ANNUAL REPORT 2023

Making a fundamental difference for those who need us most in medical dermatology

Dermatology beyond the skin

Table of contents

INSTAGRAM

LINKEDIN

The ESG section on pages 21-31 represents LEO Pharma's compliance with the statutory disclosure pursuant to Sections 99a, 99b and 99d of the Danish Financial Statements Act.

"We will know our transformation has been successful when we have a proven track record of consistent growth and profitability, along with an attractive pipeline comprising several late-stage assets that address underserved dermatological disease areas."

LETTER FROM THE CHAIR AND THE CEO

Delivering on our promise

2023 WAS A MILESTONE YEAR for LEO Pharma as we committed to delivering positive EBITDA, which is a first and necessary step towards driving profitable and sustained growth towards 2026 and beyond. And we successfully achieved this goal.

Just a few days into 2023, we took decisive actions in our transformation towards becoming a global leader in medical dermatology. We streamlined our research and development model with greater emphasis on external innovation and partnerships. Additionally, we have optimized our global product supply setup.

Together with changes in our commercial setup and support functions in 2022, this has contributed to our competitiveness in developing and commercializing the best available innovation. This agile approach, along with other achievements in 2023, underscores our ability to execute strategic plans and follow through on our objectives.

Financial performance

We delivered positive EBITDA in line with the upwardly revised outlook provided in September 2023. EBITDA for the year improved to DKK 551 million, corresponding to a 5% margin. This represents a DKK 2.1 billion absolute increase compared to 2022 and a 20 percentage point margin uplift. The strong uplift in performance was equally achieved due to higher revenue growth, trimming our cost base and unwavering financial discipline across all functions.

Group revenue grew by 7% (10% in constant exchange rates) and dermatology revenue grew by 11% (15% in constant exchange rates). This was driven by the biologic Adtralza®/Adbry® as well as core brands such as Protopic® and the Fucidin® range. Geographically, growth was driven across our markets from North America, Europe and China to Rest of World.

We reported a net loss of DKK 3.6 billion. The result was negatively impacted by increasing interest expenses, project impairments and tax asset adjustments. Many of these factors are one-off.

Making a fundamental difference for those who need us most in medical dermatology

The challenge of skin disease is immense and the number of underserved indications is staggering. With our strong commitment to and legacy in medical dermatology, we are prepared to address it.

Uniting as one team

Leadership is crucial in times of change, and in 2023 we continued to strengthen our Global Leadership Team. We welcomed Jacob Pontoppidan Thyssen as new Chief Scientific Officer, leading Research and Early Development and appointed Kreesten Meldgaard Madsen as Chief Development Officer. Together, they are facilitating a faster and more focused process from research to commercialization. Nathalie Daste joined as EVP, Global People and Corporate Affairs, to further develop our focus on people, communications and ESG.

Advancing the standard of care, developing people, attracting diverse talent and driving sustainable impact are business imperatives and key to our success.

It is essential for LEO Pharma that the ambitions, skills and creativity of our employees are harnessed in a collaborative and efficient manner, resulting in innovative patient solutions and growth. To achieve this, we implemented several new initiatives in 2023 to further strengthen our culture throughout the organization. These initiatives include embedding a new set of winning behaviors all the way from recruitment to performance management. We have also reviewed our reward structure and emphasized frequent interactions across all layers of the organization.

We believe that the initiatives are starting to payoff, as we ended the year with an employee engagement survey showing positive and encouraging trends in the response to LEO Pharma as a workplace. The survey revealed a significant increase in overall employee engagement, now standing 6 percentage points higher than at the beginning of 2023, with a total score of 78%. Regarding the statement I would recommend LEO Pharma as a great

place to work, favorable responses increased by 12 percentage points to 68% of the respondents.

Innovating to address patient needs

In 2023, we continued to advance medical dermatology by scouting for external innovation in areas with high unmet need. An agile approach allows us to identify and maximize the value of opportunities globally through co-creation and co-development partnerships.

Latest, we have successfully completed and announced the results of the pivotal Phase 3 trials DELTA 1 and DELTA 2 as well as the extension study DELTA 3 for our topical cream formulation, delgocitinib, in treating moderate-to-severe chronic hand eczema and submitted a marketing authorization application to EMA. Currently, we are assessing ways to bring delgocitinib to the U.S. Additionally, we progressed temtokibart, an investigational anti-inflammatory biologic, into Phase 2b for atopic dermatitis.

As part of the streamlining of our Research & Development model, we have also sharpened our business development strategy, targeted at value-accretive investments. As a result of this, we acquired Timber Pharmaceuticals in January 2024 and their TMB-001 program adds an attractive late-stage asset to our medical dermatology pipeline with the potential to strengthen our presence in the U.S. Importantly, it provides us with an asset which shows promising potential in helping patients suffering from a debilitating disease, congenital ichthyosis, for which there are currently no approved treatment options available. The asset is currently in Phase 3 and results are pending.

It is essential for LEO Pharma that the ambitions, skills and creativity of our employees are harnessed in a collaborative and efficient manner, translating into innovative patient solutions and growth.

Delivering sustainable growth

Our aim is to deliver sustainable growth by maximizing the potential of new product launches and the core portfolio, leveraging our global footprint and entering strategic commercial alliances.

In 2023, Adtralza®/Adbry® was the key driver of growth. The product is now available in 19 markets as we in 2023 obtained commercialization in Japan, Poland, Sweden, and Denmark. Additionally, Adtralza® obtained marketing approval in South Korea for patients with moderate-to-severe atopic dermatitis.

In Germany, the first market to launch, a new prefilled pen is offering patients an improved treatment experience. In addition, treatment with Adtralza®/Adbry® was expanded to include adolescent patients in the majority of markets including the U.S. The ongoing geographical expansion demonstrates our commitment to making our therapies accessible to a wider patient base worldwide.

Funding the future

With a clear strategic direction that plays to our strengths and a committed leadership team, we are well-positioned to achieve sustainable growth, optimize financial maneuverability and capitalize on attractive market opportunities.

In 2023, we took significant steps to prioritize and simplify our operations while maintaining financial discipline and achieving high revenue growth.

The implementation of a new capital structure demonstrates our owners' belief in the company and solidifies our ability to pursue value-accretive business development opportunities. We have a strong foundation for acting on strategic opportunities that align with our growth objectives.

Leaving a legacy the next generation will be proud of

As a purpose-driven company, we focus on making a difference and bringing positive impacts to patients, people and the planet. This commitment is at the core of our dedication to leave a legacy that future generations will be proud of. During the year, we continued to improve our corporate maturity in providing access to healthcare and assessed our maturity in patient engagement.

Further driving diversity, equity and inclusion in our organization remains high on our agenda as we strongly believe in this to foster a good culture and further improve performance. In 2023, we achieved a 59/41 and 50/50 male/female gender distribution within senior and middle management, respectively. This progress indicates that we are well on our way to achieving our 2025 target of at least a 45% representation of the underrepresented gender at both management levels.

As part of our science-based climate target, we optimized our energy efficiency through multiple initiatives. This resulted in a 3.1% reduction in our own CO2e emissions compared to 2022, and the share of suppliers committed to reducing their climate impact (our Scope 3) increased to 83%. A key focus of our sustainability activities in 2023 has been to prepare for reporting under the forthcoming EU Corporate Sustainability Reporting Directive (CSRD). This work will continue in 2024 and 2025.

Looking ahead

We have the expertise to bring innovative medical dermatology therapies to the market and have taken bold actions to reshape our company, ensuring we remain a strong partner to our stakeholders. We will know our transformation has been successful when we have a proven track record of consistent growth and profitability, an attractive pipeline with several late-stage assets addressing underserved dermatological disease areas and are attracting talent worldwide.

In closing, we want to thank all our colleagues once again for your dedication and effort. Your hard work truly makes a difference, and we are highly encouraged by the results you have achieved. We also extend our gratitude to our collaboration partners across the world and to the millions of patients who put their trust in the LEO Pharma brand every day. We remain energized to take the next steps in making a fundamental difference for those who need us most in medical dermatology.

Jesper Brandgaard
Chair of the Board of Directors

Christophe Bourdon
CEO

LEO Pharma in brief

LEO PHARMA is an independent, innovation-based pharmaceutical company founded in 1908 and headquartered in Ballerup, Denmark. We are committed to making a fundamental difference for those who need us most in medical dermatology. From our earliest history, LEO Pharma has gone beyond conventional approaches to serve patients and meet their needs.

We focus on therapies for the treatment of skin diseases, such as psoriasis, eczema, acne and infections – conditions that cause serious physical and social discomfort for millions of patients around the world. In addition, we offer an anti-coagulant treatment for cancer patients and other specialty patients.

Guided by our purpose of advancing the standard of care for the benefit of people with skin conditions, their families and society, we focus on where we can make a difference and bring a positive impact to patients, people and the protection of our planet. We believe that our main contribution to the next generations is to improve quality of life for people living with skin conditions and act responsibly in everything we do.

HOW WE CREATE VALUE

Our people and resources

- Talented and dedicated employees
- Raw materials
- Financial capital
- Partnering to innovate
- Winning behaviors

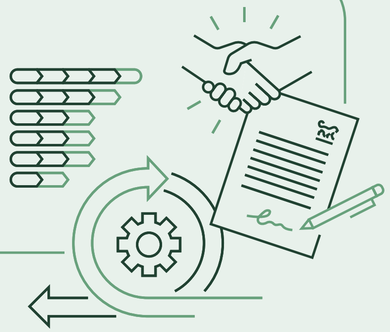
Global team of 4,300 people

Research & scouting

In joint innovation with partners and academia across the globe, we are constantly exploring new indications, molecules and drug technology platforms, aiming to find and develop first-in-disease and best-in-class treatments.

Fit-for-purpose development

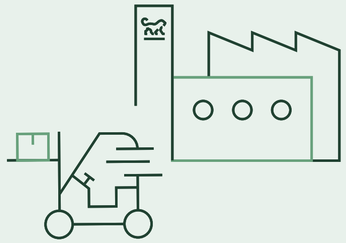
Advancing innovative medical dermatology therapies through clinical development in a flexible operating model to capture both internal and external innovation.

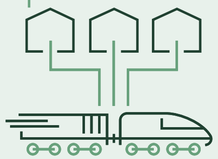


Manufacturing

Securing competitive, reliable and high-quality product supply for our therapies from own manufacturing sites and through partnerships with CMOs and API manufacturers.

6 manufacturing sites
12 CMOs
9 API manufacturers





Distribution

Delivering our commercial products via efficient, global supply chains.

Commercial execution

Tailoring our commercial approach to local and regional needs, ensuring a solid understanding of market dynamics. Marketing through own sales force as well as Alliance partners.

Our therapies are available in 88 countries

Our value creation

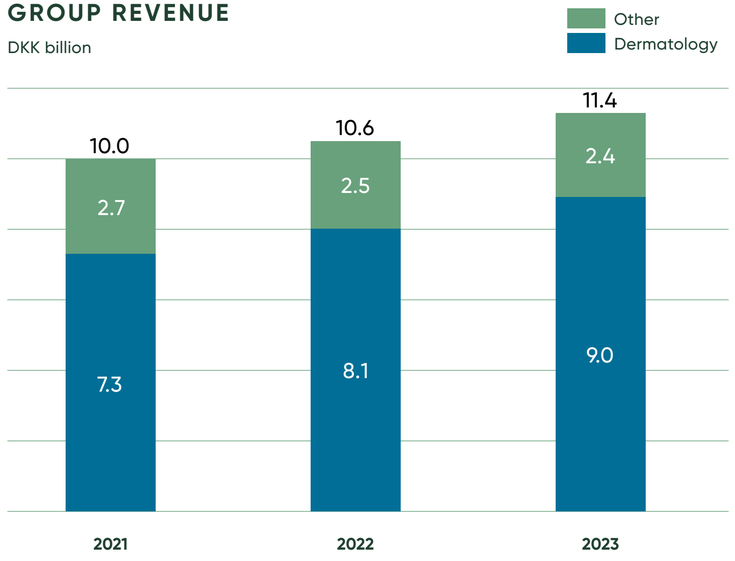
- Making a fundamental difference for those who need us most in medical dermatology
- Advancing standard of care
- Sharing scientific know-how
- Developing people and attracting diverse talent

More than 95 million patients served worldwide

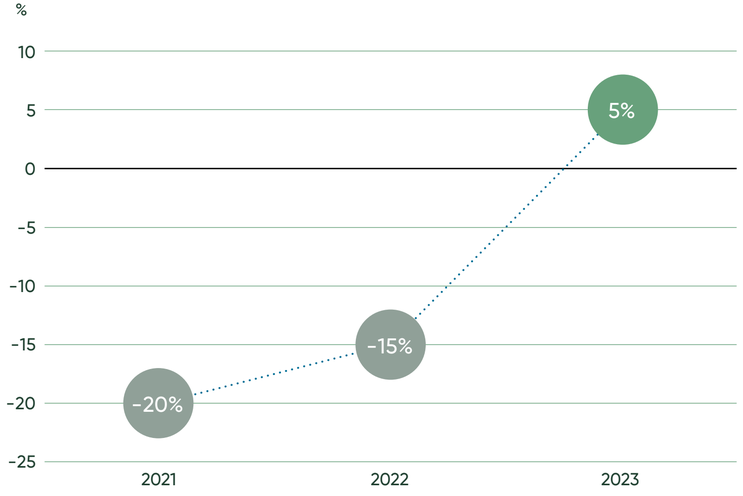
2023 PERFORMANCE HIGHLIGHTS

GROUP REVENUE

DKK billion



EBITDA MARGIN



+10%

GROUP REVENUE GROWTH*
(7% reported)

*In constant exchange rates

19

ADTRALZA®/ADBRY® AVAILABLE IN 19 MARKETS

+15%

DERMATOLOGY REVENUE GROWTH*
(11% reported)

*In constant exchange rates

48%

FEMALE LEADERS

% of all leaders in LEO Pharma

↓39%

REDUCTION IN SCOPE 1 AND 2 CO_2e EMISSIONS COMPARED TO THE 2019 BASELINE

+12 pp*

WOULD RECOMMEND LEO PHARMA AS A GREAT PLACE TO WORK
(total score: 68%)

*Percentage points
Annual Employee Engagement Survey conducted end-2023

Key figures

(DKK million)	2023 EUR milion*	2023	2022	2021	2020	2019
Income statement						
Group revenue	1,529	11,392	10,641	9,957	10,133	10,805
Hereof dermatology revenue	1,213	9,039	8,133	7,259	6,894	7,069
Gross profit	954	7,111	6,283	6,048	6,773	7,455
R&D costs	252	1,874	2,485	3,101	2,020	2,444
Adjusted EBITDA**	84	626	(1,253)	(1,731)	820	(130)
Operating profit before depreciation and amortization (EBITDA)***	74	551	(1,574)	(1,957)	521	(130)
Operating profit (EBIT)	(228)	(1,699)	(3,311)	(4,156)	(726)	(1,313)
Net financials	(147)	(1,093)	(782)	(607)	(354)	(363)
Profit before tax	(375)	(2,792)	(4,093)	(4,763)	(1,080)	(1,705)
Net profit for the year	(484)	(3,607)	(4,110)	(4,868)	(951)	(1,287)
Financial position						
Investments in property, plant and equipment	47	348	590	800	1,164	1,328
Non-current assets	1,647	12,272	14,765	15,110	15,243	15,339
Current assets	1,165	8,679	8,167	8,585	8,610	9,421
Total assets	2,811	20,951	22,932	23,695	23,853	24,760
Equity	607	4,525	1,946	5,537	6,947	8,088
Cash flow						
Cash flow from operating activities	(262)	(1,953)	(2,274)	(2,498)	(737)	(232)
Free cash flow	(334)	(2,577)	(3,750)	(3,869)	314	(6,797)
Operating net working capital	778	5,796	5,456	4,539	3,775	4,122
Net working capital	481	3,584	2,355	1,956	2,689	4,098
Net interest-bearing debt	1,492	11,123	15,027	11,144	10,144	9,682

	2023	2022	2021	2020	2019
Key ratios					
Revenue growth	7%	7%	(2%)	(6%)	4%
Revenue growth in constant exchange rates (CER)	10%	4%	(1%)	(5%)	2%
Dermatology revenue growth	11%	12%	5%	(2%)	13%
Dermatology revenue growth in constant exchange rates (CER)	15%	9%	7%	(1%)	10%
Gross margin	62%	59%	61%	67%	69%
R&D costs (of revenue)	16%	23%	31%	20%	23%
Adjusted EBITDA margin	5%	(12%)	(17%)	8%	(1%)
EBITDA margin	5%	(15%)	(20%)	5%	(1%)
Operating profit/(loss) margin	(15%)	(31%)	(42%)	(7%)	(12%)

	Unit	2023	2022	2021	2020	2019
Environmental, social and governance						
Average number of employees	no.	4,490	5,252	5,804	5,955	5,820
Number of employees at year-end	no.	4,284	5,042	5,612	5,803	6,078
Number of patients*****	in thousands	96,003	89,305	84,686	93,262	92,192
Total CO_2e (Scope 1 and 2, market based)	tonnes	23,555	24,309****	23,144	31,130	38,771
Scope 3 Supplier engagement	%	83	66	65	-	-
Share of renewable electricity	%	91	91	92	54	11
Employee turnover rate	%	26	29	20	14	17
Lost Time Injury (LTI) rate	LTI rate	2.5	1.9	1.7	1.9	1.3
Employees completing global annual Code of Conduct training	%	99	97	96	-	-
Gender diversity - All managers	ratio men/women	52/48	54/46	55/45	56/44	55/45
Gender diversity - Board of Directors	ratio men/women	87.5/12.5	87.5/12.5	87.5/12.5	71/29	75/25

* Applied exchange rate for EUR in 2023: 7.4500 (average) and 7.4529 (end)
** Adjusted EBITDA derived from EBITDA + transformation and restructuring costs of DKK 75m (2022: DKK 321m)
*** EBITDA derived from operating loss (EBIT) DKK 1,699m + depreciation and amortization for the period of DKK 2,250m (2022: DKK 1,737m)
**** Updated compared to ESG data summary in LEO Pharma Sustainability Report 2022
***** Number of patients is derived from sold units and estimated average dose consumed per patient

Our business

LEO Pharma is well-positioned to become a global leader in medical dermatology. The direction forward is clear and in 2023 we took additional steps to deliver on our strategy.

Our strategy

In early 2023, LEO Pharma announced further actions to drive growth and innovation on our path to become a global leader in medical dermatology. The priority for the immediate future is to build on these actions by targeting consistent growth and profitability, as we work to continually increase our relevance to people with skin diseases.

WE HAVE already made our mark with ingenuity, innovation and an eye for new opportunities and trusted partnerships.

Over the past few years, we have successfully reshaped LEO Pharma to gear our company for the future, and we are now ready to take the next steps.

The challenge of skin disease is immense, and the number of hard-to-treat indications is staggering. Millions of patients suffer from clinical symptoms for which we have no answers or only answers that fail to advance the quality of their lives.

We are ready to address the challenge. It is an area with untapped potential and attractive opportunities for us to grow. We have the expertise to bring solutions to these underserved conditions and we have taken bold action to reshape our company to remain a strong partner to patients with the ability to continue to invest in innovation.

We know our mandate goes beyond nurturing and selling life-changing products. Our commitment to act with integrity and responsibility and as a profitable company that can stand on its own will be key to our success. Ultimately, we aim to make a fundamental difference for those who need us most in medical dermatology.

When we look into the future, we will know our commitment has paid off when we have an attractive pipeline with several late-stage assets addressing underserved dermatological disease areas, are attracting talent around the world and have a proven track record of consistent profitability.

LEO Pharma is well-positioned to become a global leader in medical dermatology. We are already making progress and, together, we will keep leading the way.

Our strategy unfolds from our strong culture, firmly rooted in our core values:

- Integrity
- Customer focus
- Innovation
- Passion
- Adaptability

Unite as one team

It is key to LEO Pharma to harness the ambitions, skills and creativity of its employees in a collaborative and efficient way to drive growth and innovation. To this end, we implemented several new initiatives in 2023 to further strengthen our culture and leadership throughout the organization.

+6 pp*
Overall employee engagement score (total score: 78%)

+8 pp
Proud to work at LEO Pharma (total score: 79%)

+12 pp
Would recommend LEO Pharma as a great place to work (total score: 68%)

* pp = percentage points
Source: Annual Employee Engagement Survey conducted end-2023

Nurturing a winning culture

In 2023, LEO Pharma launched a new corporate strategy and in this context defined and rolled out a set of *Winning Behaviors* designed to promote collaboration, efficiency, simplification and accountability in our ways of working. By inspiring every leader and employee to unite as one team and strive for impact, our *Winning Behaviors* nurture a culture that drive us towards our strategic goals. This focus on driving clarity, alignment and engagement is supported by our global townhall meetings, now conducted on a monthly basis.

Strengthening leadership and strategic clarity

Throughout 2023, we have worked to embed the *Winning Behaviors* from the way we recruit to performance management, people development, reward and recognition.

Recognizing the critical role of leaders, we have prioritized creating clear expectations for all leadership levels and ensuring clarity about what leadership means at LEO Pharma. An increased meeting frequency with monthly meetings in the global senior leadership forum, including bi-annual face-to-face sessions, has accelerated alignment and common direction.

Leadership at LEO Pharma is further supported by the introduction of a new program, *Leadership and Winning Behaviors*. The program introduces leaders to tools and approaches fostering the desired mindset and behaviors in their team and provides them with a common language of leadership. Key focus areas include *Building Strong and Aligned Leadership Teams* and *Improving Interactions and Collaboration*.

Employee Engagement Survey

An Engagement Survey conducted end-2023, with a participation rate of 83%, provides a strong outlook for LEO Pharma as a workplace, showing a 12 percentage points increase since early 2023 in share of employees that would recommend LEO Pharma as a great place to work. Understanding of LEO Pharma's strategy, a key focus for us, has increased by 7 percentage points. This feedback documents the success of the engagement initiatives conducted in 2023.

Furthermore, strong scores for diversity and inclusion as well as positive ratings for immediate manager and team support underline our robust team and management culture – a key lever for achieving our strategic ambitions. To further support employee engagement, we will address areas such as effective decision-making, clarity in roles, performance feedback and accountability.

Employee Share Purchase Plan

In November 2023, all LEO Pharma employees were invited to invest in employee shares. 41% enrolled in the program. The aim is to enable all employees to benefit from the expected future value creation in the company, recognizing the key role of the employees in driving the success of LEO Pharma going forward. A similar share purchase plan was launched in 2021. 71% of those who signed up for employee shares back then have decided to do so again.

Our Winning Behaviors

Collaborate & put LEO Pharma first

- Work and think as one team
- Feedback is a gift – to give and receive

Prioritize & simplify

- Ruthlessly prioritize
- Simplify and say no

Be accountable & own it

- If you see it, you own it
- Always strive for impact

Innovate to address patient needs

At LEO Pharma, we are advancing the standard of care for the increasing number of people living with skin diseases. We deliver differentiated, innovative solutions addressing high unmet needs to make a fundamental difference for those who need us most in medical dermatology.

IN 2023, we remained committed to this ambition. We implemented significant changes to our research and development model with an emphasis on externally sourced innovation to strengthen our pipeline. Another key priority is to maximize the value for patients of our late-stage assets. This is achieved by ensuring competitive labels and facilitating swift approvals and launches bringing first-in-disease and best-in-class solutions to patients as quickly as possible. LEO Pharma has entered a strategic partnership with ICON which enables us to scale up our clinical trial execution in a way that is both patient-centric and cost-effective.

To maximize the potential of our early-stage and late-stage pipeline activities, the Research and Development organization has been divided into two distinct areas, Research & Early Development and Development, both represented in the Global Leadership Team.

Bringing differentiated innovative solutions to market via partnerships

Our new innovation strategy leverages external innovation to discover and develop treatments for patients living with skin diseases. This means that we proactively scout for treatments for skin conditions characterized by a high unmet medical need and burden of disease for patients. Our agile research approach, with strong scientific capabilities, allows us to identify and assess external opportunities and further maximize the value of these in co-creation and co-development with partners across the globe.

The partnership approach is well proven in LEO Pharma. Partnering has brought us assets like Kyntheum®, which was launched in Brazil in 2023 as the first market outside the EU, and Adtralza®/Adbry®, which is now available in 19 countries.

Partnerships will also pave the way for near-term launches. The rights to delgocitinib were acquired from Japan Tobacco Inc. in 2014 and a marketing authorization application has been submitted to the European Medicines Agency currently awaiting approval. During 2023, LEO Pharma announced the results of the pivotal Phase 3 trials DELTA 1 and DELTA 2 as well as the extension study DELTA 3 with delgocitinib. Both pivotal trials achieved statistical significance for primary endpoints and all key secondary endpoints. These trials form the clinical basis for the submission to the regulatory authorities.

In January 2024, LEO Pharma finalized the acquisition of the TMB-001 asset and concluded the transfer of employees from U.S.-based Timber Pharmaceuticals. TMB-001 is currently in Phase 3 for congenital ichthyosis, a group of rare and debilitating skin diseases without FDA-approved treatment. It has received Orphan Designation, Breakthrough Therapy Designation and Fast Track Status from the FDA. This transaction adds a promising late-stage asset to LEO Pharma's medical dermatology pipeline and strengthens our presence in the U.S.

