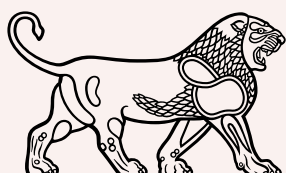


— we help people
achieve healthy skin



2017

Annual Review
& extract from
Annual Report

LEO Pharma A/S

LEO[®]

Patients first. Always.

Shaping medical dermatology

LEO Pharma is a global leader in medical dermatology, dedicated to helping people achieve healthy skin. Together with our partners, we advance science and develop life-changing medicines which improve people's lives.

Being ultimately owned by the LEO Foundation, we are first and foremost accountable to patients. As we have no external shareholders, all profits are reinvested in the LEO Group. We focus on patient needs and do what is right for the long term.

We focus on skin diseases with a high unmet need for treatment, including rare skin diseases. Our pipeline covers a strong mix of biologic, systemic and topical treatments. To help patients beyond medicine, we also develop digital solutions for managing their disease.

80 million

people in more than 130 countries benefit from our treatments



Aspiration for 2025

To help 125 million people living with skin diseases



Our mission

We help people achieve healthy skin



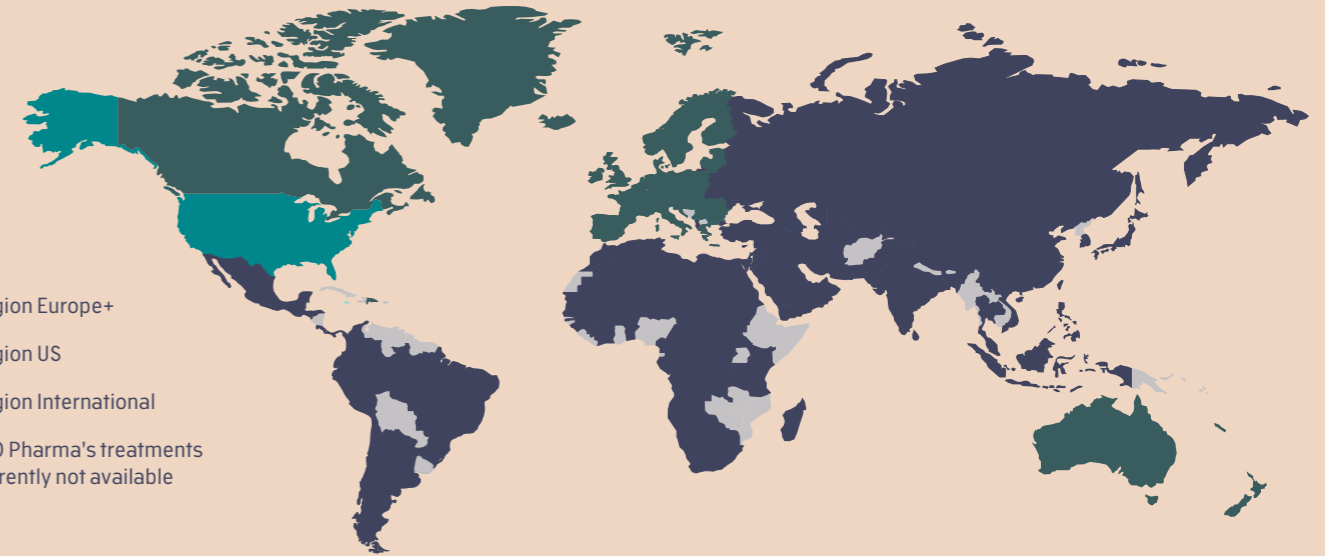
Our vision

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



Our values

Integrity
Customer focus
Innovation
Passion
Adaptability



Total revenue 2017

10,481
DKK million

Growth in revenue 2017

8%
in local currencies

EBIT 2017

852
DKK million

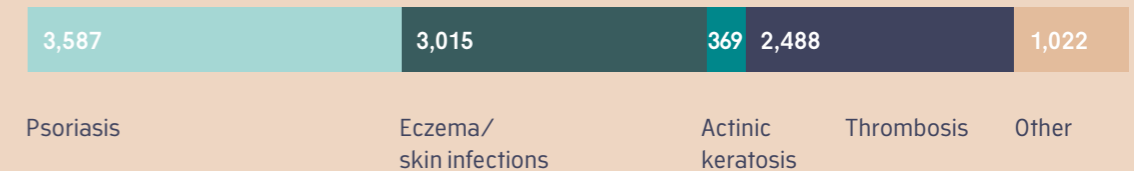
Revenue by region 2017

DKK million



Revenue by therapeutic area 2017

DKK million



1908

Founded in 1908 and headquartered in Denmark

61

Presence in 61 countries

5,000

employees, incl. more than 700 scientists and specialists

15%

of revenue is invested in research and development



Key products

Psoriasis
Kyntheum®
Enstilar®
Daivobet®/Taclonex®
Daivonex®

Eczema/skin infections
Fucidin®
Fucidin® H
Fucicort®
Protopic®
Locoid®

Actinic keratosis
Picato®

Thrombosis
innohep®

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The Annual Review 2017 is a condensed version of LEO Pharma's Annual Report 2017 and has been prepared pursuant to Section 149(2) of the Danish Financial Statements Act. It contains the Management's Review and extracts from the Consolidated Financial Statements as disclosed in the Annual Report 2017. LEO Pharma's Annual Report 2017 contains the full Consolidated Financial Statements, including accounting policies, notes and Parent Company Financial Statements, as well as the Management's Statement and Independent Auditor's Report. The Annual Report 2017 is available from the Danish Business Authority and can also be downloaded at www.leo-pharma.com/annual-report-2017.

The Annual Report 2017 has been prepared in accordance with International Financial Reporting Standards as endorsed by the EU and the additional requirements of the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act.

"Our ambition is to shape medical dermatology to help patients with skin diseases whose needs are often overlooked."



CEO letter:

A clear direction

2017 was a very good year for LEO Pharma. We helped 80 million patients, 7 million more than the year before, and achieved financial results that exceeded our expectations. For the first time in 110 years, our revenue stood at more than DKK 10 billion – up 8% in local currencies – and we more than doubled our EBIT compared to 2016, despite significant investments in new products. We grew in all regions through new products and increased our profitability by means of rigorous cost control. To continue this momentum, we also laid out LEO Pharma's strategy towards 2025.

LEO Pharma keeps bringing innovation to dermatology patients. In September 2017, we introduced Kyntheum® (brodalumab) in the first European markets. This gives patients with moderate-to-severe plaque psoriasis a new biologic option and has been very well received by healthcare professionals and patients. Our Enstilar® foam for psoriasis continues to exceed our expectations as we launch it around the world. And we deepened our focus on medical dermatology by initiating phase 3 clinical trials with tralokinumab for atopic dermatitis.

Long-term investments in medical dermatology

To position LEO Pharma for a sustainable future, we laid out LEO Pharma's strategy towards 2025. Our ambition is to shape medical dermatology to help patients with skin diseases whose needs are often overlooked. Many dermatologic diseases affect the entire body, but the fact that they are seen as being "only on the surface" leads to inadequate treatment and a lack of innovation.

We will increase our efforts in developing innovative therapeutics, such as biologics, systemic treatments and new topical mechanisms of action. To achieve this, we will nurture and expand our existing pipeline through close partnerships with biotech and academia.

LEO Pharma's established topicals have helped millions of people around the world. We will strengthen this part of our business, particularly in Region International, and

continue to support innohep®, our thrombosis business. Our award-winning LEO Innovation Lab will continue to explore how to improve diagnosis and communication between patients, physicians and payers.

Understanding patients better than anyone else

As a foundation-owned company, LEO Pharma has the privilege and the obligation to put patients first. This allows us to plan for the long term and create new approaches to move medical dermatology forward.

Our stringent and continuous focus on efficiency in our established business makes additional investments in research and development possible. We are, however, prepared to accept a temporary dip in our earnings in order to bring new and better treatments to the market.

