LEO

LEO FONDET |
ANNUAL REPORT 2013

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Presented and adopted
at the Board meeting on
27 March 2014

CVR 11 62 33 36

This Annual Report is an extract of the Foundation's statutory annual report pursuant to Section 149 of the Danish Financial Statements Act. The statutory annual report will be submitted to the Danish Business Authority, and a copy may be obtained via the Authority's website www.cvr.dk.

The LEO Foundation Board of Trustees
(from left): Jan Rasmussen, Gorm M. Thamsborg, Jannie Kogsbøll, Per Håkon Schmidt, Poul Rødbroe Rasmussen (Chairman), Morten Drewes Pedersen, Jens Holm, John Mehlbye, Jens Bo Olesen (Deputy Chairman) and Nina Sølver Henning.

MANAGEMENT'S STATEMENT

The Board of Trustees have today considered and adopted the Annual Report of LEO Fondet for the financial year 1 January - 31 December 2013.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2013 of the Group and the Foundation and of the results of the Group and the Foundation operations and consolidated cash flows for 2013.

In our opinion Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Board meeting.

Ballerup, 27 March 2014

BOARD OF TRUSTEES:

Poul Rødbroe Rasmussen
Chairman

Jens Bo Olesen
Deputy Chairman

Nina Sølver Henning

Jens Holm

Jannie Kogsbøll

John Mehlbye

Morten Drewes Pedersen

Jan Rasmussen

Per Håkon Schmidt

Gorm M. Thamsborg

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of LEO Fondet

Report on the Financial Statements

We have audited the Consolidated Financial Statements and the Parent Foundation Financial Statements of LEO Fondet for the financial year 1 January – 31 December 2013, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies for both the Group and the Parent Foundation, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Foundation Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Foundation 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 Consolidated Financial Statements and Parent Foundation Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Foundation Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Foundation Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Foundation Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Foundation Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Foundation Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Foundation Financial Statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Foundation Financial Statements give a true and fair view of the financial position of the Group and the Foundation at 31 December 2013 and of the results of the Group and the Foundation's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act.
We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Foundation Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Foundation Financial Statements.

Hellerup, 27 March 2014
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Kim Füchsel
State Authorised Public Accountant

Lars Baungaard
State Authorised Public Accountant

FOUNDATION INFORMATION

The Foundation LEO Fondet
Industriparken 55
2750 Ballerup

CVR No.: 11 62 33 36
Reg. office: Ballerup
Financial year: 1 January – 31 December

Auditors PwC
Strandvejen 44
2900 Hellerup

FINANCIAL HIGHLIGHTS

(DKK million)	2013	2012	2011*	2010*	2009*
Income statement					
Revenue	7,842	8,216	7,487	7,245	6,082
Of which outside Denmark	7,599	7,969	7,238	7,033	5,763
Operating profit/loss	671	-183	153	175	-878
Net financials	1,002	1,050	838	887	861
Profit/loss before tax	1,673	867	987	1,062	-17
Net profit/loss for the year	**1,175**	**659**	**601**	**698**	**-165**
Balance sheet					
Net investment in:					
Intangible assets	225	186	0	0	6,266
Property, plant and equipment	235	343	410	541	284
Fixed assets	22,681	24,695	24,600	23,487	26,561
Current assets	10,474	4,764	4,364	3,805	7,706
Total assets	**33,155**	**29,459**	**28,964**	**27,292**	**34,267**
Equity	**23,239**	**22,096**	**21,408**	**20,838**	**20,104**
Ratios					
Operating profit margin	9%	-2%	2%	2%	-14%
Return on assets	2%	-1%	1%	1%	-3%
Return on equity	7%	4%	5%	5%	0%
Solvency ratio	70%	75%	74%	76%	59%
Employees					
Average number of employees	4,733	4,783	4,391	3,796	3,278

* The comparative figures for 2011 regarding revenue have been adjusted to the presentation in the Annual Report 2012. It has not been possible to obtain data for the correction of the comparative figures for 2009-2010.

MANAGEMENT'S REVIEW

CHANGE, DEVELOPMENT AND FOCUS

LEO Fondet (the LEO Foundation) was created to maintain the ownership of LEO Pharma A/S, and the reason for the Foundation's existence continues to be the development of LEO Pharma A/S.

The LEO Foundation's purpose is, in other words, to serve the company (and not vice versa) with the precise wording of the Foundation's charter being "the primary object of the Foundation shall be to ensure the continuance of LEO Pharma A/S with affiliated companies".

The LEO Foundation is through the full possession of the shares of LEO Pharma A/S (with a nominal value of DKK 250 million) a commercial foundation. According to the charter the LEO Foundation is to retain full ownership of LEO Pharma and cannot recapitalise the company by submission of ownership.

This means that the work of the LEO Foundation focuses on ensuring LEO Pharma's continued development and survival and, therefore, the Foundation does not have the ambition to make other business investments.

Change
The continuation of LEO Pharma means development, not preservation of the company as it was when the ownership in 1984 was transferred to the Foundation by Dr. Knud Abildgaard. On the contrary, the company must continue its development in his spirit. Under his stewardship LEO Pharma evolved and developed constantly.

The board of the LEO Foundation is convinced that the best way for the continuation of LEO Pharma in Knud Abildgaard's spirit is the active and committed ownership maintained by the LEO Foundation. In his years at the helm, Knud Abildgaard led the change of LEO Pharma from a local Danish company to an internationally oriented pharmaceutical company.

Development
As a natural continuation of this change LEO Pharma has in recent years divested activities outside pharmaceuticals, reprioritised its focus and gained a significant financial consolidation.

By the time of LEO Pharma's centenary in 2008, the company was dedicated in full to pharmaceuticals and could display a strong financial backbone.

This financial backbone has been essential for the next phase of the company's history.

In 2009 LEO Pharma launched an ambitious growth strategy followed by the reacquisition of the rights to the company's products in the USA and the acquisition of a US and Australian based biotechnology company Peplin – a total investment of DKK 6.3 billion.

As part of the growth strategy, LEO Pharma has established new affiliates in a number of countries – in 2013 LEO Pharma had employees in 61 countries – and the company has narrowed its business focus considerably, so that the emphasis today is on the development and sale of therapeutic solutions for patients with skin conditions.

Focus
As part of the growth strategy LEO Pharma is transforming from a classic product orientation to a holistic focus on patients and their need for treatments that work in everyday life.

The commercial potential of this transformation is quite significant: all over the world, there is a dire need for better treatments and care for patients with skin diseases.

Many diseases and conditions may be addressed or prevented through changes in behaviour, and they could also be treated much more effectively than today through better use of existing therapies and methods.

The potential is furthermore supported by the fact that the patients' needs cannot be met solely by supplying existing medicines delivered through established channels, but necessitates new, different and novel approaches.

LEO Pharma is committed to address and meet these needs, to better understand the patients, making the company's transformation a natural continuation of its development. Today, LEO Pharma's research and development activities target psoriasis, actinic keratosis and eczema in particular.

Supported research
On a global scale, funding for basic research on skin diseases is scarce.

Authorities and others often prioritise more high-profile medical specialties by which the basis for the development of more effective dermatological drugs dry out.

This leaves considerable room for an overall effort to uncover causes, extent and especially how patients are affected by dermatological diseases. The LEO Foundation believes that with relatively modest means focused on carefully selected research activities, it may contribute to this important work.

In all, the LEO Foundation at present supports a portfolio of 12 research projects, and the LEO Foundation plans to continue this activity in the coming years, for the benefit of the many people around the world who are affected by, or at risk of developing, skin conditions.

This report presents these projects together with the LEO Foundation's financial results, with a natural emphasis on the activities of LEO Pharma, the Foundation's sole commercial asset.

SUPPORT FROM THE LEO FOUNDATION

The LEO Foundation attaches importance to the results of the projects it supports being made available to the public, patients and medical professionals, ideally in the form of information campaigns.

It is also important that the results have international application, and so the Foundation gives priority to projects with the scope and potential to make a difference worldwide.The LEO Foundation supports selected research and information projects within medicine, chemistry and/or pharmacy; ranging from international surveys over scientific symposia to scientifically based information campaigns.

The emphasis is on large-scale international activities, and the projects funded by the Foundation generally have their roots in a university or university hospital. Furthermore, the scientist(s) conducting the supported work will have a particularly sound and well documented international research background.

Another common denominator for the projects is that they aim either to obtain a better basic understanding of the diseases' prevalence, social cost and impact on quality of life, or to gain a greater insight into the biological mechanisms that cause the diseases and their symptoms.

In addition, the LEO Foundation can choose to support university-rooted pre-college educational activities within the natural sciences – with emphasis on building knowledge of and attraction to medicine, chemistry and/or pharmacy.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The LEO Group aims to be a responsible corporate citizen wherever we operate.

Our values, LEO Code of Conduct and supporting guidelines set the tone. The aim of our activities is to offer pharmaceutical products and solutions for the benefit of both patients and society.

We comply with applicable laws, regulations and international requirements as well as the United Nations Global Compact principles for human rights, labour rights, the environment and anti-corruption in line with our LEO value of Integrity.

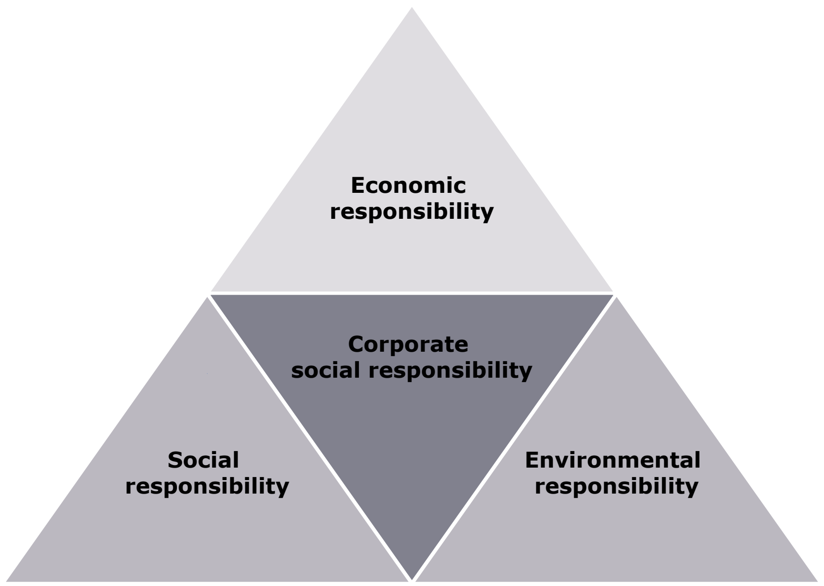
We have a business driven CSR-approach and we acknowledge our Economic, Social and Environmental Responsibility when providing therapies for the benefit of patients and society.