KEY R&D MILESTONES 2023

FILED

DELGOCITINIB (LP0133): Our topical pan-JAK inhibitor, currently being investigated for the treatment of adult patients with moderate-to-severe chronic hand eczema (CHE), has successfully completed the pivotal Phase 3 clinical trials. Subsequently, a Marketing Authorization Application has been submitted to the European Medicines Agency, while development programs are continuing in China and the Delta Teen trial continues in Europe and North America. If approved, delgocitinib will be the first topical treatment specifically targeting patients with moderate-to-severe CHE.

PHASE 3

TMB-001: A topical isotretinoin in a patented delivery system under development by Timber Pharmaceuticals, Inc. for use in patients with moderate-to-severe subtypes of congenital ichthyosis. This term encompasses a range of rare and debilitating skin diseases where patients currently have no FDA-approved treatment options. The phase 3 clinical trial for TMB-001 is currently recruiting patients.

PHASE 2B

TEMTOKIBART (LP0145): LEO Pharma's investigational IL-22RA1 anti-inflammatory monoclonal antibody has been progressed into Phase 2b trial for moderate-to-severe atopic dermatitis (AD).

DISCONTINUED

IZUFORANT (LP0190): In October, LEO Pharma and JW Pharmaceutical announced the completion of a Phase 2a/b trial with izuforant in adults with moderate-to-severe atopic dermatitis (LP0190-1488). The study did not meet the primary endpoint. As a result, it has been decided to terminate the program and end the licensing agreement with JW Pharmaceutical, who will regain all rights to izuforant.

PHASE 2A

ANTI IGE+B-CELL (LP0201): LEO Pharma acquired the world-wide rights in 2020 to develop and commercialize the FB825 monoclonal antibody that Oneness Biotech and Microbio Shanghai continue testing in a Phase 2a trial in allergic asthma in Taiwan.

PHASE 1A

LEO 158968 (LP0189): In February 2023, the LEO 158968 monoclonal antibody for inflammatory diseases with high unmet medical need was progressed into clinical development by the initiation of a Phase 1a First-in-Human study.

PRE-CLINICAL

IL-17A PPIm: LEO Pharma successfully progressed a new potent and selective IL-17A Protein-Protein-Interaction modulator candidate (LP0128) into preclinical development with a promising safety profile and low predicted therapeutic dose.

CASE: CHRONIC HAND ECZEMA

Striving to make a difference for people living with chronic hand eczema

Up to one in four people living with chronic hand eczema are unable to work, and one in eight have to leave their job and career entirely, leading to a significant burden of cost on healthcare systems and insurers.

WITH KEY SYMPTOMS such as itch and pain, chronic hand eczema (CHE) is an inflammatory skin disease defined as hand eczema lasting for more than three months or relapsing twice or more within a year. Approximately one in ten people suffer from the disease[1].

CHE is a common and persistent disease that can significantly impact quality of life. Despite this, CHE is often under-recognized and undertreated, leading to unnecessary suffering for patients and high healthcare costs.

The impact on physical functioning can make it difficult to touch objects due to pain or swelling of the hands. Additionally, the visibility of the affected hands contributes to a considerable psychological burden, including anxiety and low self-esteem.

For people in high-risk occupations, such as nurses, hairdressers, chefs, cleaners and caregivers, CHE is the most common occupational skin disease with a prevalence of up to 40%[2].

For these people, the consequences of their condition are more than skin deep and for them, the right treatment would have an impact that goes beyond the skin.

> *"For anyone living with chronic hand eczema, this can have a significant impact on their quality of life. Not only can it affect their ability to do their job. For many, they may have to give up on their dream or career because of it. Imagine that you have worked to achieve a goal in years, and then you have to let it go, because your hands can no longer endure the pressure. That is the daily reality for so many living with CHE, and there is a high unmet need for new treatment options, specifically targeting this debilitating disease."*
>
> **Jacob Pontoppidan Thyssen**
> Chief Scientific Officer

CHRONIC HAND ECZEMA CAN BE A HEAVY BURDEN

Functional impairment

Symptoms and triggers:

Pain and swelling of the hands[3]

Need to avoid environmental triggers[3]

Itch & burning skin[3]

Psychological impairment

Disfigurement associated with CHE can lead to:

Disruption of normal family life[3,6]

Embarrassment and anxiety[3,6]

Self-isolation[3,6]

STUDY FINDINGS

55% of patients spontaneously reported difficulty holding objects in qualitative interviews[3]

65% reported limited ability to carry out domestic chores[3]

Up to **25%** of patients with CHE identified in a literature review were unable to work[4]

3–25% had left their current job due to CHE[4]

More than **70%** of patients with severe CHE reported problems in performing usual activities[5]

80% of patients spontaneously reported embarrassment with the appearance of the hands in interviews[3]

[1] Thyssen JP, Johansen JD, Linneberg A, Menné T. The epidemiology of hand eczema in the general population--prevalence and main findings. Contact Dermatitis. 2010;62(2):75-87.
[2] Thyssen JP, Schuttelaar MLA, Alfonso JH, et al. Guidelines for diagnosis, prevention, and treatment of hand eczema. Contact Dermatitis. 2022;86(5):357-378.
Alfonso JH, Bauer A, Bensefa-Colas L, et al. Minimum standards on prevention, diagnosis and treatment of occupational and work-related skin diseases in Europe - position paper of the COST Action StanDerm (TD 1206). J Eur Acad Dermatol Venereol. 2017;31 Suppl 4:31-43.
[3] Grant L, Seiding Larsen L, Burrows K, et al. Development of a Conceptual Model of Chronic Hand Eczema (CHE) Based on Qualitative Interviews with Patients and Expert Dermatologists. Adv Ther. 2020;37(2):692-706.
[4] Armstrong A, Hahn-Pedersen J, Bartlett C, Glanville J, Thyssen JP. Economic Burden of Chronic Hand Eczema: A Review. Am J Clin Dermatol. 2022;23(3):287-300.
[5] Cortesi PA, Scalone L, Belisari A, et al. Cost and quality of life in patients with severe chronic hand eczema refractory to standard therapy with topical potent corticosteroids. Contact Dermatitis. 2014;70(3):158-168.
[6] Agner T, Elsner P. Hand eczema: epidemiology, prognosis and prevention. J Eur Acad Dermatol Venereol. 2020;34 Suppl 1:4-12.

CASE: CHRONIC HAND ECZEMA

Interview with Birgitte – a trained nurse, who has lived with chronic hand eczema for most of her life.

> “Eventually my hands were so bad that I got compensation for an occupational injury..."

"Living with CHE is a lifestyle. Some things you have to be mindful and careful of. But you have to prioritize your life. Otherwise, you would only be able to sit at home, looking at your hands and missing out.

The pain feels a bit like a skin scrape you get from falling off a bike. Or the feeling of hand sanitizer on a paper cut. When I have an eczema flare, on a scale from 1-10 I'm never below a 2.

But the itch is the worst. I almost constantly have blisters on my hands, which itch terribly. Like a really intense mosquito bite. Even though you know not to, you eventually scratch anyway. Sometimes I even have to wear gloves at night, so I don't scratch open the blisters in my sleep – causing them to ooze and sting as well.

The oozing is probably what I am most conscious of. I find it flat out gross. So I'm constantly aware and alert, worrying that my hands could leave a mark for others to see.

I have had CHE since I was a teenager. But I have always refused to let it hold me back. I dreamt of becoming a nurse – so I did. Today, I have worked as a nurse in more than 35 years. Working in the intensive care unit was my dream job, but it turned out that it was also a job, where I constantly had to wash my hands. During this time of my life, my hands were in the worst condition they have ever been. I had to wash my hands between 40 and 60 times a day at work – and my hands simply could not take it.

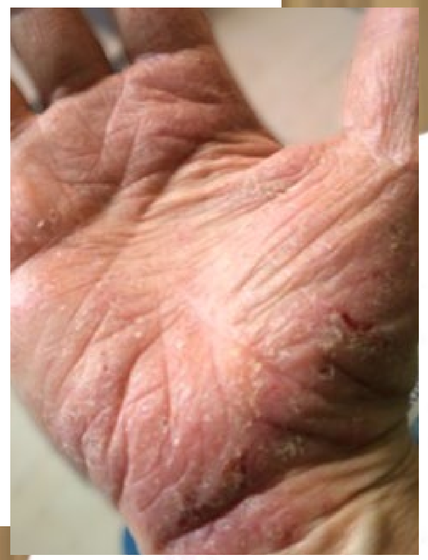
Several of the people I have worked with have had to quit and leave their dream jobs because of CHE. I think that is really sad.

Eventually my hands were so bad that I was granted compensation for an occupational injury. That allowed me to work fewer hours and I moved to the anesthesiology department with fewer patients and more time with each of them, which means that I wash my hands relatively less often.

That has been really good for my hands – and maybe for the rest of me, too. I believe that if the body is feeling good, it impacts my eczema.

You get to know your body better over time. There will be good times and less good times, and it does come with limitations for what you can do. Then it is up to you as a person not to feel let down. To be strong and to accept with yourself that 'I will feel better again'.

Surely there will be times when you have to say no to things. Like when my friends invite me to a 4-hour cooking class, I know that my hands will struggle for a long time after that. So I turn it down – and move on."



Drive sustainable growth

LEO Pharma delivered organic revenue growth of 10% (CER) in 2023 and a dermatology revenue of 15% (CER) with significant contributions from the recent launches of Adtralza® and Adbry®, supported by profitable growth in core product lines.

19

ADTRALZA®/ADBRY® IN 19 MARKETS

FROM A LONG-STANDING, strong European position in topical dermatology, we aim at delivering sustainable growth by maximizing the potential of new product launches, continuing global expansion, leveraging the core portfolio and entering strategic commercial alliances.

LEO Pharma holds a comprehensive portfolio of treatment options for disease management in both psoriasis and atopic dermatitis. Our treatment options help patients along the entire disease spectrum from mild and moderate to severe disease states.

Based on a solid understanding of each market's dynamics, we tailor the commercial approach to local and regional needs, thus continuously advancing the standard of care for those patients who need us most.

Innovative portfolio

Adtralza®/Adbry® was a key growth contributor to dermatology revenue in 2023 across the main European markets and in the U.S. Its position is already well established with a satisfactory double-digit market share so far across several markets reached within the first 12-18 months since launch. Market positioning was further strengthened by the implementation of strategic and scientific programs, including 36 publications and events designed to educate healthcare professionals on the latest developments within treatment of moderate-to-severe atopic dermatitis. We consistently invest in scientific activities to further differentiate our medicines, ensure the appropriate use of them and advance patient outcomes.

Adtralza®/Adbry® is now available in 19 markets. It provides a new treatment option for atopic dermatitis patients whose disease is not adequately controlled with topical therapies and where such therapies are not advisable.

In 2023, Adtralza® was commercially launched in Japan, Poland, Sweden and Denmark. Adtralza® also obtained approval from Korea's Ministry of Food and Drug Safety for patients suffering from moderate-to-severe atopic dermatitis. The approval covers both adults and adolescents. To further solidify its market position, a new prefilled pen was launched in Germany offering patients an improved treatment experience. Additionally, treatment was expanded to include adolescent patients in most existing markets.

In December 2023, the U.S. Food and Drug Administration expanded the approval of Adbry® to include patients aged 12-17 years with moderate-to-severe atopic dermatitis.

LEO Pharma is committed to continuing our efforts to bring new and innovative treatments to the market, helping patients around the world receive the care they need. In 2023, pre-launch activities for delgocitinib were scaled up globally, including the assessment of ways to bring delgocitinib cream to the U.S. Delgocitinib is designed to address the needs of patients suffering from moderate-to-severe chronic hand eczema (CHE). If approved, it will be a first-in-class topical JAK-inhibitor.

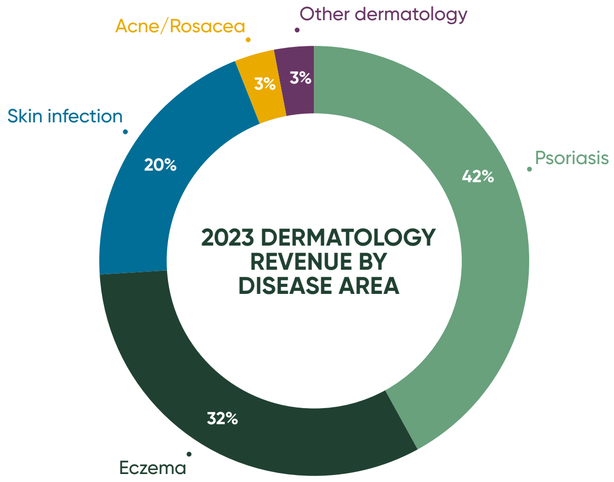
Core portfolio

LEO Pharma's core business remains a source of steady cash flows, exhibiting strong historical growth and profitability. The core brand names, such as Kyntheum®, Enstilar®, Protopic®, Daivobet® and Fucidin®, enjoy a loyal customer base, and we consistently leverage our commercial infrastructure for initiatives supporting long-term growth.

Our core portfolio accounts for a significant share of total revenue and delivered growth of 2% across our affiliates and in our Alliance partner markets.

The U.S.

Since the commercial launch in the U.S., Adbry® has become a significant growth driver. Our product strategy and commercial execution have enabled us to leverage our commercial platform for growing U.S. revenue by 124% in 2023. We will continue to refine our messaging, strengthen access to health care professionals and tailor commercial activities to maximize the potential for Adbry®. In addition to the initial preparations for launching delgocitinib, we are monitoring potential bolt-on acquisitions to further underpin future growth, such as the recent acquisition of the late-stage asset TMB-001 for the treatment of congenital ichthyosis.



China

China is expected to soon become one of the largest healthcare markets globally, and dermatology is growing rapidly in the country. Our revenue in China grew by 8% in 2023 with strong performance in the professional hospital setting as well as in online and offline channels. By focusing on our core strengths and leveraging our deep dermatology knowledge, we are well-positioned to expand both the innovative and core portfolios in China.

Alliance markets

Our Alliance operating model is characterized by trusted and long-term partnerships. In 2023, we implemented an improved, and significantly simplified, model for operating with our Alliance partners, making this an efficient and market specific approach that allows us to make our medicines available in more geographies. The Alliance markets delivered 4% growth in 2023, driven mainly by the core portfolio.

Thrombosis

Our Thrombosis Business Unit offers a heparin-based anti-coagulation treatment option for cancer patients and other specialty patients. 2023 was a challenging year with changing market dynamics and a contraction of our core market. The thrombosis business is present in 24 markets with an operating model comprising affiliates and Alliance partner markets. In 2023, the business experienced a revenue decline of 4% compared to 2022.

Fund the future

We will continue to drive innovation, growth and operational efficiency to optimize financial maneuverability and capitalize on attractive market opportunities.

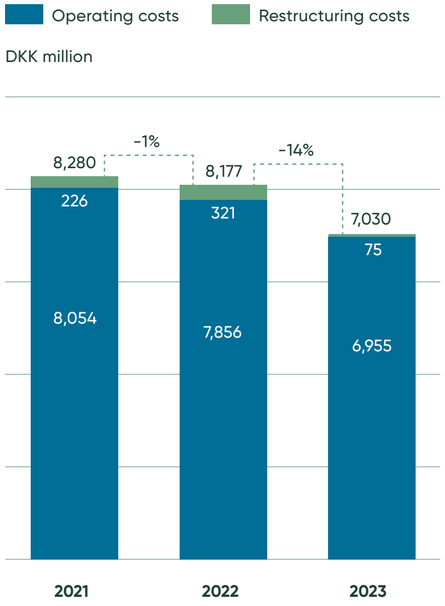
LEO PHARMA operates in an attractive and growing medical dermatology market with significant unmet patient needs.

With a clear strategic direction playing to our strengths and a committed and capable leadership team, LEO Pharma is well-positioned to achieve sustainable and profitable organic growth, supported by selective business development activities, and we will continue our diligent execution of the efficiency programs to lower LEO Pharma's cost base.

We took important steps in 2023 with uncompromising prioritization and simplification in our operations, financial discipline and high revenue growth across markets and business areas.

In September 2023, we announced a new capital structure. The LEO Foundation converted shareholder loans of above DKK 5.5 billion to equity, while The LEO Foundation and Nordic Capital together provided an additional cash injection of around DKK 750 million. LEO Pharma's bank syndicate provided a new DKK 1.5 billion credit facility, and we also obtained improved terms and extension of our existing bank financing. The new capital structure solidifies our ability to pursue value-accretive business development opportunities while supporting continued long-term growth.

TOTAL OPERATING COSTS*



*Excluding amortizations, depreciations and impairment.

Leave a legacy the next generations will be proud of

As a company committed to advancing the standard of care for the benefit of people with skin conditions, their families and society, we focus on where we can make a difference and bring a positive impact to patients, people and the protection of our planet.

>95 MILLION

PATIENTS SERVED WORLDWIDE

1.8%

ADJUSTED GENDER PAY GAP*

76

NATIONALITIES REPRESENTED AMONG EMPLOYEES

WE BELIEVE that our main contribution to leaving a positive legacy to the next generations is to pursue our focus on advancing the standard of care for people living with skin conditions as well as holding ourselves to high standards in everything we do.

Advance the standard of care

Our commitment to increase the accessibility of innovative treatments and care to improve patients' quality of life means that we always strive to provide first-in-disease or best-in-class solutions, competitive labels, and that we facilitate swift approvals and launches of products. Today, our therapies are available in 88 countries and in 2023, we served more than 95 million patients worldwide.

To further evolve our understanding of how to help the most underserved patients in medical dermatology, we continuously work to integrate patient insights in our value chain. Based on an annual assessment, we evaluate our maturity in providing access to health. To make sure we accommodate the unmet need among diverse populations in relevant markets, we are defining our patients' engagement approach and how to design inclusive clinical trials.

LEO Pharma supports better access to health care for people around the world affected by crisis by consistent engagement in drug donations in collaboration with International Health Partners, a global health NGO, supporting people in disaster-hit and vulnerable communities to get vital medicines.

> *"We celebrate our differences and believe that our diverse perspectives, backgrounds and attitudes are what enable us to make the best decisions for LEO Pharma and help us understand patients better."*
>
> **Nathalie Daste**
> Executive Vice President,
> Global People & Corporate Affairs

Develop people and attract diverse talent

We aim to create a workplace that is vibrant and dynamic and where diverse voices and experiences are celebrated. Diversity, equity and inclusion are critical elements to remain at the forefront of understanding and meeting the unique needs of patients all over the world. This is reflected in several people processes, such as our recruitment and ongoing leadership training, with the purpose of nurturing a culture thriving on diverse perspectives and inclusive practices. We believe that our employees are essential for achieving our strategic ambitions and it is key that our leaders support each employee, ensuring that they have the skills required in their roles today and in the future.

To further develop our business and organization we want to nurture diversity across our global team. Our diversity, equity and inclusion manifesto *Curiosity Beyond* emphasizes the importance of being curious about each other, the world, the patients we serve and embracing differences.

LEO Pharma globally monitors diversity factors, such as age, gender, and seniority. At end-2023, we reached a 59/41 and 50/50 male/female gender distribution within senior and middle management, respectively. With a commitment to fostering gender diversity across all levels of management, we are well on the way to achieving our 2025 target of at least a 45% representation of the underrepresented gender at both management levels.

In 2023 we reached an adjusted gender pay gap of 1.8%, which refers to the wage difference between genders after accounting for factors like experience, job level, education and occupation.

Drive sustainable impact

We recognize that we play a role in minimizing negative impact on climate and reducing the environment footprint from our business while respecting the need for resilient operations. At the same time, we constantly seek to prepare LEO Pharma for the dynamic nature of the current business landscape, emerging societal challenges as well as new rules and regulations.

We are committed to addressing climate change and contributing to a more sustainable future for all. Our science-based climate targets help us align our business practices with global sustainability objectives and ensure direction in our work to reduce negative impact on the environment. In 2023, we reduced our Scope 1 and 2 CO_2e emissions by 3.1% compared to 2022. 83% of our suppliers (by emissions) have set their own targets validated by the Science Based Targets initiative or announced commitments to reducing CO_2, representing an increase of 17 percentage points compared to 2022.

Since 2019, we have successfully reduced our Scope 1 and 2 CO_2e emissions by 39%.

In 2023, 99% of our employees completed the LEO Pharma Code of Conduct Training and 98% completed our Anti-Corruption Training.

LEO Pharma contributes to the Sustainable Development Goals and as a participant to UN Global Compact, we are committed to upholding and incorporating the Ten Principles into our work in the areas of human and labor rights, the environment and anti-corruption.

* Adjusted gender pay gap refers to the pay difference between genders after taking account of factors such as experience, job level, education and occupation.

Financial review & outlook

In 2023, LEO Pharma delivered a solid uplift in operational performance, driven by strong revenue growth, cost reduction measures and strengthened financial discipline across all functions.

Financial review and outlook

In 2023, LEO Pharma delivered a solid uplift in operational performance, driven by strong revenue growth, cost reduction measures and strengthened financial discipline across all functions. The operational performance resulted in a return to positive EBITDA (DKK +2.1 billion uplift, +20 percentage points margin uplift) and double-digit revenue growth in constant exchange rates. As a result, LEO Pharma successfully delivered on the upwardly revised guidance provided in September 2023.

Result for 2023

Group revenue increased by 7% to DKK 11,392 million in 2023. In constant exchange rates (CER), revenue increased by 10% compared to 2022. Dermatology revenue grew by 11% and 15% in constant exchange rates.

EBITDA for 2023 increased to DKK 551 million, compared to a loss of DKK 1,574 million in 2022, reflecting an uplift of DKK 2,125 million. EBITDA for the year of DKK 551 million corresponds to a 5% margin, representing a 20 percentage points uplift from last year.

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

GROUP REVENUE GROWTH OF

10%

IN CONSTANT EXCHANGE RATES

Adjusted EBITDA amounted to DKK 626 million, representing an uplift of DKK 1,879 million and an improvement of 17% percentage points compared to 2022. The improvement was driven by strong sales growth, favorable gross margin development and lower operating expenses. The operating loss (EBIT) for 2023 amounted to DKK 1,699 million, compared to a loss of DKK 3,311 million in 2022, showing an improvement of DKK 1,612 million. EBIT for 2023 was negatively impacted by impairment of intangible as well as tangible assets.

We delivered a net loss of DKK 3,607 million for 2023, compared to a net loss of DKK 4,110 million in 2022, resulting in an improvement of DKK 503 million. The result for 2023 was positively impacted by the improved operational performance, as stated above. However, it was negatively impacted by increasing interest expenses, non-cash fair value remeasurement of share-based programs and valuation adjustments of deferred taxes.

Revenue for the LEO Pharma Group

Group revenue grew by 7% (10% in CER) and dermatology revenue grew by 11% to a total revenue of DKK 9,039 million (15% in CER). This was driven by the biologic product Adtralza®/Adbry® as well as core brands such as Protopic® and the Fucidin® range. Geographically, growth was driven by the North American region as well as China, Southern Europe and Alliance markets.

DERMATOLOGY REVENUE GROWTH OF

15%

IN CONSTANT EXCHANGE RATES

Revenue by therapeutic area

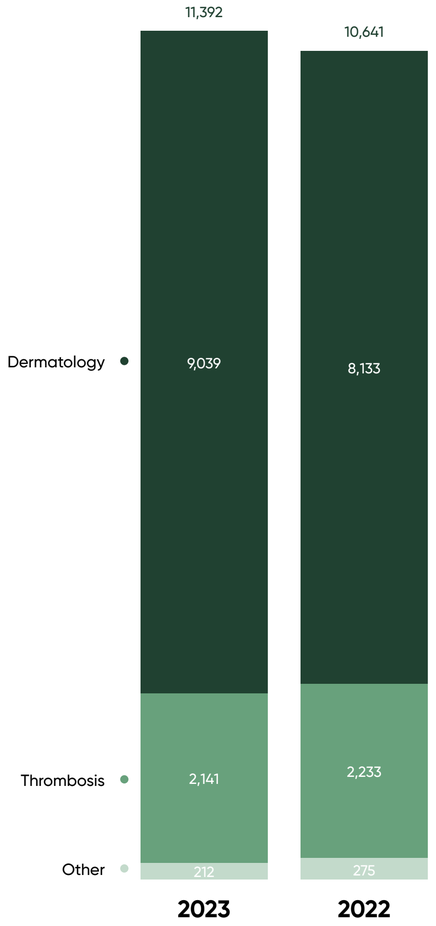
Our eczema portfolio was the main driver for growth in 2023, driven by the continued launch of Adtralza®/Adbry®, now available in 19 markets, as well as strong performance of Protopic®. In 2023, Adtralza®/Adbry® accounted for 43% of revenue for our eczema portfolio and the highest share of eczema revenue.

Revenue from our psoriasis portfolio remained stable at DKK 3,813 million, compared to DKK 3,912 million in 2022. Enstilar® remains the bestselling psoriasis product with revenue amounting to DKK 1,421 million.

Revenue from our skin infection portfolio increased by 6% (9% in CER) to DKK 1,771 million, driven by the Fucidin® range.

Revenue from our acne/rosacea portfolio amounted to DKK 317 million, which was slightly below the level for 2022. Other mature

REVENUE BY THERAPEUTIC AREA (DKK MILLION)



dermatology products decreased by 8% (fall of 1% in CER) to DKK 238 million in 2023.

Thrombosis revenue decreased by 4% (fall of 3% in CER) to DKK 2,141 million from DKK 2,233 million in 2022. The decrease was primarily related to lower volumes in France and destocking effect in emerging markets.

