in management, as well as global production and sales & marketing within the pharmaceutical industry.

Søren Niegel holds a master's degree in Economics and Business Administration from Copenhagen Business School from 1996.



Henriette Mersebach
(1971, Danish)

Executive Vice President, Research & Development, MD

Competencies

International experience in management, innovation, and research & development in the pharmaceutical industry.

Henriette Mersebach holds a master's degree in Medicine from 1998 and a PhD in Medicine from 2004.

¹ Directorships do not include those for companies that are privately owned, wholly or in part, by members of the Board of Directors.



Financial statements

- 55 Statement by Management on the annual report
- 56 Independent auditor's reports
- 60 Consolidated financial statements
- 65 Notes to the consolidated financial statements
- 102 Parent company financial statements
- 106 Notes to the parent company financial statements

Statement by Management on the annual report

The Board of Directors and the Board of Management have today considered and adopted the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2023.

The consolidated financial statements have been prepared in accordance with IFRS accounting standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act. Management's review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position at 31 December 2023 of the group and the parent company and of the results of the group and parent company operations

and consolidated cash flows for the financial year 1 January to 31 December 2023.

In our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances of the group and the parent company, of the results for the year, and of the financial position of the group and the parent company, as well as a description of the most significant risks and elements of uncertainty facing the group and the parent company.

In our opinion, the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2023 with the file name alk-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Hørsholm, 8 February 2024

Board of Management

Peter Halling

President & CEO

Claus Steensen Sølje

Executive Vice President
& CFO

Søren Niegel

Executive Vice President,
Commercial Operations

Henriette Mersebach

Executive Vice President,
Research & Development

Board of Directors

Anders Hedegaard

Chair

Lene Skole

Vice Chair

Gitte Aabo

Lars Holmqvist

Jesper Høiland

Bertil Lindmark

Alan Main

Katja Barnkob

Nanna Rassov Carlson

Lise Lund Mærkedahl

Johan Smedsrud

Independent Auditor's Reports

To the shareholders of ALK-Abelló A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's

operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements (pp 60-101) and the Parent Company Financial Statements (pp 102-114) of ALK-Abelló A/S for the financial year 1 January to 31 December 2023 comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information for the Group as well as for the Parent Company, and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other

ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of ALK-Abelló A/S on 11 March 2020 for the financial year 2020. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 4 years including the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition and related sales deductions</p> <p>The Group sells products in certain markets subject to various rebate and discount arrangements and mandated price adjustments schemes. These arrangements and schemes result in deductions to gross revenue in arriving at net revenue and in accruals for estimated sales deductions.</p> <p>We focused on these areas as accounting for rebates, discounts and mandated price adjustments is complex and requires a high degree of estimation by Management. This includes the estimation uncertainty regarding accruals for estimated sales deductions.</p> <p>We refer to note 2.1 in the consolidated financial statements.</p>	<p>We discussed the policies for accounting for rebates, discounts and mandated price adjustments with Management.</p> <p>We performed risk assessment procedures to obtain an understanding of the IT systems, business processes and relevant controls for revenue recognition and related sales deductions. We assessed whether the controls were designed and implemented to effectively address the risk of material misstatement.</p> <p>We evaluated and challenged the assumptions and estimates, including models and data used for calculating rebates, discounts and mandated price adjustments and accruals for sales deductions.</p> <p>We assessed the appropriateness of the related disclosure provided in the consolidated financial statements.</p>

Statement on Management’s Review

Management is responsible for Management’s Review (pp 1-53 and 115).

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management’s Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been

prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group’s and the Parent Company’s

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the

reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions

and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2023 with the filename alk-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation

based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements including notes.

In our opinion, the annual report of ALK-Abelló A/S for the financial year 1 January to 31 December 2023 with the file name alk-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 8 February 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Kim Tromholt
State Authorised Public Accountant
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Consolidated financial statements

Financial statements

Income statement	61
Statement of comprehensive income	61
Cash flow statement	62
Balance sheet	63
Statement of changes in equity	64
Notes	65
Definitions	101

Notes

Section 1

Basis of reporting

1.1 Accounting policy information	65
1.2 Significant accounting estimates and judgements	67

Section 2

Results for the year

2.1 Revenue and segment information	68
2.2 Expenses	69
2.3 Depreciation, amortisation and impairment	70
2.4 Staff costs	70
2.5 Fees to the ALK Group's auditors	71
2.6 Financial income and expenses	71
2.7 Income tax and deferred tax	72

Section 3

Operating assets and liabilities

3.1 Intangible assets	75
3.2 Property, plant and equipment	78
3.3 Leases	80
3.4 Inventories	82
3.5 Trade receivables	83
3.6 Prepayments	83
3.7 Pensions and similar liabilities	84
3.8 Provisions	86
3.9 Other payables	86
3.10 Contingent liabilities and commitments	87

Section 4

Capital structure and financing

4.1 Share capital and earnings per share	88
4.2 Financial risks and financial instruments	89

Section 5

Other disclosures

5.1 Share-based payments	94
5.2 Cash flow	97
5.3 Business combinations	98
5.4 Related parties	98
5.5 Events after the reporting period	99
5.6 Approval of financial statements	99
5.7 List of companies in the ALK Group	100

Income statement

Amounts in DKKm	Note	2023	2022
Revenue	2.1	4,824	4,511
Cost of sales	2.2-2.4, 3.4, 5.1	1,789	1,720
Gross profit		3,035	2,791
Research and development expenses	2.2-2.4, 5.1	618	665
Sales and marketing expenses	2.2-2.4, 5.1	1,422	1,381
Administrative expenses	2.2-2.4, 5.1	331	276
Other operating income		2	1
Operating profit (EBIT)		666	470
Financial income	2.6	12	4
Financial expenses	2.6	31	27
Profit before tax (EBT)		647	447
Tax on profit	2.7	161	112
Net profit		486	335
Earnings per share (EPS)	4.1		
Earnings per share (EPS)		2.20	1.52
Earnings per share (DEPS), diluted		2.20	1.51

Statement of comprehensive income

Amounts in DKKm	Note	2023	2022
Net profit		486	335
<i>Items that will subsequently not be reclassified to the income statement:</i>			
Actuarial gains/(losses) on pension plans	3.7	(1)	96
Tax related to actuarial gains/(losses) on pension plans	2.7	1	(30)
		-	66
<i>Items that will subsequently be reclassified to the income statement, when specific conditions are met:</i>			
Foreign currency translation adjustment of foreign affiliates		(38)	61
Tax related to other comprehensive income, that will subsequently be reclassified to the income statement	2.7	-	4
		(38)	65
Other comprehensive income		(38)	131
Total comprehensive income		448	466

Cash flow statement

Amounts in DKKm	Note	2023	2022
Net profit		486	335
Adjustments			
Adjustments for non-cash items	5.2	458	406
Changes in working capital	5.2	(203)	(235)
Financial income, received		9	2
Financial expenses, paid		(23)	(14)
Income tax, paid (net)		(60)	(78)
Cash flow from operating activities		667	416
Purchase of intangible assets	3.1	(69)	(55)
Purchase of tangible assets	3.2-3.3	(310)	(298)
Investments in other financial assets		4	2
Cash flow from investing activities		(375)	(351)
Free cash flow		292	65
Sale of treasury shares		-	42
Exercised share options, paid		(20)	(11)
Proceeds from borrowings	5.2	671	60
Repayment of borrowings	5.2	(636)	(94)
Repayment of lease liabilities	5.2	(46)	(39)
Cash flow from financing activities		(31)	(42)
Net cash flow		261	23
Cash beginning of year		221	194
Unrealised gain/(loss) on cash held in foreign currency and financial assets carried as cash		(8)	4
Net cash flow		261	23
Cash year end		474	221

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.

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets			
Goodwill	3.1	459	460
Other intangible assets	3.1	212	182
		671	642
Tangible assets			
Land and buildings	3.2-3.3	994	991
Plant and machinery	3.2	511	440
Other fixtures and equipment	3.2-3.3	80	76
Property, plant and equipment in progress	3.2	596	511
		2,181	2,018
Other non-current assets			
Prepayments		49	94
Deferred tax assets	2.7	659	716
Income tax receivables		198	193
		906	1,003
Total non-current assets		3,758	3,663
Current assets			
Inventories	3.4	1,423	1,297
Trade receivables	3.5	816	764
Receivables from group companies	5.4	-	18
Income tax receivables		34	24
Other receivables		74	82
Prepayments	3.6	147	239
Cash		474	221
Total current assets		2,968	2,645
Total assets		6,726	6,308

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Share capital	4.1	111	111
Currency translation adjustment		(18)	20
Retained earnings		4,354	3,857
Total equity		4,447	3,988
Liabilities			
Non-current liabilities			
Mortgage debt	4.2	184	203
Pensions and similar liabilities	3.7	245	236
Lease liabilities	4.2	255	226
Deferred income		46	49
Provisions	3.8	1	-
Deferred tax liabilities	2.7	4	4
Income tax payables		230	203
		965	921
Current liabilities			
Mortgage debt	4.2	19	18
Bank loans	4.2	261	208
Trade payables		128	131
Lease liabilities	4.2	46	41
Deferred income		4	4
Provisions	3.8	2	3
Income tax payables		17	16
Other payables	3.9	837	978
		1,314	1,399
Total liabilities		2,279	2,320
Total equity and liabilities		6,726	6,308

Statement of changes in equity

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
2023				
Equity at 1 January	111	20	3,857	3,988
Net profit	-	-	486	486
Other comprehensive income/(loss)	-	(38)	-	(38)
Total comprehensive income	-	(38)	486	448
Share-based payments	-	-	30	30
Share options settled	-	-	(20)	(20)
Sale of treasury shares	-	-	-	-
Tax related to items recognised directly in equity	-	-	1	1
Other transactions	-	-	11	11
Equity at 31 December	111	(18)	4,354	4,447

Amounts in DKKm	Share capital	Currency translation adjustment	Retained earnings	Total equity
2022				
Equity at 1 January	111	(41)	3,410	3,480
Net profit	-	-	335	335
Other comprehensive income	-	61	70	131
Total comprehensive income	-	61	405	466
Share-based payments	-	-	27	27
Share options settled	-	-	(11)	(11)
Sale of treasury shares	-	-	42	42
Tax related to items recognised directly in equity	-	-	(16)	(16)
Other transactions	-	-	42	42
Equity at 31 December	111	20	3,857	3,988

Section 1 – Basis of reporting

1.1 Accounting policy information

The consolidated financial statements for the period 1 January to 31 December 2023 have been prepared in accordance with the IFRS accounting standards as adopted by the EU and in accordance with Danish disclosure requirements for listed companies. Additional Danish disclosure requirements for annual reports are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

The consolidated financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the ALK Group's activities and the functional currency of the parent company.

The consolidated financial statements are presented on a historical cost basis, apart from certain financial instruments, which are measured at fair value.

The general accounting policies described below apply to the consolidated financial statements as a whole. To enhance understanding, specific accounting policies are described in the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies.

The accounting policies are unchanged from last year except for the below mentioned impacts of new standards.

New standards effective from 1 January 2023

The ALK Group has implemented all new and amended standards and IFRIC interpretations which are effective for the financial year 2023. This has not resulted in any changes to the accounting policies of the ALK Group.

New standards effective on or after 1 January 2024

A number of IFRS standards, amended standards and IFRIC interpretations, which are effective on or after 1 January 2024, have not been implemented. Based on a preliminary assessment it is estimated that these standards and interpretations will have no material impact on the consolidated financial statements.

The ALK Group has adopted the International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about Pillar Two exposure.

Basis of consolidation

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 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 ALK 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.

Foreign currency translation

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

Exchange rate differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items. Tangible assets and intangible assets, inventories and other nonmonetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than DKK, the income statements are translated at average exchange rates for the respective

months, unless these deviate materially from the actual exchange rates at the transaction dates. In that case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates at the balance sheet date. Goodwill is considered to belong to the acquired company in question and is translated at the exchange rate at the balance sheet date.

Exchange rate differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Foreign exchange rate adjustment of receivables or debt to subsidiaries which are considered part of the parent company's overall investment in the subsidiary in question are also recognised in other comprehensive income in the consolidated financial statements.

Definitions and ratios

The key ratios have been calculated in accordance with generally accepted financial ratios applied by financial analysts. Definitions are shown on page 101.