Economic responsibility
Our primary economic contribution to society is the result of our innovation, investments and production, taking due account of sustainable social, environmental and economic development. This includes profits generated as well as taxes and duties paid. In this way, we make a positive contribution to sustainable economic growth in the countries in which we operate.

Social responsibility
We aim to offer a healthy and safe working environment and support and respect the protection of internationally adopted human rights, including the fundamental worker's rights espoused by the International Labour Organisation. We strive actively to improve occupational health and safety in accordance with international standards.

Environmental responsibility
We aim to protect the environment and climate, to prevent pollution and to promote efficient use of energy and water. In general, we aim to minimise our environmental impact through programmes focusing on continuous improvement as set out in specific environmental and energy guidelines.

The LEO Group performs its CSR activities through its affiliated companies
Compliance with Section 99a and 99b of the Danish Financial Statement Act is reported in a separate report – the LEO Pharma Corporate Social Responsibility (CSR) Report 2013 – available on http://www.leo-pharma.com/Home/LEO-Pharma/Corporate-responsibility/Reports.aspx.



PROJECT PORTFOLIO

The list of projects below constitutes the full array of projects supported by the LEO Foundation. Most projects receive funding based on milestones and may span several fiscal years. In 2013 the LEO Foundation granted in total DKK 3.3 million.

Care for Chronic Skin Diseases with a Patient-Centric Approach
Skin cancer is currently the most frequent type of cancer. At present, life time risk is estimated at one in six and with the ageing of the population this is expected to increase even more. It is assumed that early detection gives better cure rates and more cost-effective treatment and skin cancer thus seems amenable to screening initiatives. However, questions remain about their cost-benefit.

This study, led by Professor Lieve Brochez, University of Ghent, Belgium, aims at calculating the actual cost of skin cancer in Belgium, the expected cost with an ageing population and how much early detection of skin cancer could affect these costs.

The team will use the results to develop an internationally applicable health economic model. The model will allow other European countries to use local data, and data can be compared across Europe.

Secondly, the study will evaluate a new skin cancer screening therapy to compare the yield of this type of screening to the yield of a systematic screening in an asymptomatic population set up in a well-defined population.

Quality of life will be assessed for all screened persons with skin cancer and/or actinic keratosis in order to generate patient-centric data to evaluate the burden of skin cancer.

The LEO Foundation has granted this study DKK 2.5 million.

Skin Cancer Screening and Education Study
The Skin Cancer Screening Education Study (SCSES) is an interventional study in Canada with an evaluation of skin cancer screening (SCS) training of primary care physicians with regard to screening outcomes for melanoma and non-melanoma skin cancer.

The study, led by Prof. Dr. Eckhard W. Breitbart and Dr. Rüdiger Greinert from the Association of Dermatological Prevention, Hamburg and Centre of Dermatology, Buxtehude in Germany, will compare screening outcomes of an intervention region with SCS training to screening outcomes of a control region with no training.

The SCS training is based on the German SCS training which is part of the German skin cancer screening programme. The results of the SCREEN project, which was led by Dr. Breitbart, are the strongest scientific evidence to date that population-based skin cancer screening can be effective. Clinical and epidemiological screening outcomes as well as educational outcomes will be evaluated in this new study. Data on potential harms of a Skin Cancer Screening will also be obtained.

Study results will be published in international publications and presented to the scientific community, to public health experts and policy makers at European and international conferences and at round tables of the European Parliament, the national parliaments, and in health committees of the study countries which includes Canada.

The LEO Foundation has granted DKK 4.2 million to the study.

Depletion, UV Exposure and Relation between Ozone and Skin Cancer
Dr. Harry Slaper, Laboratory for Radiation Research, RIVM, Holland, has developed a unique model, the AMOUR 2.0, for relating ozone depletion scenarios and UV to changes in skin cancer incidence (melanoma, basal cell carcinoma (BCC) and squamous cell carcinoma (SCC)). This model has been used since 2008 as a reference for other researchers in Europe.

The model, however, does not factor in age. Apart from cumulated UV Radiation, age is the major risk factor for the development of Non Melanoma Skin Cancer (NMSC), and an ageing population will contribute to the increasing incidence of NMSCs.

The LEO Foundation has funded a development of the model to also incorporate the effects of population ageing in Europe in order to obtain a more precise picture of the projected incidence of NMSC in Europe.

Based on the Dutch Cancer registry and the enhanced model, then, Dr. Slaper has estimated age and gender specific incidence rates, incorporated them into the model as well as UN population forecasts to forecast the incidence of NMSC in Europe and the contribution of both cumulated UV radiation and age and gender.

The results are expected to play a key role in raising awareness among decision makers in the health care sector on the increasing incidences of non-melanoma skin cancer, an awareness which will also benefit patients as the long-term aim is to increase the political prioritisation of non-melanoma skin cancer.

The LEO Foundation has supported the development work with a grant of DKK 0.2 million.

Skin Cancer Awareness Bus
As part of a national 'keep an eye on your skin' awareness campaign, run by the Danish Pharmacy Association with Dr. Hans Christian Wulf, Professor, senior consultant, Department of Dermatology, Bispebjerg Copenhagen University Hospital, the LEO Foundation funded the visiting of a 'Skin Cancer Awareness Bus' to 30 Danish cities and 15 camping sites during the summer of 2011.

The objective of the tour was to: a) improve awareness in the general population of potential health consequences of sun exposure (actinic keratosis (AK) and skin cancer), and to educate on preventive measures linked to skin type; and b) to improve current clinical knowledge of skin type and impact of UV radiation.

On the bus, visitors could fill out a questionnaire on previous sun exposure, sun burns, AK, skin cancers etc., as well as receive an assessment of their skin type and a UV photo depicting sun damage in underlying skin.

Awareness of AK and skin cancer is currently limited to the dermatologists and general practitioners, and patients are mostly unaware of impact and symptoms – and therefore also the notion of self-checking and importance of early diagnosis.

The lack of awareness is critical taking into consideration the continuously growing prevalence and the growing consensus about perceiving AK as a precursor and an early stage of squamous cell carcinoma.

Questionnaires and skin type data have been linked to each respondent's PNR (CPR) number facilitating future research through registry linkage to e.g. the Danish Cancer Registry, National Patient Registry, etc.

The LEO Foundation has supported the project with DKK 3.0 million.

Identification and Characterisation of Key Itch Mediators and Receptors in Human Pruitic Diseases
Itch is probably the most common symptom in dermatology and it is associated with a significant impact on the patient's life.

A team led by Professor Martin Steinhoff, University of California San Francisco, has set out to develop novel targeted therapies for chronic itch in humans.

Besides the lesional and non-lesional as compared to healthy skin, the project team will also identify critical itch mediators and/or receptors that are expressed (and activated) in human dorsal root ganglion (DRG) and spinal cord tissue. To address this, mediators will be identified as well as receptors associated with human itch, and thereby the team will be able to define 'biomakers' for the different pruritic human diseases.

The project will be the first-of-a-kind study to analyse the expression and distribution of key itch mediators and receptors in human skin, human DRG and human spinal cord, and will therefore provide a significant basis for future translational research that targets these mediators/receptors in the different subtypes of itch.

Moreover, it is the first time that it will be tested whether several new itch pathways that have been described in murine skin models are relevant, i.e. can be translated, in human disease state.

The LEO Foundation has granted DKK 1.1 million to the project.

Phenotyping Itch in Atopic Eczema and Psoriasis Patients
The LEO Foundation supports another project that investigates itch and that also may pave the way for new anti-itch treatments.

The study is led by Dr. Gil Yosipovitch, MD, Professor at Department of Dermatology at Wake Forest University School of Medicine, Winston-Salem, North Carolina, USA, and seeks to investigate aspects of itching in patients with atopic dermatitis and psoriasis.

Itching affects millions of people worldwide and represents a significant medical challenge as there are not any mechanism-specific itch treatments currently available. The genetic aspects of itch in chronic pruritic diseases such as atopic dermatitis and psoriasis are also rather under-investigated.

Dr. Gil Yosipovitch will examine the expression of genes, neuropeptides and other itch-specific mediators specifically implicated in atopic dermatitis and psoriasis in comparison with healthy controls.

The exploration of this area may hold good news for patients as the findings may be useful in developing new anti-itch treatments.

The LEO Foundation has granted DKK 1.6 million to the study.

Psoriasis and Cardiovascular Co-morbidity – Funding of an Overview Committee
The background for this project – establishing and operating a multidisciplinary international scientific committee on psoriasis and cardiovascular disease (CVD) – is the increased risk of cardiovascular disease – and therefore death – faced by psoriasis patients.

Research investigating the interface between the two diseases – from epidemiological studies to basic experimental research – may prove a key to improving the overall care of psoriasis patients.

Chaired by professor Christopher Griffiths from the Faculty of Medical and Human Sciences at the University of Manchester in the UK, the committee consists of three dermatologists and three cardiologists, at least one of each based in the US.

The committee's work focuses on:

- How scientific understanding can be improved through new research initiatives
- Building a consensus on biomarkers in research
- The potential relationships between biomarkers and clinical results and the benefits for patients
- Areas of particular interest for further research
- Investigation of cardiovascular side-effects in clinical development projects

The LEO Foundation has granted DKK 0.9 million to the project.

Psoriasis and Cardiovascular Co-morbidity – Epidemiological and Experimental studies
Psoriasis patients have increased risk of cardiovascular disease (CVD), which still carries high morbidity and mortality in western societies, and increasing dramatically in the new economies.

Consequently, research directed at the interface between psoriasis and CVD, from the level of epidemiological studies to basic experimental research, is of paramount importance in order to improve the overall care for psoriasis patients, as well as supporting the need to seek help to receive treatment.

A research project led by Dr. Peter Riis Hansen, Gentofte Hospital, Department of Cardiology P, Denmark, will help:

- Inform and motivate dermatologists to play a pivotal role in screening and helping patients with psoriasis to prevent an increased risk of CVD
- Motivate patients with psoriasis to:
  - Seek treatment and assessment of CVD risk
  - Improve treatment of psoriasis to reduce the overall immune activation
- Establish a murine model of psoriasis and CVD that is suitable for mechanistic studies and preclinical drug evaluation
- Identify new markers of psoriasis and/or CVD activity that may be relevant for clinical use.

