

Annual Report for
ALK-Abelló A/S
63717916

Annual Report was approved at
the Annual General Meeting
15. March 2017

Niels Kornerup
Chairman

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Submission information

Report

Information on type of submitted report

Årsrapport

Entity

Identification number [CVR]

63717916

Name

ALK-Abelló A/S

Telephone number

4545 74 75 76

Address , street name

Bøge Allé

Address , street building identifier

6-8

Address , post code identifier

2970

Address , district name

Hørsholm

Auditor

1

Name and surname

Erik Holst Jørgensen

Identification number [CVR] of audit firm

33963556

Name of audit firm

Deloitte Statsautoriseret Revisionspartnerselskab

Description

State-Authorised Public Accountant

2

Name and surname

Dan Bjerregaard

Description

State-Authorised Public Accountant

Executive board

Name and surname of member (1)

Carsten Hellmann

Title of member (1)

President & CEO

Name and surname of member (2)

Henrik Jacobi

Title of member (2)

Executive Vice President Research & Development

Name and surname of member (3)

Søren Daniel Niegel

Title of member (3)

Executive Vice President Commercial Operations

Name and surname of member (4)

Flemming Pedersen

Title of member (4)

CFO & Executive Vice President

Name and surname of member (5)

Helle Skov

Title of member (5)

Executive Vice President Product Supply

Supervisory board

Name and surname of member (1)

Steen Riisgaard

Title of member (1)

Chairman

Name and surname of member (2)

Lene Skole

Title of member (2)

Vice Chairman

Name and surname of member (3)

Lars Holmqvist

Name and surname of member (4)

Andreas Slyngborg Holst

Name and surname of member (5)

Jacob Kastrup

Name and surname of member (6)

Anders Gersel Pedersen

Name and surname of member (7)

Jakob Riis

Name and surname of member (8)	Katja Barnkob Thalund
Name and surname of member (9)	Per Valstorp

Information on enterprise submitting report

Identification number [CVR] of submitting enterprise	63717916
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Name of submitting enterprise	Alk-Abelló A/S
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Address of submitting enterprise, street and number	Bøge Allé 6-8
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Address of submitting enterprise, postcode and town	2970 Hørsholm
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Other informations

Reporting period start date	2016-01-01
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Reporting period end date	2016-12-31
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Date of general meeting	2017-03-15
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Name and surname of chairman of general meeting	Niels Kornerup
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Reporting period start date last year	2015-01-01
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Reporting period end date last year	2015-12-31
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Currency:	DKK
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Statement by Management on the annual report

Statement by executive and supervisory boards

Statement by Management on the annual report

Identification of approved annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of ALK-

Abelló A/S for the financial year 1 January to 31 December 2016.

Confirmation that annual report is presented in accordance with requirements provided for by legislation, any standards and requirements provided by articles of association or by agreement

The consolidated financial statements have been prepared in accordance with International Financial Reporting

Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act. In addition, the annual report has been prepared in accordance with Danish disclosure requirements for listed companies.

Confirmation that financial statement gives true and fair view of assets, liabilities, equity, financial position and results

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view

of the Group's and the Parent's financial position at 31 December 2016 as well as of their financial performance and the Group's cash flow for the financial year 1 January to 31 December 2016.

Management's statement about management's review

We believe that the management review contains a fair review of the development and performance of the Group's and the Parent's business and of their position as well as the Parent's financial position and the financial position as

a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face. We recommend the annual report for adoption at the annual general meeting.

Date of approval of annual report

Hørsholm, 7. February 2017

Executive board

Carsten Hellmann President & CEO President Commercial Operations	Henrik Jacobi Executive Vice President Research & Development	Søren Daniel Niegel Executive Vice President Product
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Flemming Pedersen CFO & Executive Vice President Supply

Helle Skov Executive Vice President Product

Supervisory board

Steen Riisgaard Chairman

Lene Skole Vice Chairman

Lars Holmqvist

Andreas Slyngborg Holst

Jacob Kastrup

Anders Gersel Pedersen

Jakob Riis

Katja Barnkob Thalund

Per Valstorp

Auditor's reports

The independent auditor's reports (Audit)

Independent auditor's report

Addressee of auditor's report on audited financial statements

To the shareholders of ALK-Abelló A/S

Opinion on audited financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of ALK-Abelló A/S for the financial year 1 January 2016 to 31 December 2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and the consolidated statement of comprehensive income. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act. In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of its operations and cash flows for the financial year 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act. Further, in our opinion, the parent financial

statements give a true and fair view of the financial position of the Parent at 31 December 2016 and of the results of its operations for the financial year 1 January 2016 to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for conclusion (Audit)

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters (audit)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2016 to 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to notes 2 and 15 in the consolidated financial statements.