Reporting under the ESEF regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF) (ESEF Regulation) has introduced

Section 1 – Basis of reporting

1.1 Accounting policy information – continued

a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The ESEF Regulation sets out the following main requirements: (1) Issuers shall draw up and disclose their annual financial reports using the XHTML format; and (2) issuers that draw-up their primary consolidated financial statements in accordance with IFRS as endorsed by the EU shall tag those consolidated financial statements using inline eXtensible Business Reporting Language (iXBRL) including block-tag of the notes to the consolidated financial statements.

The combination of the XHTML format with the iXBRL tags makes the annual financial reports both human-readable and machine-readable, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

As part of the tagging process financial statement line items are marked up to elements in the ESEF taxonomy. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for elements corresponding to subtotals.

The annual report 2023 for the ALK Group submitted to the Danish Financial Supervisory Authority and Nasdaq consists of the XHTML document together with some technical files all included in a ZIP file named alk-2023-12-31-en.zip.

Key definitions

XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in an updated standard Web browser like Chrome or Edge.

iXBRL tags (or Inline XBRL tags) are hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

The tagging process is a process where iXBRL tags are applied to financial statement line items, notes etc.

Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

ESEF data

Name of reporting entity or other means of identification

ALK-Abelló A/S

Domicile of entity

Denmark

Legal form of entity

A/S

Country of incorporation

Denmark

Address of entity's registered office

Bøge Allé 6-8, DK-2970 Hørsholm

Principal place of business

Global

Description of nature of entity's operations and principal activities

ALK is a global allergy solutions company

Name of parent entity

Lundbeckfond Invest A/S

Name of ultimate parent of group

Lundbeck Foundation

Section 1 – Basis of reporting

1.2 Significant accounting estimates and judgements

In the preparation of the consolidated financial statements according to IFRS, 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.

Management considers those listed below as the key accounting estimates and related judgements used in the preparation of the consolidated financial statements.

A description of significant accounting estimates and judgements as well as assumptions applied is included in the relevant notes.

Note	Key accounting estimates and judgements	Estimate/ judgement
2.1 Revenue and segment information	Sales deductions comprising rebates, discounts, and mandated price adjustments	Estimate
2.2 Expenses	Recognition of costs for outsourced clinical trials	Estimate
2.7 Income tax and deferred tax	Provision for uncertain tax positions and measurement of deferred tax assets	Estimate/ judgement
3.1 Intangible assets	Recoverable amount of goodwill	Estimate
3.4 Inventories	Valuation of inventories and capitalisation of indirect production costs	Estimate

Section 2 – Results for the year

2.1 Revenue and segment information

Amounts in DKKm	Europe		North America		International markets		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
SCIT/SLIT-drops	1,424	1,266	362	349	153	133	1,939	1,748
SLIT-tablets	1,592	1,519	184	151	520	432	2,296	2,102
Other products and services	200	273	362	357	27	31	589	661
Total revenue	3,216	3,058	908	857	700	596	4,824	4,511
Sale of goods							4,723	4,411
Royalties							99	93
Services							2	7
Total revenue							4,824	4,511

Of total revenue, DKK 104 million (2022: DKK 119 million) is derived from Denmark. The ALK Group had more than 10% of its total revenue from Germany 22% (2022: 20%), France 17% (2022: 18%), the USA 16% (2022: 17%), and Japan 10% (2022: 9%) based on the location of the customers.

The ALK Group’s non-current tangible and intangible assets are distributed among the following geographical markets:

Amounts in DKKm	Europe		North America		International markets		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Non-current tangible and intangible assets	1,953	1,754	895	899	4	7	2,852	2,660

Of total non-current tangible and intangible assets, DKK 1,536 million relates to assets in Denmark (2022: DKK 1,356 million). The USA accounts for 31% (2022: 34%) of total non-current tangible and intangible assets.

§ Accounting policies

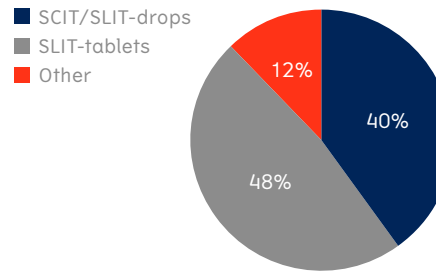
Segment information

Based on the internal reporting used by the Board of Management to assess the results of operations and allocation of resources, the ALK Group has identified one operating segment ‘Allergy treatment’, which is in accordance with the way the activities are organised and managed. Even though revenue within the operating segment “Allergy treatment” can be divided by product lines and market, 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. The disclosures in the financial statements include a breakdown of revenue by product line and a geographical breakdown of revenue and non-current assets. The geographical information on markets is based on customer and asset location.

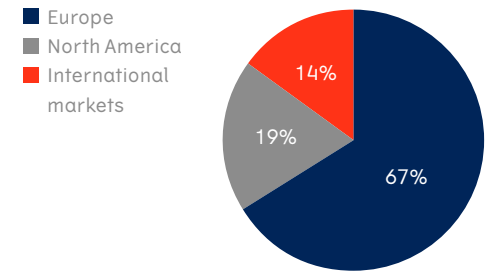
Revenue

The primary performance obligation of the ALK Group is the sale and delivery of own-manufactured goods and goods for resale for allergy treatment. Revenue from the sale of goods is recognised in the income statement upon the control of the goods being transferred to the customer, i.e. when goods are delivered. Revenue is recognised by the ALK Group at a point in time.

Revenue by product line 2023



Revenue by geography 2023



Section 2 – Results for the year

2.1 Revenue and segment information - continued

The ALK Group's products are sold primarily to distributors of pharmaceuticals, pharmacies, and hospitals. The payment conditions for the customers vary, and are based on industry practice in the relevant markets. As a result of special trading conditions in specific markets, the credit period may be up to 180 days.

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

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

Furthermore, revenue includes licence income and royalties from outlicensed products as well as up-front payments, milestone payments and services in connection with partnerships. These revenues are recognised in the income statement in accordance with the agreements and when the ALK Group obtains the right to the payments, which is when services have been delivered to the customer or at the point in time the subsequent sales occur.

When combined contracts are entered, the elements of the contracts are identified and assessed separately for accounting purposes.



Significant accounting estimates and judgements

Sales deductions comprising rebates, discounts, and mandated price adjustments are estimated and accrued for at the time when the related sales are recorded. Management is required to make significant estimates in the revenue recognition relating to the accruals for sales deductions as not all conditions are known at the time of sale and as revenue can only be recognised to the extent that it is probable that a significant reversal of the recognised revenue will not occur.

Management's estimate of accruals for sales deductions is based on a calculation taking into consideration among other factors, existing contractual obligations, the extent of predictability, historical experience with similar transactions and whether the consideration is highly susceptible to factors outside ALK's influence.

ALK considers the accruals established for sales deductions to be reasonable and appropriate based on currently available information. The accruals for sales deductions are adjusted regularly as new or more detailed information becomes available and when actual amounts are processed.

2.2 Expenses



Accounting policies

Cost of sales

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

Research and development expenses

The item comprises research and development expenses, including expenses incurred for wages and salaries, amortisation, impairment of capitalised development projects in progress, and other overheads as well as costs relating to research partnerships. Research expenses are recognised in the income statement when incurred. Due to the long development periods and significant uncertainties in relation to the development of new products, including risks regarding clinical trials and regulatory approvals, it is the assessment that most of the ALK Group's development expenses do not meet the capitalisation criteria in IAS 38, Intangible Assets. Consequently, development expenses are generally recognised in the income statement when incurred. Development expenses relating to individual minor development projects running for short-term periods and subject to limited risk are capitalised under other intangible assets.

Sales and marketing expenses

The item comprises selling and marketing expenses, including salaries and expenses relating to sales staff, advertising and exhibitions, depreciation, amortisation and impairment losses on tangible assets and intangible assets used in the sales and marketing process as well as other indirect costs.

Administrative expenses

The item comprises expenses incurred for management and administration, including expenses for administrative staff and management, office expenses and depreciation, amortisation and impairment losses on tangible assets and intangible assets used in administration.

Section 2 – Results for the year

2.2 Expenses - continued

Significant accounting estimates and judgements

Clinical trials, which are outsourced to Clinical Research Organisations (“CROs”), take several years to complete. As such, Management is required to make estimates based on the progress and costs incurred to-date for the ongoing trials. Estimates are made in determining the amount of costs to be expensed during the period or recognised as prepayments or accruals on the balance sheet.

At 31 December 2023, DKK 26 million is recognised as accrued expenses (2022: DKK 114 million) and DKK 21 million as prepayments in the balance sheet (2022: DKK 130 million). In 2023, external expenses for clinical trials of DKK 150 million have been recognised in the income statement (2022: DKK 240 million).

2.3 Depreciation, amortisation and impairment

Amounts in DKKm	2023	2022
Depreciation, amortisation and impairment allocation:		
Cost of sales	163	163
Research and development expenses	11	9
Sales and marketing expenses	20	23
Administrative expenses	51	43
Total	245	238

Impairment amounts to DKK 1 million (2022: DKK 2 million), of which DKK 1 million relates to impairment of tangible assets (2022: DKK 1 million). No impairment of intangible assets was made (2022: DKK 1 million).

The impairment of tangible assets is related to impairment of production equipment of DKK 1 million with no recoverable amount after impairment (2022: DKK 1 million). The impairment is recognised as cost of sales.

The impairment of intangible assets in 2022 was related to impairment of goodwill of DKK 1 million with no recoverable amount after impairment. The impairment was associated with closing down activities in Turkey and was recognised as sales and marketing expenses.

2.4 Staff costs

Amounts in DKKm	2023	2022
Wages and salaries	1,708	1,584
Pensions, cf. note 3.7	145	131
Other social security costs, etc.	223	207
Share-based payments, cf. note 5.1	30	27
Total	2,106	1,949
Staff costs are allocated as follows:		
Cost of sales	799	747
Research and development expenses	308	279
Sales and marketing expenses	696	673
Administrative expenses	222	187
Included in the cost of assets	81	63
Total	2,106	1,949
Remuneration to Management:		
Remuneration to Board of Management:*		
Salaries and other benefits	19	19
Short-term incentive (cash bonus)	9	12
Pensions	2	1
Termination benefits	23	-
Long-term incentives (share-based) based on expensed accounting value, cf. note 5.1**	5	7
Total remuneration to Board of Management	58	39
Remuneration to Board of Directors	6	6
Total remuneration to Board of Management and Board of Directors	64	45
Employees		
Average number (FTE)	2,752	2,609
Number year end (FTE)	2,824	2,680

* In 2023, total remuneration to Board of Management included sign-on payments for the new members including a cash bonus of DKK 0.75 million and three share-based payment plans with a total grant value of DKK 23 million.

** The expensed costs include DKK 1 million (2022: DKK 0) related to adjustment in the share options and performance share units expected to vest.

Section 2 – Results for the year

2.5 Fees to the ALK Group's auditors

Amounts in DKKm	2023	2022
Fees to the auditors appointed at the annual general meeting:		
Audit services	4	3
Other opinions	-	-
Tax advisory services	1	-
Other services	1	1
Total	6	4

The fee for non-audit services provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (Denmark) of DKK 2 million (2022: DKK 1 million) relates to HR consulting, tax advisory, and other general financial accounting matters. .

2.6 Financial income and expenses

Amounts in DKKm	2023	2022
Interest income	12	4
Financial income from financial assets measured at amortised cost	12	4
Currency gains, net	-	-
Total financial income	12	4
Interest expenses*	22	22
Financial expenses from financial liabilities measured at amortised cost	22	22
Interest expenses on uncertain tax positions, net	-	2
Currency losses, net	9	3
Total financial expenses	31	27

* Includes interest expenses related to leasing of DKK 7 million (2022: DKK 6 million).

§ Accounting policies

Financial items comprise interest receivable and interest payable, the interest element of lease payments, realised and unrealised gains and losses on securities, cash, liabilities and foreign currency transactions, mortgage amortisation premium/allowance etc. and provisions for uncertain tax position.

Interest expenses and income related to uncertain tax position are recognised on the balance sheet as tax liabilities and tax assets respectively upon the receipt of ruling from the tax authorities and correspondingly reflected in the income statement as financial items net.

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.

Section 2 – Results for the year

2.7 Income tax and deferred tax

Amounts in DKKm	2023	2022
Tax on profit		
Current income tax	84	91
Adjustment of deferred tax	74	20
Prior years adjustments, income tax	10	3
Prior years adjustments, deferred tax	(7)	(2)
Tax on profit for the year	161	112
Profit before tax	647	447
Income tax, tax rate of 22% (2022: 22%)	142	98
Effect of deviation of foreign subsidiaries' tax rate relative to Danish tax rate	24	14
Permanent differences	(5)	(10)
Other taxes and adjustments	(7)	11
Change in valuation of net tax assets	4	(2)
Prior years adjustments, income tax	10	3
Prior years adjustments, deferred tax	(7)	(2)
Tax on profit for the year	161	112

Tax related to equity comprises an income of DKK 1 million (2022: expense of DKK 16 million) and other comprehensive income comprises an income of DKK 1 million (2022: expense of DKK 26 million).