The LEO Foundation has supported the research with a grant of DKK 4.3 million.

Epidemiology of Eczema Disease in Denmark
The project 'Epidemiology of Eczema Disease in Denmark', involves a number of research groups at Gentofte Hospital in Copenhagen and is headed by professor Torkil Menné.

The work aims to shed more light on the incidence of eczema in the general population and pave the way for improved prevention and treatment.

Eczema is the most prevalent of the skin disorders. It is not only one of the most common diseases of childhood but also a typical occupational disease, making it one of the most widespread diseases in the overall population. Eczema also results in substantial costs and loss of quality of life for patients.

Despite its prevalence, there is a shortage of data and research looking at eczema in the general population.

This project, which draws on a number of databases and disease registries unique to Denmark, aims to produce a detailed picture of the clinical and socio-demographic aspects of eczema in both the general population and the patient population.

Its specific aims are:

- To describe the consequences of eczema in terms of health care, education and employment, and the development of co-morbidities
- To explore the genetics behind eczema and its consequences

The LEO Foundation has granted a funding of DKK 2.8 million to the research project.

Defining the Skin and Blood Biomarkers of Pediatric Atopic Dermatitis

Despite considerable impact on quality of life, atopic dermatitis, or eczema, has not been studied extensively in children although as many as one-in-five have eczema.

Atopic dermatitis or eczema is a chronic disease of the skin, characterised by itching and inflammation that frequently occur in people who have other allergic conditions, such as asthma and hay fever.

Emma Guttman, MD, PhD, Associate Professor of Dermatology, and Director of the Laboratory for Inflammatory Skin Diseases at the Icahn School of Medicine at Mount Sinai in New York, has set out to define the skin and blood biomarkers of atopic dermatitis in children.

She and her team will investigate how well skin biomarkers compare with disease activity, epidermal barrier function, and known biomarkers in the adults with atopic dermatitis. They will also investigate whether blood biomarkers could offer a less invasive way to monitor skin changes than a skin biopsy, which can be difficult to perform in children.

With better knowledge of what causes atopic dermatitis in children, the researchers hope to develop more targeted therapies for the disorder, as well as for other atopic diseases, such as asthma and hay fever. Together, these three disorders form an 'atopic triad'.

The LEO Foundation has granted the project DKK 6.3 million.

The LEO Foundation Scholarship for Dermatological Research

The LEO Foundation Scholarship for Dermatological Research aims to strengthen research collaboration within the field of skin cancer between Australia and Denmark, by supporting training and research of young scientists.

One scholarship is offered annually on behalf of the LEO Foundation and is set to alternate between Australia and Denmark:

A candidate from Australia travels to work within a Danish tertiary institution and a Danish student is selected with the view of joining an Australian campus.

At present one student has been selected and the target is to have four students 'on board': three of whom would be in the active phase of research and one who would be in the 'write up' phase.

The received funds may be used as part of an on-going PhD project or as postdoctoral research. The funds have to in part support a research/educational stay in Australia of at least six months duration.

The LEO Foundation supports the scholarship programme with DKK 0.6 million per student (currently four PhD students).

PROJECT PORTFOLIO OVERVIEW

(DKK million)	Total granted	Granted before 2013	Granted in 2013	Grants after 2013
Care for Chronic Skin Diseases with a Patient-Centric Approach	2.5	-	-	2.5
Skin Cancer Screening and Education Study	4.2	-	0.8	3.4
Depletion, UV Exposure and Relation between Ozone and Skin Cancer	0.2	0.2	-	-
Skin Cancer Awareness Bus	3.0	2.5	-	0.5
Identification and Characterisation of Key Itch Mediators and Receptors in Human Pruitic Diseases	1.1	-	0.4	0.7
Phenotyping Itch in Atopic Eczema and Psoriasis Patients	1.6	0.3	-	1.3
Psoriasis and Cardiovascular Co-morbidity – Funding of an Overview Committee	0.9	0.3	0.3	0.3
Psoriasis and Cardiovascular Co-morbidity – Epidemiological and Experimental studies	4.3	1.1	0.7	2.5
Epidemiology of Eczema Disease in Denmark	2.8	-	1.1	1.7
Defining the Skin and Blood Biomarkers of Pediatric Atopic Dermatitis	6.3	-	-	6.3
The LEO Foundation Scholarship for Dermatological Research	2.3	-	-	2.3
Total	**29.2**	**4.4**	**3.3**	**21.5**

THE LEO PHARMA GROUP'S COMMERCIAL RESULTS AND ACTIVITIES

2013 was a challenging year for LEO Pharma. Following four years of double digit sales growth, sales slowed down considerably in 2013. Despite a lack of sales growth, LEO Pharma increased both operating profit and net profit in 2013 compared to 2012. The increase in profitability came from a focus on operational excellence and on ensuring best use of company resources. The result for 2013 is, in light of the many challenges, considered satisfactory.

In 2013 LEO Pharma continued its journey towards reaching its vision of becoming the preferred dermatology care partner improving people's lives around the world and kept building a global and patient-centric organisation. This positively influenced the global organisation's efficiency, agility and ability to invest the resources where they matter the most: for the benefit of patients.

Dermatology
LEO Pharma's mission is to help people achieve healthy skin. Therefore, LEO Pharma mainly develops, manufactures and markets products in the therapeutic area of dermatology – skin conditions. In 2013 these included psoriasis, actinic keratosis, eczema and skin infections.

LEO Pharma differentiates between strategic products, core products and well-established products. The strategic portfolio comprises the following products: Daivobet® Gel (psoriasis), Xamiol® (psoriasis), Picato® (actinic keratosis) and innohep® (thrombosis). Although the field of dermatology is LEO Pharma's priority, innohep® for the treatment of thrombosis is also considered strategic and accounts for a substantial share of LEO Pharma's sales.

FINANCIAL RESULTS FOR 2013

REVENUE

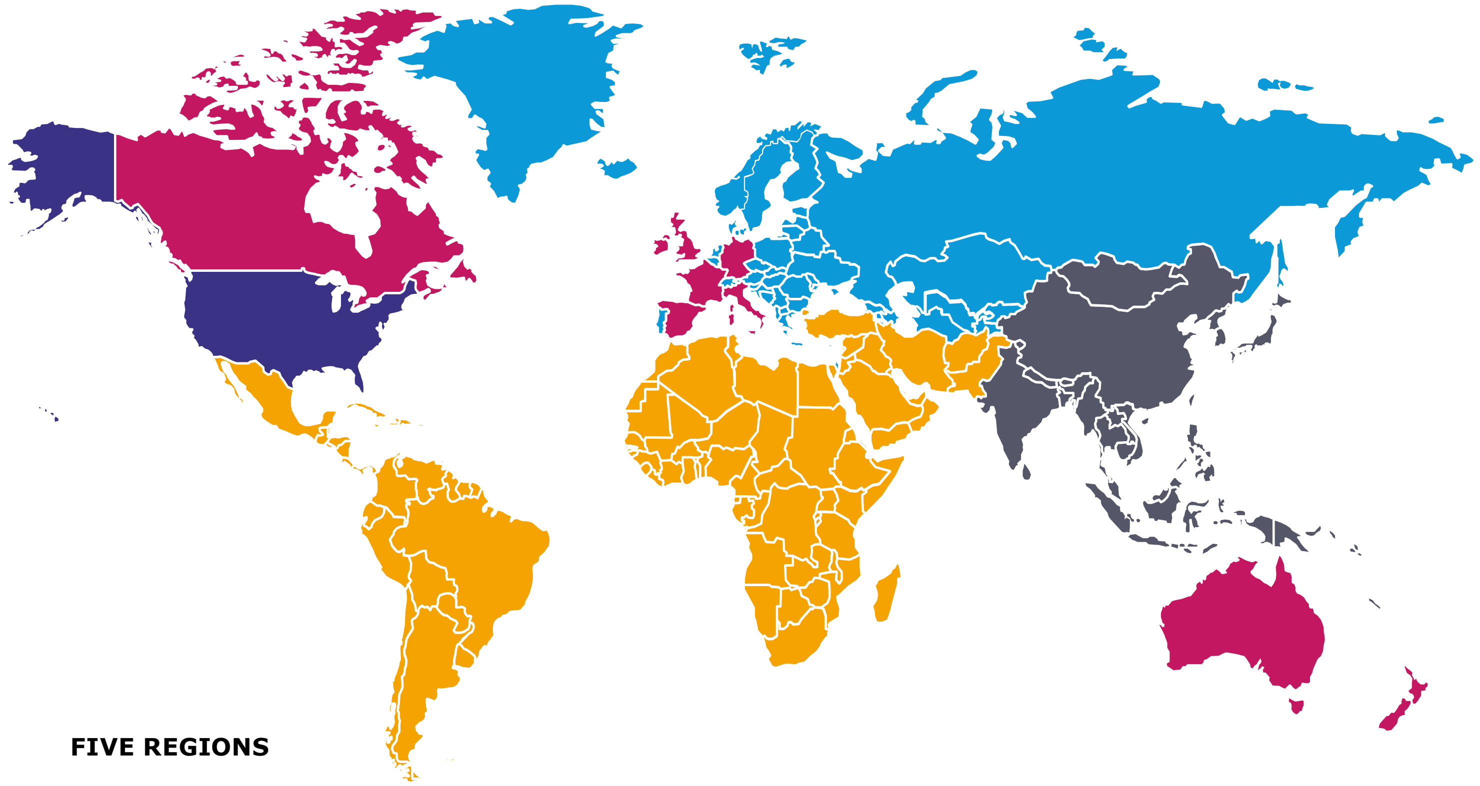
LEO Pharma's revenue in 2013 amounted to DKK 7,842 million. The revenue decreased by 5% in Danish kroner compared to 2012 and in local currencies the decrease was more than 3%.

The decrease in revenue is mainly caused by three events. Most significant was a loss of exclusivity of Dovonex® Cream in the US. In autumn 2012, LEO Pharma met generic competition for Dovonex® Cream in the US and 2013 was the first year with a full-year effect. In addition LEO Pharma decided to end the supply of Heparin to the Japanese market and to divest one of LEO Pharma's well-established products, Fucithalmic®.

