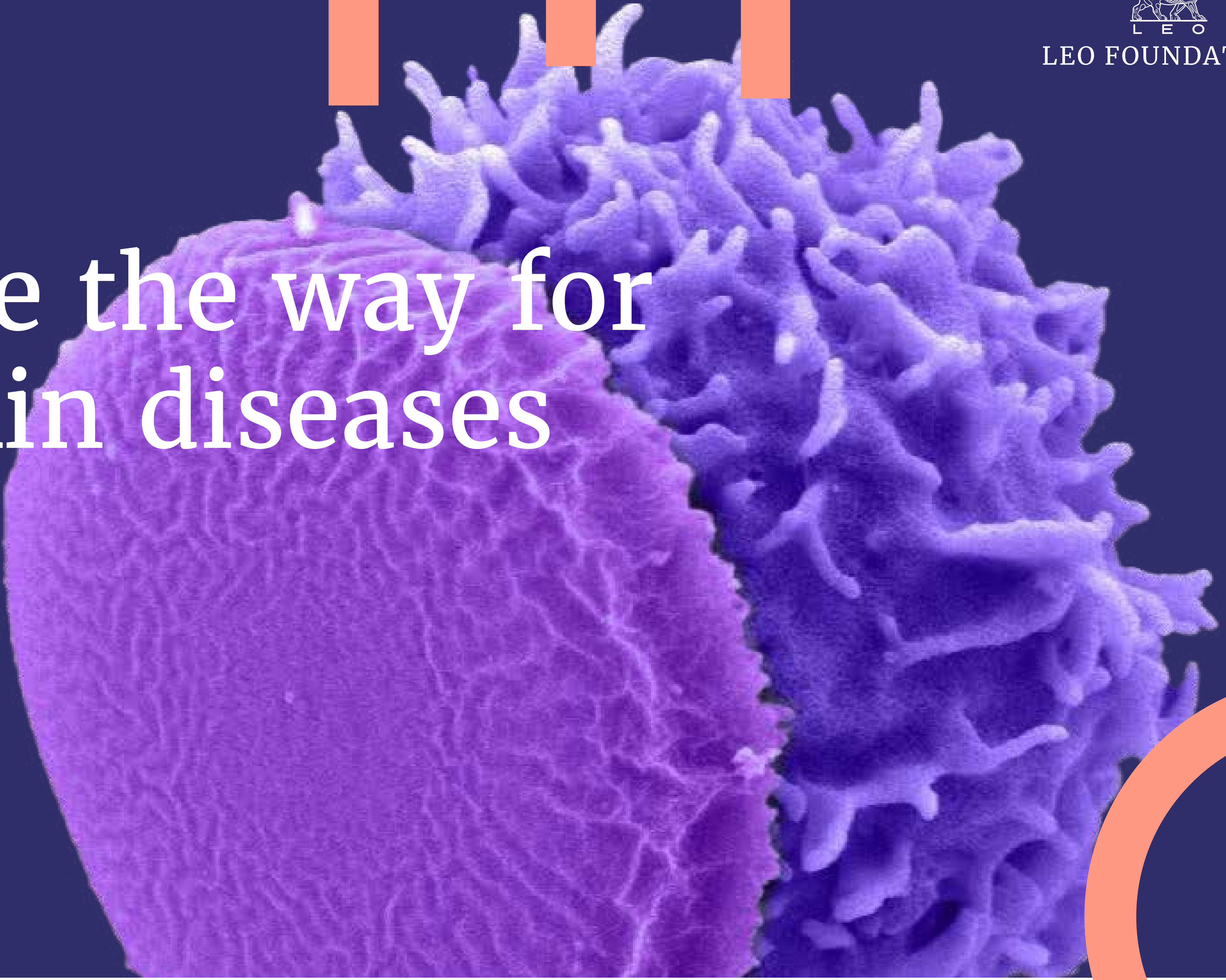
LEO FOUNDATION

ANNUAL REPORT 2023

Let’s pave the way for curing skin diseases



Contents

A backpack on a T cell: *The cover image is a visual of a "backpack" on a cell. Professor Samir Mitragotri and his team at Harvard John A. Paulson School of Engineering and Applied Sciences in the US are advancing skin wound healing with novel backpack technology. For optimal wound healing, macrophages, a cell type essential for healing, must maintain a specific active state. The new backpack technique involves attaching ultra-small "backpacks" laden with anti-inflammatory agents to macrophages, which help preserve this active state for up to two weeks, providing the necessary time for proper healing to occur. Image: Michael Griff Bibbey Suyog Shaha*

LEO Foundation at a glance

Engaged ownership

Controlling owner of LEO Pharma since 1986

The LEO Foundation is an engaged owner of the pharmaceutical company LEO Pharma. Our main objective is to ensure the company's long-term development and success in becoming a global leader in medical dermatology and delivering outstanding results.

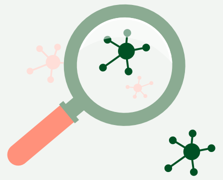
~80%

Controlling owner of LEO Pharma A/S

Philanthropy

Philanthropic support for scientific purposes

The LEO Foundation is one of the largest private funders globally of independent skin research. We provide philanthropic grants to support the best international research that pioneers new discoveries and transforms our understanding of the skin and its diseases.



DKK 217m

Grants and awards to independent **skin research** in 2023

Investments

Financial assets of around DKK 16.5bn

The LEO Foundation's financial assets are invested to enable us to ensure LEO Pharma's long-term continuation and strategic development, as well as to provide a growing basis for philanthropic grants.

DKK 16.5bn

in **financial assets**

The LEO Group

The LEO Group consists of the LEO Foundation, LEO Holding A/S and LEO Pharma A/S, including its Danish and international subsidiaries (collectively LEO Pharma Group).

LEO Foundation

100%

LEO Holding A/S

Controlling ownership ~80%

LEO Pharma Group

LEO Foundation
The LEO Foundation was established in 1984. The Foundation is the ultimate controlling shareholder of LEO Pharma and provides philanthropic support for independent research.

LEO Holding
The LEO Foundation's financial assets are held in LEO Holding, where all investment activities are carried out.

LEO Pharma Group
LEO Pharma develops, manufactures and markets pharmaceutical drugs for the treatment of skin diseases.

Achievements and ambitions that pave the way for curing skin diseases

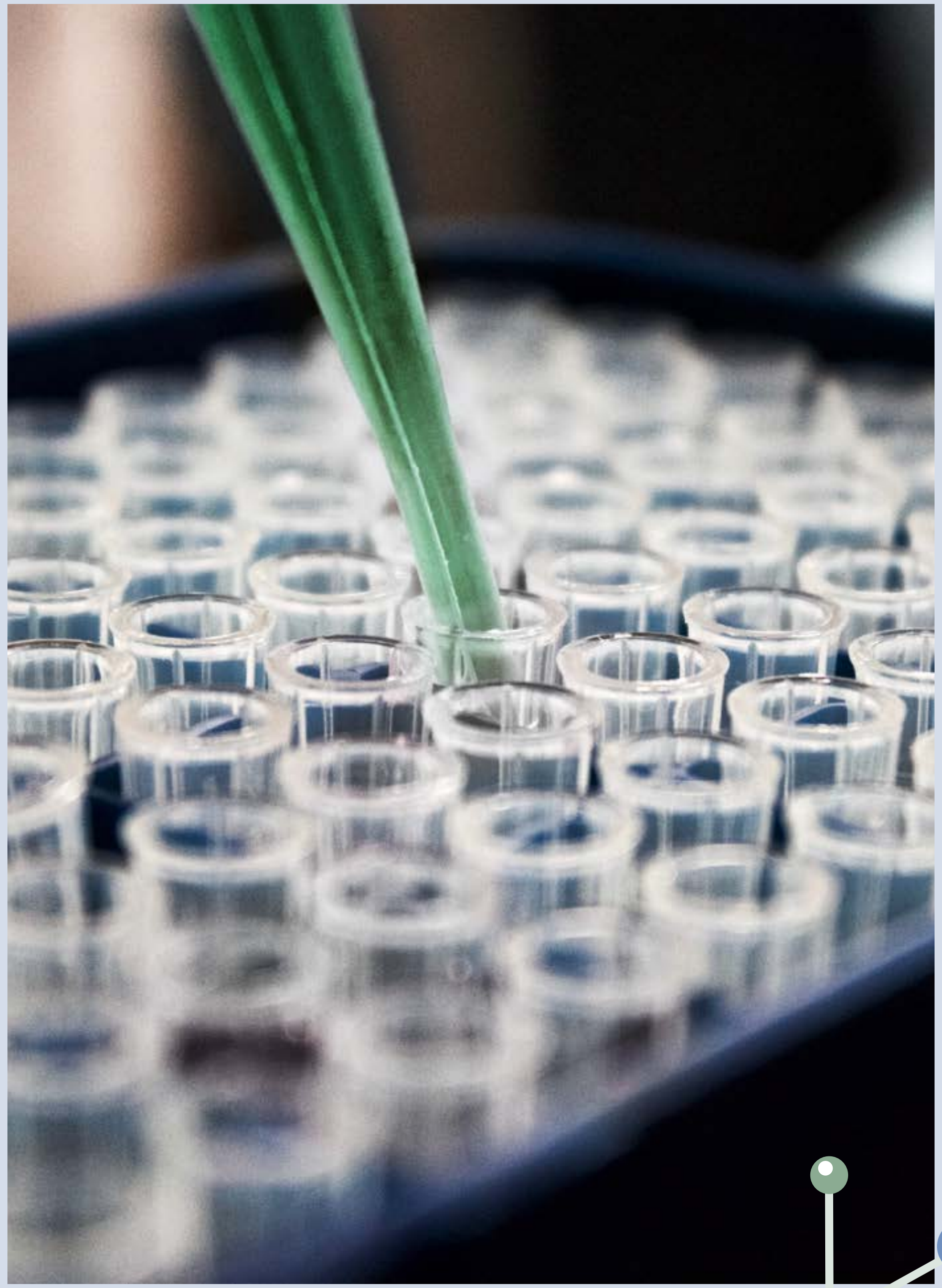
2023 was a year of significant achievements, alongside setting clear ambitions toward 2030 that guide the LEO Foundation's work as an enterprise foundation, owner, philanthropist and investor. These achievements and clarity on our ambitions highlight our commitment to do our part in paving the way for curing skin diseases.

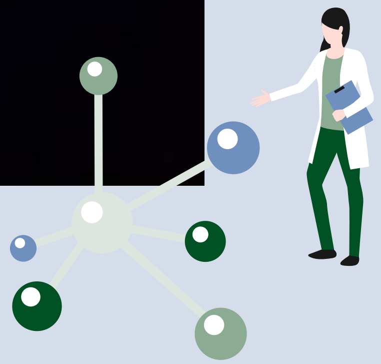
The past year has been one of remarkable achievements throughout the LEO Group. At the LEO Foundation, our philanthropic grant activities reached a milestone, topping a total of DKK 1 billion in grants to independent skin research over the past decade. As owner of LEO Pharma, we supported the company in progressing its transformation and delivering solid operational performance, working in close collaboration with our co-owner Nordic Capital. Additionally, our financial investments delivered a strong double-digit return.

2023 was also a year where we developed our ambitions toward 2030 and established a clear approach to sustainability. Both mark our commitment to being even more ambitious in making a difference for people living with skin diseases and in doing our part in paving the way for curing skin diseases. We do this as a major funder of independent skin research and as an

Lars Olsen (left)
Chairman of the Board of Trustees

Peter Haahr (right)
CEO





engaged owner of LEO Pharma, as well as by generating attractive investment returns and by promoting sustainable and responsible practices across our operations.

Philanthropy

Through our philanthropic activities, we aim to catalyze outstanding research that pioneers new discoveries and transforms our understanding of the skin and its diseases.

In 2023, we awarded a total of DKK 217 million across 68 grants. Notably, we introduced two new open competition research programs: LEO Foundation Dr Abildgaard Fellowships supporting early career researchers and Serendipity Grants enabling active LEO Foundation grantees to investigate unexpected scientific discoveries. We also established our Education and Awareness Grants as an open competition program, focusing on strengthening the talent base for the next generation of researchers, and promoting and communicating science to the public. Additionally, we finalized the work on a LEO Foundation-specific framework for tracking and assessing the impact of our philanthropic activities.

Ownership

The LEO Foundation, established 40 years ago by Knud E. Abildgaard, the then owner of the company, is an engaged owner of LEO Pharma. Guided by our charter, the primary purpose and objective of the Foundation is to ensure the continuance of LEO Pharma.

During 2023, LEO Pharma took decisive actions in its transformation toward becoming a global leader in medical dermatology. The research and development model was streamlined with greater emphasis on external innovation and partnerships, and the global product supply setup was further optimized. Together with changes in the commercial setup in 2022, these efforts have helped to enhance competitiveness in developing and commercializing the best available innovation.

LEO Pharma's revenue grew by 7% (10% at constant exchange rates) and dermatology revenue grew by 11% (15% at constant exchange rates). Financial performance was realized in line with expectations, showing a strong uplift in operational performance compared to 2022, primarily due to higher revenue growth, cost reduction measures and unwavering financial discipline across all functions. EBITDA improved and represented a 20 percentage-point margin uplift compared to 2022. While the company's negative net result was unsatisfactory, we are encouraged by the continued improvement in LEO Pharma's operational performance, which aligns with the company's plans and strategic direction, paving the way for a sustainable and profitable business.

The company continued to advance medical dermatology with phase 3 trials for delgocitinib cream in the treatment of moderate-to-severe chronic hand eczema completed, and temtokibart, an investigational anti-inflammatory biologic, progressing into a phase 2b trial for atopic dermatitis. Further, the increased focus on external innovation led to the acquisition of an asset from Timber Pharmaceuticals in January 2024, adding an attractive late-stage asset to the pipeline and providing a promising potential treatment for patients suffering from congenital ichthyosis, a debilitating disease for which there are currently no approved treatments. This acquisition is a milestone in LEO Pharma's innovation strategy, focusing specifically on addressing smaller and rare underserved skin diseases.

Additionally, a new capital structure was implemented, consolidating LEO Pharma's ability to pursue further business development opportunities. The LEO Foundation converted its shareholder loans of over DKK 5.5 billion into equity, while the Foundation and Nordic Capital injected an additional DKK 745 million in cash. Additionally, LEO Pharma's bank syndicate provided a new DKK 1.5 billion credit facility, and the company also secured improved terms and an extension of its existing bank financing.

Investments

Our financial investment activities focus on generating attractive returns that enable us to ensure LEO Pharma's long-term continuation and strategic development, as well as providing a growing basis for our philanthropic grants.

During the year, our financial portfolio benefited from the positive financial markets, generating a satisfactory return of 10.7% with all asset classes contributing positively. In line with our investment strategy, we continued to add illiquid alternatives to the portfolio. Major transactions included adjustments to the equity weighting by applying equity index futures and exchange-traded funds (ETFs). Exposure to high-dividend equities had been reduced by two-thirds by the end of the year, while exposure to ESG-screened equity ETFs was shifted to ETFs tracking the EU Climate Transition Benchmarks.

Looking ahead

Reflecting on the past year's achievements and setting our sights on future ambitions, we remind ourselves that each accomplishment is a step in paving the way for curing skin diseases. In 2024, we will be reaching new milestones, including the 40th anniversary of the LEO Foundation, highlighting the longevity of our commitment to drive change through our philanthropic and commercial activities.

Looking at our philanthropic activities, the year will bring a focus not only on funding the best research but also catalyzing a strong and thriving ecosystem in and around skin and skin disease research, as a platform for creating impact for people living with skin diseases. To this end, we will introduce two new grant programs and we expect a grant level for the year of around DKK 275 million, an increase of around 25% compared to 2023.

LEO Pharma's key focus in 2024 is to drive growth within dermatology, and it expects continued revenue growth while also increasing operating profit to deliver a positive mid-single-digit adjusted EBITDA margin for the year. Additionally, significant improvements in EBIT and net result are expected, though both are expected to remain negative.

We plan to diversify our financial portfolio further and enhance returns by adding more illiquid alternative components, which are expected to be deployed at a higher pace in 2024 following a significant uplift in listed assets in 2023. The portfolio's risk level is expected to increase slightly because of the higher allocation to alternatives and a reduction in fixed-income and credit investments.

In line with our recently launched sustainability approach, we will continue to embed sustainable and responsible practices into our functions and operations, with a specific focus on four selected sustainability themes, most notably our continued efforts to improve the health and lives of people living with skin diseases.

We would like to take this opportunity to thank all LEO Group colleagues and board members; our co-owner of LEO Pharma, Nordic Capital; scientific committee members; and grantees around the world for your dedication and hard work during 2023. And thank you, too, to everyone who has helped develop our ambitions toward 2030.

2024 will bring both challenges and opportunities for the LEO Group. At the LEO Foundation, we are excited, determined and committed to continue the journey and work together to pave the way for curing skin diseases.

Lars Olsen
Chairman of the Board of Trustees

Peter Haahr
CEO

Let's pave the way for curing skin diseases

The skin is fascinating. It is our body's largest organ, covering about 2 square meters and composed of around 300 million skin cells. Every minute, it sheds about 30,000 to 40,000 dead cells and it regenerates itself every month! Most importantly, the skin protects us against viruses and bacteria. But what happens when skin conditions like eczema, allergies and psoriasis arise?

Skin diseases are very common and affect as many as one in three people globally. The diseases are often visible and stigmatizing, and in some cases even debilitating. Science and industry have made significant advances in treating the approximately 3,000 known skin diseases, yet we still lack knowledge and answers.

The LEO Foundation's strategic direction and ambitions toward 2030 address these challenges and are centered around our core purpose: Let's pave the way for curing skin diseases. Our ambitions are well founded in our charter and a rich history of addressing skin diseases. They set new long-term goals to guide our work and mark our commitment to being even more ambitious in making a difference for people living with skin diseases.

With our new ambitions in place, we have already taken important steps in 2023 to deliver on the goals, and the ambitions are being implemented through four strategic priorities, all sharing the common goal of contributing to paving the way for curing skin diseases.

	Pioneer new discoveries	Be an engaged owner	Grow and diversify our assets	Drive sustainable development
We pave the way for curing skin diseases by…	… **catalyzing outstanding research that pioneers new discoveries** and transforms our understanding of the skin and its diseases.	… **assessing, challenging, and supporting LEO Pharma** in becoming a global leader in medical dermatology delivering outstanding results.	… **generating attractive investment returns** that enable us to ensure LEO Pharma's long-term continuation and strategic development, as well as provide a growing basis for philanthropic grants.	… **driving and promoting sustainable and responsible practices** across our operations.
Our ambition is that by 2030…	… we will have catalyzed **major advancements in basic, translational and clinical skin research** and created significant societal impact through philanthropic grants for research and awareness activities reaching an annual level of more than **DKK 500 million.**	… LEO Pharma will have become a **listed, leading global player in medical dermatology,** making **innovative treatments** available to people living with skin diseases.	… we will have delivered **superior returns on financial assets** and further diversified our investment activities while acting as a responsible investor.	… the LEO Foundation will be recognized for exercising **good governance,** promoting **diversity and inclusion,** and encouraging **climate transition.**

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Financial review – LEO Group

The LEO Group's financial result in 2023 reflected the continued strategic transformation in LEO Pharma, while the LEO Foundation's financial investments benefited from positive financial markets.

In 2023, the Group result was positively impacted by a gain of DKK 1,639 million on LEO Foundation's investing activities offset by a net loss of DKK 3,607 at LEO Pharma, presenting the main reasons for an aggregate Group net loss before tax of DKK 1,628 million.

Operating activities

Revenue at LEO Pharma increased by 7% from DKK 10,641 million in 2022 to DKK 11,392 million in 2023, and by 10% at constant exchange rates compared to 2022. The increase in revenue was driven by the biological product Adtralza®/Adbry™ as well as core brands such as Protopic® and the Fucidin® range.

Total costs at LEO Pharma decreased from DKK 14,025 million in 2022 to DKK 13,149 million in 2023.

LEO Pharma's R&D costs were DKK 1,874 million, or 16% of revenue in 2023, compared to 23% of revenue in 2022. The main R&D activities in 2023 concerned Adtralza®/Adbry™ and delgocitinib to drive continued development activities. The overall cost level declined as a result of the implementation of the company's new innovation strategy, which puts greater emphasis on externally sourced innovation. The R&D costs were impacted by impairment losses of DKK 141 million on R&D development projects.

The Group's administrative costs totaled DKK 2,123 million, compared to DKK 2,446 million in 2022. The 2023 costs were impacted negatively by a figure of DKK 75 million related to transformation and restructuring of the organization during the year. The Foundation's own net administrative and operational costs amounted to DKK 23 million, which is in line with 2022.

The Group's operating result (EBIT) amounted to a loss of DKK 1,747 million, compared to a loss of DKK 3,351 million in 2022.

Philanthropic activities

The LEO Foundation awarded 68 grants totaling DKK 217 million in 2023, compared to 36 grants totaling DKK 125 million in 2022. The outstanding grant liability increased to DKK 462 million at year-end, versus DKK 440 million in 2022.

Investing activities

The LEO Foundation's financial investments benefited from the positive financial markets and generated a positive return of DKK 1,639 million or 10.7%, compared to a negative return of DKK 1,626 million in 2022. All asset classes – equities, credit, government and mortgage bonds, alternatives and overlay strategies – contributed positively. Global markets were impacted by the economy, particularly by labor markets being more resilient than anticipated, by monetary policy, and by inflation falling faster than anticipated.

Net results

Overall, the net result for the Group in 2023 was a loss of DKK 1,628 million, compared to a loss of DKK 5,253 million in 2022.

Assets

At 31 December 2023, total assets amounted to DKK 37,313 million, compared to DKK 38,146 million in 2022. This includes financial investments of DKK 16,784 million at year-end, compared to DKK 15,819 million at year-end 2022.

Intangible assets amounted to DKK 6,099 million at 31 December 2023, against DKK 7,655 million in 2022; the decrease was primarily due to ordinary amortization and impairment of intellectual property rights and development projects.

Equity

The Group's total equity decreased by 10% from DKK 19,837 million in 2022 to DKK 17,925 million at year-end 2023, mainly due to the negative result in 2023, but partly offset by the capital raise in LEO Pharma.

Cash flow

Total Group cash flow from operating activities was a negative DKK 1,945 million, compared to a negative DKK 2,693 million in 2022. This improvement was mainly due to the higher operating result.

Cash flow from investing activities, excluding the purchase and sale of financial assets, was an outflow of DKK 537 million, against an outflow of DKK 1,479 million in 2022.

Cash flow from financing activities was an inflow of DKK 1,677 million, the majority of

which derived from proceeds from loans, while the 2022 cash flow from financing activities amounted to DKK 3,520 million.

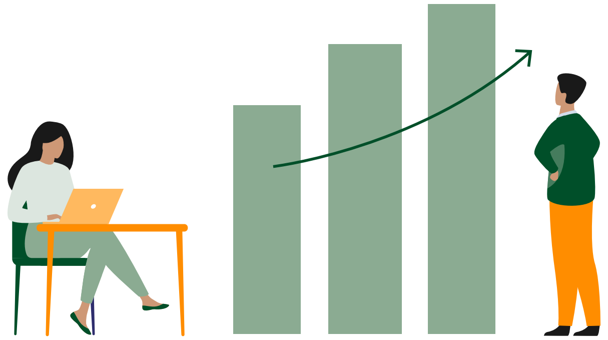
Outlook

The financial performance of the LEO Group depends on developments in LEO Pharma's commercial activities as well as the returns generated by the Foundation's investing activities.

In 2024, LEO Pharma anticipates revenue growth of 4-8% at constant exchange rates, driven by increasing sales of Adtralza®/Adbry™ and growth in the core brands. LEO Pharma will continue to focus on improving the operating result by implementing efficiencies and simplifications. LEO Pharma expects to deliver a positive mid-single-digit adjusted EBITDA margin* in 2024, but negative EBIT and a net loss. Potential changes in key assumptions for valuation of intangible assets, currency rates and unexpected health care and pricing reforms are risk factors that may change the outlook.

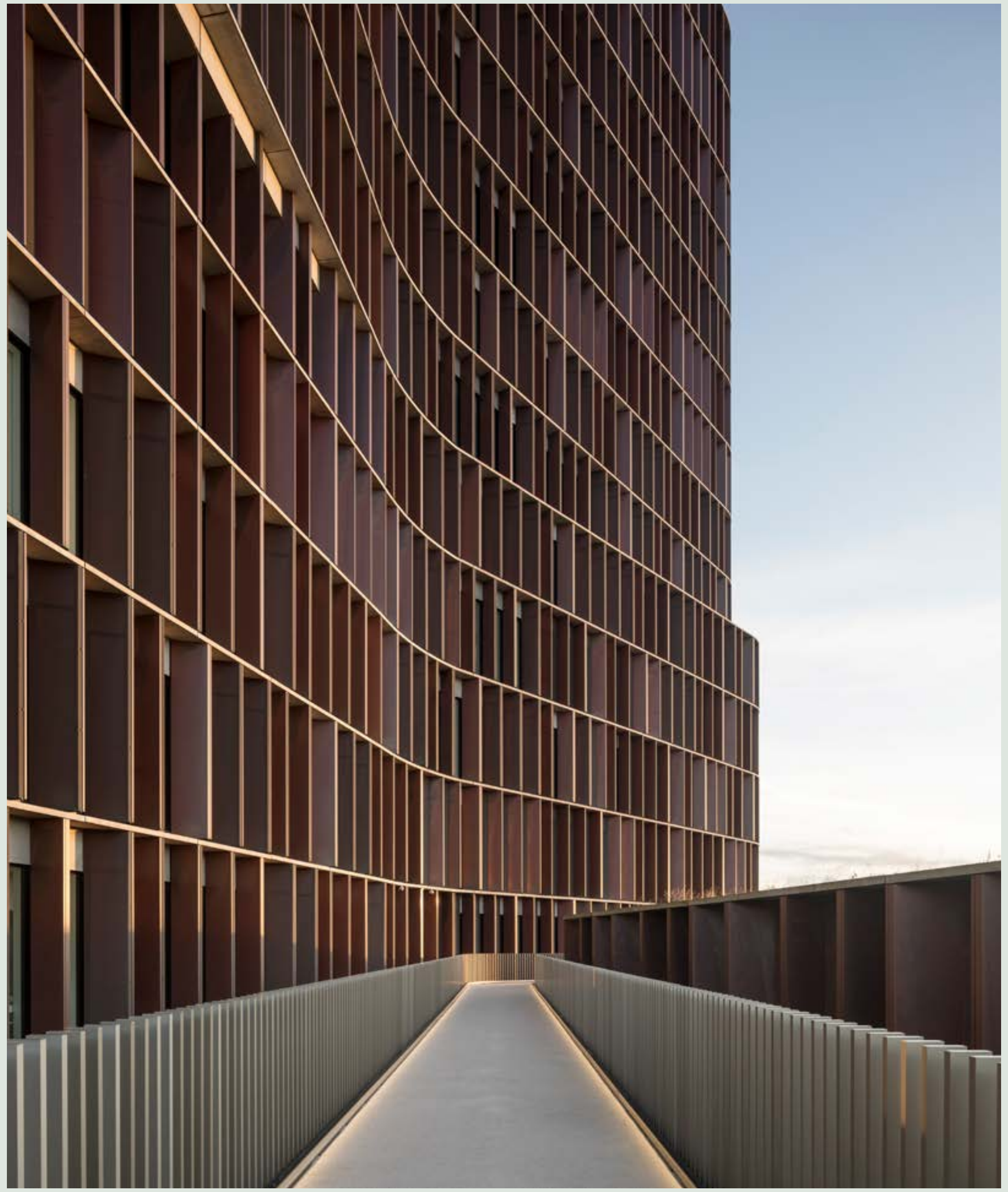
Based on the financial strength of the LEO Foundation and its vision of making a strong contribution to research that improves the lives of people living with skin diseases, the Foundation expects a grant level of around DKK 275 million in 2024.