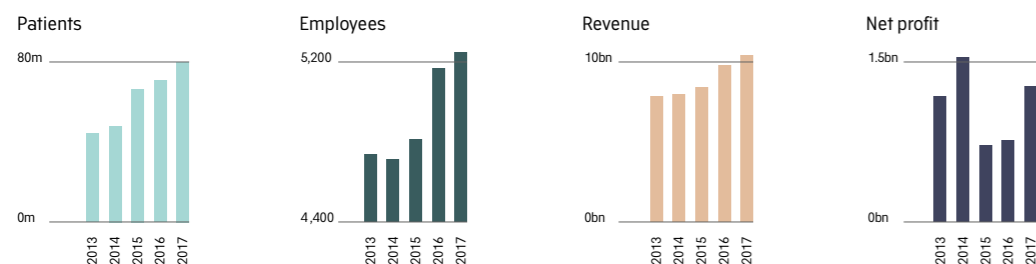
We aim to understand patients better than anyone else, so I make it a personal priority to talk with patients and patient organisations. This year, I was particularly touched when I heard Michael, a psoriasis patient, describe how devastating the disease had been for him for many years – and how thankful he was for our work.

Giving new hope to patients such as Michael is what inspires the 5,000 people who work at LEO Pharma. I would like to thank them for their commitment and dedication. Their collaboration drives our success, and their curiosity helps us to understand how to create better care.

LEO Pharma is on an exciting journey, and we have set ourselves ambitious goals. Our performance and the high engagement of everyone at LEO Pharma make me confident that we can bring our vision to life.

Gitte P. Aabo
President & CEO, LEO Pharma

Key figures 2013-2017



(DKK million)	2017	2016	2015	2014	2013
Income statement					
Revenue	10,481	9,863	8,457	7,973	7,842
Operating profit before depreciation and amortisation (EBITDA)	2,005	1,343	1,209	1,343	1,846
Operating profit (EBIT)	852	338	763	762	675
Net financials	934	789	178	1,288	1,000
Profit before tax	1,783	1,124	928	2,050	1,675
Net profit for the year	1,381	744	713	1,544	1,175
Balance sheet					
Investments in Intangible assets	479	6,115	246	214	222
Investments in Property, plant and equipment	385	302	261	144	269
Non-current assets	8,222	19,490	14,902	17,357	22,681
Current assets	6,371	17,494	17,325	14,270	10,454
Total assets	14,593	36,984	32,227	31,627	33,135
Equity	8,277	25,175	24,735	24,523	23,136
Ratios					
Operating profit margin	8%	3%	9%	10%	9%
Return on assets	3%	1%	2%	2%	2%
Return on equity	11%	5%	4%	9%	7%
Solvency ratio	57%	68%	77%	78%	70%
Employees					
Average number of employees	5,251	5,170	4,813	4,712	4,733

The figures for 2017 and 2016 as well as the balance sheet items and ratios for 2015 have been prepared in accordance with IFRS. All other figures have been prepared in accordance with the Danish Financial Statements Act. For a description of the effect of the transition to IFRS, please refer to note 2 to the Consolidated Financial Statements in the Annual Report 2017.

Key events 2017

Helping more people with biologic treatments

LEO Pharma initiates phase 3 clinical studies for tralokinumab in atopic dermatitis

In May, LEO Pharma initiated phase 3 clinical studies for tralokinumab in moderate-to-severe atopic dermatitis. Tralokinumab is an investigational human monoclonal antibody and LEO Pharma's most advanced biologic compound under development. The phase 3 studies, ECZTRA 1 and ECZTRA 2, will each include 780 patients globally and are expected to conclude in 2019.

Patients in Europe commence treatment with Kyntheum®, LEO Pharma's new biologic psoriasis treatment

In September, LEO Pharma entered a new era when the first patient in Europe started treatment with Kyntheum® after marketing authorisation was obtained. The treatment took place at the University Hospital of Frankfurt in Germany. Kyntheum® is our new biologic treatment helping people with moderate-to-severe plaque psoriasis. By the end of 2017, Kyntheum® had been launched in six European markets: Germany, the UK, Denmark, the Netherlands, Sweden and Ireland. More European countries will follow in 2018.

Improving patients' everyday life with new technologies

LEO Pharma wins prize for digital innovation

In September, LEO Innovation Lab won the Confederation of Danish Industry's prestigious annual prize. The 2017 theme was companies' ability to use new digital technologies to create value for society. The nomination committee stated that the apps and digital platforms developed by LEO Innovation Lab "make it easier for people to live

with chronic diseases and at the same time yield invaluable knowledge to LEO Pharma for its continued work with development of new treatments". Earlier in 2017, LEO Innovation Lab won the eyeforpharma Customer Innovator Award, which celebrates innovative approaches for delivering increased value to patients.

Shaping medical dermatology

LEO Pharma builds new R&D hub in China

In March, LEO Pharma started construction of a new R&D hub in Shanghai, China. With an increased R&D presence and capabilities, LEO Pharma will be able to help more Chinese patients with treatments that meet their needs and expectations. It is LEO Pharma's ambition to be the preferred partner and leading dermatology company in China by 2020.

Almirall and LEO Pharma join forces to set new standards for skin sampling

In May, Almirall and LEO Pharma entered into a collaboration to advance science in dermatology by setting a new standard for skin sampling. The aim is to develop and clinically validate a painless, minimally invasive skin-sampling method. Though competing on the market for dermatology, Almirall and LEO Pharma are collaborating to achieve a common goal: to advance science and help people living with skin diseases.

LEO Pharma invests in Novopyxis to develop an aerosol-based drug delivery device

In June, LEO Pharma invested in the biotech company Novopyxis to support the development of an early-stage drug delivery device designed to increase the penetration of topical treatments into the skin. The hand-held aerosol device will be clinically tested on people with alopecia (hair loss), where there is a high need for alternative treatment options to steroid injections. The partnership with Novopyxis was one of several collaborations established by the LEO Science & Tech Hub in Boston in 2017.

LEO Pharma ranked second in AllTrials global audit

In July, LEO Pharma was ranked an impressive second in the AllTrials global audit on clinical trials transparency. The audit acknowledges LEO Pharma's commitment to ensuring data transparency and increasing access to clinical trial information. For example, LEO Pharma's clinical trial results dating back to 1990 are available to the public. LEO Pharma also shares individual patient-level data upon request from qualified third-party researchers.

Satisfactory earnings in 2017

2017 was a significant year for LEO Pharma: revenue exceeded DKK 10 billion for the first time in the company's more than 100-year history. LEO Pharma's operating profit was above expectations and more than doubled compared to 2016, reaching DKK 852 million. The operating profit improvements were mainly driven by cost control and the full-year effect of sales from the global dermatology portfolio from Astellas, which LEO Pharma acquired in April 2016.

Revenue

LEO Pharma's revenue in 2017 increased by DKK 618 million to DKK 10,481 million, or 8% in local currencies compared to 2016. Of this growth, DKK 440 million related to the full-year effect of the new LEO portfolio (Astellas). Adjusted for this, organic growth was 3%. Increasing growth is addressed in LEO Pharma's strategy towards 2025, which is elaborated on pages 22-23.

Revenue by therapeutic area

Psoriasis

LEO Pharma's psoriasis business grew by 6% in local currencies compared to 2016, from DKK 3,445 million to DKK 3,587 million. The primary growth driver in psoriasis was Enstilar[®], which was successfully launched in Germany, the UK and Spain in 2017. In total, Enstilar[®] contributed 97% growth in local currencies, with a stagnating tendency in the US. Enstilar[®] growth was partly offset by patients switching from Daivobet[®] gel to Enstilar[®], resulting in a decline for Daivobet[®] gel of 11% in local currencies. Daivobet[®] ointment sales were flat, with lower sales in Europe due to generic competition in the UK and the Nordics, while strong Daivobet[®] ointment sales in Japan generated growth of 14% in local currencies. Daivonex[®] grew by 20% in local currencies, driven by Region International. We launched Kyntheum[®] in Europe in September, and this will have a positive effect on future sales.