Compared to 2012 the combined effect of this is DKK 169 million. Disregarding these three major events, the decrease of revenue in local currencies is nearly 3% compared to an increase of 7% in 2012.

In 2013 the US accounted for 15% of LEO Pharma's total revenue, which is a decrease from 18% in 2012. The US revenue decreased by 14% in local currency compared to 2012. Excluding loss of exclusivity of Dovonex® Cream the decrease was 12%.

LEO US had expected Picato® to compensate for the overall decrease in revenue, but sales did not increase as fast as expected. However, the total prescription trend on Picato® improved in the fourth quarter, leading to a growth in net sales which is beginning to meet expectations.



FIVE REGIONS

USA: LEO Pharma's largest market.

LAMEA: This region encompasses Latin America, the Middle East and Africa and features some very different markets with similar challenges.

EU5+: This region consists of five EU member states (the UK, France, Germany, Italy and Spain) plus Canada and Australia.

ZOE: This stands for Zone of Europe and comprises the smaller European markets plus Russia.

ASIA: This region covers China, Japan, South Korea and the markets of Southeast Asia.

In two of LEO Pharma's five regions, EU5+ and ZOE, the revenue measured in Danish kroner increased by 1% corresponding to DKK 47 million.

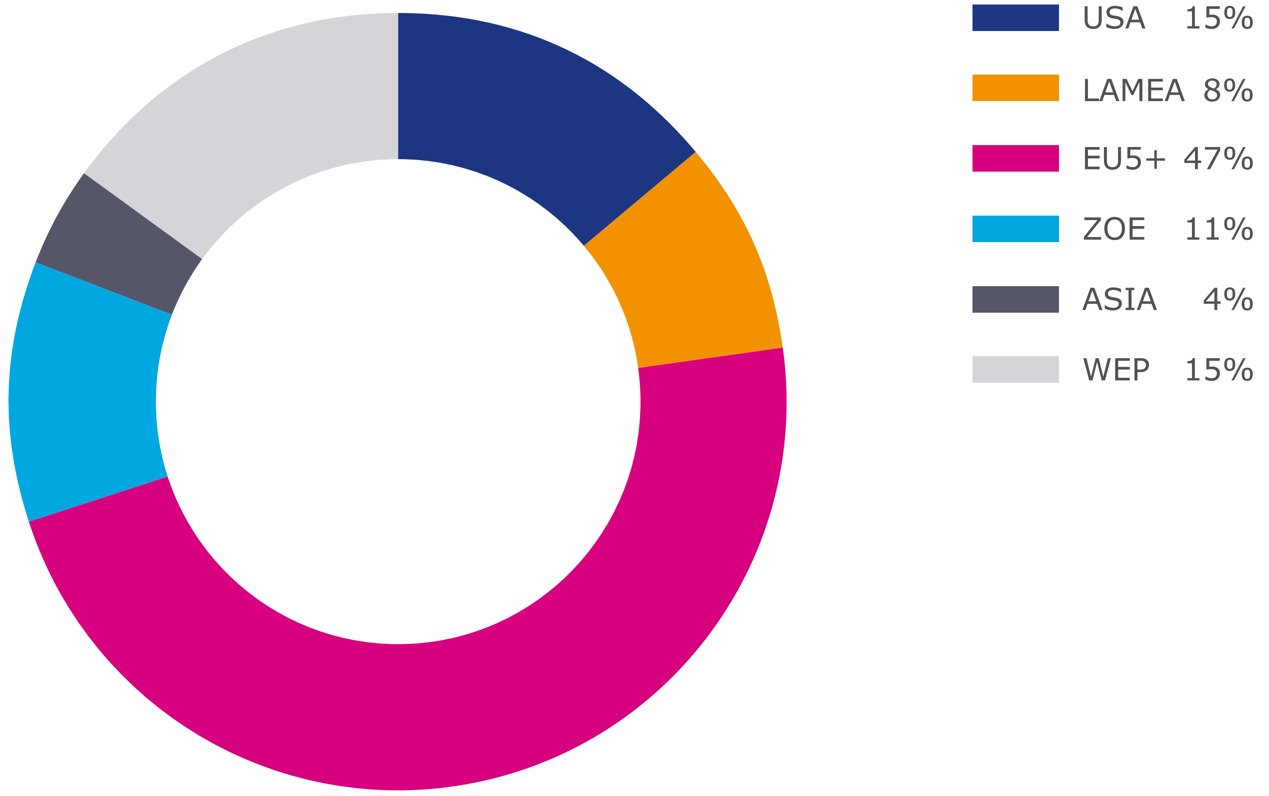
The increase related to the launch of Picato(R) on several markets and LEO Pharma continued to grow its revenue in Germany and Italy. This progress is satisfactory despite increasing price pressure. In the LAMEA region revenue measured in Danish kroner increased by 15%, while revenue in the ASIA region increased by 21%.

Sales performance outside the US was in line with expectations.

The revenue of LEO Pharma's well-established products (WEP) decreased by 21%. Disregarding the divestment of Fucithalmic® and the termination of Heparin supplies to the Japanese market the decline is 14%. This is mainly explained by generic competition on One Alpha®, one of LEO Pharma's core products, in the Middle East.

In general, LEO Pharma's sales performance by volume was satisfactory while revenue was under pressure by price reductions decided by government authorities in local markets.

REVENUE BY REGION



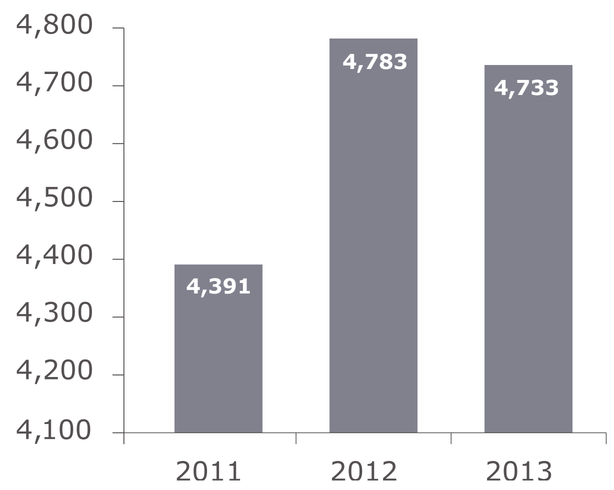
Operating expenses
Total operating expenses decreased by DKK 649 million in 2013 compared to an increase of DKK 766 million in 2012. The decrease is mainly due to focus on operational excellence and more efficient business processes. In 2013 LEO Pharma also initiated the implementation of a SAP-based ERP system in order to create a new business platform. This will enable LEO Pharma to achieve operational excellence and support the global organisation in building a foundation for future growth.

Other external expenses decreased by DKK 416 million to DKK 2,984 million in 2013. The decrease in costs is a result of LEO Pharma's ability to adjust the cost level in all LEO markets, without compromising investments in building a patient-centric organisation.

Employee expenses decreased by DKK 38 million to DKK 2,913 million in 2013.

At year end, LEO Pharma had 4,733 employees (2012: 4,783) of whom 1,563 were employed in Denmark (2012: 1,626). The average number of employees decreased by 50 compared to 2012.

Average number of employees



Depreciation, amortisation and impairment losses decreased to DKK 1,171 million from DKK 1,357 million in 2012. Amortisation and impairment of intellectual property rights amounted to DKK 887 million (2012: DKK 1,075 million), which include an impairment loss of DKK 416 million (2012: DKK 347 million) relating to LEO Pharma's investment in the reacquisition of distribution rights in the US market in 2009.

Operating profit
The LEO Group realised an operating profit of DKK 671 million in 2013, compared to a loss of DKK 183 million in 2012. Included in the operating income is the gain from the divestment of Fucithalmic® in 2013.

Net financial income
In 2013 LEO Pharma expanded the financial asset classes LEO Pharma invests in to include highly rated European Covered Bonds, Investment Grade Corporate Bonds and Low Volatility Stocks apart from the Danish Mortgage Bonds already held in the portfolio. During 2013 LEO Pharma invested DKK 5,538 million in the new asset classes.

Net financial income decreased by DKK 48 million to DKK 1,002 million in 2013. The decrease was due to lower realised gains on bonds while the above-mentioned asset classes have shown a strong performance.

The market value of LEO Pharma's bond holdings amounts to DKK 19,537 million at the end of the year (2012: 21,329 million). New asset classes have a market value of DKK 5,861 million at the end of 2013 (2012: DKK 0).

Satisfactory earnings
The LEO Group generated a net profit of DKK 1,175 million in 2013 compared to DKK 659 million in 2012. The effective tax rate for LEO Pharma was 30% (2012: 24%), which is in line with expectations.

LEO Pharma invested DKK 235 million in property, plant and equipment in 2013 (2012: DKK 343 million). These investments mainly concerned the expansion and optimisation of the production facilities in Denmark and Australia to ensure capacity for future growth in sales of innohep®, Fucidin® and Picato®.

Operating activities generated a positive cash flow of DKK 1,215 million (2012: DKK 1,298 million). LEO Pharma achieved a 7% return on equity (2012: 4%) and had an equity of DKK 23,239 million at the end of the year (2012: DKK 22,096 million). Based on these results, LEO Pharma entered 2014 with a solvency ratio of 70% (2012: 75%).

The result for 2013 is, in light of the many challenges, considered satisfactory.

LEO PHARMA'S TRANSFORMATION

THE JOURNEY CONTINUES

When LEO Pharma embarked on its growth journey in 2009 it started out as a traditional growth journey targeting new markets and new products. Today, that journey has changed into a transformation of LEO Pharma – a move from a traditional pharmaceutical product focus to a holistic view on the patients and their needs.

The first part of LEO Pharma's growth journey focused on ensuring that LEO Pharma's solutions reach patients globally. By entering into new markets and establishing its own affiliates, LEO Pharma enabled patients to access LEO solutions in more than 100 countries globally. The creation of stepping stones for future growth was also part of the 2013 activities with the establishment of LEO affiliates in Japan and Russia. With the establishment of these affiliates, LEO Pharma has for now completed its planned geographical expansion.

Even so, LEO Pharma's journey continues and going forward LEO Pharma will focus on ensuring that patients get the most out of the solutions through a more holistic approach to diseases instead of focusing solely on the product.

