LEO FONDET
EST. 1984

ANNUAL REPORT 2014 LEO FOUNDATION

The images used in this annual report are our corporate brand images of ordinary people in everyday situations showing healthy skin – and as our mission states: “We help people achieve healthy skin”

CONTENTS

Presented and adopted at the Board meeting on 21 April 2015

CVR 11 62 33 36

MANAGEMENT'S STATEMENT

The Board of Trustees have today considered and adopted the Annual Report of the LEO Foundation for the financial year 1 January – 31 December 2014.

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

In our opinion the Financial Statements of the Parent Foundation and the consolidated Financial Statements give a true and fair view of the financial position at 31 December 2014 of the Group and the Parent Foundation, and of the results of the Group's and the Parent Foundation's operations and consolidated cash flows for 2014.

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

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

Ballerup, 21 April 2015

BOARD OF TRUSTEES:

Poul Rødbroe Rasmussen
Chairman

Jens Bo Olesen
Vice-Chairman

Nina Sølver Henning

Jens Holm

Jannie Kogsbøll

John Mehlbye

Per Håkon Schmidt

Gorm M. Thamsborg

Allan Carsten Dahl

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES OF LEO FONDET

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and the Parent Foundation Financial Statements of LEO Fondet for the financial year 1 January – 31 December 2014, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies for both the Group and the Parent Foundation, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Foundation Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and Parent Foundation Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and Parent Foundation Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's and the Parent Foundation's preparation of Consolidated Financial Statements and Parent Foundation Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and Parent Foundation Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and Parent Foundation Financial Statements give a true and fair view of the financial position of the Group and the

Parent Foundation at 31 December 2014 and of the results of the Group's and the Parent Foundation's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2014 in accordance with the Danish Financial Statements Act.

STATEMENT ON MANAGEMENT'S REVIEW

We have read Management's Review in accordance with the Danish Financial Statements Act.

We have not performed any procedures additional to the audit of the Consolidated Financial Statements and Parent Foundation Financial Statements.

On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and Parent Foundation Financial Statements.

Hellerup, 21 April 2015
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Kim Füchsel
State Authorised Public Accountant

Lars Baungaard
State Authorised Public Accountant

FOUNDATION INFORMATION

The LEO Foundation
LEO Fondet
Industriparken 55
2750 Ballerup
Denmark
CVR No.: 11 62 33 36
Reg. office: Ballerup
Financial year: 1 January – 31 December 2014

Auditors
PwC
Strandvejen 44
2900 Hellerup
Denmark

FINANCIAL HIGHLIGHTS

(DKK million)	2014	2013	2012	2011*	2010*
Income statement					
Revenue, global	7,973	7,842	8,216	7,487	7,245
Revenue outside Denmark	7,702	7,599	7,969	7,238	7,033
Operating profit/loss	758	671	-183	153	175
Net financials	1,290	1,002	1,050	838	887
Profit/loss before tax	2,048	1,673	867	987	1,062
Net profit/loss for the year	**1,544**	**1,175**	**659**	**601**	**698**
Balance sheet					
Net investment in:					
Intangible assets	160	225	186	0	0
Property, plant and equipment	121	235	343	410	541
Fixed assets	17,357	22,681	24,695	24,600	23,487
Current assets	14,284	10,474	4,764	4,364	3,805
Total assets	**31,641**	**33,155**	**29,459**	**28,964**	**27,292**
Equity	**24,622**	**23,239**	**22,096**	**21,408**	**20,838**
Ratios					
Operating profit margin	10%	9%	-2%	2%	2%
Return on assets	2%	2%	-1%	1%	1%
Return on equity	9%	7%	4%	5%	5%
Solvency ratio	78%	70%	75%	74%	76%
Employees					
Average number of employees	4,712	4,733	4,783	4,391	3,796

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

MANAGEMENT'S REVIEW

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

The purpose of the LEO Foundation is to serve the company (not vice versa), as stated in the Foundation's charter: "… the primary object of the Foundation shall be to ensure the continuance of LEO Pharma A/S with affiliated companies."

This means that the work of the LEO Foundation focuses on ensuring LEO Pharma's continued development and survival in the spirit of Dr Knud Abildgaard, who transferred ownership of the company to the LEO Foundation in 1984.

The LEO Foundation is a commercial foundation and holds all the shares in LEO Pharma A/S, with a nominal value of DKK 250 million. As stated in its charter, the LEO Foundation is to retain full ownership of LEO Pharma and cannot recapitalise the company by relinquishing ownership. The Foundation does not have the ambition to make other business investments.

The Board of the LEO Foundation believes active and committed ownership by the LEO Foundation is the best way to ensure the continuation of LEO Pharma in the spirit of Dr Knud Abildgaard.

Supporting advances in dermatology

The LEO Foundation supports advances in dermatology with the ultimate aim of helping people worldwide who are affected by, or at risk of developing, skin conditions.

The Foundation does this in two ways. Firstly, through the active ownership of LEO Pharma, which aims to help people achieve healthy skin by delivering solutions that meet patient needs. Secondly, by supporting scientific research that aims to improve our understanding of dermatological conditions and how they affect patients.

Securing LEO Pharma's development

LEO Pharma's vision is to become the preferred dermatology care partner improving people's lives around the world. To realise this vision, the company has expanded into new regions and markets, reaching more patients and societies with therapies that address unmet medical needs.

Today, LEO Pharma delivers dermatological treatment options for psoriasis, actinic keratosis, eczema and skin infections in more than 100 countries. The global pharmaceutical company has a workforce of around 4,800 employees in 61 countries.

In order to better meet the real-life needs of people living with skin conditions, LEO Pharma is committed to going beyond products to deliver complete care solutions. With this innovative approach, the company strives to help patients achieve better treatment outcomes.

Funding scientific research

The Foundation supports advances in the field of dermatology for the benefit of patients and society. The LEO Foundation selects projects according to their potential to contribute towards improving the lives of people with skin conditions or helping prevent skin conditions by changing environmental factors and/or human behaviour.

This annual report presents the projects that the LEO Foundation currently supports as well as the LEO Foundation's financial results, with a natural emphasis on the activities of LEO Pharma, the Foundation's sole commercial asset.

SUPPORT FROM THE LEO FOUNDATION

The LEO Foundation emphasises certain aspects when selecting projects and attaches importance to the results of the projects it supports being made available to the public, patients and health professionals, ideally in the form of information campaigns.

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

There is an emphasis on large-scale international activities. As such, projects funded by the LEO Foundation generally have their roots in a university or university hospital. Furthermore, the scientists involved must have a particularly sound and well-documented international research background.

Another common denominator for projects supported by the LEO Foundation is that they aim to improve understanding of disease prevalence, social cost and impact on quality of life, or of the biological mechanisms that cause a condition and its symptoms.

In addition, the LEO Foundation can choose to support educational activities aimed at strengthening knowledge of the natural sciences amongst potential students, and attracting students to study medicine, chemistry or pharmacy.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The LEO Group aims to be a responsible corporate citizen wherever it operates. The LEO Group comprises the LEO Foundation and its affiliated companies.

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

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

The LEO Group has a business-driven CSR approach and we acknowledge our economic, social and environmental responsibility when providing therapies for the benefit of patients and society.