** EBITDA adjusted for transformation and restructuring costs.*



Financial highlights – LEO Group

(DKK million)	2023	2022	2021	2020	2019
Income statement					
Revenue	11,392	10,641	9,957	10,133	10,805
Operating profit/(loss)	(1,747)	(3,351)	(4,194)	(757)	(1,343)
Financial items	672	(2,201)	1,833	809	2,045
Profit/(loss) before tax	(1,075)	(5,551)	(2,362)	50	673
Net profit/(loss) for the year	(1,628)	(5,253)	(2,831)	(410)	389
Balance sheet					
Investments in property, plant and equipment	348	590	800	1,164	1,968
Non-current assets	16,535	18,421	17,832	16,716	16,169
Current assets	20,778	19,726	22,418	22,000	23,026
TOTAL ASSETS	**37,313**	**38,146**	**40,249**	**38,716**	**39,195**
EQUITY	**17,925**	**19,837**	**26,870**	**26,404**	**27,077**
Key ratios					
Return on equity	(9%)	(23%)	(11%)	(2%)	1%
Solvency ratio	48%	52%	67%	68%	69%



LEO Pharma – delivering on promise

We pave the way for curing skin diseases by assessing, challenging and supporting LEO Pharma in becoming a global leader in medical dermatology delivering outstanding results.

The LEO Foundation is an engaged owner of LEO Pharma and, guided by our charter, the primary purpose and, objective of the Foundation is to ensure the continuance of LEO Pharma.

2023 was a milestone year for LEO Pharma, as the company committed to and succeeded in delivering positive EBITDA, which is a first and necessary step in driving profitable and sustained growth toward 2025 and beyond. Sales performance was also strong, with total revenue growing by 7% (10% at constant exchange rates, CER) and dermatology revenue growing by 11% (15% at CER).

Early in the year, LEO Pharma took decisive actions in its transformation toward becoming a global leader in medical dermatology by streamlining its research and development model and putting greater emphasis on external innovation and partnerships. Additionally, the company optimized its global product supply setup. Together with the changes to the commercial setup and support functions made in 2022, this has contributed to the company's competitiveness in developing and commercializing the best available innovation, whether sourced internally or externally.

The company continued to advance medical dermatology with phase 3 trials for delgocitinib cream in the treatment of moderate-to-severe chronic hand eczema completed, and temtokibart, an investigational anti-inflammatory biologic, progressing into a phase 2b trial for atopic dermatitis. Further, the increased focus on external innovation led to the acquisition of Timber Pharmaceuticals' TMB-001 in January 2024, adding an attractive late-stage asset to the pipeline and providing a promising potential treatment for patients suffering from congenital ichthyosis, a debilitating disease for which there are currently no approved treatments. This acquisition is a milestone in LEO Pharma's innovation strategy, focusing specifically on addressing smaller and rare underserved skin diseases.

In September, a new capital structure was implemented, consolidating LEO Pharma's ability to pursue further business development opportunities. The LEO Foundation converted its shareholder loans of over DKK 5.5 billion into equity, while the Foundation and Nordic Capital injected an additional DKK 745 million in cash. Additionally, LEO Pharma's bank syndicate provided a new DKK 1.5 billion credit facility, and the company also secured improved terms and an extension of its existing bank financing.

Financial performance was in line with the upwards-revised outlook provided by the company in September 2023, showing a strong uplift in performance compared to 2022, primarily due to higher revenue growth, cost reduction measures and unwavering financial discipline across all functions. EBITDA for the year improved to

Performance highlights

Europe **56%**

Rest of World **29%**

North America **15%**

DKK 551 million, corresponding to a 5% margin. This represents an increase of DKK 2.1 billion in absolute terms compared to 2022 and a 20 percentage-point margin uplift. While the negative net result was unsatisfactory, we are encouraged by the continued improvement in LEO Pharma's operational performance, which aligns with the company's plans and strategic direction, paving the way for a sustainable and profitable business.

FINANCIAL PERFORMANCE

Revenue

Group revenue increased by 7% to DKK 11,392 million in 2023. At constant exchange rates (CER), revenue increased by 10% compared to 2022. Dermatology revenue grew by 11% and by 15% at CER. The increase in revenue was primarily driven by the biological product Adtralza®/Adbry™ as well as core brands such as Protopic® and the Fucidin® range.

Geographically, growth was driven by the North America region as well as China, Southern Europe and Alliance markets.

Revenue by therapeutic area

The eczema portfolio was the main driver for growth in 2023, thanks to the continued launch of Adtralza®/Adbry®, now available in 19 markets, as well as strong performance from Protopic®. This amounted to DKK 2,900 million, a significant increase from DKK 1,969 million in 2022.

Revenue from the psoriasis portfolio remained stable at DKK 3,813 million, compared to DKK 3,912 million in 2022. Revenue from the skin infection portfolio increased by 6% (9% at CER) to DKK 1,771 million.

Revenue from the acne/rosacea portfolio amounted to DKK 317 million, slightly down on 2022. Other mature dermatology products decreased by 8% to DKK 238 million in 2023.

Thrombosis revenue decreased by 4% (fall of 3% at CER) to DKK 2,141 million from DKK 2,233 million in 2022.

Other revenue primarily stems from divested products, where LEO Pharma is operating as a contract manufacturer. The revenue for 2023 amounted to DKK 212 million, compared to DKK 275 million in 2022.

Dermatology revenue by region

Geographically, North America remains the key growth driver with revenue of DKK 1,667 million in 2023 compared to DKK 1,117 million in 2022, corresponding to growth of 49% (57% at CER). The higher revenue was driven by strong growth of 148% for Adbry® in the US. Revenue from products within skin infection and psoriasis also realized a double-digit growth rate.

Revenue in Europe increased by 3% (3% at CER) in 2023 to DKK 6,375 million, compared to DKK 6,206 million in 2022. This growth was driven by higher demand for LEO Pharma's core brands and the continued launch of Adtralza®, now available in 14 European markets. Growth in Europe was primarily driven by Italy, Spain, Germany and Belgium.

Revenue in Rest of World was on par with 2022, ending at DKK 3,350 million, which corresponds to 7% growth at constant exchange rates. Growth was driven by strong performance in China, the United Arab Emirates and Southeast Asia, offset by weaker performance in the Middle East and North Africa, primarily because of Algeria, and across Latin American markets.

Costs and profit & loss
Total costs decreased by 6% and amounted to DKK 13,149 million in 2023, compared to DKK 14,025 million in 2022. Cost of sales amounted to DKK 4,281 million in 2023, corresponding to a decrease of 2% from DKK 4,358 million in 2022. The gross margin was 62% in 2023, compared to 59% in 2022.

The decrease in cost of sales was driven by efficiency initiatives across the organization as well as production efficiencies. Operating costs excluding depreciation, amortization and impairment losses amounted to DKK 7,030 million in 2023, compared to DKK 8,177 million in 2022, equivalent to a reduction of 14%.

Research and development costs amounted to DKK 1,874 million, compared to DKK 2,485 million in 2022. In 2023, LEO Pharma's main R&D activities concerned Adtralza®/Adbry® and delgocitinib to drive continued development activities. The overall cost level declined because of the implementation of the new innovation strategy, strengthening the emphasis on externally sourced innovation. In addition, a clinical program for izuforant and other R&D development projects were terminated, resulting in impairment losses of DKK 141 million.

The operating profit before interest, tax, depreciation and amortization (EBITDA) for 2023 amounted to DKK 551 million, compared to a loss of DKK 1,574 million in 2022, which was an improvement of DKK 2,125 million and a 20 percentage-point improvement compared to 2022.

The operating loss (EBIT) for 2023 amounted to DKK 1,699 million, compared to an operating loss of DKK 3,311 million for 2022, an improvement of DKK 1,612 million and 16 percentage points compared to 2022.

The performance was above the profitability guidance and within the range of the revenue growth guidance provided at the beginning of the year.

Outlook
LEO Pharma's key focus in 2024 is to drive growth within dermatology and profitability from operations.

LEO Pharma anticipates revenue growth in 2024 of 4-8% at constant exchange rates, driven by increasing sales of Adtralza®/Adbry® and growth in the core brands. Compared to 2023, the revenue growth is expected to be negatively impacted by generic competition and price reforms in some geographies. Commercial launch of delgocitinib is expected during the last quarter of 2024, driving revenue growth from 2025 and onward.

LEO Pharma will continue to focus on improving the operating result by implementing efficiencies and simplifications. The company expects to deliver a positive mid-single-digit adjusted EBITDA margin* in 2024. The profitability guidance for 2024 is negatively impacted by movements in foreign exchange rates, delayed impact of higher input costs procured during 2023 and investments in the newly acquired asset from Timber Pharmaceuticals.

LEO Pharma expects a significant improvement in EBIT and net result, though both are expected to remain negative in 2024. Potential changes in key assumptions for valuation of intangible assets, currency rates and unexpected health care and pricing reforms are risk factors that may change the outlook.

* *EBITDA adjusted for transformation and restructuring costs.*

For further information about the LEO Pharma Group, please refer to LEO Pharma's Annual Report.

Click here

GROUP REVENUE GROWTH*
(7% reported)

+10%

DERMATOLOGY REVENUE GROWTH*
(11% reported)

+15%

ADTRALZA®/ADBRY® AVAILABLE IN 19 MARKETS

19

EMPLOYEES AT YEAR-END

4,284

MILLION PATIENTS SERVED WORLDWIDE

>95

* At constant exchange rates.

Grow and diversify our assets

Investment activities – a rebound year

We pave the way for curing skin diseases by generating attractive investment returns that enable us to ensure LEO Pharma's long-term continuation and strategic development, as well as providing a growing basis for our philanthropic grants.

The LEO Foundation owns financial assets worth approximately DKK 16.5 billion. Funds are invested to generate the best possible returns while retaining a sensible, well-balanced risk profile.

In 2023, the investment portfolio continued to add illiquid alternatives, as laid out in the investment strategy for 2023, albeit at a slower pace than in previous years. This was because the allocation to illiquid alternatives at the beginning of the year was somewhat higher than expected following the negative returns on listed assets in 2022. In 2023, this resulted in three additional commitments, totaling around DKK 930 million, to a private equity fund, a private equity fund of funds and an infrastructure fund – all with asset managers with whom LEO Holding had previously invested.

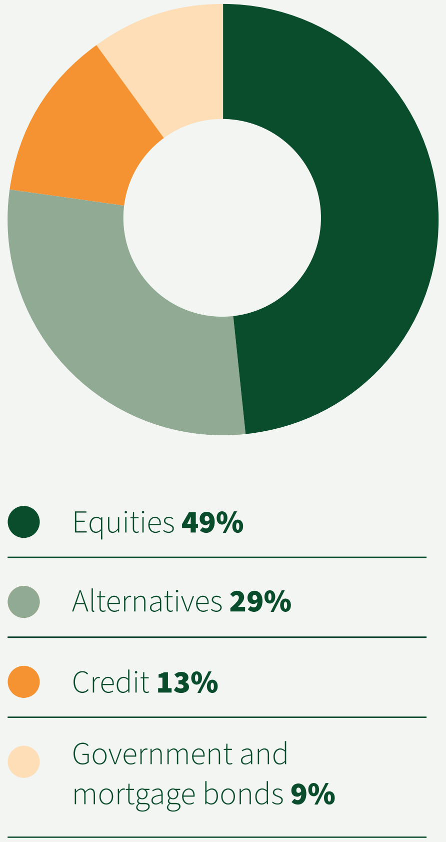
Returns and capital calls during 2023 resulted in an increase in the allocation to illiquid alternatives of approximately. DKK 361 million, equivalent to a 1% increase in the financial portfolio. On the listed side, a US small-cap equity mandate, an emerging markets corporate debt mandate and a fixed-income hedge fund were terminated, while a new fixed-income hedge fund was added.

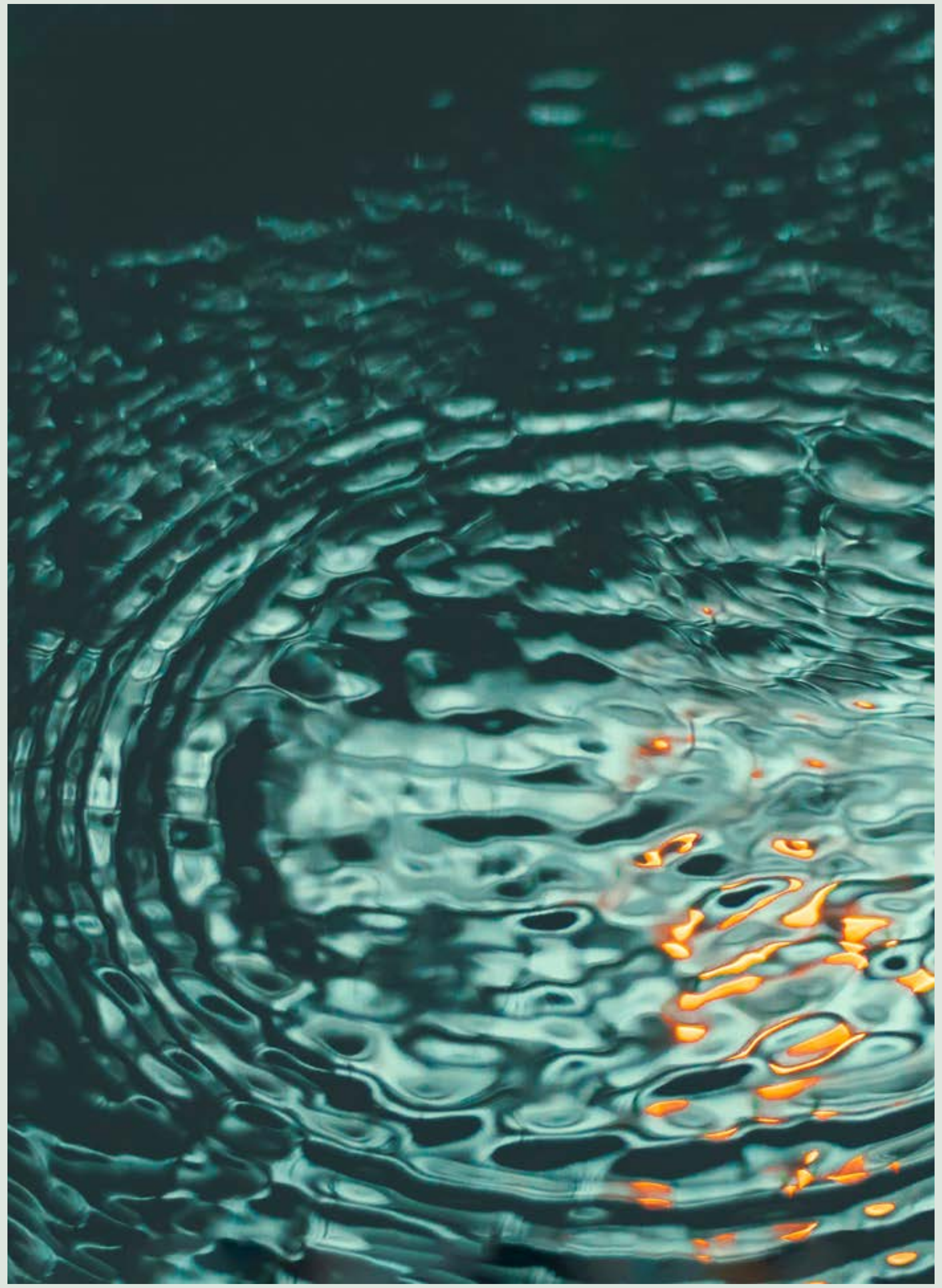
Major transactions in 2023 within our existing mandates included adjustments to the equity weighting using equity index futures and exchange-traded funds (ETFs). Additionally, there was an increase in interest rate risk in the third quarter as a result of using fixed-income futures. Exposure to high-dividend equities had been reduced by two-thirds by the end of the year, while exposure to ESG-screened equity ETFs was shifted to ETFs tracking the EU Climate Transition Benchmarks. Finally, DKK 600 million was transferred to LEO Pharma, in support of the company's business development agenda.

High returns for listed markets – but alternatives suffered

The anticipated recession did not materialize in 2023. The economy, particularly labor markets, proved to be more resilient than expected. Consensus gradually shifted toward a potential soft landing in the US, potentially averting a recession, though the situation is less clear in Europe. Monetary policy remained a key driver for financial markets. After monetary tightening in 2022, central banks continued raising interest rates and emphasizing higher-for-longer rates, causing a global spike in bond yields. However, as

Asset allocation of the investment portfolio at 31.12.2023





inflation declined faster than anticipated, central banks shifted their rhetoric toward stable rates. In the last quarter of the year, central banks poised for rate cuts in 2024, which buoyed financial markets, pushing yields down and equities up.

Equity markets were volatile in 2023. The first half saw substantial gains, followed by significant losses, but a strong rebound in the last two months pushed equities to year-end highs. Regional returns varied widely, with US and European equities gaining around 24% and 22% respectively, while emerging markets saw a more modest 7% increase. Adjusted for 3% USD depreciation, Europe emerged as the best-performing region measured in DKK.

On the fixed-income side, central bank actions caused unprecedented yield movements. US and German 2-year yields initially increased by 0.8% and 0.6% respectively, before declining nearly 1% by year-end, resulting in yields lower than at the beginning of 2023. This trend also applied to 10-year yields in both the US and Germany, down about 1% from the October 2023 peak.

Our financial portfolio benefited from the positive financial markets, generating a positive return of DKK 1,639 million or 10.7%. All asset classes – equities, credit, government and mortgage bonds, alternatives and overlay strategies – contributed positively.

Equities contributed DKK 1.1 billion, delivering an asset class return of 16%. However, returns for individual mandates ranged between 6.1% and 21.8%, once again highlighting the importance of diversification. The government and mortgage bond portfolio had a return of 5.1%, contributing a total of DKK 106 million. Credit contributed DKK 237 million with a return of 9.8%, while overlay strategies added DKK 54 million. Alternatives contributed DKK 108 million with a return of 2.4%, with interest rate-sensitive real assets – such as real estate and infrastructure – posting negative returns.

Outlook

In 2024, we plan to make further additions of alternative components to enhance returns and diversify the portfolio. Commitments to illiquid alternatives are expected to be deployed at a higher pace in 2024, following the significant uplift in listed assets in 2023. The level of risk in the portfolio is expected to rise slightly, as the increased allocation to alternatives is being funded from fixed income and credit. The risk and liquidity in the financial portfolio will continue to ensure that the LEO Foundation can support LEO Pharma in alignment with the Foundation's charter.

Investment portfolio

	Market value (DKK million)			Return (%)		
Assets	**31.12.2023**	**31.12.2022**	**31.12.2021**	**2023**	**2022**	**2021**
Government and mortgage bonds	1,601	1,185	2,641	5.1	(9.9)	(2.5)
Equities	8,012	7,400	8,330	16.0	(14.2)	24.7
Credit	2,106	2,602	3,221	9.8	(12.2)	0.9
Alternatives	4,797	4,469	3,500	2.4	3.5	11.9
Total	**16,516**	**15,655**	**17,692**	**10.7**	**(9.2)**	**13.6**

Pioneer new discoveries

Philanthropic activities – introducing new types of grants for research, education and awareness

We pave the way for curing skin diseases by catalyzing outstanding research that pioneers new discoveries and transforms our understanding of the skin and its diseases.

At the LEO Foundation, we support free and independent skin research of the highest quality that can pioneer discoveries and transform our understanding of the skin and its diseases. We also provide grants for education and awareness activities that strengthen the talent base for the next generation of researchers, and promote and communicate science to the public.

In 2023, we progressed the execution of our 2025 grant strategy, with a particular focus on introducing two new open competition research programs: LEO Foundation Dr Abildgaard Fellowships supporting early career researchers, and Serendipity Grants supporting existing grantees, who can apply for funding to help explore new and potentially groundbreaking ideas developed during their ongoing research projects. We have also transformed our education and awareness grants to an open competition program with a rolling cycle of three rounds of funding a year.

During 2023, we awarded a total of DKK 217 million in 68 grants based on 247 applications, making it a year of remarkable achievements. Notably, the competition for Research Grants attracted a record 148 applications. The year's activities also brought a milestone celebration, as we topped a total of DKK 1 billion in philanthropic grants over the past decade.

In 2023, grants were given within the following grant programs:

- 37 researchers from all over the world, applying for **Research Grants in open competition,** received funding totaling DKK 123 million.
- Three early career researchers with the potential to become leaders in skin research received five-year funding totaling DKK 36 million from our new **LEO Foundation Dr Abildgaard Fellowships** program.
- Three **standalone grants** were awarded within our strategic focus areas, totaling DKK 27 million. Two grants went to international collaborations of independent researchers, dedicated to establishing or developing freely accessible online infrastructures (atlases) to ensure research-based and validated data for psoriasis and atopic dermatitis. Additionally, one grant for infrastructure, specifically a confocal laser scanning microscope, went to a research group at the University of Copenhagen.
- Four explorers of unexpected discoveries were the first researchers to receive **Serendipity Grants** worth a total of DKK 14 million.
- 13 **Education and Awareness Grants** were awarded, totaling DKK 12 million. These grants, introduced as an open competition program in 2023, cover projects across various categories, ranging from nurturing children's interest in science to promoting public knowledge about skin and skin diseases and dissemination of research-based knowledge to the public.
- Five **research networking grants** were awarded, totaling DKK 3.2 million.
- Three **LEO Foundation Awards** were presented to promising young skin researchers – one from each of the regions: Americas, EMEA (Europe, Middle East, Africa) and Asia–Pacific, making a total of DKK 2.1 million.

The Foundation's Board of Trustees makes its decisions on open competition grants and awards based on expert advice from our standing external peer review panels: the Scientific Evaluation Committee reviews applications for research grants in open competition and the Global Review Panel reviews nominations for the LEO Foundation Awards. Furthermore, in 2023, three ad hoc expert committees reviewed applications for the LEO Foundation Dr Abildgaard Fellowships and the Serendipity Grants. All of the Foundation's panels comprise independent experts from research institutions around the world. In 2023, a total of 218 grant applications and award nominations were peer-reviewed and evaluated by expert panels.

Impact assessment and evaluation

We want to ensure that our philanthropic activities create a positive impact, not only within the specific research field but also for society at large. To achieve such insights, we need comparable data and systematic monitoring over time. That is why we ask grantees and awardees to report on their research and activities annually. They do so via one of two online reporting tools, Researchfish and Foundgood, which collect quantitative and qualitative data on progress and output from the projects we fund. We use this information in the dialogue with our grantees, and it helps us assess the effects of our support and inform decisions on new funding programs.

We are continuously working on defining the best methods to track the short-, medium- and long-term value creation of our philanthropic activities – from academic impact to broader societal impact. In 2023, we finalized the work on a LEO Foundation-specific framework for tracking and assessing the impact of our grants and awards. To this end, we have defined a set of seven impact indicators. The indicators have been selected to cover the different stakeholder groups at the societal level who may eventually benefit from projects funded by the Foundation. Going forward, we will use the seven impact indicators to assess the expected societal impact of both new grant instruments and individual grants, as well as that of existing grants.

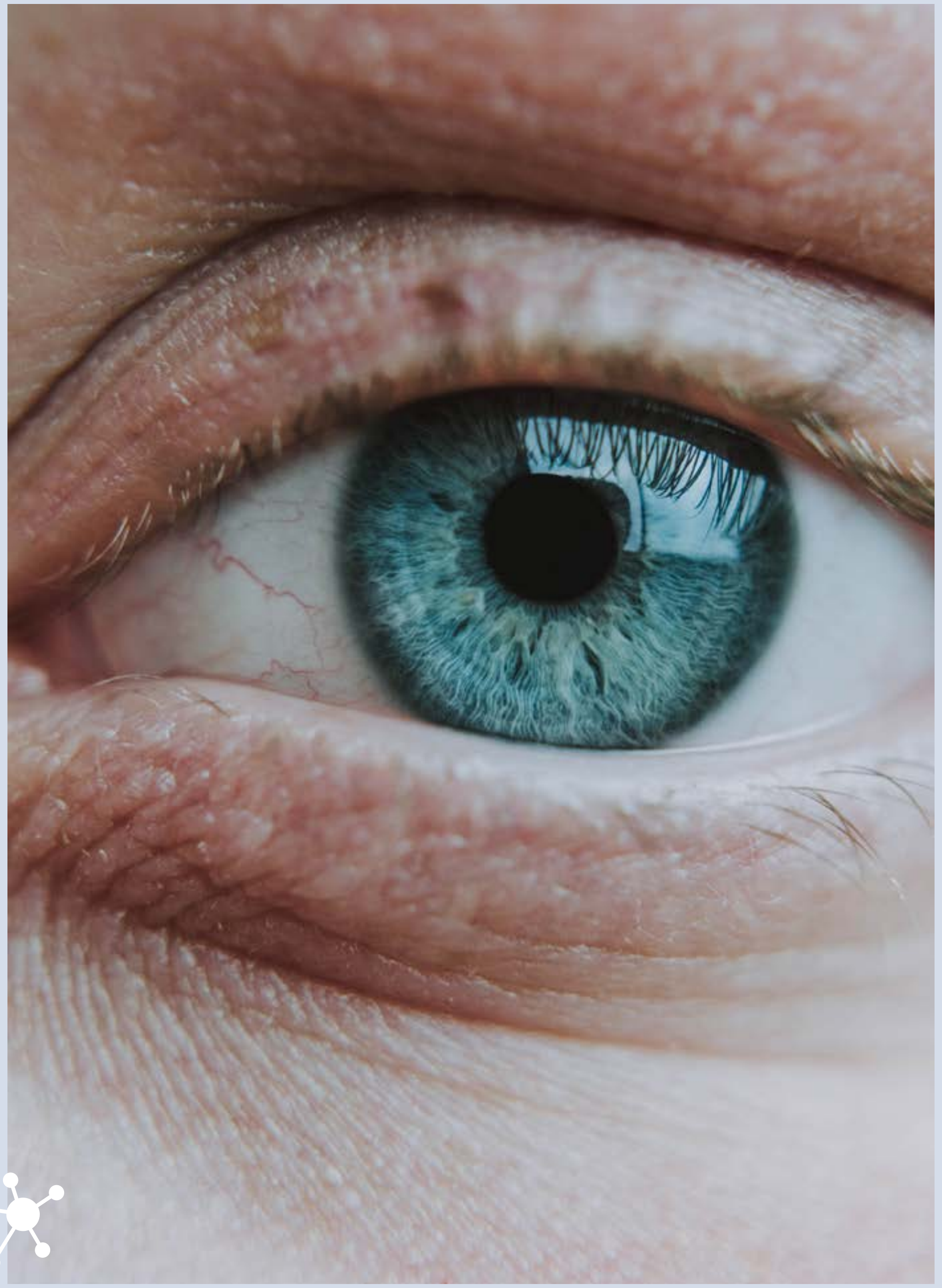
In addition to a focus on impact, in 2023 we continued our emphasis on evaluating larger grants as a means to assess the effects of our support and guide our decisions about funding programs and strategies. An international review of the LEO Foundation Center for Cutaneous Drug Delivery at the University of Copenhagen, Faculty of Health and Medical Sciences, took place in 2023. The review involved a panel of experts from around the world conducting a site visit, which included in-depth interviews with the center's leadership and senior and junior staff, to gain an understanding of the center's operations and achievements.