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

Revenue by region

North America

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

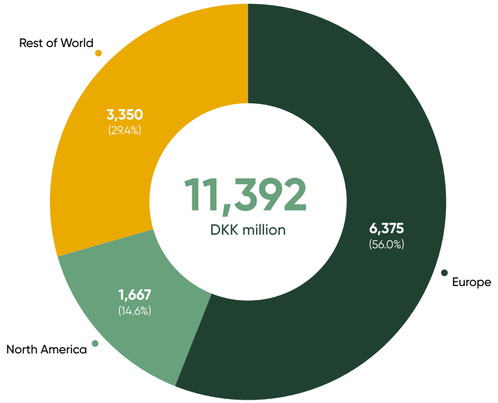
Europe

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

Rest of World

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

REVENUE BY REGION IN 2023 (DKK MILLION)



Costs and P&L

Total costs decreased by 6% and amounted to DKK 13,149 million in 2023, compared to DKK 14,025 million in 2022.

Cost of sales amounted to DKK 4,281 million in 2023, corresponding to a decrease of 2%, compared to DKK 4,358 million in 2022. The gross margin was 62% in 2023, compared to 59% in 2022. The decrease in cost of sales was driven by efficiency initiatives across the organization as well as production efficiencies.

Operating costs, excluding depreciation, amortization and impairments, amounted to DKK 7,030 million in 2023, compared to DKK 8,177 million in 2022 equal to a reduction of 14%.

Sales and distribution costs

The sales and distributions costs amounted to DKK 4,902 million in 2023, compared to DKK 4,762 million in 2022. The increase was driven by higher depreciation, amortization and an impairment loss of DKK 526 million. The underlying sales and distribution costs decreased by 9% despite ongoing investments and the launch of Adtralza®/Adbry® in new markets.

Research and development costs

Research and development costs amounted to DKK 1,874 million, compared to DKK 2,485 million in 2022. In 2023, our main R&D activities concerned Adtralza®/Adbry® and delgocitinib to drive continued development activities. For Adtralza®/Adbry®, our activities comprised the ECZTEND efficacy and safety long-term data trial as well as the AD hand Phase 3b trial start-up and development of our new administration option, the pre-filled pen. Our delgocitinib activities comprised development costs related to securing the finalization of Phase 3 activities leading to the submission of a Marketing Authorization Application to the European Medicines Agency. However, the overall level of costs declined as a result of the implementation of our new innovation strategy strengthening our emphasis on externally sourced innovation. In addition, a clinical program for Izuforant and other R&D development projects were terminated resulting in an impairment loss of DKK 141 million.

Administrative costs

Administrative costs amounted to DKK 2,075 million in 2023, decreasing from DKK 2,407 million in 2022. The costs were impacted negatively by DKK 75 million related to transformation and restructuring of the organization during the year. The decrease in administrative costs was driven by lower IT investments and lower depreciation in 2023 compared to 2022. Administrative costs in 2022 were impacted by impairment losses of DKK 161m on software and development projects.

Financial items

Net financial items showed a loss of DKK 1,093 million, compared to a loss of DKK 782 million in 2022. This was mainly driven by an increase in interest expenses of DKK 269 million as a net result of increasing interest rates on debt to credit institutions and lower interest expenses on shareholder loans. Financial expenses related to fair value remeasurement of non-cash share-based incentive programs amounted to DKK 156 million and other financial items of DKK 115 million covering net foreign exchange-related items, fees, etc.

Tax income/expense

Total tax expense for the year amounted to DKK 815 million, compared to DKK 17 million in 2022. Current tax expense decreased from DKK 421 million in 2022 to DKK 158 million in 2023. Change in deferred taxes for 2023 was an expense of DKK 691 million, compared to an income of DKK 409 million in 2022. The significant change in deferred taxes was mainly due to valuation adjustment for the utilization of tax losses carried forward.

Profit and loss

EBITDA DKK

551M

UPLIFT OF 2.1BN

The 2023 operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to DKK 551 million, compared to a loss of DKK 1,574 million in 2022, which was an improvement

of DKK 2,125 million and a 20 percentage points improvement compared to 2022.

The operating loss (EBIT) for 2023 amounted to DKK 1,699 million (negative margin of 15%), compared to an operating loss of DKK 3,311 (negative margin of 31%) million for 2022, an improvement of DKK 1,612 million and 16 percentage points compared to 2022. This was the result of our improved operational performance, as described above, and a negative impact due to the impairment of intangible assets and impairment of production site and related equipment.

Net loss for the year amounted to DKK 3,607 million for 2023, compared to a net loss of DKK 4,110 million for 2022. This was an improvement of DKK 503 million. While EBIT increased by DKK 1,612 million, the relatively lower improvement in net loss was mainly due to increased interest expenses, fair-value remeasurement of non-cash share-based incentive program (recognized as financial expenses), other financial items and a significant reduction of deferred tax assets.

Balance sheet and cash flow

Balance sheet

Total assets decreased to DKK 20,951 million as of December 31, 2023, from DKK 22,932 million as of December 31, 2022. This was mainly driven by intangible assets decreasing by DKK 1,556 million, primarily due to amortization of DKK 1,089 million and impairment of DKK 516 million related to tralokinumab and R&D projects ceased during 2023.

Equity ended at DKK 4,525 million, compared to DKK 1,946 million at the end of 2022. Equity has been strengthened significantly during the year as a result of changes in capital structure by converting shareholders loans to equity, in total DKK 5.6 billion, as well as additional funding from shareholders of DKK 746 million.

In addition, the movements mainly comprised a net loss for the year of DKK 3,607 million and positive exchange rate, reserve for share-based payments and value adjustments of DKK 114 million.

Cash flow

Cash flow from operating activities was a net cash outflow of DKK 1,953 million, compared to DKK 2,274 million in 2022. The improvement of DKK 321 million was a result of improved operational performance and lower payment related to provisions, despite higher interests of DKK 462 million and higher tax payments of DKK 1,497 million. The higher tax payments in 2023 compared to 2022 were a result of extraordinary tax payments in 2023 related to prior year's acquisition and large tax refunds in 2022. Cash flow from investment activities was negative DKK 537 million, compared to DKK 1,476 million in 2022. The lower cash flow from investing activities was mainly due to lower investment in production facilities in 2023, as key projects move closer to completion, and milestone payments impacted cash flow from investing activities in 2022. Cash flow from financing activities amounted to DKK 2,467 million, mainly related to net borrowings of DKK 2,000 million and capital increase from shareholders of DKK 746 million.

Subsequent events

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

No other significant events have occurred after the balance sheet date.

Outlook

Follow-up on 2023 outlook

In our Annual Report for 2022, we expected revenue growth of 6-10% for 2023 and to deliver a low single-digit positive adjusted EBITDA margin for 2023.

In September 2023, we revised the outlook for 2023 to reflect revenue growth of 8-10% in constant exchange rates and an adjusted EBITDA margin in the positive mid-single digit range, compared to the previous guidance of a positive low single-digit adjusted EBITDA margin.

Revenue growth in 2023 amounted to 10% in constant exchange rates (reported growth of 7%) and ended at the high end of the guidance of 6-10% provided in the Annual Report for 2022. LEO Pharma realized an adjusted EBITDA margin of 5% and delivered a financial result above our guidance provided at the beginning of the year.

Despite the stronger adjusted EBITDA margin compared to 2022, the significant negative net result for the year is not satisfactory.

2024 outlook

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

We anticipate revenue growth of 4-8% in 2024 in constant exchange rates, driven by increasing sales of Adtralza®/Adbry® and growth in our core brands. Compared to 2023, the revenue growth is expected to be negatively impacted by generic competition and price reforms in selected geographies. Delgocitinib launch is expected during Q4 2024 and thus drive revenue growth from 2025 and onwards.

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

We expect significant improvements in EBIT and net result, although still expecting to deliver both negative EBIT and net result in 2024. Potential changes in key assumptions for valuation of intangible assets, currency rates and unexpected health care and pricing reforms are risk factors, among others, which could change the outlook for the year.

OWNERSHIP

LEO Pharma A/S is co-owned by:

LEO Foundation
Through LEO Holding A/S
Lautrupsgade 7, 5th floor
2100 Copenhagen Ø, Denmark

Nordic Capital
Through Cidron Savanna 4 SARL
8 rue Lou Hemmer
1748 Luxembourg

Foundation ownership

The LEO Foundation - through LEO Holding A/S - is the majority owner of LEO Pharma A/S. The main objective of the Foundation is to ensure the long-term continuation and success of LEO Pharma as a global, research-based pharmaceutical company. The LEO Foundation also provides philanthropic support to some of the world's leading scientists within skin research. www.leo-foundation.org

Sustainability and ESG

LEO Pharma aspires to advance the standard of care for the benefit of people with skin conditions and improve accessibility of innovative treatments. At the same time, we are addressing other environmental, social and governance (ESG) risks and opportunities. These include maintaining safe operations for our workforce, minimizing our negative environmental impacts, providing a diverse workplace and ensuring business integrity across our value chain. Sustainability is therefore at the core of LEO Pharma's business strategy.

Sustainability commitments

LEO Pharma is committed to acting as a responsible global citizen and supporting the United Nations' 17 Sustainable Development Goals (SDGs). We participate actively in selected ESG and sustainability fora and partner with organizations that share our objective of combating global warming and promoting responsible research and medicine production.

Materiality assessment

Each year, we conduct a materiality assessment to identify the most impactful environmental, social and governance issues for LEO Pharma's success. This assessment guides our sustainability reporting, while also prioritizing and improving our sustainability risk management processes. Please refer to page 30 for an overview of our material impacts.

UN GLOBAL COMPACT

A United Nations pact to encourage companies worldwide to adopt sustainable and socially responsible policies and to report on their implementation of the Ten Principles of the UN Global Compact.

LEO Pharma has been a signatory of UN Global Compact since **2018**.

WE SUPPORT UN GLOBAL COMPACT

SCIENCE BASED TARGETS INITIATIVE (SBTi)

Champions science-based target setting as a powerful way of boosting organizations' competitive advantage in the transition to the low-carbon economy. It is a collaboration between the Carbon Disclosure Project (CDP), World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the United Nations Global Compact (UNGC).

LEO Pharma had its emissions reduction targets validated by SBTi in **2022**.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

MARSEILLE DECLARATION

The company-signatories of this declaration share common values and believe that the welfare of animals used in the research and production of medicines and vaccines requires the greatest consideration. This work demands application of high and most consistent standards of animal welfare and laboratory animal science regardless of where it is performed.

LEO Pharma became a signatory of the Marseille Declaration in **2022**.

OTHER INITIATIVES

Announced in **2021**, LEO Pharma's Diversity, Equity & Inclusion manifesto, Curiosity Beyond, encourages LEO Pharma's employees to embrace their differences and explore beyond the obvious. In **2024**, LEO Pharma will conduct a Double Materiality Assessment in preparation for the new Corporate Sustainability Reporting Directive (CSRD). In **2026**, LEO Pharma will be required to meet CSRD requirements in its annual report (reflecting results for the fiscal year 2025).

Sustainability governance

Our sustainability governance is built on clear accountability and anchored in our strategy.

The Board of Directors has empowered the Global Leadership Team (GLT) to oversee sustainability performance and drive strategic development, with individual GLT members acting as program sponsors.

Shared GLT ownership ensures cross-functional integration. In support of this, the Corporate Affairs function is responsible for developing and implementing LEO Pharma's sustainability strategy, managing ESG issues and providing advisory support to issue owners and business lines. This model ensures a comprehensive and organized approach to sustainability throughout our organization.

Gender diversity at Board and Executive Management level

The gender diversity target for the Board of Directors was to elect a minimum of three Board members from the underrepresented gender (currently women) at the Annual General Meeting in 2023. This target was not achieved. The new target for gender diversity at Board level is that 37.5% of the Board members are of the underrepresented gender (three individuals) by the year 2027 in a Board with eight shareholder-elected Board members. We remain committed to diligently working towards this target in the future and will continue to work strategically with gender diversity and eliminate obstacles that can hinder the achievement of a balanced gender representation. All candidate searches continuously involve shortlisting of female candidates.

At the Executive Management level, we have revised the definition of "Executive Management" to align with new legal requirements and to ensure a truthful and transparent presentation of gender diversity in management. Out of the eight Executive Management members, two were women by the end of 2023, making the gender diversity ratio 75/25.

	Status in 2023	Target	Year for reaching target
Board of Directors	Number of shareholder-elected members: 8 % of the underrepresented gender: 12.5	37.5%	2027
Executive Management	Number of members: 8 % of the underrepresented gender: 25	37.5%	2027

Developing people and attracting diverse talent

We believe that a diverse and inclusive work environment that empowers individuals with diverse backgrounds, skills and perspectives is a catalyst for innovation and enhancing performance. We are on a global diversity, equity & inclusion (DE&I) learning journey to further develop our inclusive culture.

TARGET

Underrepresented gender in both senior and middle management by 2025, minimum:

45%*

STATUS

Gender distribution in management (%, m/w):

Senior: 59/41

Middle: 50/50

*This means that we want a minimum of 45% women and 45% men at all managerial levels, leaving 10% flexibility for all gender identities.

GUIDED BY our *Curiosity Beyond* manifesto published in 2021, we promote diversity, equity and inclusion throughout the organization. *Curiosity Beyond* is about being curious about each other, the world and our patients. We celebrate our differences and believe that our diverse perspectives, backgrounds and attitudes enable us to make the best decisions for LEO Pharma and help us understand patients better. When we collaborate beyond roles, working styles and backgrounds, creativity sparks. This approach is reflected in LEO Allies, our global DE&I network aimed at engaging everyone in cross-organizational dialogue and initiatives to increase DE&I awareness.

We continue to address unconscious bias and how we can reduce it in the workplace. We have integrated bias blockers in hiring procedures and people processes. Through involvement of multiple stakeholders, we ensure transparency and emphasize qualifications and competencies in such a way that all candidates are evaluated based on their skills rather than other factors. We have also introduced gender-neutral job advertisements for a more inclusive and gender-balanced range of applicants.

A DE&I section has been added to our global onboarding program ensuring that all new employees have a common understanding of our DE&I principles, and we offer inclusive leadership training to our leaders. In addition, we initiated diversity events addressing unconscious bias to employees being promoted to people managers. In 2024, we will advance our efforts by continuing to integrate bias blockers into key processes, update DE&I modules in onboarding processes and strengthen reporting.

People development

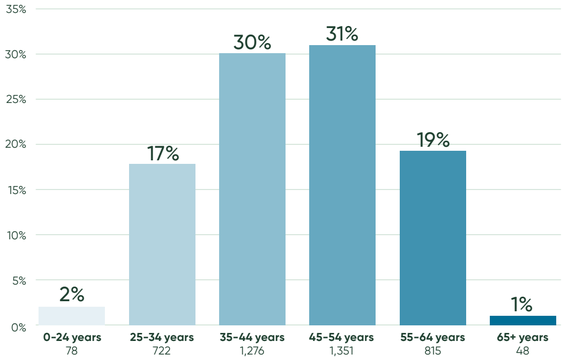
The collective efforts of our global team are essential for achieving our strategic ambitions and we prioritize continuous growth for every employee by aligning personal aspirations with future capabilities. To enable people leaders to support, coach and provide feedback to their people, we have initiated global development training and established guides on how to best support employees through qualitative dialogues and development conversations. People development is a partnership, so to best equip everyone, we have also developed employee guides on how to design your own growth path. At our learning platform, LEO Pharma Academy, we offer training in a variety of topics, including personal and professional development, however when we design our development plans, we acknowledge that learning-by-doing opportunities are most often more impactful than classroom training.

Enabling a safe workplace

Throughout the year, we worked to continuously ensure a safe workplace with a dedicated lead from the Environment, Health and Safety organization. The importance of taking good care of colleagues by reporting and acting on hazards and near-misses to prevent injuries that may cause lost worktime is fundamental for a strong safety culture. This applies in particular when many different professions work together in manufacturing and office environments. Through educational communication and videos, our Global Leadership Team strengthened our safety culture, and we included safety discussions in town hall meetings. In addition, we have introduced a global EHS training program for all new employees.

In 2023, we had one more occupational accident than in 2022. Despite this increase, days of absence decreased significantly in 2023 and the level of severity was lower. The higher LTI rate in 2023 reflects a lower number of employees, resulting in fewer working hours per accident.

Workforce by age



The age distribution of our workforce remained stable compared to 2022.

Advancing the standard of care in medical dermatology

Skin conditions affect millions of people worldwide who are confronted with stigma, co-occurring health issues and inadequate access to diagnosis, treatment and care, impeding the pursuit of a healthy life.

IN 2023, LEO PHARMA DONATED TREATMENTS TO HELP

>75,000

PATIENTS

PARTNERS

WE ARE DEDICATED to providing innovative treatments, collaborating with healthcare stakeholders and advocating for skin conditions as public health priorities. Our key goal is to make a fundamental difference for those who need us most in medical dermatology.

Partnerships that drive progress

LEO Pharma collaborates with authorities, peers, civil society organizations and policymakers to advance the standard of care for people with skin conditions. These partnerships are based on shared objectives, operate transparently within legal and ethical frameworks and are built on mutual respect. In 2023, we responded to the initiatives of these organizations by providing grants to Global Parents for Eczema Research, International Alliance of Dermatological Patient Organizations/Global Skin and International Federation of Psoriasis Associations/IFPA. We also donated drugs to International Health Partners.

Our future approach to patient engagement

In 2023, we assessed our maturity in patient engagement to establish an evidence-based approach to evolve our understanding of patient needs. The assessment was based on a standardized survey tool measuring patient engagement via 81 validated indicators. The survey was distributed to LEO Pharma respondents working in various functions within the areas of R&D, Supply & manufacturing, Pricing and IP, Marketing & sales, Distribution, Delivery of care, Governance, Human rights, Measurement & reporting. The next steps are to map our external world and evaluate where LEO Pharma can make the biggest impact before we set the direction for our future engagement with patients.

Furthermore, we have taken the first steps in systematically building an inclusive clinical trials infrastructure to make sure we accommodate diverse populations in relevant markets where LEO Pharma operates.

From crisis response to sustainable impact

Our commitment to address humanitarian crises around the world remains unchanged. In 2023, we celebrated a ten-year milestone in our close partnership with International Health Partners - a partnership built on collaboration to ensure the delivery of our medicines to areas and patients in dire need. Over the years, our response to emergencies has included more than 325,000 units of medical products that have provided essential relief during critical situations through 26 shipments to 29 countries, reaching approximately 380,000 patients.

During 2023, we transitioned our medicine donations from ad-hoc responses to a more systematic and well-planned process, aiming to make a more sustainable and enduring impact on those affected by crises. This shift represents a proactive approach where we regularly assess our stock and identify products available for donation. Through collaboration with our partner organization, we can better understand the specific needs and ensure that our donations are not only timely but also aligned with current urgencies. This change allows us to contribute more effectively to addressing healthcare needs.

On track to increase access maturity

In 2023, we conducted a second Access to Healthcare maturity assessment, building on last year's pilot. The assessment showed that we successfully achieved a Base Level maturity in all nine dimensions.

LEO Pharma's proud legacy of focusing on patients was reflected in our corporate strategy, and we further added ambition, targets and governance to demonstrate how we fulfill our purpose. To measure our progress, we tested a method of measuring maturity in relation to patient engagement last year. Based on the results, starting from 2024, LEO Pharma will initiate a maturity assessment of our patient engagement across the value chain and establish its validation as well.

Driving sustainable impact

We recognize the role we play in society and our responsibility to minimize negative environmental impacts. We are dedicated to contributing to a more sustainable future for all. Compliance, transparency and integrity are key components of our sustainability approach, and we believe that they are essential to build trust with our stakeholders and drive responsible business practices for the benefit of our patients, society and the planet.

TARGET

Reduction of Scope 1 and 2 CO_2e emissions by 2030 compared to 2019:

>50%

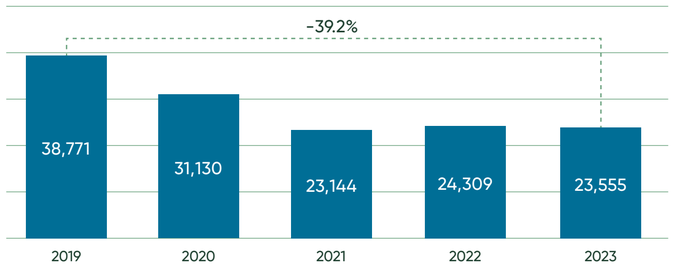
Supplier engagement - share of suppliers by emission in 2026 with climate reduction targets (scope 3*)

75%

STATUS

Total Scope 1 and 2 CO_2e emissions

Tonnes CO_2e



Climate action and resource efficiency

ACTING ON climate change, reducing our negative environmental impact and ensuring high resource efficiency is a business imperative, and we believe that through our own ambitions and by expectations to our business partners, we can drive change and support sustainable development.

In 2023, we continued to progress towards our SBTi-approved climate targets. By optimizing energy efficiency, using renewable energy and transitioning towards a more sustainable car fleet, we successfully reduced our Scope 1 and 2 emissions by 39.2%, compared to the 2019 baseline. We strengthened our internal data governance and improved data quality to obtain more accurate presentations of our environmental footprint. We also increased collaboration with our suppliers for them to set science-based carbon reduction targets. To facilitate commitment and collaboration, we have integrated climate-related performance metrics into our corporate incentive plans for all employees.

Electrification of our car fleet

Our car fleet accounted for 22% of our own CO_2e emissions in 2023, corresponding to a decrease of 30 tonnes CO_2e compared to 2022. The reduction was achieved primarily by lowering the number of vehicles in our fleet. We also doubled the share of electric vehicles (EV), capitalizing on the advancements in more sustainable transportation options, particularly in the Nordic countries, where EV readiness is high. The car policy for new leasing contracts in Denmark was updated to incentivize EV usage, and we plan to implement this transition in the rest of Europe in the coming years and, eventually, worldwide.

Engaging with our suppliers

LEO Pharma's own CO_2e emissions correspond to approximately 7.5% of total** CO_2e emissions in our value chain. By engaging with suppliers and encouraging climate action, it is our ambition to drive impact throughout the value chain. In 2023, we enhanced our engagement with suppliers to qualify their CO_2e emissions. We introduced a detailed and interactive dashboard providing real-time data of our Scope 3 emissions, expenditure and our suppliers' commitment to setting science-based climate targets. This enables us to initiate dialogues with suppliers to take climate action. Additionally, we have incorporated our suppliers' climate targets into our supplier due diligence process, requiring new suppliers to disclose information about their ambitions and activities. In addition, we have developed internal recommendations to help

> *"We have incorporated our suppliers' climate targets into our supplier due diligence process, requiring new suppliers to disclose information about their ambitions and activities."*

Sven Hauptmann
Executive Vice President,
Technical Development and Supply

* Covering purchased goods and services, capital goods and upstream transport.
** Scope 1 and 2 and Scope 3 covering cat. 1: purchased goods and services, cat. 2: capital goods and cat 4: upstream transportation and distribution.

guide conversations with suppliers. For strategic suppliers who have not yet set climate targets, we are developing a contingency plan to drive commitment. In 2023, 83% of our suppliers (by emissions) had set their own SBTi-validated targets or announced commitments to reducing CO_2, representing an increase of 17 percentage points compared to 2022.

In 2024, we aim for developing and collaborating on common initiatives on emission reduction with our top emitting suppliers.

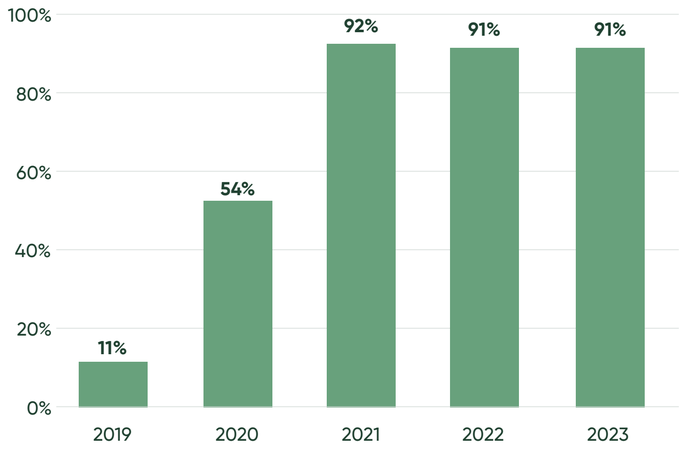
Use and reuse

In 2023, we improved our exhibition practices. In collaboration with a new vendor, we introduced a new concept for planning and constructing our booth at congresses. A modular assembling approach allows for a substantial portion of booth displays and elements to be designed for reusability at future global congresses.

Commitment to animal welfare

LEO Pharma is committed to responsible and ethical treatment of animals. In 2023, we underpinned this commitment by signing the Marseille Declaration. This international declaration represents a collective pledge by organizations to uphold the highest standards of animal welfare in research and development, emphasizing the pursuit of innovative, alternative methods to minimize the use of animals in scientific studies.

Share of renewable electricity at manufacturing sites

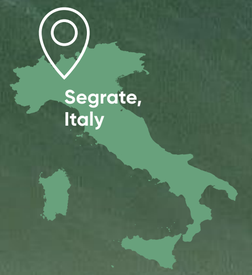


Caring for our planet often begins at the local level through smaller initiatives, which, in turn, contribute to the company's overall resource efficiency. A few of these efforts are highlighted here.

We implemented an innovative recycling policy empowering employees to effectively sort various types of waste. This initiative led to significant environmental benefits, with the collection of paper, cardboard and derivatives resulting in saving 208,215 liters of water and a reduction of 3,817 kilograms of CO_2 emissions. To support biodiversity, we have cultivated flowery fallows at the site and introduced safety walks to reinforce safety awareness and practices.