Pillar Two

The ALK Group is within the scope of the OECD Pillar Two model rules due to being included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S). Pillar Two legislation was in 2023 enacted in Denmark, the jurisdiction in which the ALK Group is incorporated, and will come into effect from 1 January 2024. The ALK Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the ALK Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. All entities within the group have an effective tax rate that exceeds 15%, except for one minor subsidiary. Any potential impact is considered to be immaterial.

Section 2 – Results for the year

2.7 Income tax and deferred tax – continued

Amounts in DKKm	Intangible assets	Tangible assets	Current and other assets	Liabilities	Tax losses carried forward	Total
2023						
Deferred tax						
Carrying amount beginning of year	(24)	(107)	370	106	367	712
Adjustment to prior years' deferred tax	-	1	(2)	1	7	7
Adjustment of receivables from group companies	-	-	-	-	7	7
Currency adjustments	-	2	-	(1)	-	1
Adjustment of deferred tax due to coming year change of tax rates	-	1	(1)	-	(1)	(1)
Recognised in the income statement, net	(3)	(17)	(86)	21	16	(69)
Change in valuation of net tax assets	-	-	-	(4)	-	(4)
Recognised in other comprehensive income, net	-	-	-	1	-	1
Recognised in equity, net (share-based payments)	-	-	(2)	-	3	1
Carrying amount year end	(27)	(120)	279	124	399	655
2022						
Deferred tax						
Carrying amount beginning of year	(20)	(98)	438	129	340	789
Adjustment to prior years' deferred tax	-	(3)	1	2	2	2
Adjustment of receivables from group companies	-	-	-	-	(17)	(17)
Currency adjustments	-	(3)	-	2	1	-
Adjustment of deferred tax due to coming year change of tax rates	-	(1)	-	1	-	-
Recognised in the income statement, net	(4)	(2)	(37)	-	21	(22)
Change in valuation of net tax assets	-	-	-	2	-	2
Recognised in other comprehensive income, net	-	-	-	(30)	4	(26)
Recognised in equity, net (share-based payments)	-	-	(32)	-	16	(16)
Carrying amount year end	(24)	(107)	370	106	367	712

Deferred tax consists of deferred tax assets of DKK 659 million (2022: DKK 716 million) and deferred tax liabilities of DKK 4 million (2022: DKK 4 million). In 2023, the US entities have released a valuation allowance and has no further unrecognised deferred tax assets (2022: DKK 11 million).

Section 2 – Results for the year

2.7 Income tax and deferred tax – continued

Accounting policies

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

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

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

Uncertain tax position is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority (and a future inflow of funds from a tax authority). The uncertain tax position is measured at the best estimate of the amount expected to become payable (and receivable).

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of a transaction, apart from business combinations, and where the temporary difference existing at the date of initial recognition affects neither profit/loss for the year nor taxable income.

Deferred tax is calculated based on the planned use of each asset and settlement of each liability, respectively. Deferred tax is measured using the tax rates and tax rules that, based on legislation enacted or in reality enacted at the balance sheet date, are expected to apply in the respective countries when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates or rules are recognised in the income statement, in other comprehensive income or in equity, depending on where the deferred tax was originally recognised. Deferred tax related to equity transactions is recognised in equity.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred

tax liabilities or as net assets to be offset against future positive taxable income. Deferred tax assets including the tax value of tax losses are recognised if it is probable that it can be utilised against future taxable income within a foreseeable future. This includes an assessment of the possibilities to utilise tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S).

At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

The parent company is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/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.

Significant accounting estimates and judgements

Management is required to make an estimate in the recognition of deferred tax assets. This assessment includes estimates of future taxable income in ALK and other members of the joint Danish taxation scheme with the Lundbeck Foundation. The forecasts for ALK-Abelló A/S with increased positive results (EBT) is based on growth in revenue and earnings driven by SLIT-tablets.

At 31 December 2023, the value of the total net deferred tax asset is DKK 655 million (2022: DKK 712 million). It includes a net deferred tax asset in Denmark related to tax losses carried forward of DKK 369 million (2022: DKK 343 million).

Complying with tax rules, when conducting business globally, can be complex as the interpretation of legislation and case law may change over time or may not always be clear. Management's judgements are applied to assess the possible effect of exposures and the possible outcome of disputes or interpretational uncertainties when transfer pricing disputes with local tax authorities may occur. Dialogue with local tax authorities, tax advisors, business plans and knowledge of the business are key parameters for Management to estimate the tax assets and liabilities.

At 31 December 2023, the ALK Group recognises uncertain tax position as part of non-current tax. The actual outcome may deviate and depends on the result of litigation and settlements with the relevant local tax authorities.

Section 3 – Operating assets and liabilities

3.1 Intangible assets

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other intangible assets*	Total
2023					
Cost beginning of year	482	459	207	263	1,411
Currency adjustments	(1)	-	(3)	1	(3)
Additions	-	12	-	57	69
Disposals	-	(9)	-	-	(9)
Transfer to/from other groups	-	17	-	(17)	-
Cost year end	481	479	204	304	1,468
Amortisation and impairment beginning of year	22	357	202	188	769
Currency adjustments	-	-	(3)	2	(1)
Amortisation for the year	-	30	4	4	38
Disposals during the year	-	(9)	-	-	(9)
Amortisation and impairment year end	22	378	203	194	797
Carrying amount year end	459	101	1	110	671

* Other intangible assets includes individual development projects running for short-term periods.

Amounts in DKKm	Goodwill	Software	Patents, trademarks and rights	Other intangible assets*	Total
2022					
Cost beginning of year	479	420	236	249	1,384
Currency adjustments	4	-	3	2	9
Additions	-	8	-	47	55
Disposals	(1)	(4)	(32)	-	(37)
Transfer to/from other groups	-	35	-	(35)	-
Cost year end	482	459	207	263	1,411
Amortisation and impairment beginning of year	22	332	225	183	762
Currency adjustments	-	1	3	1	5
Amortisation for the year	-	28	6	4	38
Disposals during the year	(1)	(4)	(32)	-	(37)
Impairment during the year, cf. note 2.3	1	-	-	-	1
Amortisation and impairment year end	22	357	202	188	769
Carrying amount year end	460	102	5	75	642

* Other intangible assets includes individual development projects running for short-term periods.

Section 3 – Operating assets and liabilities

3.1 Intangible assets – continued

Goodwill

Goodwill is related to acquisition of companies in previous years and has been subject to an impairment test, which has been submitted to the Audit Committee for subsequent approval by the Board of Directors. The impairment test performed in 2023 revealed no need for impairment of goodwill.

Impairment of goodwill in 2022 of DKK 1 million was associated with closing down activities in Turkey.

Goodwill has been tested at an aggregated level for ALK as one cash-generating unit. In the calculation of the value in use of the cash-generating unit, future free net cash flow is estimated based on Board of Directors-approved budget (2024) and financial forecasts (2025-2027) in line with the ALK Group's strategy.

The budget and the forecast plans are based on specific future business initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value. Estimates are based on historical data and expectations on future changes in the markets and products. These expectations are based on a number of assumptions including expected product launches, volume forecasts, price information and profitability of both the ALK Group's business as well as geographical expansions.

Intangible assets 2023

- Goodwill
- Patents, trademarks and rights
- Software
- Other intangible assets

2023



For financial years after the four year forecast period (2024-2027), the cash flows in the most recent period have been extrapolated adjusted for a growth factor of 1.5% (2022: 1.5%) during the terminal period. The discount rate used is 10.9% pre-tax and 8.5% after tax (2022: 9.6% pre-tax and 7.5% after tax).

The calculated value in use shows that future earnings and cash flows fully support the carrying amount of total net assets, including goodwill.

§ Accounting policies

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities.

On recognition of goodwill, the goodwill amount is allocated to the ALK Group's cash-generating unit. The ALK Group is considered as one cash-generating unit as the individual companies and business units in the ALK Group cannot be evaluated separately due to the value-adding processes are generated across corporations and entities.

Goodwill is not amortised, but is tested for impairment at least once a year. To the extent that the carrying amount of goodwill exceeds the recoverable amount, goodwill is written down to this lower amount. Impairment of goodwill is not reversed.

Software, patents, trademarks and rights

Acquired intellectual property rights in the form of software, patents, trademarks, licenses, customer base, and similar rights are measured at cost less accumulated amortisation and impairment.

The cost of software includes costs of installation and direct salaries.

Intangible assets with determinable useful lives are amortised on a straight-line basis over the expected useful lives of the assets, typically not exceeding 10 years. If the actual useful life is shorter than either the remaining life or the contract period, the asset is amortised over this shorter useful life. The carrying amounts are reviewed at the balance sheet date to determine whether there are any indications of

Section 3 – Operating assets and liabilities

3.1 Intangible assets – continued

impairment. If such indications are identified, 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.

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

See note 3.2 for more information on assessment, recognition and reversal of impairment.

Other intangible assets

Other intangible assets includes individual minor development projects running for short-term periods, including software development projects, which fulfil the requirements in IFRS. The measurement and impairment follow the same rules as described above for software, patents, trademarks, and rights.



Significant accounting estimates and judgements

The assessment of whether goodwill is impaired requires a determination of the value in use of the cash-generating unit. The determination of the value in use requires estimates of the expected future cash flow of the cash-generating unit and a reasonable discount rate.

At 31 December 2023, the carrying amount of goodwill is DKK 459 million (2022: DKK 460 million).

Section 3 – Operating assets and liabilities

3.2 Property, plant and equipment

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2023					
Cost beginning of year	1,743	1,048	278	511	3,580
Currency adjustments	(19)	(10)	(1)	(6)	(36)
Additions	99	22	16	248	385
Remeasurement of lease obligations	8	-	-	-	8
Disposals	(27)	(20)	(2)	(1)	(50)
Transfer to/from other groups	7	142	7	(156)	-
Cost year end	1,811	1,182	298	596	3,887
Depreciation and impairment beginning of year	752	608	202	-	1,562
Currency adjustments	(4)	(8)	(1)	-	(13)
Depreciation for the year	96	91	19	-	206
Disposals during the year	(27)	(20)	(2)	(1)	(50)
Impairment during the year, cf. note 2.3	-	-	-	1	1
Depreciation and impairment year end	817	671	218	-	1,706
Carrying amount year end	994	511	80	596	2,181
of which financing costs					-
Value of land and buildings subject to mortgages					164

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The estimated lease terms are 10 years. See also note 3.3.

Amounts in DKKm	Land and buildings*	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
2022					
Cost beginning of year	1,623	1,028	272	325	3,248
Currency adjustments	35	19	2	5	61
Additions	83	23	11	260	377
Remeasurement of lease obligations	(17)	-	-	-	(17)
Disposals	(11)	(67)	(11)	-	(89)
Transfer to/from other groups	30	45	4	(79)	-
Cost year end	1,743	1,048	278	511	3,580
Depreciation and impairment beginning of year	665	577	192	-	1,434
Currency adjustments	7	9	1	-	17
Depreciation for the year	91	87	20	-	198
Disposals during the year	(11)	(66)	(11)	-	(88)
Impairment during the year, cf. note 2.3	-	1	-	-	1
Depreciation and impairment year end	752	608	202	-	1,562
Carrying amount year end	991	440	76	511	2,018
of which financing costs					-
Value of land and buildings subject to mortgages					176

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The estimated lease terms are 11 years. See also note 3.3.

Section 3 – Operating assets and liabilities

3.2 Property, plant and equipment – continued

§ Accounting policies

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 depreciation base is cost less the estimated residual value at the end of the useful life. The residual value 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.

Tangible 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 2023

- Land and buildings
- Plant and machinery
- Other fixtures and equipment
- Property, plant and equipment in progress

2023



Impairment

The carrying amounts of tangible assets 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.

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

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

Section 3 – Operating assets and liabilities

3.3 Leases

Specification of right-of-use assets:

Amounts in DKKm	Land and buildings*	Other fixtures and equipment	Total
2023			
Cost beginning of year	395	3	398
Currency adjustments	(4)	-	(4)
Additions	75	-	75
Remeasurement of lease obligations	8	-	8
Disposals	(22)	-	(22)
Cost year end	452	3	455
Depreciation beginning of year	147	1	148
Currency adjustments	(1)	-	(1)
Depreciation for the year	46	1	47
Disposals	(22)	-	(22)
Depreciation year end	170	2	172
Carrying amount year end	282	1	283

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The estimated lease terms are 10 years.