Outlook – developing our funding portfolio

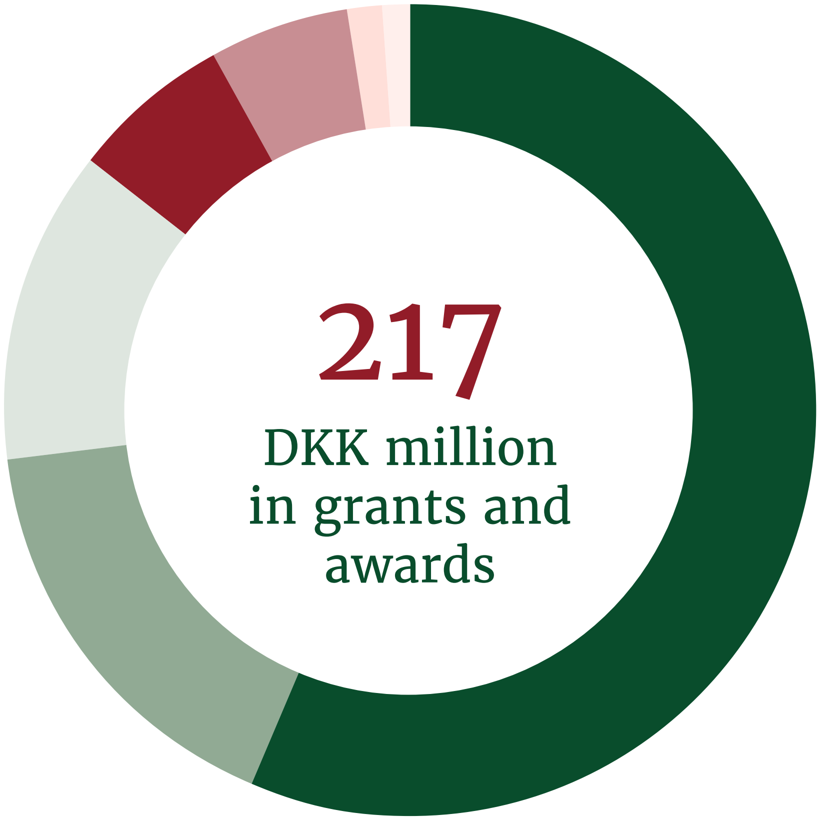
In alignment with our long-term ambitions and our vision of the 2025 grant strategy, we are focused not only on funding the best skin research but also on catalyzing a strong and thriving ecosystem in and around skin and skin disease research. Careers in skin research should be attractive. Research environments should foster creativity, inspire new ideas and create new solutions. Hence, in 2024 we will supplement our existing research funding portfolio with two new programs, which can be applied for in open competition – both with a focus on supporting a strong ecosystem. One program will support scientific networking activities, such as meetings and conferences, within the field of skin and skin disease research. The other program will support talent development and international collaboration by supporting researchers to conduct research visits, either from Denmark to international laboratories or from global skin research communities to Denmark.

Toward 2025, we will continue our ongoing engagement within the two research areas – skin immunology and inflammatory skin diseases, and skin physiology and drug delivery. Additionally, we are introducing a focus on two new areas that may hold the potential to advance cures for skin diseases: advanced therapeutics research and systems medicine in dermatology. In 2024, these two areas will be the scientific topics for the LEO Foundation Dr Abildgaard Fellowships.

In 2024, we expect a grant level for the year of around DKK 275 million.



2023 key figures



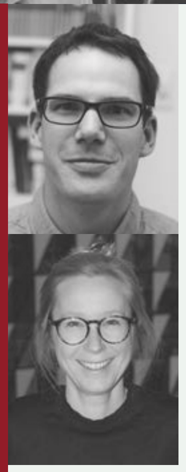
- **37 Research Grants in open competition, DKK 123 million**
- **Three LEO Foundation Dr Abildgaard Fellowships, DKK 36 million**
- **Three standalone grants, DKK 27 million**
- **Four Serendipity Grants, DKK 14 million**
- **13 Education and Awareness Grants, DKK 12 million**
- **Five research networking grants, DKK 3.2 million**
- **Three LEO Foundation Awards, DKK 2.1 million**

194 DKK million in total payout

68 grants and awards in total

247 applications in total

50/50 gender distribution among grantees



Researchers transforming our understanding of the skin and its diseases

In 2023, the LEO Foundation received a total of 148 applications for Research Grants in open competition. A total of 37 applicants were awarded a grant, equivalent to a success rate of 25%.

Fellows 2023

- **Aida Hansen,** Assistent Professor, University of Southern Denmark
- **Terkild Brink Buus,** Assistant Professor at the University of Copenhagen
- **Stine Rønholt,** Assistant Professor at the University of Copenhagen

Three LEO Foundation Dr Abildgaard Fellowships, DKK 36 million

LEO Foundation Dr Abildgaard Fellowships

Generous start package grants for tomorrow's leaders in skin research

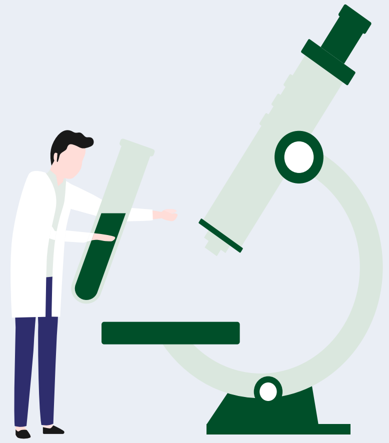
The LEO Foundation Dr Abildgaard Fellowships program, established in 2023, supports early career researchers, both Danish and international, who demonstrate exceptional promise of becoming future skin research leaders and have ambitions to establish or expand an independent research group at a Danish research institution.

These fellowships are a key component of our strategic goal to strengthen the pipeline of excellent skin researchers and to support the investigation of novel and important research questions related to the skin and its diseases. The LEO Foundation Dr Abildgaard Fellowships program is thematic and is announced once a year in open competition. Grants of DKK 12 million are awarded for a five-year period. In 2023, three talented young skin researchers were awarded a LEO Foundation Dr Abildgaard Fellowship:

Aida Hansen, who will relocate to the Department of Molecular Medicine at the University of Southern Denmark as an Assistant Professor, received a fellowship for her research seeking to improve the treatment options for psoriasis patients. Her work focuses on gaining a more detailed understanding of the role that extracellular vesicles play in mediating the cellular cross-talk and driving the inflammatory processes in the disease.

Terkild Brink Buus, an Assistant Professor at the LEO Foundation Skin Immunology Research Center at the University of Copenhagen, received a fellowship for his research building on his combined expertise in complex data analysis and experimental research on aberrant T cells and skin inflammation. He aims to explore how bacteria and their toxins may drive and worsen the inflammatory processes underlying atopic dermatitis.

Stine Rønholt, an Assistant Professor at the LEO Foundation Center for Cutaneous Drug Delivery at the University of Copenhagen, received a fellowship to continue her research focusing on exploring new ways to treat chronic skin diseases, such as eczema, by directly applying drugs to the affected areas of the skin via patches with tiny needles loaded with drugs in so-called ionic liquids, delivering treatment directly into the affected skin, a method that has shown great potential to effectively treat eczema locally.



Serendipity Grants

Finding what you didn’t know you were looking for

In 2023, we introduced the Serendipity Grants, seeking to nurture and support researchers to pursue novel and unexpected, or serendipitous, research ideas and findings. The idea behind these grants is to allow established researchers, regardless of seniority, to remain curious and keep pursuing new research ideas, even if those ideas fall outside the scope of their original project or their recognized areas of expertise.

The new Serendipity Grant program is designed to enable active LEO Foundation grantees and awardees to investigate novel and unexpected ideas or discoveries that have emerged from their ongoing skin research. In 2023, four explorers of ideas originating from unexpected findings were the first researchers to receive Serendipity Grants, worth a total of DKK 14 million.

One of them is Associate Professor **Vasileios Bekiaris** from the Technical University of Denmark (DTU, Denmark), who was awarded DKK 4 million to explore a new research avenue.

Initially, his work focused on the potential of a supposedly anti-inflammatory drug to suppress inflammatory responses in skin diseases like psoriasis, targeting a specific molecule in the immune system’s T cells. However, the outcomes defied expectations: rather than mitigating inflammation, the drug intensified it.

Paradoxically, this unforeseen result opened up new potential value for the drug in cancer treatment, particularly in tumor immunotherapy, which often works better in the presence of inflammation. The Serendipity Grant project will therefore investigate whether this finding can be developed further to help enhance the effectiveness of immunotherapy in conditions such as melanoma.

→ **Four Serendipity Grants, DKK 14 million**

Governance

The LEO Foundation has established a transparent governance model with clearly defined roles and responsibilities.

→

For a full overview of the LEO Foundation's compliance with the Recommendations on foundation governance, please visit leo-foundation.org/governancerecommendations

Click here

As an engaged owner of LEO Pharma and one of Denmark's largest enterprise foundations with substantial philanthropic activities and significant financial investments, the LEO Foundation has considerable impact in Denmark and internationally. Thus, we have an important obligation and responsibility to operate transparently and with high integrity.

Governance recommendations

The LEO Foundation is committed to being transparent and responsible in all our actions, and we fully support and comply with all the recommendations issued by the Danish Committee on Foundation Governance.

Board of Trustees

The LEO Foundation is governed by a Board of Trustees in collaboration with the management team. The Board of Trustees consists of 11 members. Seven members are appointed in accordance with the Foundation's charter, while four are elected by LEO Pharma employees in accordance with applicable laws.

The composition of the Board reflects the qualifications and skills necessary for the LEO Foundation to fulfill the objectives specified in our charter.

The members of the LEO Foundation's Board of Trustees also make up the Board of Directors of LEO Holding A/S.

Matters related to overall strategies and the LEO Foundation's grant activities are handled by the Board of Trustees of the LEO Foundation, while matters related to investments and our engaged ownership of LEO Pharma are handled by the Board of Directors of LEO Holding A/S. Both boards meet at least four times a year and, in addition, hold an annual seminar to discuss and review strategies.

The Board has set up two permanent board committees: a Grant Committee (as part of the LEO Foundation) and an Investment Committee (as part of LEO Holding). Both committees meet at regular intervals. In addition, ad hoc committees are established when deemed relevant, to handle specific matters.

Grant governance

The LEO Foundation has established a working procedure and an approval process based on accepted international standards, to ensure that all grant applications are thoroughly reviewed.

Governance structure

LEO Foundation
Board of Trustees
<>
LEO Holding
Board of Directors

Grant Committee

Investment Committee

Management team

Philanthropy
Grants and awards

Engaged ownership

Investments

The Grant Committee supervises all grant and award activities and advises the Board on relevant matters, including grant strategies and policies. The Grant Committee also ensures that all grant and award applications undergo rigorous assessment to verify alignment with the LEO Foundation's objectives for its philanthropic activities. This includes evaluation of applications by panels of external experts from research institutions around the world who, among other things, assess the scientific topic, the proposed research and the applicant's qualifications.

Committees and panel members must be impartial and comply with the LEO Foundation's conflict of interest policy.

The Board makes the final decision on all grants and awards based on recommendations from the external review panels and the Grant Committee.

The principles of freedom and independence of research underpin all parts of our grant strategy, as does the expectation that results and insights from research projects and other projects in receipt of grants from the Foundation should be shared with as many people as possible. Researchers have full publishing freedom, and the research results based on a Foundation grant belong to the researchers and the public research institutions.

Investment governance

The Investment Committee advises the Board on matters relating to investments and asset management. It prepares and recommends investment strategies and policies to the Board, and ensures their implementation in cooperation with the management team.

The Investment Committee also monitors and reviews relevant internal controls, risk management and governance models. The Board maintains overall responsibility for the investments.

Engaged ownership of LEO Pharma

The LEO Foundation's main objective is to ensure the long-term continuation and success of LEO Pharma. As the controlling shareholder of LEO Pharma, we exercise engaged ownership by electing highly qualified professionals to the Board of Directors of LEO Pharma and by means of regular interaction with the company's chairmanship, Executive Management and minority co-shareholder Nordic Capital.

LEO Pharma issues monthly reports on the progress and performance of the business, followed by status meetings with shareholders. In addition, an annual Capital Markets Day is held, at which the strategic progress is reviewed and discussed.

The LEO Foundation has two seats on the company's Board of Directors with direct representation. These seats are currently held by LEO Foundation CEO Peter Haahr and board member Lars Green.

For more information about LEO Pharma's governance, please refer to the LEO Pharma Annual Report.

Click here

Our engaged ownership is based on three main principles that guide our actions and behavior:

Dedicated

We take a long-term strategic view of the business and are strongly committed to ensuring the successful development of LEO Pharma.

- We facilitate and contribute to constructive shareholder interactions, to ensure alignment on the long-term strategic direction of the company.
- We assess, challenge and support the company's strategic development and performance.

Responsible

We want to make a sustained difference, and consider sustainability and integrity prerequisites for LEO Pharma's long-term success.

- We uphold and protect the company's fundamental values and promote a culture of integrity and positive corporate behavior.
- We work to promote responsible business practices throughout the company.

Ambitious

We set the bar high and support LEO Pharma in reaching its full potential and advancing the standards of care for patients around the world.

- We encourage the company to be at the forefront of scientific discovery and drive continuous innovation.
- We work to ensure a strong focus on competitive operations and financial performance.

Board of Trustees

Lars Olsen

Chairman

Born 1965 / M

Doctor of Medicine, MBA

Elected in 2015 (re-elected 2023, end of term 2025)

Background

- Executive Vice President, Global Sales & Marketing, LEO Pharma
- Executive Vice President, Research & Development, LEO Pharma

Additional positions

- Chair of the Board and member of the Investment Committee, LEO Holding A/S
- Appointed by authorities: No
- Considered independent: No

Competencies

Pharma, general management, R&D, sales and marketing

Eivind Kolding

Vice Chairman

Born 1959 / M

Master of Law, Advanced Management Program

Elected in 2017 (re-elected 2023, end of term 2025)

Background

- CEO, Novo A/S
- CEO, Danske Bank A/S
- Group CFO, later CEO, A.P. Møller - Mærsk A/S
- Lawyer, Bornstein & Grønborg

Additional positions

- Vice Chair of the Board and member of the Investment Committee, LEO Holding A/S
- Chair of the boards of DAFA Group A/S, Danish Ship Finance, Kunstforeningen Gammel Strand, MFT Energy A/S, NTG Nordic Transport Group A/S
- Member of the boards of NNIT A/S, Altor Fund Manager AB, Axcelfuture (Advisory Board)

Appointed by authorities: No

Considered independent: Yes

Competencies

General management, finance, law

Allan Carsten Dahl

Board member

Born 1967 / M

Principal Professional, LEO Pharma A/S, Master of Science (Chemistry), PhD

Elected in 2015 (re-elected 2022, end of term 2026)

Background

- Development Chemist, PharmaZell Denmark A/S
- Development Chemist, GEA Pharmaceutical A/S
- Development Chemist, H. Lundbeck A/S
- Research and Development Chemist, Niels Clauson-Kaas A/S

Additional positions

- Employee-elected member of the Board, LEO Holding A/S
- Appointed by authorities: No
- Considered independent: No

Employee-elected

Elected by the employees of LEO Pharma

Anja Boisen

Board member

Born 1967 / F

Professor, DTU Health Technology, Director of the IDUN Center of Excellence, Master of Science (Physics), PhD, Executive Program

Elected in 2019 (re-elected 2023, end of term 2025)

Background

- Director, NAMEC II – a VKR Center of Excellence
- Development Engineer, Cantion A/S
- Associate Professor, DTU

Additional positions

- Member of the Board, LEO Holding A/S
- Member of the Grant Committee, LEO Foundation
- Member of the boards of Heliac, Lightnovo ApS, Villum Fonden
- Member of the Royal Danish Academy of Sciences and Letters

Appointed by authorities: No

Considered independent: Yes

Competencies

Research, general management, innovation, fundraising

Cristina Lage

Board member

Born 1954 / F

Master of Science (Business)

Elected in 2016 (re-elected 2023, end of term 2025)

Background

- CEO, Unipension A/S
- CEO, Nordea Invest A/S
- CEO, Nordea Liv og Pension A/S
- Secretary General, Social Liberal Party
- CEO, TV2/Danmark A/S
- CEO, Louisiana Museum of Modern Art
- CFO, ISS Scandinavia A/S

Additional positions

- Member of the Board and Chair of the Investment Committee, LEO Holding A/S
- Member of the Board and Audit Committee, C.W. Obel A/S
- Member of the boards of Topdanmark A/S, Det Obelske Familiefond, C.L. Davids Fond, OK-Fonden (Vice Chairman)

Appointed by authorities: No

Considered independent: Yes

Competencies

General and change management, investment and asset management, financial risk management

For further information about the Board of Trustees

Click here

No members of the Board own shares, options, warrants or similar in the Foundation's subsidiaries and/or associates.

Franck Maréno

Board member

Born 1977 / M

Principal Technician, LEO Pharma A/S, AP Graduate Laboratory and Biotechnology "Technonome"

Elected in 2021 (re-elected 2022, end of term 2026)

Background

- Principal Technician, LEO Pharma New Fucidin API Production
- Operator, Ferring Pharmaceuticals
- Union Representative, Ferring Pharmaceuticals
- Technician, Cederroth Paramedical
- Technician, LEO Pharma Fucidin API Purification

Additional positions

- Employee-elected member of the boards of LEO Holding A/S, LEO Pharma A/S

Appointed by authorities: No

Considered independent: No

Employee-elected

Elected by the employees of LEO Pharma

Jannie Kogsbøll

Board member

Born 1962 / F

Operator, LEO Pharma A/S, Higher Commercial Examination

Elected in 1998 (re-elected 2022, end of term 2026)

Background

- F Group A/S (Fona)

Additional positions

- Employee-elected member of the boards of LEO Holding A/S, LEO Pharma A/S

Appointed by authorities: No

Considered independent: No

Employee-elected

Elected by the employees of LEO Pharma

Karin Jexner Hamberg

Board member

Born 1961 / F

Chief Medical Officer, Senior Vice President, Global Patient Safety, H. Lundbeck A/S, Doctor of Medicine

Elected in 2019 (re-elected 2023, end of term 2025)

Background

- Vice President, Medical Affairs & Clinical Development Centers, H. Lundbeck A/S
- Vice President, Clinical Study Execution, H. Lundbeck A/S
- Executive Vice President, CMO, Lifecycle Pharma (now Veloxis), Hørsholm, Denmark & New York City, USA
- Vice President, Development, LEO Pharma
- Director, R&D Project Management, LEO Pharma

Additional positions

- Member of the Board, LEO Holding A/S
- Member of the Grant Committee, LEO Foundation
- Member of the European College of Neuropsychopharmacology, International Society for CNS Clinical Trials
- Chair, Main Consortium, Business Lighthouse Mental Health

Appointed by authorities: No

Considered independent: Yes

Competencies

Strategic R&D management

Lars Green

Board member

Born 1967 / M

Master of Science (Business), PED, IMD

Elected in 2020 (re-elected 2023, end of term 2025)

Background

- CFO and Executive Vice President, Novozymes A/S
- Executive Vice President, Business Services & Compliance, Novo Nordisk A/S
- Senior Vice President, Finance and Operations, Novo Nordisk Inc., NJ, USA
- Senior Vice President, Corporate Finance, Novo Nordisk A/S
- Director of Finance & IT, Novo Nordisk Pharma Ltd., Tokyo, Japan

Additional positions

- Member of the Board, LEO Holding A/S
- Member of the Board and the Audit Committee, LEO Pharma A/S
- Member of the Board, the Danish Committee on Corporate Governance

Appointed by authorities: No

Considered independent: Yes

Competencies

Pharma, finance, general management, corporate governance

Lotte Hjortshøj

Board member

Born 1971 / F

Executive Assistant, LEO Pharma A/S, Diploma Graduate

Elected in 2018 (re-elected 2022, end of term 2026)

Background

- Personal Assistant, LEO Pharma
- Head of HR Administration, LEO Pharma
- HR Coordinator, LEO Pharma
- Project Manager, LEO Pharma

Additional positions

- Employee-elected member of the Board, LEO Holding A/S

Appointed by authorities: No

Considered independent: No

Employee-elected

Elected by the employees of LEO Pharma

Peter Schwarz

Board member

Born 1959 / M

Professor-in-chair, Medical Doctor, Doctor of Medical Science (Dr.med.); Specialist in Endocrinology, Medicine and Clinical Biochemistry; Head of Research, Department of Endocrinology, Rigshospitalet

Elected in 2017 (re-elected 2023, end of term 2025)

Background

- Research Fellow, Harvard Medical School
- Head of Department, Hvidovre Hospital
- Professor, Rigshospitalet-Glostrup Hospital

Additional positions

- Member of the Board, LEO Holding A/S
- Chair of the Grant Committee, LEO Foundation

Appointed by authorities: No

Considered independent: Yes

Competencies

Basic and clinical research, general management, fundraising

No members of the Board own shares, options, warrants or similar in the Foundation's subsidiaries and/or associates.

Staff at the Foundation

Peter Haahr
CEO

Anne-Marie Engel
Chief Scientific Officer

Anton Kieler Saietz
Senior Associate

The LEO Foundation organization comprises a dedicated team of highly competent specialists.

Lars Kruse
Senior Scientific Officer

Lars Thørs
Senior Investment Director

Line Elkjær Christiansen
Student Assistant

Morten S. Christensen
Chief Investment Officer

Nicholas Skirl
Communication Coordinator

Pernille Mørch-Sørensen
Management Assistant

Peter Kjeldsen Hansen
Director, Legal and Business Development

Signe Krabek
Head of Communication and Public Affairs

Signe Rømer Holm
Scientific Officer

Stine Wolf Larsen
Finance Manager

←

For further information about the Foundation team

Click here

Photo: LEO Pharma

Learn more about the history of LEO

Click here

LEO Historical Archives and Museum

The old porter's building at LEO Pharma's headquarters is home to the LEO Historical Archives and Museum, which is run by the LEO Foundation. The LEO Museum gives LEO employees and stakeholders alike the opportunity to delve into the history of LEO Pharma – from the back rooms of the original "Løveapoteket" pharmacy (Lion Pharmacy) in central Copenhagen, to the present day and LEO Pharma's latest endeavors.

Sophie Seebach
Head of LEO Historical Archives and Museum

Arne Mandøe
Senior Historian

Berit Glasser Heede
Historian

Mie Holmstrøm Jørgensen
Student Assistant

Drive sustainable development

Sustainability – advancing our contribution

We pave the way for curing skin diseases by driving and promoting sustainable and responsible practices across our operations.

At the LEO Foundation, we continue to develop our work on sustainability through our ambitions toward 2030, which make sustainability one of four key strategic priorities.

We took an important step in 2023 by establishing and articulating a clear approach to sustainability across all our activities – from commercial to philanthropic. This included an initial materiality assessment mapping the most impactful sustainability issues for the LEO Foundation.

Based on this, we identified four key sustainability themes. Our most significant contribution to sustainable development, closely aligned with our charter, purpose and ambitions, is **improving the health** and lives of people living with skin diseases. At the same time, we aim to contribute to sustainable development by taking responsibility for good environmental, social and governance (ESG) practices, represented by exercising **good governance,** promoting **diversity and inclusion,** and encouraging **climate transition.**

Along with our Code of Conduct – which includes principles on human rights, environment and climate, anti-corruption and bribery, and social and employee matters – these four themes guide our sustainability work, commitments and reporting, while also setting priorities for and enhancing our sustainability risk management processes.

IMPROVING HEALTH

Our purpose of paving the way for curing skin diseases is a testament to our dedication to improving health for the hundreds of millions of people living with skin diseases globally. As an enterprise foundation, we have the privilege

For more information on how the LEO Foundation works to create impact within the four key sustainability themes, including commitments toward 2025, please refer to the LEO Foundation's website.

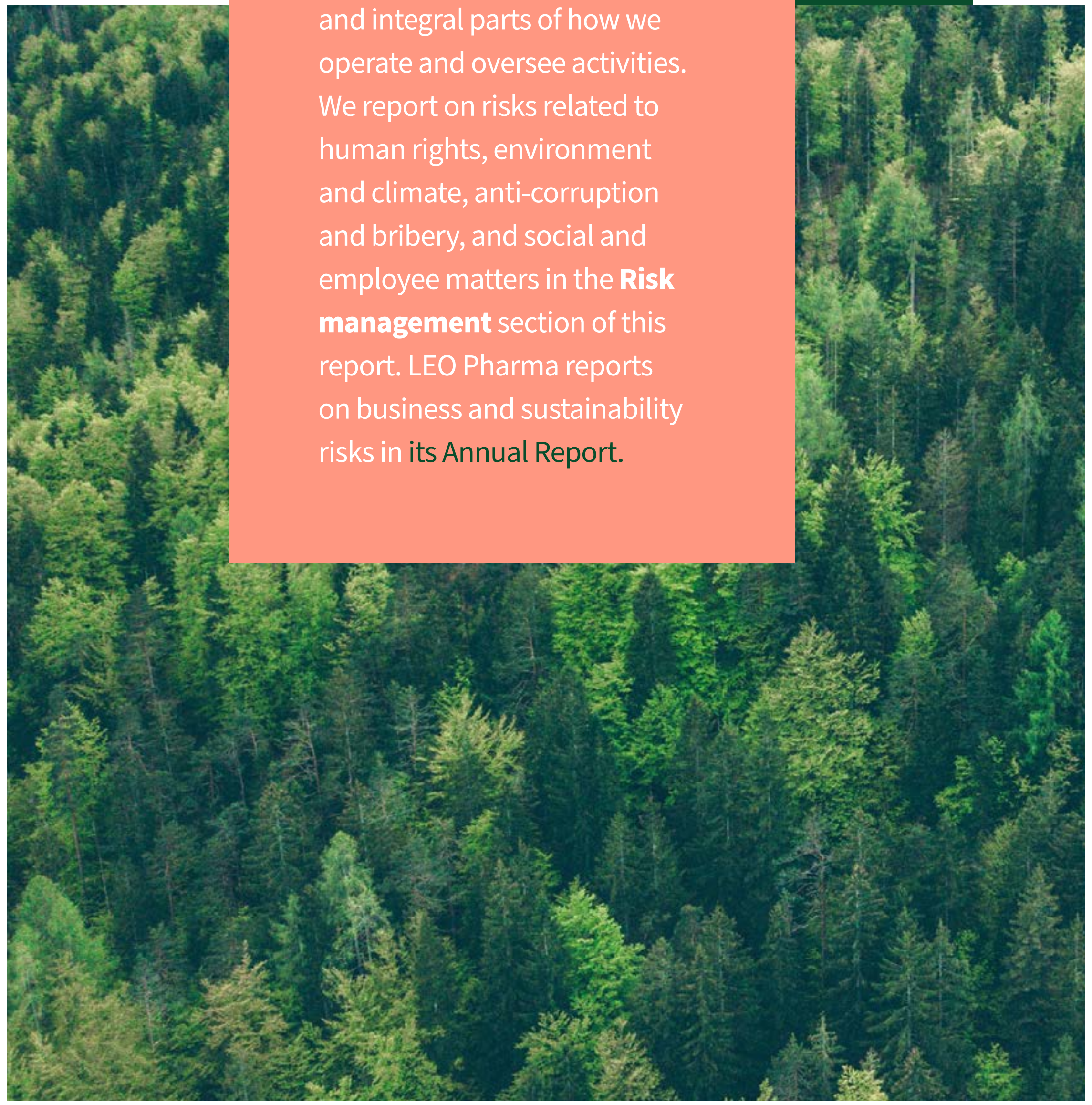
Click here

For information on LEO Pharma's approach to sustainability, please refer to the company's website and Annual Report.