Economic responsibility

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

Social responsibility

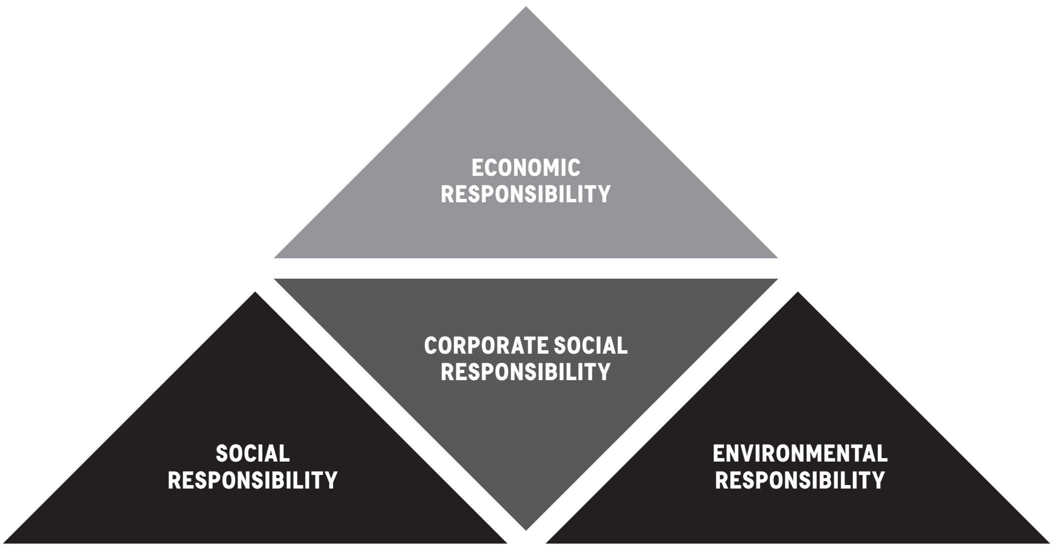
The LEO Group aims to offer a healthy and safe working environment, and to support and respect the protection of internationally adopted human rights, including the fundamental workers' rights espoused by the International Labour Organization. We strive actively to improve occupational health and safety in accordance with international standards.

Environmental responsibility

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

CSR activities through affiliated companies

Compliance with Sections 99a and 99b of the Danish Financial Statement Act is reported in a separate report – the LEO Pharma Corporate Social Responsibility (CSR) Report 2014, available on *http://www.leo-pharma.com/Home/LEO-Pharma/Corporate-responsibility/Reports.aspx*.



PROJECT PORTFOLIO

The list of projects below constitutes the full array of projects currently supported by the LEO Foundation. The figures represent the total sum of each grant. Most projects receive funding based on milestones and may span several fiscal years. In 2014, the LEO Foundation granted a total of DKK 6.5 million to projects.

Care for chronic skin diseases with a patient-centric approach

Skin cancer is currently the most frequent type of cancer. At present, life-time risk is estimated at one in six and, with an ageing population, this is expected to increase even more. It is assumed that early detection allows better cure rates and more cost-effective treatment, and skin cancer thus seems suitable for screening initiatives. However, questions remain about the cost–benefit ratio.

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

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

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

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

The LEO Foundation has granted DKK 2.5 million to this study.

Skin Cancer Screening Education Study

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

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

The SCS training is based on the German SCS training, which forms part of the German skin cancer screening programme. The results of the SCREEN project, which was led by Dr Breitbart, provide the strongest scientific evidence to date that population-based skin cancer screening can be effective. This new study will evaluate clinical and epidemiological screening outcomes as well as educational outcomes. Data on potential risks associated with skin cancer screening will also be obtained.

Study results will be published in international publications and presented to the scientific community, public health experts and policymakers at European and international conferences, at roundtables of the European Parliament and national parliaments, and in health committees in the study countries, which include Canada.

The LEO Foundation has granted DKK 4.8 million to this study.

Phenotyping itch in atopic eczema and psoriasis patients

The LEO Foundation is supporting another project that investigates itching and may also pave the way for new anti-itch treatments.

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

Itching affects millions of people worldwide and represents a significant medical challenge as no mechanism-specific treatments are currently available. The genetic aspects of itching in chronic pruritic conditions such as atopic dermatitis and psoriasis are also rather under-investigated.

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

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

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

Psoriasis and cardiovascular co-morbidity – funding of an overview committee

The background to this project – establishing and operating a multidisciplinary international scientific committee on psoriasis and cardiovascular disease (CVD) – is the increased risk of cardiovascular disease and related mortality amongst psoriasis patients.

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

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

The committee's work focuses on:

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

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

Psoriasis and cardiovascular co-morbidity – epidemiological and experimental studies

Psoriasis patients have increased risk of cardiovascular disease (CVD), which still carries high morbidity and mortality in western societies, and is increasing dramatically in the emerging economies.

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

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

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

The LEO Foundation has granted DKK 4.3 million to this research.

Epidemiology of eczema disease in Denmark

the project involves several research groups at Gentofte Hospital in Copenhagen and is headed by Professor Torkil Menné and Professor Jeanne Duus Johansen.

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

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

Despite the disease prevalence, there is a shortage of data and research on eczema in the general population.

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

Its specific aims are:

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

The LEO Foundation has granted DKK 2.8 million to this project.

Defining the skin and blood biomarkers of pediatric atopic dermatitis

Despite considerable impact on quality of life, atopic dermatitis, or eczema, has not been studied extensively in children although as many as one in five experience the condition. Atopic dermatitis, or eczema, is a chronic skin condition, characterised by itching and inflammation, and frequently occurs in people who have other allergic conditions, such as asthma and hay fever.

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

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

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

The LEO Foundation has granted DKK 6.5 million to this project.

The LEO Foundation Scholarship for Dermatological Research

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

One scholarship is offered annually on behalf of the LEO Foundation, alternating between Australia and Denmark.

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

The funds received may be used as part of an ongoing PhD project or for postdoctoral research. The funds must in part support a research/educational stay in Australia of at least six months for the Danish student.

The LEO Foundation has supported the scholarship programme with a total of DKK 2.3 million.

Psoriasis in children

Psoriasis is a chronic inflammatory skin condition with a prevalence of 2-3% in northern Europe. While considerable research exists on adults with psoriasis, there is little research on the condition in children. Identifying key factors associated with psoriasis in childhood may lead to more effective control and possibly even prevention of the condition.

The study aims to determine environmental and genetic risk factors relating to the development of psoriasis in children, the nature of stress related to the child and family, and quality of life. The project also aims to determine the link with risk factors of co-morbidity and the effect of early intensive treatment.

The study is led by Professor Lone Skov, Department of Dermato-Allergology, Gentofte Hospital, Denmark. The team will explore the following hypotheses:

- Risk factors for early onset of psoriasis can be predicted
- Early debut of psoriasis has a significant impact on quality of life and individual and family-related stress
- Early intensive treatment leads to remission
- There is already an increased risk of co-morbidity in children with psoriasis
- Age at debut, risk factors and co-morbidity are related to the genetic risk.

The study offers a unique possibility to access data from children with psoriasis shortly after diagnosis, which in turn can pave the way for new and improved tools for assessing the impact of the condition on quality of life in a well-controlled study design.

The LEO Foundation has supported the project with DKK 4.5 million.

LEO Pharma Research Foundation Award symposium

The LEO Pharma Research Foundation (LPRF) has supported research within medicine, chemistry, biology and pharmacy throughout the years. The LEO Pharma Research Foundation is separate from the LEO Foundation, as well as the rest of LEO Pharma, and has its own board.

Every year, LPRF presents gold and silver awards to talented and committed young researchers in recognition of their exceptional contribution to science. Candidates are selected in association with the European Society for Dermatological Research (ESDR).

The LEO Foundation sponsors LPRF's award symposium, which takes place at ESDR's Annual General Meeting and typically features scientific presentations from the two award winners and a keynote speaker.

The LEO Foundation has supported the project with DKK 0.8 million.

Skin cancer awareness bus

the LEO Foundation funded the visit of a “Skin Cancer Awareness Bus” to 30 Danish cities and 15 campsites during the summer of 2011. This initiative was part of a national ‘keep an eye on your skin’ awareness campaign run by the Danish Pharmacy Association with Professor Hans Christian Wulf, Bispebjerg University Hospital, Denmark.

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

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

Awareness of AK and skin cancer is currently limited to dermatologists and general practitioners, and patients are mostly unaware of impact and symptoms – and therefore also the notion of self-checking and importance of early diagnosis. The lack of awareness is critical given the continuously growing prevalence of AK, and the growing consensus about perceiving AK as a precursor and an early stage of squamous cell carcinoma.

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

The LEO Foundation has granted DKK 3.0 million to this project.