Specification of right-of-use assets:

Amounts in DKKm	Land and buildings*	Other fixtures and equipment	Total
2022			
Cost beginning of year	335	2	337
Currency adjustments	5	-	5
Additions	78	1	79
Remeasurement of lease obligations	(17)	-	(17)
Disposals	(6)	-	(6)
Cost year end	395	3	398
Depreciation beginning of year	109	1	110
Currency adjustments	1	-	1
Depreciation for the year	43	-	43
Disposals	(6)	-	(6)
Depreciation year end	147	1	148
Carrying amount year end	248	2	250

* Land and buildings include buildings on land leased from Scion DTU A/S, Hørsholm in Denmark. The estimated lease terms are 11 years.

Section 3 – Operating assets and liabilities

3.3 Leases – continued

Leases in the income statement

Amounts in DKKm	2023	2022
Expenses from short-term leases	4	2
Expenses from low-value assets (including cars)	19	18
Depreciation of right-of-use assets	47	43
Interest expenses on lease liabilities	7	6
Total	77	69

Cash outflow related to lease agreements was DKK 53 million (2022: DKK 45 million).

Lease liabilities are disclosed in note 4.2.

§ Accounting policies

Lease liabilities

Lease assets are recognised at the commencement date of the contract if it is or contains a lease. Lease assets are recognised at cost less accumulated depreciation and impairment. Cost is defined as the lease liability adjusted for any lease payments made at or before the commencement date. Lease assets are depreciated on a straight-line basis over the lease term.

Lease assets are remeasured when the lease liability is impacted by reassessment of lease terms, modifications to lease agreements, and when applying indexation or a rate.

On initial recognition, lease liabilities are measured as the present value of future payments. The lease payments contain fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

On subsequent recognition, lease liabilities are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement over the term of the lease as a finance charge.

If the interest rate cannot be determined in the agreement, the lease payments are discounted using the ALK Group's incremental borrowing rate adjusted for the functional currency and length of the lease term. The lease liability is remeasured if or when the future payment or lease term changes.

Short term lease expenses and low value assets are not recognised as part of lease liabilities. They are recognised in the income statement when incurred as an operating expense.

Section 3 – Operating assets and liabilities

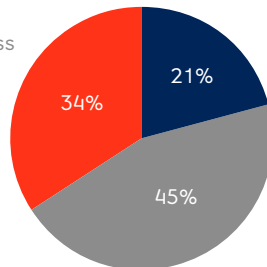
3.4 Inventories

Amounts in DKKm	2023	2022
Raw materials	307	265
Work in progress	637	507
Manufactured goods and goods for resale	479	525
Total	1,423	1,297
Amount of write-down of inventories during the year	41	50
Amount of reversal of write-down of inventories during the year*	16	19
Total cost of materials included in cost of sales	569	490
Net carrying amount of inventory not expected to be sold in following year	447	333

* Reversal of provision for slow moving items, sold in 2023.

Inventories 2023

- Raw materials
- Work in progress
- Manufactured goods and goods for resale



§ Accounting policies

Inventories are measured at cost determined under the FIFO method or net realisable value where this is lower.

Cost comprises raw materials, goods for resale, and direct payroll costs as well as fixed and variable production overheads. Variable production overheads comprise indirect materials and payroll costs and are allocated based on predetermined costs of the goods actually produced. Fixed production overheads comprise maintenance of and depreciation on

the machines, factory buildings and equipment used in the manufacturing process as well as the cost of factory management and administration. Fixed production overheads are allocated based on the normal capacity of the production plant.

The net realisable value of inventories is calculated as the expected selling price less completion costs and costs incurred in making the sale.

A minor part of ALK's raw materials inventory contains biological assets from agricultural activities. Due to missing market on which a fair value can be established these products are not valued.



Significant accounting estimates and judgements

The valuation of inventories includes Management's assessment of the saleability of the finished goods, and the quality of raw materials to be used in the production process. If the expected sales price less any completion costs and costs to execute sales (net realisable value) of inventories is lower than the carrying amount, the inventories are written down to net realisable value. When assessing salability and net realisable value, Management uses estimates for future sales and related costs.

End of 2023, the write-down of inventories to net realisable value amounted to DKK 90 million (2022: DKK 85 million).

Further, work in progress and manufactured goods and goods for resale are measured at cost including indirect production costs. The indirect production costs are measured using a standard cost method. This is reviewed regularly to ensure reliable measurement of employee costs, capacity utilisation, cost drivers and other relevant factors. When including the indirect production costs for capitalisation, Management makes estimates about cost of production, standard cost variances, cost drivers and capacity utilisation. Changes in these parameters may have a significant impact on the gross margin and the overall valuation of work in progress and manufactured goods and goods for resale.

End of 2023, the indirect production costs capitalised under inventories amounted to DKK 483 million (2022: DKK 442 million).

Section 3 – Operating assets and liabilities

3.5 Trade receivables

Amounts in DKKm	Days past due				Total
	Not due	<180 days	180-360	>360 days	
2023					
Average expected credit loss rate	1%	3%	0%	33%	
Trade receivables (gross)	744	74	2	3	823
Loss allowance	4	2	-	1	7
Trade receivables (net)	740	72	2	2	816
Loss allowance:					
Balance beginning of year					8
Change in allowances during the year					-
Realised losses during the year					(1)
Loss allowance, year end					7
2022					
Average expected credit loss rate	1%	2%	8%	50%	
Trade receivables (gross)	671	86	13	2	772
Loss allowance	4	2	1	1	8
Trade receivables (net)	667	84	12	1	764
Loss allowance:					
Balance beginning of year					11
Change in allowances during the year					2
Realised losses during the year					(5)
Loss allowance, year end					8

§ Accounting policies

On initial recognition, receivables are measured at fair value, subsequently at amortised cost.

Expected credit losses are measured based on historical data adjusted by forward-looking information. Forward-looking information includes assessment of the probability of default as well as consideration of various external sources of actual and economic information that is reasonable and supportable without undue cost or effort.

ALK recognises expected credit losses that result from default events possible within the whole asset life. Risk related to trade receivables is managed in ALK locally by entities, based on an individual assessment. Loss allowance for doubtful trade receivables is also based on an individual assessment of the receivables. ALK has not implemented a global provision matrix due to different characteristics related to receivables across the ALK Group. Loss allowance are calculated based on variables, e.g. probability-weighted amount (based on historical realised losses), the time value of money, additional supportable information, including an individual assessment of each customer/customer group.

An impairment loss or reversal of prior impairment loss is recognised in the income statement.

Receivables are written down when information indicates severe financial difficulties and that there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities. Any recoveries made are recognised in the income statement.

3.6 Prepayments

Amounts in DKKm	2023	2022
Clinical trials, cf. note 2.2	21	130
Royalties	46	39
Other	80	70
Total	147	239

§ Accounting policies

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

Section 3 – Operating assets and liabilities

3.7 Pensions and similar liabilities

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

In defined contribution plans, the ALK Group 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.

The ALK Group sponsors defined benefit plans for qualifying employees of its subsidiaries in Germany, France and Switzerland. The defined benefit plans guarantee employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. The ALK Group bears the risks regarding the future development in interest, inflation, mortality, disability rates etc. regarding the amount to be paid to the employee.

Amounts in DKKm	2023	2022
Costs related to defined contribution plans	119	107
Costs related to defined benefit plans	26	24
Total	145	131
Present value of funded pension obligations	24	24
Fair value of plan assets (100% insurance contract)	(22)	(21)
Funded pension obligations, net	2	3
Present value of unfunded pension obligations	171	161
Pension obligations	173	164
Anniversary liabilities	10	10
Other liabilities*	62	62
Pension obligations and similar liabilities, year end	245	236

* Other liabilities include liability related to the transition period for the Danish Holiday Act of DKK 61 million (2022: DKK 60 million).

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

The weighted average duration of the pension obligations is 16.37 years (2022: 16.58 years).

Amounts in DKKm	2023	2022
The principal assumptions used for the actuarial valuations		
Discount rate range of 2% - 3.4% (weighted average rate)	3.4%	3.8%
Expected future rate of salary increase range of 1% - 2.5% (weighted average rate)	2.4%	2.4%
Assumed life expectations on retirement age for current pensioners (years based on weighted average)*:		
Males	20.0	21.1
Females	23.1	24.3
Assumed life expectations on retirement age for current employees (future pensioners) (years based on weighted average)*:		
Males	21.1	22.4
Females	24.8	26.3
Sensitivity analysis:		
Significant actuarial assumptions for determining the defined benefit obligation		
Discount rate, effect in case of increase in range of 0.25% - 1%**	(22)	(21)
Discount rate, effect in case of decrease in range of 0.25% - 1%**	27	27
Salary, effect in case of 0.25% - 0.5% increase**	3	2
Salary, effect in case of 0.25% - 0.5% decrease**	(3)	(2)
Life expectancy, effect in case of increase by 1 year*	7	6
Life expectancy, effect in case of decrease by 1 year*	(7)	(6)
Movements in the present value of the funded defined benefit obligation in the current year		
Opening funded defined benefit obligation	24	25
Current service costs	2	2
Actuarial (gains)/losses arising from changes in financial assumptions	(3)	(5)
Contribution from plan participants	1	-
Benefits paid	(2)	1
Currency translation adjustment	2	1
Closing funded defined benefit obligation	24	24

* Based on national statistics for mortality.

** Based on actuarial reports with different rates.

Section 3 – Operating assets and liabilities

3.7 Pensions and similar liabilities – continued

Amounts in DKKm	2023	2022
Movements in the fair value of the plan assets in the current year		
Opening fair value of plan assets	21	17
Contribution from plan participants	2	2
Benefits paid	(2)	1
Currency translation adjustment	2	1
Return on plan assets	(1)	-
Closing fair value of plan assets (fully invested in insurance contracts)	22	21
Movements in present value of unfunded pension obligations in the current year		
Opening present value of unfunded pension obligations	161	246
Current service costs	4	7
Interest costs	6	3
Actuarial (gains)/losses from changes in financial assumptions	13	(87)
Actuarial (gains)/losses arising from experience adjustments	-	(4)
Actuarial (gains)/losses arising from demographic adjustments	(9)	-
Benefits paid	(4)	(4)
Closing present value of unfunded pension obligations	171	161
Amount recognised as staff expenses in the income statement		
Current service costs	6	9
Net interest expense	6	3
Total	12	12
Amount recognised in comprehensive income in respect of defined benefit plans		
Actuarial (gains)/losses	1	(96)
Total	1	(96)

The expected contribution for 2024 for the defined benefit plans is DKK 12 million (2023: DKK 13 million).

The most recent actuarial valuations of the defined benefit liability were carried out by external independent actuary agents at 31 December 2023.

§ Accounting policies

The ALK Group has entered into pension agreements and similar agreements with some of the ALK Group's employees.

In respect of defined contribution plans, the ALK Group pays in fixed contributions to independent pension funds etc. The contributions are recognised in the income statement during the period in which the employee renders the related service. Payments due are recognised as a liability in the balance sheet.

In respect of defined benefit plans, the ALK 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 ALK Group and which will have to be paid under the plan. The Projected Unit Credit Method is applied to determine net present value.

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

The net present value of pension liabilities is recognised in the balance sheet, after deduction of the fair value of any assets attached to the plan, as either plan assets or pension liabilities, depending on whether the net amount is an asset or a liability, as described below.

If the assumptions made with respect to discount factor, inflation, mortality and disability are changed, or if there is a discrepancy between the expected and realised return on plan assets, actuarial gains or losses occur. These gains and losses concerning previous financial years are recognised in other comprehensive income.

Section 3 – Operating assets and liabilities

3.8 Provisions

Amounts in DKKm	Restructuring programs	Other provisions*	Total
2023			
Provisions beginning of year	-	3	3
Provisions made during the year	-	3	3
Used during the year	-	(2)	(2)
Reversals during the year	-	(1)	(1)
Provisions, year end	-	3	3
Provisions are recognised as follows:			
Non-current liabilities	-	1	1
Current liabilities	-	2	2
Provisions, year end	-	3	3
2022			
Provisions beginning of year	10	2	12
Provisions made during the year	-	1	1
Used during the year	(10)	-	(10)
Provisions, year end	-	3	3
Provisions are recognised as follows:			
Current liabilities	-	3	3
Provisions, year end	-	3	3

* Other provisions in 2023 include a provision for sales in Italy of DKK 2 million (2022: DKK 3 million) and provisions for minor legal proceedings of DKK 1 million (2022: DKK 0).