At 31 December 2016, inventories of the Group amount to DKK 676 million
31 December 2015: DKK 520 million
comprising raw materials and consumables, work in progress and manufactured goods and goods for resale.

Inventories are measured at cost determined by applying the FIFO method or net realisable value where this is lower. The net realisable value of the ALK product portfolio is contingent on forecasting of future sales, the ability to successfully commercialise the brand and obtaining the required regulatory approvals, and is therefore to a wide extent based on assumptions and judgement made by Management. Consequently, there is a risk that inventories will be impaired if the future cash flows and other assumptions do not meet Management's expectations.

How the matter was addressed in the audit
Based on our risk assessment, we have obtained the Group's inventory valuation model and tested the reasonableness of the key assumptions, in particular future revenue projections, the impact of the expiry dates of the inventory and the probability of obtaining the required regulatory approvals.

We have assessed and challenged Management's assumptions used in the inventory valuation model, including

- Discussed with Management and key employees whether the valuation of the inventories is supported by future sales forecasts.
- Analysed and challenged Management's estimates with regard to projected sales forecasts.
- Obtained supporting documentation for key assumptions, including expiry dates for inventories.
- Obtained and evaluated Management's

sensitivity analyses to assess the level of sensitivity to possible changes in key assumptions applied by Management.

Carrying value of goodwill and other intangible assets in the parent financial statements

Refer to note 5 in the parent financial statements.

At 31 December 2016, the Parent has goodwill of DKK 730 million (31 December 2015: DKK 817 million) arising from the internal transfer of the adrenaline business in 2015 and other intangible assets of DKK 187 million (31 December 2015: DKK 160 million), comprising software, patents, trademarks, rights and development projects. The carrying value of goodwill is contingent on future cash flows and therefore relies on assumptions and judgement made by Management. The impairment review contains a number of significant judgements and estimates, including revenue growth, the success of the adrenaline business, profit margins and discount rate. Consequently, there is a risk that cash flows and other assumptions for the adrenaline business do not meet Management's expectations and that goodwill and other intangible assets will be impaired.

How the matter was addressed in the audit
Based on our risk assessment, we have obtained the Parent's impairment analysis for goodwill and other intangible assets and tested the reasonableness of key assumptions, including profit and cash flow growth, terminal values, etc. We have assessed and challenged Management's assumptions used in its impairment model for goodwill and other intangible assets, including

- The forecast of future cash flow projections by discussing with Management and key employees.
- Obtained supporting documentation of judgement and key assumptions.

- Assessed significant judgements and compared them to the previous year to ensure consistency.
- Tested the mathematical accuracy of the calculations in the model.
- Obtained and evaluated Management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions, and we performed our own independent sensitivity calculations to quantify the downside changes to Management's models required to result in impairment.

Statement on management's review [Auditor's report on audited financial statements]

Statement on the management review

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the

Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Statement of executive and supervisory boards responsibility for financial statements

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Statement of auditor's responsibility for the audit of the financial statements (Audit)

Auditor's responsibilities for the audit

of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 International Standards on Auditing and 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 consolidated financial statements and these parent financial statements.

As part of an audit in accordance with International Standards on Auditing and 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 consolidated financial statements and the parent 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'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 in the preparation of the consolidated financial statements and the parent financial statements, 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'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 consolidated financial statements and the parent 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 and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen
7. February 2017
Erik Holst Jørgensen
State-Authorised Public Accountant
Deloitte Statsautoriseret Revisionspartnerselskab
33963556

Dan Bjerregaard
State-Authorised Public Accountant

Income Statement 1. January 2016 - 31. December 2016

	01-01-2016 31-12-2016 mio. DKK	01-01-2015 31-12-2015 mio. DKK
Profit or loss [abstract]		
Profit (loss) [abstract]		
Revenue	3.005	2.569
Cost of sales	994	836
Gross profit	2.011	1.733
Research and development expense [abstract]		
Research and development expense	385	407
Sales cost and distribution costs [abstract]		
[Ext.] Sales and marketing expenses	893	843
Administrative expenses	198	190
[Ext.] Other operating income	7	
Special items [abstract]		
Special items	-63	-1
Profit (loss) from operating activities	479	292
Finance income	22	122
Finance costs	14	14
Profit (loss) before tax	487	400
Tax expense (income), continuing operations	217	56
Profit (loss)	270	344
	01-01-2016	01-01-2015