PROJECT PORTFOLIO OVERVIEW

(DKK million)	Total granted	Granted before 2014	Granted in 2014	Grants after 2014
Care for chronic skin diseases with a patient centric approach	2.5	-	1.0	1.5
Skin Cancer Screening Education Study	4.8	0.8	2.1	1.9
Depletion, UV Exposure and relation between ozone and skin cancer	0.2	0.2	-	-
Skin cancer awareness bus	3.0	2.5	0.5	-
Identification and characterisation of key itch mediators and receptors in human pruitic diseases	0.4	0.4	-	-
Phenotyping itch in atopic eczema and psoriasis patients	1.6	0.3	-	1.3
Psoriasis and cardiovascular co-morbidity – funding of an overview committee	0.9	0.6	-	0.3
Psoriasis and cardiovascular co-morbidity – epidemiological and experimental studies	4.3	1.8	0.3	2.2
Epidemiology of eczema disease in Denmark	2.8	1.1	-	1.7
Defining the skin and blood biomarkers of pediatric atopic dermatitis	6.5	-	2.2	4.3
The LEO Foundation Scholarship for Dermatological Research	2.3	0.5	-	1.8
Psoriasis in children	4.5	-	-	4.5
LEO Pharma Research Foundation Award symposium	0.8	-	0.4	0.4
Total	**34.6**	**8.2**	**6.5**	**19.9**

COMMERCIAL RESULTS AND ACTIVITIES

In 2014, LEO Pharma helped 48 million patients and continued its transformation towards providing better patient care and services.

By putting patients at the centre of its work, LEO Pharma had a clear direction for its activities and way of developing the business throughout the financial year. Increased focus on patients, people and performance helped set ambitious goals and will also help define the next steps on LEO Pharma's journey towards becoming the preferred dermatology care partner improving people's lives around the world.

At the end of 2014, LEO Pharma set the direction for the next stage of this journey. A strong focus on helping patients is key to the strategy for 2015-2020. The title of the strategy, 'Helping SARAH – LEO towards 2020', reflects a strong wish to help patients even more in the future. The new strategy underlines LEO Pharma's willingness to try new ways and solutions to meet patient needs.

Despite increasing generic competition, LEO Pharma experienced both top-line and bottom-line growth, and the result for 2014 is considered satisfactory.

FOCUS ON DERMATOLOGY

LEO Pharma's mission is to help people achieve healthy skin. Therefore, LEO Pharma mainly develops, manufactures and markets solutions in the therapeutic area of dermatology. In 2014, LEO Pharma's portfolio for skin diseases included solutions for the treatment of psoriasis, actinic keratosis, eczema and skin infections.

LEO Pharma differentiates between strategic products, core products and well-established products.

The strategic portfolio comprises the following products: Daivobet® gel (psoriasis), Xamiol® (psoriasis), Picato® (actinic keratosis) and innohep® (thrombosis). Although the field of dermatology is LEO Pharma's priority, innohep® for the treatment of thrombosis is also considered strategic and accounts for 25% of LEO Pharma's sales.

FINANCIAL RESULTS FOR 2014

REVENUE

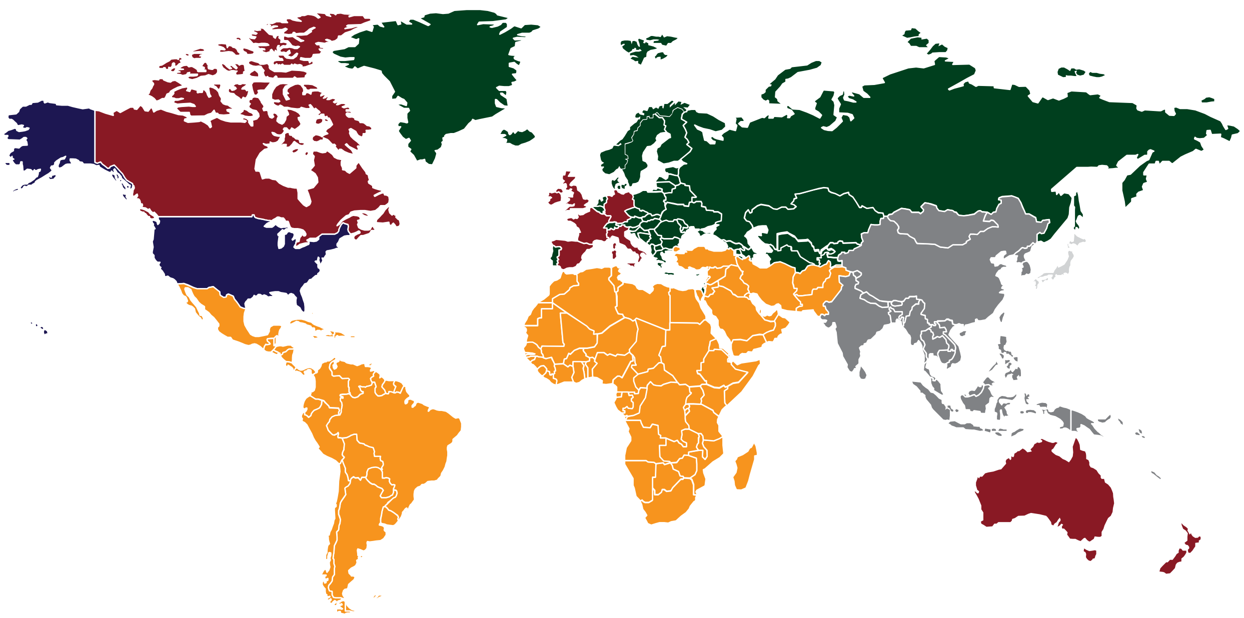
LEO Pharma's revenue in 2014 amounted to DKK 7,973 million, an increase of DKK 131 million or 2% compared to 2013 and more than 4% in local currencies.

Revenue was affected by a number of events in 2014. During spring 2014, LEO Pharma established its own operations in Russia and, in September, launched Dovobet® Ointment in Japan through a partnership agreement with Kyowa Hakko Kirin Co., Ltd. In the USA, loss of exclusivity for Taclonex® Ointment impacted LEO Pharma from April.

The negative effect of generic competition in the USA compared to 2013 is DKK 411 million. Revenue in the USA accounted for 11% of LEO Pharma's total revenue, which is a decrease from 15% in local currency in 2013. US revenue decreased by 21% in local currencies compared to 2013 due to loss of exclusivity.

During 2014, LEO Pharma's strategic product Picato® was launched in 12 markets across Europe and Asia. Two of LEO Pharma's major European markets, France and Italy, experienced a very fast market uptake. Picato® is now available in 30 countries around the world, and LEO Pharma will continue to launch this treatment in more markets going forward.

LEO REGIONS



- **USA:** The USA is considered a strategic market for LEO Pharma.
- **LAMEA:** This region encompasses Latin America, the Middle East and Africa, and features some very different markets with similar challenges.
- **ZOE:** This stands for Zone of Europe and comprises the smaller European markets plus Russia.
- **EU5+:** This region consists of five EU member states (the UK/Ireland, France, Germany, Italy and Spain) plus Canada and Australia/New Zealand.
- **ASIA:** This region covers China, South Korea and the markets of Southeast Asia.
- **JAPAN:** Japan is a focus market for LEO Pharma.
- **WEP (Well Established Products):** Organisationally, WEP is considered a unit comparable to our regions.

The increase in revenue relates to the launch of Picato® throughout Europe, the continued growth of Daivobet® gel in a number of markets, market expansion in Russia and Japan, and increased use of innohep® in cancer-associated thrombosis. With reference to the increasing price pressure on LEO Pharma's products, this is considered a satisfactory development. Sales performance outside the USA was in line with expectations.