Diseases can be addressed or prevented through changes in behaviour or be treated more effectively through better use of existing therapies and methods. Moreover, patients' needs are not met solely by supplying existing medicines delivered through established channels, but necessitate different and novel approaches. LEO Pharma's global patient support programme, QualityCare™, will play a central part in reaching out to patients and their families. The aim of QualityCare™ is to ensure that patients receive relevant information about their skin condition and to help them gain better control of it.

Patients at the centre of everything we do
At least one in four people has a skin disease at any one time. With a mission to help people achieve healthy skin, LEO Pharma is committed to change the impact skin diseases have on people's lives. An ambition that influences the way LEO Pharma works.

When developing new products or formulations LEO Pharma does not only envisage how a particular molecule works, but also what the disease means to the person and how the right formulation eases application and thus improves quality of life.

An example of how this approach has come to life is LEO Pharma's work with the 'Ointment to Gel' strategy for Daivobet®, giving people with skin conditions access to a formulation which is easier to apply on the skin.

LEO Pharma is committed to supporting patients maximising the benefit of their treatment and working to increase adherence through the QualityCare™ programmes. By empowering people with skin conditions, they get the opportunity to take control of their condition rather than the condition controlling them.

In addition to the approaches mentioned above, LEO Pharma took steps in 2013 to increase transparency in regard to LEO Pharma's clinical trials. In October 2013, LEO Pharma publicly announced access to data from its clinical trials back to 1990, in support of LEO Pharma's patient-centric journey. This places LEO Pharma as a responsible front-runner within the industry.

PROGRESS OF LEO PHARMA'S MUST-WIN BATTLES IN 2013

LEO Pharma's five Must-Win Battles (MWBs) form a basis for the company's key strategic activities.

Through the work with MWBs, LEO Pharma wants to achieve a better foothold in dermatology, in both new and established markets. LEO Pharma also aims at strengthening its organisation and employees. Other key goals are to utilise the full potential of the product innohep®, and to strengthen LEO Pharma's profile and activities in the US market.

Growing people, growing LEO

- In 2013 a global engagement survey, LEO Voice, was conducted in the form of a questionnaire distributed to all 4,800 employees. The survey reached a final global response rate of 85.2% and the results will be used by employees and managers to create an even better work environment and a stronger LEO Pharma. The next survey is scheduled to take place in the first half of 2015.

Dermatology – Expanding our footprint

- A successful area of development was that patients throughout the US and Europe embraced Daivobet® Gel as their psoriatic care solution of choice.
- In 2013 LEO Pharma increased the reach of its global patient support programme QualityCare™- e.g. in the US with dedicated QualityCare™ nurses answering calls from patients to give advice on treatment options and regimes and a joint communication strategy with the National Psoriasis Foundation.
- LEO Pharma concluded the FIELD study in the US – in which advantages of combining traditional cryo-therapy with Picato® treatment were investigated in patients with actinic keratosis (AK).
- LEO Pharma launched Picato® in 16 markets in 2013 covering Europe, Canada and Australia.

New markets – Future opportunities

- LEO Pharma established an affiliate in Japan giving patients improved access to LEO solutions. Underlining LEO Pharma's commitment to the Japanese patients was the company's first New Drug Application for Daivobet® Ointment for treatment of psoriasis in Japan.
- LEO Pharma also entered a distribution and co-promotion partnership with Kyowa Hakko Kirin CO., LTD for Dovobet® Ointment in Japan.
- LEO Pharma prepared for the establishment of an affiliate in Moscow, Russia, with particular focus on ensuring a smooth transfer of distribution rights from Takeda.

innohep® – Full speed ahead!

- In support of the large thrombosis franchise LEO Pharma completed enrollment in CATCH – the world's largest study in cancer associated thrombosis. The CATCH study has the potential to build a strong position for innohep® within cancer associated thrombosis. innohep® thus continues to be a strong, viable and growth-oriented part of LEO Pharma.

USA – Yes, we will!

- In November 2013 LEO Pharma signed an exclusive sales and marketing agreement with Antares Pharma Inc. on promotion, marketing and sales of Otrexup™ in the US. Otrexup™ is a single-dose auto-injector containing a prescription medicine for psoriasis patients.

LEO mission

We help people achieve healthy skin.

LEO vision

We are the preferred dermatology care partner improving people's lives around the world.

RESEARCH AND DEVELOPMENT

LEO Pharma invested DKK 1,128 million in Research and Development (R&D) in 2013 and DKK 1,166 million in 2012. The decrease of DKK 38 million was mainly due to a reduction in patent litigations, which more than outweighed an increase in clinical studies and regulatory fees. Investment in R&D as a share of revenue was unchanged at 14%. LEO Pharma's late-stage pipeline was strengthened in 2013.

DERMATOLOGY

Actinic keratosis
Three studies between phases I and III are under way worldwide. A New Molecular Entity (NME) with new mechanisms of action has successfully progressed through phase I clinical studies and into phase II. The first clinical trial evaluating field treatment with ingenol mebutate gel subsequent to cryosurgery was completed with excellent results confirming the value of combining treatments. The predictable and favourable safety profile of Picato® was comparable to previous studies. Four additional FIELD programme studies supporting the use of Picato® in the clinical setting are under way.

Psoriasis
Eight topical and systemic global studies between phases I and III have been performed. These span NMEs with novel mechanisms of action, improved delivery systems, product enhancements and global expansion with a regulatory filing of Dovobet® Ointment in Japan. Three additional clinical trials are under way and four clinical studies are planned to start in 2014. The global roll-out of Daivobet® Gel (body indication) is well under way.

Eczema/atopic dermatitis
Two NMEs have been developed for the treatment of eczema and tested in clinical phase I trials. Atopic dermatitis primarily affects children which reinforces the need for new NMEs to provide high local effect with no or very little systemic exposure – resulting in a very good safety profile.

THROMBOSIS

In France the Regulatory Authorities approved long-term use of innohep® for cancer associated thrombosis for three to six months. To better meet patient needs, LEO Pharma initiated a project of introducing three additional treatment syringes with the aim to make long-term use of innohep® even more convenient for the patients. Further patient-centric initiatives are under way to help improve adherence to long-term treatment. These initiatives are developed in collaboration with health care professionals and patients. In October 2013 the last patient was enrolled in the CATCH study, the world's largest clinical study in cancer associated thrombosis.

HUMAN CAPITAL

LEO Pharma's employees are the main driver behind the company's global transformation and form the basis for its continuous success. LEO Pharma's transformation from a primarily European to a global company has required a shift in mindset among LEO people. Increased collaboration across functions and borders has strengthened awareness about many different cultures within the LEO culture, and the different use of business models around the world has been a source of inspiration to LEO people.

LEO Pharma conducted a global engagement survey, LEO Voice, in 2013. The survey reached a response rate of 85.2%. A key initiative in 2014 for employees and managers will be to turn the responses into actions.

SPECIAL BUSINESS AND FINANCIAL RISKS

OPERATING RISKS

LEO Pharma is continuously working on ensuring a reasonable balance between risk exposure and value creation. Therefore, LEO Pharma regularly enters into long-term agreements for the supply of raw materials and other critical input for its production.

Market risks
LEO Pharma makes considerable efforts to protect its intellectual property rights at all times, for both new and existing products, and to ensure that the company carries on its business without infringing the rights of others.

Foreign exchange risks
Based on LEO Pharma's future operating budgets, cash flows in foreign currencies are hedged on a regular basis. The greatest foreign exchange risk is associated with the following currencies: USD, GBP, CAD, AUD and SAR. These currencies together accounted for 71% of LEO Pharma's foreign exchange position in 2013 and are, on average, hedged for the coming 12 months' expected cash flows. The average period for which expected future cash flows in all currencies are hedged is 11 months.

LEO Pharma does not hedge net investments in foreign affiliates. The Group's hedging is centralised at the parent company.

Liquidity risks
LEO Pharma is wholly owned by the LEO Foundation, which pursues a strategy of reinvesting cash flows in the parent company. As LEO Pharma has a high solvency ratio, no significant liquidity risks are encountered.

Interest rate risks
Interest rate risks occur in connection with our investments in various asset classes. LEO Pharma invests in Lower Volatility Stocks, Investment Grade Corporate Bonds and Covered Bonds.

The interest rate risk on our held to maturity portfolio of Danish mortgage bonds is eliminated partly by the interest rate risk of our debt portfolio. Interest rate swaps are used to hedge the interest rate for each loan in our debt portfolio.

Credit risks
LEO Pharma's credit risks relate partly to primary financial assets and partly to derivative financial instruments with a positive market value. Credit risks relating to financial assets correspond to the values recognised in the balance sheet.

The market for pharmaceuticals in Southern Europe in particular is still being affected by the financial crisis. To avoid future bad debts, LEO Pharma maintains a tight credit policy.

There are not considered to be any material risks relating to individual customers or business partners.

EXPECTATIONS FOR 2014

As 2013 was, 2014 will be a challenging year for LEO Pharma with sales and net income expected to be at the same level of 2013 corrected for the sale of Fucithalmic®. The company's general growth will be challenged by pricing measures and reimbursement issues in a number of markets. Furthermore, LEO Pharma may face a potential loss of exclusivity on Daivobet® Ointment in Europe and the US. Among the highlights of 2014 will be the continued launch of Picato® into new markets as well as the outcome of the CATCH study.

LEO Pharma will continue its journey and increase the efforts in building a global and patient-centric organisation. The ambition is to help as many patients as possible. LEO Pharma will continue its focus on aligning and developing the organisational structure to meet the challenges of the pharmaceutical industry and ensure that its resources are invested where they matter the most: for the benefit of patients.

Elements of uncertainty
LEO Pharma's results may be affected by further generic competition, price pressure due to the continued financial crisis and low interest rates. In addition, the launch of new products is always associated with uncertainty.

Ownership structure
LEO Pharma is wholly owned by the LEO Foundation, Industriparken 55, 2750 Ballerup, Denmark.

Events after the balance sheet date
No events have occurred in the period from the balance sheet date until the presentation of the financial statements which materially affect the assessment of the Annual Report.

ACCOUNTING POLICIES

The Annual Report of the LEO Foundation for 2013 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Recognition and measurement
Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost is recognised. Moreover, all expenses are recognised in the income statement, including depreciation, amortisation and impairment losses.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Foundation, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Foundation, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or refute circumstances existing at the balance sheet date.

Danish kroner are used as the measurement currency. All other currencies are regarded as foreign currencies.