Eczema/skin infections

Sales from LEO Pharma's eczema and skin infection portfolio grew by DKK 468 million, or 19% in local currencies, to a total of DKK 3,015 million. Adjusting for the full-year impact, the new LEO portfolio grew by 10% in local currencies. This increase was mainly driven by Protopic[®], which grew by 15% in local currencies due to strong sales in Region International and Region Europe+.

Actinic keratosis

Sales of Picato[®], LEO Pharma's actinic keratosis treatment solution, increased by DKK 7 million, or 4% in local currencies compared to 2016. The growth is driven by improved return experience in 2017 compared to 2016 and a price increase in the US, which is offset by declining sales in Europe+ mainly due to fewer promotional activities by LEO Pharma to optimise its profitability.

Thrombosis

Thrombosis sales, of which 93% are generated by innohep[®], increased by DKK 26 million, or by 2% in local currencies. This growth came mainly from cancer-associated thrombosis.

Revenue by therapeutic area

DKK million

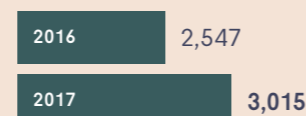
Psoriasis (+6%*)



Key products

Kyntheum[®]
Enstilar[®]
Daivobet[®]/Taclonex[®]
Daivonex[®]

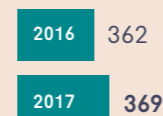
Eczema/skin infections (+19%*)



Key products

Fucidin[®]
Fucidin[®] H
Fucicort[®]
Protopic[®]
Locoid[®]

Actinic keratosis (+4%*)



Key product

Picato[®]

Thrombosis (+2%*)



Key product

innohep[®]

Other (0%*)



* The development in % is presented in local currencies.

Total revenue 2017

10,481
DKK million

Growth in revenue 2017

+8%
in local currencies

Revenue by region

Region Europe+

Region Europe+ grew by DKK 297 million, or 6% in local currencies, to DKK 6,379 million. The full-year impact of the new LEO portfolio acquired from Astellas in 2016 contributed DKK 194 million. Excluding this effect, Region Europe+ grew by 4% in local currencies in 2017. The new LEO portfolio grew by 9% in local currencies, primarily driven by Protopic[®]. The psoriasis franchise grew by 6% in local currencies, driven by the launch of Enstilar[®] in Spain, the UK and Germany. Enstilar[®] sales in Region Europe+ contributed 12% of the total psoriasis sales in 2017. Region Europe+ will continue to launch Enstilar[®] in further markets in Europe and in Canada in 2018.

Region US

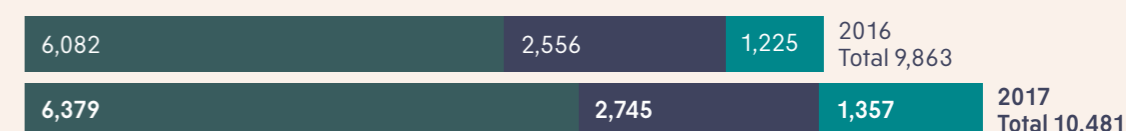
Region US grew by DKK 132 million, or 13% in local currencies, to DKK 1,357 million. Enstilar[®] sales increased by 17% in local currencies, mainly in the first half of 2017. Taclonex[®] Topical Suspension sales declined by 24% in local currencies. The topical psoriasis market in the US is dominated by generic solutions due to the continued focus on higher rebates combined with increased patient payment. This trend is expected to impact the psoriasis market growth potential in the US in 2018.

Region International

Region International increased by DKK 189 million, or by 8% in local currencies to DKK 2,745 million. Excluding the full-year impact of the new LEO portfolio, sales grew by 2%. The new LEO portfolio grew by 6%, particularly in LAMEA and Asia, with China driving growth. Psoriasis sales in Region International grew by 14% in local currencies, primarily driven by China and Japan. Fucidin[®] was the second-largest franchise in Region International, with sales of DKK 597 million. However, sales of Fucidin[®] declined by 9%, mainly due to the performance in LAMEA, which is the largest market for Fucidin[®].

Revenue by region

DKK million



Region Europe+

Region International

Region US

An overview of countries in Region Europe+, Region International and Region US can be found on page 3.

Operating profit

Operating profit before depreciation and amortisation increased from DKK 1,343 million to DKK 2,005 million. Operating profit rose from DKK 338 million to DKK 852 million in 2017, an increase of more than 100%.

The increase in operating profit was predominantly driven by a decrease in Administrative costs from realised cost savings from the efficiency projects launched in 2016. The efficiency projects are progressing as expected and were key to reducing operating expenses in 2017. The total impact of these projects in 2017 was DKK 325 million. The efficiency projects will continue, and in 2018 we expect to see an additional impact from optimising our processes, IT infrastructure and product portfolio.

In early December 2017, LEO Pharma announced its decision to discontinue its ingenol disoxate pipeline project. Based on results from phase 3 studies, ingenol disoxate was deemed not commercially viable for LEO Pharma. Ingenol disoxate was intended to be produced at LEO Pharma's production site in Southport, Australia, replacing the production of ingenol mebutate, which took place in Southport until recently. As inventories for ingenol mebutate will cover sales until 2022 and production of ingenol disoxate is no longer needed, the site in Southport will be shut down during 2018, impacting 27 employees working there. A write-down and redundancy costs of DKK 170 million was recorded in December 2017 for impairment of assets and to cover expected shutdown costs. Securing deliveries of ingenol mebutate through other suppliers after 2022 will be assessed in due course.

Sales and distribution costs decreased slightly by DKK 7 million to DKK 4,091 million (2016: DKK 4,098 million).

Research and development costs increased by DKK 312 million compared to 2016. In 2017, we successfully progressed our pipeline, in particular within biologic and systemic treatments. This led to increased investments within the R&D portfolio, such as the development of Kyntheum® (brodalumab) and the initiation of phase 3 studies for tralokinumab.

LEO Pharma's subsidiary in Ireland operates a defined benefit pension plan, which was closed for future services in 2014. In 2017, employees who were members of the plan were offered an enhanced transfer value (ETV). The take-up (number of employees who accepted the ETV and left the scheme) resulted in an income of DKK 98 million recorded in Other operating income.

Financial items

In 2017, net financial income increased by DKK 145 million to DKK 934 million. DKK 603 million of the increase was the result of improved performance in LEO Pharma's investment portfolios. The net financial result was negatively impacted by currency exchange losses of DKK 43 million (2016: DKK 48 million).

In April 2017, the LEO Foundation introduced a new structure and governance model. The change allows LEO Pharma to focus even more on its core business as a healthcare company, while allowing the LEO Foundation to focus on asset management as well as on grants for research and activities that increase disease awareness, disease understanding and access to treatment within dermatology. As part of the new structure, the capital allocation between LEO Pharma and the LEO Foundation was rearranged. LEO Pharma paid a dividend of DKK 17,169 million to LEO Holding A/S, after which the market value of LEO Pharma's hold-to-collect bond

portfolio was DKK 0 at 31 December 2017 (2016: DKK 10,661 million).

Capital expenditure and cash flow

Investments in intangible assets amounted to DKK 479 million in 2017 (2016: DKK 6,115 million). The investments primarily related to strategic acquisitions and the partnership with AstraZeneca. Furthermore, LEO Pharma continued to invest in a SAP-based ERP system, resulting in software additions as well as other software related development projects of DKK 354 million.

In 2017, LEO Pharma invested DKK 385 million (2016: DKK 302 million) in the expansion and optimisation of production facilities. The main activities in 2017 related to the "Serialisation project", which enables LEO Pharma to track and trace drugs from manufacturing through to dispensing. Among other activities, LEO Pharma is currently working on upgrading the API facility in Ballerup, introducing new products and transferring acquired brands to our own production sites. LEO Pharma is not only maintaining its fixed asset base, but also actively optimising and increasing it where relevant, with the aim of reducing production costs and creating an efficient and agile supply organisation.