§ Accounting policies

Provisions are recognised when, as a consequence of a past event during the financial year or previous years, the ALK Group has a legal or constructive obligation, and it is likely that settlement of the obligation will require an outflow of the ALK Group'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.

3.9 Other payables

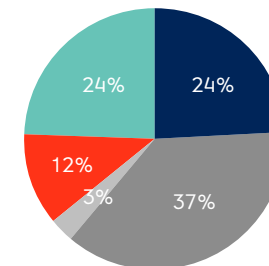
Amounts in DKKm	2023	2022
Rebates and commissions, cf. note 2.1	241	274
Salaries, holiday payments etc.	307	270
Clinical trials, cf. note 2.2	26	114
VAT and other taxes	96	81
Other	167	239
Total	837	978

§ Accounting policies

Other payables are recognised as a current liability and comprise costs due in the subsequent financial year. Other payables are measured at amortised cost.

Other payables 2023

- Rebates and commissions
- Salaries, holiday payments etc.
- Clinical trials
- VAT and other taxes
- Other



Section 3 – Operating assets and liabilities

3.10 Contingent liabilities and commitments

Contingent liabilities

In the ordinary course of business, the ALK Group is involved in certain claims, disputes etc. In the opinion of Management, settlement or continuation of pending claims and other disputes will have no material impact on the ALK Group's financial position.

The ALK Group operates in a wide variety of jurisdictions, in some of which the tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to the ALK Group's activities. Whilst the ALK Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations, the impact of which cannot be reliably estimated, but could be material.

Joint taxation scheme

ALK-Abelló A/S is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and its Danish subsidiaries. The Danish companies are joint and several liable for the joint taxation liability. The joint taxation liability covers income taxes and withholding taxes on dividends, royalties and interest. The joint taxation liability is capped at an amount equal to the share of the capital of the company directly or indirectly owned by the ultimate parent company. The total tax obligation under the joint Danish taxation scheme is shown in the financial statements of the Lundbeck Foundation (Lundbeckfond Invest A/S).

Change of control

The ALK Group's credit facilities and drawn loans are subject to standard change of control clauses according to which the lender has the right to cancel the commitment and demand repayment of outstandings.

Security in assets

Land and buildings provided as security vis-à-vis for mortgage debt amount to DKK 164 million (2022: DKK 176 million) out of mortgage debt of DKK 203 million (2022: DKK 221 million).

Commitments

Amounts in DKKm	2023	2022
Bank guarantees*	80	76
Other guarantees	12	11
Total	92	87

* Bank guarantees include DKK 78 million related to ongoing tax audits (2022: DKK 75 million).

Section 4 – Capital structure and financing

4.1 Share capital and earnings per share

	2023		2022	
	Units	Nominal value (DKKm)	Units	Nominal value (DKKm)
Share capital				
The share capital consists of:				
A shares (nominal value of DKK 0.5)	18,415,200	9	18,415,200	9
AA shares (nominal value of DKK 0.5)	1,841,520	1	1,841,520	1
B shares (nominal value of DKK 0.5)	202,567,200	101	202,567,200	101
Total	222,823,920	111	222,823,920	111

Each A and AA share carries 10 votes, whereas each B share carries 1 vote. AA shares no longer held by individuals or legal entities other than the Lundbeck Foundation or companies which are group affiliated with the Lundbeck Foundation, cf. the definition of groups in section 6 of the Danish Companies Act, or in the event that a company which holds AA shares is no longer group affiliated with the Lundbeck Foundation, such AA shares shall be transferred to the B share capital.

According to a resolution passed by the parent company at the annual general meeting, the parent company is allowed to purchase treasury shares, up to 10% of the share capital. The parent company has purchased treasury shares in connection with the issuance of share-based incentive plans. All shares are paid in.

	2023	2022
Treasury shares		
Treasury shares beginning of year (B-shares), units	1,824,975	2,970,560
Sale of treasury shares, units	(190,302)	(1,145,585)
Treasury shares year end (B-shares), units	1,634,673	1,824,975
Proportion of share capital year end	0.7%	0.8%
Nominal value year end	0.8	0.9
Market value year end	165	175
Earnings per share		
The calculation of earnings per share is based on the following:		
Net profit (DKKm)	486	335
Number in units:		
Average number of issued shares	222,823,920	222,823,920
Average number of treasury shares	(1,678,589)	(2,321,447)
Average number of shares used for calculation of earnings per share	221,145,331	220,502,473
Average dilutive effect of outstanding share options	130,812	870,206
Average number of shares used for calculation of diluted earnings per share	221,276,143	221,372,679
Earnings per share (EPS) (DKK)	2.20	1.52
Earnings per share, diluted (DEPS) (DKK)	2.20	1.51

§ Accounting policies

Acquisition and sales sums arising on the purchase and sale of treasury shares and dividends on treasury shares are recognised directly in retained earnings under equity.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments

Financial risk management policy

As a result of operations, investments and financing, the ALK Group is exposed to exchange and interest rate changes. 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 foreign exchange rate risk, liquidity risk, interest rate risk, and credit risk in connection with its commercial activities.

Capital structure

The ALK Group manages its capital to ensure that all entities will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the ALK Group consists of net debt and equity. The dividend policy of the ALK Group is to distribute maximum possible dividend to ALK-Abelló A/S.

The ALK Group’s Risk Committee reviews the capital structure annually. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Foreign exchange rate risk

Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Foreign exchange rate exposure relating to future transactions and assets and liabilities is evaluated and hedged through matching of payments received and paid in the same currency. 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. In case it is evaluated to be relevant, the ALK Group hedges significant exchange rate exposures regarding future sales and purchase of goods in the coming six months in accordance with the ALK Group’s policy.

The general objective of the ALK Group’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 relates to exchange rate fluctuations.

The greatest exposure is to USD and in 2023, 16% (2022: 17%) of the revenue was denominated in USD. The sales are not deemed to be exposed to EUR due to Denmark’s participation in the European Exchange Rate Mechanism.

The ALK Group is exposed to exchange rate risks when intercompany balances and net assets of foreign subsidiaries are translated into DKK. In accordance with the ALK Group’s accounting policies, such currency translation adjustments are recognised in the income statement and in other comprehensive income, respectively.

No exchange rate hedge contracts were open at 31 December 2023 or 31 December 2022.

Sensitivity to a 10% increase in USD exchange rate

The table below shows the estimated effect of a 10% increase in the USD exchange rate on revenue, EBIT and equity levels, respectively. A decrease in the exchange rates will have a corresponding adverse effect. In the sensitivity analysis, data for revenue and EBIT are based on current short-term expectations and data for equity are based on actual equity at 31 December 2023.

Amounts in DKKm	Revenue	EBIT	Net profit	Equity
31 December 2023				
USD	approx. +95	approx. +20	approx. +15	approx. +55
31 December 2022				
USD	approx. +80	approx. +5	approx. +5	approx. +15

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Net positions

Amounts in DKKm	Cash	Receivables	Liabilities	Amount hedged	Net position
31 December 2023					
DKK	5	59	(873)	-	(809)
USD	262	214	(222)	-	254
EUR	100	437	(1,017)	-	(480)
GBP	3	17	(11)	-	9
SEK	6	41	(19)	-	28
Other	98	206	(138)	-	166
Total	474	974	(2,280)	-	(832)
31 December 2022					
DKK	(12)	89	(909)	-	(832)
USD	111	228	(328)	-	11
EUR	48	433	(956)	-	(475)
GBP	2	18	(21)	-	(1)
SEK	2	34	(16)	-	20
Other	70	180	(90)	-	160
Total	221	982	(2,320)	-	(1,117)

Liquidity risk

In connection with the ALK Group's ongoing financing of operations, including refinancing, efforts are made to ensure adequate and flexible liquidity. This is guaranteed by placing free funds in credit-worthy, liquid, interest bearing instruments of relatively short durations in accordance with the ALK Group's policy.

The liquidity risk is considered to be minimal due to the ALK Group's current capital structure.

Liquidity exposure

Amounts in DKKm	Carrying amount	Total cash flow*	Revaluation/payment date		
			Within 1 year	From 1-5 years	After 5 years
31 December 2023					
Mortgage debt and bank loans	464	466	282	74	110
Trade payables	128	128	128	-	-
Lease liabilities	301	337	54	143	140
Other financial liabilities	854	854	854	-	-
Financial liabilities	1,747	1,785	1,318	217	250
31 December 2022					
Mortgage debt and bank loans	429	432	229	73	130
Trade payables	131	131	131	-	-
Lease liabilities	267	292	46	167	79
Other financial liabilities	994	994	994	-	-
Financial liabilities	1,821	1,849	1,400	240	209

* Total cash flow includes interest.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Interest rate risk

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

Concerning the ALK Group's financial assets and financial liabilities, the earlier of the contractual revaluation and redemption date is applied. Effective interest rates are stated on the basis of the current level of interest rates on the balance sheet date.

Interest rate exposure

Amounts in DKKm	Carrying amount	Currency	Expiry date	Fixed/ floating	Effective interest rate
31 December 2023					
Cash	474	Various		Floating	(1.25)-5.05
Interestbearing assets	474				
Mortgage debt	203	DKK	2035	Floating	0.2
Lease liabilities	301	Various	2024-2036	Fixed	2.0
Bank loans	261	Various	2024	Fixed	4.5
Interestbearing liabilities	765				
31 December 2022					
Cash	221	Various		Floating	(0.6)-4.75
Interestbearing assets	221				
Mortgage debt	221	DKK	2035	Floating	0.2
Lease liabilities	267	Various	2023-2036	Fixed	2.0
Bank loans	208	Various	2023	Fixed	2.8-3.3
Interestbearing liabilities	696				

An increase in the interest rate of 1 percentage point on mortgage debt and bank loans would decrease net profit and equity by approximately DKK 5 million (2022: decrease of DKK 4 million). An increase in the interest of 1 percentage point on cash would increase net profit and equity by approximately DKK 5 million (2022: increase of DKK 2 million).

Credit risk

The ALK Group's primary credit exposure is related to trade receivables and cash. The ALK Group has no major exposure relating to one single customer or business partner. According to the ALK Group's policy for assuming credit exposure, all customers and business partners are credit rated regularly. Trade receivables are monitored at the local level and are distributed across a number of markets and customers. Therefore, the credit risk is considered to be low. For more information, see note 3.5.

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.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Categories of financial instruments

Amounts in DKKm		2023	2022
Financial assets			
Financial assets measured at amortised cost			
	Impairment method		
Receivables from group companies	12m ECL	-	18
Prepayments	12m ECL	49	94
Trade receivables	Lifetime ECL (simplified approach)	816	764
Other receivables	12m ECL	74	82
Cash		474	221
Total		1,413	1,179
Financial liabilities			
Financial liabilities measured at amortised cost			
Mortgage debt		203	221
Bank loans		261	208
Lease liabilities		301	267
Trade payables		128	131
Other payables		837	978
Total		1,730	1,805

Measurement and fair value hierarchy

Amounts in DKKm	Fair value	Revaluation/payment date		
		Within 1 year	From 1-5 years	After 5 years
31 December 2023				
Mortgage debt	206	19	75	112
Bank loans	261	261	-	-
Total	467	280	75	112
31 December 2022				
Mortgage debt	225	18	74	133
Bank loans	208	208	-	-
Total	433	226	74	133

All financial assets and liabilities are measured at cost or amortised cost. The carrying amounts for these approximate fair value.

Fair value for mortgage debt is measured by level 1 input (quoted prices in active markets) from the fair value hierarchy and fair value for bank loans is measured by level 2 input (inputs other than quoted markets that are observable) from the fair value hierarchy.

No financial derivatives were used in 2023 or 2022.

Financial resources

The ALK Group has a DKK 1,500 million credit facility which runs until the end of 2026. By the end of 2023, DKK 261 million was drawn.

Section 4 – Capital structure and financing

4.2 Financial risks and financial instruments – continued

Accounting policies

Financial assets

On initial recognition, investments and other financial assets are measured at cost, corresponding to fair value. They are subsequently measured at fair value either through the income statement or through comprehensive income.

Financial liabilities

Other financial liabilities, including bank loans, lease liabilities, trade payables, and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Debt

Trade payables, other payables, including sales discounts and rebates as well as debt to public authorities etc., are measured at amortised cost.

Mortgage debt

Mortgage debt is recognised on the raising of a loan at cost, equalling fair value of the proceeds received, and net of transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost.