By decommissioning a WFI (Water For Injection) used in manufacturing, we reduced CO_2e emissions by 600 tonnes. WFI and manufacturing of any sterile pharmaceutical require significant use of energy. Decommissioning of machinery equipment and support utilities in 2023 helped to reduce electricity consumption by approximately 1,150 MWh and gas consumption by about 4%.

We installed a rainwater collection system that efficiently gathers and preserves up to 6,000 liters of water per year, contributing to the irrigation of on-site plants. By utilizing solar panels on site, we saved 186 MWh of energy.



We increased resource efficiency by implementing improved bulk production machinery. It resulted in water usage being reduced by 50% and detergent usage being streamlined to a single process, further reducing our environmental footprint.

All manufacturing sites (Ballerup, Cork, Dublin, Esbjerg, Segrate, Vernouillet) hold ISO 14001 (Environmental management) certifications and all sites, except Vernouillet, hold ISO 50001 (Energy Management) certifications.

Embracing responsible business practices

TARGET

Employees completing Code of Conduct training:

≥ 97%

STATUS

Employees completing Code of Conduct training:

99%

Business ethics are the foundation of our conduct, ensuring trust, transparency and integrity in the way we work. Upholding sound business principles safeguards us from risks and is core to our purpose of advancing the standard of care in medical dermatology.

Fostering transparency

In 2023, we rolled out a third-party compliance management process, reinforcing the foundation for stringent anti-corruption measures. The process enabled comprehensive due diligence on in-scope intermediaries, further strengthening our risk management strategies.

We also enhanced our speak-up support structure and governance. We implemented new policies and procedures, including clearer roles and responsibilities, decision-making process and investigation manual. The new governance and framework is expected to enhance collaboration on investigations and reduce turn-around time. These improvements reinforced our internal mechanisms, fostering transparency and accountability within our organization. Furthermore, we developed a comprehensive principal procedure on anti-corruption that provides guidance to the organization and sets an overall framework for managing corruption risks. It will tie anti-corruption policy governance together to ensure transparency and clear roles and responsibilities. This new framework will serve as a robust precedent for our future compliance standards and practices, planned for full roll-out in 2024.

Translating commitment into action

LEO Pharma is committed to protecting human rights as defined by the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. As countries globally enact legislation mandating human rights due diligence for companies, our organization encounters the risk of non-compliance if we lack sufficient resources for conducting due diligence processes. Failure to comply could result in reputational damage and potential fines or sanctions for breaching due diligence requirements. In 2023, LEO Pharma became a participant of the Business and Human Rights Accelerator program under the UN Global Compact initiative. This collaborative effort, joined by 23 other Danish companies, aims at transforming commitment into tangible action by prioritizing a roadmap for continuously addressing human rights issues and enhancing the collective impact of corporations on global labor rights throughout the value chain, including an emphasis on procurement. The roadmap outlines LEO Pharma's human rights risk profile throughout the value chain and identified rights-holders and priorities for on-going commitment. In 2024, we will enhance our due diligence processes for human rights. We will strengthen governance, update risk assessments, embed an updated supplier Code of Conduct in contracts and conduct human rights awareness training.

> *"Upholding sound business principles safeguards us from risks and is core to our purpose of advancing the standard of care in medical dermatology."*
>
> **Philip Eickhoff**
> Chief Financial Officer

Enhancing ethical understanding

To ensure that our employees remain well-versed in our ethical principles and standards, we conducted a comprehensive retraining in our Code of Conduct and anti-corruption. To further strengthen our advisory structure and provide dedicated support at the affiliate level, we also appointed compliance officers. They serve as advisors to the line of business on matters relating to management of corruption risks. They also run training and awareness activities, drive due diligence on selected third-party intermediaries, conduct appropriate monitoring activities and provide day-to-day advice.

Data ethics

As a company, we are committed to mitigating adverse risks while maximizing the advantages of ethical data utilization. Given our reliance on data, the ethical handling of data is of major significance. Recognizing the potential harm that unethical data practices can inflict upon individuals, communities and the trust we have cultivated with our stakeholders, our approach to data ethics is guided by a robust policy framework based on key principles such as accountability, autonomy, transparency, data quality, fairness, non-discrimination, ethics by design, responsible data sharing and data security. In 2023, our dedication to data ethics remained unchanged and throughout the year we took steps to enhance awareness and cyber security. Through activities such as e-mail phishing drills and campaigns on promoting cyber safety, we reinforced LEO Pharma's commitment to responsible and secure data utilization.

LEO Pharma policies and positions

- LEO Pharma Sustainability Policy
- LEO Pharma Code of Conduct
- LEO Pharma Human Rights Policy
- LEO Pharma Diversity & Inclusion Policy
- Sustainability Standards for LEO Pharma Business Partners
- LEO Pharma Modern Slavery Act Statement
- LEO Pharma Artificial Intelligence Ethical Principles
- LEO Position – Health Technology Assessment
- LEO Position – Animal Welfare
- LEO Position – Mental Well-being at Work

LEO OpenAI

To ensure data security and confidentiality, we have developed an internal generative AI application called LEO OpenAI for all employees. LEO OpenAI is an application built by LEO Pharma on top of Microsoft Azure OpenAI and Azure Cognitive Search services to offer the benefits of ChatGPT in a safe and compliant manner, taking data privacy, intellectual property rights and ethics into consideration. Everyday tasks, such as content generation, summarization, semantic search and natural-language-to-code translation, will be targets for the new AI technology. No data sent to or generated by LEO OpenAI are shared outside LEO Pharma.

ESG performance data

Metric	Unit	2023	2022	2021	2020	2019
Environmental						
Total CO_2e (Scope 1 and 2, market based)	tonnes	23,555	24,309*	23,144	31,130	38,771
CO_2e Scope 1	tonnes	22,851	23,524*	22,516	24,471	24,047
CO_2e Scope 2 (market based)	tonnes	704	785	629	6,659	14,724
CO_2e Scope 2 (location based)	tonnes	8,472	7,954	8,641	9,869	10,405
Total CO_2e Scope 3**	tonnes	288,558	333,019	-	354,010	380,818
Scope 3 Supplier engagement	%	83	66	65	-	-
Greenhouse gas emissions intensity	tonnes/revenue	2,066	2,117	2,324	3,072	3,588
Energy consumption	GWh	142	144	150	144	119
Share of renewable electricity	%	91	91	92	54	11
Energy intensity	GWh/revenue	0.012	0.014	0.015	0.014	0.011
Water usage	m^3	386,562	414,893	384,046	374,600	348,781
Waste (total)	tonnes	61,595	103,629	125,489	87,938	68,209
Recycling	%	94.37	97.92	98.87	98.16	98.04
Special treatment (incl. chemical waste and biological waste)	%	2.86	0.62	0.16	0.20	0.16
Incineration with energy recovery	%	2.11	1.01	0.77	0.89	1.30
Incineration without energy recovery	%	0.27	0.16	0.06	0.23	0.40
Landfill	%	0.40	0.28	0.14	0.52	0.12
Social						
Number of patients***	in thousands	96,003	89,305	84,686	93,262	92,192
Gender diversity in Executive Management****	ratio men/women	75/25	87.5/12.5	50/50	50/50	66.6/33.3
Gender diversity in senior management	ratio men/women	59/41	60/40	66/34	67/33	69/31
Gender diversity in middle management	ratio men/women	50/50	51/49	52/48	53/47	50/50
Gender diversity - All managers	ratio men/women	52/48	54/46	55/45	56/44	55/45
Employees by gender	ratio men/women	43/57	43/57	43/57	44/56	-
Joiners by gender	ratio men/women	42/58	45/55	42/58	-	-
Internal promotion by gender	% men/woman	7.2/7.6	6.7/8.3	7.1/7.2	-	-

Metric		Unit	2023	2022	2021	2020	2019
Workforce by age	0-24 years	%	2	2	2	2	-
	25-34 years	%	17	18	20	21	-
	35-44 years	%	39	30	30	29	-
	45-54 years	%	31	31	31	34	-
	55-64 years	%	19	18	16	15	-
	65+ years	%	1	1	1	1	-
Workforce by tenure	<1 year	%	13	15	15	13	-
	1≤3 years	%	23	20	32	35	-
	3≤5 years	%	13	16	13	13	-
	5≤10 years	%	23	20	16	17	-
	10+ years	%	29	29	23	22	-
Employee turnover rate		%	26	29	20	14	17
Employee turnover rate by gender		%, men/women	25/25	29/31	16.3/17.3	-	-
Lost Time Injury (LTI) rate		LTI rate	2.5	1.9	1.7	1.9	1.3
Number of lost days		days	149	392	436	448	97
Governance							
Gender diversity - Board of Directors		ratio men/women	87.5/12.5	87.5/12.5	87.5/12.5	71/29	75/25
Employees completing global annual Code of Conduct training		%	99	97	96	-	-
Third-party intermediaries undergoing anti-corruption due dilligence		no.	40	37	-	-	-
Number of social and/or EHS supplier audits performed		no.	1	3	5	0	

* Updated compared to ESG data summary in LEO Pharma Sustainability Report 2022
** Covering cat. 1, 2 & 4 - account for 92.7% of our Scope 3 on a 2020 baseline
*** Number of patients is derived from sold units and estimated average dose consumed per patient
**** Revised definition of Executive Management to align with new legal requirements. Adjustment has resultet in a change in the gender diversity ratio from 70/30 (men/woman) to 75/25 (men/woman) for the fiscal year 2023. Two additional direct reports (a man and a woman) to the CEO have been excluded as they are not part of Executive Management

Sustainability and ESG information

Our material impacts

LEO Pharma's focus on sustainability and responsible business conduct is guided by the main sustainability issues that we can positively impact. Our approach to sustainability is defined in the strategy pillar *Leave a legacy that future generations will be proud of* and its three underlying commitments, *Advance the standard of care in medical dermatology*, *Develop people and attract diverse talent* and *Drive sustainable impact through resource efficiency and responsible business practices*. Throughout the year, we have defined the following main sustainability issues.

Access to care in medical dermatology

Limitations in access and affordability of health care are global issues and with regards to medical dermatology, the risk of patients' needs not being met may increase the burden of disease, including by causing stigmatization of those suffering from chronic skin conditions.

We contribute to risk mitigation by providing innovative products and collaborating with stakeholders to advance the standard of care in medical dermatology.

Employee health and safety

Gender inequality, harassment of minorities and lack of safe working conditions can be found across industrial value chains, causing significant risk to the health and safety of employees, and may reduce productivity.

We mitigate these risks through our Occupational Health & Safety systems and by ensuring that all our people management processes are inclusive by design. Our approach to these issues is guided by our strategic commitments to *Develop people and attract diverse talent* and *Drive sustainable impact through resource efficiency and responsible business practices*.

Climate change

Industrial activity contributes to increased carbon emissions causing climate change.

We contribute to mitigating actions by reducing our carbon emissions in line with the requirements to keep global temperature increases within 1.5°C above pre-industrial levels. Our strategic approach to this issue is guided by our commitment to *Drive sustainable impact through resource efficiency and responsible business practices*.

Environment

Pharmaceutical waste from both manufacturing processes and patient use can be harmful to the environment, especially if released to the external environment without proper waste treatment.

We mitigate environmental risks from our operations by upholding ISO14001 certification and adequate waste management systems at our production facilities. Our strategic approach to this issue is guided by our commitment to *Drive sustainable impact through resource efficiency and responsible business practices*.

Responsible business practices

Interactions with healthcare professionals and public officials carry inherent corruption risks within the pharmaceutical industry. Other potential risks include patient safety, animal welfare and clinical trials. We mitigate these risks through appropriate training and strong standards, policies and procedures. Our strategic approach to this issue is guided by our commitment to *Drive sustainable impact through resource efficiency and responsible business practices*.

ESG accounting principles

Basis of reporting

Our sustainability reporting is compliant with Sections 99a, 99b and 99d of the Danish Financial Statements Act.

Reporting period

The ESG performance data reporting covers the period January 1 to December 31, 2023.

Scope and consolidation

The data presented in this report follow our internal data reporting procedures to ensure data validation. Various business units submit monthly or annual data related to environmental, social and governance metrics. These data are internally collected and reviewed before consolidation at global level.

Data related to employee safety, energy, waste and water cover LEO Pharma manufacturing sites in Ballerup and Esbjerg in Denmark, Dublin and Cork in Ireland, Segrate in Italy and Vernouillet in France. LEO Pharma's headquarters are located at the manufacturing site in Ballerup, Denmark. Reported energy and water data from sites are based on meter readings and/or supplier invoices. New production facilities are included after the first full year of reporting following the year of commissioning.

Car fleet data cover all LEO Pharma vehicles worldwide. People data cover all LEO Pharma employees worldwide. All employees paid directly by LEO Pharma are included in the headcount.

The consolidation of our CO_2 emissions is based on the operational control approach and stated in accordance with the Greenhouse Gas (GHG) Protocol.

Carbon emission conversions and calculations

To calculate LEO Pharma's total carbon emissions, these levels are measured using the carbon dioxide equivalent (CO_2e) to include all relevant greenhouse gasses according to the GHG Protocol.

Emission factors used for those calculations come from:

- UK Department for Energy Security and Net Zero – used for fuels and fugitive emissions.
- International Energy Agency – used for location-based electricity.
- Local electricity suppliers' specific emission factors (including green certificates) - used for market-based electricity.
- Local district heating suppliers' specific emission factors – used for district heating (only Ballerup).

For renewable energy produced on site, an emission factor of 0 is applied.

Improved methodologies

In 2023, revisions and updates were made to the methodology used to calculate Scope 3 carbon emissions with external resources. These changes were subjected to a limited assurance review during the year, ensuring a more accurate and transparent assessment of our environmental impact.

Restatement of data from prior years

In 2023, efforts to enhance our ESG reporting procedures and data accuracy have been undertaken, resulting in a revision of the figures previously disclosed for Scope 1 emissions as well as the cumulative Scope 1 and 2 emissions.

Environmental indicators

Total CO_2e Scope 1 and 2

The sum of our CO_2e Scope 1 and 2 emissions is calculated using the reported market-based Scope 2 emissions. See accounting principles for CO_2e Scope 1 and 2. Measured in tonnes.

CO_2e Scope 1

We follow the GHG Protocol corporate standard for calculating our CO_2e emissions and cover all direct emissions of greenhouse gases from our operations. Scope 1 covers direct emissions from owned and leased-in assets. It includes direct emissions from our production facilities and emissions from our fossil fueled vehicles. Measured in tonnes.

CO_2e Scope 2 (market and location based)

We follow the GHG Protocol for calculating our CO_2e emissions and for our Scope 2 report on both our market- and location-based emissions in line with GHG Protocol Scope 2 guidance. Scope 2 covers indirect emissions from purchased electricity, district heating and our electric vehicles. In 2022, we performed an assessment of operational control over all leased offices. The conclusion confirmed that we do not have overall operational control and no revisions to reported Scope 2 emissions is necessary. Measured in tonnes.

CO_2e Scope 3

We follow the GHG Protocol for calculating our Scope 3 emissions. Scope 3 emissions are defined in 15 sub-categories, which include all other indirect emissions in our value chain. Our Scope 3 reporting includes category 1 Purchased goods and services, category 2 Capital goods and category 4 Upstream transportation and distribution. Categories 1, 2 & 4 emissions account for 92.7% of our total Scope 3 emissions on a 2020 baseline. Data for Scope 3 in 2021 are unavailable because Scope 3 calculations were not conducted that year. Measured in tonnes.

Scope 3 Supplier engagement

We follow the GHG Protocol for calculating our Scope 3 CO_2e emissions inventory and use an internal supplier tracker list to record suppliers' commitments to SBTi. The Scope 3 Supplier engagement is determined by dividing the total emissions of the suppliers committed to SBTi or publicly committed to reduce carbon emissions by the total emissions of all suppliers. Measured in percentage.

Energy consumption

Energy consumption is measured as the consumption of electricity, natural gas, heat, steam and fuels used at our six manufacturing sites. Data are based on meter readings and invoices. Measured in GWh.

GHG emissions intensity

GHG emissions intensity is calculated using the total Scope 1 & 2 (market-based) emissions in tonnes divided by total revenue in DKK million. Measured in tonnes per DKK million.

Share of renewable electricity

Share of renewable electricity consumption is calculated according to the GHG Protocol Scope 2 Guidelines. Measured in percentage.

Energy intensity

Energy intensity is calculated using the total energy consumption in GWh divided by total revenue in DKK million. Measured in GWh per DKK million.

Water usage

Water usage is measured as the sum of water used at our manufacturing sites, based on meter readings. Measured in cubic meters.

Waste (total)

Waste is measured based on the sum of waste disposal at our manufacturing sites and is based on data provided by waste management contractors. Measured in tonnes.

Waste by treatment

Waste by treatment covers: 1) Recycling, 2) Special treatment (incl. chemical waste and biological waste), 3) Incineration with/without energy recovery and 4) Landfill. Measured in percentage.

Social indicators

Gender diversity in leadership

Gender diversity is calculated using global employee data. Executive management is defined as the CEO and direct reports with management responsibilities who are part of the Global Leadership Team. Senior management is defined as all employees (people managers) in bands C and D. Middle management is defined as employees (people managers) in band E and below. We define managers as those with minimum one internal direct report and on a management job path. Calculated based on December 31, 2023 numbers. Measured in percentage.

Employees by gender

The percentage of women in LEO Pharma is calculated by dividing the number of women by the total number of employees. The percentage of men in LEO Pharma is calculated by dividing the number of men by the total number of employees. Calculated based on December 31, 2023 numbers. Measured in percentage.

Joiners by gender

The percentage of female joiners is calculated by dividing the number of female joiners by the total number of joiners. The percentage of male joiners is calculated by dividing the number of male joiners by the total number of joiners. Joiners are defined as all employees hired from January 1 - December 31, 2023. Measured in percentage.

Internal promotion rate by gender

The percentage of annual promotion rate for women is calculated by dividing the number of women promoted in a year by the average headcount (women) through a year. The percentage of annual promotion rate for men is calculated by dividing the number of men promoted in a year by the average headcount (men) through a year. Promotions are defined as moving to a higher job level. Measured in percentage.

Workforce by age

Age is calculated as full years. Calculated based on December 31, 2023 numbers. Measured in percentage.

Workforce by tenure

Tenure is calculated as full years. Only internal employees are included. Calculated based on December 31, 2023 numbers. Measured in percentage.

Employee turnover rate

The employee turnover rates include both voluntary and involuntary turnover. The annual turnover rate is calculated by dividing the number of employees leaving in a year by the average headcount through a year. Measured in percentage.

Employee turnover rate by gender

The employee turnover rates by gender include both voluntary and involuntary turnover. The annual turnover rate (women) is calculated by dividing the number of women leaving in a year by the average headcount (women) through a year. The annual turnover rate (men) is calculated by dividing the number of men leaving in a year by the average headcount (men) through a year. Measured in percentage.

Lost Time Injury (LTI) rate

Global LTI rate per million working hours is calculated by dividing the number of global injuries with more than one day's absence from work x 1,000,000 working hours by the total number of working hours based on local standard working hours. Measured in LTI rate.

Number of lost days

Lost days due to global LTI's are tracked by each of our sites. Measured in number of days.

Governance indicators

Gender diversity at Board level

Measured by reviewing the gender representation of LEO Pharma's Board of Directors. The percentage of women is calculated by dividing the number of women by the number of members on the Board of Directors, excluding employee-elected Board members. The percentage of men is calculated by dividing the number of men by the number of members on the Board of Directors, excluding employee-elected Board members. Calculated based on December 31, 2023 numbers. Measured in percentage.

Employees completing global annual Code of Conduct training

Measured as the percentage of employees completing Code of Conduct e-learning. Measured in percentage.

Third-party intermediaries undergoing anticorruption due diligence

Number of third-party intermediaries undergoing anti-corruption due diligence covering distributors, wholesalers, licensees and contract sales organizations. Measured in number.

Number of social and /or EHS supplier audits

Annual sum of social and EHS supplier audits performed by LEO Pharma or a contracted auditor. Measured in number of audits.

Corporate matters

Our proactive and transparent governance structure promotes sustainable business behavior and long-term value creation.

Board of Directors

Chair

Jesper Brandgaard

Board member since 2021

Nationality: Danish

Special competencies: Board leadership, executive management in the biopharmaceutical industry

Board committees, LEO Pharma A/S:
Remuneration & Nomination Committee (Chair)
IPO Preparedness Committee (Chair)

Career: Professional board member. EVP Biopharm & Legal Affairs; CFO & EVP Finance, Legal & IR; SVP Corp. Finance, Novo Nordisk A/S. Chair of Board of Directors, Simcorp A/S. COO & CFO, EAC Nutrition

Education: MBA, MSc Economics & Auditing.
BSc Economics & Business Administration, CBS

Other board memberships:
- Novonesis (Vice Chair)
- WilliamDemant Invest (Vice Chair)
- WilliamDemant Foundation
- VækstPartner Kapital Advisory Board

Vice Chair

Paul Navarre

Board member since 2022

Nationality: French

Special competencies: Board leadership, executive management in the healthcare industry

Board committees, LEO Pharma A/S:
Audit Committee

Career: Professional chairman & board member. Senior advisor to BCG and Private Equity funds. CEO of Ferring Inc. President of Allergan International and other leadership roles. Commercial Leadership Country Roles at Procter and Gamble

Education: Insead Corporate Governance Certification. MBA, Institut Superieur Du Commerce in Paris

Other board memberships:
- HTL Biotech (Chair)
- Hallura (Vice Chair)
- Cerba Healthcare (Chair)

Jonas Agnblad

Board member since 2021

Nationality: Swedish

Special competencies: Corporate finance (M&A) and private equity investments in the healthcare sector

Board committees, LEO Pharma A/S:
Remuneration & Nomination Committee
Scientific Committee
IPO Preparedness Committee

Career: Partner, Nordic Capital Advisors. Multiple board assignments across the healthcare industry including pharma, medtech and healthtech. Warburg Dillon Read (M&A/corporate finance)

Education: MSc in Economics and Business Administration, Stockholm School of Economics

Other board memberships:
- Corpuls
- Orchid Orthopedic Solutions
- Sunrise Medical
- Vivecti

Karin Attermann

Employee-elected Board member since 2008

Nationality: Danish

Career: Sr. Compliance Manager Business Ethics, Global Risk & Compliance. Regional Compliance Manager, Region Europe+. Joined LEO Pharma in 1988

Education: BA in English and German

Other board memberships:
- LEO Pharma Social Club "Personaleforeningen LEO" (Chair)

Signe Maria Christensen

Employee-elected Board member since 2018

Nationality: Danish

Board committees, LEO Pharma A/S:
Remuneration & Nomination Committee
Scientific Committee

Career: Sr. Strategic Alliance Manager, Portfolio Strategy and Partnering. Joined LEO Pharma in 2011

Education: MSc in chemical engineering and PhD in organic chemistry, Technical University of Denmark

Other board memberships:
- LEO Pharma Academics Association (Vice Chair)

Lars Green

Board member since 2021

Nationality: Danish

Special competencies: Executive finance and business management in healthcare and bio-industrial solutions

Board committees, LEO Pharma A/S:
Audit Committee (Chair)

Career: Professional board member. CFO & EVP, Finance, IT & Legal, Novozymes A/S. EVP Business Services & Compliance; SVP & Regional CFO, North America; SVP Finance, Novo Nordisk A/S

Education: MSc Business Administration, Aarhus School of Business, Denmark

Other board memberships:
- LEO Foundation
- LEO Holding A/S
- The Danish Committee on Corporate Governance

Peter Haahr

Board member since 2021

Nationality: Danish

Special competencies: Strategy and operations in life science industry, financial management and capital markets

Board committees, LEO Pharma A/S:
Audit Committee
Remuneration & Nomination Committee
Scientific Committee
IPO Preparedness Committee

Career: CEO, LEO Foundation. CFO, Novo Holdings. Several national and international leadership positions, Novo Nordisk A/S. Equity Analyst, various financial institutions

Education: EMBA, IMD, Switzerland. MSc Finance & Accounting, Aarhus University

Other board memberships:
- World Diabetes Foundation
- House of Denmark
- StockRate Asset Management

Jesper Mailind

Board member since 2018

Nationality: Danish

Special competencies: Executive management in healthcare, medical devices and industry

Career: Professional board member. CEO, LEO Foundation, CEO GN Resound, RTX and SVP in Nycomed A/S (Takeda)

Education: MBA, Insead

Other board memberships:
- Aidian Oy (Chair)
- RTX A/S
- Etac AB
- Contour Design A/S

Jannie Kogsbøll

Employee-elected Board member since 1998

Nationality: Danish

Career: Process Assistant, Production Ballerup. Joined LEO Pharma in 1985

Other board memberships:
- A/B Stenrosen (Chair)
- LEO Foundation
- LEO Holding A/S

Franck Maréno

Employee-elected Board member since 2018

Nationality: Danish

Career: Principal Technician, Fucidin® API Fermentation and FAR Project. Joined LEO Pharma in 2008

Education: AP Graduate Laboratory and Biotechnology "Technonome"

Other board memberships:
- LEO Foundation
- LEO Holding A/S
- LEO Pharma Technicians Club

Elisabeth Svanberg

Board member since 2022

Nationality: Swedish

Special competencies: Biotech and the pharmaceutical industry, product development and medical affairs

Board committees, LEO Pharma A/S:
Scientific Committee

Career: Chief Medical Officer at Kuste Biopharma. Chief Development Officer at Ixaltis SA. Vice President at Janssen Pharmaceuticals

Education: MD, PhD Gothenburg University, Sweden

Other board memberships:
- Egetis Therapeutics AB
- Galapagos NV
- Amolyt Pharma SAS
- EPICS Therapeutics

Jan van de Winkel

Board member since 2017

Nationality: Dutch

Special competencies: Therapeutic antibody creation and development, biotechnology industry, executive management

Board committees, LEO Pharma A/S:
Scientific Committee (Chair)

Career: Co-founder, President & CEO of Genmab A/S. VP and Scientific Director of Medarex Europe. Professor in Immunotherapy at Utrecht University

Education: MSc Biology and PhD in Immunology, Radboud University, Nijmegen, The Netherlands

Other board memberships:
- Hookipa Pharma (Chair)

Board committees

Audit Committee

The Board of Directors has established an Audit Committee to assist in overseeing aspects related to financial reporting, auditing, risk management, currency and investment policies and compliance. The Audit Committee comprises at least three members, two appointed by the shareholders and the remaining members by and among the Board of Directors. The members possess the relevant qualifications specified in the Rules of Procedure of the Audit Committee.