Consolidated Financial Statements
The Consolidated Financial Statements comprise the Parent Foundation LEO Foundation and affiliates in which the LEO Foundation directly or indirectly holds more than 50% of the votes or otherwise exercises control.

The Consolidated Financial Statements are prepared by combining the Financial Statements of the Parent Foundation and all affiliates with subsequent elimination of intercompany transactions, intercompany shareholdings and balances as well as unrealised profits from intercompany transactions. The Financial Statements of all companies have been prepared according to the same accounting policies.

Enterprises acquired during the year and newly formed enterprises are included in the consolidation as from the date of acquisition or formation. Enterprises that are sold or wound up during the year are included in the consolidated income statement up until the date of disposal or until the business was wound up. Comparative figures are not restated for newly acquired, sold or wound-up enterprises.

Foreign currency translation
On recognition, transactions in foreign currencies are translated at the exchange rates at the transaction dates. Exchange differences arising between the transaction date rates and the rates at the payment dates are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rate at the time when the receivable or the payable arises, or at recognition in the most recent Financial Statements, are recognised in financial income and expenses in the income statement.

On recognition of foreign affiliates, income statements are translated at the average exchange rates of the period, and balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising on the translation of the opening equity of foreign affiliates at the exchange rates at the balance sheet date and on the translation of the income statement from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments
Derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at their fair values. Positive and negative fair values of derivative financial instruments are recognised in other receivables and other payables respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of financial and derivative financial instruments that are designated and qualify as hedges of future cashflow are recognised as prepayments/deferred income and as financial hedges in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised as financial income and expenses.

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- Delivery and transfer of risk have taken place before year-end
- There is a binding sales agreement
- The sales price has been determined and payment has been received or may with reasonable certainty be expected to be received

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Furthermore, revenue includes licence income and royalties from outlicensed products as well as milestone payments and other revenues in connection with partnerships. These revenues are recognised when it is probable that future economic benefits will flow to the Foundation and these benefits can be measured reliably.

Consumption of raw materials, consumables and goods for resale
Expenses for raw materials, consumables and goods for resale comprise the raw materials, consumables and goods for resale used to achieve the revenue for the year.

Other external expenses
Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc. Other external expenses also include research and development costs – excluding staff expenses – that do not qualify for capitalisation.

Staff expenses
Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income
Other operating income includes non-recurring income from the sale of rights and gains on the sale of fixed assets, etc. as well as other operating income of a secondary nature to the core activities of the Group.

As a main rule, the sale of rights, etc. is recognised as income at the time of sale. If the sale results in an obligation for the Group, the income are accrued over the duration of the obligation, and in the case of sales where the income is dependent on future events, the amount is recognised as income when the event occurs.

Financial income and expenses
Financial income and expenses comprise interest, realised and unrealised exchange rate adjustments, price adjustment of securities as well as interest relating to extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Grants
Grants are considered as a distribution when the agreed milestone has been achieved. The grants will be divided as a part of the income distribution.

Intangible assets
Intangible assets, including development projects, are measured at cost.

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover the cost of production, sales and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Development projects, patents, trademarks and rights are measured at cost less accumulated impairment losses and amortisation. Amortisation is charged systematically over expected useful life, between 3 and 20 years. The amortisation profile is on a straight-line basis adjusted for the risk relating to the underlying asset, so that up to 33% of the amortisation is brought forward from the second half of the asset's expected useful life to the first half.

Other costs relating to the maintenance of patents, etc. are expensed.

Projects are assessed on an ongoing basis considering development progress, expected approvals and commercial utilisation.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises expenses for materials, sub-suppliers and labour for fixed assets produced. The total cost of an asset is broken down into components which are depreciated separately if the expected useful lives of the individual components are not the same. Any interest and other borrowing expenses are not included in cost.

Gains and losses on the sale of property, plant and equipment are calculated as the difference between the sales price less selling expenses and the carrying amount at the time of sale. Gains and losses are recognised in the income statement under other operating income or other operating expenses.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of a decrease in value other than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

DEPRECIATION IS CALCULATED ON A STRAIGHT-LINE BASIS OVER EXPECTED USEFUL LIFE	
Buildings	**10 – 25 years**
Plant and machinery	**5 – 10 years**
Other fixtures and fittings, tools and equipment	**3 – 10 years**
Leasehold improvements	**0 – 10 years**

Leases

Leases under which the Group substantially assumes all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged to the income statement over the lease term.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Parent Foundation's investments in affiliates

In the Annual Report of the Parent Foundation, investments in affiliates are measured under the equity method. This means that the affiliates are measured in the balance sheet at the proportionate share of their net asset value with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill). The Parent Foundation's share of the profit for the year of the affiliates is recognised in the income statement less unrealised intercompany profits.

The total net revaluation of investments in affiliates is transferred upon distribution of profit to 'Reserve for net revaluation under the equity method' under equity. The reserve is reduced by dividend distributed to the Parent Foundation and adjusted for other equity movements in affiliates.

Other securities

The holding of bonds that are held to maturity is classified as a fixed asset investment. The bonds are initially recognised in the balance sheet at cost. Subsequently, the holding is measured at amortised cost, which includes revaluation/write-down of the holding of bonds at par over the term of the individual series of bonds.

Inventories

Raw materials and packing materials are measured at the lower of cost under the FIFO method and net realisable value.

Work in progress and finished goods are measured at cost. The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process and costs of factory administration and management.

The net realisable value of inventories is calculated as sales price with deduction of costs of completion and expenses incurred to effect the sale and is determined allowing for marketability, obsolescence and development in expected sales price.

Obsolete goods, including slow-moving goods, are expensed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value less potential bad debts. Based on an individual assessment of each trade receivable, write-downs have been made where this is considered necessary.

Exchange rate adjustments of intercompany balances with affiliates which are considered part of the total net investment in the affiliate are recognised directly in equity.

Other Securities, which consist of listed bonds and shares classified as current assets, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Prepayments and deferred income

Prepayments include prepaid expenses incurred relating to rent, insurance premiums, subscriptions and interest.

Deferred income includes payments received in respect of income in subsequent financial years.

Provisions

Provisions are recognised when – in consequence of an event that occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. Provisions are not discounted.

Pensions
Payments into defined contribution plans are recognised in the income statement in the period to which they relate, and any amounts payable are recognised in other payables in the balance sheet.

In respect of defined benefit plans an annual actuarial calculation is made of the value in use of future payments under the scheme. The value in use is calculated on the basis of assumptions relating to future developments in pay levels, interest rates, inflation and mortality. The value in use is calculated only for the benefits to which the employees have earned a right through their employment with the Group. Plan assets are recognised to the extent the Group is able to obtain future economic benefits in the form of reimbursement from the pension scheme or reduction of future payments.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the year.

Any differences between expected developments in plan assets and pension obligations and realised values calculated at the beginning of the year are considered actuarial gains or losses. Actuarial gains and losses are recognised in income or expenses based on a corridor of 0%. Calculated gains and losses are recognised over the expected average remaining employment period of the employees covered by the pension scheme. Pension costs relating to previous years are distributed over the average period until the benefits have vested.

Tax
The corporation tax recognised in the income statement consists of current tax for the year, changes in provisions for deferred tax and adjustments to previous years. Tax attributable to equity transactions is recognised directly in equity.

Deferred tax is provided under the liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is also included to cover recapture of tax deductible losses in foreign affiliates which are expected to become relevant as a consequence of future earnings of previously jointly taxed foreign affiliates.

The tax bases of tax losses carried forward and tax incentives carried forward are included in the calculation of deferred tax to the extent these values are likely to be utilised in future taxable income.

Deferred tax relating to potential gains and losses on investments in affiliates is not included unless the shares are expected to be sold within a short period of time, in which case the shareholdings are transferred to current assets.

Deferred tax is calculated at the expected tax rate for the enterprise concerned. Tax payable includes current tax calculated on the basis of the expected taxable income for the year as well as any adjustment for taxes payable for previous years.

Extra payments and repayments relating to the payment of corporation tax are classified as financial income and expenses and are not included in tax provisions or in the adjusted income tax.

Definition of key figures

Average number of employees	Average number of full-time equivalent employees	
Operating profit margin	$\frac{\text{Operating profit}}{\text{Revenue}}$	x100
Return on assets	$\frac{\text{Operating profit}}{\text{Average assets}}$	x100
Return on equity	$\frac{\text{Profit before tax}}{\text{Average equity}}$	x100
Solvency ratio	$\frac{\text{Equity}}{\text{Assets}}$	x100

Segment reporting
Revenue is broken down geographically and by business area.

Cash flow statement for the Group
The cash flow statement is prepared according to the indirect method based on profit before tax. The statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the end of the year.

Cash flows from operating activities are calculated as the Group's profit for the year before extraordinary items and tax adjusted for non-cash operating items such as depreciation, amortisation and impairment losses as well as changes in working capital. Working capital comprises inventories, trade receivables and trade payables, etc.

Cash flows from investing activities comprise payments from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise payments from the raising and repayment of short-term and long-term debt and payments to and from shareholders.

Cash and cash equivalents only comprise cash at bank and in hand.