Approach to sustainablity

Managing sustainability risks

We consider risk identification and management important and integral parts of how we operate and oversee activities. We report on risks related to human rights, environment and climate, anti-corruption and bribery, and social and employee matters in the **Risk management** section of this report. LEO Pharma reports on business and sustainability risks in its Annual Report.



of being able to combine our philanthropic and commercial activities to drive change.

Through philanthropic grants, we catalyze outstanding research that pioneers new discoveries. In 2023, we topped a total of DKK 1 billion in philanthropic grants over the past decade directed to independent skin research at universities and hospitals worldwide, and to education and awareness activities that strengthen the pipeline of future researchers.

Through our engaged majority ownership of LEO Pharma, we are proud to play a role in meeting the medical needs of millions of patients who rely on LEO Pharma to make innovative treatments available. In 2023, LEO Pharma delivered health care services and treatments to more than 95 million patients worldwide, across 88 countries.

EXERCISING GOOD GOVERNANCE

We consider strong governance, ethical behavior and transparency to be fundamental for our long-term success.

We fully comply with the Recommendations on foundation governance; have a whistleblower scheme in place; have developed a set of key tax principles; are a signatory to the Danish Tax Code of Conduct; have an ESG policy for our investment activities; and have implemented a set of principles for engaged ownership of LEO Pharma reflecting our commitment to promoting good governance, transparency and sustainability throughout the company.

LEO Foundation Code of Conduct

We have developed a dedicated Code of Conduct to ensure high ethical standards throughout our organization and among our key stakeholders. It presents 10 guiding principles for ethical behavior in such critical areas as human rights, environment and climate, anti-corruption and bribery, and social and employee matters.

The Code of Conduct underlines, among other things, that we support and respect human rights, including the elimination of any type of child or forced labor, and that we do not tolerate any form of corruption, money laundering, bribery, extortion, embezzlement or improper gifts given to unduly influence business decisions. We consider human rights to be one of the most important topics in terms of our own operations, along with ensuring a safe working environment and protecting personal data. Anti-corruption has been and remains a critical element of our operations, which we have also incorporated into our business and financial processes, and in relation to which we have not identified any issues. Furthermore, the Code of Conduct includes expectations of us and our partners in terms of good environmental behavior. Despite the Foundation's internal operations having a limited footprint, we consciously consider our behavior and strive to operate in an environmentally responsible and efficient manner, for example by incorporating climate considerations into procurement processes.

Throughout 2023, we continued the implementation of our Code of Conduct, both internally and with external stakeholders, and our grants and awards recipients were made subject to the recipients' acknowledgment of our Code of Conduct.

ESG policy and screening

Since adopting an ESG policy for our investment activities in 2018, aligned with the UN Global Compact's Ten Principles on human rights, labor, environment and anti-corruption, responsible investing has been central to our investment strategy.

As per our investment strategy, we do not engage in direct company investments but instead allocate capital through index funds or manager mandates. Our implementation model includes a requirement for managers to invest in accordance with our ESG policy, while keeping a balanced risk profile, and to actively engage with companies on critical issues. Each of our asset managers reports on material challenges related to the UN Global Company's Ten Principles, contributing to the annual ESG reporting to our Board. No breaches of the ESG policy were reported in the yearly reporting from external managers in 2023.

During 2023, we continued to integrate ESG factors into our investment management. By the end of the year, close to two-thirds of our financial assets were subject to standardized ESG screens, while the entire financial portfolio was in alignment with our ESG policy.

Data ethics

We comply with applicable legal requirements, are transparent about the purposes and interests behind our data-processing activities, and treat data with respect for the data owners, i.e., our grantees, business partners and employees. Although we do not currently have a separate data ethics policy, we have implemented several policies and initiatives that ensure responsible and ethical data handling. These include our Privacy and cookie policy, our Guide to reporting requirements and usage of data in Researchfish and the Whistleblower hotline.

PROMOTING DIVERSITY AND INCLUSION

Diversity of talent, equitable practices and an inclusive culture are key contributors to an engaged workplace, providing the basis to achieve our ambitions.

Creating a healthy workplace

During 2023, we finished the development of our employee handbook, which is available to all employees and a manifestation of our focus on employee matters. It provides practical guidance and rules on various relevant topics such as workplace environment and professional development.

In 2023, we also conducted an employee survey. Notably, the survey achieved full participation, with 100% employee engagement, and a high level of employee satisfaction. In response to the insights gained, we made efforts over the year to enhance various aspects of our work environment. For instance, we welcomed the expertise of an occupational therapist and redesigned a dedicated office space specifically for breaks. Additionally, through a series of workshops, we delved into both the individual and collective facets of cultivating sustainable work lives.

Gender diversity

The Board strives to maintain an equal gender balance (40%/60%) among its charter-appointed members. The current composition places the Board within the desired range. With fewer than 50 employees, the LEO Foundation is not required to establish a policy on diversity, or report here on other management levels, but we uphold a commitment to report on gender diversity. We aim for an equal balance between genders and, currently, the composition of our management team aligns with this target.

Gender balance in science

Where our philanthropic activities are concerned, we continued to monitor gender diversity in 2023, on review panels and committees and among grantees, as well as in our funding practices. This year, we specifically worked to eliminate gender-biased wording in our calls for applications. We monitor and compare the gender distribution of both applicants and grant recipients, and report this to the Board. In 2023, the gender distribution among grant recipients was evenly split, with 50% female and 50% male grantees, based on 47% female and 53% male applicants.

Moreover, we decided to allow grant applicants to subtract twice the period of their parental leave – instead of just once – from their PhD age for funding programs targeting young researchers. This change aligns our funding practice with those of other public and private Danish research foundations, furthering our commitment to support inclusive research environments and equitable career paths in research.

ENCOURAGING CLIMATE TRANSITION

Climate is a topic of growing importance across our activities and one that we consider particularly important to address in relation to LEO Pharma and our financial investments, which together comprise the vast majority of the LEO Group's business activities.

Minimizing negative environmental impacts

As an engaged owner of LEO Pharma, we expect the company to align with the UN Paris Climate Agreement. In 2023, the company continued to progress toward its climate targets, which were validated by the Science Based Targets initiative in 2022. By optimizing energy efficiency through multiple initiatives, LEO Pharma reduced its Scope 1 and 2 CO_2e emissions by 39% compared to the 2019 baseline, and the share of suppliers (Scope 3) committed to reducing their climate impact increased to 83%.

Gender diversity – LEO Foundation

Overview	2021	2022	2023
Board level			
Number of charter-appointed members	7	7	7
Underrepresented gender (%)	43	43	43
Target (%)	40	40	40
Year for achieving the target	Target reached	Target reached	Target reached
Management level			
Number of members	5	5	5
Underrepresented gender (%)	40	40	40
Target (%)	40	40	40
Year for achieving the target	Target reached	Target reached	Target reached

LEO Pharma has defined targets for gender diversity at Board and management level and reports on targets, as well as on policies concerning gender diversity, in the company's Annual Report.

Investing for climate transition

In relation to our investment activities, a key initiative in 2023 was aligning our passive listed equity portfolio in developed and emerging markets with the EU's Climate Transition Benchmark. This benchmark calls for an aligned portfolio to have at least a 30% lower CO_2 footprint, compared to the relevant parent benchmark, and a 7% year-on-year reduction of CO_2 emissions. In combination with this, a norm-based ESG screen is conducted on the portfolio to select the companies with the highest ESG profile given some risk constraints. With this change implemented, approximately three-quarters of our listed equity portfolio is aligned with climate transition objectives.

Future expectations

The successful implementation of sustainable and responsible practices across our operations is key to our ambitions toward 2030 (please refer to p. 7). Hence, in 2024 and beyond, we will continue to focus on how we develop our business and activities respecting the principles for ethical behavior outlined in our Code of Conduct – and with a focus on our four prioritized sustainability themes: improving health, exercising good governance, promoting diversity and inclusion, and encouraging climate transition.

A key focus in 2024 and beyond will be preparing to report under the forthcoming EU Corporate Sustainability Reporting Directive (CSRD). Another initiative includes implementing a formalized policy on diversity and inclusion across our activities alongside maintaining the high level of employee satisfaction. Additionally, we will advance the ESG focus in our investment activities by introducing new ESG reporting to the Board and by embedding climate-related investments in sourcing.

This section, along with the risk management sections of the Annual Report, covers the statutory disclosures on corporate social responsibility as required by the ***Danish Financial Statements Act.*** *Reporting on sections* ***99a*** *can be found on pages 27-30 and 31-33* ***99b*** *on page 29 and* ***99d*** *on page 29.*

Risk management

Risk management is an integral part of how the LEO Foundation works, allowing us to appropriately manage and mitigate risks and respond to changing circumstances.

The LEO Foundation's main risks relate to value generation and operational risks at LEO Pharma, as well as the management of the Foundation's financial assets and, to a lesser extent, of the Foundation's philanthropic activities.

In 2023, the LEO Foundation further refined the Enterprise Risk Management (ERM) process, which is aimed at identifying relevant risks across the Foundation's activities and consolidating them into one common risk management program.

The purpose of the ERM process is to ensure that the Foundation is well prepared to respond to changing circumstances, with the objective of ensuring that sufficient capital is always available to withstand a severe crisis, including a convergence of several high-impact risk events.

A comprehensive ERM process is conducted annually, presenting the Board with specific identified individual risks and mitigations as well as an overall assessment of the risks related to the LEO Foundation's activities. Alongside this, a worst-case risk scenario is presented and discussed as a means of identifying mitigations for such a low-likelihood but high-consequence risk scenario.

Risks related to the Foundation

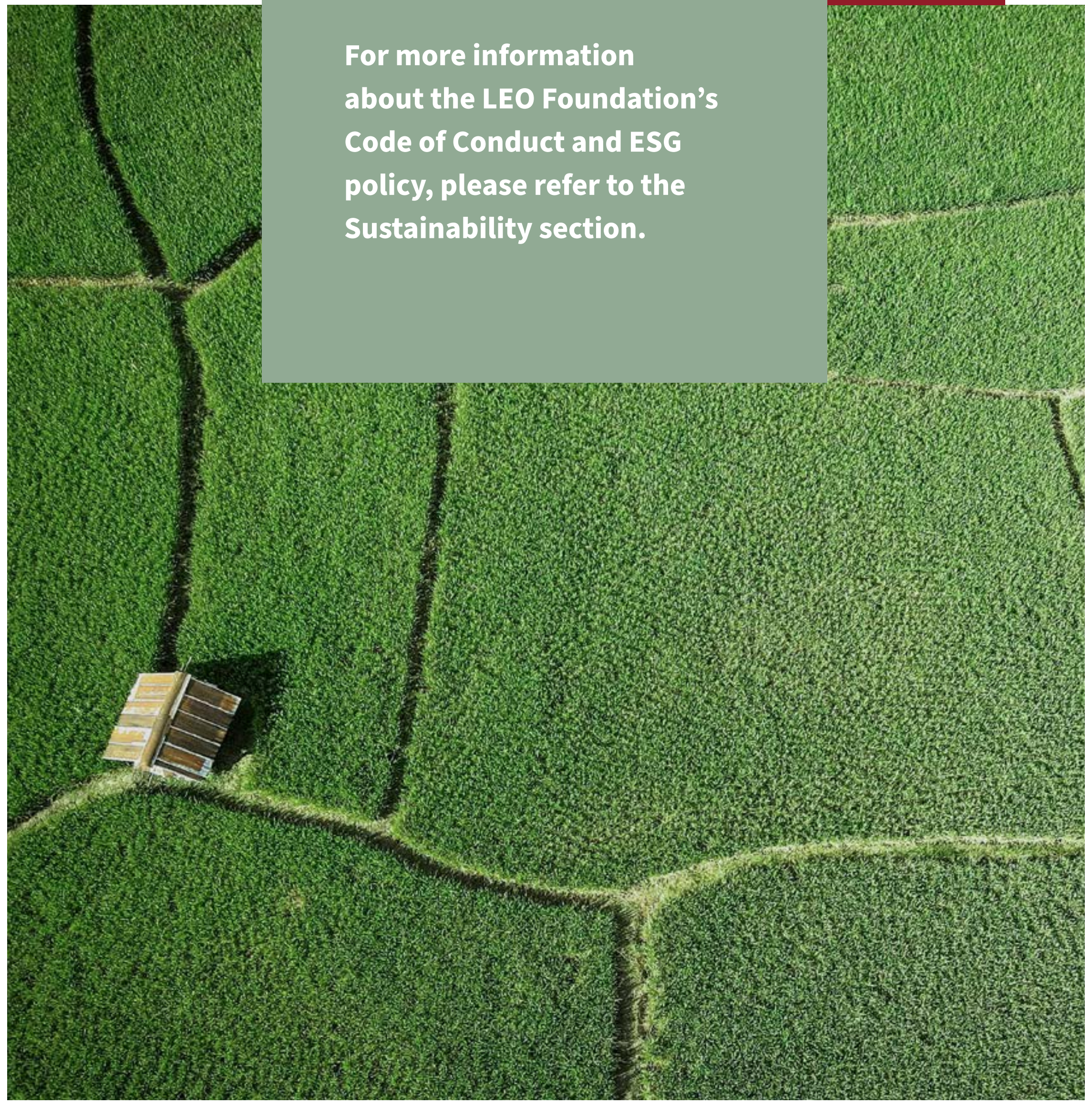
Risk management is an integral part of how we manage our financial portfolio, both from a strategic and an operational perspective.

During 2023, we continued implementation of the Foundation's financial plan toward 2025, which was developed in 2022 and includes defined long-term strategic risk tolerances for

For more information about risks at LEO Pharma, please refer to the LEO Pharma Annual Report

Click here

For more information about the LEO Foundation's Code of Conduct and ESG policy, please refer to the Sustainability section.



the management of the financial portfolio. More specifically, capital is allocated with a view to 1) a maximum loss on the financial portfolio in exceptionally negative market conditions, 2) the ability to grow the capital available for philanthropic activities and, most importantly, 3) ensuring that the Foundation is able to liquidate assets, at any given time, without incurring losses from forced disposals, at a defined value based on the worst-case risk scenario developed as part of the ERM process in addition to committed grant payout obligations.

The financial portfolio is managed according to the Investment Policy, which is reviewed and approved annually by the Board. The Investment Policy sets out the strategic asset allocation and the boundaries for each asset class within which tactical asset allocation positions can be taken.

Furthermore, the Investment Policy sets limits on counterparty risk, overall interest rate risk and the liquidity of the financial portfolio. Currency risk is hedged for all fixed-income exposure, while equity investments have full currency exposure but with the option of hedging.

All asset classes, external managers and external investment funds are approved by the Board's Investment Committee prior to any investments. Compliance with the Investment Policy is verified by the finance department, and investment results are documented in reports to the Investment Committee and the CEO.

Each week, a portfolio performance report is prepared by the Chief Investment Officer and distributed to the CEO and the Chair of the Investment Committee, followed by a meeting between the CEO and the investment team. A monthly report is issued to the Investment Committee, and an investment update is presented to the full Board by the Chief Investment Officer at all regular Board meetings. Furthermore, at each Board meeting the Board is presented with an updated analysis of risk measures related to the strategically set risk tolerance levels of the financial portfolio.

In relation to ESG, the investment team reviews the external investment managers as an integrated part of the investment process. All investment managers report annually on ESG factors and matters, including, where relevant, exited investments, engagement with companies and ESG Committee issues.

In addition to risks associated with the financial portfolio, the Foundation is subject to a number of other risks of a more generic nature, including risks related to the Foundation's philanthropic activities as well as political and reputational risks. These are assessed and mitigated through the implementation of policies and procedures and an annual assessment of specific identified risks conducted as part of the ERM process. To support this, a dedicated LEO Foundation Code of Conduct was implemented in 2022.

Risks related to LEO Pharma

Business and financial risks associated with operations are managed by LEO Pharma, which has defined risk management policies and implemented an ERM program to enable structured, methodical and effective management of key risks across its value chain.

In 2023, LEO Pharma further anchored the ERM program and processes, and strengthened the assessment methodology and tools. The Global Leadership Team and the Audit Committee held dedicated sessions to discuss implementation of the ERM program and its continued refinement.

A dedicated team of enterprise risk specialists manage LEO Pharma's ERM program in close collaboration with business units across the company's global value chain. By identifying, quantifying, evaluating and monitoring top risks across LEO Pharma, the ERM program is anchored across the organization.

The Board of Directors of LEO Pharma has overall responsibility for the company's enterprise risk management, with oversight of the ERM program delegated to its Audit Committee.

A separate risk report containing the identified key enterprise risks relevant to LEO Pharma's strategic ambitions, including high-level scenarios and the main risk-mitigating activities for each key risk, is provided at least annually to the company's Board of Directors as well as to the Foundation.

Identifying and managing business and sustainability risks

We consider risk identification and management important and integral parts of how we operate and oversee activities in the LEO Foundation. To this end, we have implemented the LEO Foundation Code of Conduct as a key mitigating action. Additionally, we have established a comprehensive Enterprise Risk Management (ERM) process, which is described separately in the section above.

At the same time, as a relatively small organization, we often observe that the most significant risks relate to the global operations of LEO Pharma, where an ERM program is in place to manage key risks across the global value chain. LEO Pharma reports on business and sustainability risks in its Annual Report.

In addition to risks concerning LEO Pharma, we identify and manage risks related to our own operations, grant activities and investment activities. The following risks and mitigations focus on actions within the direct control of the LEO Foundation.

Business risk area	Key risks	Mitigating actions
Operational Incl. financial processes and IT security	• Breaches of processes or IT security could lead to loss of capital and disruption of our business. • Unauthorized access to systems and data could impact confidentiality, integrity and availability of systems and data.	• Our Code of Conduct and dedicated financial policies and processes with annual external assessment. • IT policy (including security practices and requirements). • Systems and operations outsourced to a professional third party with solid firewalls and backup systems.
Financial Incl. capital market downturn	• A significant capital market downturn could have a sizeable negative impact on our ability to support LEO Pharma and carry out grant activities. • Changes in rules and regulations set by regulatory authorities may change the ambitions and operations set for the Foundation.	• Long-term investment strategy sustainable through investment cycles, complemented by monitoring of specific risk measures to be able to promptly respond to market developments. • Key processes and policies developed to ensure compliance with laws and regulations, complemented by participation in industry associations and networks to monitor the regulatory environment.
Reputational Incl. third-party compliance and leak of confidential information	• Undesired behavior by grantees, managers of companies in our financial portfolio, employees or other stakeholders could impact our reputation. • Leak of confidential information could impact our businesses negatively.	• Our Code of Conduct, Employee handbook, and an open and honest culture. • Grants are subject to a set of general terms and conditions governing the use of awarded research grants. • Due diligence on investment activities includes attention to the ethics of the asset managers, as reflected in our ESG policy. • Employees undertake a duty of confidentiality in connection with employment and must adhere to e.g., our IT policy and Code of Conduct.

Sustainability risk area	Key risks	Mitigating actions
Environment Incl. climate, pollution and circularity	• Our own environmental footprint, although minimal, impacts the environment. • Footprint of grant activities and of the financial portfolio.	• Our own footprint is managed through our daily awareness of the need to reduce negative impacts. • Grant activities are required to adhere to regulations and encouraged to reduce/reuse/recycle. • Investments are managed through the ESG policy.
Social Incl. employee matters and human rights	• Not being able to attract and retain the right talent. • Failing to ensure diversity and inclusion, or tolerating discrimination in our own operations and grant activities. • Failing to ensure adequate data privacy and protection in our own operations and grant activities. • Violations of human rights by managers of companies in our financial portfolio.	• Benchmarking remuneration and flexible workplace conditions as part of attracting and retaining employees. • Our Code of Conduct, IT and data privacy policies, Employee handbook, and an open and honest culture. • Grants and awards are made subject to the recipients' acknowledgement of our Code of Conduct. • Investments are managed through the ESG policy.
Governance Incl. anti-corruption, fraud and competitive practices	• Bribery or kickbacks for personal gain in our own operations and grant activities. • Misuse of grant funds, e.g. in the form of embezzlement, theft, or false claims and statements. • Corrupt behavior by managers of companies in our financial portfolio.	• Our Code of Conduct, financial controls, and an open and honest culture. • Grants and awards are made subject to the recipients' acknowledgement of our Code of Conduct. • Investments are managed through the ESG policy.

LEO GROUP

Consolidated Financial Statements

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Photo: LEO Foundation Skin Immunology Research Center. C.F. Møller Architects / Adam Mørk

Income statement

JANUARY 1 - DECEMBER 31			
(DKK million)	Note	**2023**	**2022**
Revenue	2	11,392	10,641
Cost of sales	3, 10, 13	(4,281)	(4,358)
Gross profit		**7,111**	**6,283**
Sales and distribution costs	3, 9, 10	(4,902)	(4,762)
Research and development costs	3, 9, 10	(1,874)	(2,485)
Administrative costs	3, 4, 9, 10, 11,18	(2,123)	(2,446)
Other operating income	5	58	73
Other operating expenses	5	(17)	(13)
Operating profit/(loss)		**(1,747)**	**(3,351)**
Financial income	7	1,881	389
Financial expenses	7	(1,209)	(2,590)
Profit/(loss) before tax		**(1,075)**	**(5,551)**
Tax on profit/(loss) for the year	8	(553)	298
NET PROFIT/(LOSS) FOR THE YEAR		**(1,628)**	**(5,253)**
Attributable to:			
LEO Foundation		(947)	(4,345)
Non-controlling interests	27	(681)	(908)
		(1,628)	**(5,253)**

Statement of comprehensive income

JANUARY 1 - DECEMBER 31			
(DKK million)	Note	**2023**	**2022**
Net profit/(loss) for the year		**(1,628)**	**(5,253)**
Other comprehensive income			
Actuarial gains/(losses)	18	(38)	329
Tax on other comprehensive income	8	(8)	(52)
Items that will not subsequently be reclassified to the income statement		**(30)**	**277**
Fair value adjustments on hedging instruments		(80)	137
Foreign exchange adjustments, subsidiaries		(29)	61
Tax on other comprehensive income	8	6	(17)
Items that are or may subsequently be reclassified to the income statement		**(103)**	**181**
Total other comprehensive income/(loss) after tax		**(133)**	**458**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(1,761)**	**(4,795)**
Attributable to:			
LEO Foundation		(1,054)	(3,988)
Non-controlling interests	27	(707)	(807)
		(1,761)	**(4,795)**

Balance sheet at December 31

ASSETS			
(DKK million)	Note	2023	2022
Goodwill		192	192
Intellectual property rights		4,501	5,595
Software		1,206	1,253
Development projects and software in progress		200	615
Intangible assets	9	**6,099**	**7,655**
Land and buildings		1,007	938
Plant and machinery		1,004	899
Other fixtures and fittings, tools and equipment		151	178
Assets under construction		2,355	2,694
Property, plant and equipment	10	**4,517**	**4,710**
Right-of-use assets	11	306	399
Right-of-use assets		**306**	**399**
Other financial assets	22	4,342	4,179
Deferred tax assets	15	1,118	1,327
Pensions	18	145	144
Other receivables		8	8
Other non-current assets		**5,613**	**5,658**
Non-current assets		**16,535**	**18,421**
Inventories	13	4,866	4,580
Trade receivables	12	2,142	2,136
Tax receivables		369	238
Other receivables	14	415	556
Prepaid expenses	16	307	290
Other financial securities	22	12,442	11,640
Cash and bank balances		237	286
Current assets		**20,778**	**19,726**
ASSETS		**37,313**	**38,146**

EQUITY AND LIABILITIES			
(DKK million)	Note	2023	2022
Foundation capital	17	98	98
Reserves		115	72
Retained earnings		16,801	19,232
Equity attributable to the LEO Foundation		**17,014**	**19,401**
Non-controlling interests	27	911	436
Equity		**17,925**	**19,837**
Loans and credit institutions	20, 22	10,404	8,394
Deferred tax liabilities	15	30	39
Pensions	18	77	71
Provisions	19	131	290
Lease liabilities	11	238	317
Tax payables		130	489
Other non-current liabilities		3,172	2,697
Non-current liabilities		**14,183**	**12,297**
Loans and credit institutions	20, 22	265	382
Trade payables		1,255	1,303
Provisions	19	925	979
Lease liabilities	11	87	125
Tax payables		280	510
Other payables	23	2,394	2,713
Current liabilities		**5,206**	**6,012**
EQUITY AND LIABILITIES		**37,313**	**38,146**

Statement of changes in equity

(DKK million)	Foundation capital	Foreign currency translation reserve	Hedging reserve	Share-based payments	Reserve for future grants	Retained earnings	Total	Non-controlling interests	Total equity
2023									
Equity at January 1	98	(213)	42	26	216	19,232	19,401	436	19,837
Comprehensive income for the year:									
Net profit/(loss) for the year	-	-	-	-	325	(1,272)	(947)	(681)	(1,628)
Other comprehensive income/(loss) for the year	-	(65)	(24)	-	-	(20)	(108)	(25)	(133)
Total comprehensive income/(loss)		**(65)**	**(24)**	**-**	**325**	**(1,291)**	**(1,054)**	**(707)**	**(1,761)**
Capital raise in LEO Pharma A/S [1]	-	-	-	-	-	(1,133)	(1,133)	1,178	45
Purchase of treasury shares	-	-	-	-	-	(6)	(6)	(2)	(8)
Share-based payments	-	-	-	22	-	-	22	5	27
Grants for the year	-	-	-	-	(215)	-	(215)	-	(215)
EQUITY AT DECEMBER 31	**98**	**(278)**	**19**	**48**	**326**	**16,801**	**17,014**	**911**	**17,925**