The Audit Committee has the following members:

Lars Green (Chair)

Peter Haahr

Paul Navarre

Christian Hedegaard*

Remuneration and Nomination Committee

The Board of Directors has established a Remuneration and Nomination Committee to assist in aspects related to remuneration, assessment and nomination. The Remuneration and Nomination Committee meets when required, but at least four times a year, and comprises at least three members, two appointed by the shareholders and the remaining members by and among the Board of Directors.

The Remuneration and Nomination Committee has the following members:

Jesper Brandgaard (Chair)

Jonas Agnblad

Peter Haahr

Signe Maria Christensen

Scientific Committee

The Board of Directors has established a Scientific Committee to assist in overseeing the Research and Development Strategy and the R&D pipeline. The Scientific Committee meets when required, but at least four times a year. The Scientific Committee comprises at least two members appointed by the Board of Directors.

The Scientific Committee has the following members:

Jan van de Winkel (Chair)

Jonas Agnblad

Peter Haahr

Elisabeth Svanberg

Signe Maria Christensen

IPO Preparedness Committee

The Board of Directors has established an IPO Preparedness Committee. The Committee oversees the development and execution of plans to secure that the financial and structural profile of LEO Pharma matches peer benchmarks, preparing the company for a public listing.

The IPO Preparedness Committee comprises at least three members, two appointed by the shareholders and the remaining members by and among the Board of Directors.

The IPO Preparedness Committee has the following members:

Jesper Brandgaard (Chair)

Jonas Agnblad

Peter Haahr

* Non-Board member appointed by Nordic Capital

Global Leadership Team

Christophe Bourdon
Chief Executive Officer

Joined: 2022

Nationality: French-German

Career: CEO at Orphazyme A/S. Senior Vice President, General Manager at Amgen. Senior Vice President at EMEAC

Education: MBA from IMD, BA from ISG

Other positions: Board member at Sobi

Philip Eickhoff
Chief Financial Officer
Global Finance and Business Services

Joined: 2022

Nationality: Danish

Career: CFO at Topsoe. CFO at Atos Medical. Regional CFO North America & Pacific at Coloplast

Education: M.Sc., Finance & Accounting from Copenhagen Business School

Nathalie Daste
Executive Vice President
Global People & Corporate Affairs

Joined: 2023

Nationality: French

Career: Chief People Officer, Head of Strategy and Commercial Excellence at Centogene. Independent Executive Advisor. Global Head of Talent at EGA. Chief of Staff to the President of Novartis Diagnostics

Education: Master in Economics and Management from ESSEC Business School. MBA in Strategy and Finance from INSEAD

Sven Hauptmann
Executive Vice President
Technical Development and Supply

Joined: 2022

Nationality: German

Career: Senior Vice President, Drug Product Manufacturing at Roche. Vice President, Small Molecules Manufacturing at Roche

Education: Ph.D. in Chemistry from the Technical University of Darmstadt

Brian Hilberdink
Executive Vice President
Region North America

Joined: 2022

Nationality: Canadian

Career: Senior Vice President, Sales and Commercial at Novo Nordisk. President at Novo Nordisk Canada Inc.

Education: BA, Arts & Science from Queen's University

Kreesten Meldgaard Madsen
Chief Development Officer
Global Development

Joined: 2016

Nationality: Danish

Career: Head of R&D Asia Pacific Hub at LEO Pharma. Medical Doctor at Capital Region of Denmark. Vice President and Head of Global Clinical Development at ALK Abelló

Education: Medical Doctor and PhD in Epidemiology from Aarhus University

Becki Morison
Executive Vice President
Global Product Strategy & International Operations

Joined: 2020

Nationality: American

Career: Vice President/General Manager at Eli Lilly and Company. Director at First Health

Education: BA, Psychology and Religion from Denison University

Jacob Pontoppidan Thyssen
Chief Scientific Officer
Research & Early Development

Joined: 2023

Nationality: Danish

Career: Consultant Dermatologist at Bispebjerg Hospital. Professor at Copenhagen University. Guest Professor at University of Zürich

Education: Medical Doctor, PhD and DmSci in Allergy and Dermatitis from University of Copenhagen

Leadership changes

On March 14, 2023, LEO Pharma announced a split of our R&D organization into two distinct functions. To lead Research & Early Development, LEO Pharma appointed Dr. Jacob Pontoppidan Thyssen as Executive Vice President and Chief Scientific Officer. The change was done to support the significant shift in R&D to a research model which aims at driving the pipeline with externally sourced innovation.

End of May 2023, EVP of Thrombosis & Special Projects Guillaume Clément left LEO Pharma.

On June 20, 2023, LEO Pharma announced that Jörg Möller left the organization following the changes in R&D earlier in the year. At the same time, Kreesten Meldgaard Madsen was appointed Chief Development Officer, responsible for Global Development.

On October 1, 2023, EVP Dennis Schmidt Pedersen left the organization and Nathalie Daste joined as new EVP, Global People & Corporate Affairs.

Risk management

Through our operations, we are exposed to a broad array of risks with potential impact on business results. Our Enterprise Risk Management program has been implemented to ensure a structured, methodological and effective management of key risks across our value chain.

Risk management program

As a global pharmaceutical company, LEO Pharma operates in a highly complex business environment. Through our operations, we are exposed to a broad array of risks. These risks may have a significant impact on our business if not properly identified, evaluated, managed and monitored. An Enterprise Risk Management (ERM) program has therefore been implemented to ensure a structured, methodological and effective management of key risks across our value chain.

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

Risk management governance

At LEO Pharma, the Board of Directors holds the overall responsibility for ERM, with delegation of the role of oversight of the ERM program to the AC.

The CEO and the GLT are responsible for ensuring that the ERM program is implemented and for setting the overall risk management strategy and risk appetite. The CEO and the GLT ultimately own and must manage all relevant risks in each business area.

The Enterprise Risk team in the Global Ethics, Risk and Compliance function drives implementation and maintenance of the ERM program and execution of the ERM process, and it supports leadership teams across the organization in fulfilling their ERM-related roles and responsibilities.

Risk identification and evaluation

Leadership teams in the business areas identify their key risks through a structured process that includes risk interviews and workshops. This process is facilitated by the Enterprise Risk team on a half-yearly basis. Identified risks are evaluated in terms of impact (financial, reputational, compliance, quality, safety) and likelihood. For each key risk, a clear scenario, a set of assumptions and an overview of implemented mitigating measures are developed.

Risk monitoring and reporting

Following the identification and evaluation of key risks across the organization, the Enterprise Risk team prepares consolidated key risk profiles for LEO Pharma. The consolidated key risk profiles are shared with the CEO and the GLT and, ultimately, the AC for their respective discussion, review and evaluation. The risk profiles are also shared with the Board of Directors on an annual basis.

This approach fosters transparency concerning key risks, exposure across LEO Pharma's global value chain and creates a solid foundation for the prioritization of resources and execution of risk mitigation activities.

KEY RISKS	Macro-economic conditions	Cyber security	New product launches	Market access and pricing pressure	Supply disruption and financial commitments	Third-party compliance
RISK AREA	The global economy is facing pressures from increasing inflation and interest rates as well as stagnating global trade growth. As a result, healthcare budgets in countries are tight and payers remain focused on reducing drug spend by exercising increased pressure on the pharmaceutical industry. Similarly, patients have become more price sensitive in view of inflation outpacing salary increases.	Remote/flexible work practices and adoption of cloud services are among many factors contributing to a record high number of cyber-attacks throughout the world in 2023. Numerous high-profile organizations have fallen victim to some form of cyber-attack, severely affecting their IT infrastructure, production and distribution. Any form of cyber security breach may happen anywhere along LEO Pharma's global value chain and across all locations.	The success of a new product launch depends on many factors, some of which are beyond our control. Events such as authorities requesting additional clinical trial data or delays at the manufacturing sites can have serious consequences for regulatory approval processes and subsequent product launches. Moreover, results of reimbursement negotiations are crucial to successful product commercialization.	Achieving an acceptable pricing and reimbursement level for our products is essential to our ability to launch new innovative treatments and commercialize our existing portfolio. This depends on various factors, such as competition, discount demands from private and public payers, as well as negotiations with national health authorities. Meanwhile, healthcare budgets in many countries are under tremendous pressure, which has translated into health authorities and payers seeking more aggressive price concessions from drug manufacturers.	LEO Pharma's manufacturing lines are unique. This leads to limited flexibility to move products between manufacturing lines, and, in turn, an increased vulnerability to disruptions in supply caused by natural disasters or other adverse events. Meanwhile, ongoing global supply chain challenges are putting further pressure on our manufacturing operations. For certain products, LEO Pharma relies on contract manufacturer organizations (CMO), which increases the risk of exposure to product supply shortages, quality issues and financial commitments on minimum ordering of products for a certain period.	As part of our global business activities, LEO Pharma engages with a broad range of third-party intermediaries, with a significant number of interactions taking place in countries that have high perceived levels of corruption and weak law enforcement. Under local and global anti-corruption laws, LEO Pharma can be held liable for corrupt acts committed by our intermediaries.
IMPACT	Increased cost-consciousness of payers and patients could increase pricing pressures on LEO Pharma's existing products, lead to more challenging negotiations for reimbursement of future products as well as affect the volume of products used. Currently, growing inflation also affects prices of raw materials used in LEO Pharma's products, thereby increasing the overall production costs. As result, expected product sales and profitability could be impacted negatively.	Being targeted by a cyber-attack can result in significant business disruption, financial losses and fines imposed by authorities. This can have a negative impact on expected sales and profits and limit patients' access to LEO Pharma's products.	Delay in marketing authorization or non-approval of a new product can have a negative impact on expected sales and profits and also limit or delay patients' access to new innovative treatments.	Not achieving acceptable reimbursement and pricing levels would limit LEO Pharma's ability to launch and commercialize our products. This could have a negative impact on expected sales and the possibility for patients to benefit from new innovative treatments.	Supply disruptions could lead to LEO Pharma's products being out of stock in certain markets. This would in turn affect LEO Pharma's ability to serve our patients as well as lead to lost sales and reputational damage. Financial commitments of minimum ordering can impact LEO Pharma's operating financial result.	Wrongdoings of third-party intermediaries acting on LEO Pharma's behalf can expose us to financial loss and reputational damage.
MITIGATING ACTIONS	LEO Pharma monitors the macro-economic situation and is working closely with payers and other stakeholders to demonstrate the value of our products. Various strategies are being deployed to contain increases in production costs and other costs.	LEO Pharma has implemented several mitigating measures to manage exposure from cyber security threats, including, but not limited to, conducting information security awareness training as well as improving our technical capabilities to prevent, detect and respond to attempted attacks.	LEO Pharma works closely with regulatory authorities to be able to promptly respond to their requests.	LEO Pharma closely monitors market access and pricing developments and requirements in key markets, while working actively with payers, advocacy groups and authorities to sufficiently document the value of our products (e.g. through clinical trial data).	Strategies for increased internal capability or external sourcing are continuously evaluated and include monitoring as well as upgrading manufacturing lines. Furthermore, safety stock is kept, compensating for a potential breakdown. Contracts are reviewed continuously to monitor potential breach of minimum ordering clauses with CMOs.	LEO Pharma conducts anti-corruption due diligence for selected types of third-party intermediaries.

Consolidated financial statements

Income statement

January 1 - December 31

(DKK million)	Note	2023	2022
Revenue	2	11,392	10,641
Cost of sales	3, 10, 13	(4,281)	(4,358)
Gross profit		**7,111**	**6,283**
Sales and distribution costs	3, 9, 10	(4,902)	(4,762)
Research and development costs	3, 9, 10	(1,874)	(2,485)
Administrative costs	3, 4, 5, 9, 10, 11, 19	(2,075)	(2,407)
Other operating income	6	58	73
Other operating expenses	6	(17)	(13)
Operating profit/(loss)		**(1,699)**	**(3,311)**
Financial income	7	47	3
Financial expenses	4, 7	(1,140)	(785)
Profit/(loss) before tax		**(2,792)**	**(4,093)**
Income tax	8	(815)	(17)
Net profit/(loss) for the year		**(3,607)**	**(4,110)**

Statement of comprehensive income

January 1 - December 31

(DKK million)	Note	2023	2022
Net profit/(loss) for the year		(3,607)	(4,110)
Other comprehensive income			
Remeasurement of defined benefit obligations	19	(38)	329
Tax on other comprehensive income	8	8	(52)
Items that will not subsequently be reclassified to the income statement	**18**	**(30)**	**277**
Foreign exchange adjustments, subsidiaries		(80)	137
Fair value adjustments on hedging instruments	21, 22	(29)	61
Tax on other comprehensive income	8	6	(17)
Items that are or may subsequently be reclassified to the income statement	**18**	**(103)**	**181**
Total other comprehensive income/(loss) after tax		**(133)**	**458**
Total comprehensive income/(loss)		**(3,740)**	**(3,652)**

Balance sheet at December 31

Assets

(DKK million)	Note	2023	2022
Goodwill		192	192
Intellectual property rights		4,501	5,595
Software		1,206	1,253
Development projects and software in progress		200	615
Intangible assets	**9**	**6,099**	**7,655**
Land and buildings		1,007	938
Plant and machinery		1,004	899
Other fixtures and fittings, tools and equipment		150	177
Assets under construction		2,355	2,694
Property, plant and equipment	**10**	**4,516**	**4,708**
Right-of-use assets		306	399
Right-of-use assets	**11**	**306**	**399**
Deferred tax assets	15	1,157	1,809
Pensions	19	145	144
Other financial assets	23	49	50
Other non-current assets		**1,351**	**2,003**
Non-current assets		**12,272**	**14,765**
Inventories	13	4,866	4,580
Trade receivables	12	2,142	2,136
Tax receivables		545	234
Other receivables	14	414	550
Prepaid expenses	16	307	289
Other financial assets	23	189	108
Cash		216	270
Current assets		**8,679**	**8,167**
Assets		**20,951**	**22,932**

Balance sheet at December 31

Equity and liabilities

(DKK million)	Note	2023	2022
Share capital	17	383	321
Reserves		(183)	(107)
Retained earnings		4,325	1,732
Equity		**4,525**	**1,946**
Loans and credit institutions	21, 23	10,404	13,764
Deferred tax liabilities	15	30	39
Pensions	19	77	71
Provisions	20	131	290
Lease liabilities	11	238	317
Tax payables		130	489
Other non-current liabilities		461	175
Non-current liabilities		**11,471**	**15,145**
Loans and credit institutions	21, 23	265	407
Trade payables		1,243	1,302
Provisions	20	925	979
Lease liabilities	11	87	125
Tax payables		285	515
Other payables	24	2,150	2,513
Current liabilities		**4,955**	**5,841**
Liabilities		**16,426**	**20,986**
Equity and liabilities		**20,951**	**22,932**

Statement of changes in equity

January 1 - December 31

(DKK million)	Note	2023						2022					
			Reserves						Reserves				
		Share capital	Foreign currency translation reserves	Hedging reserves	Other capital reserves	Retained earnings	Total	Share capital	Foreign currency translation reserves	Hedging reserves	Other capital reserves	Retained earnings	Total
Equity at January 1		321	(184)	43	34	1,732	1,946	320	(322)	(1)	9	5,530	5,537
Comprehensive income for the year:													
Net profit/(loss) for the year		-	-	-	-	(3,607)	(3,607)	-	-	-	-	(4,110)	(4,110)
Other comprehensive income	18	-	(80)	(23)	-	(30)	(133)	-	137	44	-	277	458
Total comprehensive income/(loss) for the year		**-**	**(80)**	**(23)**	**-**	**(3,637)**	**(3,740)**	**-**	**137**	**44**	**-**	**(3,833)**	**(3,652)**
Transactions with owners:													
Increase of capital	17	62	-	-	-	6,238	6,300	1	-	-	-	35	36
Purchase of treasury shares		-	-	-	-	(8)	(8)	-	-	-	-	-	-
Share-based payment	4	-	-	-	27	-	27	-	-	-	25	-	25
Total transactions with owners		**62**	**-**	**-**	**27**	**6,230**	**6,319**	**1**	**-**	**-**	**25**	**35**	**61**
Equity at December 31		**383**	**(264)**	**20**	**61**	**4,325**	**4,525**	**321**	**(184)**	**43**	**34**	**1,732**	**1,946**

Cash flow statement

January 1 - December 31

(DKK million)	Note	2023	2022
Operating profit/(loss)		**(1,699)**	**(3,311)**
Non-cash items			
Depreciation, amortization and impairment losses	9, 10, 11	2,250	1,737
Adjustments for non-cash operating items, etc.	25	1,394	1,668
Changes in working capital	25	(509)	(785)
Cash items			
Payment of provisions and other non-current liabilities	20	(1,442)	(1,605)
Interest, etc., received		27	37
Interest, etc., paid		(916)	(454)
Income tax, received/paid		(1,058)[1]	439[2]
Cash flows from operating activities		**(1,953)**	**(2,274)**
Investments in intangible assets	9	(207)	(898)
Investments in property, plant and equipment	10	(349)	(597)
Proceeds from sale of intangible assets		-	4
Proceeds from sale of property, plant and equipment		19	3
Sale of subsidiaries and activities, net of cash received		-	12
Cash flows from investing activities		**(537)**	**(1,476)**

(DKK million)	Note	2023	2022
Proceeds from loans	21	2,750	4,451
Repayment of loans	21	(750)	(900)
Overdraft facilities	21	(69)	108
Issuance of loans		(87)	-
Proceeds from issue of shares	17	746[3]	36
Purchase of treasury shares	17	(8)	-
Repayment of lease liabilities	11	(115)	(119)
Cash flows from financing activities		**2,467**	**3,576**
Net cash flow for the period		**(23)**	**(174)**
Cash, January 1		270	432
Effect of foreign exchange rate changes of cash		(31)	12
Cash at December 31[4]		**216**	**270**

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

2. Income tax in 2022 is impacted by utilization of tax loss by the joint taxtion group and the settlement of the APA Agreement 2009-2015 between Denmark and Ireland.

3. Capital increase in 2023 included a capital injection from shareholders of DKK 746m.

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

Notes - Group

Notes to the income statement

Notes to the balance sheet

Notes to the cash flow statement

Notes - Additional information

Note 1 Basis of reporting

Basis of preparation

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

On February 22, 2024 the Board of Directors and the Executive Management considered and approved the 2023 Annual Report of LEO Pharma A/S. The Annual Report will be presented to the shareholders of LEO Pharma A/S for approval at the ordinary Annual General Meeting on February 29, 2024.

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

The accounting policies are unchanged compared to last year, except the matters described in the section Changes in presentation

Rounding

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

Global market and climate uncertainties

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

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

In addtion, Management has assesed the qualitative and quantitative impact of climate-related risks when determining estimates and assumptions.

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

Key accounting estimates and judgments

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

Note	Key accounting estimates and judgments	Estimate/judgment
8 Income tax	Provisions for uncetain tax positions	Estimate
9 Intangible assets	Useful lives and valuation of intangible assets	Estimate/judgment
13 Inventories	Cost of inventories	Estimate
15 Deferred tax	Valuation of deferred tax assets	Estimate/judgment
20 Provisions	Provisions for onerous contracts and sales deductions	Estimate/judgement

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

Application of materiality

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

The consolidated financial statements are the result of aggregating large numbers of transactions into classes of similar items, according to their nature or function. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. IFRS contain extensive disclosure requirements. The specific disclosures required by IFRS are provided in the consolidated financial statements unless the information is considered immaterial to the users.

Note 1 Basis of reporting (continued)

General accounting policies

Consolidation
The consolidated financial statements comprise LEO Pharma A/S and entities in which LEO Pharma A/S directly 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 Company and all subsidiaries, with subsequent elimination of intercompany transactions, intercompany shareholdings and balances as well as unrealized profits from intercompany transactions. The financial statements of all companies have been prepared by applying the Group's accounting policies.

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

The impact is as following:
• Cost of good sold decreased by DKK 298m
• Sales and distribution costs increased by DKK 26m
• Research and development costs increased by DKK 11m
• Administrative costs increased by DKK 313m
• Other opererating expenses decreased by DKK 52m

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

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

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

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

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

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

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

Cash flow statement
The cash flow statement is prepared according to the indirect method based on operating profit/(loss). The statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the start and end of the year.

Cash flows from operating activities are calculated as the Group's operating profit/(loss), adjusted for non-cash operating items, such as depreciation, amortization and impairment losses, as well as changes in working capital. Working capital comprises inventories, trade receivables, trade payables, etc.

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

Cash flows from financing activities comprise payments from the raising and repayment of short-term and long-term debt and payments to and from shareholders. Cash solely comprise cash at bank and in hand.

Note 1 Basis of reporting (continued)

Definitions/Non-GAAP measures

The consolidated financial statement include financial performance measures that are not defined according to IFRS. These measures are considered to provide valuable information to stakeholders and Management. Since other companies might calculate these differently from LEO Pharma Group, they may not be comparable to the measures applied by other companies. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS, but rather as supplementary information.

Revenue growth	$\frac{\text{Revenue year 0 - Revenue year -1}}{\text{Revenue year -1}}$	x 100
Dermatlogy revenue growth	$\frac{\text{Derm rev. year 0 - Derm rev. year -1}}{\text{Derm rev. year -1}}$	x 100
Gross margin	$\frac{\text{Gross profit/(loss)}}{\text{Revenue}}$	x 100
R&D costs (of revenue)	$\frac{\text{R\&D costs}}{\text{Revenue}}$	x 100
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA}}{\text{Revenue}}$	x 100
EBITDA margin	$\frac{\text{EBITDA}}{\text{Revenue}}$	x 100
Operating profit margin	$\frac{\text{Operating profit/(loss) (EBIT)}}{\text{Revenue}}$	x 100

EBITDA
Operating profit/(loss) before financial income and expenses, tax, depreciation and amortization.

Adjusted EBITDA
Operating profit/(loss) before transformation and restructuring costs, financial income and expenses, tax, depreciation and amortization.

Transformation and restructuring costs are the non-core and non-recurring costs overseen by the IPO Preparedness Committee to execute the strategic plans and structural profile of LEO Pharma towards delivering sustainable profitability and potential public listing.

Free cash flow
Cash flow from operating activities less cash flow from investing activities.

Operating working capital
Inventories and trade receivables (before provision for bad debt) less trade payables.

Net working capital
Current assets less current liabilities used in, or necessary for, the Group's operations.

Net interest-bearing debt
The market value of interest-bearing liabilities (financial liabilities) less the market value of cash at bank and in hand and other easily convertible interest-bearing current assets.

Average number of full-time employees
The average number of employees is calculated as the average of the number of permanent employees at the end of each month.

Note 2 Revenue

Accounting policies

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

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

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

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

(DKK million)	2023	2022
Revenue by region		
Europe	6,375	6,206
North America	1,667	1,117
Rest of World	3,350	3,318
Total	**11,392**	**10,641**
Revenue by therapeutic area		
Dermatology		
Psoriasis	3,813	3,912
Skin infection	1,771	1,664
Eczema	2,900	1,969
Acne/Rosacea	317	328
Other Mature Dermatology	238	260
Total Dermatology	**9,039**	**8,133**
Thrombosis	**2,141**	**2,233**
CMO/Divested	**212**	**275**
Total	**11,392**	**10,641**
Revenue by category		
Products	11,264	10,527
Sales-based royalties	57	60
Other	71	54
Total	**11,392**	**10,641**

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

Unsatisfied performance obligations
The Group's remaining performance obligations expected to be recognized in subsequent year amounts to DKK 35m (2022: DKK 33m), which will be recognized in 2024. The obligations comprise of contracts where the Group has an obligation to deliver goods.

Timing of revenue recognition
Revenue totaling DKK 11,392m (2022: DKK 10,641m) comprised performance obligations satisfied at a point in time of DKK 11,392m (2022: DKK 10,637m) and performance obligations satisfied over time of DKK 0m (2022: DKK 4m).