Operating activities generated a positive cash flow of DKK 720 million (2016: DKK 2,661 million). LEO Pharma achieved a return on equity of 11% (2016: 5%) and on 31 December 2017 had equity of DKK 8,277 million (2016: DKK 25,175 million). Based on these results, LEO Pharma entered 2018 with a solvency ratio of 57% (68% at the start of 2017). The decrease is related to the extraordinary dividend payment to LEO Holding A/S and the LEO Foundation.

Transition to IFRS

From 2017, LEO Pharma is presenting its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) for ease of comparison with other international companies.

The transition to IFRS changes our accounting policies and affects a number of areas in the report. For further information about the effect of the transition to IFRS, please refer to note 2 to the Consolidated Financial Statements in the Annual Report 2017.

People

LEO Pharma's 5,000 employees form the basis for the success of our company. Our global team of committed and highly skilled employees is crucial for the realisation of our strategy towards 2025. We continuously focus on creating a working environment which fosters engagement and collaboration, enabling us to build on LEO Pharma's unique culture.

We measure our progress regularly through our global employee engagement survey, LEO Voice. In 2017, we achieved a sustainable engagement score of 84%, meaning that 84% of employees responded favourably to questions relating directly to engagement and enablement. This is higher than the average for pharmaceutical companies and shows a strong organisation with highly motivated and committed employees. We will continue to ensure that employee engagement and well-being are further enhanced through ongoing dialogue and action plans.

In 2017, LEO Pharma's 100 senior leaders globally completed a leadership development programme, Leading Execution, with focus on building new competences and implementing new behaviours in daily routines. The programme was also rolled out to the next level of approximately 280 leaders and will be completed in 2018.

Moving into new business areas, such as biologic and systemic treatments and rare skin diseases, requires special capabilities and a strong focus on competence development and talent attraction. In 2017, we welcomed many new employees, particularly in Region Europe+ and Region US. In July 2017, Chris Posner was appointed Executive Vice President Region US and a member of LEO Pharma's Global Leadership Team.

Outlook

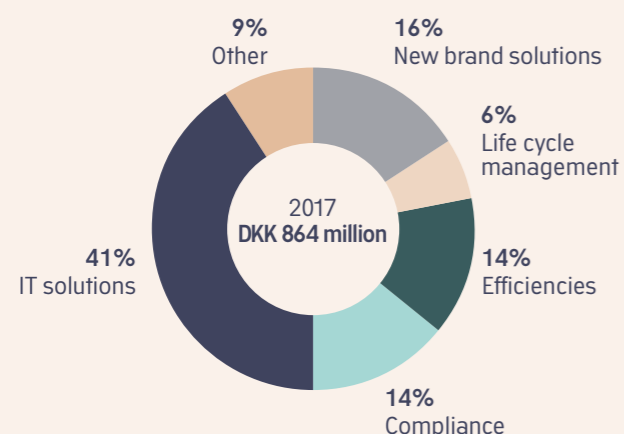
For 2018, we expect sales growth primarily from the continued launches of Enstilar® and Kyntheum® in Europe, as well as Daivobet® ointment in Japan. The financial result will be challenged by continued pressure for price reductions and the risk of increased generic competition for Daivobet® ointment in Europe, leading to annual revenue at the same level as 2017 in the range of DKK 10-10,5 billion.

LEO Pharma will significantly increase its spending on research and development, including spending related to the phase 3 studies with tralokinumab. Combined with modest growth in sales, we expect this to lead to an operating profit around break-even.

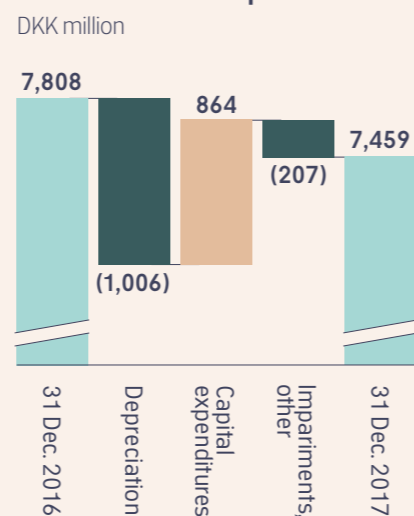
LEO Pharma's 2025 strategy focuses on addressing high unmet needs with the aim of helping 125 million people in 2025. To achieve this goal, we plan to make further acquisitions and invest significantly in innovation within new biologic, systemic and topical treatments.

Therefore, in order to secure long-term growth and performance, LEO Pharma's established and innovative portfolios will be managed differently. This will allow us to focus on continuous profitability improvements in our established portfolio at the same time as making significant investments in developing the innovative portfolio. As a result of these investments, LEO Pharma's financial results in 2018 are expected to be negative.

Capital expenditures



Fixed asset development*



* Fixed assets consist of Intangible assets and Property, plant and equipment.

Advancing science in dermatology

At LEO Pharma, we innovate to advance science in dermatology and deliver better treatments to people with skin diseases. Our robust pipeline of small molecules and antibodies addresses the diverse and unmet medical needs of the many patients we serve.

LEO Pharma's global R&D organisation is powered by more than 700 scientists and specialists who all possess in-depth knowledge of the skin. Together with our partners, we have built a strong pipeline in dermatology that covers several indications and addresses a wide range of medical needs. We are steadily expanding our pipeline with innovative topical, biologic and systemic treatments to bring life-changing medicines to people with skin diseases.

Today, people with skin diseases are treated with a wide variety of medicines such as topical creams and ointments, oral tablets and injectable biologics, depending on the severity of their disease. At LEO Pharma, we acknowledge these different needs, and our aim is to discover and develop the safest and most effective treatments for all patient segments.

A strong and expanding pipeline

In 2017, we successfully progressed our pipeline, in particular within biologic and systemic treatments. The pipeline represents a strong mix of projects aimed at topical, oral and injectable treatments. The clinical stage part of our pipeline includes tralokinumab, an IL-13 antibody for the systemic treatment of atopic dermatitis (phase 3a),

and Kyntheum® (brodalumab), an IL-17R antibody for the systemic treatment of moderate-to-severe psoriasis (launched in 2017).