1. Reference is made to note 27 Non-controlling interests.

(DKK million)	Foundation capital	Foreign currency translation reserve	Hedging reserve	Share-based payments	Reserve for future grants	Retained earnings	Total	Non-controlling interests	Total equity
2022									
Equity at January 1	98	(320)	(5)	7	141	23,544	23,464	1,229	24,693
Comprehensive income for the year:									
Net profit/(loss) for the year	-	-	-	-	200	(4,545)	(4,345)	(908)	(5,253)
Other comprehensive income/(loss) for the year	-	107	48	-	-	205	360	100	461
Total comprehensive income/(loss)	**-**	**107**	**48**	**-**	**200**	**(4,340)**	**(3,985)**	**(807)**	**(4,792)**
Capital raise in LEO Pharma A/S	-	-	-	-	-	28	28	8	36
Share-based payments	-	-	-	19	-	-	19	6	25
Grants for the year	-	-	-	-	(125)	-	(125)	-	(125)
EQUITY AT DECEMBER 31	**98**	**(213)**	**42**	**26**	**216**	**19,232**	**19,401**	**436**	**19,837**

Cash flow statement

JANUARY 1 - DECEMBER 31

(DKK million)	Note	2023	2022
Operating profit/(loss) before financial items		**(1,747)**	**(3,351)**
Depreciation, amortization and impairment losses, net	9, 10, 11	2,250	1,737
Adjustment for non-cash operating items, etc.	24	1,396	1,728
Change in working capital	24	(496)	(868)
Payment of provisions and other non-current liabilities		(1,442)	(1,605)
Interest received		38	37
Interest paid		(892)	(455)
Income tax received/paid		(1,051)[1]	84
Cash flows from operating activities		**(1,945)**	**(2,693)**

1. Income tax in 2023 is impacted by exit tax of DKK 618m paid in relation to a merger in 2019 (Intendis GmbH).

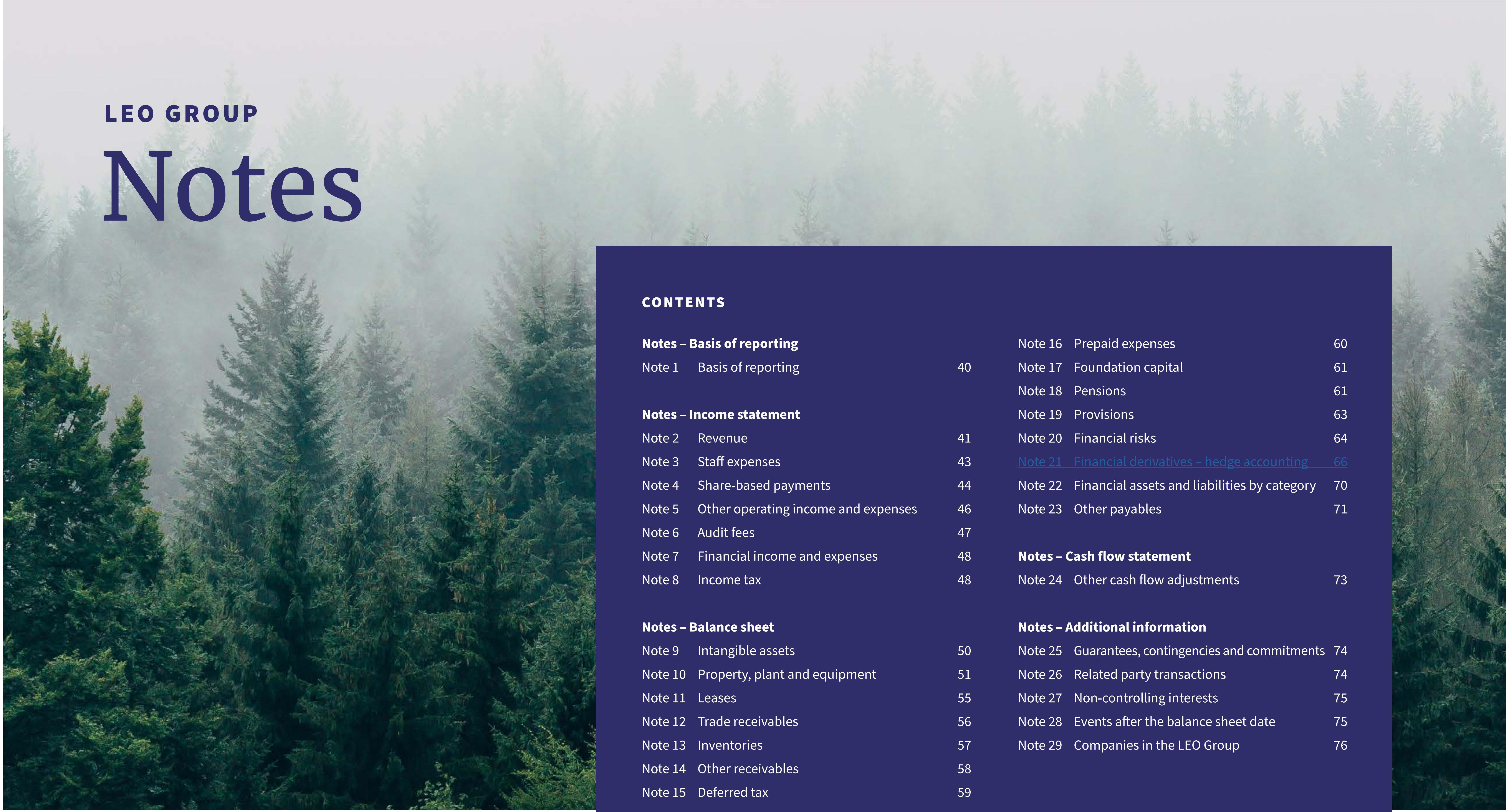
JANUARY 1 - DECEMBER 31

(DKK million)	Note	2023	2022
Investments in intangible assets	9	(207)	(898)
Investments in property, plant and equipment	10	(349)	(597)
Proceeds from sale of intangible assets		-	4
Proceeds from sale of property, plant and equipment		19	-
Sale of subsidiaries and activities, net of cash received		-	12
Investments in other securities	22	(6,696)	(1,187)
Proceeds from sale of other securities	22	8,588	1,145
Change in investment portfolio cash	22	(1,105)	493
Cash flows from investing activities		**251**	**(1,028)**
Proceeds from loans	20	2,750	4,451
Repayment of loans	20	(750)	(900)
Overdraft facilities	20	(69)	108
Issuance of loans		(87)	-
Proceeds from exercise of warrants		-	25
Proceeds from capital raise in LEO Pharma A/S		149[1]	36
Purchase of treasury shares		(8)	-
Payment of lease liabilities	11	(115)	(119)
Grants paid out during the year		(194)	(81)
Cash flows from financing activities		**1,677**	**3,520**
Net cash flow for the period		**18**	**(201)**
Cash and cash equivalents, January 1		286	476
Effect of foreign exchange rate changes on cash and cash equivalents		(31)	11
CASH AND CASH EQUIVALENTS, DECEMBER 31		**237**	**286**

At December 31, 2023, DKK 37m (2022: DKK 21m) of the cash and cash equivalents was deposited in restricted bank accounts.

The figures in the cash flow statement cannot be directly derived from the figures in the balance sheet.

1. The capital increase in 2023 included a capital injection of DKK 149m from the non-controlling shareholder.



LEO GROUP

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Notes – Basis of reporting
Note 1
Basis of reporting

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Accounting Standards (IFRS) as adopted by the EU, and the additional requirements of the Danish Financial Statements Act for large Class C companies.

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

The accounting policies set out below and in the notes have been applied consistently in respect of the financial year and the comparative figures, except for the matters described in the section Changes in presentation.

Rounding
In general, rounding may cause variances in sums and percentages in the Annual Report.

Global market and climate uncertainties
Management continuously assesses the overall geopolitical uncertainties, supply situation, increasing inflation and interest rates, which may have an impact on areas with significant accounting estimates and/or judgments.

Similar to last year, the war in Ukraine has not significantly impacted LEO Pharma's activities. In 2023, revenue from Russia, Ukraine and Belarus amounted to 2% (2022: 2%) of the total revenue. All revenues from these countries respect the sanctions imposed on Russia.

In addition, Management has assessed the qualitative and quantitative impact of climate-related risks when making estimates and assumptions.

As of December 31, 2023, Management estimates and assumptions have been updated to assess the recoverability of the asset base, including goodwill, intellectual property rights, development projects, deferred tax assets and trade receivables. The indirect effects of the geopolitical uncertainties and climate-related risks were not a triggering event for impairments in 2023.

Applying materiality
In the preparation of the consolidated financial statements, the LEO Group aims to focus on information that is considered to be material and relevant to the users of the consolidated financial statements.

The consolidated financial statements are a result of aggregating large numbers of transactions into classes of similar items according to their nature or function. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

IFRS contain extensive disclosure requirements. The specific disclosures required by IFRS are provided in the consolidated financial statements unless the information is considered immaterial to the users.

Key accounting estimates and judgments
Management has made certain estimates and judgments that affect the accounting policies and the amounts reported in the consolidated financial statements. Estimates are based on historical experience and assumptions that are reasonable under the circumstances and current situation. Therefore, the actual amounts may differ from the estimated amounts, as more detailed information becomes available. Judgments are made when Management applies the accounting policies.

Below are listed the key accounting estimates and judgments relevant to specific notes:

- Note 8 Income tax: Provisions for uncertain tax positions (estimate)
- Note 9 Intangible assets: Useful lives and valuation (estimate and judgment)
- Note 13 Inventories: Cost of inventories (estimate)
- Note 15 Deferred tax: Valuation of deferred tax assets (estimate and judgment)
- Note 19 Provisions: Provisions for onerous contracts and sales deductions (estimates and judgment)
- Note 22 Financial assets and liabilities: Fair value of unlisted investments (estimate)
- Note 27 Non-controlling interests: Accounting treatment of capital raise in LEO Pharma A/S (judgment)

Reference is made to the specific notes for further information on key accounting estimates and judgments.

Note 1
Basis of reporting (continued)

General accounting policies

Consolidation

The consolidated financial statements comprise the LEO Foundation and entities in which the LEO Foundation directly holds more than 50% of the votes or otherwise exercises control (its subsidiaries).

The consolidated financial statements are prepared by combining the financial statements of the Parent Company and all subsidiaries with subsequent elimination of intercompany transactions, intercompany shareholdings and balances as well as unrealized profits from intercompany transactions. The financial statements of all the companies have been prepared by applying the LEO Group's accounting policies.

Changes in presentation

Income statement

LEO Pharma has performed an assessment of the classification of costs in the income statement to support a true and fair view of the presentation by function. Consequently, the comparative figures for 2022 have been restated.

The impact is as follows:
- Cost of goods sold decreased by DKK 298 million
- Sales and distribution costs increased by DKK 26 million
- Research and development costs increased by DKK 11 million
- Administrative costs increased by DKK 313 million
- Other operating expenses decreased by DKK 52 million.

The changes in presentation had no impact on operating profit/(loss), net profit, equity or total assets.

Presentation of share-based payments

For cash-settled share-based payment arrangements, the awards measured at grant value are recognized as staff expenses over the vesting period with the balancing entry being recognized as a liability. The liability is remeasured at fair value at each reporting date and at the settlement date. For 2023, changes in the liability as a result of the remeasurement to fair value are recognized in the income statement under other financial expenses. The impact of the remeasurement of DKK 2 million in 2022 has been recognized under staff expenses.

Implementation of new standards and interpretations

Effective January 1, 2023, the LEO Group implemented all new or changed accounting standards and interpretations. The adoption had no material impact on the disclosures or the amounts reported in the consolidated financial statements.

New and revised IFRS issued, but not yet effective, that are relevant to the LEO Group

IASB has issued new or amended accounting standards and interpretations that have not yet become effective. The LEO Group expects to adopt the IFRS standards and interpretations when they become mandatory. The LEO Group does not expect adoption of these standards to have a material impact on the consolidated financial statements in future periods.

Foreign currency translation

On initial recognition, transactions in foreign currencies are translated at the exchange rates at the transaction dates. Exchange rate differences arising between the rates on the transaction and payment dates are recognized in financial income and financial 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 on recognition in the most recent financial statements, are recognized in financial income and financial expenses in the income statement.

On consolidation of foreign subsidiaries having a functional currency other than DKK, income statements are translated into DKK at the average exchange rates for the period, and balance sheet items are translated at the exchange rates at the balance sheet date. The effects of the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and the translation of the statement of comprehensive income from average exchange rates to the exchange rates at the balance sheet date are recognized in other comprehensive income.

Cash flow statement

The cash flow statement is prepared according to the indirect method based on operating profit/(loss). The statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the start and end of the year. Cash flows from operating activities are calculated as the Group's operating profit/(loss), adjusted for non-cash operating items such as depreciation, amortization 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 relating to acquisitions and disposals of intangible assets and property, plant and equipment, investments in and proceeds from sale of other investments, as well as net investments in securities.

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 comprise solely cash at bank and in hand.

Non-controlling interests

On initial recognition, non-controlling interests are measured at their proportionate share of the acquired company's identifiable assets, liabilities and contingent liabilities measured at fair value.

The gross obligation under the issued put option on non-controlling interests is presented as a reduction of the Group's equity attributable to the LEO Foundation.

Increases and reductions of non-controlling interests are accounted for as transactions with shareholders, in their capacity as shareholders. Thus, any differences between adjustment to the carrying amount of non-controlling interests and the fair value of the consideration received or paid are recognized directly in equity.

Grants

Grants paid out: Grants that have been adopted and paid out in accordance with the purpose of the Foundation at the balance sheet date are deducted from equity.

Grants not yet paid out: Grants that have been adopted in accordance with the purpose of the Foundation and announced to the recipients, but not yet paid out at the balance sheet date, are deducted from equity and recognized as debt.

Grant limit: At the meeting of the Board of Trustees at which the Annual Report is adopted, the Board of Trustees lays down a grant limit in respect of the amount expected to be granted. This amount is transferred from retained earnings to reserve for future grants. Concurrently with being announced to the recipients, the grant amounts are paid out, transferred to debt or, in rare cases, transferred to provisions relating to grants.

Definitions of key figures[1]

$$\text{Return on equity} = \frac{\text{Profit/loss before tax}}{\text{Average equity}} \times 100$$

$$\text{Solvency ratio} = \frac{\text{Equity}}{\text{Assets}} \times 100$$

1. *Definitions according to the Danish Society of Financial Analysts' Recommendations & Financial Ratios.*

Notes – Income statement
Note 2
Revenue

Accounting policies
Revenue from the sale of goods for resale and finished goods is recognized in the income statement when control has been transferred at a point in time. Generally this is when delivery and transfer of risk have taken place. For sales delivered on a consignment basis, control is transferred when the products are sold to the end-customer.

Revenue is measured at fair value, which corresponds to the amount of consideration to which the LEO Group expects to be entitled in exchange for transferring the goods. Revenue is recognized exclusive of VAT and net of sales deductions, including product returns as well as discounts and rebates.

Revenue includes license income and sales-based royalties from outlicensed products as well as milestone payments and other revenues in connection with partnerships. These revenues, except for royalties, are recognized when the performance obligation is satisfied, i.e. when transferred to the customer. For sales-based royalties, revenue is recognized when the subsequent sale occurs.

Change to revenue segments
The segment structure by region has changed to support the commercial operation and operating model. The segments have been changed to "Europe", "North America" and "Rest of World". The comparative figures for 2022 have been restated.

Contract balances
Generally, billing occurs subsequent to revenue recognition, resulting in trade receivables. Payment terms are typically 45-90 days. However, the Group sometimes receives upfront payments related to various sales and distribution rights where the upfront payments are recognized over time, resulting in contract liabilities. Contract liabilities are recognized as revenue in line with fulfillment of the contract obligation.

Unsatisfied performance obligations
The LEO Group's outstanding performance obligations expected to be recognized in subsequent years as of December 31, 2023 were DKK 35 million (2022: DKK 33 million), which will be recognized in 2024. The obligations comprise contracts where the Group has an obligation to deliver goods.

(DKK million)	2023	2022
Revenue by region		
Europe	6,375	6,206
North America	1,667	1,117
Rest of World	3,350	3,318
Total	**11,392**	**10,641**
Revenue by therapeutic area		
Dermatology		
Psoriasis	3,813	3,912
Skin infections	1,771	1,664
Eczema	2,900	1,969
Acne/rosacea	317	328
Other Mature Dermatology	238	260
Total Dermatology	**9,039**	**8,133**
Thrombosis	2,141	2,233
CMO/divested	212	275
Total	**11,392**	**10,641**
Revenue by category		
Products	11,264	10,527
Sales-based royalties	57	60
Other	71	54
Total	**11,392**	**10,641**
Timing of revenue recognition		
Goods transferred at a point in time	11,392	10,637
Services delivered over time	-	4
TOTAL	**11,392**	**10,641**

Note 3
Staff expenses

Accounting policies
Wages, salaries, social security expenses, annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by employees of the LEO Group.

Where the LEO Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

(DKK million)	2023	2022
Wages and salaries	3,105	3,638
Pensions – defined benefit plans	6	8
Pensions – defined contribution plans	259	270
Share-based payments	43	45
Social security expenses	337	349
Other employee expenses	213	253
Total staff expenses for the year	**3,963**	**4,563**
Capitalized staff expenses	(34)	(54)
TOTAL STAFF EXPENSES IN THE INCOME STATEMENT[1]	**3,929**	**4,509**
Staff expenses included in		
Cost of sales	757	780
Sales and distribution costs	1,813	2,050
Research and development costs	573	826
Administrative costs	786	853
TOTAL STAFF EXPENSES	**3,929**	**4,509**
Remuneration to the Executive Board	6	6
Average number of full-time employees	4,505	5,262

1. In 2023, total staff expenses included DKK 55m as a consequence of the announced restructuring of LEO Pharma (2022: DKK 248m).

Remuneration to the Board of Trustees
In accordance with the governance recommendations issued by the Danish Committee on Foundation Governance, the LEO Foundation discloses the following information about the Board of Trustees (with the exception of employee-elected members):

(DKK thousand)	Lars Olsen	Eivind D Kolding	Anja Boisen	Cristina Lage	Lars Green	Karin J Hamberg	Peter Schwarz	Employee-elected	Total
Remuneration period	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	
LEO Foundation, Board	450	300	150	150	150	150	150	600	**2,100**
LEO Foundation, Committees			60			60	120		**240**
LEO Holding A/S, Board	600	400	200	200	200	200	200	800	**2,800**
LEO Holding A/S, Committees				120					**120**
LEO Pharma A/S, Board					350			700	**1,050**
LEO Pharma A/S, Committees					117				**117**

The Chairman and Vice Chairman do not receive separate remuneration for committee work.

Note 4
Share-based payments

Accounting policies
For equity-settled share-based payment arrangements, the warrants and shares are measured at fair value at the grant date and recognized as staff expenses in the income statement over the vesting period, with the balancing entry being recognized directly in equity. On initial recognition, an estimate is made of the number of awards expected to vest. Subsequently, the amount recognized as a cost is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, and awards expected to vest.

For cash-settled share-based payment arrangements, the awards are measured at fair value at the grant date and recognized as staff costs in the income statement over the vesting period, with the balancing entry being recognized as a liability. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share-based payment arrangement. Any changes in the liability as a result of the remeasurement to fair value are recognized in profit/loss under other financial expenses.

Employee matching shares
In 2022, the LEO Pharma Group launched a voluntary employee share-based program (ESPP) and a corresponding cash-settled phantom program (EPSPP – Employee Phantom Share Purchase Plan). The programs have given employees the opportunity to buy shares ("employee shares"). In addition, the employees have been given the right to additional matching shares, of which 50% vest after three years of employment and 50% vest in the event of a potential listing, subject to a market condition that the fair value of LEO Pharma must increase to at least 1.5 times the subscription price. Management considers it more likely than not that a listing will be successful within the coming years. Therefore, it is concluded that the matching shares should be classified as equity settled.

The figures below relate only to the matching share program and not the employee shares.

Reconciliation of outstanding employee awards

	2023		2022	
Number of matching shares	ESPP (equity settled)	EPSPP (cash settled)	ESPP (equity settled)	EPSPP (cash settled)
Outstanding at January 1	740,920	45,504	-	-
Granted	-	-	861,392	62,920
Forfeited	(123,745)	(5,429)	(120,472)	(17,416)
Outstanding at December 31	**671,175**	**40,075**	**740,920**	**45,504**
Fair value at grant (DKK/unit)	-	-	30.40	30.40
Current fair value (DKK/unit)	92.08	92.08	30.71	30.71

Measurement of fair value of employee matching shares
The fair value of granted awards is estimated using a binomial valuation model of market conditions considering the terms and conditions upon which the awards were granted. In addition, the fair value of LEO Pharma must increase to at least 1.5 times the subscription price. The inputs used in the measurement of the fair values at grant date of the share-based payment plans were as follows:

	ESPP (equity settled) Grant date January 1, 2022	EPSPP (cash settled) Measurement date December 31, 2023	EPSPP (cash settled) Measurement date December 31, 2022
Fair value of shares at grant date	47.72	101.36	47.72
Expected volatility (weighted average)	26.4%	28.2%	26.5%
Expected life (weighted average, years)	4.9	3.4	3.9
Expected dividend	-	-	-
Risk-free interest rate (based on government bonds)	(0.57%) to 0.08%	2.71% to 3.17%	2.39% to 2.56%

Note 4
Share-based payments (continued)

Management Incentive Program (MIP)

Equity-settled share agreements

Members of Executive Management of LEO Pharma receive warrants as part of their long-term incentive program. The members of Executive Management must remain employed by the Group until the vesting date. The market condition of the warrants is subject to a fair value increase of LEO Pharma shares to at least 1.5 times the subscription price and an exercise cap of three times the subscription price. In the event of non-listing, the warrants become exercisable after seven years and will be cash settled. Management considers it more likely than not that a listing will be successful within the coming years. It is therefore concluded that the warrants should be classified as equity settled.

In addition, members of the Board of Directors of LEO Pharma have been granted the opportunity to purchase warrants. Further, the Chair has been granted warrants, identical to the warrants granted under the MIP.

Reconciliation of outstanding equity-settled awards

Number of warrants	Total 2023	Total 2022
Outstanding at January 1	5,016,838	3,010,678
Granted during the year	2,016,905	2,031,923
Forfeited during the year	(781,443)	(25,763)
Outstanding at December 31	**6,252,300**	**5,016,838**
Exercisable at December 31	**-**	**-**
Fair value at grant (DKK/unit)	6.77 to 8.87	7.58
Average exercise share price	47.72	47.72

Phantom Share Agreement (cash settled)

The Phantom Share Agreement follows the same terms and conditions as the Management Incentive Program but is predetermined to be settled in cash.

Reconciliation of outstanding cash-settled awards

Number of phantom shares	Phantom Share Agreement 2023	Phantom Share Agreement 2022
Outstanding at January 1	5,101,250	3,504,684
Instruments granted	200,000	2,063,864
Forfeited during the year	(283,992)	(467,298,00)
Outstanding at December 31	5,017,258	**5,101,250**
Fair value at grant date (DKK/unit)	43.21	7.58
Initial expected total costs (DKK million)	**217**	**38**
Instruments which are expected to vest	5,017,258	5,101,250
Current fair value (DKK/unit)	43.21	7.97
Total expected settlement (DKK million)	**217**	**41**
Liability at 31 December (DKK million)	**198**	**30**

Measurement of fair value

The fair value of awards is estimated using a binomial valuation model of market conditions, taking into account the terms and conditions upon which the awards were granted.

Expected volatility has been based on an evaluation of the historical volatility of comparable companies' share prices. This was based on a standard deviation of weekly returns over a five-year period. The expected term of the instruments has been based on projected exit date and their probabilities and estimates assessed by Management.

Equity-settled share-based payment arrangements

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Grant date March 1, 2023	Grant date July 8, 2022
Fair value of shares at grant date (DKK)	47.72	47.72
Expected volatility (weighted average)	27.3%	26.0%
Expected life (weighted average, years)	4.1	4.2
Expected dividend	-	-
Risk-free interest rate (based on government bonds)	2.51% to 2.79%	(0.88%) to 1.43%

Note 4
Share-based payments (continued)

Cash-settled share-based payment arrangements
The inputs used in the measurement of the fair values at grant date of the cash-settled share-based payment plans were as follows:

	Measurement date December 31, 2023	Measurement date December 31, 2022
Fair value of shares at grant date (DKK)	101.36	47.72
Expected volatility (weighted average)	28.2%	26.5%
Expected life (weighted average, years)	3.4	3.7
Expected dividend	-	-
Risk-free interest rate (based on government bonds)	2.71% to 2.79%	2.43% to 2.56%

Financial impact
At December 31, 2023, the total carrying amount of liabilities arising from the share-based payment transactions amounted to DKK 200 million (2022: DKK 31 million). At December 31, 2023, the intrinsic value of the liability related to vested phantom shares was DKK 130 million (2022: DKK 16 million).

Total expenses recognized in the income statement from share-based payment transactions in 2023 amounted to DKK 199 million (2022: DKK 45 million), of which DKK 156 million is fair value adjustments to the cash-settled program recognized under financial expenses. The cost of DKK 27 million (2022: DKK 25 million) arises from equity-settled share-based payment transactions. On January 1, 2024, LEO Pharma offered all employees in the Group the opportunity to participate in a new round of the Employee Share Purchase Plan. To participate in the plan, employees are required to invest 3% of their base salary over 12 months in shares and will receive matching shares at vesting. A total of 1,683 colleagues signed up for the share purchase plan, corresponding to 41% of those eligible to join.

Note 5
Other operating income and expenses

Accounting policies
Other operating income and other operating expenses comprise items of a secondary nature to the LEO Group's primary activities, i.e. gains and losses on divestments of intellectual property rights and on sale of property, plant and equipment.

(DKK million)	2023	2022
Gain on sale of assets	10	14
Other operating income	48	59
OTHER OPERATING INCOME	**58**	**73**
Loss on sale of assets	8	9
Other operating expenses	9	4
OTHER OPERATING EXPENSES	**17**	**13**[1]

1. Classification of sales-related royalty expenses was changed in 2022 from other operating expenses to cost of sales. Comparative figures have been restated (2022: DKK 52m).

Note 6
Audit fees

(DKK million)	2023	2022
Deloitte Statsautoriseret Revisionspartnerselskab		
Statutory audit	8	9
Tax and VAT advice	1	2
Non-audit services	1	2
TOTAL	**10**	**13**

Note 7
Financial income and expenses

Accounting policies
Financial income and expenses comprise interest, realized and unrealized exchange rate adjustments, and market value adjustments of financial assets. Market value adjustments of currency derivatives that have not been entered into for hedging purposes are presented as financial income and expenses.

(DKK million)	2023	2022
Interest income	22	4
Capital gains, financial assets	1,828	297
Foreign exchange gains, net	-	89
Other financial income	31[1]	-
FINANCIAL INCOME	**1,881**	**389**
Interest expenses, credit institutions	647	320
Interest expenses, lease liabilities	10	11
Capital losses, financial assets	112	1,906
Foreign exchange losses, net [2]	102	123
Fair value remeasurement of share-based incentive plans (non-cash) [3]	156	-
Other financial expenses [4]	182	231
FINANCIAL EXPENSES	**1,209**	**2,590**

1. Other financial income primarily comprises fair value adjustments of DKK 15m relating to renegotiated loan terms, and other income of DKK 12m relating to defined benefit plans.
2. Foreign exchange gains amount to DKK 539m (2022: DKK 700m) and foreign exchange losses amount to DKK 641m (2022: DKK 823m) for the Group.
3. Reference is made to note 4 Share-based payments.
4. Other financial expenses primarily comprise commitment fees related to the syndicated facility agreement.