Section 5 – Other disclosures

5.1 Share-based payments

The ALK Group has established long-term equity-based incentive plans linked to the creation of shareholder value and the fulfilment of strategic goals. The plans are established for the members of Board of Management and other key employees, reward long-term value creation and align to interests of the shareholders.

The incentive plans consist of share options, performance share units, and restricted stock units that are considered sufficiently covered by treasury shares.

The share options entitle the holder to acquire one existing B share of DKK 0.5 nominal value in the company per share option. The performance share units and restricted stock units entitle the holder to receive one existing B share per performance share unit or restricted stock unit free of charge.

The vesting period for both share options, performance share units, and restricted stock units is three years after grant. Vesting of share options and performance share units is conditional upon certain targets being met and upon the participant not having resigned. Target achievement is met upon fulfilment of strategic key performance indicators. In case performance is below the threshold there will be no units vesting, and if above target, a multiplier is applied that can increase the vesting by up to 100%. Vesting of restricted stock units is conditional upon continued employment.

The exercise of share options is possible in the trading windows following the release of annual and interim reports conditional upon the share option holder not having resigned at the time of exercise. For performance share units and restricted stock units, the final transfer of ownership takes place at vesting three years after the grant.

For the 2023 plans, a cap applies to the maximum total value gain from share options, performance shares, and restricted stock units at exercise and/or vesting, respectively, granted in a calendar year. The cap is four times the annual base salary at the time of award of the share options, performance share units, and restricted stock units concerned.

Expensed in the income statement:

Amounts in DKKm	2023	2022
Cost for the year regarding share-based payments is recognised as follows:		
Cost of sales	6	4
Research and development expenses	6	7
Sales and marketing expenses	9	8
Administrative expenses	9	8
Total	30	27

In 2023, the total cost of share-based payments included a financial income of DKK 0.1 million due to the exercise and cash settlement of share options (2022: DKK 0). The total cost included DKK 8 million related to adjustment in the share options and performance share units expected to vest (2022: DKK 3 million).

Section 5 – Other disclosures

5.1 Share-based payments – continued

Specification of outstanding share options and performance share units:

	Share options				Performance share units			Restricted stock units
	Board of Management units	Other key employees units	Total units	Weighted average exercise price DKK	Board of Management units	Other key employees units	Total units	Board of Management units
2023								
Outstanding at 1 January	590,120	638,740	1,228,860	82	79,020	423,920	502,940	-
Additions	397,661	86,657	484,318	86	25,358	165,452	190,810	151,997
Exercised/settled	(192,320)	(241,899)	(434,219)	48	(42,895)	(202,216)	(245,111)	-
Change in Board of Management*	(307,650)	307,650	-	-	(8,240)	8,240	-	-
Cancellations	-	(24,880)	(24,880)	106	(24,980)	(8,280)	(33,260)	-
Outstanding at 31 December	487,811	766,268	1,254,079	95	28,263	387,116	415,379	151,997
Total number of vested share options			451,150					
Average remaining life at year end (years)			2.6					
Exercise prices at year end (DKK)			59-144					
2022								
Outstanding at 1 January	1,285,800	768,180	2,053,980	59	130,220	518,180	648,400	-
Additions	261,420	227,420	488,840	108	58,860	244,980	303,840	-
Exercised/settled	(851,200)	(356,860)	(1,208,060)	48	(92,720)	(328,540)	(421,260)	-
Cancellations	(105,900)	-	(105,900)	90	(17,340)	(10,700)	(28,040)	-
Outstanding at 31 December	590,120	638,740	1,228,860	82	79,020	423,920	502,940	-
Total number of vested share options			507,180					
Average remaining life at year end (years)			2.0					
Exercise prices at year end (DKK)			41-141					

The Board of Directors decided for two trading windows in 2023 to settle share options by cash and a total of 434,219 share options were exercised and total cash payments amounted to DKK 14 million. The Board of Directors decided not to open two trading windows for exercises in 2023.

The Board of Directors decided for four trading windows in 2022 to settle share options by shares and a total of 1,208,060 share options were exercised.

* In relation to the resignation of the previous CEO, it was agreed that he kept his outstanding share options and the related outstanding costs were accelerated, while outstanding performance share units were cancelled.

Section 5 – Other disclosures

5.1 Share-based payments – continued

Outstanding share options and performance share units have the following characteristics:

Plan	Share options				Performance share units		Restricted stock units	
	Units	Average exercise price DKK	Vested as per	Exercise period (years)	Units	Vested as per	Units	Vested as per
2019 Plan	106,380	59	1 Mar 2022	2				
2020 Plan	344,770	75	1 Mar 2023	2				
2021 Plan	193,560	125	1 Mar 2024	2	131,860	1 Mar 2024		
2022 Plan	174,380	150	1 Mar 2025	2	124,680	1 Mar 2025		
2023 Plan	111,470	104	1 Apr 2026	4	158,839	1 Apr 2026		
2023 Plan, special	323,519	82	1 Jun 2026	4				
2023 Plan, special							21,925	1 Mar 2026
2023 Plan, special							130,072	1 Nov 2026
Outstanding at 31 December	1,254,079				415,379		151,997	

Fair value of share options, performance share units, and restricted stock units granted:

Share options

Fair value at grant date is measured in accordance with the Black & Scholes model for valuation of share options, using the following assumptions:

	2023 Plan	2023 Special plan	2022 Plan
Average share price (DKK)	104	82	141
Expected exercise price (DKK)	104	82	152
Expected volatility rate, based on the historical volatility	36% p.a.	38% p.a.	35% p.a.
Expected option life	5 years	5 years	4 years
Expected dividend per share	-	-	-
Risk-free interest rate	2.57% p.a.	2.73% p.a.	0.14% p.a.
Calculated fair value of granted share options (DKK)	37	31	33

Performance share units

Performance share units have been granted at DKK 104 per share (2022: DKK 141 per share).

Restricted stock units

Restricted stock units have been granted at DKK 105 and DKK 77 per share for the respective 2023 plans. No restricted stock units were granted in 2022.

 **Accounting policies**

Share-based incentive plans (equity-settled share-based payments), which comprise share options, performance share units, and restricted stock units are measured at the grant date at fair value and recognised in the income statement under the respective functions over the vesting period and offset in equity.

The fair value of share options is determined using the Black & Scholes model. The exercise price is equivalent to the average market price of the share for the five trading days immediately preceding the date of grant. For 2023 share option plans the exercise price is reduced by dividends paid. For share option plans before 2023 the exercise price is increased by 2.5% p.a. and reduced by dividends paid.

The fair value of performance share units and restricted stock units is determined using the average share price (closing) five days after annual general meeting.

The ALK Group settles the equity-settled share-based incentive plans in shares. However, the share option agreement entitles the ALK Group to demand cash settlement of the options. The ALK Group recognises share options, in case of cash settlement, as other liabilities and adjusts to fair value as from the time when the ALK Group has an obligation to settle in cash. The ALK Group recognises subsequent adjustment to fair value in the income statement under financial income or financial expenses.

Section 5 – Other disclosures

5.2 Cash flow

Adjustment for non-cash items

Amounts in DKKm	2023	2022
Tax on profit	161	112
Financial income and expenses	19	23
Share-based payments	30	27
Depreciation, amortisation and impairment	245	238
Other adjustments	3	6
Total	458	406

Changes in working capital

Amounts in DKKm	2023	2022
Change in inventories	(132)	(74)
Change in receivables and prepayments	(69)	(172)
Change in short-term payables	(2)	11
Total	(203)	(235)

Reconciliation of liabilities arising from financing activities

Amounts in DKKm	2023	2022
Liabilities from financing activities at 1 January	696	710
Proceeds from borrowings	671	60
Repayment of borrowings	(636)	(94)
Lease additions and modifications	83	56
Instalments of lease liabilities	(46)	(39)
Exchange rate adjustments	(3)	3
Liabilities from financing activities at 31 December	765	696

Financial reserves

Amounts in DKKm	2023	2022
Cash	474	221
Undrawn facilities	1,239	1,292
Total	1,713	1,513

ALK has a DKK 1,500 million credit facility which runs until the end of 2026. By the end of 2023, DKK 261 million was drawn.

Accounting policies

Cash flow

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

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognised from the date of acquisition, while cash flows concerning divested companies are recognised until the date of divestment.

Cash flows from operating activities are stated as net profit, adjusted for non-cash operating items and changes in working capital, less the income tax paid and plus net financial items.

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 and tangible assets.

Cash flows from financing activities comprise changes to the parent company's share capital and related costs as well as the raising and repayment of loans, instalments on interest-bearing debt, lease liabilities, purchase of treasury shares, and settlement of share options and payment of dividends.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average exchange rates for the individual months if these are a reasonable approximation of the

Section 5 – Other disclosures

5.2 Cash flow – continued

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 comprise cash subject to an insignificant risk of changes in value less any overdraft facilities that are an integral part of the ALK Group's cash management.

5.3 Business combinations

The ALK Group had no acquisitions of companies or operations in 2023, however the company acquired the operating assets in AllerQuest as of 2 January 2024. See note 5.5.

No companies or operations were acquired in 2022.

Accounting policies

Newly acquired or newly established companies or operations are recognised in the consolidated financial statements from the date of acquisition or establishment. The date of acquisition is the date when control of the company actually passes to the ALK group.

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.

Restructuring costs are only recognised in the takeover balance sheet if they represent a liability to the acquired company. The tax effect of revaluations is taken into account.

The cost of a company is the fair value of the consideration paid. If the final determination of the consideration is conditional on one or more future events, these are recognised at their fair value as of the acquisition date.

Costs that can be attributed directly to the transfer of ownership are recognised in the income statement when they are incurred. As a general rule, adjustments to estimates of conditional consideration are recognised directly to the income statement.

5.3 Business combinations – continued

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

Any excess of the cost of an acquired company over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year.

5.4 Related parties

Related party exercising control

ALK-Abelló A/S is controlled by the Lundbeck Foundation (Lundbeckfond Invest A/S) domiciled in Copenhagen, Denmark, which holds 67.2% of the total number of votes in ALK Abelló A/S. The remaining shares are widely held. ALK-Abelló A/S is parent company, and ultimate parent for the ALK Group is the Lundbeck Foundation (Lundbeckfond Invest A/S, incorporated in Denmark).

Other related parties comprise ALK's Board of Management and Board of Directors, companies in which the majority shareholder exercises control, and such companies' subsidiaries, in this case e.g. H. Lundbeck A/S and Falck A/S and their subsidiaries.

Transactions and balances

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

- ALK-Abelló A/S received DKK 14 million (2022: DKK 52 million) concerning outstanding company tax from the Lundbeck Foundation (Lundbeckfond Invest A/S). The company tax relates to ALK-Abelló A/S and ALK-Abelló Nordic A/S.
- End of 2023 there are no receivables from group companies to ALK-Abelló A/S related to outstanding company tax (2022: DKK 18 million) covering ALK-Abelló A/S and ALK-Abelló Nordic A/S.

Transactions with key management personnel consist of remuneration and exercise of share options, see notes 2.4 and 5.1 of the consolidated financial statements.

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

Section 5 – Other disclosures

5.5 Events after the reporting period

On 2 January 2024, the ALK Group acquired the operating assets of AllerQuest for a total cash consideration of DKK 125 million. The consideration amount includes an escrow amount of DKK 10 million which serves as reserve for potential indemnifications over 18 months from acquisition date.

AllerQuest was a U.S.-based company dedicated to manufacturing PRE-PEN® Skin Antigen Test. This acquisition makes ALK the sole manufacturer and distributor of PRE-PEN in the U.S. and Canada, with global ownership rights to all assets of AllerQuest. PRE-PEN is the only FDA-approved diagnostic skin test for the evaluation of penicillin allergy and is indicated for the assessment of sensitization to penicillin in patients suspected to have clinical penicillin hypersensitivity. AllerQuest was previously a supplier of the ALK Group and will be fully integrated into ALK during 2024.

The transaction is on a debt and cash free basis. At the time the financial statements were authorised for issue, the ALK Group had not yet completed the accounting for the acquisition as the transaction has just happened. In particular, the fair values of the assets disclosed above have only been determined provisionally as the independent valuations have not been finalised. A preliminary purchase price allocation has been prepared. Operating tangible assets and inventories amount to DKK 7 million. Product rights, including production processes, formulations, approvals and trademarks, amount to DKK 118 million. No liabilities were transferred.

No other events have occurred after the reporting period, that influence the evaluation of the consolidated financial statements.