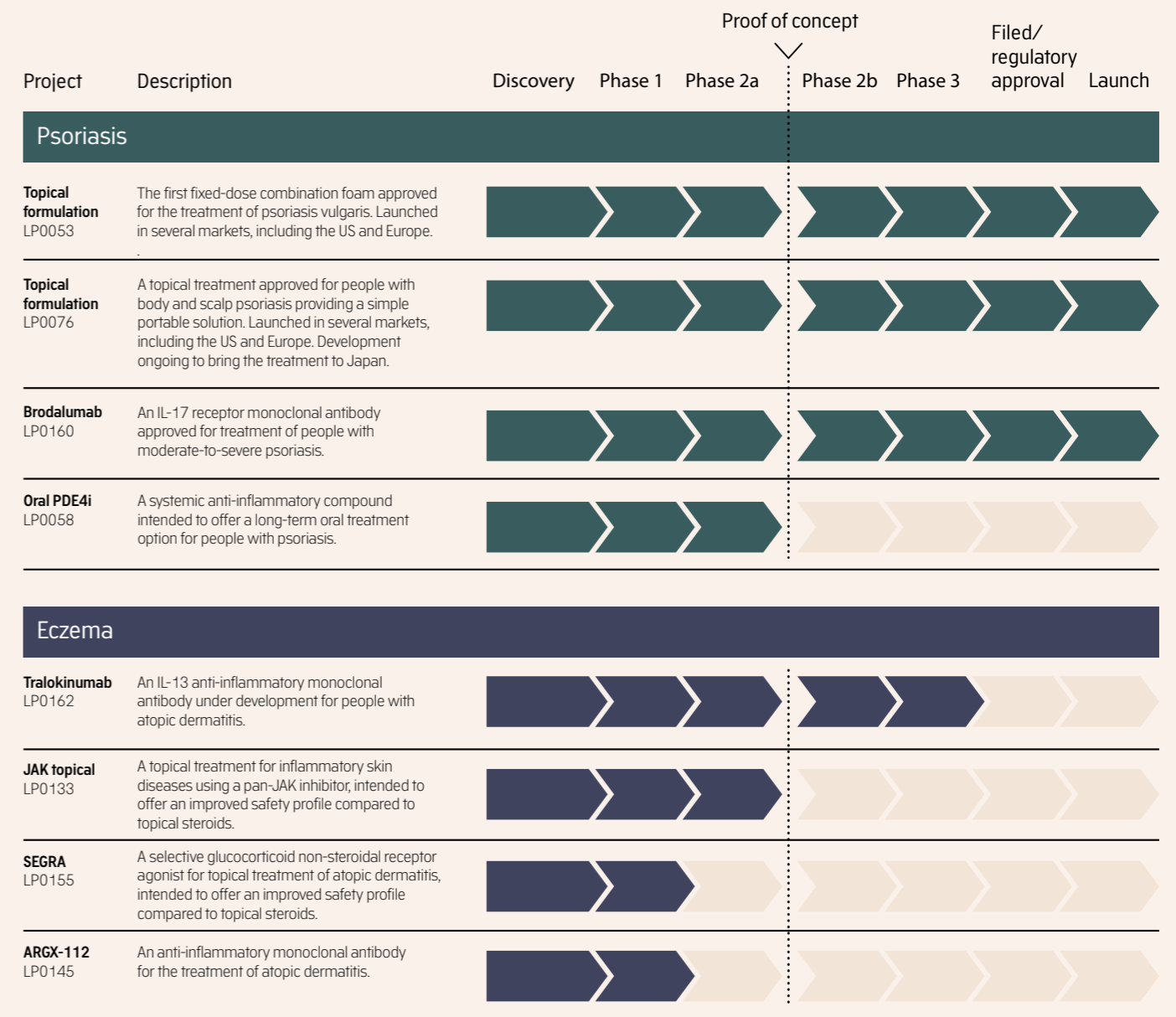
The pipeline also includes a novel JAK (Janus kinase) inhibitor (phase 2a) and a SEGRA (selective glucocorticoid receptor antagonist) molecule (explorative clinical testing), both candidates for the non-steroidal topical treatment of inflammatory skin diseases.

We are moving into rare skin diseases

Finally, the pipeline includes an orally bioavailable PDE4 (phosphodiesterase 4) inhibitor for psoriasis (phase 2a) and an injectable anti-IL22R antibody for the systemic treatment of atopic dermatitis (phase 1).

Furthermore, LEO Pharma has embarked upon developing new medicines for rare diseases to help the many people whose skin conditions are currently untreated.

Our clinical pipeline



All data current as of 31 December 2017.

Pipeline progress

In 2017, LEO Pharma made significant progress in developing new treatments and providing patients with new options for achieving healthy skin. Kyntheum® was approved for the treatment of psoriasis, and we initiated phase 3 studies for tralokinumab in atopic dermatitis.

Kyntheum®

Kyntheum®, a fully human monoclonal antibody, is LEO Pharma's new biologic treatment for moderate-to-severe psoriasis. The treatment offers patients the opportunity to achieve high levels of skin clearance, meaning that their skin is completely clear of any psoriasis plaques.

LEO Pharma acquired the commercial rights to Kyntheum® in the EU from AstraZeneca in 2016. In July 2017, Kyntheum® was approved by the European Commission and, in early September, Kyntheum® was launched in Germany as the first country in the EU. By the

end of 2017, Kyntheum® had been launched in six European markets: Germany, the UK, Denmark, the Netherlands, Sweden and Ireland. Kyntheum® will be introduced in more European markets in 2018.

LEO Pharma has several post-approval commitments which are currently being prepared, such as registry studies. Furthermore, Kyntheum® is undergoing further clinical testing to investigate the full potential of the molecule and explore opportunities for additional indications.

Enstilar®

Enstilar® is a unique and innovative foam spray formulation for the treatment of plaque psoriasis that uses propellants as solvents for the active ingredients, calcipotriene and betamethasone dipropionate. Enstilar® was developed with the aim of increasing patient acceptability compared to current treatment options. The foam spray has been very well received in the market by patients with psoriasis.

In Japan, a key market for LEO Pharma, we will conduct two studies with Enstilar® from 2018 to offer Enstilar® to Japanese patients. However, for Japanese patients with plaque psoriasis, Daivobet® gel will be available as early as 2018.

"I feel hideous and unattractive; I don't want to leave the house in the morning. I feel like everyone is secretly repulsed by me. I worry that the psoriasis will never go away. I feel hopeless every time it gets worse."

Woman, 23, UK

About skin diseases



The skin is the body's largest single organ. In an average person the skin weighs 4 kg and covers a surface of 2 m².

The primary function of the skin is to provide protection – for example from water loss, injury, ultraviolet radiation (sunlight) and microbial attack such as bacteria.



Worldwide, one in four people suffer from a skin disease at any point in time. There are more than 3,000 recognised skin diseases.



More than 125 million people worldwide suffer from psoriasis.

Tralokinumab

Tralokinumab, an IL-13 monoclonal antibody, is LEO Pharma's most advanced biologic compound under development. The global licence to tralokinumab in dermatological indications was acquired from AstraZeneca in 2016. In mid-2017, LEO Pharma initiated two phase 3a studies with tralokinumab, ECZTRA 1 and ECZTRA 2. The studies will evaluate the efficacy of tralokinumab compared to placebo in treating moderate-to-severe atopic dermatitis. The phase 3a studies include 780 patients each and are planned to conclude in 2019.

Top-line results from a phase 2b study with tralokinumab for the treatment of atopic dermatitis showed a statistically significant improvement from baseline in EASI score (Eczema Area and Severity Index) at week 12 in the two highest tralokinumab dosage arms when compared to the placebo arm. Significant improvements in DLQI score (Dermatology Life Quality Index) were also observed.

Preclinical and early clinical pipeline

The preclinical and early clinical pipeline includes a novel oral PDE4 (phosphodiesterase 4) inhibitor for the treatment of psoriasis. In September 2017, proof of concept was demonstrated in a phase 2a study, and further clinical development is now planned.

The pipeline also contains a novel topical JAK (Janus kinase) inhibitor licensed from Japan Tobacco in 2014. The JAK inhibitor delivered proof of concept in 2016 in multiple indications associated with eczema. Finally, we expect two projects to move into clinical testing in 2018: a non-steroidal topical SEGRA (selective glucocorticoid receptor antagonist) for inflammatory skin diseases, and an injectable novel anti-IL22R antibody for atopic dermatitis. The latter is being developed in collaboration with argenx.

Working together for patients

At LEO Pharma, we collaborate with great partners around the world to explore new potential treatments and drive innovation forward to the benefit of patients.

LEO Pharma collaborates with academic institutions, research centres and industry partners worldwide. Our shared goal is to advance dermatology and deliver better treatments. We are driven by the belief that one day, people with skin diseases will be able to live free from symptoms.

Successful collaboration is characterised not only by shared goals, but also by benefit, respect and trust. We believe that by joining forces, the chances of identifying new opportunities increase. Great partnerships have the potential to change treatment paradigms and potentially improve life for the millions of people living with a skin disease.

We approach our partnerships with dedication, curiosity and humility. In every partnership, we do our utmost to deliver true value and progress science. As stated in our vision, we want to be the preferred dermatology care partner, improving people's lives around the world.

morphosys

LEO Pharma & MorphoSys

Discovery of therapeutic antibodies

Discovery and development of novel therapeutic antibodies addressing unmet medical needs in the treatment of skin diseases. The project is in its discovery phase.