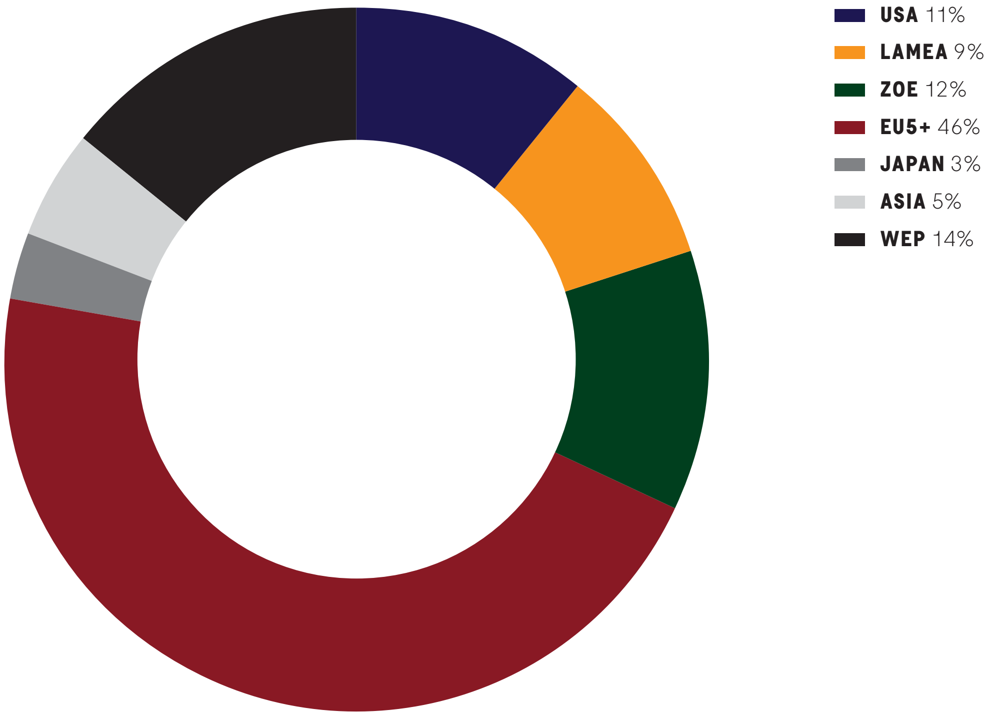
Revenue from LEO Pharma's Well Established Products (WEP) decreased by 1% in local currencies. The transfer of marketing authorisations related to the divestment of Fucithalmic® is progressing as planned with remaining products performing as expected. Disregarding Fucithalmic®, WEP increased sales by 6% in local currencies.

Operating expenses

Total operating expenses in 2014 amounted to DKK 6,521 million (2013: DKK 7,098 million). This represents a decrease in operating expenses of DKK 577 million in 2014 compared to 2013. This is mainly due to a decrease in depreciation, amortisation and impairment losses.

Depreciation, amortisation and impairment losses decreased to DKK 581 million from DKK 1,171 million in 2013. Amortisation and impairment of intangible assets amounted to DKK

REVENUE BY REGION



295 million (2013: DKK 887 million), which includes an impairment loss of DKK 107 million (2013: DKK 416 million) relating to development projects and intellectual property rights.

Despite the establishment of affiliates in Japan in 2013 and Russia in 2014, other external expenses decreased slightly to DKK 2,757 million from DKK 2,777 million in 2013. LEO Pharma focuses continously on operational excellence and efficient business processes, enabling the company to invest its resources where they matter most.

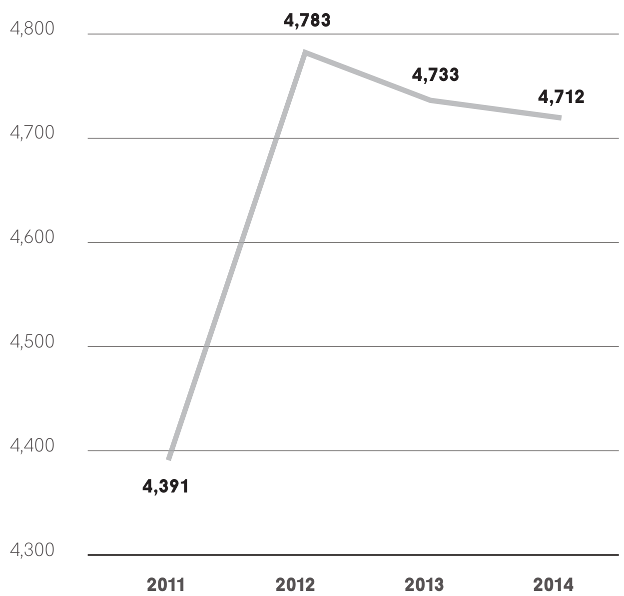
Staff expenses increased slightly by DKK 16 million to DKK 3,136 million in 2014.

At year-end, LEO Pharma had 4,712 employees (2013: 4,733), of whom 1,596 were employed in Denmark (2013: 1,563). The average number of employees decreased by 21 compared to 2013.

Increase in operating profit

LEO Pharma increased its operating profit by DKK 87 million to DKK 758 million from DKK 671 million in 2013.

AVERAGE NUMBER OF EMPLOYEES



Net financial income

LEO Pharma´s investment strategy regarding investments in highly rated European Covered Bonds, Investment-Grade Corporate Bonds and Low Volatility Stocks was unchanged from 2013 to 2014.

In 2014, net financial income increased by DKK 288 million to DKK 1,290 million. The increase was due to higher realised gains on bonds and improved performance of the Low Volatility Stocks, Covered Bonds and Investment-Grade Corporate Bonds. The realised interest income on bonds were DKK 580 million (2013: DKK 703 million).

The market value of LEO Pharma's bond holdings amounts to DKK 14,346 million at the end of the year (2013: DKK 19,537 million). New asset classes have a market value of DKK 8,442 million at the end of 2014 (2013: DKK 5,861 million).

Satisfactory earnings

LEO Pharma generated net profit of DKK 1,544 million in 2014 compared to DKK 1,175 million in 2013. The effective tax rate for LEO Pharma was 25% (2013: 30%), which is in line with expectations.

Net investments in intangible assets amounted to DKK 160 million in 2014 (2013: DKK 225 million) and concerns the investments in new partnerships with Japan Tobacco Inc. and KLOX Technologies Inc., as well as implementation of a SAP-based enterprise resource planning (ERP) system in Denmark.

In 2014, LEO Pharma invested (net) DKK 121 million (2013: DKK 235 million) in property, plant and equipment. These investments mainly concerned the expansion and optimisation of production facilities to ensure capacity for future growth in volumes of LEO Pharma's solutions and preparation for the launch of new patient solutions in 2015.

Operating activities generated a positive cash flow of DKK 1,035 million (2013: DKK 1,215 million). LEO Pharma achieved a 9% return on equity (2013: 7%) and equity of DKK 24,622 million at the end of the year (2013: DKK 23,239 million). Based on these results, LEO Pharma entered 2015 with a solvency ratio of 78% (2013: 70%).

LEO Pharma considers the result for 2014 satisfactory.

LEO PHARMA'S TRANSFORMATION

MOVING CLOSER TO PATIENTS

LEO Pharma's mission is to help people achieve healthy skin, and therefore the company's resources are committed to positively changing the impact skin diseases have on people's lives.

The World Health Assembly adopted the WHO Resolution on Psoriasis in May 2014. This is a huge milestone for psoriasis patients around the world. This is the first time in history that the WHO has recognised the burden of psoriasis. The WHO Resolution recognises the burden of the disease and how psoriasis patients are often stigmatised and discriminated against due to lack of understanding of their disease. In partnership with IFPMA (International Federation of Pharmaceutical Manufacturers and Associations), LEO Pharma supported IFPA (International Federation of Psoriasis Associations) and the awareness activities leading up to the resolution being passed by the World Health Assembly in May 2014.

Over the last couple of years, LEO Pharma has worked to secure a global structure enabling the company to reach more patients worldwide. With market expansions in Japan in 2013 and Russia in 2014, LEO Pharma completed its planned global expansion and is focusing on providing more solutions to patients. In Japan, Dovobet® Ointment achieved regulatory approval on 4 July 2014 and was launched in September, providing people with the first-ever fixed-dose combination topical treatment in Japan.

Another important development was that patients across Europe chose Daivobet® gel as their care solution of choice.[1]

In Europe and the USA, LEO Pharma obtained marketing approval for Daivobet® gel Applicator – a drug device that makes it easier for people to apply Daivobet® gel to difficult-to-reach areas. For the first time ever in psoriasis, Daivobet® gel Applicator is a solution co-developed with patients. Another new solution is Enstilar® – an innovative treatment for psoriasis patients. Enstilar® was submitted to the US Food & Drug Administration (FDA) in December 2014.