LEO FOUNDATION | FINANCIAL STATEMENTS

INCOME STATEMENT

(DKK million)	Note	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
Revenue	(1)	7,842	8,216	0	0
Change in inventories of finished goods produced and work in progress		101	40	0	0
		7,943	**8,256**	**0**	**0**
Other operating income		528	79	0	0
		8,471	**8,335**	**0**	**0**
Consumption of raw materials, consumables and goods for resale		702	771	0	0
Other external expenses	(2)	2,984	3,400	1	1
Staff expenses	(3)	2,913	2,951	3	3
Depreciation, amortisation and impairment losses	(4)	1,171	1,357	0	0
Other operating expenses		30	39	0	0
OPERATING PROFIT/LOSS		**671**	**-183**	**-4**	**-4**
Income from investments in affiliates after tax	(10)	0	0	1,175	663
Financial income	(5)	1,077	1,120	2	1
Financial expenses	(6)	75	70	0	0
PROFIT/LOSS BEFORE TAX		**1,673**	**867**	**1,173**	**660**
Tax on profit/loss for the year	(7)	498	208	-2	1
NET PROFIT/LOSS FOR THE YEAR		**1,175**	**659**	**1,175**	**659**
Proposed to be distributed as follows:					
Net revaluation for the year				1,175	663
Grants				3	2
Retained earnings				-3	-6
				1,175	**659**

BALANCE SHEET AT 31 DECEMBER

ASSETS

(DKK million)	Note	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
FIXED ASSETS					
Intangible assets					
Intellectual property rights		375	1,006	0	0
Trademarks		18	25	0	0
Development projects		267	291	0	0
Total	(8)	**660**	**1,322**	**0**	**0**
Property, plant and equipment					
Land and buildings		1,001	1,074	0	0
Leasehold improvements		110	53	0	0
Plant and machinery		655	676	0	0
Other fixtures and fittings, tools and equipment		89	97	0	0
Fixed assets under construction		198	224	0	0
Total	(9)	**2,053**	**2,124**	**0**	**0**
Financial fixed assets					
Investments in affiliates	(10)	0	0	23,136	21,990
Other securities	(11)	18,951	20,109	0	0
Deferred tax assets	(14)	1,017	1,140	0	0
Total		**19,968**	**21,249**	**23,136**	**21,990**
TOTAL FIXED ASSETS		**22,681**	**24,695**	**23,136**	**21,990**
CURRENT ASSETS					
Inventories					
Raw materials and consumables		230	235	0	0
Work in progress		902	934	0	0
Finished goods and goods for resale		256	123	0	0
Total		**1,388**	**1,292**	**0**	**0**
Receivables					
Trade receivables		1,651	1,743	0	0
Receivables from affiliates		0	0	100	100
Other receivables		948	447	0	0
Prepayments		127	97	0	0
Total		**2,726**	**2,287**	**100**	**100**
Other securities		**5,861**	0	0	0
Cash at bank and in hand		**499**	**1,185**	**20**	**27**
TOTAL CURRENT ASSETS		**10,474**	**4,764**	**120**	**127**
TOTAL ASSETS		**33,155**	**29,459**	**23,256**	**22,117**

BALANCE SHEET AT 31 DECEMBER

LIABILITIES

(DKK million)	Note	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
EQUITY					
Share capital	(12)	52	52	52	52
Net revaluation, affiliates		0	0	22,567	21,421
Retained earnings		23,187	22,044	620	623
Total	(13)	**23,239**	**22,096**	**23,239**	**22,096**
PROVISIONS					
Deferred tax	(14)	60	446	12	14
Pension obligations	(15)	2	23	0	0
Other liabilities	(16)	634	550	2	2
Total		**696**	**1,019**	**14**	**16**
LIABILITIES					
Short-term liabilities					
Credit institutions		7,649	4,810	0	0
Trade payables		417	350	0	0
Corporation tax		50	129	0	0
Other payables		1,104	1,055	3	5
Total		**9,220**	**6,344**	**3**	**5**
TOTAL EQUITY AND LIABILITIES		**33,155**	**29,459**	**23,256**	**22,117**
Contingencies	(17)				
Financial instruments	(18)				
Related parties	(19)				

CASH FLOW STATEMENT

(DKK million)	GROUP 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**1,673**	**867**
Adjustment:		
Depreciation, amortisation and impairment losses	1,171	1,357
Unrealised exchange adjustment	-340	6
Exchange adjustment, securities	-24	-232
Corporation tax paid	-1,281	-707
Pension obligations	-21	-8
Other provisions	106	101
Other adjustments	-33	-37
Change in working capital:		
Change in inventories and receivables	-188	-72
Change in trade payables and other payables	152	23
	1,215	**1,298**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible assets, net	-225	-186
Investments in property, plant and equipment, net	-235	-343
Other securities, net	-4,356	-148
	-4,816	**-677**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank debt	2,915	210
	2,915	**210**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**-686**	**831**
Cash and cash equivalents at 1 January	**1,185**	**354**
Cash and cash equivalents at 31 December	**499**	**1,185**

The figures in the cash flow statement cannot be directly derived from the figures in the Consolidated Financial Statements.

LEO FOUNDATION | NOTES

(DKK million)	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
Note 1 – Revenue				
Segmentation – geographical				
Sales in Denmark	243	247	0	0
Sales outside Denmark	7,599	7,969	0	0
Total	**7,842**	**8,216**	0	**0**
Segmentation – business areas				
Health Care	7,842	8,216	0	0
Total	**7,842**	**8,216**	**0**	**0**
Note 2 – Other external expenses				
Fee to auditors appointed at the annual general meeting:				
Statutory audit of the Financial Statements	6	6	0	0
Tax advisory services	7	8	0	0
Other services	4	6	0	0
Total	**17**	**20**	**0**	**0**
Note 3 – Staff expenses				
Wages and salaries	2,468	2,494	3	3
Pensions	238	251	0	0
Social security expenses	222	222	0	0
Capitalised staff expenses	-15	-16	0	0
Total	**2,913**	**2,951**	**3**	**3**
Average number of full-time employees	4,733	4,783	0	0
Remuneration to the Board of Directors amounted to DKK 3 million (2012: DKK 3 million).				
Note 4 - Amortisation, depreciation and impairment losses				
Intellectual property rights	776	939	0	0
Trademarks	7	5	0	0
Development projects	104	131	0	0
Land and buildings	106	100	0	0
Leasehold improvements	17	13	0	0
Plant and machinery	131	140	0	0
Other fixtures and fittings, tools and equipment	30	29	0	0
Total	**1,171**	**1,357**	**0**	**0**

(DKK million)	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
Note 5 – Financial income				
Interest income on bonds	703	848	0	0
Interest income from affiliates	0	0	2	1
Exchange gains, bonds	350	232	0	0
Other financial income	24	40	0	0
Total	**1,077**	**1,120**	**2**	**1**
Note 6 – Financial expenses				
Exchange losses	28	0	0	0
Other financial expenses	47	70	0	0
Total	**75**	**70**	**0**	**0**
Note 7 – Tax on profit/loss for the year				
Current tax for the year	431	637	0	0
Change in deferred tax	21	-425	-2	1
Adjustment relating to previous years	46	-4	0	0
Total	**498**	**208**	**-2**	**1**
Tax changes in equity	19	-4	0	0

Total tax in affiliates DKK 500 million (2012: DKK 207 million).

(DKK million)	Intellectual property rights	Trademarks	Development projects	**Total intangible assets**
Note 8 - Intangible assets - Group				
Cost at 1 January 2013	5,040	33	1,691	6,764
Exchange rate adjustment	-1	0	0	-1
Additions during the year	145	0	80	225
Disposals during the year	0	-3	0	-3
Cost at 31 December 2013	**5,184**	**30**	**1,771**	**6,985**
Amortisation at 1 January 2013	4,034	8	1,400	5,442
Exchange rate adjustment	-1	0	0	-1
Amortisation for the year	360	7	104	471
Impairment losses for the year	416	0	0	416
Disposals during the year	0	-3	0	-3
Amortisation at 31 December 2013	**4,809**	**12**	**1,504**	**6,325**
CARRYING AMOUNT AT 31 DECEMBER 2013	**375**	**18**	**267**	**660**
Cost at 1 January 2012	4,884	9	1,717	6,610
Exchange rate adjustment	0	0	-26	-26
Additions during the year	156	30	0	186
Disposals during the year	0	-6	0	-6
Total cost at 31 December 2012	**5,040**	**33**	**1,691**	**6,764**
Amortisation at 1 January 2012	3,068	9	1,291	4,368
Exchange rate adjustment	0	0	-22	-22
Reclassified in the balance sheet	27	0	0	27
Amortisation for the year	592	5	131	728
Impairment losses for the year	347	0	0	347
Disposals during the year	0	-6	0	-6
Amortisation at 31 December 2012	**4,034**	**8**	**1,400**	**5,442**
CARRYING AMOUNT AT 31 DECEMBER 2012	**1,006**	**25**	**291**	**1,322**

(DKK million)	Land and buildings	Leasehold improve-ments	Plant and machinery	Other fixtu-res and fit-tings, tools & equipment	Fixed assets under construction	**Total property, plant and equipment**
Note 9 - Property, plant and equipment - Group						
Cost at 1 January 2013	2,171	79	2,197	540	224	5,211
Exchange rate adjustment	-3	-10	-5	-3	-14	-35
Additions during the year	58	83	115	25	94	375
Disposals during the year	-91	-7	-50	-80	-106	-334
Cost at 31 December 2013	**2,135**	**145**	**2,257**	**482**	**198**	**5,217**
Depreciation and impairment losses at 1 January 2013	1,097	26	1,521	443	0	3,087
Exchange rate adjustment	-3	-5	-2	-3	0	-13
Disposals during the year	-66	-3	-48	-77	0	-194
Depreciation for the year	105	17	129	30	0	281
Impairment losses for the year	1	0	2	0	0	3
Depreciation and impairment losses at 31 December 2013	**1,134**	**35**	**1,602**	**393**	**0**	**3,164**
CARRYING AMOUNT AT 31 DECEMBER 2013	**1,001**	**110**	**655**	**89**	**198**	**2,053**
Cost at 1 January 2012	2,177	56	2,056	621	274	5,184
Exchange rate adjustment	6	0	4	0	0	10
Additions during the year	166	27	179	33	277	682
Disposals during the year	-178	-4	-42	-114	-327	-665
Cost at 31 December 2012	**2,171**	**79**	**2,197**	**540**	**224**	**5,211**
Depreciation and impairment losses at 1 January 2012	1,171	13	1,418	524	0	3,126
Exchange rate adjustment	3	0	2	0	0	5
Disposals during the year	-177	0	-39	-110	0	-326
Depreciation for the year	100	13	115	29	0	257
Impairment losses for the year	0	0	25	0	0	25
Depreciation and impairment losses at 31 December 2012	**1,097**	**26**	**1,521**	**443**	**0**	**3,087**
CARRYING AMOUNT AT 31 DECEMBER 2012	**1,074**	**53**	**676**	**97**	**224**	**2,124**

(DKK million)	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Note 10 – Investments in affiliates				
Cost at 1 January 2013	0	0	569	569
Cost at 31 December 2013	**0**	**0**	**569**	**569**
Value adjustment at 1 January 2013	0	0	21,421	20,857
Share of profit/loss for the year	0	0	1,175	663
Adjustment of financial instruments	0	0	66	28
Exchange rate adjustment	0	0	-79	-21
Tax on changes in equity	0	0	-19	4
Exchange rate adjustment of equity-equivalent loans	0	0	0	20
Other adjustments	0	0	3	0
Dividend	0	0	0	-130
Value adjustment at 31 December 2013	**0**	**0**	**22,567**	**21,421**
CARRYING AMOUNT AT 31 DECEMBER 2013	**0**	**0**	**23,136**	**21,990**
Note 11 – Other securities				
Cost at 1 January 2013	20,085	19,686	0	0
Additions during the year	3,900	11,508	0	0
Disposals during the year	-5,050	-11,109	0	0
Cost at 31 December 2013	**18,935**	**20,085**	**0**	**0**
Value adjustment at 1 January 2013	24	42	0	0
Value adjustment for the year	-7	6	0	0
Value adjustment on disposals for the year	-1	-24	0	0
Value adjustment at 31 December 2013	**16**	**24**	0	0
CARRYING AMOUNT AT 31 DECEMBER 2013	**18,951**	**20,109**	**0**	**0**
Market value at 31 December 2013	19,537	21,329	0	0

Note 12 – Share

The share capital nominal value amounts to DKK 52 million.