"We really enjoy working with LEO Pharma. We appreciate the inspiring atmosphere driven by our common goal of building a powerful biologics pipeline dedicated to skin diseases – and most of all great scientists working together in an extraordinarily good mood."

— Dr Markus Enzelberger, Chief Scientific Officer, MorphoSys AG



LEO Pharma & argenx

Innovative antibody in phase 1

Development of an innovative antibody-based solution for the treatment of chronic inflammation underlying many skin diseases. LEO Pharma and argenx expect to initiate a first clinical study in the first quarter of 2018.

"Our partnership with LEO Pharma fits the argenx philosophy of joining forces with industry experts in areas outside our therapeutic focus. We are delighted to have been LEO Pharma's first-ever partner for development of antibody-based therapeutics for skin diseases."

— Tim Van Hauwermeiren, Chief Executive Officer, argenx



LEO Pharma & JT

Novel topical JAK inhibitor in phase 2

Development of a Janus kinase (JAK) inhibitor for the non-steroidal topical treatment of inflammatory skin diseases, discovered by the pharmaceutical division of Japan Tobacco Inc. (JT). LEO Pharma is currently conducting phase 2 clinical studies with the JAK inhibitor, for which LEO Pharma holds the global licence in dermatology, excluding Japan, where JT holds the rights.

"Collaborating with LEO Pharma enables us to accelerate the translation of scientific discoveries into effective treatments. LEO Pharma is a reliable partner with great expertise in delivering innovative solutions to people living with skin diseases."

— Muneaki Fujimoto, President, Pharmaceutical, Japan Tobacco Inc.



LEO Pharma & AstraZeneca

Biologic compound in phase 3

Strategic partnership relating to the development of two biologic therapy candidates: brodalumab and tralokinumab. Brodalumab was launched by LEO Pharma in 2017 under the brand name Kyntheum®, and tralokinumab is currently undergoing phase 3 studies conducted by LEO Pharma.

"LEO Pharma's proven track record of bringing new dermatological treatments to patients in Europe made them an attractive company to partner with. We've developed great relationships at all levels of the alliance and look forward to continuing our work with LEO."

— David Chang, Head, Inflammation, Autoimmunity & Neuroscience, Global Medicines Development, AstraZeneca

LEO Pharma & Washington University School of Medicine in St. Louis

Increasing disease understanding

Expansion of disease understanding of atopic dermatitis by unveiling the cellular and molecular regulation of atopic inflammation and itch in patients suffering from atopic dermatitis. The collaboration has already made great progress and led to the publication of *Sensory Neurons Co-opt Classical Immune Signalling Pathways to Mediate Chronic Itch* in the prestigious scientific journal *Cell*.

"Our collaboration with LEO Pharma centers on improving the lives of people with skin diseases, including chronic itch. Through this collaboration, we are afforded the support and freedom to pursue bold science that can accelerate the discovery of new therapeutic paradigms. LEO Pharma has been intellectually invested in and dynamically interactive with our research program, allowing for true academic-industry team science."

— Brian S. Kim, Co-Director, Center for the Study of Itch, Washington University School of Medicine in St. Louis

LEO Pharma & Icahn School of Medicine at Mount Sinai

Applying imaging technologies and big data in dermatology

Investigation of non-invasive imaging technologies and data-driven efficacy recommendation systems by means of biomarker data analytics, drug-target interaction and medical literature.

"The ideal collaborations are ones where all parties bring their expertise to the table to tackle a problem, and then everyone works in tandem to make progress. Although a number of organisations and institutions preach these ideals, I've found that LEO Pharma practises them, making intellectual and material contributions that advance projects beyond scientific publication."

— Brian Kidd, Assistant Professor, Icahn School of Medicine at Mount Sinai

Innovating for healthy skin

A partnership with LEO Pharma provides access to an innovation ecosystem consisting of multiple and diverse initiatives, forming the ideal basis for discovery and development.

LEO Pharma's innovation ecosystem consists of five components that interact with and complement each other: our R&D capabilities, our global partnerships, LEO Science & Tech Hub, LEO Innovation Lab and LEO Pharma Open Innovation. Collaboration and co-creation is the glue that binds the ecosystem together. We believe that the more we interact and collaborate, the better we can pioneer advances in dermatology care and improve treatment for patients.

LEO Science & Tech Hub

At LEO Science & Tech Hub in Boston, we identify, develop and fund innovative technological solutions that improve the lives of people with skin diseases. In 2017, we established partnerships with several innovative start-up companies and leading US academic institutions, such as Brigham & Women's Hospital, Massachusetts General Hospital, Massachusetts Institute of Technology and Mount Sinai Hospital. In collaboration with our partners, LEO Science & Tech Hub strives to transform early-stage innovations into dermatological treatments and supporting technologies, particularly within precision medicine.

LEO Innovation Lab

At LEO Innovation Lab, we develop non-pharmaceutical solutions in the form of apps, digital platforms and venture initiatives which can help to improve everyday life for patients. We strive to optimise the interaction between patients and physicians by means of new technologies, and we investigate the impact of chronic skin diseases on patients' mental health and well-being. One example is the KlikKit app, which helps patients plan, track and review treatment routines and improves individual awareness and consistency of treatment.

Read more about the digital solutions from LEO Innovation Lab on pages 26-27.

LEO Pharma Open Innovation

Our Open Innovation platform offers a truly unique set-up for exploring drug research with external partners in a mutually beneficial way. The Open Innovation platform provides the opportunity to test whether a compound has the potential to treat dermatological diseases. The initiative allows any scientist to submit compounds for testing using the extensive research tools at LEO Pharma's laboratories.

A key principle of our Open Innovation partnerships is trust: when testing a new compound from a partner, we do not ask for the structure, yet we reveal the science behind our own assets. All the data generated from testing a partner's compounds are openly disclosed to that partner free of charge and confidentially – in other words, with no strings attached.

The external partner retains all rights to the molecule and owns all the generated data. If the results look promising, we investigate the potential for a scientific collaboration or business partnership.

Since we launched LEO Pharma Open Innovation in 2015, we have tested approximately 500 molecules in collaboration with more than 40 partners from biotech companies, start-up companies and academic drug research institutions. Among these projects, we have identified several scientific opportunities with potential for progress.

By opening our laboratories to the outside world, we explore new opportunities for providing better treatments to patients.

About LEO Pharma Open Innovation

Any scientist outside LEO Pharma who has developed a molecule which may have potential within treatment of skin diseases can explore drug research with LEO Pharma free of charge and in full confidentiality. The process is simple:

- 1** The scientist signs a simple partnership agreement and shares the molecule with LEO Pharma Open Innovation.
- 2** Scientists at LEO Pharma's laboratories test the molecule in non-confidential models to identify whether it has the potential to become a treatment for skin diseases.
- 3** LEO Pharma hands over all data and results to the scientist, who maintains intellectual property ownership.
- 4** If the data look promising from a scientific perspective, LEO Pharma enters into a dialogue with the scientist regarding further collaboration.

Shaping medical dermatology

All over the world, skin diseases are a burden for individuals, families and societies. A strong focus on addressing high unmet needs lies at the heart of LEO Pharma's corporate strategy, which aims to help 125 million people in 2025.

At any point in time, an estimated one in four people worldwide are living with a skin disease, making skin diseases some of the most prevalent diseases globally. Yet skin diseases continue to receive little attention in global health. As a result, the burden of disease remains high.

LEO Pharma's ambition is to shape medical dermatology to help people with skin diseases improve their quality of life. We have named our corporate strategy 'Helping SARAH' to emphasise that we strive to meet the individual needs of people and understand the healthcare environment in which they live. We are recognised for our significant advances in dermatology, and going forward we will continue to improve treatments for SARAH and the millions of other people living with a skin disease.

Dermatology is changing thanks to progress in science and the application of new technology such as immunologic approaches. At LEO Pharma, we are determined to be a key driver in this development.