Note 8
Income tax

Accounting policies
Tax for the year, which consists of the year's current tax, the change in deferred tax and adjustments in respect of previous years, is recognized in the income statement at the amount that can be attributed to the profit or loss for the year, and in other comprehensive income at the amount that can be attributed to items in other comprehensive income.

The change in deferred tax as a result of changed income tax rates or tax rules is recognized in the income statement. Interest on tax cases that are ongoing or have been settled during the year is reported under financial items.

Current tax for the year is calculated based on the income tax rates and rules applicable at the balance sheet date.

The taxable income in the LEO Foundation is calculated according to the tax legislation for foundations. When calculating the taxable income, the LEO Foundation may deduct adopted grants and tax provisions for future grants.

No deferred taxes are recognized in the financial statements concerning tax provisions for future grants, as the liability is not expected to be realized, given that the LEO Foundation intends to adopt grants of an amount equal to the provisions within the allowed time frame.

Pillar II
In 2023, the Danish Ministry of Taxation adopted the EU Minimum Tax Directive (Pillar II) in Danish national legislation effective January 1, 2024. Under the legislation, a Parent Company will be required to pay a top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%.

As the Pillar II legislation was not effective at the reporting date, no related current tax exposure has been recognized.

The Group continues to assess the impact of the Pillar II legislation on future financial performance, including whether the Parent company, LEO Foundation, will be exempt from the rules as a nonprofit organization (which is the current assumption).

For LEO Pharma, the main jurisdictions in which exposures to the top-up tax may exist include Ireland and Australia. 95% of the estimated top-up tax relates to Ireland; however, Ireland is planning to increase its corporate tax rate from 12.5% to 15% in 2024, which may reduce or eliminate the top-up tax. It is assessed that the estimated top-up tax in LEO Pharma could amount to up to DKK 35 million, based on the consolidated financial statements for 2023 and considering only significant adjustments that would have been required under the legislation. Not all the requirements of the legislation have been fully assessed in 2023 and, consequently, the impact of the implementation of Pillar II could have been significantly different if the legislation had been fully implemented at the reporting date.

Note 8
Income tax (continued)

Key accounting estimates and judgments

Uncertain tax positions

As a global company, LEO Pharma will from time to time have tax audits and discussions with tax authorities in various countries regarding tax issues within transfer pricing, and direct and indirect taxes. In the opinion of Management, appropriate estimates have been made in the financial statements for current tax audits and exposures related to uncertain tax positions.

The estimates are based on expected value or the most likely amount, whichever method better predicts how the uncertainty will be resolved, and the effects thereof are recognized in tax receivables/payables and deferred tax.

The uncertainty associated with the outcome and timing of open tax matters means that the final outcome may differ significantly from the amounts recognized.

(DKK million)	2023	2022
Current tax	339	421
Prior-year adjustments, current tax	(81)	(26)
Prior-year adjustments, deferred tax	1	180
Change in deferred tax for the year	279	(804)
TOTAL TAX FOR THE YEAR	**539**	**(229)**
Tax for the year is included in		
Tax on profit/(loss) for the year	553	(298)
Tax on other comprehensive income	(14)	69
TOTAL TAX FOR THE YEAR	**539**	**(229)**

For a specification of tax on other comprehensive income, please refer to the statement of comprehensive income.

EXPLANATION OF THE GROUP'S EFFECTIVE TAX RATE RELATIVE TO THE DANISH CORPORATE INCOME TAX RATE

(DKK million)	2023	%
Profit/(loss) before tax	**(1,075)**	
Calculated tax, 22%	(237)	22.0%
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries compared to the Danish corporate income tax rate	(61)	5.7%
Non-deductible expenses/non-taxable income and other permanent differences	(131)	12.3%
Other taxes	10	(0.9)%
Change in deferred tax as a result of a change in the income tax rate	43	(4.0)%
Change in valuation of net tax assets	1,010	(94.4)%
Prior-year tax and other adjustments	(80)	7.5%
EFFECTIVE TAX/TAX RATE FOR THE YEAR	**553**	**(51.9)%**

RECONCILIATION OF THE GROUP'S EFFECTIVE TAX RATE RELATIVE TO THE DANISH CORPORATE INCOME TAX RATE

(DKK million)	2022	%
Profit/(loss) before tax	**(5,459)**	
Calculated tax, 22%	(1,201)	22%
Tax effect of:		
Differences in the income tax rates of foreign subsidiaries compared to the Danish corporate income tax rate	(232)	4.2%
Non-deductible expenses/non-taxable income and other permanent differences	45	(0.8%)
Other taxes	6	(0.1%)
Change in deferred tax as a result of a change in the income tax rate	12	(0.2%)
Change in valuation of net tax assets	918	(16.8%)
Prior-year tax and other adjustments	154	(2.8%)
EFFECTIVE TAX/TAX RATE FOR THE YEAR	**(298)**	**5.4%**

Notes – Balance sheet
Note 9
Intangible assets

Accounting policies

Goodwill
At initial recognition, goodwill is recognized in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

Intellectual property rights
Intellectual property rights are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the expected useful lives of the assets. Amortization of intellectual property rights is recognized in sales and distribution costs and research and development costs. Costs relating to the maintenance of patents, etc. are expensed in the income statement as incurred.

Software
Software purchased or internally developed is measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the expected useful lives. Amortization and impairment are recognized in the income statement as administrative costs.

Development projects and software in progress
Development projects and software in progress are recognized as intangible assets if the recognition criteria are met:
- The projects are clearly defined and identifiable
- The Group intends to use the projects once completed
- The future earnings from the projects are expected to cover the development and administrative costs
- The cost can be reliably measured.

The costs of software in progress include direct salaries, materials and other direct costs attributable to the development project. R&D intangible assets are capitalized as development projects, when milestone payments related to acquired clinical intellectual rights with the intention to market at a future stage are made, and it is probable that future earnings can cover production, sales and distribution costs, administrative costs and development costs. Other development costs are recognized in the income statement as incurred.

Development projects are assessed on an ongoing basis with due consideration of development progress, expected approvals and commercial utilization. Development projects are not amortized, as the assets are not available for use.

In line with industry practice, internal and subcontracted development costs are expensed as they are incurred, due to significant regulatory uncertainties and other uncertainties inherent in the development of new products. Once marketing approval from a regulatory authority is obtained or considered highly probable, costs are capitalized as intangible assets.

Useful lives are determined at the acquisition date and reassessed annually. The expected useful lives are as follows:

Intellectual property rights:	5-15 years
Software:	3-10 years

Key accounting estimates and judgments

Impairment test and valuation
Management makes judgments to assess if there are any indications of impairment. To identify impairment events, Management considers the following events:

- Changes to patent and license rights
- Changes to future cash inflows to the Group
- Research & development results
- Technological changes
- Development of competing products

Estimated future cash flow
To determine the value in use, the discounted cash flow approach is applied. The expected future cash flows are based on budgets and target plans for the patent period or other applicable period for marketable products. The budgets and target plans are based on Management's expectations of current market conditions and future growth expectations.

The key factors used in calculating the value are revenue, cost of goods sold, operating expenses, EBITDA, working capital, capital expenditures and discount rate.

Estimated useful lives
Useful life is estimated individually in each case and is initially assessed when the assets are acquired or brought into use. Management assesses intangible assets for changes in useful lives and impairment on an annual basis.

Note 9
Intangible assets (continued)

Impairment testing
Goodwill and intangible assets under construction are tested for impairment annually or if there are indications of impairment during the year. Intangible assets, with definite useful lives measured at cost, are assessed if there is an indication of impairment. If a write-down is required, the carrying amount is written down to the recoverable amount, being the higher of fair value less cost of disposal and value in use.

On assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill: LEO Pharma is considered as a single identifiable group of assets that generates independent cash inflows, as Management makes decisions and assesses business performance on the consolidated level.

R&D intangible assets: The Group performs annual impairment tests on individual acquired development assets that are not yet commercialized. Assets not yet commercialized are presented in the asset category "Development projects and software in progress". For intellectual property rights, impairment tests are performed when indications of impairment are identified.

Methodology
Goodwill: The recoverable amount of the CGU is based on assessing the fair value less cost of disposal. The fair value of LEO Pharma is based on the current valuation of the share price (enterprise value) of LEO Pharma compared with the carrying amount of equity.

R&D intangible assets: The recoverable amount of intellectual property rights and development projects is based on a value-in-use calculation of the discounted expected future cash flows. The recoverable amounts of the specific assets are compared with the carrying amount.

Impairment in 2023
Based on the impairment tests prepared at year-end, total impairment of DKK 516 million has been recognized in 2023. An impairment loss of DKK 375 million recognized under sales and distribution costs relates to intellectual property rights. An impairment loss of DKK 141 million recognized under research and development costs relates to canceled development projects. No reversals of impairment losses from prior periods have been recognized in 2023.

The impairment of IP rights in 2023 relates to the asset tralokinumab within a specific geographical area. The expected future cash flows have been updated to reflect the current market conditions, competition from competing products and changes in Management's expectations of business plans.

The assumptions used in the impairment test of the IP asset are:
- Revenue growth until loss of exclusivity, followed by revenue decline until expected closure
- Gross margin in the forecast periods on the same level as the Group's gross margin.
- Sales and distribution costs forecast based on the current level of the existing sales organization with a declining trend over the period as the organization matures
- WACC of 10% after tax based on the Group's cost of capital and the market benchmark.

The impairment loss recognized on development projects amounts to DKK 141 million and is primarily related to the izuforant development project (DKK 109 million). The clinical program was terminated as the Phase 2 a/b trial of izuforant did not meet its primary endpoint. Consequently, the recoverable amount is DKK 0 million. Other impairment losses on development projects amounted to DKK 32 million.

Impairment in 2022
Impairment losses of DKK 15 million were recognized under research and development costs and impairment losses of DKK 161 million under administrative costs. No reversals of impairment losses from prior periods were recognized in 2022.

The impairment of DKK 161 million recognized under administrative costs comprises software development projects canceled during 2022. Consequently, the recoverable amount is DKK 0 million.

Impact of changes in key assumptions
The Group has conducted an analysis of the sensitivity of changes in the key assumptions used in the impairment test. Management believes that no reasonably possible change in the key assumptions would cause the carrying amount to exceed the recoverable amount.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When preparing the impairment test, Management considers the sensitivity of changes in the key assumptions, to evaluate the inherent risk in the valuation of the recoverable amount.

Note 9

Intangible assets (continued)

(DKK million)	Goodwill	Intellectual property rights	Development projects and software in progress	Software	Total intangible assets
2023					
Cost at January 1	192	14,076	2,380	2,594	19,241
Exchange rate adjustments	-	(7)	-	-	(7)
Additions during the year	-	-	63[1]	-	63
Disposals during the year	-	-	(1,897)	(37)	(1,934)
Transfers	-	-	(337)	328	(9)
Cost at December 31	**192**	**14,069**	**209**	**2,885**	**17,355**
Amortization and impairment losses at January 1	-	(8,480)	(1,765)	(1,341)	(11,586)
Exchange rate adjustments	-	1	-	-	1
Amortization for the year	-	(714)	-	(375)	(1,089)
Impairment losses for the year	-	(375)	(141)	-	(516)
Disposals during the year	-	-	1,897	37	1,934
Amortization and impairment losses at December 31	**-**	**(9,568)**	**(9)**	**(1,679)**	**(11,256)**
CARRYING AMOUNT AT DECEMBER 31	**192**	**4,501**	**200[2]**	**1,206**	**6,099**

(DKK million)	Goodwill	Intellectual property rights	Development projects and software in progress	Software	Total intangible assets
2022					
Cost at January 1	192	13,928	2,629	2,498	19,247
Exchange rate adjustments	-	5	-	-	5
Additions during the year	-	143[3]	136[1]	-	279
Disposals during the year	-	-	(274)	-	(274)
Transfers	-	-	(111)	96	(15)
Cost at December 31	**192**	**14,076**	**2,380**	**2,594**	**19,241**
Amortization and impairment losses at January 1	-	(7,772)	(1,847)	(974)	(10,593)
Amortization for the year	-	(708)	-	(367)	(1,075)
Impairment losses for the year	-	-	(176)[2]	-	(176)
Disposals during the year	-	-	258	-	258
Transfers	-	-	-	-	-
Amortization and impairment losses at December 31	**-**	**(8,480)**	**(1,765)**	**(1,341)**	**(11,586)**
CARRYING AMOUNT AT DECEMBER 31	**192**	**5,595**	**615[2]**	**1,253**	**7,655**

1. Additions consist of DKK 16m (2022: DKK 41m) related to development projects and DKK 47m (2022: DKK 95m) related to IT projects.
2. Total development projects and software in progress at DKK 200m (2022: DKK 615m) consist of software in progress at DKK 32m (2022: DKK 323m) and development projects at DKK 168m (2022: DKK 292m).
3. Additions consist of a capitalized milestone payment on approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

Note 9
Intangible assets (continued)

(DKK million)	2023	2022
Specification of amortization and impairment losses is as follows:		
Sales and distribution costs	1,089	564
Research and development costs	141	161
Administrative costs	375	526
TOTAL	**1,605**	**1,251**

Research and development costs
In 2023, research and development costs recognized in the income statement amounted to DKK 1,874 million (2022: DKK 2,485 million), including impairment charges of DKK 516 million (2022: DKK 15 million).

Research and development costs primarily comprise internal and external costs related to studies, employee costs, materials, depreciation, impairment losses and other directly attributable costs.

Development projects
At December 31, 2023, development projects comprise temtokibart at DKK 78 million (2022: DKK 78 million), delgocitinib at DKK 73 million (2022: DKK 66 million), izuforant at DKK 0 million (2022: DKK 109 million) and other development projects at DKK 17 million (2022: DKK 39 million).

Intellectual property rights
At December 31, 2023, intellectual property rights primarily comprise the dermatology portfolio (mainly Skinoren®, Advantan®, Travocort® and Travogen®) at a carrying amount of DKK 2,808 million (2022: DKK 3,081 million), Protopic® and Pimafucort® at a carrying amount of DKK 577 million (2022: DKK 798 million), tralokinumab at a carrying amount of DKK 907 million (2022: DKK 1,430 million), and Kyntheum® at a carrying amount of DKK 122 million (2022: DKK 157 million).

Note 10
Property, plant and equipment

Accounting policies
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price and other directly attributable costs until the date the asset is available for use. For self-constructed assets, cost comprises direct costs of materials, sub-suppliers and salaries, etc. The total cost of an asset is broken down into components that are depreciated separately if the expected useful lives of the individual components are not the same.

Depreciation is provided on a straight-line basis from the time of acquisition, or when the asset is available for use, over the expected useful life. A reassessment is made once a year to ascertain that the depreciation basis reflects the expected useful lives and future residual values of the assets. Land is not depreciated.

The expected useful lives are as follows:

- Land and buildings: 10-50 years
- Plant and machinery: 5-10 years
- Other fixtures and fittings, tools and equipment: 3-10 years
- Leasehold improvements: Depreciated over the term of the lease

Impairment testing
The carrying amount of property, plant and equipment is reviewed to determine whether there is any indication of impairment loss.

If the recoverable amount of an asset is estimated to be lower than the carrying amount, an impairment loss is recognized. For 2023, impairment losses of DKK 178 million have been recognized (2022: DKK 23 million).

Note 10
Property, plant and equipment (continued)

(DKK million)	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction[1]	Total property, plant and equipment
2023					
Cost at January 1	2,602	3,281	651	2,694	9,228
Exchange rate adjustments	-	4	-	2	6
Additions during the year	6	7	5	330	348
Disposals during the year	(76)	(346)	(152)	(175)	(749)
Transfers	140	325	41	(496)	10
Cost at December 31	**2,672**	**3,271**	**546**	**2,355**	**8,844**
Depreciation and impairment losses at January 1	(1,664)	(2,382)	(473)	-	(4,519)
Exchange rate adjustments	(1)	(3)	-	-	(4)
Disposals during the year	74	346	137	175	732
Depreciation for the year	(74)	(226)	(57)	-	(357)
Impairment losses for the year	-	(2)	(1)	(175)[2]	(178)
Depreciation and impairment losses at December 31	**(1,665)**	**(2,267)**	**(394)**	**-**	**(4,326)**
CARRYING AMOUNT AT DECEMBER 31	**1,007**	**1,004**	**151**	**2,355**	**4,517**[3]

1. Fixed assets under construction mainly relate to the construction of a new plant in Denmark at a carrying amount of DKK 1,746m and construction of a new plant in Ireland at a carrying amount of DKK 424m.
2. Impairment of expansion of an existing plant in Ireland.
3. Assets pledged as collateral for loans amounted to DKK 2,553m (2022: DKK 2,575m).
4. Fixed assets under construction mainly relate to the construction of a new plant in Denmark at a carrying amount of DKK 1,619m, expansion of an existing plant in Ireland at a carrying amount of DKK 245m, construction of a new plant in Ireland with a carrying amount of DKK 337m and expansion of an existing plant in France at a carrying amount of DKK 424m.

(DKK million)	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction[4]	Total property, plant and equipment
2022					
Cost at January 1	2,555	3,137	605	2,373	8,670
Exchange rate adjustments	3	1	-	1	5
Additions during the year	1	20	33	536	590
Disposals during the year	(14)	(13)	(24)	-	(51)
Transfers	57	136	37	(216)	14
Cost at December 31	**2,602**	**3,281**	**651**	**2,694**	**9,228**
Depreciation and impairment losses at January 1	(1,604)	(2,174)	(429)	-	(4,207)
Exchange rate adjustments	(1)	-	(2)	-	(3)
Disposals during the year	13	13	22	-	48
Depreciation for the year	(69)	(205)	(61)	-	(335)
Impairment losses for the year	(3)	(16)	(4)	-	(23)
Depreciation and impairment losses at December 31	**(1,664)**	**(2,382)**	**(473)**	**-**	**(4,519)**
CARRYING AMOUNT AT DECEMBER 31	**938**	**899**	**178**	**2,694**	**4,710**[3]

(DKK million)	2023	2022
Depreciation and impairment losses are specified as follows:		
Cost of sales	429	248
Sales and distribution costs	15	14
Research and development costs	23	26
Administrative costs	68	70
TOTAL	**535**	**358**

Note 11
Leases

Accounting policies

The right-of-use asset and corresponding lease liability are recognized at the commencement date, i.e. the date on which the underlying asset is ready for use. Right-of-use assets are measured at cost, corresponding to the lease liability recognized, adjusted for any lease prepayments, including dismantling and restoration costs. The lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments are discounted using the borrowing rate stated in the contract.

Depreciation follows the straight-line method over the lease term or the useful life of the right-of-use assets, whichever is shorter.

The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. If the contract includes an option to purchase, extend or terminate a lease and it is reasonably certain to be exercised by the Group, the lease payment will include those elements. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Group applies the short-term lease recognition exemption to lease contracts that, at the commencement date, have a lease term of 12 months or less for all classes of underlying assets, and the exemption for lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

For land and buildings, the non-lease component, i.e. the service element, is not separated from the lease components and thereby forms part of the right-of-use asset and lease liability recognized in the balance sheet.

Lease assets are depreciated as follows:

- Buildings 5-10 years
- Cars 3-5 years

Judgments in determining the lease term

For contracts with a rolling term (evergreen leases), the lease term is estimated at five years. Lease terms for buildings of strategic importance are estimated based on the time frame necessary to vacate the premises. The estimated lease term is reassessed at each reporting date.

	2023			2022		
(DKK million)	Land and buildings	Cars	Total	Land and buildings	Cars	Total
Cost at January 1	575	150	725	562	155	717
Exchange rate adjustments	(10)	(5)	(15)	10	3	13
Additions/remeasurements during the year	(11)	40	29	19	34	53
Disposals during the year	(78)	(29)	(107)	(16)	(42)	(58)
Cost at December 31	**476**	**156**	**632**	**575**	**150**	**725**
Depreciation and impairment losses at January 1	(253)	(73)	(326)	(184)	(70)	(254)
Exchange rate adjustments	-	4	4	-	1	1
Depreciation for the year	(65)	(45)	(110)	(73)	(43)	(116)
Impairment for the year	-	-	-	(12)	-	(12)
Disposals during the year	77	29	106	16	39	55
Depreciation and impairment losses at December 31	**(241)**	**(85)**	**(326)**	**(253)**	**(73)**	**(326)**
CARRYING AMOUNT AT DECEMBER 31	**235**	**71**	**306**	**322**	**77**	**399**

Note 11
Leases (continued)

(DKK million)	2023	2022
Lease liabilities at January 1	442	502
Additions/remeasurements during the year	11	47
Payments	(115)	(119)
Exchange rate adjustments	(13)	12
LEASE LIABILITIES AT DECEMBER 31	**325**	**442**
Of which classified as:		
Non-current liabilities	238	317
Current liabilities	87	125
LEASE LIABILITIES AT DECEMBER 31	**325**	**442**

(DKK million)	2023	2022
The following are the amounts recognized in the income statement:		
Depreciation expense on right-of-use assets (included in administrative costs)	(110)	(116)
Impairment losses on right-of-use assets (included in administrative costs)	-	(12)
Interest expense on lease liabilities	(10)	(11)
TOTAL AMOUNT RECOGNIZED IN THE INCOME STATEMENT	**(120)**	**(139)**

The amounts recognized impacted the cash outflow from operating activities by DKK 10m (2022: DKK 11m) and the cash outflow from financing activities by DKK 115m (2022: DKK 119m).

Note 12
Trade receivables

Accounting policies
Trade receivables expected to be realized within 12 months from the balance sheet date are classified as trade receivables and presented as current assets.

On initial recognition, trade receivables are measured at transaction price and subsequently at amortized cost, which usually corresponds to the nominal value less write-downs to counter the risk of losses. Write-downs are calculated using the full-lifetime expected credit loss method, which takes into consideration the likelihood of non-fulfillment throughout the lifetime of the financial asset.

(DKK million)	2023	2022
Trade receivables	2,173	2,178
Allowances for expected credit losses	(31)	(42)
TOTAL	**2,142**	**2,136**

MOVEMENTS IN WRITE-DOWNS THAT ARE INCLUDED IN TRADE RECEIVABLES

(DKK million)	2023	2022
Carrying amount at January 1	42	35
Write-down recognized	10	32
Realized losses	-	(13)
Write-down reversals	(21)	(12)
WRITE-DOWNS AT DECEMBER 31	**31**	**42**

Note 12
Trade receivables (continued)

The following table details the risk profile for trade receivables based on the Group's provision matrix. The Group's historical credit losses do not show different patterns for different customer segments or characteristics, but for country of incorporation.

MATURITY ANALYSIS OF TRADE RECEIVABLES

(DKK million)	Not past due	Overdue by up to 3 months	Overdue by 3-6 months	Overdue by 6-12 months	Overdue by more than 12 months	Total
December 31, 2023						
Expected credit loss rate	0%	1%	1%	12%	65%	
Trade receivables	1,895	185	30	24	39	**2,173**
Write-downs	-	(2)	-	(3)	(26)	**(31)**
December 31, 2022						
Expected credit loss rate	0%	3%	11%	26%	89%	
Trade receivables	1,984	98	44	19	33	**2,178**
Write-downs	0	(3)	(5)	(5)	(29)	**(42)**

Note 13
Inventories

Accounting policies
Inventories are measured at the lower of cost and net realizable value and are assigned using the first-in-first-out cost formula.

Finished goods and work in progress comprise the cost of raw materials, consumables, direct labor and indirect production costs. Indirect production costs comprise indirect consumables and labor, 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 realizable value of inventories is calculated as sales price less 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 written off.

Key accounting estimates and judgments
Cost of inventories
Management uses the standard cost method to measure cost and performs a yearly assessment to determine whether this gives the approximate cost. The standard cost is adjusted if there are significant deviations.

Indirect production costs are calculated on the basis of relevant assumptions as to capacity utilization, production time and other relevant factors, and allocated based on the normal production capacity.

(DKK million)	2023	2022
Raw materials and consumables	1,323	885
Work in progress	2,263	2,426
Finished goods and goods for resale	1,280	1,269
TOTAL	**4,866**	**4,580**
Write-down, provision at end of year	377	340
Cost of goods sold included in cost of sales	3,386	3,428

Note 14
Other receivables

Accounting policies
Other receivables mainly comprise short-term loans to third parties, reimbursable taxes, receivables from partners and interest receivable.

(DKK million)	2023	2022
Public authorities, VAT, etc.	248	312
Deposits	15	20
Financial derivatives	71	160
Other	81	64
TOTAL	**415**	**556**

Note 15
Deferred tax

Accounting policies
Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities and their tax bases, except for temporary differences arising on initial recognition of a transaction that is not a business combination and where the temporary difference ascertained at the time of initial recognition affects neither the financial result nor the taxable income.

Deferred tax is measured on the basis of the income tax rates and tax rules enacted in the respective countries at the balance sheet date.

Deferred tax assets, including tax loss carryforwards, are recognized in the balance sheet at the value at which the assets are expected to be utilized.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these and intends to settle these on a net basis, or to realize the assets and settle the liabilities simultaneously.

Provisions for withholding taxes on dividends from subsidiaries are recognized only if the distribution of the dividends had been planned or approved by the management of the subsidiary no later than at the balance sheet date.

Key accounting estimates and judgments
Valuation of deferred tax assets
Management's estimate of future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years supports the utilization of the deferred tax assets within the foreseeable future. A forecast period of five years is applied for estimated utilization of deferred tax assets. This assessment considers the continuous utilization of existing deferred tax assets and the creation of new deferred tax assets.

Significant assumptions in the deferred tax assets recognized are the ability to achieve the objectives in the strategy for the next five years as well as the return from the investment portfolio. The return from the investment portfolio is sensitive to general market fluctuations.

The unused tax loss carryforwards do not expire.

(DKK million)	Balance at January 1	Effect of foreign currency exchange differences	Adjustment of deferred tax at beginning of year	Movements during the year	Balance at December 31
2023					
Intangible assets	1,071	-	(25)	112	**1,158**
Property, plant and equipment	433	-	77	121	**631**
Inventories	864	(4)	-	(268)	**592**
Provisions	154	(2)	89	(41)	**200**
Other items	60	3	3	(7)	**59**
Special tax credits	87	-	(14)	130	**203**
Tax loss carryforwards, etc.	2,028	1	(49)	666	**2,646**
Valuation allowance	(3,410)	-	-	(992)	**(4,401)**
TOTAL TEMPORARY DIFFERENCES	**1,288**	**(2)**	**81**	**(278)**	**1,088**
Deferred tax assets	1,327	(2)	81	(287)	**1,118**
Deferred tax liabilities	(39)	-	-	9	**(30)**
DEFERRED TAX ASSETS/(LIABILITIES)	**1,288**	**(2)**	**81**	**(278)**	**1,088**
2022					
Intangible assets	820	-	23	229	**1,071**
Property, plant and equipment	530	-	(109)	12	**433**
Inventories	465	(1)	-	401	**864**
Provisions	170	1	(10)	(6)	**154**
Other items	100	5	(9)	(36)	**60**
Special tax credits	-	-	25	62	**87**
Tax loss carryforwards, etc.	964	-	3	1,061	**2,028**
Valuation allowance	(2,388)	-	(103)	(918)	**(3,410)**
TOTAL TEMPORARY DIFFERENCES	**661**	**4**	**(180)**	**803**	**1,288**
Deferred tax assets	668	4	(180)	838	**1,327**
Deferred tax liabilities	(7)	-	-	(32)	**(39)**
DEFERRED TAX ASSETS/(LIABILITIES)	**661**	**4**	**(180)**	**803**	**1,288**

Note 16
Prepaid expenses

Accounting policies
Prepaid expenses include advance payments made to vendors for goods or services that will be incurred and expensed in subsequent financial reporting periods. When the period for full expense recognition is longer than 12 months from the balance sheet date, the portion to be expensed after more than 12 months is classified as non-current.