In 2014, increased commitment to business development activities led to new strategic partnerships. In July, LEO Pharma expanded into a new skin disease, acne. LEO Pharma and Canada-based KLOX Technologies Inc. (KLOX) entered into a worldwide licence and joint venture agreement, excluding Canada, to further develop and commercialise KLOX's biophotonic technology platform. The platform includes an approved treatment for acne, Kleresca®. The deal paves the way for LEO Pharma's first medical device therapy and first global market entry in acne, which is one of the most common skin diseases and affects more than 150 million people worldwide.

In November 2014, LEO Pharma announced a licence agreement with Japan Tobacco Inc. Under this agreement, LEO Pharma will obtain exclusive rights to further develop, register and market Japan Tobacco's experimental JAK inhibitor for topical use in skin diseases worldwide, excluding Japan. The compound, currently in phase I, has the potential to become LEO Pharma's new platform for developing multiple treatment options for various inflammatory skin conditions.

In 2014, LEO Pharma continued investments in strategic partnerships, internal research and development (R&D) and patient-centric activities.

One of the greatest challenges in psoriasis remains lack of adherence to topical treatment. In 2014, LEO Pharma received positive interim results from PSO-TOP (PSOriasis Treatment

1: Reference: Reich K, et al. Efficacy of a fixed combination of calcipotriol/betamethasone dipropionate topical gel in adult patients with mild to moderate psoriasis: blinded interim analysis of a phase IV, multicentre, randomized, controlled, prospective study. Journal of the European Academy of Dermatology and Venereology 2014: October (epub ahead of print) DOI: 10.1111/jdv.12774

OPtimisation), one of the largest and longest clinical trials ever conducted for a topical treatment in psoriasis. PSO-TOP is the first trial to assess whether a tailored patient education and support programme can improve adherence to topical therapy and increase clinical effectiveness for people with psoriasis in a real-world environment.

In 2014, LEO Pharma continued expanding the reach of its global patient support programme QualityCare™ in major European markets such as France and Italy. LEO Pharma is committed to supporting patients through holistic care programmes, maximising the benefit of their treatment, and working to increase disease awareness and compliance with treatment. The aim of QualityCare™ is to ensure that patients receive relevant information about their skin condition and help them gain better control of the disease. In 2014, LEO Pharma expanded QualityCare™ to include thrombosis.

Transforming the business

In 2014, LEO Pharma continued its work towards building a global and patient-centric organisation. Globally, several restructuring measures were carried out to adapt the business to market conditions and future business needs.

One of the major organisational changes entailed a new operational structure and way of working in R&D to enable the company to offer more new treatment solutions to people with skin diseases. With the new structure in place, LEO Pharma will increase focus and commit more resources to international partnerships and access to the latest technologies and knowledge within dermatology from the global R&D environment.

It was not only R&D that experienced a transformation in 2014; LEO Pharma's new SAP-based ERP business platform, GLOBE, went live in Denmark in September. With the implementation of GLOBE, LEO Pharma has embarked on a journey with the aim of increasing the operational excellence level and building the infrastructure to support future growth. The first implementation was completed in 2014 and the global roll-out will continue throughout 2015 and 2016.

Must-Win Battles

Must-Win Battles (MWBs) formed the basis for pursuing the company's key strategic activities in 2014.

LEO Pharma's work with MWBs has been instrumental in transforming the business. LEO Pharma achieved a better foothold in dermatology in new and established markets, strengthened its organisation and employees, and worked to realise the full potential of its strategic product innohep®. In 2014, efforts were also made to strengthen LEO Pharma's profile and activities in the US market.

LEO Pharma will continue working with MWBs to prioritise and focus its work on "Helping SARAH".

BASIS FOR FUTURE EARNINGS

RESEARCH AND DEVELOPMENT

LEO Pharma's late-stage pipeline was strengthened in 2014 by progression of key early-stage projects, in-licensing and partnering (Japan Tobacco and KLOX), and finalisation of Enstilar® and Daivobet® gel Applicator studies leading to regulatory submissions. With increased focus on carrying out a larger number of clinical trials, R&D expenses in 2014 totalled DKK 1,193 million, at a similar level to 2013 (DKK 1,232 million). R&D expenses and capital spend on development projects as a share of revenue was 15% (2013: 16%). Increased focus on partnering and sourcing allows LEO Pharma R&D to gain access to new technologies as well as world-leading experts within skin diseases, and to build a business model with more flexibility and scalability that can better accommodate increases in workload from a global expansion and in-licensing or partner agreements.

DERMATOLOGY

Actinic keratosis

Eight studies between phases I and III have been conducted worldwide. A new molecular entity (NME) with novel mechanisms of action has successfully progressed through phase II clinical studies and will enter into phase III in 2015. In 2014, new data substantiated the benefits of repeated use of Picato® and, overall, resulted in 50% complete clearance of all AK (actinic keratosis) lesions after one year. The predictable and good safety profile of Picato® was comparable to previous studies. The largest-ever one-year evaluation of field treatment with Picato® for AK after initial cryosurgery on individual AK lesions, compared to cryosurgery followed by placebo, was completed in 2014 with positive results, highlighting the benefits of Picato® treatment of the entire area with AK lesions, in addition to cryosurgery. Three additional

studies supporting the use of Picato® in the clinical setting are under way.

Psoriasis

Eight topical and systemic global studies between phases I and III have been carried out. These span NMEs with novel mechanisms of action, improved delivery systems and product enhancements. Additional clinical trials are under way in 2015. The global roll-out of Daivobet® gel is progressing according to plan.

Enstilar® is LEO Pharma's new innovative solution for psoriasis patients. It will be the first aerosol foam in the market, designed to improve treatment for patients with psoriasis.

The Daivobet® gel Applicator is the first drug-device combination product that LEO Pharma is bringing to the market. The Daivobet® gel Applicator will give patients a new and faster way of treating their body and scalp psoriasis. Patients will be more confident that they are treating themselves correctly because the gel Applicator delivers the same amount of gel every time it is used.

Skin infections

Fucidin® was originally launched in 1962 for serious staph infections. Today it can be found in different phases depending on the different markets and regions. The Fucidin® range offers patient solutions for skin infections and eczema.

Eczema/atopic dermatitis

Two NMEs have been developed for the treatment of eczema, and results from the first clinical tests will enable LEO Pharma to progress the best candidate into phase II in 2015. Atopic dermatitis primarily affects children, which reinforces the need for new NMEs to provide a high level of local effect with no or very little systemic exposure.

Acne

Kleresca® is LEO Pharma's first medical device therapy. The new medical device brings biophotonic therapy to people with moderate to severe acne. The non-abrasive, non-thermal CE-approved acne treatment comprises a multi-LED light used in conjunction with a photoactivatable converter gel. It works by targeting the underlying problems that lead to acne vulgaris, as well as stimulating collagen synthesis and healing in traumatised skin. A full course of Kleresca® biophotonic therapy lasts six weeks, with appointments twice a week. A typical session takes 15 minutes. Unlike conventional light or laser therapies, Kleresca® does not require uninterrupted monitoring and can in most cases be administered by nurses and paramedical aesteticians.

THROMBOSIS

In 2014, regulatory authorities in France, Denmark, Germany, Spain, Portugal, Sweden, the United Kingdom and Morocco approved long-term use of innohep® for cancer-associated thrombosis for up to three to six months.

Results from the largest-ever study in patients with cancer-associated thrombosis, CATCH (Comparison of Acute Treatments in Cancer Haemostasis), were presented as late-breaking news at the American Society of Hematology's Annual Meeting in December. These results now provide the best evidence base for the use of innohep® in this fragile population, supported by robust data from three independent studies. CATCH confirms earlier findings of superior efficacy with a good safety profile and a simpler regimen, resulting in patients spending significantly less time monitoring their treatment.

To better meet patient needs, LEO Pharma initiated a project to introduce three additional pre-filled syringes, with the aim of making long-term use of innohep® even more convenient for patients. This flexible dose range will be available in early 2015.