5.6 Approval of financial statements

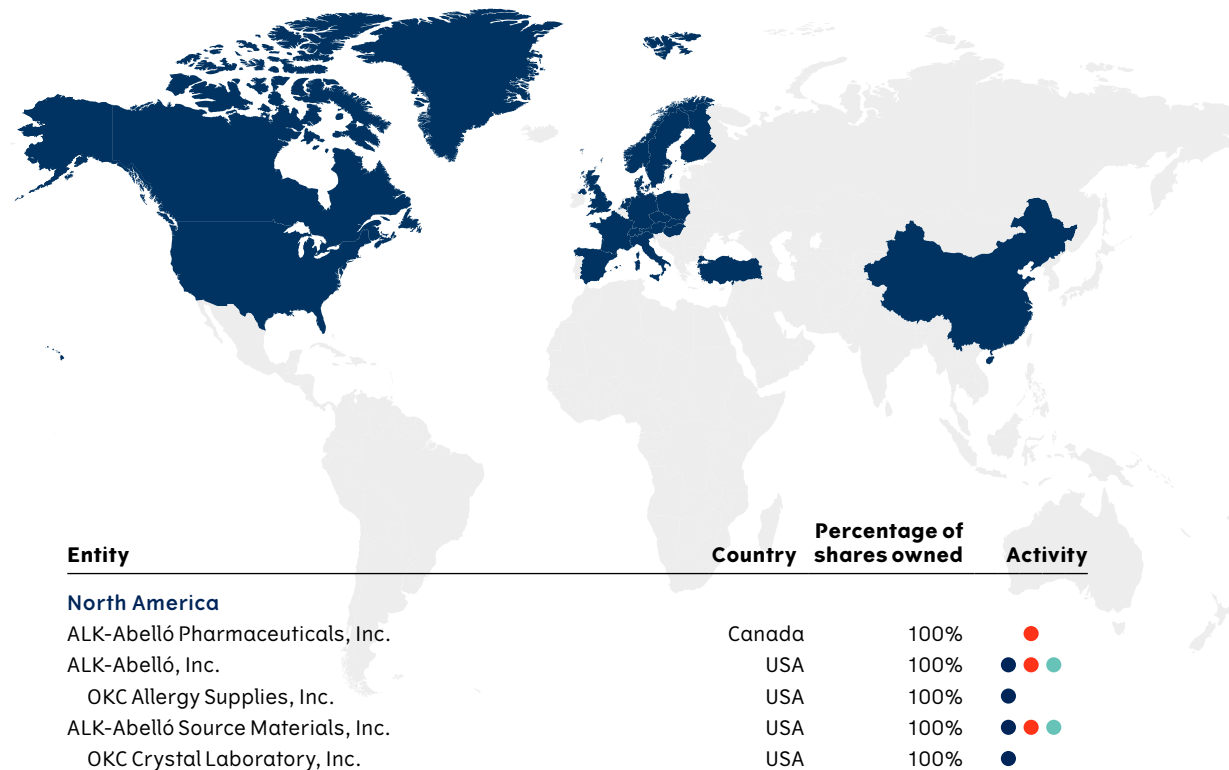
The financial statements were approved by the Board of Directors and authorised for issue on 8 February 2024.

Section 5 – Other disclosures

5.7 List of companies in the ALK Group

- Activity**
- Production
 - Sales and distribution
 - Research and development
 - Services

Entity	Country	Percentage of shares owned	Activity
Parent company			
ALK-Abelló A/S	Denmark	100%	● ● ● ●
Subsidiaries by geographical area			
Europe			
ALK-Abelló Allergie-Service GmbH	Austria	100%	●
ALK-Abelló Nordic A/S	Denmark	100%	●
ALK-Abelló Nordic A/S (branch)	Finland	100%	●
ALK-Abelló Nordic A/S (branch)	Norway	100%	●
ALK-Abelló Nordic A/S (branch)	Sweden	100%	●
ALK S.A.S.	France	100%	● ● ●
ALK-Abelló Arzneimittel GmbH	Germany	100%	●
ALK-Abelló B.V.*	Netherlands	100%	●
ALK-Abelló Sp. z o.o.	Poland	100%	●
ALK Slovakia s.r.o.	Slovakia	100%	●
ALK Slovakia s.r.o. – odštěpný závod (branch)	Czech Republic	100%	●
ALK Slovakia s.r.o. Magyarországi Fióktelepe (branch)	Hungary	100%	●
ALK-Abelló S.A.	Spain	100%	● ● ●
ALK-Abelló S.p.A.	Italy	100%	●
ALK AG (in liquidation)	Switzerland	100%	●
ALK-Abelló AG	Switzerland	100%	●
ALK-Abelló Ltd.	United Kingdom	100%	●



Entity	Country	Percentage of shares owned	Activity
North America			
ALK-Abelló Pharmaceuticals, Inc.	Canada	100%	●
ALK-Abelló, Inc.	USA	100%	● ● ●
OKC Allergy Supplies, Inc.	USA	100%	●
ALK-Abelló Source Materials, Inc.	USA	100%	● ● ●
OKC Crystal Laboratory, Inc.	USA	100%	●
International markets			
ALK-Abelló A/S (branch)	China	100%	●
ALK (Shanghai) Medical Technology Co., Ltd.	China	100%	●
ALK (Shanghai) Medical Technology Co., Ltd. Beijing (branch)	China	100%	●
ALK (Shanghai) Medical Technology Co., Ltd. Guangzhou (branch)	China	100%	●
ALK (Guangzhou) Medical Technology Co., Ltd.	China	100%	●
Tasfiye Halinde ALK Ilac ve Alerji Ürünleri Ticaret Anonim Sirketi (in liquidation)	Turkey	100%	●

* Exemption for local audit of the 2023 accounts under the ruling of the Article 2:403 of the Dutch Civil Code is intended - Btw-nr. NL005302766B01.

Definitions

Term	Definitions
Gross margin – %	Gross profit x 100 / Revenue
EBIT margin – %	EBIT x 100 / Revenue
Return on equity (ROE) – %	Net profit/(loss) for the period x 100 / Average equity
ROIC incl. goodwill – %	Operating profit x 100 / Average invested capital incl. goodwill
Pay-out ratio – %	Proposed dividend x 100 / Net profit/(loss) for the year
Earnings/(loss) per share (EPS)	Net profit/(loss) for the period / Average number of outstanding shares
Earnings/(loss) per share diluted (DEPS)	Net profit/(loss) for the period / Average number of outstanding shares diluted
Cash flow per share (CFPS)	Cash flow from operating activities / Average number of outstanding shares
Price earnings ratio (PE)	Share price / Earnings per share
Net asset value per share	Net asset value / Number of shares end of period
Invested capital	Intangible assets, tangible assets, inventories and current receivables reduced by liabilities except for mortgage debt and bank loans
Markets	Geographical markets (based on customer location): <ul style="list-style-type: none"> • Europe comprises the EU, UK, Norway and Switzerland • North America comprises the USA and Canada • International markets comprise Japan, China and all other countries

The definitions are aligned with generally accepted financial ratios applied by financial analysts. The definitions are part of the Management's review.

Alternative Performance Measures

Amounts in DKKm	2023	2022
EBITDA reconciliation to net profit		
Net profit	486	335
Tax on profit	161	112
Financial income	(12)	(4)
Financial expenses	31	27
Depreciation, amortisation and impairment	245	238
EBITDA	911	708
Net asset value		
Equity	4,447	3,988
Net asset value	4,447	3,988
Invested capital reconciliation		
Intangible assets	671	642
Tangible assets	2,181	2,018
Inventories	1,423	1,297
Trade receivables	816	764
Receivables from group companies	-	18
Income tax receivables	34	24
Other receivables	74	82
Prepayments	147	239
Pensions and similar liabilities	(245)	(236)
Lease liabilities (non-current)	(255)	(226)
Deferred income (non-current)	(46)	(49)
Provisions (non-current)	(1)	-
Trade payables	(128)	(131)
Lease liabilities (current)	(46)	(41)
Deferred income (current)	(4)	(4)
Provisions (current)	(2)	(3)
Income tax payables (current)	(17)	(16)
Other payables	(837)	(978)
Invested capital	3,765	3,400

Parent company financial statements

Financial statements

Income statement	103
Balance sheet	104
Statement of changes in equity	105
Notes	106

Notes

1 Accounting policies	106	12 Pensions and similar liabilities	113
2 Revenue and segment information	107	13 Lease liabilities	113
3 Staff costs	107	14 Income tax payables to group companies	113
4 Financial income and expenses	108	15 Contingent liabilities and commitments	113
5 Income tax	108	16 Related parties	113
6 Intangible assets	109	17 Fees to ALK-Abelló A/S' auditors	114
7 Property, plant and equipment	110	18 Proposed appropriation of net profit	114
8 Deferred tax	111	19 Events after the reporting period	114
9 Investments in subsidiaries	112		
10 Inventories	112		
11 Mortgage debt and bank loans	112		

Income statement

Amounts in DKKm	Note	2023	2022
Revenue	2	2,171	2,114
Cost of sales	3	1,061	1,044
Gross profit		1,110	1,070
Research and development expenses	3	544	622
Sales and marketing expenses	3	371	341
Administrative expenses	3, 17	170	124
Operating profit/(loss) (EBIT)		25	(17)
Income from investments in subsidiaries	9	152	427
Financial income	4	29	24
Financial expenses	4	36	20
Profit before tax (EBT)		170	414
Tax on profit/(loss)	5	(19)	(40)
Net profit	18	189	454

Balance sheet – Assets

Amounts in DKKm	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets			
Intangible assets	6	187	146
		187	146
Tangible assets			
Land and buildings	7	311	273
Plant and machinery	7	244	233
Other fixtures and equipment	7	52	47
Property, plant and equipment in progress	7	389	303
		996	856
Other non-current assets			
Investments in subsidiaries	9	1,058	1,058
Receivables from group companies		1,754	1,780
Prepayments		45	88
Deferred tax assets	8	289	282
Income tax receivables		149	146
		3,295	3,354
Total non-current assets		4,478	4,356
Current assets			
Inventories	10	689	526
Trade receivables		45	79
Receivables from group companies		245	451
Income tax receivables		2	-
Other receivables		53	60
Prepayments		110	205
		1,144	1,321
Cash		174	31
Total current assets		1,318	1,352
Total assets		5,796	5,708

Balance sheet – Equity and liabilities

Amounts in DKKm	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Share capital		111	111
Retained earnings		3,688	3,490
Capitalised development costs		2	2
Total equity		3,801	3,603
Liabilities			
Non-current liabilities			
Mortgage debt	11	184	203
Pensions and similar liabilities	12	61	60
Lease liabilities	13	141	93
Deferred income		46	49
Income tax payables to group companies	14	120	120
		552	525
Current liabilities			
Mortgage debt	11	19	18
Bank loans	11	261	208
Trade payables		52	48
Payables to group companies		882	974
Lease liabilities	13	14	11
Deferred income		3	3
Other payables		212	318
		1,443	1,580
Total liabilities		1,995	2,105
Total equity and liabilities		5,796	5,708

Statement of changes in equity

Amounts in DKKm	Share capital	Retained earnings	Reserve for capitalised development costs	Proposed dividend	Total equity
2023					
Equity at 1 January	111	3,490	2	-	3,603
Appropriated from net profit	-	189	-	-	189
Share-based payments	-	30	-	-	30
Share options settled	-	(20)	-	-	(20)
Other adjustments	-	(1)	-	-	(1)
Other transactions	-	198	-	-	198
Equity at 31 December	111	3,688	2	-	3,801

Notes

1 Accounting policies

General

The financial statements of the parent company ALK-Abelló A/S for the period 1 January to 31 December 2023 have been prepared in accordance with the Danish Financial Statements Act for large reporting class D enterprises.

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

The accounting policies are unchanged from last year.

The parent company's accounting policies for recognition and measurement are in accordance with the ALK Group's accounting policies with the following exceptions:

Income statement

Results of investments in subsidiaries

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

Balance sheet

Acquisition of activities from subsidiaries

Acquisition of activities from subsidiaries is accounted for using the purchase method. On initial recognition, goodwill is measured and recognised as the excess of the consideration transferred exceeding the fair value of the net assets acquired at the acquisition date.

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful life, estimated at 10 years. This estimate was made based on estimated useful lives of the assets acquired.

Investments in subsidiaries

Investments in subsidiaries are measured at cost.

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

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

Capitalisation of development costs

A reserve for capitalisation of development costs less deferred tax is recognised in the statement of equity. The reserve contains development costs, less amortisation/impairment losses, and less deferred tax, capitalised since 1 January 2016.