(DKK million)	2023	2022
Prepaid clinical trials	176	180
Prepaid IT expenses	77	58
Other prepaid expenses	54	52
TOTAL	**307**	**290**

Note 17
Foundation capital

The nominal value of the Foundation capital amounts to DKK 98 million (2022: DKK 98 million).

Note 18
Pensions

Accounting policies

Defined contribution plans

Payments to defined contribution plans are recognized in the income statement in the period to which they relate, and any amounts payable are recognized in Other payables in the balance sheet.

Defined benefit plans

In defined benefit plans, the Group has an obligation to pay a defined benefit on retirement. The actuarially calculated present value less the fair value of any plan assets is recognized in the balance sheet under pensions.

The present value is calculated on the basis of assumptions relating to future developments in salary, interest rates, inflation, mortality and other factors. The present value is calculated solely for the benefits to which the employees have earned a right through their employment with the Group. Plan assets are recognized 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 recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year.

Actuarial gains and losses are recognized in other comprehensive income. Past service costs are recognized in the income statement as incurred.

Estimates of valuation of defined benefit plans

The value of the defined benefit plans is based on valuations from external actuaries. The valuation is based on a number of actuarial assumptions, including discount rates, expected return on plan assets, expected growth in wages and salaries, mortality and retirement benefits. The discount rate is the most significant assumption used in the calculation of the obligation concerning defined benefit plans.

Defined contribution plans

The Group operates a number of pension plans for certain groups of employees across the world. These plans are externally funded through payments of premiums to insurance companies and pension funds that are legally separated from the Group. The Group's responsibility toward current or former employees is limited to the payment of the premiums.

Defined benefit plans

In a few countries, the Group operates defined benefit plans. In defined benefit plans, the Group is under an obligation to pay a defined benefit on retirement. The most significant of these are in Ireland and the UK. The defined benefit plans expose the Group to actuarial risks, such as longevity, interest rate, salary, market and currency risks.

The plans in Ireland and the UK are funded and constituted under a trust, the assets of which are legally separated from those of the Group. Under the scheme-funding regime introduced by the UK Pensions Act 2004, trustees of the UK plan are required to undertake regular scheme-funding valuations for the plans and to establish a schedule of contributions and a recovery plan if there is a shortfall in the plan. The plans entitle the employees to an annual pension on retirement, based on length of service and salary level up to retirement.

Key assumptions and sensitivity analysis

The most significant assumption used in the calculation of the obligation concerning defined benefit plans is the discount rate and the expected inflation. The sensitivity analysis indicates what the development in the obligation would be in response to a change in the individual discount rate or inflation rate.

However, the discount rate and inflation rate will most likely be correlated and consequently result in a change in fair value and plan assets as well.

The applied average discount rate is 3.9% (2022: 4.3%), and the applied average inflation rate is 2.3% (2022: 2.6%).

	2023		2022	
Sensitivity analysis	**Ireland (0.25%)**	**UK (0.10%)**	**Ireland (0.25%)**	**UK (0.10%)**
Decrease in discount rate	30	7	29	7
Increase in inflation rate	7	3	7	3

Note 18
Pensions (continued)

(DKK million)	Ireland	UK	Other[1]	Total
2023				
Present value of defined benefit plans:				
Present value of defined benefit plans at 1 January	708	480	158	1,346
Effect of exchange rate adjustment	2	12	-	14
Current service costs	0	0	6	6
Interest expenses	26	23	6	55
Actuarial (gains)/losses from changes in demographic assumptions	0	(6)	-	(6)
Actuarial (gains)/losses from changes in financial assumptions	32	28	7	67
Actuarial (gains)/losses from experience adjustments	11	16	3	30
Benefits paid to employees	(30)	(24)	(6)	(60)
Past service costs	0	(6)	-	(6)
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31	**749**	**523**	**174**	**1,446**
Fair value of plan assets:				
Fair value of plan assets at 1 January	723	588	108	1,419
Effect of exchange rate adjustment	2	14	2	18
Actuarial (gains)/losses from return on plan assets	34	18	1	53
Interest income	26	29	4	59
Benefits paid to employees	(30)	(24)	(5)	(59)
Employer contributions	10	14	-	24
Fair value of plan assets at December 31	**765**	**639**	**110**	**1,514**
NET RETIREMENT BENEFIT OBLIGATIONS/(ASSETS) AT DECEMBER 31	**(16)**	**(116)**	**64**	**(68)**
Recognized as:				
Other non-current assets	16	116	13	145
Non-current liabilities	0		77	77
NET RETIREMENT BENEFIT OBLIGATIONS/(ASSETS) AT DECEMBER 31	**(16)**	**(116)**	**64**	**(68)**
Specification of amount recognized in the statement of comprehensive income:				
Actuarial gains/(losses)	9	20	9	38
TOTAL	**9**	**20**	**9**	**38**

1. Other comprises Germany, France and Italy.

(DKK million)	Ireland	UK	Other[1]	Total
2022				
Present value of defined benefit plans:				
Present value of defined benefit plans at 1 January	1,026	834	213	2,073
Effect of exchange rate adjustment	(1)	(35)	1	(35)
Current service costs	0	0	8	8
Interest expenses	15	16	2	33
Actuarial (gains)/losses from changes in demographic assumptions	0	1	1	2
Actuarial (gains)/losses from changes in financial assumptions	(315)	(310)	(52)	(677)
Actuarial (gains)/losses from changes in experience adjustments	12	11	2	25
Benefits paid to employees	(29)	(37)	(17)	(83)
Past service costs	0	-	-	-
PRESENT VALUE OF DEFINED BENEFIT PLANS AT DECEMBER 31	**708**	**480**	**158**	**1,346**
Fair value of plan assets:				
Fair value of plan assets at 1 January	916	758	115	1,789
Effect of exchange rate adjustment	(1)	(35)	1	(35)
Actuarial (gains)/losses from return on plan assets	(186)	(130)	(5)	(321)
Interest income	13	13	1	27
Benefits paid to employees	(29)	(37)	(4)	(70)
Employer contributions	10	19	-	29
Fair value of plan assets at December 31	**723**	**588**	**108**	**1,419**
NET RETIREMENT BENEFIT OBLIGATIONS/(ASSETS) AT DECEMBER 31	**(15)**	**(108)**	**50**	**(73)**
Recognized as:				
Other non-current assets	15	108	21	144
Non-current liabilities	0		71	71
NET RETIREMENT BENEFIT OBLIGATIONS/(ASSETS) AT DECEMBER 31	**(15)**	**(108)**	**50**	**(73)**
Specification of amount recognized in the statement of comprehensive income:				
Actuarial gains/(losses)	117	168	44	329
TOTAL	**117**	**168**	**44**	**329**

Note 19
Provisions

Accounting policies

Provisions are recognized when the Group has a legal or a constructive obligation, it is probable that there will be an outflow of economic resources to settle the obligation and the obligation can be measured reliably. Provisions are measured as the best estimate of the costs required to settle the liabilities at the balance sheet date.

Provisions for sales deductions and returns are recognized at the time the related revenue is recognized. Unsettled deductions and returns are recognized as provisions when the timing or amount is uncertain. Where absolute amounts are known, the deductions are recognized as other liabilities.

Employee-related provisions include provisions for restructuring costs and other employee-related provisions. Provisions for restructuring costs are recognized when a constructive obligation exists, detailed restructuring plans are in place and a valid expectation has been raised for those affected.

Other provisions consist of various types of other provisions, including provisions for legal disputes, onerous contracts and other restructuring provisions.

Key accounting estimates and judgments

Provisions for onerous contracts

Management makes judgments about the probability of future unavoidable costs, commitments under the contract and the uncertainty of the future economic benefit of the specific onerous contract.

When Management considers an unavoidable loss is more likely than not, a provision for an onerous contract is recognized. The provision is measured as the difference between the expected benefits from a contract and the unavoidable costs of meeting the contract obligations.

Provisions for sales deductions

Sales discounts and rebates are predominantly issued in the US in connection with various commercial arrangements, managed healthcare organizations, co-pay arrangements and government programs such as Medicaid and Medicare.

Management's estimate of sales discounts and rebates is based on a calculation that includes a combination of historical utilization data and expectations in relation to the development in sales. Furthermore, specific circumstances regarding the different programs are also considered. The obligations concerning sales discounts and rebates are incurred at the time the sale is recognized. However, the actual discount or rebate related to a specific sale may be invoiced six to twelve months later.

The Group considers the provisions established for sales discounts and rebates to be reasonable and appropriate based on currently available information. However, the actual amount of discounts and rebates may differ from the amounts estimated by Management as more detailed information becomes available.

Note 19
Provisions (continued)

(DKK million)	Sales deductions	Product returns	Staff-related provisions	Other provisions	Total
2023					
Provisions at January 1	453	121	481	214	**1,269**
Exchange rate adjustments	(12)	(4)	3	3	**(10)**
Additions during the year	1,390	120	128[1]	37	**1,675**
Utilization during the year	(1,018)	(51)	(337)[2]	(52)	**(1,458)**
Reversals during the year	(169)	(22)	(60)[1]	(85)	**(336)**
Transfers	-	-	(84)	-	(84)
PROVISIONS AT DECEMBER 31	**644**	**164**	**131**	**117**	**1,056**
Of which classified as:					
Non-current liabilities	1	53	25	52	**131**
Current liabilities	643	111	106	65	**925**
PROVISIONS AT DECEMBER 31	**644**	**164**	**131**	**117**	**1,056**

(DKK million)	Sales deductions	Product returns	Staff-related provisions	Other provisions	Total
2022					
Provisions at January 1	385	173	468	216	**1,242**
Exchange rate adjustments	16	7	-	1	**24**
Additions during the year	1,224	57	368[1]	168[3]	**1,817**
Utilization during the year	(1,151)	(91)	(293)[2]	(70)	**(1,605)**
Reversals during the year	(21)	(25)	(70)[1]	(93)	**(209)**
Transfer	-	-	8	(8)	-
PROVISIONS AT DECEMBER 31	**453**	**121**	**481**	**214**	**1,269**
Of which classified as:					
Non-current liabilities	1	54	169	68	**290**
Current liabilities	452	67	314	146	**979**
PROVISIONS AT DECEMBER 31	**453**	**121**	**481**	**214**	**1,269**

1. Additions and reversals consist of net DKK 24m related to the announced restructuring of LEO Pharma (2022: DKK 248m).
2. Utilization includes DKK 322m related to provisions for the announced restructuring (2022: DKK 238m).
3. An addition of DKK 69m relates to one onerous contract recognized as part of cost of sales.

Note 20
Financial risks

Financial portfolio risks
Financial portfolio risks are managed according to the LEO Holding Investment Policy, which has been approved by LEO Holding's Board of Directors. The Investment Policy states the strategic asset allocation and the boundaries for each asset class within which tactical asset allocation positions can be taken.

Furthermore, the Policy defines the limits on counterparty risk, overall interest rate risk and liquidity of the financial portfolio.

The credit risk on investments in bonds is limited, as all bonds either have a high rating assigned by Moody's, Standard & Poor's or Fitch or are part of highly diversified mandates with limited exposure to a single issuer. The credit risk on cash and bank balances is limited, as the Group only engages with banks with high credit ratings. The credit risk on derivatives is mitigated through collateral management agreements with counterparty banks.

Equity risk arises from investments in listed shares. The Investment Policy limits the regional exposure within the portfolio and the weight of an individual share. If deemed appropriate, overall equity risk can quickly be reduced through equity future overlay.

Currency risk arises when investments are made in currencies other than DKK. Currency risk is hedged for all fixed-income exposure (except EUR), while equity investments generally have full currency exposure, but with the possibility to hedge fully or partially.

Alternative investments (illiquid unlisted assets) follow the same principles as listed assets.

Operational financial risks
As a consequence of its operations, investments and financing, the Group is exposed to a variety of financial risks:

- Market risks, i.e., currency risk, interest rate risk, etc.
- Credit risk
- Liquidity risk

The Group's overall risk management programs focus on the unpredictability of financial markets and seek to minimize the potential adverse effects on the Group's performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is undertaken by a central finance department, subject to objectives and policies approved by Executive Management. These objectives and policies are outlined in the internal Treasury Policy, which incorporates cash flow hedges of highly probable forecast sales and purchase transactions. The internal Treasury Policy further includes policies on foreign exchange risk and credit risk on financial counterparties, and the permitted use of financial instruments. The Group hedges commercial exposures only and, consequently, does not enter into derivative transactions for trading or speculative purposes.

Currency risk
As a global company with DKK as its presentation currency, the Group undertakes transactions denominated in foreign currencies, and foreign exchange risk therefore has a significant impact on the income statement, balance sheet and cash flow statement. The overall objective of currency risk management is to reduce the short-term negative impact of exchange rate fluctuations on earnings and cash flow.

The Group is mainly exposed to USD, GBP, CNY and CAD as well as other currencies, either through direct sales to and purchases from third parties or indirect sales through a subsidiary. Currency risk arises due to imbalances between income and costs in each individual

Note 20
Financial risks (continued)

currency and because the Group has more assets than liabilities in foreign currencies in connection with its global operations.

The Group hedges future expected cash flows on an 18-month rolling basis. The Group's forward exchange contract policy is described in note 21 Financial derivatives – hedge accounting.

Foreign currency sensitivity analysis
The sensitivity analysis shows the estimated impact on net profit/(loss) of a 5% increase versus DKK in the key currencies to which the Group was exposed on December 31, and subsequent revaluation of balance sheet items and hedging instruments. The analysis shows the impact of foreign currency exchange differences on the Group's monetary assets and liabilities and foreign exchange forward contracts at the end of the year. A similar negative change in exchange rates would have an equivalent opposite effect on net profit/(loss).

Interest rate risk
Interest rate risk is the risk of interest rate fluctuations resulting in changed costs related to floating-rate loans. Long-term funding at floating rates is mitigated by entering into interest rate caps and collars as hedge instruments. Hedging of interest rate risk is approved by Executive Management, and hedge effectiveness is assessed on a regular basis. No ineffectiveness was observed in 2023 or 2022.

Interest rate sensitivity analysis
With floating-rate loans not hedged, a 1 percentage point increase in the interest rate would reduce profit for the year by DKK 10 million (2022: DKK 55 million) and increase other comprehensive income by DKK 35 million (2022: DKK 96 million) based on interest-bearing debt at December 31, 2023, and the change in fair value of the interest-hedging instruments.

The calculation method applied in the sensitivity analysis is based on the current duration of unhedged floating-rate interest-bearing debt as of December 31 and the change in fair value of the interest-hedging instruments.

FOREIGN CURRENCY ANALYSIS

(DKK million)	2023 Profit/loss for the year	2023 Other comprehensive income[1]	2022 Profit/loss for the year	2022 Other comprehensive income[1]
USD	(5)	(12)	(6)	29
GBP	(5)	(9)	(7)	(10)
CNY	6	(27)	8	(18)
CAD	-	(25)	3	(18)
Other	-	(21)	15	(17)

1. This is mainly a consequence of the changes in fair value of derivative instruments designated as cash flow hedges.

CURRENT LOANS WITH BANKING PARTNERS

(DKK million)	Expiry of commitment	Fixed/floating	Weighted avg. effective interest rate %	Amortized cost	Nominal value	Fair value
2023						
Syndicated facility	2029	Floating	7.57[1]	8,434	8,507	8,507
Mortgage loans	2038	Fixed 3-5 years[2]	4.64	1,186	1,200	1,244
Mortgage loans	2042	Fixed 3-5 years[3]	4.54	1,049	1,065	1,090
TOTAL				**10,669**	**10,772**	**10,841**
2022						
Syndicated faciility	2027	Floating	6.19	6,542	6,593	6,593
Mortgage loans	2038	Fixed 3-5 years[2]	1.47	1,185	1,200	1,187
Mortgage loans	2042	Fixed 3-5 years[3]	4.80	1,049	1,065	1,053
TOTAL				**8,776**	**8,858**	**8,833**

1. Floating-rate loans are currently fixed via cap and collar hedging instruments. The weighted average effective rate including the hedging instruments amounts to 6.69% (2022: 5.77%). See note 22 Financial derivatives – hedge accounting.
2. The next rate renewal will occur in 3.6 years (2022: 4 months).
3. The next rate adjustment will occur in 3.5 years (2022: 4.7 years).

Note 20
Financial risks (continued)

Credit risk

The Group's products are primarily sold to pharmacies, wholesalers and hospitals. Historically, realized losses sustained on trade receivables have been insignificant, which was also the case in both 2023 and 2022; see note 12 Trade receivables.

The Group has no significant concentration of credit risk related to trade receivables, as the exposure is spread over a large number of counterparties and customers. As such, the Group has no significant reliance on any specific customer. The Group continues to monitor the credit exposure on all customers, both new and existing, following principles delineated in the Credit Policy adopted in December 2020.

The Group recognizes a loss allowance for expected credit losses and writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The write-off amount is recognized in the income statement under sales and distribution costs. Subsequent recovery of amounts previously written off is credited against sales and distribution costs.

The Group has a non-recourse factoring program for selected global customers to optimize working capital. At year-end, the Group has settled trade receivables, without recourse, having due dates after December 31, 2023, amounting to DKK 374 million (2022: DKK 425 million).

To manage credit risk on financial counterparties, the Group only enters into derivative financial instruments with financial counterparties possessing a satisfactory long-term credit rating assigned by at least one of the three international credit-rating agencies: Standard and Poor's, Moody's and Fitch.

If a counterparty has a rating below Investment Grade, the Group minimizes the risk by keeping the lowest possible bank balance or by spreading the risk between several banks. At year-end, the bank balances with a rating below Investment Grade were low, and therefore the credit risk is considered to be low. Furthermore, the credit risk on bond investments is limited, as investments are made in highly liquid bonds with solid credit ratings such as Investment Grade.

Liquidity risk

It is of great importance that the Group maintains a financial reserve to cover its obligations and investment opportunities and to provide the capital necessary to offset changes in the company's liquidity due to changes in the cash flow from operating activities.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by continuously monitoring forecast and actual cash flows.

Cash resources and financing facilities

In 2023, the Group renegotiated the loan terms for the existning syndicated facility, resulting in both an increase of DKK 1,500 milllion in the available credit facility and improved loan terms. The improvement included a decrease in the effective interest rate during the lifetime of the new arrangement, as well as a postponement of the loan's termination date to January 1, 2029. The renegotiated terms were not assessed to be substantially different from the previous loan terms, as the fair value of the liability before and after the modification was not significantly changed. Under IFRS 9, a gain or loss is recognized at the difference between the present value of the cash flows under the original and modified terms, discounted at the original effective interest rate. A gain of DKK 15 million was recognized as a result of the modification. Fees of DKK 34 million relating to the modification have been capitalized on the liability and amortized as financial expenses over the extended lifetime of the facility.

The Group's financial agreements include loan covenants based on EBITDA for selected established brands in the product portfolio. No breaches of financial covenants were encountered during the year or are forecast for the coming year.

The Group has access to unused financing facilities of DKK 4,253 million (2022: DKK 4,783 million), of which unused and secured overdraft facilities amounted to DKK 4,074 million (2022: DKK 4,505 million) at the reporting date. The remaining amount of DKK 179 million (2022: DKK 278 million) primarily consists of cash and cash equivalents. Other obligations are met from operating cash flows and proceeds from maturing financial assets.

The following table discloses cash as well as non-cash changes in borrowings.

(DKK million)	Borrowings at January 1	Proceeds from borrowings	Repayments of borrowings	Other non-cash items[1]	Borrowings at December 31
2023					
Banks and other credit institutions	8,776	2,750	(819)	(38)	10,669
Lease liabilities	442	-	(115)	(2)	325
TOTAL BORROWINGS	**9,218**	**2,750**	**(934)**	**(40)**	**10,994**
Of which classified as:					
Non-current					10,642
Current					352
2022					
Banks and other credit institutions	5,108	4,559	(900)	9	8,776
Lease liabilities	502	-	(119)	59	442
TOTAL BORROWINGS	**5,610**	**4,559**	**(1,019)**	**68**	**9,218**
Of which classified as:					
Non-current	4,148				8,711
Current	1,462				507

1. Other non-cash items mainly comprise accrued interest expenses and exchange rate adjustments.

Note 20
Financial risks (continued)

The table below discloses the Group's financial liabilities based on their contractual maturities for all non-derivative financial liabilities, as well as derivative financial instruments where the contractual maturities are essential for an understanding of the timing of the cash flows.

MATURITY OF CONTRACTUAL CASH FLOWS

(DKK million)	Contractual amount	Less than 1 year	2-3 years	3-5 years	5+ years
2023					
Financial liabilities at amortized cost					
Bank and mortgage loans	14,455	702	1,157	1,247	11,349
Trade and other payables	3,365	3,365	-	-	-
Other long-term liabilities	2,861	-	-	2,683	178
Financial derivatives at fair value					
Forward contracts used as hedging instruments	15	15	-	-	-
TOTAL CONTRACTUAL CASH FLOW	**20,696**	**4,082**	**1,157**	**3,930**	**11,527**
2022					
Financial liabilities at amortized cost					
Bank and mortgage loans	10,893	799	828	6,795	-
Trade and other payables	3,963	3,963	-	-	-
Other long-term liabilities	2,677	-	-	-	2,677
Financial derivatives at fair value					
Interest-hedging instruments	(47)	(30)	(17)	-	-
Forward contracts used as hedging instruments	50	50	-	-	-
TOTAL CONTRACTUAL CASH FLOW	**17,536**	**4,782**	**811**	**6,795**	**5,148**

Note 21
Financial derivatives – hedge accounting

Accounting policies

Derivative financial instruments

Derivative financial instruments are used to manage the exposure to interest rate and foreign exchange rate risk. None of the derivative financial instruments are held for trading. On initiation of the contract, the Group designates each derivative financial contract as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or as a hedge of a future transaction (cash flow hedge). All contracts are initially recognized at fair value and subsequently remeasured at fair value at the end of the reporting period. The resulting gain or loss is recognized in the income statement immediately, unless the derivative is designated and effective as a cash flow hedging instrument. In this case, the timing of recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives held as hedging instruments in respect of foreign currency risk as either fair value hedges or cash flow hedges, and certain derivatives held as hedging instruments in respect of interest rate risk as cash flow hedges.

The fair value adjustment on qualifying hedging instruments is recognized in the income statement when the hedging instrument is designated as a fair value hedge.

Value adjustments of the effective part of cash flow hedges are recognized in equity through other comprehensive income. The cumulative value adjustment of these contracts is transferred from other comprehensive income to the income statement under financial income or financial expenses.

Discontinuance of cash flow hedging

When a hedging instrument expires or is sold but the hedge still meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement under Financial income or Financial expenses.

Forward exchange rate contracts

LEO Pharma's policy is to enter into either forward foreign exchange contracts or currency options in order to hedge the forecast sales and purchase transactions, based on gradually reducing the hedge ratio from 80% to 20% over a time horizon of 18 months. Where the hedging of highly probable forecast sales and purchases is concerned, as the critical terms (i.e., the notional amount, life and underlying value) of the forward foreign exchange contracts and their corresponding hedged items are the same, LEO Pharma makes both a quantitative and a qualitative assessment of effectiveness. The value of the forward contracts and the value of the corresponding hedged items are expected to change systematically in opposite directions in response to movements in the underlying exchange rates.

Forward foreign exchange contract assets and liabilities are presented as either other receivables or other payables in the balance sheet . Reference is made to note 22 Financial assets and liabilities by category.

The financial contracts are expected to impact the income statement for the next 18 months until the cash flow hedges mature and the fair value is transferred to either financial income or financial expenses. A loss of DKK 1 million has been deferred for recognition until 2024 (2022: a loss of DKK 16 million was deferred until 2023). Ineffectiveness related to contractual contracts amounted to a loss of DKK 4 million during 2023 (2022: DKK 0 million).

The fair value loss of DKK 12 million on forward foreign exchange contracts at the end of 2023 has been recognized in the income statement under foreign exchange losses, net (2022: gain of DKK 14 million recognized in foreign exchange loss, net).

In order to mitigate the currency risks described in note 20 Financial risks, LEO Pharma has entered into the forward exchange contracts specified in the table on the next page.

Note 21
Financial derivatives – hedge accounting (continued)

FORWARD FOREIGN EXCHANGE CONTRACTS

(DKK million)	Average hedge rate	Notional value	Contract value DKK	Carrying amount of the hedging instruments, assets	Carrying amount of the hedging instruments, liabilities	Fair value adjustment recognized in other comprehensive income	Fair value adjustment recognized in the income statement
				2023			
Cash flow hedges							
Sold USD	6.81	35	238	3	-	29	-
Sold CNY	0.95	575	546	1	1	2	-
Sold GBP	8.51	22	185	-	1	(6)	-
Sold CAD	5.06	100	506	1	2	(15)	-
Sold other currencies	N/A	N/A	399	1	5	2	-
Fair value hedges							
Bought USD (net)	6.85	73	501	2	14	-	(56)
Bought GBP	8.59	10	2	-	-	-	2
Sold CAD	4.93	10	49	-	2	-	17
Bought/sold other currencies (net)	N/A	N/A	331	4	2	-	18
FORWARD EXCHANGE CONTRACTS AT DECEMBER 31			**2,837**	**12**	**27**	**12**	**(19)**
				2022			
Bought USD (net)	7.33	82	606	2	40	(47)	-
Sold GBP	8.56	25	214	6	-	10	-
Sold CAD	5.31	71	378	15	1	23	-
Sold CNY	1.00	350	350	-	1	3	-
Sold other currencies	N/A	N/A	356	3	4	4	-
Fair value hedges							
Sold USD (net)	6.85	46	312	8	-	-	52
Sold GBP	8.61	13	112	-	3	-	1
Sold CAD	5.42	10	54	3	-	-	(4)
Bought/sold other currencies (net)	N/A	N/A	416	8	2	-	12
FORWARD EXCHANGE CONTRACTS AT DECEMBER 31			**2,798**	**45**	**51**	**(7)**	**61**

Note 21
Financial derivatives – hedge accounting (continued)

INTEREST RATE HEDGES

(DKK million)	Notional principal value	Change in fair value recognised in other comprehensive income	Fair value assets (liabilities)	Average fixed interest rate
2023				
Cash flow hedges				
Cap – syndicated facility	1,500	(34)	31	0.10%
Collar – syndicated facility	6,000	(7)	(1)	1.63-3.75%
TOTAL		**(41)**	**30**	
2022				
Cash flow hedges				
Cap on term loan A	1,500	62	65	0.10%
Cap on term loan B	6,000	6	6	1,63-3,75%
TOTAL		**68**	**71**	

At December 31, 2023, a fair value gain of DKK 31m (2022: DKK 71m) is recognized in other receivables and a fair value loss of DKK 1m in other payables.