NOTES TO THE FINANCIAL STATEMENTS – 2013

(DKK million)	Share capital	Net revaluation	Retained earnings	Total
Note 13 - Group Equity 2013				
Equity at 1 January 2013	52	0	22,044	22,096
Exchange rate adjustment	0	0	-79	-79
Tax on changes in equity	0	0	-19	-19
Adjustment of financial instruments	0	0	66	66
Other movements	0	0	3	3
Net profit for the year	0	0	1,175	1,175
Grants	0	0	-3	-3
Equity at 31 December 2013	**52**	**0**	**23,187**	**23,239**
Note 13 - Parent Foundation Equity 2013				
Equity at 1 January 2013	52	21,421	623	22,096
Exchange rate adjustment	0	-79	0	-79
Tax on changes in equity	0	-19	0	-19
Profit/loss from affiliates after tax	0	1,175	0	1,175
Profit/loss from Parent Foundation	0	0	0	0
Adjustment of financial instruments	0	66	0	66
Grants	0	0	-3	-3
Other movements	0	3	0	3
Equity at 31 December 2013	**52**	**22,567**	**620**	**23,239**
Note 13 – Group Equity 2012				
Equity at 1 January 2012	52	0	21,356	21,408
Exchange rate adjustment	0	0	-21	-21
Tax on changes in equity	0	0	4	4
Tax on changes in equity-equivalent loans	0	0	20	20
Adjustment of financial instruments	0	0	28	28
Net profit for the year	0	0	659	659
Grants	0	0	-2	-2
Equity at 31 December 2012	**52**	**0**	**22,044**	**22,096**
Note 13 - Parent Foundation Equity 2012				
Equity at 1 January 2012	52	20,857	499	21,408
Exchange rate adjustment	0	-21	0	-21
Tax on changes in equity	0	4	0	4
Dividend	0	-130	130	0
Tax on changes in equity-equivalent loans	0	20	0	20
Profit/loss from affiliates after tax	0	663	0	663
Profit/loss from Parent Foundation	0	0	-4	-4
Adjustment of financial instruments	0	28	0	28
Grants	0	0	-2	-2
Equity at 31 December 2012	**52**	**21,421**	**623**	**22,096**

(DKK million)	GROUP 2013	GROUP 2012	PARENT FOUNDATION 2013	PARENT FOUNDATION 2012
Note 14 – Deferred tax (net)				
Deferred tax at 1 January 2013	694	53	-14	-13
Adjustments relating to previous years	-50	248	0	0
Reclassifications	334	-32	0	0
Deferred tax on profit/loss for the year	-21	425	2	-1
Deferred tax (net)	**957**	**694**	**-12**	**-14**
The deferred tax relates to current assets, licences, fixed assets and losses relating to previously jointly taxed foreign affiliates, intercompany profits, indirect production costs, etc.				
In the Group balance sheet DKK 1,017 million (2012: DKK 1,140 million) is recognised in the financial fixed assets and DKK 60 million (2012: DKK 446 million) is recognised in provisions.				
Note 15 – Pension obligations				
Provisions for pension obligations at 1 January 2013	23	31	0	0
Exchange rate adjustment, beginning of year	0	1	0	0
Adjustment for the year	-21	-9	0	0
Provision for pension obligations	**2**	**23**	**0**	**0**
The affiliates in Ireland, the UK, the Netherlands, France and Norway operate defined benefit plans.				
Deficits relating to pension schemes	414	514	0	0
Note 16 – Other liabilities				
Discounts	286	188	0	0
Product returns	179	228	0	0
Deferred revenue	81	0	0	0
Staff-related items	52	102	0	0
Other liabilities	36	32	2	2
Other liabilities	**634**	**550**	**2**	**2**

Note 17 – Contingencies

The Parent Foundation has no guarantee commitments. The amount relating to the Group totalled DKK 1,135 million at 31 December 2013 (2012: DKK 1,188 million).

Guarantees issued relating to the Group's Irish companies comprised all liabilities of the companies. At 31 December 2013, the companies had total liabilities of DKK 132 million (2012: DKK 160 million).

Guarantees issued related to pension commitments in the Group's Irish companies totalled DKK 856 million at 31 December 2013 (2012: DKK 918 million) of which DKK 414 million (2012: DKK 514 million) has been disclosured as deficits relating to pension schemes in note 15.

The Parent Foundation has no lease obligations.

The Parent Foundation has grant commitments of DKK 19 million (2012: DKK 8 million).

Lease obligations relating to the Group totalled DKK 253 million (2012: DKK 318 million).

As security for a bank loan and overdraft facilities at a carrying amount totalling DKK 7,649 million (2012: DKK 4,810 million), as well as the establishment of guarantee commitments at a value of DKK 18 million (2012: DKK 16 million), the Group has pledged bonds at a carrying amount of 7,565 million (2012: DKK 4,967 million). The Parent Foundation has no pledges.

At the end of 2013, there are pending patent lawsuits filed by and against the Group concerning rights related to products in the Group's psoriasis portfolio in both the US and Europe. The Group does not expect the pending cases to have any significant effect on the financial position of the Group.

The Group will as a global business from time to time have tax audits and tax discussions with tax authorities in different countries regarding transfer pricing issues. Management is of the opinion that current tax audits and tax discussions will have no significant influence on the financial position of the Group.

Note 18 – Financial instruments

The Group uses both option and forward contracts as part of managing foreign exchange risks.

At 31 December 2013, there are outstanding forward contracts in: AUD, BRL, CAD, CHF, CNH, EUR, GBP, HKD, JPY, KRW, MXN, MYR, NOK, PHP, SAR, SEK, SGD, THB and USD. The total contract amount at 31 December 2013 is DKK 1,757 million (2012: DKK 2,509 million).

At 31 December 2013, there are outstanding option contracts in CNH amounting to DKK 182 million. There were no outstanding option contracts at 31 December 2012.

At 31 December 2013, the Group also has option contracts in the following currencies: CAD, CNH, EUR, GBP, HKD, NZD, RON, SEK, SGD, TRY and USD. At 31 December 2013 the total contract amount is DKK 2,416 million (2012: DKK 2,439 million).

Note 19 – Related parties

The LEO Foundation's related parties with significant influence comprise the Company's Board of Trustees and affiliates of LEO Pharma A/S.

The LEO Foundation's related party transactions are all settled on an arm's length basis.

INVESTMENTS IN AFFILIATES

	Reg. office	Ownership	Currency	Nominal capital (Thousand)
LEO Pharma A/S	Denmark	100%	DKK	250,000
Løvens kemiske Fabriks Handelsaktieselskab	Denmark	100%	DKK	30,000
Aktieselskabet af 30. april 2003	Denmark	100%	DKK	3,500
SARL LEO Pharma	Algeria	100%	DZD	2,000
PBL Australia Pty Ltd.	Australia	100%	AUD	112,804
Peplin Operations Pty Ltd.	Australia	100%	AUD	24,000
LEO Pharma Pty Ltd.	Australia	100%	AUD	5,500
LEO Pharma NV	Belgium	100%	EUR	273
LEO Pharma LTDA.	Brazilia	100%	BRL	4,500
LEO Pharma Inc.	Canada	100%	CAD	8,400
LEO Laboratories Ltd.	United Kingdom	100%	GBP	12,000
LEO Pharma OY	Finland	100%	EUR	151
Laboratoires LEO S.A.	France	100%	EUR	9,000
LEO Pharmaceutical Hellas S.A.	Greece	100%	EUR	28,600
LEO Pharma BV	The Netherlands	100%	EUR	227
LEO Laboratories Ltd.	Ireland	100%	EUR	30,394
Wexport Ltd.	Ireland	100%	EUR	2,600
LEO Pharma Holding Ltd.	Ireland	100%	EUR	100
Peplin Ireland Limited	Ireland	100%	EUR	22,239
LEO Pharma S.p.A.	Italy	100%	EUR	620
LEO Pharma K.K.	Japan	100%	JPY	10,000
LEO Pharma Consultancy Company Limited	China	100%	USD	1,920
LEO Pharma LLC	Morocco	100%	MAD	100
LEO Pharmaceuticals, S. de R.L. de C.V.	Mexico	100%	MXN	7,922
LEO Pharma Ltd.	New Zealand	100%	NZD	85
LEO Pharma AS	Norway	100%	NOK	3,000
LEO Pharma Sp. z.o.o.	Poland	100%	PLN	95
LEO Farmacêuticos Lda.	Portugal	100%	EUR	626
LEO Pharmaceutical Products Sarath Ltd.	Switzerland	100%	CHF	50
LEO Pharma Asia PTE Ltd.	Singapore	100%	SGD	100
Laboratorios LEO Pharma S.A.	Spain	100%	EUR	1,214
LEO Pharma AB	Sweden	100%	SEK	1,000
Lövens Läkemedel AB	Sweden	100%	SEK	100
LEO Pharma s.r.o.	Czech Republic	100%	CZK	350
LEO Pharma SARL	Tunisia	100%	TND	10
LEO Pharma Ilac Ticaret Anonim Sirketi	Turkey	100%	TRY	1,300
LEO Pharma GmbH	Germany	100%	EUR	750
LEO Pharma Inc.	USA	100%	USD	2,500
Peplin Inc.	USA	100%	USD	15
LEO Pharma GmbH	Austria	100%	EUR	76
LEO Pharma Ltd.	Korea	100%	KRW	1,800,000
LEO Pharmaceutical Products LLC	Russia	100%	RUB	16,500

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