Comprehensive income

267

338

Balance

Assets

	31-12-2016 mio. DKK	31-12-2015 mio. DKK
Assets [abstract]		
Non-current assets [abstract]		
Property, plant and equipment [abstract]		
Land and buildings [abstract]		
Land and buildings	774	771
Plant and machinery	412	419
Other plant, fixtures and fittings, tools and equipment	52	59
Property, plant and equipment in progress and prepayments for property, plant and equipment [abstract]		
Property, plant and equipment in progress	389	322
Property, plant and equipment	1.627	1.571
Intangible assets and goodwill [abstract]		
Intangible assets other than goodwill [abstract]		
Other intangible assets [abstract]		
Other intangible assets	342	336
Goodwill	422	423
Intangible assets and goodwill	764	759
Trade and other non-current receivables [abstract]		

[Ext.] securities and receivables	8	8
Deferred tax assets	449	378
Non-current assets	2.848	2.716
Current assets [abstract]		
Classes of current inventories [abstract]		
Current inventories	676	520
Trade and other current receivables [abstract]		
Current prepayments	26	26
Receivables from sales and services		
Current trade receivables	295	273
Current receivables due from related parties [abstract]		
Current receivables due from related parties	22	30
Other current receivables [abstract]		
Other current receivables	66	65
Current tax assets, current	26	14
Categories of current financial assets [abstract]		
[Ext.] Current marketable securities	548	432
Cash and cash equivalents [abstract]		
Cash [abstract]		
Cash	292	176
Current assets	1.951	1.536
Assets	4.799	4.252

Liabilities

	31-12-2016 mio. DKK	31-12-2015 mio. DKK
Equity and liabilities [abstract]		
Equity [abstract]		
Issued capital	101	101
Retained earnings [abstract]		
Retained earnings	2.752	2.582
Other reserves [abstract]		
Reserve of change in value of foreign currency basis spreads	22	14
Equity	2.875	2.697
Liabilities [abstract]		
Non-current liabilities [abstract]		
Non-current provisions [abstract]		
Classes of other provisions [abstract]		
Non-current provisions for employee benefits	234	202
Other provisions [abstract]		
Other non-current provisions	1	6
Trade and other non-current payables [abstract]		
Non-current payables to credit institutions [abstract]		
[Ext.] bank loans and financial loans	448	1
Non-current mortgage debt	310	327
Current tax liabilities, non-current		

[abstract]

Deferred tax liabilities	124	100
Non-current liabilities	1.117	636
Current liabilities [abstract]		
Current provisions [abstract]		
Other current provisions	36	22
Trade and other current payables [abstract]		
Current payables to credit institutions [abstract]		
[Ext.] current bank loans and financial loans		300
Current mortgage debt	17	17
Current trade payables	132	81
Other current payables	455	426
Current tax liabilities, current	167	73
Current liabilities	807	919
Liabilities	1.924	1.555
Equity and liabilities	4.799	4.252

Cashflow

	01-01-2016 31-12-2016 mio. DKK	01-01-2015 31-12-2015 mio. DKK
Cash flows from (used in) operating activities		
Profit (loss) (kredit)	270	344
Interest paid (kredit)		-15
Income taxes refund (paid) (kredit)	-186	-147
Details on other components of cash flows from (used in) operating activities		
Adjustments for non-cash items	408	87
Changes in working capital	-87	-86
Net cash flows from (used in) operating activities (debet)	405	183
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment (kredit)	-179	-153
Purchase of intangible assets (kredit)	-46	-46
Details on other components of cash flows from (used in) investing activities		
Acquisitions of companies and operations		-12
Sale of non-current assets	21	
Sale of companies and operations		47

Change in other financial assets		-1
Net cash flows from (used in) investing activities (debet)	-204	-165
Cash flows from (used in) financing activities		
Proceeds from borrowings (debet)	446	349
Repayments of borrowings, classified as financing activities		
Total repayments of borrowings (kredit)	-316	-29
Dividends paid (kredit)	-49	-49
Details on other components of cash flows from (used in) financing activities		
Sale of treasury shares	47	68
Exercise of share options	-89	-41
Net cash flows from (used in) financing activities (debet)	39	298
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes (debet)	240	316
Effect of exchange rate changes on cash and cash equivalents		
Effect of exchange rate changes on cash and cash equivalents (debet)	-8	3
Cash at 1 January (debet)	176	81
Marketable securities at 1 January (debet)	432	208
Cash and cash equivalents at beginning of	608	289

period (debet)		
Cash Year End (debet)	292	176
Marketable securities at Year End (debet)	548	432
Cash and cash equivalents at end of period (debet)	840	608