HUMAN CAPITAL

LEO Pharma's employees form the basis of the company's continued success. LEO Pharma's first global engagement survey, LEO Voice, was carried out in September 2013 with a response rate of 85.2%. In 2014, LEO people across the global organisation have used the results from LEO Voice, working to turn responses into concrete actions within the following focus areas: "Integrity and social responsibility", "Patient-centricity" and "Career development and training". LEO Pharma plans to conduct LEO Voice every second year, and the next engagement survey is planned for 2015.


48 How to
49

SPECIAL BUSINESS AND FINANCIAL RISKS

OPERATING RISKS

LEO Pharma is continually working to ensure a reasonable balance between risk exposure and value creation. Therefore, LEO Pharma regularly enters into long-term agreements for the supply of raw materials and other critical input for the Group's production.

Market risks

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

Foreign exchange risks

Based on LEO Pharma's operating budgets, cash flows in foreign currencies are hedged on a regular basis. The greatest foreign exchange risk is associated with the following currencies: USD, GBP, CAD, JPY, SAR and SEK. These currencies together accounted for 70% of LEO Pharma's foreign exchange position in 2014. The average period for which expected future cash flows in all currencies are hedged is 12 months.

LEO Pharma does not hedge net investments in foreign affiliates. The Group's hedging is centralised in LEO Pharma A/S.

Liquidity risks

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

Interest rate risks

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

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

Credit risks

LEO Pharma's credit risk consists of two components.

The first part is risk as a result of payment terms for LEO Pharma's customers. In 2014, LEO Pharma tightened its global credit policy and, combined with increased focus on credit policy, is in a good position to avoid future losses on bad debt.

The second part is the counterparty risk related to LEO Pharma's banking partners and the credit risk arising from LEO Pharma's financial investments in Low Volatility Stocks, Investment-Grade Corporate Bonds, Covered Bonds together with Danish Mortgage Bonds with a high rating.

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

EXPECTATIONS FOR 2015

In 2015, LEO Pharma expects limited growth in revenue, while pre-tax profit is expected to be at a lower level due to an increase in expenses related to LEO Pharma's MWBs and strengthening of the company's patient-centric journey. The growth drivers are Picato® and the full-year effect of the company's entry into Japan. In addition, LEO Pharma foresees a positive impact from the outcome of various clinical studies, for example CATCH – Comparison of Acute Treatment in Cancer Haemostasis. The company's growth will be challenged by continued pressure for price reductions, the potential loss of exclusivity for Daivobet® Ointment in Europe and the full-year effect of loss of exclusivity for Taclonex® Ointment in the USA.

LEO Pharma will continue its journey and increase its focus on patients and their unmet needs. In 2015, LEO Pharma plans to launch new products and services and continue the search for business development opportunities in line with the mission of the company. The ambition is to help as many people suffering from skin diseases as possible. LEO Pharma will continue its focus on proactively aligning and developing its organisation to meet changes in the market place and ensure its resources are invested where they matter most: for the benefit of patients

Elements of uncertainty

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

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.

REMUNERATION COMMITTEE

LEO Pharma has appointed a Remuneration Committee. The members of the committee are Jukka Pertola, Chairman and Poul R. Rasmussen.

The Committee's task is to establish the terms and conditions of employment for LEO Pharma's top management.

ACCOUNTING POLICIES

The Annual Report of the LEO Foundation for 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are unchanged from last year.

Recognition and measurement

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

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

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

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

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

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

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

Consolidated Financial Statements

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

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

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

Foreign currency translation

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

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

Fixed assets acquired in foreign currencies are measured at the transaction-day rates.

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

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

Derivative financial instruments

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

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

Changes in the fair value of financial and derivative financial instruments that are designated and qualify as hedges of future cash flows are recognised as other receivables and other payables and as financial hedges in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised as financial income and expenses.

Revenue

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

- Delivery and transfer of risk have taken place before year-end
- The sales price can be measured reliably and payment has been received or may with reasonable certainty be expected to be received

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

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

Consumption of raw materials, consumables and goods for resale

Expenses for raw materials, consumables and goods for resale comprise the raw materials, consumables and goods for resale used to achieve the revenue for the year and change in inventories of finished goods produced and work in progress.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income

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

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

Financial income and expenses

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

Tax on profit/loss for the year

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

Intangible assets

Intangible assets, including development projects, are measured at cost, less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

Property, plant and equipment

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

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

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of a decrease in value other

Depreciation is calculated on a straight-line basis over the expected useful life	
Buildings	10 – 25 years
Plant and machinery	5 – 10 years
Other fixtures and fittings, tools and equipment	3 – 10 years
Leasehold improvements	0 – 10 years

than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity, dividend
The dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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

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

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

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

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

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

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

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

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

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

The Parent Foundation is jointly taxed with its Danish affiliates. The jointly taxed Danish enterprises have adopted the on-account taxation scheme. Current tax for the year of the jointly taxed enterprises and tax on recaptured income are recognised in the Parent Foundation.

The jointly taxed Danish enterprises settle the tax with the Parent Foundation.

Extra payments and repayments under the on-account taxation scheme are classified as financial income and expenses and are not included in tax provisions or in the adjusted income tax.

Segment reporting

Revenue is broken down geographically and by business area.

Definition of key figures		
Average number of employees	Average number of full-time equivalent employees	
Operating profit margin	Operating profit / Revenue	x 100
Return on assets	Operating profit / Average assets	x 100
Return on equity	Profit before tax / Average equity	x 100
Solvency ratio	Equity / Assets	x 100

Cash flow statement for the Group

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

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

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

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

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

LEO FOUNDATION FINANCIAL STATEMENTS

INCOME STATEMENT

(DKK million)	Note	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Revenue	(1)	7,973	7,842	0	0
Change in inventories of finished goods produced and work in progress		53	101	0	0
		8,026	**7,943**	**0**	**0**
Other operating income		53	528	0	0
		8,079	**8,471**	**0**	**0**
Consumption of raw materials, consumables and goods for resale		800	702	0	0
Other external expenses	(2)	2,757	2,777	1	1
Staff expenses	(3)	3,136	3,120	3	3
Depreciation, amortisation and impairment losses	(4)	581	1,171	0	0
Other operating expenses		47	30	0	0
OPERATING PROFIT/LOSS		**758**	**671**	**-4**	**-4**
Income from investments in affiliates after tax	(10)	0	0	1,544	1,175
Financial income	(5)	1,332	1,077	2	2
Financial expenses	(6)	42	75	0	0
PROFIT/LOSS BEFORE TAX		**2,048**	**1,673**	**1,542**	**1,173**
Tax on profit/loss for the year	(7)	504	498	-2	-2
NET PROFIT/LOSS FOR THE YEAR		**1,544**	**1,175**	**1,544**	**1,175**
Proposed to be distributed as follows:					
Net revaluation for the year				1,544	1,175
Grants				6	3
Retained earnings				-6	-3
				1,544	**1,175**

BALANCE SHEET AT 31 DECEMBER

ASSETS

(DKK million)	Note	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
FIXED ASSETS					
Intangible assets					
Intellectual property rights		202	375	0	0
Trademarks		11	18	0	0
Development projects		165	267	0	0
Software		144	0	0	0
Total	(8)	**522**	**660**	**0**	**0**
Property, plant and equipment					
Land and buildings		913	1,001	0	0
Leasehold improvements		96	110	0	0
Plant and machinery		592	655	0	0
Other fixtures and fittings, tools and equipment		77	89	0	0
Fixed assets under construction		212	198	0	0
Total	(9)	**1,890**	**2,053**	**0**	**0**
Financial fixed assets					
Investments in affiliates	(10)	0	0	24,523	23,136
Other securities	(11)	13,988	18,951	0	0
Pension assets	(15)	23	0	0	0
Deferred tax assets	(14)	934	1,017	0	0
Total		**14,945**	**19,968**	**24,523**	**23,136**
TOTAL FIXED ASSETS		**17,357**	**22,681**	**24,523**	**23,136**
CURRENT ASSETS					
Inventories					
Raw materials and consumables		257	230	0	0
Work in progress		893	902	0	0
Finished goods and goods for resale		318	256	0	0
Total		**1,468**	**1,388**	**0**	**0**
Receivables					
Trade receivables		2,065	1,651	0	0
Receivables from affiliates		0	0	100	100
Other receivables		1,284	948	0	0
Prepayments		95	127	0	0
Total		**3,444**	**2,726**	**100**	**100**
Other securities		**8,497**	**5,861**	**0**	**0**
Cash at bank and in hand		**875**	**499**	**14**	**20**
TOTAL CURRENT ASSETS		**14,284**	**10,474**	**114**	**120**
TOTAL ASSETS		**31,641**	**33,155**	**24,637**	**23,256**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