Note 3 Staff expenses and remuneration to the Executive Management and Board of Directors

Accounting policies

Wages, salaries, social security expenses, annual leave and sick leave, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

(DKK million)	2023	2022
Wages and salaries	3,078	3,614
Hereof capitalized staff expenses	(34)	(54)
Pensions – defined benefit plans	6	8
Pensions – defined contribution plans	258	269
Share-based payment[1]	43	45
Social security expenses	337	349
Other employee expenses	213	253
Total staff expenses[2]	**3,901**	**4,484**
Staff expenses included in:		
Cost of sales	757	780
Sales and distribution costs	1,813	2,050
Research and development costs	573	793
Administrative costs	758	861
Total staff expenses	**3,901**	**4,484**
Average number of full-time employees	**4,490**	**5,252**

Remuneration to the Executive Management and Board of Directors

(DKK million)	Salaries	Bonus[3]	Pensions	Share-based payments[4]	Total remuneration excluding severance payments	Severance payments	Total remuneration after severance payments
2023							
Registered members of the Executive Management	12	12	2	3	29	-	29
Other members of Executive Management[5]	24	23	4	12	63	68	131
Board of Directors	5	-	-	1	6	-	6
Total	**41**	**35**	**6**	**16**	**98**	**68**	**166**
2022							
Registered members of the Executive Management	10	13	1	14	38	12	50
Other members of Executive Management[5]	29	22	4	13	68	22	90
Board of Directors	5	-	-	2	7	-	7
Total	**44**	**35**	**5**	**29**	**113**	**34**	**147**

1. For detailed information reference is made to Note 4 Share-based payment.
2. In 2023, total staff expenses were impacted by DKK 55m as a consequence of announced restructuring of LEO Pharma (2022: DKK 248m).
3. Members of the Executive Management participate in short- and long-term incentive programs that provide a bonus for the achievement of predetermined targets.
4. References are made to Note 4 Share-based payments and Note 27 Related party transactions.
5. Reference is made to page 35 "Global Leadership Team". Other members of the Executive Management are both current members, and former members who have left LEO Pharma during 2023.

Note 4 Share-based payment

Accounting policies

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

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

Employee matching shares

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

The details are only relating to the matching share program and not the employee shares.

Reconciliation of outstanding employee awards

	2023		2022	
Number of matching shares	**ESPP (equity-settled)**	**EPSPP (cash-settled)**	**ESPP (equity-settled)**	**EPSPP (cash-settled)**
Outstanding at January 1	740,920	45,504	-	-
Granted	-	-	861,392	62,920
Forfeited	(123,745)	(5,429)	(120,472)	(17,416)
Outstanding at December 31	**617,175**	**40,075**	**740,920**	**45,504**
Fair value at grant (DKK/unit)	-	-	30.40	30.40
Current fair value (DKK/unit)	92.08	92.08	30.71	30.71

Measurement of fair value of employee matching shares

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

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

Note 4 Share-based payment (continued)

Management Incentive Program (MIP)

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

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

Reconciliation of outstanding equity-settled awards

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

Phantom Share Agreement (cash-settled)
Follows the same terms and conditions as the Management Incentive Program but is predetermined to be settled in cash.

Reconciliation of outstanding cash-settled awards

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

Note 4 Share-based payment (continued)

Measurement of fair value

The fair value of awards is estimated using a binomial valuation model of market conditions taking into account the terms and conditions. Expected volatility has been based on an evaluation of the historical volatility of comparable companies' share prices. This was based on a standard deviation of weekly returns over a five-year period. The expected term of the instruments has been based on projected exit date and their probabilities and estimates assessed by Management.

Equity-settled share-based payment arrangements

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

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

Cash-settled share-based payment arrangements

The input used in the measurement of the fair values at grant date of the cash-settled share-based payment plans was as follows:

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

Financial impact

At December 31, 2023, the total carrying amounts of liabilities arising from the share-based payment transactions were DKK 200m (2022: DKK 31m). The intrinsic value at December 31, 2023 of liability related to vested phantom shares was DKK 130m (2022: DKK 16m).Total expenses recognized in 2023 from share-based payment transactions in the income statement amount to DKK 199m (2022: DKK 45m) of which DKK 156m are fair value adjustment to the cash-settled program recognized under financial expenses.
The cost of DKK 27m (2022: DKK 25m) arises from equity-settled share-based payment transactions.
On January 1, 2024, LEO Pharma offered all employees in the Group the opportunity to participate in a new round of Employee Share Purchase Plan. To participate in the plan, the employees are required to invest 3% of their base salary over 12 months into shares and will receive matching shares at vesting. 1,683 colleagues signed up for the share purchase plan. This corresponds to 41 % of those eligible to join.

Note 5 Fees to auditors appointed at the Annual General Meeting

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

Note 6 Other operating income and expenses

Accounting policies

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

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

Note 7 Financial income and expenses

Accounting policies

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

(DKK million)	2023	2022
Interest income	11	3
Gain arising from financial assets designated at fair value through profit and loss	5	-
Other financial income	31[2)]	-
Financial income	**47**	**3**
Interest expenses, related parties	175	233
Interest expenses, credit institutions	647	319
Interest expenses, lease liabilities	10	11
Loss arising from financial assets designated at fair value through profit and loss	-	15
Foreign exchange loss, net[3)]	51	69
Fair-value remeasurement (non-cash) of share based incentive plans [4)]	156	-
Other financial expenses[5)]	101	138
Financial expenses	**1,140**	**785**

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

2. Other financial income primarily comprise fair value adjustment relating renegotiated loan terms of DKK 15m, and other income relating defined benefit plans of DKK 12m.

3. Foreign exchange gains amount to DKK 502m (2022: DKK 700m) and foreign exchange losses amount to DKK 553m (2022: DKK 769m) for the Group.

4. Reference is made to Note 4 Share-based payment.

5. Other financial expenses primarily comprise commitment fees related to syndicated facility agreement.

Note 8 Income tax

Accounting policies

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

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

Current tax for the year is calculated on the basis of the income tax rates and rules applicable at the balance sheet date. The Parent Company, the Danish subsidiary and LEO Holding A/S are jointly taxed.

Key accounting estimates

Uncertain tax positions
As a global company, the Group will from time to time have tax audits and discussions with tax authorities in various countries regarding tax issues within transfer pricing, direct taxes and indirect taxes.

In the opinion of Management, appropriate estimates have been made in the financial statements for current tax audits and exposures related to uncertain tax positions.

The estimates are based on expected value or the most likely amount, whichever method best predicts the resolution of the uncertainty, and the effects thereof are recognized as part of tax receivables/payables and deferred tax. Due to the uncertainty associated with the outcome and timing, it will be possible that, on the conclusion of open tax matters at a future date, the final outcome may differ significantly from the amounts recognized.

Pilar II

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

The main jurisdictions in which exposures to this top-up tax may exist will potentially include Ireland and Australia. 95% of the estimated top-up tax relates to Ireland; however, Ireland is planning to increase their corporate tax rate from
12,5% to 15% in 2024 which may reduce or eliminate the top-up tax. It is assessed that the estimated top-up tax could be up to 35 mDKK.

The information is based on the preparation of the consolidated financial statements of 2023, considering only significant adjustments that would have been required applying the legislation.

All requirements by the legislation have not been fully assessed in 2023, resulting in the actual impact of the implementation of Pillar II may have been significantly different if the legislation was fully implemented for the year ending 31 December 2023. The Group is continuously assessing the impact of the Pillar II legislation on its future financial performance.

Note 8 Income tax (continued)

(DKK million)	2023	2022
Current tax	(158)	(421)
Prior-year adjustments, current tax	(1)	13
Prior-year adjustments, deferred tax	49	(87)
Change in deferred tax	(691)	409
Total tax income/(expense) for the year	**(801)**	**(86)**
Tax for the year is included in		
Tax on profit/(loss) for the year	(815)	(17)
Tax on other comprehensive income[1)]	14	(69)
Total tax income/(expense) for the year	**(801)**	**(86)**

1. For a specification of tax on other comprehensive income, reference is made to Note 18 Other comprehensive income.

Reconciliation of the Group's effective tax rate relative to the Danish corporate income tax rate

	2023		2022	
	DKK million	%	DKK million	%
Profit/(loss) before tax	**(2,792)**		**(4,093)**	
Calculated tax, 22%	614	22.0%	900	22.0%
Tax effect of:				
Differences in the income tax rates of foreign subsidiaries compared to the Danish corporate income tax rate	62	2.2%	232	5.7%
Non-deductible expenses/non-taxable income and other permanent differences	(83)	(3.0)%	(45)	(1.1)%
Other taxes	(9)	(0.3)%	(6)	(0.1)%
Change in deferred tax as a result of changes in income tax rates	(43)	(1.5)%	(13)	(0.3)%
Change in valuation of net deferred tax assets	(1,404)	(50.3)%	(1,011)	(24.7)%
Prior-year tax adjustments	48	1.7%	(74)	(1.8)%
Effective tax/tax rate for the year	**(815)**	**(29.2)%**	**(17)**	**(0.4)%**

Note 9 Intangible assets

Accounting policies

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

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

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

Development projects and software in progress
Development projects and software in progress are recognized as intangible assets if the recognition criteria are met:

- the projects are clearly defined and identifiable;
- the Group intends to use the projects once completed;
- the future earnings from the projects are expected to cover the development and administrative costs;
- and the cost can be reliably measured.

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

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

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

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

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

Key accounting judgment
Impairment test and valuation
Management makes judgements to assess if any indications of impairment occurs. To identify impairment events, management consider the following events:

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

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

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

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

Note 9 Intangible assets (continued)

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

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

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

R&D Intangible assets: The Group performs annually impairment tests on single aquired development assets, not yet commercialized. Assets not yet commercialized are presented in the asset category development projects and software in progress. For intellectual property rights, impairment test are performed when impairment indications are identified.

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

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

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

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

The assumptions used in the impairment test of the IP asset are;
- Revenue growth until time of loss of exclusivity. Whereof revenue decline until expected closure
- Gross margin in the forecasted periods is on the same level as the gross margin of the Group
- Sales and distribution costs are forecasted based on the current level of the existing sales organization with a declining trend over the period as the organization matures
- WACC amounts to 10% after tax based on the Groups cost of capital and the market benchmark.

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

Impairment in 2022
Impairment losses of DKK 15m are recognized under research and development costs and impairment losses of DKK 161m are recognized under administrative costs. No reversals of impairment losses from prior periods have been recorded in 2022.
The impairment recognized under administrative cost of DKK 161m comprises of software development projects which have been cancelled during 2022. Consequently, the recoverable amount is determined at DKK 0m.

Impact of changes in key assumptions

The Group has conducted an analysis of the sensitivity of changes in the key assumptions in the impairment test. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

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

Note 9 Intangible assets (continued)

	2023					2022				
(DKK million)	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**	**Goodwill**	**Intellectual property rights**	**Software**	**Development projects and software in progress**	**Total intangible assets**
Cost at January 1	192	14,076	2,594	2,380	19,242	192	13,928	2,498	2,629	19,247
Exchange rate adjustment	–	(7)	–	–	(7)	–	5	–	–	5
Additions during the year	–	–	–	63[1)]	63	–	143[3)]	–	136[1)]	279
Disposals during the year	–	–	(37)	(1,897)	(1,934)	–	–	–	(274)	(274)
Transfers	–	–	328	(337)	(9)	–	–	96	(111)	(15)
Cost at December 31	**192**	**14,069**	**2,885**	**209**	**17,355**	**192**	**14,076**	**2,594**	**2,380**	**19,242**
Amortization and impairment losses at January 1	–	(8,481)	(1,341)	(1,765)	(11,587)	–	(7,772)	(974)	(1,847)	(10,593)
Exchange rate adjustment	–	2	–	–	2	–	(1)	–	–	(1)
Amortization for the year	–	(714)	(375)	–	(1,089)	–	(708)	(367)	–	(1,075)
Impairment for the year	–	(375)	–	(141)	(516)	–	–	–	(176)	(176)
Disposals during the year	–	–	37	1,897	1,934	–	–	–	258	258
Amortization and impairment losses at December 31	**–**	**(9,568)**	**(1,679)**	**(9)**	**(11,256)**	**–**	**(8,481)**	**(1,341)**	**(1,765)**	**(11,587)**
Carrying amount at December 31	**192**	**4,501**	**1,206**	**200[2)]**	**6,099**	**192**	**5,595**	**1,253**	**615[2)]**	**7,655**

1. Additions consist of DKK 16m (2022: DKK 41m) related to development projects and DKK 47m (2022: DKK 95m) related to IT projects.

2. Total development projects and software in progress DKK 200m (2022: DKK 615m) consist of software in progress DKK 32m (2022: DKK 323m), and development projects DKK 168m (2022: DKK 292m).

3. Additions consist of capitalized milestone payment from approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

Note 9 Intangible assets (continued)

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

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

Development projects
At December 31, 2023, development projects comprise Temtokibart DKK 78m (2022: DKK 78m), Delgocitinib DKK 73m (2022: DKK 66m), Izuforant DKK 0m (2022: DKK 109m) and other development projects DKK 17m (2022: DKK 39m).

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

(DKK million)	2023	2022
Amortization and impairment losses are specified as follows:		
Sales and distribution costs	1,089	564
Research and development costs	141	161
Administrative costs	375	526
Total	**1,605**	**1,251**

Note 10 Property, plant and equipment

Accounting policies

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

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

The expected useful lives are as follows:

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

Impairment testing

The carrying amount of property, plant and equipment is reviewed in order to determine whether there is any indication of impairment losses.

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

Note 10 Property, plant and equipment (continued)

	2023					2022				
(DKK million)	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction[1)]**	**Total property, plant and equipment**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction[4)]**	**Total property, plant and equipment**
Cost at January 1	2,602	3,281	650	2,694	9,227	2,555	3,137	604	2,373	8,669
Exchange rate adjustment	-	4	-	2	6	3	1	-	1	5
Additions during the year	6	7	5	330	348	1	20	33	536	590
Disposals during the year	(76)	(346)	(152)	(175)	(749)	(14)	(13)	(24)	-	(51)
Transfers	140	325	41	(496)	10	57	136	37	(216)	14
Cost at December 31	**2,672**	**3,271**	**544**	**2,355**	**8,842**	**2,602**	**3,281**	**650**	**2,694**	**9,227**
Depreciation and impairment losses at January 1	(1,664)	(2,382)	(473)	-	(4,519)	(1,604)	(2,174)	(428)	-	(4,206)
Exchange rate adjustment	(1)	(3)	-	-	(4)	(1)	-	(2)	-	(3)
Disposals during the year	74	346	137	175	732	13	13	22	-	48
Depreciation for the year	(74)	(226)	(57)	-	(357)	(69)	(205)	(61)	-	(335)
Impairment loss for the year	-	(2)	(1)	(175)[2)]	(178)	(3)	(16)	(4)	-	(23)
Depreciation and impairment losses at December 31	**(1,665)**	**(2,267)**	**(394)**	**-**	**(4,326)**	**(1,664)**	**(2,382)**	**(473)**	**-**	**(4,519)**
Carrying amount at December 31	**1,007**	**1,004**	**150**	**2,355**	**4,516[3)]**	**938**	**899**	**177**	**2,694**	**4,708[3)]**

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

1. Fixed assets under construction are mainly related to the construction of a new plant in Denmark with a carrying amount of DKK 1,746m, construction of a new plant in Ireland with a carrying amount of DKK 424m.

2. Impairment of expansion of an existing plant in Ireland

3. Assets pledged as collateral for loans amount to DKK 2,553m (2022: DKK 2,575m)

4. Fixed assets under construction are mainly related to the construction of a new plant in Denmark with a carrying amount of DKK 1,619m, expansion of an existing plant in Ireland with a carrying amount of DKK 245m, construction of a new plant in Ireland with a carrying amount of DKK 337m and expansion of an existing plant in France DKK 424m.

Note 11 Leases

Accounting policies

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

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

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

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

For land and buildings classes of assets, non-lease components, i.e. the service element, will not be separated from the lease components and will thereby form part of the right-of-use asset and lease liability recognized in the balance sheet.

Lease assets are depreciated over the lease terms which are:
Buildings 5-10 years
Cars etc. 3-5 years

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

Note 11 Leases (continued)

(DKK million)	Land and buildings	Cars, etc.	Total
2023			
Cost at January 1	575	150	725
Exchange rate adjustment	(10)	(5)	(15)
Additions/remeasurements during the year	(11)	40	29
Disposals during the year	(78)	(29)	(107)
Cost at December 31	**476**	**156**	**632**
Depreciation and impairment losses at January 1	(253)	(73)	(326)
Exchange rate adjustment	-	4	4
Depreciation for the year	(65)	(45)	(110)
Disposals during the year	77	29	106
Depreciation and impairment losses at December 31	**(241)**	**(85)**	**(326)**
Carrying amount at December 31	**235**	**71**	**306**

(DKK million)	Land and buildings	Cars, etc.	Total
2022			
Cost at January 1	562	155	717
Exchange rate adjustment	10	3	13
Additions/remeasurements during the year	19	34	53
Disposals during the year	(16)	(42)	(58)
Cost at December 31	**575**	**150**	**725**
Depreciation and impairment losses at January 1	(184)	(70)	(254)
Exchange rate adjustment	-	1	1
Depreciation for the year	(73)	(43)	(116)
Impairment for the year	(12)	-	(12)
Disposals during the year	16	39	55
Depreciation and impairment losses at December 31	**(253)**	**(73)**	**(326)**
Carrying amount at December 31	**322**	**77**	**399**

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

(DKK million)	2023	2022
The following are the amounts recognized in the income statement:		
Depreciation expenses of right-of-use assets (included in administrative costs)	(110)	(116)
Impairment for the year (included in administrative costs)	-	(12)
Interest expenses on lease liabilities	(10)	(11)
Total amount recognized in the income statement	**(120)**	**(139)**

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

Note 12 Trade receivables

Accounting policies

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

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

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

Movements in write-downs, which are included in trade receivables

(DKK million)	2023	2022
Carrying amount at January 1	42	35
Write-down recognized	10	32
Realized losses	0	(13)
Write-down reversals	(21)	(12)
Write-downs at December 31	**31**	**42**

The table below details the risk profile for trade receivables based on the Group's provision matrix. The Group's historical credit losses do not show different patterns for customer segments. Historical credit losses are assessed by country of incorporation.

Maturity analysis of trade receivables

(DKK million)	Expected credit loss rate	Trade receivables	Write-downs	Total
2023				
Not past due	0%	1,895	0	1,895
Overdue by up to 3 months	1%	185	(2)	183
Overdue by 3-6 months	1%	30	(0)	29
Overdue by 6-12 months	12%	24	(3)	21
Overdue by more than 12 months	65%	39	(26)	14
Trade receivables at December 31		**2,173**	**(31)**	**2,142**
2022				
Not past due	0%	1,984	0	1,984
Overdue by up to 3 months	3%	98	(3)	95
Overdue by 3-6 months	11%	44	(5)	39
Overdue by 6-12 months	26%	19	(5)	14
Overdue by more than 12 months	89%	33	(29)	4
Trade receivables at December 31		**2,178**	**(42)**	**2,136**

Note 13 Inventories

Accounting policies

Inventories are measured at the lower of costs and net realizable value and are assigned using the first-in-first-out (FIFO) cost formula.

Finished goods and work in progress comprise the cost of raw materials, consumables, direct labor and indirect production costs. Indirect production costs comprise indirect consumables and labor, as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process, and the costs of factory administration and management.

The net realizable value of inventories is calculated as the sales price less the costs of completion and the expenses incurred to effect the sale and is determined allowing for marketability, obsolescence and development in expected sales price. Obsolete goods, including slow-moving goods, are written down.

Key accounting estimates

Cost of inventories
Management uses the standard cost method to measure cost and performs a yearly assessment to determine if it results in approximate cost. The standard cost is adjusted if there are significant deviations.

Indirect production overheads are calculated on the basis of relevant assumptions concerning capacity utilization, production time and other relevant factors and allocated on the basis of the normal production capacity.

(DKK million)	2023	2022
Raw materials and consumables	1,323	885
Work in progress	2,263	2,426
Finished goods and goods for resale	1,280	1,269
Total	**4,866**	**4,580**
Write-down, provision end of the period	377	340
Cost of goods sold included under cost of sales	3,465	3,428

Note 14 Other receivables

(DKK million)	2023	2022
Public authorities, VAT, etc.	248	312
Financial derivatives	71	160
Deposits	14	19
Other	81	59
Total	**414**	**550**

Note 15 Deferred tax

Accounting policies

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

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

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

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

Pillar II
The Group has applied the temporary exception issued by the International Accounting Standard Board (IASB) in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar II income taxes.

Key accounting estimates

Management's estimate of future income according to budgets, forecasts, business plans and initiatives scheduled for the coming years supports the utilization of the deferred tax assets within the foreseeable future. A forecast period of five years is applied to the estimated utilization of deferred tax assets for LEO Pharma A/S and the companies under the joint taxation.

Key accounting judgments

Significant assumptions for the valuation in the recognized deferred tax asset are both the ability to meet the objectives in the strategy for the next five years, as well as the return from the investment portfolio within the joint taxation group. The return from the investment portfolio is sensitive towards the general market fluctuations.

The recognized deferred tax assets in the Parent Company LEO Pharma A/S as of December 31, 2023 were assessed to DKK 373m (2022: DKK 785m). The assessment takes into account the taxable loss in 2023 in joint taxation. The excess deferred tax assets in LEO Pharma A/S were therefore subject to valuation allowance of DKK 1,404m in 2023 (2022: DKK 1,011m).

The unused tax loss carried forward relating to LEO Pharma A/S, do not expire.

Note 15 Deferred tax (continued)

	2023					2022				
(DKK million)	**Balance at January 1**	**Effect of foreign currency exchange differences**	**Adjustment of deferred tax at beginning of year**	**Movements during the year**	**Balance at December 31**	**Balance at January 1**	**Effect of foreign currency exchange differences**	**Adjustment of deferred tax at beginning of year**	**Movements during the year**	**Balance at December 31**
Intangible assets	1,071	0	(25)	112	1,158	820	(0)	22	229	1,071
Property, plant and equipment	433	0	77	121	631	530	(1)	(109)	13	433
Inventories	862	(2)	-	(268)	592	463	(2)	-	401	862
Provisions	153	(1)	89	(41)	200	169	0	(10)	(6)	153
Other items	61	2	3	(7)	59	101	5	(7)	(38)	61
Interest limitation balance carry forward	87	-	(14)	130	203	-	-	25	62	87
Tax loss carry forwards[1]	1,727	0	(81)	666	2,312	965	-	3	759	1,727
Valuation allowances on deferred tax assets	(2,624)	-	-	(1,404)	(4,028)	(1,602)	-	(11)	(1,011)	(2,624)
Total temporary differences	**1,770**	**(1)**	49	**(691)**	**1,127**	**1,446**	**2**	**(87)**[2]	**409**	**1,770**
Deferred tax assets	1,809	(5)	49	(696)	1,157	1,453	2	(89)	443	1,809
Deferred tax liabilities	39	(4)	-	(5)	30	7	0	(2)	34	39
Deferred tax assets/(tax liabilities)	**1,770**	**(1)**	**49**	**(691)**	**1,127**	**1,446**	**2**	**(87)**	**409**	**1,770**

1. Driven by the loss before tax in LEO Pharma A/S.

2. Prior year adjustments primarily derive from tax return 2022 true up in LEO Pharma A/S.

Note 16 Prepaid expenses

Accounting policies

Prepaid expenses include advance payments made to vendors that will be incurred and expensed in subsequent financial reporting periods. When the period for full expense recognition is longer than one year from the balance sheet date, the portion to be expensed subsequent to one year is classified as non-current.

(DKK million)	2023	2022
Prepaid clinical trials	176	180
Prepaid IT expenses	77	58
Other prepaid expenses	54	51
Total	**307**	**289**

Note 17 Share capital

Accounting policies

Share capital comprises the number of shares multiplied by their nominal value, and are classified as equity. Transaction costs directly attributable to an equity transaction are recognized directly in equity, net of tax.

Treasury shares
Cost of acquisition as well as proceeds from sale of treasury shares are recognized directly in equity as retained earnings.

2023

The share capital comprises 383,043,887 shares for a nominal value of DKK 1. The share capital is divided into 155,343,654 A-shares and 227,700,233 B-shares. Each A-share carries 10 votes and B-shares carry 1 vote per share.

During 2023, a capital increase was carried out through a capital injection of DKK 746m and conversion of shareholder loans to equity, increasing the share capital by 62,157,896 shares of DKK 101 per share, amounting to DKK 6,300m, including share premium.

No shares or shareholders have any additional special rights.

2022

The share capital comprisesd 320,885,991 shares of a nominal value of DKK 1. The share capital is divided into 125,000,000 A-shares and 195,885,991 B-shares. Each A-share carries 10 votes, where B-shares carries 1 vote per share.

During 2022, capital increases related to the share-based payments were carried out, increasing the share capital by 740,920 shares, amounting to DKK 36m, including share premium. Please refer to Note 4 Share-based payment.

No shares or shareholders have any additional special rights.

Number of shares 2023	A-shares	B-shares[1]	Total
Number of shares at January 1	125,000,000	195,885,991	320,885,991
Capital increase	30,343,654	31,814,242	62,157,896
Number of shares at December 31	**155,343,654**	**227,700,233**	**383,043,887**

Number of shares 2022	A-shares	B-shares	Total
Number of shares at January 1	125,000,000	195,145,071	320,145,071
Capital increase	-	740,920	740,920
Number of shares at December 31	**125,000,000**	**195,885,991**	**320,885,991**

Treasury shares

	2023	2022
Number of treasury shares at January 1	-	-
Additions during the year	123,745[2]	-
Number of treasury shares at December 31	**123,745**	**-**

1. Including treasury shares.

2. Acquisitions of treasury shares relates to employee shares bought back from employees no longer working in LEO Pharma. Total acquired treasury shares during the year amounted to DKK 8m and 0.03% of the total share capital.