Helping 125 million people in 2025

At the forefront of science

Investing in innovative topical and systemic treatments is at the heart of our strategy. LEO Pharma recently launched Kyntheum® for psoriasis and started phase 3 trials for tralokinumab in atopic dermatitis. We will increase our innovation efforts and move into rare diseases, building on a pipeline that is rich in innovative topical, biologic and systemic treatments, on the latest scientific advances, and on strong partnerships with biotech and academia.

Strengthening our roots

LEO Pharma's current success is rooted in our topical portfolio. Our topical treatments have been helping millions of people around the world, and we will continue to develop new, innovative topicals. We will strengthen this part of our business to build critical mass, and continue to invest in innohep®, our thrombosis business.

Digital support for patients

Digital technologies promise to help patients beyond medicines. LEO Innovation Lab will continue to explore this field to find solutions for improving patients' interactions with their physicians and the healthcare system, and for managing their disease.

Local presence

Supporting patients requires us to be close to them. We will increase our presence in the US with new products and R&D. Region International will gain critical mass in topical dermatology, and Region Europe+ will grow in terms of both current and new innovative products.

Deep understanding and collaboration

Understanding patients better than anyone else is key to LEO Pharma's success, as is our ability to bring together the best ideas and the brightest minds. LEO Pharma has a unique culture, based on curiosity, collaboration, simplicity and our desire to help patients.



Foundation ownership

Thanks to its foundation ownership, LEO Pharma is in a unique position to help people with skin diseases. Ultimately owned by the LEO Foundation, a private com-

mercial foundation, LEO Pharma is an independent company with no external shareholders. This means that all profits are reinvested in the LEO Group.

Showing the way to clear skin

Imagine a world where people with psoriasis can achieve clear skin. A world where they are in control of their disease, and not the other way around. With new, innovative biologic treatments, this vision has come a crucial step closer to realisation. LEO Pharma plays an important part in this evolution, most recently with the launch of Kyntheum® (brodalumab) for the treatment of moderate-to-severe plaque psoriasis.

In recent years, scientific advances in genetics and immunology have led to a wave of new treatments, such as biologics. Over the past decade, biologics have accounted for one-third of new medicine approvals, offering new hope to patients within several disease areas, including psoriasis.

As psoriasis is a chronic disease where the body's own immune system is overactive, the impact of the disease goes beyond the skin. The reality of living with moderate-to-severe psoriasis can undermine people's physical, social and psychological quality of life, often preventing those affected from living fulfilled lives and reaching their goals. In fact, psoriasis carries a greater physical and mental burden than many other chronic diseases. It is therefore critical that people with psoriasis have the necessary tools to help them go through life as unhindered by their disease as possible. Ideally, patients should feel that they control their disease. Not the other way around.

“Psoriasis isn't just a skin condition, and the full impact of the disease is often underestimated. At LEO Pharma, we're dedicated to supporting patients with innovative treatment solutions such as Kyntheum® that can help them live a more positive life, clear of their skin condition.”

— Gitte P. Aabo, President & CEO, LEO Pharma

Kyntheum® A major advancement towards clear skin

For psoriasis, the availability of biologic treatment signals a relatively new era for disease management. With the launch of Kyntheum® in 2017, LEO Pharma is underpinning the company's dedication to supporting people with innovative treatments and integrated solutions in order to help them live a life unrestricted by their skin disease.

Kyntheum® is LEO Pharma's biologic treatment for moderate-to-severe plaque psoriasis and offers patients the opportunity to achieve high levels of skin clearance, meaning that their skin is clear of any psoriasis plaques.

“Kyntheum® has the potential to virtually clear psoriasis for almost three in four patients [...] a major advancement within the field of psoriasis.”

— Professor Dr Ulrich Mrowietz, Psoriasis-Center, University Medical Center Schleswig-Holstein, Kiel, Germany

So far, the results look promising: in clinical trials, more than half of patients reported that they experienced complete clearance of their psoriasis after 52 weeks of treatment. Most importantly, after 12 weeks of treatment, seven out of 10 patients reported that their psoriasis no longer impaired their health-related quality of life.

What is psoriasis?

Psoriasis is a serious, life-long disease impacting emotional, psychological and physical health. It is a common, chronic, immune-mediated, inflammatory disease that primarily involves the skin. The most frequently reported symptoms include thickening and scaling of the skin, itching and erythema (superficial reddening of the skin, usually in patches).

Social stigma places a heavy burden and can negatively impact the mental health of people with psoriasis:



People with moderate-to-severe psoriasis have a two- to threefold risk of anxiety and depression

77%

of people with psoriasis say that they have experienced stigmatisation

46%

of people with moderate-to-severe psoriasis report being often or always depressed

What are biologics?

In contrast to most drugs that are chemically synthesised and have a known structure, most biologics are complex mixtures that are not easily identified or characterised. Biologics can be composed of sugars, proteins or nucleic acids, or complex combinations of these substances, or may be living entities such as cells and tissues.

Biological products often represent the cutting-edge of biomedical research and, in time, may offer the most effective means of treating a variety of medical illnesses and conditions that presently have no other treatments available.

What are monoclonal antibodies?

Monoclonal antibodies are proteins that help the immune system identify and bind to substances, allowing for the treatment of some of the most challenging diseases. Kyntheum® is the first and only fully human monoclonal antibody that selectively targets the IL-17 receptor subunit A. Kyntheum® works by blocking immune-signalling proteins that cause skin lesions, thereby stopping the inflammatory process.

Raising the bar for patient care

People with skin diseases often do not receive adequate treatment. LEO Pharma is looking into how interactions between patients and the many stakeholders within and around the healthcare system can be improved.

As the skin is highly visible, skin diseases are often associated with social stigma and psychological burden. To reduce the burden of disease and help people manage their skin disease better, LEO Innovation Lab is developing a range of digital patient support solutions.

LEO Innovation Lab is casting a wide net, focusing for example on how to improve the patient-physician relationship and on tools which enable patients to manage their skin disease better. Some tools help optimise patient interactions with the physician, and others facilitate the investigation of the impact of chronic skin diseases on mental health and well-being.

One of the solutions developed by LEO Innovation Lab is Imagine, an app that enables patients to track the effectiveness of their psoriasis treatment with imaging technology. Imagine allows patients to get a clearer view of their skin and symptoms as they change, and to monitor the impact of lifestyle factors such as stress. So far, more than 15,000 images have been clinically evaluated by a panel of dermatologists, enabling LEO

Pharma to establish the largest database of real-world psoriasis photos. These are used to enable artificial intelligence-powered diagnosis, severity rating and prediction.

Another example is Flaym, an online community offering support and advice on life with psoriasis while informing and empowering patients. Flaym engages people across the world in a friendly, safe environment, allowing them to share experiences, good or bad, and learn from one another. So far, the community has more than 15,000 members who have generated more than 60,000 posts and comments.

LEO Innovation Lab's current product portfolio includes nine digital solutions in more than 12 languages. So far, LEO Innovation Lab has connected with more than 300,000 patients in 184 countries. The knowledge gathered is used to optimise projects as well as to design and develop new treatments and digital solutions, helping to improve quality of life for people living with a skin condition.



"Friends and family are hugely important to me, but I don't think they understand my psoriasis."

Kathryn, 35, UK



Imagine

An app for tracking psoriasis treatment effectiveness, allowing patients to get a clearer view of their skin and symptoms as they change.



Flaym

An online community offering support and advice on life with psoriasis, with the objective of engaging, informing and empowering patients.

Our key products

Psoriasis

Psoriasis is a serious, life-long disease impacting emotional, psychological and physical health. It is a common, chronic, immune-mediated, inflammatory disease that primarily involves the skin. The most frequently reported symptoms include thickening and scaling of the skin, itching and erythema (superficial reddening of the skin, usually in patches).

Psoriasis affects about 2-3% of the population and is equally common in men and women. The severity of the disease varies greatly.