		GROUP		PARENT FOUNDATION	
(DKK million)	Note	2014	2013	2014	2013
EQUITY					
Foundation capital	(12)	52	52	52	52
Net revaluation, affiliates		0	0	23,954	22,567
Grant commitments		0	0	46	0
Retained earnings		24,570	23,187	570	620
Total	**(13)**	**24,622**	**23,239**	**24,622**	**23,239**
PROVISIONS					
Deferred tax	(14)	98	60	10	12
Pension obligations	(15)	0	2	0	0
Other liabilities	(16)	557	634	2	2
Total		**655**	**696**	**12**	**14**
LIABILITIES					
Current liabilities					
Credit institutions		4,419	7,649	0	0
Trade payables		299	417	0	0
Corporation tax		111	50	0	0
Other payables		1,535	1,104	3	3
Total		**6,364**	**9,220**	**3**	**3**
TOTAL EQUITY AND LIABILITIES		**31,641**	**33,155**	**24,637**	**23,256**
Contingencies	(17)				
Financial instruments	(18)				
Related parties	(19)				

CASH FLOW STATEMENT

(DKK million)	GROUP 2014	GROUP 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**2,048**	**1,673**
Adjustments:		
Depreciation, amortisation and impairment losses	581	1,171
Unrealised exchange rate adjustment	46	-340
Value adjustment, securities	-695	-24
Corporation tax paid	-747	-1,281
Pension obligations	-27	-21
Other provisions	-66	106
Other adjustments	-119	-33
Change in working capital:		
Change in inventories and receivables	-202	-188
Change in trade payables and other payables	216	152
	1,035	**1,215**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible assets, net	-214	-225
Investments in property, plant and equipment, net	-99	-235
Other securities, net	3,040	-4,356
	2,727	**-4,816**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank debt	-3,386	2,915
	-3,386	**2,915**
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	**376**	**-686**
Cash and cash equivalents at 1 January	**499**	**1,185**
Cash and cash equivalents at 31 December	**875**	**499**

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

LEO FOUNDATION NOTES

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 1 – Revenue				
Segmentation – geographical				
Sales in Denmark	271	243	0	0
Sales outside Denmark	7,702	7,599	0	0
Total	**7,973**	**7,842**	**0**	**0**
Segmentation – business areas				
Healthcare	7,973	7,842	0	0
Total	**7,973**	**7,842**	**0**	**0**

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 2 – Other external expenses				
Fees to auditors appointed at the annual general meeting				
Statutory audit	6	6	0	0
Tax advisory services	6	7	0	0
Other services	3	4	0	0
Total	**15**	**17**	**0**	**0**

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 3 – Staff expenses				
Wages and salaries	2,509	2,468	3	3
Pensions	231	238	0	0
Social security expenses	226	222	0	0
Other staff expenses	207	207	0	0
Capitalised staff expenses	-37	-15	0	0
Total	**3,136**	**3,120**	**3**	**3**
Average number of full-time employees	4,712	4,733	0	0
Remuneration to the Board of Directors amounts to DKK 3 million (2013: DKK 3 million).				

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 4 – Amortisation, depreciation and impairment losses				
Intellectual property rights	126	776	0	0
Trademarks	7	7	0	0
Development projects	152	104	0	0
Software	10	0	0	0
Land and buildings	103	106	0	0
Leasehold improvements	20	17	0	0
Plant and machinery	136	131	0	0
Other fixtures and fittings, tools and equipment	27	30	0	0
Total	**581**	**1,171**	**0**	**0**

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 5 – Financial income				
Interest income on bonds	580	703	0	0
Interest income from affiliates	0	0	2	2
Capital gains, financial assets	725	350	0	0
Other exchange rate gains	10	0	0	0
Other financial income	17	24	0	0
Total	**1,332**	**1,077**	**2**	**2**
Note 6 – Financial expenses				
Exchange rate losses	0	28	0	0
Other financial expenses	42	47	0	0
Total	**42**	**75**	**0**	**0**
Note 7 – Tax on profit for the year				
Current tax for the year	384	431	0	0
Change in deferred tax	125	21	-2	-2
Adjustment relating to previous years	-5	46	0	0
Total	**504**	**498**	**-2**	**-2**
Tax changes in equity	7	19	0	0

Tax in affiliates totals DKK 506 million (2013: DKK 500 million).

(DKK million)	Intellectual property rights	Trademarks	Development projects	Software	**Total intangible assets**
Note 8 – Intangible assets – Group					
Cost at 1 January 2014	5,184	30	1,771	0	6,985
Exchange rate adjustment	-2	0	-4	0	-6
Additions during the year	83	0	54	77	214
Disposals during the year	-54	0	0	0	-54
Transfers	-76	0	-1	77	0
Cost at 31 December 2014	**5,135**	**30**	**1,820**	**154**	**7,139**
Amortisation at 1 January 2014	4,809	12	1,504	0	6,325
Exchange rate adjustment	-2	0	-1	0	-3
Amortisation for the year	90	7	81	10	188
Impairment losses for the year	36	0	71	0	107
Amortisation at 31 December 2014	**4,933**	**19**	**1,655**	**10**	**6,617**
CARRYING AMOUNT AT 31 DECEMBER 2014	**202**	**11**	**165**	**144**	**522**
Cost at 1 January 2013	5,040	33	1,691	0	6,764
Exchange rate adjustment	-1	0	0	0	-1
Additions during the year	145	0	80	0	225
Disposals during the year	0	-3	0	0	-3
Cost at 31 December 2013	**5,184**	**30**	**1,771**	**0**	**6,985**
Amortisation at 1 January 2013	4,034	8	1,400	0	5,442
Exchange rate adjustment	-1	0	0	0	-1
Amortisation for the year	360	7	104	0	471
Impairment losses for the year	416	0	0	0	416
Disposals during the year	0	-3	0	0	-3
Amortisation at 31 December 2013	**4,809**	**12**	**1,504**	**0**	**6,325**
CARRYING AMOUNT AT 31 DECEMBER 2013	**375**	**18**	**267**	**0**	**660**

(DKK million)	Land and buildings	Leasehold im-provements	Plant and machinery	Other fixtures and fittings, tools and equipment	Fixed assets under construction	**Total property, plant and equipment**
Note 9 – Property, plant and equipment – Group						
Cost at 1 January 2014	2,135	145	2,257	482	198	5,217
Exchange rate adjustment	-2	5	1	-1	-1	2
Additions during the year	6	6	1	7	124	144
Disposals during the year	-15	-15	-27	-26	-3	-86
Transfers	22	0	71	13	-106	0
Cost at 31 December 2014	**2,146**	**141**	**2,303**	**475**	**212**	**5,277**
Depreciation and impairment losses at 1 January 2014	1,134	35	1,602	393	0	3,164
Exchange rate adjustment	-1	1	-1	1	0	0
Disposals during the year	-3	-11	-26	-23	0	-63
Depreciation for the year	103	20	136	27	0	286
Depreciation and impairment losses at 31 December 2014	**1,233**	**45**	**1,711**	**398**	**0**	**3,387**
CARRYING AMOUNT AT 31 DECEMBER 2014	**913**	**96**	**592**	**77**	**212**	**1,890**
Cost at 1 January 2013	2,171	79	2,197	540	224	5,211
Exchange rate adjustment	-3	-10	-5	-3	-14	-35
Additions during the year	18	83	63	11	94	269
Disposals during the year	-91	-7	-50	-80	0	-228
Transfers	40	0	52	14	-106	0
Cost at 31 December 2013	**2,135**	**145**	**2,257**	**482**	**198**	**5,217**
Depreciation and impairment losses at 1 January 2013	1,097	26	1,521	443	0	3,087
Exchange rate adjustment	-3	-5	-2	-3	0	-13
Disposals during the year	-66	-3	-48	-77	0	-194
Depreciation for the year	105	17	129	30	0	281
Impairment losses for the year	1	0	2	0	0	3
Depreciation and impairment losses at 31 December 2013	**1,134**	**35**	**1,602**	**393**	**0**	**3,164**
CARRYING AMOUNT AT 31 DECEMBER 2013	**1,001**	**110**	**655**	**89**	**198**	**2,053**