Note 18 Other comprehensive income

	2023				2022			
(DKK million)	Foreign currency translation reserve	Hedging reserve	Retained earnings	Other comprehensive income	Foreign currency translation reserve	Hedging reserve	Retained earnings	Other comprehensive income
Other comprehensive income								
Items that will not subsequently be reclassified to the income statement:								
Remeasurement of defined benefit obligations	-	-	(38)	(38)	-	-	329	329
Tax on other comprehensive income	-	-	8	8	-	-	(52)	(52)
Items that will not subsequently be reclassified to the income statement	**-**	**-**	**(30)**	**(30)**	**-**	**-**	**277**	**277**
Items that are or may subsequently be reclassified to the income statement:								
Foreign exchange adjustments, subsidiaries	(80)	-	-	(80)	137	-	-	137
Value adjustments of hedging instruments for the year	-	(29)	-	(29)	-	61	-	61
Tax on other comprehensive income	-	6	-	6	-	(17)	-	(17)
Items that are or may subsequently be reclassified to the income statement:	**(80)**	**(23)**	**-**	**(103)**	**137**	**44**	**-**	**181**
Other comprehensive income/loss for the year	**(80)**	**(23)**	**(30)**	**(133)**	**137**	**44**	**277**	**458**

Note 19 Pensions

Accounting policies

Defined contribution plans
Payments to defined contribution plans are recognized in the income statement for the period to which they relate, and any amounts payable are recognized as other payables under current liabilities in the balance sheet.

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

The present value is calculated on the basis of assumptions relating to future developments in salary, interest rates, inflation, mortality and other factors. The present value is calculated solely for the benefits to which the employees have earned a right through their employment by the Group. Plan assets are recognized to the extent that the Group is able to obtain future economic benefits in the form of reimbursement from the pension scheme or reduction of future payments. Pension costs for the year are recognized in the income statement on the basis of actuarial estimates and financial expectations at the beginning of the year. Actuarial gains and losses are recognized in other comprehensive income. Past service costs are recognized in the income statement as incurred.

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

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

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

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

Key assumptions and sensitivity analysis
The most significant assumptions used in the calculation of the obligation concerning defined benefit plans is the discount rate and the expected inflation. The sensitivity analysis indicates what the development in the obligation would be on any change in the individual discount rate, inflation rate or life expectancy. However, the discount rate and inflation rate will most likely be correlated and consequently result in a different fair value of plan assets as well.

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

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

Note 19 Pensions (continued)

	2023				2022			
(DKK million)	**Ireland**	**UK**	**Other[1)]**	**Total**	**Ireland**	**UK**	**Other[1)]**	**Total**
Present value of defined benefit plans:								
Present value of defined benefit plans at January 1	708	480	158	1,346	1,026	834	213	2,073
Effect of exchange rate adjustment	2	12	-	14	(1)	(35)	1	(35)
Current service costs	-	-	6	6	-	-	8	8
Interest expenses	26	23	6	55	15	16	2	33
Actuarial (gains)/losses from changes in demographic assumptions	-	(6)	-	(6)	-	1	1	2
Actuarial (gains)/losses from changes in financial assumptions	32	28	7	67	(315)	(310)	(52)	(677)
Actuarial (gains)/losses from experience adjustments	11	16	3	30	12	11	2	25
Benefits paid to employees	(30)	(24)	(6)	(60)	(29)	(37)	(17)	(83)
Past service costs	-	(6)	-	(6)	-	-	-	-
Present value of defined benefit obligation at December 31	**749**	**523**	**174**	**1,446**	**708**	**480**	**158**	**1,346**
Fair value of plan assets:								
Fair value of plan assets at January 1	723	588	108	1,419	916	758	115	1,789
Effect of exchange rate adjustment	2	14	2	18	(1)	(35)	1	(35)
Actuarial gains/(losses) from return on plan assets	34	18	1	53	(186)	(130)	(5)	(321)
Interest income	26	29	4	59	13	13	1	27
Benefits paid to employees	(30)	(24)	(5)	(59)	(29)	(37)	(4)	(70)
Employer contributions	10	14	-	24	10	19	-	29
Fair value of plan assets at December 31	**765**	**639**	**110**	**1,514**	**723**	**588**	**108**	**1,419**
Net retirement benefit obligations/(asset) at December 31	**(16)**	**(116)**	**64**	**(68)**	**(15)**	**(108)**	**50**	**(73)**
Recognized as:								
Other non-current assets	16	116	13	145	15	108	21	144
Non-current liabilities	-	-	77	77	-	-	71	71
Net retirement benefit obligations/(asset) at December 31	**(16)**	**(116)**	**64**	**(68)**	**(15)**	**(108)**	**50**	**(73)**
Specification of amount recognized in the statement of comprehensive income:								
Actuarial gains and (losses)	9	20	9	38	117	168	44	329
Total	**9**	**20**	**9**	**38**	**117**	**168**	**44**	**329**

1. Other includes Germany, France and Italy

Note 20 Provisions

Accounting policies

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

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

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

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

Key accounting judgments

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

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

Key accounting estimates

Provisions for sales deductions
Sales discounts and rebates are predominately issued in the U.S. in connection with various commercial arrangements, managed healthcare organizations, co-pay arrangements and government programs such as Medicaid and Medicare.

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

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

Note 20 Provisions (continued)

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

1. Additions and reversals includes net DKK 24m related to announced restructuring of LEO Pharma (2022: DKK 248m).

2. Utillization includes DKK 322m related to announced restructuring provision (2022: DKK 238m).

(DKK million)	Sales deductions	Product returns	Employee-related provisions	Other provisions	Total
2022					
Provisions at January 1	385	173	468	216	1,242
Exchange rate adjustment	16	7	-	1	24
Additions during the year	1,224	57	368[1]	168[3]	1,817
Utilization during the year	(1,151)	(91)	(293)[2]	(70)	(1,605)
Reversals during the year	(21)	(25)	(70)[1]	(93)	(209)
Transfer	-	-	8	(8)	-
Provisions at December 31	**453**	**121**	**481**	**214**	**1,269**
Of which classified as:					
Non-current liabilities	1	54	167	68	290
Current liabilities	452	67	314	146	979
Provisions at December 31	**453**	**121**	**481**	**214**	**1,269**

3. Addition of DKK 69m is related to one onerous contract, recognized as part of cost of sales.

Note 21 Financial risks

Financial risks
As a consequence of the Group's operations, investments and financing, the Group is exposed to a variety of financial risks:

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

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

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

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

The Group is mainly exposed to USD, GBP, CNY, CAD, as well as other currencies either through direct sales to and purchases from third parties or indirect sales through a subsidiary. Currency risk arises due to imbalances between income and costs in each individual currency and because the Group has more assets than liabilities in foreign currencies in connection with its global operations.

The Group hedges future expected cash flows on an 18-month rolling basis. The Group's forward foreign exchange contract policy is described in Note 22 Derivatives - hedge accounting.

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

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

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

Note 21 Financial risks (continued)

Interest rate risk

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

The table below shows the current loans with our banking partners.

	2023					
(DKK million)	**Expiry of commitment**	**Fixed/ floating**	**Weighted avg. effective interest rate %**	**Amortized cost**	**Nominal value**	**Fair value**
Syndicated facility	2029	Floating	7.57[1)]	8,434	8,507	8,507
Mortgage loans	2038	Fixed 3-5 years[2)]	4.64	1,186	1,200	1,244
Mortgage loans	2042	Fixed 3-5 years[3)]	4.54	1,049	1,065	1,090
Total				**10,669**	**10,772**	**10,841**

	2022					
(DKK million)	**Expiry of commitment**	**Fixed/ floating**	**Weighted avg. effective interest rate %**	**Amortized cost**	**Nominal value**	**Fair value**
Syndicated facility	2027	Floating	6.19[1)]	6,542	6,593	6,593
Mortgage loans	2038	Fixed 3-5 years[2)]	1.47	1,185	1,200	1,187
Mortgage loans	2042	Fixed 3-5 years[3)]	4.80	1,049	1,065	1,053
Total				**8,776**	**8,858**	**8,833**

1. Floating rate is currently fixed via CAPS and Collars hedging instruments. The weighted average effective rate including the hedging instruments amounts to 6.69% (2022: 5.77%). Reference is made to Note 22 Derivatives - hedge accounting .

2. The next rate renewal will occur in 3.6 years (2022: 4 months).

3. The next rate renewal will occur in 3.5 years (2022: 4.7 years).

Note 21 Financial risks (continued)

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

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

Credit risk
The Group's products are primarily sold to pharmacies, wholesalers and hospitals, both publicly and privately owned. Historically, realized losses sustained on trade receivables have been insignificant, which was also the case in both 2023 and 2022, referring to Note 12 Trade receivables.

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

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

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

To manage credit risk on financial counterparties, the Group only enters into derivative financial instruments with financial counterparties possessing a satisfactory long-term credit rating assigned by at least one out of the three international credit rating agencies: Standard & Poor's, Moody's and Fitch. If a counterparty has a rating below Investment Grade, the Group minimizes the risk by maintaining the lowest possible bank balance, or by spreading the risk between several banks.

At year-end, the bank balances with a rating below Investment Grade are low, and therefore, the credit risk is considered to be low. Furthermore, the credit risk on bond investments is limited, as investments are in highly liquid bonds with solid credit ratings, such as Investment Grade.

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

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

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

Loan covenant on EBITDA for selected established brands in the product portfolio is included in the Group's financial agreements. No financial covenant breaches were encountered during the year or are forecasted for the following year.

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

Note 21 Financial risks (continued)

Changes in borrowings

	2023						2022				
(DKK million)	Borrowings January 1	Proceeds from borrowings	Repayments of borrowings	Debt conversion	Other non-cash items[1]	Borrowings December 31	Borrowings January 1	Proceeds from borrowings	Repayments of borrowings	Other non-cash items[1]	Borrowings December 31
Loans from related parties	5,395	-	-	(5,555)	160	-	5,161	-	-	234	5,395
Bank and mortgage loans	8,776	2,750	(819)	-	(38)	10,669	5,108	4,559	(900)	9	8,776
Lease liabilities	442	-	(115)	-	(2)	325	502	-	(119)	59	442
Total borrowings	**14,613**	**2,750**	**(934)**	**(5,555)**	**120**	**10,994**	**10,771**	**4,559**	**(1,019)**	**302**	**14,613**
Of which classified as:											
Non-current						10,642					14,081
Current						352					532
Total						**10,994**					**14,613**

1. Other non-cash items mainly comprises accrued interest expenses, amortization of capitalized borrowing costs and exchange rate adjustments.

The table below analyzes the Group's financial liabilities in relevant maturity groupings, based on their contractual maturities for all liabilities at amortized cost, and financial derivatives at fair value for which the contractual maturities are essential for the understanding of the timing of the cash flows.

Maturity of contractual cash flows

	2023					2022				
(DKK million)	Contractual amount	Less than 1 year	1-3 years	4-5 years	More than 5 years	Contractual amount	Less than 1 year	1-3 years	4-5 years	More than 5 years
Financial liabilities at amortized cost										
Bank and mortgage loans	14,455	702	1,157	1,247	11,349	10,893	799	828	6,795	2,471
Loans from related parties	-	-	-	-	-	7,829	25	49	1,074	6,681
Trade and other payables	3,365	3,365	-	-	-	3,777	3,777	-	-	-
Other long-term liabilities	178	-	-	-	178	175	-	-	-	175
Financial derivatives at fair value										
Forward contracts used as hedging instruments	15	15	-	-	-	50	50	-	-	-
Total contractual cash flow at December 31	**18,013**	**4,082**	**1,157**	**1,247**	**11,527**	**22,724**	**4,651**	**877**	**7,869**	**9,327**

Note 22 Derivatives - hedge accounting

Accounting policies

Derivative financial instruments
Derivative financial instruments are used to manage the exposure to interest rate and foreign exchange rate risk. None of the derivative financial instruments are held for trading. On initiation of the contract, LEO Pharma designates each derivative financial contract as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or as a hedge of a future transaction (cash flow hedge).

All contracts are initially recognized at fair value and subsequently remeasured at fair value at the end of the reporting period. The resulting gain or loss is recognized in the income statement immediately, unless the derivative is designated and effected as a cash flow hedging instrument. In this case the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting
LEO Pharma designates certain derivatives as hedging instruments in respect of foreign currency risk as either cash flow or fair value hedges, and certain derivatives as hedging instruments in respect of interest rate risk as cash flow hedges. The fair value adjustment on qualifying hedging instruments is recognized in the income statement when the hedging instrument is designated as a fair value hedge. Value adjustments of the effective part of cash flow hedges are recognized in equity through other comprehensive income. The cumulative value adjustment of these contracts is transferred from other comprehensive income to the income statement in financial income and financial expenses.

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

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

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

Forward foreign exchange contract assets and liabilities are presented as either other receivables or as other payables in the balance sheet. Reference is made to Note 23 Financial assets and liabilities.

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

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

In order to mitigate the currency risks described in Note 21 Financial risks, LEO Pharma has entered into the forward foreign exchange contracts specified in the table on the next page.

Note 22 Derivatives - hedge accounting (continued)

Forward foreign exchange contracts

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

Note 22 Derivatives - hedge accounting (continued)

In order to mitigate the interest rate risk described in Note 21 Financial risks, LEO Pharma has entered into the following interest rate hedges:

Interest rate hedges

(DKK million)	Notional principal value	Change in fair value recognized in other comprehensive income	Fair value assets (liabilities)	Average fixed interest rate
2023				
Cash flow hedges				
CAP - Syndicated facility	1,500	(34)	31	0.10%
Collar - Syndicated facility	6,000	(7)	(1)	1.63% - 3.75%
Total		**(41)**	**30**	
2022				
Cash flow hedges				
CAP - Syndicated facility	1,500	62	65	0.10%
Collar - Syndicated facility	6,000	6	6	1.63% - 3.75%
Total		**68**	**71**	

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

Note 23 Financial assets and liabilities by category

Accounting policies

Financial instruments
Financial assets and financial liabilities are recognized when LEO Pharma becomes a party to the contractual provisions of the instrument. Financial assets other than trade receivables are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
All recognized financial assets are required to be measured subsequently at amortized cost or fair value on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial securities primarily consist of bonds. Investments in bonds that are held within a business model where the objective is to collect the contractual cash flows are subsequently measured at amortized cost. Investments that are held within a business model where the objective is both to collect the contractual cash flows and to sell are subsequently measured at fair value through other comprehensive income. All other investments, including equity investments, are subsequently measured at fair value through profit and loss. Other securities, which comprise listed bonds and shares, are classified as current assets and measured at fair value through profit and loss. Securities that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

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

Note 23 Financial assets and liabilities by category (continued)

Categories of financial assets and financial liabilities

	Carrying amount	Fair value	Carrying amount	Fair value
(DKK million)	**2023**	**2023**	**2022**	**2022**
Carried at amortized cost				
Cash and bank balances	216	216	270	270
Trade and other receivables	2,513	2,513	2,528	2,528
Other financial assets	136	136	50	50
Financial assets at amortized cost	**2,865**	**2,865**	**2,848**	**2,848**
Carried at fair value through profit/(loss) (FVTPL)				
Other financial assets	102	102	108	108
Derivative instruments in designated fair value hedging relationships	6	6	19	19
Financial assets at fair value through profit/(loss)	**108**	**108**	**127**	**127**
Carried at fair value through other comprehensive income				
Derivative instruments in designated cash flow hedging relationships	37	37	139	139
Financial assets at fair value through other comprehensive income	**37**	**37**	**139**	**139**
Total financial assets	**3,010**	**3,010**	**3,114**	**3,114**
Carried at amortized cost				
Trade and other payables	3,366	3,366	3,764	3,764
Bank loans (current and non-current)	8,434	8,507	6,542	6,593
Mortgage loans	2,235	2,334	2,234	2,240
Loans from related parties	-	-	5,395	4,120
Lease liabilities (current and non-current)	325	345	442	454
Other non-current liabilities	461	461	175	175
Financial liabilities at amortized cost	**14,820**	**15,012**	**18,552**	**17,346**
Carried at fair value through profit/(loss) (FVTPL)				
Derivative instruments in designated fair value hedging relationships	18	18	5	5
Financial liabilities at fair value through profit/(loss) (FVTPL)	**18**	**18**	**5**	**5**
Carried at fair value through other comprehensive income				
Derivative instruments in designated cash flow hedging relationships	10	10	46	46
Financial liabilities at fair value through other comprehensive income	**10**	**10**	**46**	**46**
Total financial liabilities	**14,848**	**15,040**	**18,603**	**17,397**

Note 23 Financial assets and liabilities by category (continued)

Fair value measurements

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

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

Level 3 input is used, where Valuation methods where possible input is not based on observable market data (Level 3 input).

Fair value hierarchy of financial assets and liabilities measured or disclosed at fair value at December 31:

2023

(DKK million)	Level 1	Level 2	Level 3	Total
Financial assets:				
Other financial assets	102	-	-	102
Derivative instruments	-	43	-	43
Total	**102**	**43**	**-**	**145**
Financial liabilities:				
Bank loans	-	8,507	-	8,507
Mortgage loans	-	2,334	-	2,334
Loans from related parties	-	-	-	-
Derivative instruments	-	28	-	28
Total	**-**	**10,869**	**-**	**10,869**

2022

(DKK million)	Level 1	Level 2	Level 3	Total
Financial assets:				
Danish mortgage bonds	108	-	-	108
Derivative instruments	-	158	-	158
Total	**108**	**158**	**-**	**266**
Financial liabilities:				
Bank loans	-	6,593	-	6,593
Mortgage loans	-	2,240	-	2,240
Loans from related parties	-	4,120	-	4,120
Derivative instruments	-	51	-	51
Total	**-**	**13,004**	**-**	**13,004**

Note 24 Other payables

Accounting policies

Other payables comprise amounts owed to employees, including wages, salaries, holiday pay, salary/wages related items; amounts owed in connection with purchase of development projects; amounts owed related to clinical trials; amounts owed related to sales deduction and promotion fee; amounts owed to the public authorities, such as VAT; accrued derivatives and other such as distributor expenses, promotional tax and product listing agreements, etc.

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

(DKK million)	2023	2022
Employee-related	735	898
Sales deductions	372	408
Clinical trial expenses	173	272
Public authorities	100	90
Accrued interests	87	72
Royalties	55	0
Financial derivatives	30	50
Milestone payments	-	143[2)]
Accounts and other payables[1)]	598	580
Total	**2,150**	**2,513**

Note 25 Other cash flow adjustments

(DKK million)	2023	2022
Other non-cash adjustments:		
Gain/loss on sale of non-curent assets etc.	(2)	(6)
Changes in provisions	1,227	1,632
Changes in other non-current liabilities	286	-
Change in provision for defined benefit plans	5	(357)
Change in inventory write-downs	37	13
Change in provisions for bad debt	(11)	7
Share-based payments	(129)	25
Other non-cash adjustments	(19)	354[3)]
Total	**1,394**	**1,668**
Change in Working capital		
Change in inventories	(323)	(724)
Change in receivables, prepaid expenses, etc.	94	181
Change in current liabilities	(280)	(242)
Total	**(509)**	**(785)**

1. Accounts and other payables primarily consist of accrued expenses related to core business activities with expected payout under 12 months.

2. Accrued milestone payment from approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

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

Note 26 Guarantees, contingencies and commitments

Guarantees
The total guarantee commitments for LEO Pharma amount to DKK 114m at December 31, 2023 (2022: DKK 136m).

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

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

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

The commitments regarding property, plant and equipment relate primarily to two major expansions of production facilities. One project relates to the construction of a new plant in Denmark, while the other project relates to the expansion of an existing plant in Ireland.

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

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

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

Note 27 Related party transactions

LEO Pharma A/S' related parties comprise:
- The controlling owner, LEO Holding A/S, and the ultimate Parent of the Group, the LEO Foundation
- The associate, Skinvision B.V.
- Members of the LEO Foundation's Board of Trustees and Executive Board, and of LEO Pharma A/S' and LEO Holding A/S' Board of Directors and Executive Management, as well as close relatives of these persons

Other owners with significant influence:
- Nordic Capital (Through - Cidron Savanna 4 SARL)

Transactions and balances with the LEO Foundation:
- Loan of DKK 0m (2022: DKK 1,025m)
- Interest expenses of DKK 18m (2022: DKK 25m)
- Income of DKK 0m (2022: DKK 0m)
- Payables of DKK 0m (2022: Payables of DKK 0m)

Transactions and balances with LEO Holding A/S:
- Tax settlement of DKK 5m (2022: DKK 356m)
- Loan of DKK 0m (2022: DKK 4,370m)
- Interest expenses of DKK 158m (2022: DKK 208m)
- Receivables regarding joint taxation of DKK 171m (2022: DKK 0m)
- Conversion of shareholder loan to equity of DKK 5,555m (2022: DKK 0m)
- Capital increase of DKK 596m (2022: DKK 0m)

Transactions and balances with Nordic Capital:
- Capital increase of DKK 149m (2022: DKK 0m)

Transactions and balances with the members of the Board of Directors or the Executive Management:
- Travel expenses, etc. to Board of Directors or their representatives amounts to DKK 1m (2022: DKK 1m).
- Selected members of the Board of Directors have purchased and been awarded warrants as part of the Management Incentive Program Purchase of DKK 1m (2022: DKK 1m)

Fair value remeasurement (non-cash) of financial liability arising from historical granted programs from 2021 and 2022 to key management personnel including Executive Management totaling DKK 97m (2022: DKK 2m). The impact is due to fair-value remeasurement of the management incentive program reflecting higher valuation of the company.

The incentive program is linked to successful transformation of the company and an IPO. For key management personnel reference is made to page 35 "Global Leadership Team". The total fair value remeasurement of financial liability (also including other employees other than key management personnel) is included in Note 7 Financial income and expenses.

There were no other transactions with the Board of Directors or the key management personnel or their relatives besides as stated above.

For information concerning remuneration, please refer to Note 3 Staff expenses and remuneration to the Executive Management an Board of Directors.

The LEO Pharma Group is included in the consolidated financial statements of the LEO Foundation.

Note 28 Events after the balance sheet date

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

No other significant events after the balance sheet date have occurred.