Note 22
Financial assets and liabilities by category

Accounting policies

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets, except for trade receivables, and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropiate, on initial recognition.

Financial assets

All recognized financial assets are required to be measured subsequently at amortized cost or fair value on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Other financial securities presented under non-current assets consist of equity investments and bonds.

Investments in bonds that are held within a business model where the objective is to collect the contractual cash flows are subsequently measured at amortized cost. Investments that are held within a business model where the objective is both to collect the contractual cash flows and to sell are subsequently measured at fair value through other comprehensive income.

All other investments, including equity investments, are subsequently measured at fair value through profit and loss.

Other securities, which comprise listed bonds, shares, credit, and listed and unlisted alternatives, are classified as current assets and measured at fair value through profit and loss. Securities that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three categories:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for assets or liabilities that are not based on observable market data

Financial instruments carried at amortized cost

The fair value of the short-term financial assets and other financial liabilities carried at amortized cost is not materially different from the carrying amount. In general, fair value is primarily determined based on the present value of expected future cash flows. Where a market price is available, however, this is deemed to be the fair value.

Note 22
Financial assets and liabilities by category (continued)

Key accounting estimates and judgments
Estimate of fair value of unlisted investments
Assessment of the fair value of investments not based on observable market data are subject to uncertainty. For investments in alternatives (Level 3), fair value is based on most recently reported NAV adjusted for capital calls, capital returns and pricing development (if relevant).

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(DKK million)	Carrying amount		Fair value	
	2023	2022	2023	2022
Carried at amortized cost				
Cash and bank balances	238	286	238	286
Trade and other receivables	2,514	2,528	2,514	2,528
Other financial assets	136	50	136	50
Financial assets at amortized cost	**2,887**	**2,864**	**2,887**	**2,864**
Carried at fair value through profit/(loss) (FVTPL)				
Financial assets mandatorily measured at FVTPL	16,655	15,777	16,655	15,777
Derivative instruments in designated hedge relationships	6	19	6	19
Financial assets at fair value through profit/(loss)	**16,661**	**15,796**	**16,661**	**15,796**
Carried at fair value through other comprehensive income (FVTOCI)				
Derivative instruments in designated cash flow-hedging relationships	37	139	37	139
Financial assets at fair value through other comprehensive income (FVTOCI)	**37**	**139**	**37**	**139**
TOTAL FINANCIAL ASSETS	**19,585**	**18,799**	**19,585**	**18,799**

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(DKK million)	Carrying amount		Fair value	
	2023	2022	2023	2022
Carried at amortized cost				
Trade and other payables	3,593	3,963	3,593	3,963
Bank loans (current and non-current)	8,434	6,542	8,507	6,593
Mortgage loans	2,235	2,234	2,334	2,240
Lease liabilities (current and non-current)	325	442	345	454
Other non-current liabilities	2,908	2,270	2,908	2,270
Financial liabilities at amortized cost	**17,495**	**15,451**	**17,687**	**15,520**
Carried at fair value				
Derivative instruments in designated fair value hedge relationships	18	5	18	5
Financial liabilities at fair value	**18**	**5**	**18**	**5**
Carried at fair value through other comprehensive income (FVTOCI)				
Derivative instruments in designated cash flow-hedging relationships	10	46	10	46
Financial liabilities at fair value through other comprehensive income (FVTOCI)	**10**	**46**	**10**	**46**
TOTAL FINANCIAL LIABILITIES	**17,523**	**15,502**	**17,715**	**15,571**

Note 22
Financial assets and liabilities by category (continued)

FINANCIAL ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE AT DECEMBER 31

(DKK million)	Fair value hierarchy at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Measured at fair value				
Government and mortgage bonds	1,300	-	-	1,300
Equities	7,510	-	-	7,510
Credit	2,106	-	-	2,106
Alternatives	498	2,078	1,844	4,420
Investment cash	1,319	-	-	1,319
Derivative instruments	-	43	-	43
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**12,733**	**2,121**	**1,844**	**16,698**
Measured at amortized cost, disclosure of fair value				
Bank loans	-	8,507	-	8,507
Mortgage loans	-	2,334	-	2,334
Derivative instruments	-	28	-	28
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	-	**10,869**	-	**10,869**

FINANCIAL ASSETS AND LIABILITIES MEASURED OR DISCLOSED AT FAIR VALUE AT DECEMBER 31

(DKK million)	Fair value hierarchy at December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Measured at fair value				
Government and mortgage bonds	1,073	-	-	1,073
Equities	7,749	-	-	7,749
Credit	2,603	-	-	2,603
Alternatives	580	1,908	1,649	4,137
Investment cash	214	-	-	214
Derivative instruments	-	158	-	158
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**12,220**	**2,066**	**1,649**	**15,935**
Measured at amortized cost, disclosure of fair value				
Bank loans	-	6,593	-	6,593
Mortgage loans	-	2,240	-	2,240
Derivative instruments	-	51	-	51
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	-	**8,884**	-	**8,884**

Fair value measurements

The fair value of derivative financial instruments is measured on the basis of quoted market prices of financial instruments traded in active markets (Level 1). If an active market exists, the fair value is based on the most recently observed market price at the end of the reporting period. If a financial instrument is quoted in a market that is not active, the valuation is based on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments assumed to be motivated by normal business considerations.

If an active market does not exist, the fair value of standard and simple financial instruments, such as forward foreign exchange contracts, interest rate swaps and unlisted bonds and shares, is measured according to generally accepted valuation techniques (Level 2). Market-based parameters are used to measure the fair value.

When no observable market data exist, the fair value is measured according to generally accepted valuation techniques (Level 3 input).

The valuation for alternative investments is based on the most recently reported NAV adjusted for capital calls, capital returns and pricing development (if relevant).

FINANCIAL ASSETS MEASURED AT FAIR VALUE – LEVEL 3

(DKK million)	**2023**	**2022**
Carrying amount at January 1	1,649	1.329
Additions	270	258
Distributions	(16)	(26)
Gains/(losses) through profit/(loss)	(60)	88
GAINS/(LOSSES) THROUGH PROFIT/(LOSS)	**1,844**	**1,649**

Note 23
Other payables

Accounting policies
Other payables (current) comprise amounts owed to employees, including wages, salaries and holiday pay, salary-/wage-related items, amounts owed in connection with purchase of development projects, amounts owed related to clinical trials, amounts owed related to sales deductions and promotion fees, amounts owed to public authorities, such as VAT, accrued derivatives and other payables, such as distributor expenses, promotional tax and product listing agreements.

Clinical trials can take several years to complete. As such, Management is required to make estimates based on the progress and costs incurred to date for the ongoing trials. Judgments are made to determine the amount of costs to be expensed during the period or recognized as prepaid expenses or other payables in the balance sheet.

(DKK million)	2023	2022
Employee-related accruals	738	906
Sales deductions	372	408
Clinical trial expenses	173	272
Public authorities	101	90
Accrued interest	87	72
Royalties	55	-
Financial derivatives	30	50
Milestone payments	-	143[2]
Grant liability	204	188
Accounts and other payables[1]	634	582
TOTAL OTHER PAYABLES	**2,394**	**2,710**

1. Accounts and other payables primarily consist of accrued expenses related to core business actvities with expected payout within 12 months.
2. Accrued milestone payments on approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

Notes – Cash flow statement
Note 24
Other cash flow adjustments

(DKK million)	2023	2022
Other non-cash adjustments:		
Gain/loss on sale of non-current assets, etc.	(2)	-
Change in other provisions	1,227	1,632
Change in other non-current liabilities	286	-
Change in provisions for defined benefit plans	5	(357)
Change in inventory write-down	37	13
Change in provision for bad debt	(11)	7
Share-based payments	(129)	-
Other non-cash adjustments	(19)	433[1]
TOTAL OTHER NON-CASH ADJUSTMENTS	**1,394**	**1,728**
Change in working capital:		
Change in inventories	(323)	(724)
Change in receivables	96	81
Change in current liabilities	(269)	(225)
TOTAL CHANGE IN WORKING CAPITAL	**(496)**	**(868)**

1. Other non-cash adjustments primarily consist of remeasurement of defined benefit obligations at DKK 329m.

Notes – Additional information

Note 25

Guarantees, contingencies and commitments

Guarantees and commitments
The total guarantee commitments for the LEO Group amount to DKK 114 million at December 31, 2023 (2022: DKK 136 million).

Contractual obligations and commitments
The table below shows contractual obligations not recognized in the consolidated financial statements.

CONTRACTED BUT NOT PROVIDED FOR IN THE FINANCIAL STATEMENTS

(DKK million)	2023	2022
Intangible assets	429	333
Property, plant and equipment	130	137
TOTAL	**559**	**470**

The commitments related to intangible assets comprise milestone payments concerning the development of new products and intellectual property rights from acquisitions. Commercial milestones, royalties and other payments based on a percentage of sales generated from sale of goods following marketing approval are excluded from the contractual commitments because of their contingent nature, related to future sales.

The commitments regarding property, plant and equipment relate primarily to two major expansions of production facilities. One project relates to the construction of a new plant in Denmark, while the other project relates to the expansion of an existing plant in Ireland. The amounts are not risk adjusted or discounted.

The Group has commitments related to financial investments of DKK 3,962 million (2022: DKK 3,596 million).

Pending lawsuits
At the end of 2023, there were pending patent lawsuits filed by and against LEO Pharma concerning rights related to products in LEO Pharma's portfolio. LEO Pharma does not expect these or other pending cases to have any significant effect on the Group's financial position.

LEO Pharma is involved in a number of legal proceedings. In the opinion of Executive Management, the outcome of these proceedings will not have a material impact on the financial position or cash flows. Such proceedings will, however, develop over time, and new proceedings may occur that could have a material impact on LEO Pharma's financial position and/or cash flows.

Tax
As a global business, the Group will from time to time have tax audits and discussions with tax authorities in various countries regarding tax issues, including transfer pricing and indirect tax issues. Please refer to the description of uncertain tax positions in note 8 Income tax.

Note 26

Related party transactions

The LEO Group's related parties comprise:
- The associate SkinVision B.V.
- Members of the LEO Foundation's Board of Trustees and Executive Board as well as close relatives of these persons.
- Companies in which the members of the Board of Trustees and the Executive Board have a controlling influence.

Owner with non-controlling interest in LEO Pharma A/S:
- Nordic Capital (through Cidron Savanna 4 SARL).

Transactions and balances with Nordic Capital:
- Capital raise in LEO Pharma of DKK 149 million (2022: DKK 0 million).

Transactions and balances with members of the Board of Directors or Executive Management of LEO Pharma:
- Selected members of the Board of Directors have purchased warrants as part of the Management Incentive Program, totaling DKK 1 million (2022: DKK 1 million).

Fair value remeasurements (non-cash) of the financial liability arising from historical programs granted in 2021 and 2022 to key management personnel, including Executive Management of LEO Pharma, had a total impact of DKK 97 million (2022: DKK 2 million). The impact is due to fair value remeasurement of the Management Incentive Program, reflecting a higher valuation of the company.

The incentive program is linked to successful transformation of the company and an IPO. The total fair value remeasurement of the financial liability (also including employees other than key management personnel) is included in Note 7 Financial income and expenses.

There were no other transactions with related parties besides remuneration. For information on remuneration, please refer to note 3 Staff expenses.

Note 27
Non-controlling interests

In July 2021, the shareholder base of LEO Pharma was expanded by a transaction in which Nordic Capital invested EUR 450 million, equivalent to DKK 3,347 million, for a minority stake in LEO Pharma, whereby LEO Holding A/S's ownership of LEO Pharma was reduced to 78.09%.

In September 2023, LEO Holding converted intercompany loans to LEO Pharma of DKK 5,557 million into equity, and at the same time a capital raise of EUR 100 million in LEO Pharma was conducted, with LEO Holding contributing EUR 80 million. The transaction resulted in a dilution loss of DKK 1,029 million, which has been recognized under retained earnings in Group equity.

The transaction changed the non-controlling interest's share of LEO Pharma A/S to 18.89% (2022: 22.09%).

The LEO Group's subsidiaries with significant non-controlling interests:

	Non-controlling interests	Non-controlling interests percentage of votes	Registered office
LEO Pharma A/S	18.89%	4.1%	Ballerup

(DKK million)	2023	2022
Income statement:		
Revenue	11,392	10,641
Profit/(loss) for the year	(3,607)	(4,110)
Total comprehensive income	(3,740)	(3,652)
Total comprehensive income attributable to non-controlling interests	(707)	(800)
Balance sheet:		
Non-current assets	12,272	14,765
Current assets	8,679	8,167
Non-current liabilities	11,471	15,145
Current liabilities	4,955	5,841
Non-controlling interests' share of equity	911	470
Statement of cash flow:		
Cash flows from operating activities	(1,953)	(2,274)
Cash flows from investing activities	(537)	(1,476)
Cash flows from financing activities	2,467	3,576

Note 28
Events after the balance sheet date

LEO Pharma announced on January 23, 2024, that the Group had finalized the acquisition of the strategic asset TMB-001 from Timer Pharmaceuticals following its chapter 11 bankruptcy filing. The purchase price amounted to DKK 96 million.

No other significant events have occurred in the period from the balance sheet date until the presentation of the consolidated financial statements that materially affect the assessment of the Annual Report.

Note 29
Companies in the LEO Group

(DKK million)	Country	Share of ownership, %	Activities
Parent Company			
The LEO Foundation	Denmark		Other
Subsidiaries of LEO Foundation			
LEO Pharma A/S	Denmark	81	Sales and distribution, Production
LEO Holding A/S, including	Denmark	100	Other
– LH Capital A/S	Denmark	100	Other
Subsidiaries of LEO Pharma A/S			
SARL LEO Pharma [1]	Algeria	100	Sales services
LEO Pharma Pty Ltd	Australia	100	Sales and distribution
LEO Pharma GmbH	Austria	100	Sales and distribution
LEO Pharma NV	Belgium	100	Sales and distribution
LEO Pharma LTDA.	Brazil	100	Sales and distribution
LEO Pharma Inc.	Canada	100	Sales and distribution
LEO Pharma Consultancy Company Ltd.	China	100	Sales services
LEO Pharma Trading Company Ltd.	China	100	Sales and distribution
LEO Pharma s.r.o.	Czechia	100	Sales services
Løvens Kemiske Fabriks Handelsaktieselskab	Denmark	100	Other
LEO Pharma OY	Finland	100	Sales and distribution
Laboratoires LEO S.A.S	France	100	Sales and distribution, Production
LEO Pharma GmbH	Germany	100	Sales and distribution
LEO Pharmaceutical Hellas S.A.	Greece	100	Sales and distribution
DKLEO Pharma Private Limited [1]	India	100	Other
LEO Laboratories Ltd.	Ireland	100	Sales and distribution, Production
Wexport Ltd.	Ireland	100	Production
LEO Pharma Holding Ltd.	Ireland	100	Other
LEO Pharma Manufacturing Italy S.R.L.	Italy	100	Production
LEO Pharma S.p.A.	Italy	100	Sales and distribution
LEO Pharma K.K.	Japan	100	Sales and distribution
LEO Pharmaceuticals, S. de R.L. de C.V.	Mexico	100	Sales and distribution
LEO Pharma LLC [1]	Morocco	100	Sales services
LEO Pharma BV	Netherlands	100	Sales and distribution
LEO Pharma Ltd.	New Zealand	100	Sales and distribution
LEO Pharma AS	Norway	100	Sales and distribution
LEO Pharma Sp. z o.o.	Poland	100	Sales services
LEO Pharma Global Business Service Center Sp. z.o.o.	Poland	100	Other
LEO Farmacêuticos Lda.	Portugal	100	Sales and distribution
LEO Pharmaceutical Products LLC	Russia	100	Sales and distribution
LEO Pharma Asia PTE Ltd.	Singapore	100	Sales services
LEO Pharma Yuhan Hoesa	South Korea	100	Sales and distribution
Laboratorios LEO Pharma S.A.	Spain	100	Sales and distribution
LEO Pharma AB	Sweden	100	Sales and distribution
LEO Pharmaceutical Products Sarath Ltd.	Switzerland	100	Sales and distribution
LEO Pharma SARL[1]	Tunisia	100	Sales and distribution
LEO Laboratories Ltd.	United Kingdom	100	Sales and distribution
LEO Pharma Inc.	USA	100	Sales and distribution
LEO Spiny Merger Sub Inc.	USA	100	Other
LEO US Holding Inc.	USA	100	Other
Associates			
SkinVision B.V.	Netherlands	26.32	

1. Under liquidation

Sales and distribution · Sales services · Production · Other

LEO FOUNDATION

Financial Statements

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Income statement

JANUARY 1 - DECEMBER 31			
(DKK million)	Note	**2023**	**2022**
Administrative costs	1, 2	(23)	(22)
Operating profit/(loss)		**(23)**	**(22)**
Result from investments in subsidiaries	6	(994)	(4,290)
Financial income	3	46	29
Profit/(loss) before tax		**(971)**	**(4,283)**
Tax on profit/(loss) for the year		-	-
NET PROFIT/(LOSS) FOR THE YEAR	4	**(971)**	**(4,283)**

Balance sheet at December 31

ASSETS

(DKK million)	Note	2023	2022
Tangible fixed assets	5	1	1
Investments in subsidiaries	6	19,176	20,222
Receivables from LEO Pharma A/S		-	1,000
Total financial fixed assets		**19,176**	**21,222**
Total fixed assets		**19,177**	**21,223**
Receivables from subsidiaries		850	1,030
Other receivables		1	1
Total receivables		**851**	**1,031**
Cash at bank and in hand		**15**	**9**
Total current assets		**866**	**1,040**
TOTAL ASSETS		**20,043**	**22,263**

EQUITY AND LIABILITIES

(DKK million)	Note	2023	2022
Foundation capital	7	98	98
Net revaluation, subsidiaries		18,059	20,122
Reserve for future grants		326	216
Retained earnings		1,081	1,383
Total equity		**19,564**	**21,819**
Grants payable	8	257	252
Total non-current liabilities		**257**	**252**
Grants payable	8	204	188
Other payables		17	4
Total current liabilities		**221**	**192**
TOTAL EQUITY AND LIABILITIES		**20,043**	**22,263**

Statement of changes in equity

(DKK million)	Foundation capital	Net revaluation, subsidiaries	Reserve for future grants	Retained earnings	Total
2023					
Equity at January 1, 2023	98	20,122	216	1,383	**21,819**
Profit/(loss) for the year	-	(994)	325	(302)	**(971)**
Other adjustments in subsidiaries	-	(1,069)	-	-	**(1,069)**
Grants for the year	-	-	(215)	-	**(215)**
EQUITY AT DECEMBER 31, 2023	**98**	**18,059**	**326**	**1,081**	**19,564**

(DKK million)	Foundation capital	Net revaluation, subsidiaries	Reserve for future grants	Retained earnings	Total
2022					
Equity at January 1, 2022	98	24,565	141	876	**25,680**
Profit/(loss) for the year	-	(4,290)	200	(193)	**(4,283)**
Dividend received	-	(700)	-	700	**-**
Other adjustments in subsidiaries	-	547	-	-	**547**
Grants for the year	-	-	(125)	-	**(125)**
EQUITY AT DECEMBER 31, 2022	**98**	**20,122**	**216**	**1,383**	**21,819**

LEO FOUNDATION

Notes

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Note 1
Audit fees

(DKK million)	2023	2022
Fees to auditors appointed at the Board meeting		
Statutory audit	0.2	0.2
TOTAL	**0.2**	**0.2**

Note 2
Staff expenses

(DKK million)	2023	2022
Wages and salaries	14	12
TOTAL	**14**	**12**
Staff expenses included in		
Administrative costs	14	12
TOTAL	**14**	**12**
Remuneration to the Board of Trustees from other Group companies	4	4

Remuneration to the Board of Trustees amounted to DKK 2.3 million (2022: DKK 2.3 million), and the fee to the administrator, LEO Pharma A/S, amounted to DKK 0.1 million (2022: DKK 0.1 million).

For a specification of the remuneration to the Board of Trustees and Executive Board, please refer to note 3 to the consolidated financial statements.

	2023	2022
Average number of full-time employees	10	10

Note 3
Financial income

(DKK million)	2023	2022
Interest income from subsidiaries	45	29
TOTAL	**45**	**29**

Note 4
Proposed distribution of net profit/(loss) for the year

(DKK million)	2023	2022
Net revaluation of subsidiaries	(994)	(4,290)
Proposed grant limit for the following year	325	200
Retained earnings	(302)	(193)
TOTAL	**(971)**	**(4,283)**

Note 5
Fixed assets

(DKK million)	Other fixtures and fittings, tools and equipment	Total tangible assets
2023		
Cost at January 1	2	2
Cost at December 31	**2**	**2**
Depreciation and amortization at January 1	(1)	(1)
Depreciation and amortization at December 31	**(1)**	**(1)**
CARRYING AMOUNT AT DECEMBER 31	**1**	**1**
2022		
Cost at January 1	2	2
Cost at December 31	**2**	**2**
Depreciation and amortization at January 1	(1)	(1)
Depreciation and amortization at December 31	**(1)**	**(1)**
CARRYING AMOUNT AT DECEMBER 31	**1**	**1**

Note 6
Investments in subsidiaries

(DKK million)	2023	2022
Cost at January 1	100	100
Addition	1,018	-
Cost at December 31	**1,118**	**100**
Value adjustment at January 1	20,122	24,565
Share of profit/(loss) for the year	(994)	(4,290)
Dividend paid	-	(700)
Dilution loss from capital raise in subsidiary	(1,029)	-
Adjustment of financial instruments	(24)	48
Tax on changes in equity	11	(54)
Other movements	(28)	553
Value adjustment at December 31	**18,059**	**20,122**
CARRYING AMOUNT AT DECEMBER 31	**19,176**	**20,222**

For a list of all subsidiaries in the LEO Group, please refer to note 29 to the consolidated financial statements.

Note 7
Foundation capital

The nominal value of the Foundation capital is DKK 98 million (2022: DKK 98 million).

Note 8
Grants payable

(DKK million)	2023	2022
Grants payable fall due		
Within one year	204	188
Between one and five years	257	226
After more than five years	-	26
GRANTS PAYABLE AT DECEMBER 31	**461**	**440**

Note 9
Contingencies

The LEO Foundation has lease obligations of DKK 1 million (2022: DKK 1 million).

The LEO Foundation has no guarantee commitments or pledges.

Note 10
Related parties

The LEO Foundation's related parties with significant influence comprise the LEO Foundation's Board of Trustees and Executive Board, LEO Holding A/S, and LEO Pharma A/S and its subsidiaries.

For information regarding remuneration to the Board of Trustees and administrative costs, please refer to note 2.

Transactions and balances with LEO Pharma A/S were as follows:

- In September 2023, LEO Foundation made a contribution in kind to LEO Holding A/S, by transferring the loan of DKK 1,000 million that LEO Foundation had provided to LEO Pharma A/S plus accrued interest for 2023 of DKK 17 million. At year-end 2022, the loan amounted to DKK 1,000 million. The loan was granted at an interest rate of 2.45%.
- There are no intercompany balances with LEO Pharma A/S at year-end 2023 (2022: interest receivable of DKK 24.5 million).
- Expenses of DKK 0.1 million (2022: DKK 0.1 million).

Transactions and balances with LEO Holding A/S were as follows:

- Capital raise in LEO Holding A/S by contribution in kind of LEO Foundation's loan of DKK 1,000 million to LEO Pharma A/S plus interest for 2023 of DKK 17 million.
- A short-term loan of DKK 820 million (2022: DKK 1,000 million) and interest of DKK 27.7 million (2022: DKK 4.9 million).
- Income from LEO Holding A/S of DKK 6.9 million (2022: DKK 6.8 million).

The LEO Foundation had no other transactions with related parties.

Note 11
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 that materially affect the assessment of the Annual Report.

Note 12
Accounting policies

Accounting policies
The Financial Statements of the Parent Company, the LEO Foundation, for 2023 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are unchanged from the previous year.

The Parent Company's accounting policies for recognition and measurement are consistent with the policies of the Consolidated Financial Statements except for IFRS 16 Leases, which has not been implemented for the Parent Company.

Cash flow statement
In accordance with the exemption clause in section 86(4) of the Danish Financial Statements Act, no separate cash flow statement has been prepared for the Parent Company.

Investments in subsidiaries
Investments in subsidiaries are measured under the equity method. This means that the subsidiaries are measured in the balance sheet at the proportionate share of their net asset value, with deduction or addition of unrealized 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 Company's share of the subsidiaries' profit for the year is recognized in the income statement less unrealized intercompany profits.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to reserve for net revaluation under equity under the equity method. The reserve is reduced by dividends distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Dilution gain or loss recognized from change in ownership of investments in subsidiaries is recognized directly in equity.

Management statement

The Executive Board and the Board of Trustees have today considered and adopted the Annual Report of the LEO Foundation for the financial year January 1 – December 31, 2023.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU, and the Financial Statements of the Parent Company and the Management review have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the financial position as of December 31, 2023 of the Group and the Parent Company, and the results of the Group's and the Parent Company's operations and consolidated cash flows for 2023.

In our opinion, the Management review gives a true and fair view of the matters addressed therein.

Copenhagen, March 22, 2024

EXECUTIVE BOARD

Peter Haahr
CEO

BOARD OF TRUSTEES

Lars Olsen
Chairman

Eivind Drachmann Kolding
Vice Chairman

Allan Carsten Dahl

Anja Boisen

Cristina Patricia Lage

Franck Maréno

Jannie Kogsbøll

Karin Jexner Hamberg

Lars Green

Lotte Hjortshøj

Peter Schwarz

Independent auditor's report

TO THE BOARD OF TRUSTEES OF LEO FONDET

Opinion
We have audited the Consolidated Financial Statements and the Parent Financial Statements of LEO Fondet for the financial year January 1, 2023 - December 31, 2023, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the Parent Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

Furthermore, in our opinion, the Parent Financial Statements give a true and fair view of the Parent's financial position at December 31, 2023, and of the results of its operations for the financial year January 1, 2023 - December 31, 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and the Parent Financial Statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Consolidated Financial Statements and the Parent Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of Parent 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 Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements and the Parent Financial Statements, including the disclosures in the notes, and whether the Consolidated Financial Statements and the Parent Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Statement on the Management Review
Management is responsible for the Management's review.

Our opinion on the Consolidated Financial Statements and the Parent Financial Statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required by relevant laws and regulations.

Based on the work we have performed, we conclude that the Management's review is in accordance with the Consolidated Financial Statements and the Parent Financial Statements and has been prepared in accordance with the information required by relevant laws and regulations. We did not identify any material misstatement of the Management's review.

Copenhagen, March 22, 2024

Deloitte
Statsautoriseret Revisionspartnerselskab
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State Authorized
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