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 10 – Investments in affiliates				
Cost at 1 January 2014			569	569
Cost at 31 December 2014			**569**	**569**
Value adjustment at 1 January 2014			22,567	21,421
Share of profit/loss for the year			1,544	1,175
Exchange rate adjustment			23	-79
Adjustment of financial instruments			-167	66
Tax on changes in equity			-7	-19
Other adjustments			-6	3
Value adjustment at 31 December 2014			**23,954**	**22,567**
CARRYING AMOUNT AT 31 DECEMBER 2014			**24,523**	**23,136**
Note 11 – Other securities				
Cost at 1 January 2014	18,935	20,085	0	0
Additions during the year	7,434	3,900	0	0
Disposals during the year	-12,383	-5,050	0	0
Cost at 31 December 2014	**13,986**	**18,935**	**0**	**0**
Value adjustment at 1 January 2014	16	24	0	0
Value adjustment for the year	-12	-7	0	0
Value adjustment on disposals for the year	-2	-1	0	0
Value adjustment	**2**	**16**	**0**	**0**
CARRYING AMOUNT	**13,988**	**18,951**	**0**	**0**
Market value at 31 December 2014	14,346	19,537	0	0

Note 12 – Foundation capital

The Foundation capital has a nominal value of DKK 52 million.

(DKK million)	Foundation capital	Retained earnings	**Total**
Note 13 – Group equity 2014			
Equity at 1 January 2014	52	23,187	23,239
Net profit for the year	0	1,544	1,544
Adjustment of financial instruments	0	-167	-167
Exchange rate adjustment	0	23	23
Tax on changes in equity	0	-7	-7
Grants	0	-6	-6
Other movements	0	-4	-4
Equity at 31 December 2014	**52**	**24,570**	**24,622**

(DKK million)	Foundation capital	Net revaluations	Grant commitments	Retained earnings	**Total**
Note 13 – Parent Foundation equity 2014					
Equity at 1 January 2014	52	22,567	0	620	23,239
Profit from affiliates after tax	0	1,544	0	0	1,544
Adjustment of financial instruments	0	-167	0	0	-167
Exchange rate adjustment	0	23	0	0	23
Tax on changes in equity	0	-7	0	0	-7
Transferred to grant commitments	0	0	52	-52	0
Grants	0	0	-6	0	-6
Other movements	0	-6	0	2	-4
Equity at 31 December 2014	**52**	**23,954**	**46**	**570**	**24,622**

(DKK million)	Foundation capital	Retained earnings	**Total**
Note 13 – Group equity 2013			
Equity at 1 January 2013	52	22,044	22,096
Net profit/loss for the year	0	1,175	1,175
Adjustment of financial instruments	0	66	66
Exchange rate adjustment	0	-79	-79
Tax on changes in equity	0	-19	-19
Grants	0	-3	-3
Other movements	0	3	3
Equity at 31 December 2013	**52**	**23,187**	**23,239**

(DKK million)	Foundation capital	Net revaluation, affiliates	Retained earnings	**Total**
Note 13 – Parent Foundation 2013				
Equity at 1 January 2013	52	21,421	623	22,096
Profit from affiliates after tax	0	1,175	0	1,175
Profit from Parent Foundation	0	0	0	0
Adjustment of financial instruments	0	66	0	66
Exchange rate adjustment	0	-79	0	-79
Tax on changes in equity	0	-19	0	-19
Grants	0	0	-3	-3
Other movements	0	3	0	3
Equity at 31 December 2013	**52**	**22,567**	**620**	**23,239**

(DKK million)	GROUP 2014	GROUP 2013	PARENT FOUNDATION 2014	PARENT FOUNDATION 2013
Note 14 – Deferred tax (net)				
Deferred tax at 1 January 2014	957	694	-12	-14
Exchange rate adjustment of deferred tax, beginning of year	25	0	0	0
Adjustments relating to previous years	-37	-50	0	0
Reclassifications	0	334	0	0
Deferred tax on equity	16	0	0	0
Deferred tax on profit/loss for the year	-125	-21	2	2
Deferred tax (net)	**836**	**957**	**-10**	**-12**
The deferred tax relates to current assets, licences, fixed assets and losses relating to previously jointly taxed foreign affiliates, intercompany profits, indirect production costs, etc.				
In the balance sheet for the Group, DKK 934 million (2013: DKK 1,017 million) is recognised in financial fixed assets and DKK 98 million (2013: DKK 60 million) is recognised in provisions.				
Note 15 – Pension assets and pension obligations				
Provision for pension obligations at 1 January 2014	2	23	0	0
Exchange rate adjustment, beginning of year	2	0	0	0
Adjustment for the year	-27	-21	0	0
Provision for pension obligations	**-23**	**2**	**0**	**0**
The Group's companies in Ireland, the UK, the Netherlands, France and Norway operate defined benefit plans.				
Deficits relating to pension schemes	805	414	0	0
Note 16 – Other liabilities				
Discounts	268	286	0	0
Product returns	187	179	0	0
Contractual obligations	0	81	0	0
Staff-related liabilities	55	52	0	0
Other liabilities	47	36	2	2
Other liabilities	**557**	**634**	**2**	**2**

Note 17 – Contingencies

The Parent Foundation has no guarantee commitments. The amount relating to the Group totalled DKK 1,146 million at 31 December 2014 (2013: DKK 1,135 million).

Guarantees issued relating to the Group's Irish companies comprised all liabilities of the companies. At 31 December 2014, the companies had total liabilities of DKK 141 million (2013: DKK 132 million). Guarantees issued relating to pension commitments in the Group's companies totalled DKK 813 million at 31 December 2014 (2013: DKK 856 million), of which DKK 805 million (2013: DKK 414 million) has been disclosed as defícts relating to pension schemes in note 15.

The Parent Foundation has no lease obligations. Lease obligations relating to the Group totalled DKK 245 (2013: DKK 253 million).
The Parent Foundation has grant commitments for DKK 20 million (2013: DKK 22 million).

As security for a bank loan and overdraft facilities at a carrying amount totalling DKK 4,419 million (2013: DKK 7,649 million), as well as the establishment of guarantee commitments at a value of DKK 23 million (2013: DKK 18 million), the Group has pledged bonds at a carrying amount of 4,836 million (2013: DKK 7,565 million). The Parent Foundation has no pledges.

At the end of 2014, there are pending patent lawsuits filed by and against the Group concerning rights related to products in the Group's psoriasis portfolio in both the USA and Europe. The Group does not expect the pending cases to have any significant effect on the financial position of the Group.

As a global business, the Group will, from time to time, have tax discussions with tax authorities in different countries regarding transfer pricing issues. Management is of the opinion that current tax audits and tax discussions will not have any significant influence on the financial position of the Group.

Note 18 – Financial instruments

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

At 31 December 2014, there are outstanding forward contracts in: AUD, BRL, CAD, CHF, CNH, EUR, GBP, HKD, JPY,KRW, MXN, MYR, NOK, NZD, PHP, RON, RUB, SAR, SEK, SGD, THB and USD. The total contract amount at 31 December 2014 is DKK 3,488 million (2013: DKK 1,757 million).

At 31 December 2014, there are no outstanding option contracts classified as hedging contracts. At 31 December 2013, there were outstanding option contracts in CNH amounting to DKK 182 million.

At 31 December 2014, the Group also has option contracts in EUR with contract amounts of DKK 1,492 million (2013: DKK 2,416 million).

Note 19 – Related parties

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

INVESTMENTS IN AFFILIATES

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

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