Note 29 Company overview

	Country	Share of ownership %	Activities			
			Sales and distribution	Production	Marketing & services	Other
Parent Company						
LEO Pharma A/S	Denmark		●	▲	◆	▼
Subsidiaries						
SARL LEO Pharma[1)]	Algeria	100			◆	
LEO Pharma Pty Ltd	Australia	100	●			
LEO Pharma GmbH	Austria	100	●			
LEO Pharma N.V.	Belgium	100	●			
LEO Pharma LTDA	Brazil	100	●			
LEO Pharma Inc.	Canada	100	●			
LEO Pharma Consultancy Company Ltd.	China	100			◆	
LEO Pharma Trading Company Ltd.	China	100	●			
LEO Pharma s.r.o.	Czech Republic	100			◆	
Løvens Kemiske Fabriks Handelsaktieselskab	Denmark	100				▼
LEO Pharma OY	Finland	100	●			
Laboratoires LEO S.A.S	France	100	●	▲		
LEO Pharma GmbH	Germany	100	●			
LEO Pharmaceutical Hellas S.A.	Greece	100	●			
DKLEO Pharma Private Limited[1)]	India	100				▼
LEO Laboratories Ltd.	Ireland	100	●	▲		
Wexport Ltd.	Ireland	100		▲		
LEO Pharma Holding Ltd.	Ireland	100				▼
LEO Pharma Manufacturring Italy S.R.L.	Italy	100		▲		
LEO Pharma S.p.A.	Italy	100	●			

1. Under liquidation

Note 29 Company overview (continued)

	Country	Share of ownership %	Activities			
			Sales and distribution	Production	Marketing & services	Other
LEO Pharma K.K.	Japan	100	●			
LEO Pharmaceuticals, S. de R.L. de C.V.	Mexico	100	●			
LEO Pharma LLC[1)]	Morocco	100			◆	
LEO Pharma BV	Netherlands	100	●			
LEO Pharma Ltd.	New Zealand	100	●			
LEO Pharma AS	Norway	100	●			
LEO Pharma Sp. z o.o.	Poland	100			◆	
LEO Pharma Global Business Service Center Sp. z o.o.	Poland	100				▼
LEO Farmacêuticos Lda.	Portugal	100	●			
LEO Pharmaceutical Products LLC	Russia	100	●			
LEO Pharma Asia PTE Ltd.[1)]	Singapore	100			◆	
LEO Pharma Yuhan Hoesa	South Korea	100	●			
Laboratorios LEO Pharma S.A.	Spain	100	●			
LEO Pharma AB	Sweden	100	●			
LEO Pharmaceutical Products Sarath Ltd.	Switzerland	100	●			
LEO Pharma SARL[1)]	Tunisia	100	●			
LEO Laboratories Ltd.	United Kingdom	100	●			
LEO Pharma Inc.	USA	100	●			
LEO Spiny Merger Sub. Inc.	USA	100				▼
LEO US Holding Inc.	USA	100				▼
Associates						
SkinVision B.V	Netherlands	22				▼

1. Under liquidation

Parent Company financial statements

Income statement

January 1 - December 31

(DKK million)	Note	2023	2022
Revenue	2	11,497	12,935
Cost of sales	3, 9	(8,018)	(9,508)
Gross profit		**3,479**	**3,427**
Sales and distribution costs	3, 8, 9	(4,368)	(3,929)
Research and development costs	3, 8, 9	(1,718)	(2,270)
Administrative costs	3, 4, 8, 9	(1,614)	(1,878)
Other operating income		52	60
Other operating expenses		(14)	(24)
Operating profit/(loss)		**(4,183)**	**(4,614)**
Income from investments in subsidiaries	10	1,829	1,189
Financial income	5	126	41
Financial expenses	5	(1,162)	(777)
Profit/(loss) before tax		**(3,390)**	**(4,161)**
Income tax	6	(250)	13
Net profit/(loss) for the year		**(3,640)**	**(4,148)**

Balance sheet at December 31

Assets

(DKK million)	Note	2023	2022
Intellectual property rights		4,393	5,471
Software		1,206	1,253
Goodwill		136	149
Development projects and software in progress		200	609
Intangible assets	**8**	**5,935**	**7,482**
Land and buildings		464	493
Plant and machinery		324	448
Other fixtures and fittings, tools and equipment		84	122
Assets under construction		1,767	1,641
Property, plant and equipment	**9**	**2,639**	**2,704**
Investments in subsidiaries	10	4,053	11,030
Deferred tax assets	11	373	785
Pensions		14	21
Other financial assets		49	50
Other non-current assets		**4,489**	**11,886**
Non-current assets		**13,063**	**22,072**
Inventories	13	3,430	2,952
Trade receivables		484	522
Loans to subsidiaries		1,455	1,487
Receivables from subsidiaries		630	1,994
Tax receivables		207	27
Other receivables	12	219	332
Prepaid expenses	14	261	245
Other financial assets		189	108
Cash		1	4
Current assets		**6,876**	**7,671**
Assets		**19,939**	**29,743**

Balance sheet at December 31

Equity and liabilities

(DKK million)	Note	2023	2022
Share capital		383	321
Net revaluation, subsidiaries		2,674	9,659
Reserves		976	1,232
Retained earnings		455	(9,270)
Equity		**4,488**	**1,942**
Provisions	15	30	101
Loan and credit institutions	16	10,404	13,764
Tax payables		130	489
Other non-current liabilities	16	357	175
Total non-current liabilities		**10,921**	**14,529**
Provisions	15	86	285
Loan and credit institutions	16	230	369
Trade payables		652	752
Loans from subsidiaries		327	7,036
Payables to subsidiaries		2,059	3,133
Tax payables		188	447
Other payables	17	988	1,250
Current liabilities		**4,530**	**13,272**
Liabilities		**15,451**	**27,801**
Equity and liabilities		**19,939**	**29,743**

Statement of changes in equity January 1 - December 31

			Reserves				
(DKK million)	Share capital	Net revaluation, subsidiaries	Reserve for currency hedging	Other capital reserve	Reserve for development projects	Retained earnings	Total
2023							
Equity at January 1	321	9,659	43	34	1,155	(9,270)	1,942
Net profit/(loss) for the year	-	1,829	-	-	-	(5,469)	(3,640)
Foreign exchange rate adjustment, subsidiaries	-	(80)	-	-	-	-	(80)
Dividend received from subsidiaries	-	(8,649)	-	-	-	8,649	-
Other movements, subsidiaries[1)]	-	(61)	-	-	-	61	-
Capitalized development costs, net	-	-	-	-	(260)	260	-
Value adjustments of hedging instruments	-	-	(29)	-	-	-	(29)
Remeasurement of defined benefit pension obligations	-	(30)	-	-	-	(8)	(38)
Tax on changes in equity	-	6	6	-	-	2	14
Transactions with owners							
Increase of capital[2)]	62	-	-	-	-	6,238	6,300
Purchase of treasury shares	-	-	-	-	-	(8)	(8)
Share-based payments	-	-	-	27	-	-	27
Total transactions with owners	**62**	**-**	**-**	**27**	**-**	**6,230**	**6,319**
Equity at December 31	**383**	**2,674**	**20**	**61**	**895**	**455**	**4,488**
2022							
Equity at January 1	320	7,881	(1)	9	1,563	(4,153)	5,619
Net profit/(loss) for the year	-	1,189	-	-	-	(5,337)	(4,148)
Foreign exchange rate adjustment, subsidiaries	-	137	-	-	-	-	137
Other movements on subsidiaries[1)]	-	200	-	-	-	(248)	(48)
Capitalized development costs, net	-	-	-	-	(408)	408	-
Value adjustments of hedging instruments	-	-	61	-	-	-	61
Remeasurement of defined benefit pension obligations	-	302	-	-	-	27	329
Tax on changes in equity	-	(50)	(17)	-	-	(2)	(69)
Transactions with owners							
Increase of capital[2)]	1	-	-	-	-	35	36
Share-based payments	-	-	-	25	-	-	25
Total transactions with owners	**1**	**-**	**-**	**25**	**-**	**35**	**61**
Equity at December 31	**321**	**9,659**	**43**	**34**	**1,155**	**(9,270)**	**1,942**

1. Reference is made to Note 10 Investments in subsidiaries.

2. Reference is made to Note 17 Share capital in the consolidated financial statements.

Notes - Parent Company

Notes to the income statement

Notes to the balance sheet

Notes - Additional information

Note 1 Accounting policies

The Parent Company's financial statements are presented in accordance with the Danish Financial Statements Act for companies in reporting class large C.

The accounting policies of the Parent Company are consistent with the accounting policies of the Group, except for IFRS 16 leases and the treatment of goodwill. In addition, the policies described below are implemented for the Parent Company. The accounting policies are unchanged compared to last year, except for Changes in presentation described below.

General information
In accordance with the exemption clauses in Section 86(4) and Section 96(3) of the Danish Financial Statements Act, no separate cash flow statement or disclosure of audit fee have been prepared for the Parent Company.

Changes in presentation
Income statement
LEO Pharma have performed an updated assessment of the classification of costs in the income statements to support a true and fair view of the costs' recognition by function. As a consequense, the comparative figures for 2022 have been restated.

The impact is as following:
- Cost of sales decreased by DKK 17m
- Research and development costs decreased by DKK 58m
- Administrative costs increased by DKK 127m
- Other operating costs decreased by DKK 52m

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

Presentation of share-based payments
For cash-settled share-based payment arrangements, the awards measured at grant value are recognized as staff cost over the vesting period with the balance on liability. The liability is remeasured at each reporting date and at settlement date at fair value.

For 2023 changes in the liability as a result of the remeasurement to fair value are recognized in the income statement under other financial expenses. The impact of the remeasurement in 2022 of DKK 1m have been recognized under staff cost.

Goodwill
Goodwill is measured at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method over the expected useful life, estimated at 15 years. This estimate was made on the basis of estimated useful lives of the other assets acquired in the transaction.

Investments in subsidiaries
In the Parent Company's financial statements, investments in subsidiaries and associates are recognized according to the equity method. The share of the results of subsidiaries less unrealized intra-group gains is recognized in the Parent Company's income statement. Net revaluation of investments in subsidiaries exceeding the dividend declared by such companies is recognized in equity as reserve for net revaluation according to the equity method.

Tax
The Parent Company is jointly taxed with its Danish subsidiary. The Parent Company and its Danish subsidiary settle the tax with its owner and the administration company LEO Holding A/S. The current Danish tax is allocated between the jointly taxed companies in proportion to their taxable income.

Equity
Reserve for development costs
The reserve for internal development costs comprises capitalized development costs. This reserve cannot be used for dividends or distributions or to cover losses. If the recognized development costs are sold or otherwise excluded from the company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognized development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reserved. If a write-down of development costs is subsequently reserved, the reserve will be re-established. The reserve is reduced by amortization of capitalized development costs on an ongoing basis.

Note 2 Revenue

(DKK million)	2023	2022
Revenue by market		
Europe	7,688	7,971
North America	1,511	2,581
Rest of World	2,298	2,383
Total	**11,497**	**12,935**

(DKK million)	2023	2022
Revenue by category		
Products	11,076	12,514
Sales-based royalties	421	421
Total	**11,497**	**12,935**

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

Note 3 Staff expenses

(DKK million)	2023	2022
Wages and salaries	1,239	1,596
Hereof capitalized staff expenses	(28)	(42)
Pensions	125	141
Share-based payment[1)]	31	29
Social security expenses	27	19
Other employee expenses	38	59
Total staff expenses	**1,432**	**1,802**
Staff expenses included in:		
Cost of sales	256	326
Sales and distribution costs	149	243
Research and development costs	420	599
Administrative costs	607	634
Total staff expenses	**1,432**	**1,802**
Average number of full-time employees	**1,410**	**1,897**

For a description of the Parent Company's remuneration to the Executive Management and the Board of Directors, please refer to Note 3 Staff expenses and remuneration to the Executive Management and Board of Directors in the consolidated financial statements.

1. Reference is made to Note 4 Share-based payment.

Note 4 Share-based payment

Description of share-based payment arrangements
Terms and conditions, measurement of grant date fair value, etc. for share-based payment arrangements in LEO Pharma A/S are the same as for the Group. We refer to Note 4 Share-based payment in the consolidated financial statements.

Reconciliation of outstanding employee awards

	2023		2022	
Number of matching shares	**ESPP (equity-settled)**	**EPSPP (cash-settled)**	**ESPP (equity-settled)**	**EPSPP (cash-settled)**
Outstanding at January 1	465,016	11,320	-	-
Granted	-	-	555,296	15,832
Forfeited	(84,452)	(3,045)	(90,280)	(4,512)
Outstanding at December 31	**380,564**	**8,275**	**465,016**	**11,320**
Fair value at grant (DKK/unit)	-	-	30.40	30.40
Current fair value (DKK/unit)	92.08	92.08	30.71	30.71

Reconciliation of outstanding equity-settled awards

In number of warrants	**Total 2023**	**Total 2022**
Outstanding at January 1	3,943,314	2,815,973
Granted during the year	1,416,905	1,153,104
Forfeited during the year	(607,082)	(25,763)
Outstanding at December 31	**4,753,137**	**3,943,314**
Exercisable at December 31	**-**	**-**
Fair value at grant (DKK/unit)	6.77 to 8.87	7.58
Average exercise share price (DKK/unit)	47.72	47.72

Reconciliation of outstanding cash-settled awards

Number of phantom shares	**Phantom Share Agreement 2023**	**Phantom Share Agreement 2022**
Outstanding at January 1	3,894,082	2,141,750
Instruments granted	200,000	2,063,864
Forfeited during the year	(184,989)	(311,532)
Outstanding at December 31	**3,909,093**	**3,894,082**
Fair value at grant date (DKK/unit)	43.21	7.58
Initial expected total cost (million DKK)	**169**	**29**
Instruments for which it is expected to vest	3,909,093	3,894,082
Current fair value (DKK/unit)	43.21	7.97
Total expected settlement	**169**	**31**
Liability at December 31, 2023 (million DKK)	**154**	**23**

Financial impact

At December 31, 2023, the total carrying amounts of liabilities arising from the share-based payment transactions were DKK 154m (2022: DKK 23m). The intrinsic value at December 31, 2023 of liability related to vested phantom shares was DKK 101m (2022: DKK 12m).

Total expenses recognized in 2023 from share-based payment transactions in the income statement amount to DKK 151m (2022: DKK 29m), of which DKK 120m are fair value adjustment to the cash-settled program recognized under financial expenses. The cost of DKK 18m (2022: DKK 15m) arises from equity-settled share-based payment transactions.

Note 5 Financial income and expenses

(DKK million)	2023	2022
Interest income, related parties	96	40
Other interest income	9	1
Gain arising from financial assets measured at fair value through profit and loss	5	-
Other financial income	16	-
Total financial income	**126**	**41**
Interest expenses, related parties	282	246
Interest expenses, credit institutions	626	310
Foreign exchange rate losses, net[1]	41	53
Financial assets write-down	-	15
Fair-value remeasurement (non-cash) of share based incentive plans	120	-
Other financial expenses[2]	93	153
Total financial expenses	**1,162**	**777**

Note 6 Income tax

(DKK million)	2023	2022
Current tax	172	(15)
Prior-year adjustments, current tax	(2)	9
Prior-year adjustments, deferred tax	50	(76)
Change in deferred tax	(462)[3]	76
Total tax income/(expense) for the year	**(242)**	**(6)**
Tax on profit/(loss) for the year	(250)	13
Tax on changes in equity	8	(19)
Total tax income/(expense) for the year	**(242)**	**(6)**

Note 7 Proposed distribution of net profit/(loss) for the year

(DKK million)	2023	2022
Net revaluation, subsidiaries	1,829	1,189
Retained earnings	(5,469)	(5,337)
Total	**(3,640)**	**(4,148)**

1. Foreign exchange gains amount to DKK 496m (2022: DKK 705m) and foreign exchange losses amount to DKK 537m (2022: DKK 758m).
2. Other financial expenses primarily comprise commitment fees related to syndicated facility agreement.
3. Reference is made to Note 11 Deferred tax

Note 8 Intangible assets

(DKK million)	2023 Goodwill	2023 Intellectual property rights	2023 Software	2023 Development projects and software in progress	2023 Total intangible assets	2022 Goodwill	2022 Intellectual property rights	2022 Software	2022 Development projects and software in progress	2022 Total intangible assets
Cost at January 1	192	13,912	2,594	655	17,353	192	13,769	2,498	879	17,338
Additions during the year	-	-	-	63[1]	63	-	143[4]	-	136[1]	279
Disposals during the year	-	-	(37)	(178)	(215)	-	-	-	(250)	(250)
Transfers	-	-	328	(331)	(3)	-	-	96	(110)	(14)
Cost at December 31	**192**	**13,912**	**2,885**	**209**	**17,198**	**192**	**13,912**	**2,594**	**655**	**17,353**
Amortization and impairment losses at January 1	(43)	(8,441)	(1,341)	(46)	(9,871)	(30)	(7,743)	(974)	(118)	(8,865)
Amortization for the year	(13)	(703)	(375)	-	(1,091)	(13)	(698)	(367)	-	(1,078)
Impairment for the year	-	(375)	-	(141)	(516)[2]	-	-	-	(178)	(178)[2]
Disposals during the year	-	-	37	178	218	-	-	-	250	250
Amortization and impairment losses at December 31	**(56)**	**(9,519)**	**(1,679)**	**(9)**	**(11,263)**	**(43)**	**(8,441)**	**(1,341)**	**(46)**	**(9,871)**
Carrying amount at December 31	**136**	**4,393**	**1,206**	**200[3]**	**5,935**	**149**	**5,471**	**1,253**	**609[3]**	**7,482**

(DKK million)	2023	2022
Amortization and impairment losses are specified as follows:		
Sales and distribution costs	1,078	652
Research and development costs	141	63
Administrative costs	388	541
Total	**1,607**	**1,256**

1. Additions consist of DKK 16m (2022: DKK 41m) related to development projects, and DKK 47m (2022: DKK 95m) related IT projects.

2. Reference is made to Note 9 Intangible assets in the consolidated financial statements.

3. Total development projects and software in progress DKK 200m (2022: DKK 609m) consist of software in progress DKK 32m (2022: DKK 316m), and development projects DKK 168m (2022: DKK 293m).

4. Additions consist of capitalized milestone payment from approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

Note 9 Property, plant and equipment

	2023					2022				
(DKK million)	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction[1]**	**Total property, plant and equipment**	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Assets under construction[1]**	**Total property, plant and equipment**
Cost at January 1	1,217	1,540	489	1,641	4,887	1,204	1,471	465	1,494	4,634
Exchange rate adjustment	-	-	-	-	-	-	-	(2)	1	(1)
Additions during the year	-	-	3	138	141	-	-	20	244	264
Disposals during the year	(10)	(138)	(120)	-	(268)	(1)	(12)	(13)	-	(26)
Transfers	2	5	7	(12)	2	14	81	19	(98)	16
Cost at December 31	**1,209**	**1,407**	**379**	**1,767**	**4,762**	**1,217**	**1,540**	**489**	**1,641**	**4,887**
Depreciation and impairment losses at January 1	(724)	(1,092)	(367)	-	(2,183)	(695)	(978)	(335)	-	(2,008)
Exchange rate adjustment	-	-	-	-	-	-	(1)	1	-	-
Disposals during the year	7	138	106	-	251	1	12	11	-	24
Depreciation for the year	(28)	(128)	(33)	-	(189)	(28)	(113)	(40)	-	(181)
Impairment loss for the year	-	(1)	(1)	-	(2)	(2)	(12)	(4)	-	(18)
Depreciation and impairment at December 31	**(745)**	**(1,083)**	**(295)**	**-**	**(2,123)**	**(724)**	**(1,092)**	**(367)**	**-**	**(2,183)**
Carrying amount at December 31	**464**	**324**	**84**	**1,767**	**2,639[2]**	**493**	**448**	**122**	**1,641**	**2,704[2]**

(DKK million)	**2023**	**2022**
Depreciation and impairment losses are specified as follows:		
Cost of sales	134	135
Sales and distribution costs	1	2
Research and development costs	18	20
Administrative costs	38	42
Total	**191**	**199**

1. Fixed assets under construction are mainly related to the construction of a new plant with a carrying amount of DKK 1,746m (2022: DKK 1,619m). The new plant is expected to start production in 2025.

2. Assets pledged as collateral for loans amount to DKK 2,503m (2022: DKK 2,522m)

Note 10 Investments in subsidiaries

(DKK million)	2023	2022
Cost at January 1	1,371	1,595
Additions during the year	-	1
Disposals during the year	(1)	(232)
Other movements	9	7
Cost at December 31	**1,379**	**1,371**
Value adjustment at January 1	9,659	7,881
Exchange rate adjustment	(80)	137
Share of profit/(loss) for the year	1,829	1,189
Dividend	(8,649)	(32)
Disposals during the year	0	173
Other movements	(85)	311
Value adjustment at December 31	**2,674**	**9,659**
Carrying amount at December 31	**4,053**	**11,030**

Reference is made to Note 29 Company overview in the consolidated financial statements.

Note 11 Deferred tax

(DKK million)	2023	2022
Deferred tax assets/(liabilities) at January 1	785	785
Adjustment related to previous years	50	(76)
Deferred tax on equity	(1)	(19)
Deferred tax on profit for the year	(461)	95
Deferred tax assets/(tax liabilities) at December 31	**373**	**785**

For description of basis for recognition of deferred tax assets, reference is made to Note 15 Deferred tax in the consolidated financial statements.

Classified as follows:

Deferred tax assets	373	785
Deferred tax assets/(tax liabilities)	**373**	**785**

Note 12 Other receivables

(DKK million)	2023	2022
Public authorities, VAT, etc.	138	133
Financial derivatives	71	160
Other	10	39
Total	**219**	**332**

Note 13 Inventories

(DKK million)	2023	2022
Raw materials and consumables	1,042	653
Work in progress	1,414	1,358
Finished goods and goods for resale	974	941
Total	**3,430**	**2,952**

Note 14 Prepaid expenses

(DKK million)	2023	2022
Prepaid clinical trials	176	180
Prepaid IT expenses	75	58
Other prepaid expenses	10	7
Total	**261**	**245**

Note 15 Provisions

(DKK million)	Employe-related provisions	Other provisions	Sales deductions	Total
2023				
Provisions at January 1	200	184	2	386
Exchange rate adjustment	(1)	0	(0)	(1)
Additions during the year	65[1)]	18	-	83
Utilization during the year	(171)	(53)	-	(224)
Reversals during the year	(10)[1)]	(75)	(2)	(87)
Transfer	(41)	-	-	(41)
Provisions at December 31	**42**	**74**	**-**	**116**
Of which classified as:				
Non-current liabilities	11	19	-	30
Current liabilities	31	55	-	86
Provisions at December 31	**42**	**74**	**-**	**116**

1. Additions and reversals includes net DKK 47m related to announced restructuring of LEO Pharma (2022: DKK 164m).

2. Utillization includes DKK 161m related to announced restructuring provision (2022: DKK 109m).

(DKK million)	Employee-related provisions	Other provisions	Sales deductions	Total
2022				
Provisions at January 1	130	135	8	273
Exchange rate adjustment	1	-	-	1
Additions during the year	221[1)]	167[3)]	2	390
Utilization during the year	(124)[2)]	(70)	(5)	(199)
Reversals during the year	(28)[1)]	(48)	(3)	(79)
Provisions at December 31	**200**	**184**	**2**	**386**
Of which classified as:				
Non-current liabilities	62	39	-	101
Current liabilities	138	145	2	285
Provisions at December 31	**200**	**184**	**2**	**386**

3. Addition of DKK 69m is related to one onerous contract, recognized as a part of cost of sales.

Note 16 Loans and credit institutions and other non-current liabilities

(DKK million)	2023	2022
Mortgage loans	2,235	2,234
Bank loans	8,399	6,505
Debt to related parties	-	5,394
Other non-current liabilities	357	175
Total	**10,991**	**14,308**
Falling due in:		
Less than one year	230	369
Between one and five years	200	7,487
After five years	10,561	6,452
Total	**10,991**	**14,308**

Cash resources and financing facilities
In 2023, LEO Pharma renegotiated the loan terms in the existing syndicated facility agreement, which resulted in both an increase in the available credit-facility by DKK 1,500m and improved loan terms. The improvements included a decrease in the effective interest rate as well as an extension of the loan termination date to January 1, 2029.

The renegotiated terms were not assessed substantially different to the previous loan terms, as the fair value of the liability before and after the modification was not significantly changed. Refer to Note 21 Financial risks in the consolidated financial statements.

Note 17 Other payables

(DKK million)	2023	2022
Employee-related	269	404
Sales deductions	91	128
Clinical trials expenses	173	272
Accrued interests	87	72
Royalties	55	-
Financial derivatives	30	50
Milestone payments	-	143[1]
Accounts and other payables	283	181
Total	**988**	**1,250**

1. Accrued milestone payment from approval of Adtralza® by the Japanese Ministry of Health, Labor and Welfare in December 2022.

Note 18 Contractual obligations

Operating lease obligations
The Parent Company has lease obligations of DKK 37m (2022: DKK 35m), of which DKK 25m is related to lease of office premises from subsidiary (2022: DKK 23m).

Note 19 Guarantees, contingencies and commitments

Guarantees
The total guarantee commitment for the Parent Company amounts to DKK 463m (2022: DKK 476m) at December 31, 2023.

As of December 31, 2023, LEO Pharma has issued guarantees to subsidiaries of DKK 399m (2022: DKK 357m), of which DKK 257m (2022: DKK 252m) is related to pension obligations. In addition to the guarantees for subsidiaries, the Parent Company has issued guarantees related to various commercial activities.

Contractual obligations and commitments
The table below shows contractual obligations, not recognized in the Parent Company's financial statements.

(DKK million)	2023	2022
Intangible assets	429	333
Property, plant and equipment	47	60
Total	**476**	**393**

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

The commitments regarding property, plant and equipment relate primarily to the construction of a new plant in Denmark.

Pending lawsuits
At the end of 2023, there were pending lawsuits filed by and against LEO Pharma A/S concerning rights and claims related to products in LEO Pharma's portfolio. LEO Pharma A/S does not expect the pending cases to have any significant effect on the Parent Company's financial position.

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

Tax
The Parent Company is jointly taxed with its Danish subsidiary and its owner LEO Holding A/S. The Parent company is jointly and severally liable together with the other companies in the joint taxation scheme for Danish corporate taxes and withholding taxes on dividends, interest and royalties within the joint taxation scheme.

LEO Pharma A/S is jointly registered for VAT purposes with LEO Holding A/S, Løvens Kemiske Fabriks Handelsaktieselskabet A/S and is jointly liable for the payment thereof.

As a global business, LEO Pharma will from time to time have tax audits and discussions with tax authorities in various countries regarding tax issues, including transfer pricing and indirect taxes issues. Please refer to the description of uncertain tax positions in Note 8 Income tax in the consolidated financial statements.

Note 20 Other notes

For financial risks, please refer to Note 21 Financial risks in the consolidated financial statements.

For disclosures on assets measured at fair value, please refer to Note 23 Financial assests and liabilities in the consolidated financial statements.

For related party transactions, please refer to Note 27 Related party transactions in the consolidated financial statements.

For events after the balance sheet date, please refer to Note 28 Event after the balance sheet date in the consolidated financial statements.

Management's Statement

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of LEO Pharma A/S for the financial year January 1 – December 31, 2023.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act, and the Parent company's financial statements have been prepared in accordance with the Danish Financial Statements Act.

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

We believe that the Management's Review includes a fair review of developments in the Group's and the Parent Company's activities and finances, results for the year and the Group's and the Parent Company's financial position in general, as well as a description of the most significant risks and uncertainties to which the Group and the Parent Company are exposed.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ballerup, February 22, 2024

Executive Management:

Christophe Bourdon
CEO

Philip Eickhoff
CFO

Board of Directors:

Jesper Brandgaard
Chair

Paul Navarre
Vice Chair

Jonas Agnblad

Karin Attermann

Signe Maria Christensen

Lars Green

Peter Haahr

Jannie Kogsbøll

Franck Maréno

Jesper Mailind

Elisabeth Svanberg

Jan van de Winkel

Independent Auditor's Report

To the shareholders of LEO Pharma A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of LEO Pharma A/S for the financial year January 1, 2023 – December 31, 2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group.The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

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

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

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

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

Moreover, it is our responsibility to consider whether the management review provides the information required by relevant laws and regulations

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

with the information required by relevant laws and regulations. We did not identify any material misstatement of the management review.

Management's Responsibilities for the consolidated financial statements and the Parent company's financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the consolidated financial Statements and the Parent company's financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, February 22, 2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Anders Vad Dons
State Authorised Public Accountant
Identification No (MNE) mne25299

Niels Skannerup Vendelbo
State Authorised Public Accountant
Identification No (MNE) mne34532

LEO Pharma A/S
Industriparken 55
2750 Ballerup
Denmark

Phone +45 4494 5888
CVR no. 56759514
www.leo-pharma.com