Other accounting information

Cash flow statement

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

Notes

2 Revenue and segment information

Amounts in DKKm	2023	2022
Sale of goods	2,070	2,014
Royalties	99	93
Services	2	7
Total revenue	2,171	2,114
Europe	1,657	1,682
International markets	514	432
Total revenue	2,171	2,114

3 Staff costs

Amounts in DKKm	2023	2022
Wages and salaries	744	667
Pensions	68	63
Other social security costs, etc.	16	13
Share-based payments	21	18
Total	849	761
Staff costs are allocated as follows:		
Cost of sales	326	307
Research and development expenses	267	240
Sales and marketing expenses	69	66
Administrative expenses	120	99
Included in the cost of assets	67	49
Total	849	761

Remuneration to Board of Management and Board of Directors:

See note 2.4 and 5.1 in the consolidated financial statements.

Employees

Average number (FTE)	926	928
Number year end (FTE)	950	901

Notes

4 Financial income and expenses

Amounts in DKKm	2023	2022
Interest on receivables from group companies	20	17
Other interest income	9	6
Currency gain, net	-	1
Total financial income	29	24
Interest on payables to group companies	7	-
Other interest expenses*	28	20
Currency loss, net	1	-
Total financial expenses	36	20

* In 2023, other interest expenses include IFRS 16 interest expenses of DKK 3 million (2022: DKK 2 million).

5 Income tax

Amounts in DKKm	2023	2022
Current income tax	(21)	(36)
Adjustment of deferred tax	1	2
Prior years adjustments, income tax	2	-
Prior years adjustments, deferred tax	(1)	(6)
Total	(19)	(40)
Profit before tax	170	414
Income tax, tax rate of 22%	37	91
Permanent differences	(37)	(108)
Prior years adjustments, income tax	2	-
Prior years adjustments, deferred tax	(1)	(6)
Other taxes and adjustments	(20)	(17)
Tax on profit for the year	(19)	(40)

Notes

6 Intangible assets

Amounts in DKKm	Goodwill	Patents, trademarks and rights	Development cost*	Software	Assets in progress	2023	2022
Cost beginning of year	867	69	42	338	28	1,344	1,302
Additions	-	-	17	13	40	70	54
Disposals	-	-	-	(9)	-	(9)	(12)
Transfer to/from other groups	-	-	-	17	(17)	-	-
Cost year end	867	69	59	359	51	1,405	1,344
Amortisation and impairment beginning of year	867	68	10	253	-	1,198	1,175
Amortisation for the year	-	1	1	27	-	29	27
Disposals during the year	-	-	-	(9)	-	(9)	(4)
Amortisation and impairment year end	867	69	11	271	-	1,218	1,198
Carrying amount year end	-	-	48	88	51	187	146

* The capitalised development cost relates to development of medical device products where the individual minor development projects are running for short-term periods and are subject to limited risk. The development projects are generating economic benefits in the form of sale of goods. At 31 December 2023, the capitalised development cost relates to the development of the adrenaline auto-injector for the European and US markets.

Notes

7 Property, plant and equipment

Amounts in DKKm	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	2023	2022
Cost beginning of year	605	515	65	303	1,488	1,414
Additions	54	7	9	141	211	156
Remeasurement of lease obligations	10	-	-	-	10	(18)
Disposals	(4)	(8)	-	-	(12)	(64)
Transfer to/from other groups	2	46	7	(55)	-	-
Cost year end	667	560	81	389	1,697	1,488
Depreciation and impairment beginning of year	332	282	18	-	632	617
Depreciation for the year	28	42	11	-	81	75
Disposals during the year	(4)	(8)	-	-	(12)	(60)
Depreciation and impairment year end	356	316	29	-	701	632
Carrying amount year end	311	244	52	389	996	856
of which assets held under leases*	146	-	1	-	147	98
Value of land and buildings subject to mortgages					164	176

* Land and buildings in Denmark include buildings on land leased from Scion DTU A/S, Hørsholm. The estimated lease terms are 15 years.

Notes

8 Deferred tax

Amounts in DKKm	Intangible assets	Tangible assets	Current and other assets	Liabilities	Tax losses carried forward	Total
2023						
Carrying amount beginning of year	(19)	(61)	(19)	36	345	282
Adjustment to prior years	-	-	-	-	1	1
Adjustment of receivables from group companies	-	-	-	-	7	7
Recognised in the income statement, net	-	(12)	(10)	8	13	(1)
Recognised in equity, net (share-based payments)	-	-	(2)	-	2	-
Carrying amount year end	(19)	(73)	(31)	44	368	289
2022						
Carrying amount beginning of year	(17)	(64)	24	40	328	311
Adjustment to prior years	-	(1)	-	1	6	6
Adjustment of receivables from group companies	-	-	-	-	(17)	(17)
Recognised in the income statement, net	(2)	4	(11)	(5)	12	(2)
Recognised in equity, net (share-based payments)	-	-	(32)	-	16	(16)
Carrying amount year end	(19)	(61)	(19)	36	345	282

ALK-Abelló A/S is included in a joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S) and its Danish subsidiaries.

ALK-Abelló A/S recognises deferred tax assets including the tax value of tax losses if it is probable that it can be utilised against future taxable income within a foreseeable future. This includes an assessment of the possibilities to utilise tax losses in the joint Danish taxation scheme with the Lundbeck Foundation (Lundbeckfond Invest A/S).

Notes

9 Investments in subsidiaries

Amounts in DKKm	2023	2022
Cost beginning of year	1,470	1,469
Capital contribution in subsidiaries during the year	-	1
Cost year end	1,470	1,470
Write-down beginning of year	412	412
Write-down year end	412	412
Carrying amount year end	1,058	1,058

In the income statement, income from investments in subsidiaries is dividends, which amounts to DKK 152 million (2022: DKK 427 million).

For an overview of all subsidiaries see note 5.7 in the consolidated financial statements.

10 Inventories

Amounts in DKKm	2023	2022
Raw materials	109	115
Work in progress	513	372
Manufactured goods and goods for resale	67	39
Total	689	526
Amount of write-down of inventories during the year	18	18
Amount of reversal of write-down of inventories during the year	8	2

11 Mortgage debt and bank loans

Amounts in DKKm	2023	2022
Debt to mortgage credit institutions secured by buildings		
Mortgage debt is due as follows:		
Within 1 year	19	18
From 1-5 years	74	73
After 5 years	110	130
Total	203	221
Bank loans		
Bank loans are due as follows:		
Within 1 year	261	208
From 1-5 years	-	-
After 5 years	-	-
Total	261	208

Notes

12 Pensions and similar liabilities

Amounts in DKKm	2023	2022
Pensions and similar liabilities expire as follows:*		
Within 1 year	1	-
From 1-5 years	3	3
After 5 years	57	57
Total	61	60

* Pensions and similar liabilities relate to the provision for transition period for the Danish Holiday Act.

13 Lease liabilities

Amounts in DKKm	2023	2022
Lease liabilities expire as follows:		
Within 1 year	14	11
From 1-5 years	58	35
After 5 years	83	58
Total	155	104

14 Income tax payables to group companies

Non-current income tax payables to group companies of DKK 120 million (2022: DKK 120 million) is expected to expire between 1 to 5 years.

15 Contingent liabilities and commitments

In December 2023, ALK-Abelló A/S issued a hold-harmless letter to ALK-Abelló Arzneimittel GmbH regarding costs under the ongoing tax audits in Germany (unlimited guarantee). The hold-harmless letter replaces the letter issued in December 2022.

Provisions recognised as debt to affiliates have been made to cover such exposures and the mentioned possible uncertainties are in addition to what is already provided for.

For more information on contingent liabilities and commitments, see note 3.10 in the consolidated financial statements.

16 Related parties

ALK-Abelló A/S is included in the consolidated financial statements of the Lundbeck Foundation (Lundbeckfond Invest A/S, incorporated in Denmark).

ALK-Abelló A/S has had transactions with subsidiaries during 2023. All subsidiaries are owned 100%. The transactions are eliminated in the consolidated financial statements.

Transactions with the majority shareholder are disclosed in note 5.4 in the consolidated financial statements. Apart from remuneration, no other transactions have taken place during the year with Board of Directors, Board of Management, major shareholders or other related parties.

Remuneration etc. to Board of Directors and Board of Management

For information on remuneration and exercise of share options for the ALK Group's Board of Directors and Board of Management, see note 2.4 and 5.1 in the consolidated financial statements.

Notes

17 Fees to ALK-Abelló A/S' auditors

Amounts in DKKm	2023	2022
Fees to the auditors appointed at the annual general meeting:		
Audit services	2	2
Tax advisory services	1	-
Other services	1	1
Total	4	3

18 Proposed appropriation of net profit

Amounts in DKKm	2023	2022
Proposed dividend	-	-
Retained earnings	189	454
Net profit	189	454

19 Events after the reporting period

No events have occurred after the reporting period, that influence the evaluation of the parent company financial statements.

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

Amounts in DKKm	2023	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Income statement					
Revenue	4,824	1,345	1,110	1,135	1,234
Cost of sales	1,789	501	425	428	435
Research and development expenses	618	151	149	160	158
Sales and marketing expenses	1,422	407	321	351	343
Administrative expenses	331	93	69	99	70
Other operating items, net	2	1	1	-	-
Operating profit (EBIT)	666	194	147	97	228
Net financial items	(19)	(8)	8	(8)	(11)
Profit before tax (EBT)	647	186	155	89	217
Net profit	486	140	117	66	163
EBITDA	911	258	208	157	288
Average number of employees (FTE)	2,752	2,812	2,787	2,759	2,712
Revenue					
(Growth in revenue in local currency %)					
Europe	3,216 (6)	928 (7)	730 (8)	721 (2)	837 (7)
- SCIT/SLIT-drops	1,424 (13)	423 (7)	335 (21)	300 (13)	366 (13)
- SLIT-tablets	1,592 (6)	465 (12)	352 (14)	361 -	414 -
- Other products and services	200 (-26)	40 (-29)	43 (-53)	60 (-24)	57 (25)
North America	908 (9)	249 (16)	218 (2)	232 (10)	209 (9)
- SCIT/SLIT-drops	362 (7)	100 (12)	87 (3)	88 (5)	87 (6)
- SLIT-tablets	184 (26)	49 (38)	43 (26)	47 (20)	45 (23)
- Other products and services	362 (4)	100 (10)	88 (-7)	97 (10)	77 (5)
International markets	700 (23)	168 (15)	162 (17)	182 (64)	188 (8)
- SCIT/SLIT-drops	153 (25)	-1 (-102)	62 (87)	35 (38)	57 (35)
- SLIT-tablets	520 (24)	163 (37)	96 (-5)	139 (97)	122 (-4)
- Other products and services	27 (-10)	6 (47)	4 (-21)	8 (-40)	9 (45)
Total revenue	4,824 (9)	1,345 (10)	1,110 (8)	1,135 (11)	1,234 (7)
- SCIT/SLIT-drops	1,939 (12)	522 (3)	484 (23)	423 (13)	510 (13)
- SLIT-tablets	2,296 (11)	677 (19)	491 (10)	547 (17)	581 (1)
- Other products and services	589 (-9)	146 (-3)	135 (-28)	165 (-8)	143 (14)

Amounts in DKKm	2023	Q4 unaudited	Q3 unaudited	Q2 unaudited	Q1 unaudited
Balance sheet					
Total assets	6,726	6,726	6,568	6,457	6,356
Invested capital	3,765	3,765	3,771	3,691	3,486
Equity	4,447	4,447	4,341	4,184	4,118
Cash flow and investments					
Cash flow from operating activities	667	326	178	9	154
Cash flow from investing activities	(375)	(85)	(79)	(120)	(91)
- of which investment in intangible assets	(69)	(17)	(15)	(20)	(17)
- of which investment in tangible assets	(310)	(71)	(63)	(102)	(74)
Free cash flow	292	241	99	(111)	63
Information on shares					
Dividend	-	-	-	-	-
Share capital	111	111	111	111	111
Shares in thousands of DKK 0.50 each	222,824	222,824	222,824	222,824	222,824
Share price, end period - DKK	101	101	79	74	106
Net asset value per share - DKK	20	20	19	19	18
Key figures					
Gross margin - %	63	63	62	62	65
EBIT margin - %	14	14	13	9	18
Earnings per share (EPS) - DKK	2.2	0.7	0.5	0.3	0.7
Earnings per share diluted (DEPS) - DKK	2.2	0.7	0.5	0.3	0.7
Cash flow per share (CFPS) - DKK	3.0	1.5	0.8	-	0.7
Share price/Net asset value	5.1	5.1	4.1	4.0	5.7

* Management's review comprises this page as well as pages 1-53 and Financial highlights and key ratios for the ALK Group on page 11.

Definitions: see page 101.

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