Kyntheum® – A subcutaneous injection for the treatment of moderate-to-severe plaque psoriasis in patients who are candidates for systemic therapy.

Enstilar® – A spray foam for cutaneous treatment of psoriasis vulgaris in adults.

Daivobet® (Taclonex®) – Gel and gel applicator for cutaneous treatment of scalp psoriasis in adults. Topical treatment of mild-to-moderate 'non-scalp' psoriasis vulgaris. Daivobet® is also available as ointment.

Daivonex® – Ointment, cream and solution for cutaneous treatment of chronic, stable psoriasis vulgaris.

Eczema and skin infections

Atopic dermatitis – also called atopic eczema – is a chronic, relapsing, inflammatory skin disease that is characterised by intense pruritus (itching). It can occur at any age and has a high prevalence of up to 20% in children. Atopic dermatitis is regarded as a multi-factorial condition, the onset and severity of which are influenced by both genetic and environmental factors.

Fucidin® – Cream and ointment for cutaneous treatment of skin infections caused by sensitive strains of *staphylococcus aureus*, *streptococcus spp* and *corynebacterium minutissimum*. Fucidin® is also available as suspension, tablets and impregnated dressings.

Fucidin® H – Cream for cutaneous treatment of eczema and dermatitis with secondary bacterial infections, including atopic eczema, primary irritant dermatitis and allergic and seborrhoeic dermatitis.

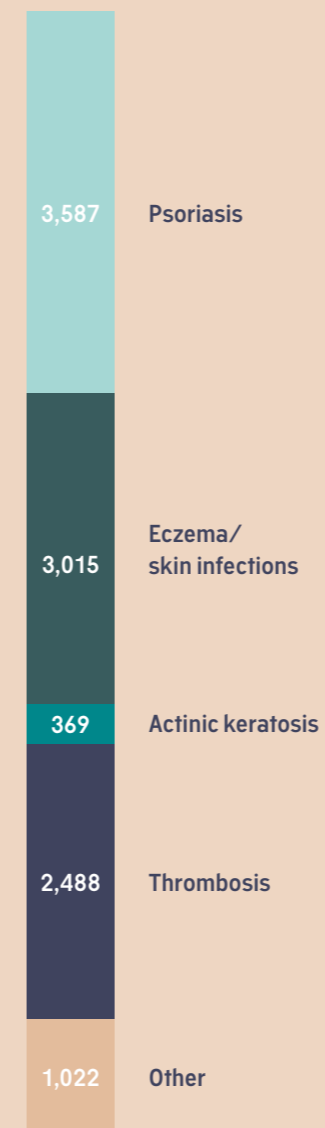
Fucicort® – Cream and lipid cream for cutaneous treatment of eczematous dermatoses, including atopic eczema, discoid eczema, stasis eczema and seborrhoeic eczema.

Protopic® – Ointment for cutaneous treatment of moderate-to-severe atopic dermatitis.

Locoid® – Cream, crelo, lipocream, scalp lotion and ointment for cutaneous treatment of inflammatory skin disorders not caused by microorganisms, such as atopic dermatitis and psoriasis.



Revenue by therapeutic area 2017
DKK million



Total revenue 2017
10,481
DKK million

Growth in revenue 2017
+8%
in local currencies



Actinic keratosis

Actinic keratosis is a type of skin lesion caused by extensive exposure to sunlight. The skin lesion appears as a thickened, scaly growth and may feel rough to touch.

While some actinic keratoses regress or persist without change for many years, some lesions may progress to become squamous cell carcinomas, also called non-melanoma skin cancer.

Picato® – Gel for cutaneous treatment of actinic keratosis in adults.

Thrombosis

Deep vein thrombosis is a clot that forms within a deep vein, usually in the leg. If untreated, part of the clot can break off and travel to the lungs, blocking blood flow. This is called a pulmonary embolism, and can be fatal if not detected and treated early.

innohep® – Subcutaneous treatment of venous thrombosis and thromboembolic disease in adults, and prevention of recurrences in adults with active cancer.

Bridging the happiness gap

With the World Psoriasis Happiness Report, LEO Pharma helps to raise global awareness of the impacts of psoriasis on quality of life.

In recent years, happiness has emerged as a key metric by which we measure our progress as societies and, in 2011, the United Nations passed its resolution on happiness and emphasised that "Happiness as a universal goal and aspiration embodies the spirit of the Millennium Development Goals".

At LEO Pharma, we see it as our responsibility to constantly improve our understanding of patients and search for new ways to help them cope with their skin disease. Together with the Happiness Institute in Denmark, we are exploring the impact of health on happiness. The results of this collaboration are the PsoHappy app for patient surveys, and the World Psoriasis Happiness Report 2017, based on answers from more than 120,000 patients in 19 countries.

"This report will itself help to educate the public at large about the extent, nature and consequences of psoriasis. This should help to quell false fears as well as to fuel greater awareness of the importance of acceptance, and of reaching out to those who look different."

John Helliwell, Professor Emeritus,
University of British Columbia,
Distinguished Fellow of the Canadian
Institute for Advanced Research

Measuring the impact of psoriasis

Using the methodology of the UN World Happiness Report 2017, the report measures well-being across a wide spectrum of topics important to people living with psoriasis.

The results show that people with severe psoriasis experience significantly lower levels of happiness than their fellow citizens. The impact of having psoriasis is three times greater than the happiness gap between the richest and the poorest quintiles of society.

Some countries that scored happiest for their general population in the UN World Happiness Report 2017, such as Norway and Denmark, are ranked low in the World Psoriasis Happiness Index.

“There are large happiness gaps in countries that have consistently scored highly on the UN’s global happiness index, indicating that the negative impact of chronic health conditions may be flying under the policy radar of otherwise healthy and happy societies and leaving people behind.”

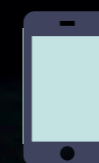
— Meik Wiking, CEO, the Happiness Research Institute

The report also shows that psoriasis reduces the happiness of women more than men. While both genders with psoriasis are very much affected physically, emotionally and psychologically, the impact on women is greater.



About the World Psoriasis Happiness Report 2017

The report is based on a survey focused on exploring happiness and psoriasis, and has been developed with input from IFPA, the International Federation of Psoriasis Associations. Survey questions were designed to help quantify the psychosocial burden of psoriasis, covering topics such as stress, self-esteem, loneliness, treatment habits and respondents’ relationship with their physicians.



Measuring well-being with mobile technology

The World Psoriasis Happiness Report is produced using PsoHappy, an adaptive digital survey platform which collects data on the impact of psoriasis on people’s well-being on a global scale. PsoHappy is recognised by patient associations around the world for its value in improving awareness of how psoriasis affects people’s quality of life. The platform is operated by LEO Innovation Lab.

Collaborating to empower patients



Communication between physician and patient is crucial for the success of psoriasis therapy. The Psoriasis Academy provides a forum for healthcare professionals to help patients take better control of their skin condition.

The World Health Organization sees good communication between physicians and patients as a critical success factor in helping patients to adhere to their treatment. This is key, because following treatment through is very important for a successful outcome.

The Psoriasis Academy was established by LEO Pharma in 2015 in collaboration with a multi-disciplinary global faculty led by Professor Kristian Reich, Georg-August University, Germany. The goal for the Psoriasis Academy is to empower patients to take control of their disease. It is a collaborative programme with educational events, panel discussions and train-the-trainer workshops where new ways to improve psoriasis care are explored. So far, 1,600 healthcare professionals in more than 20 countries have participated in national academy workshops, representing expertise areas such as dermatology, psychology, psychodermatology, nursing and patient communication. In the longer term, the ambition is to extend the Psoriasis Academy concept to other skin diseases.

One focus of the Psoriasis Academy is on improving communication between patients and their physicians. For example, together with LEO Innovation Lab, the Psoriasis Academy is looking into developing an app to enable patients to prepare better for discussions with their physician,

"Nobody sat me down and explained what psoriasis actually was. I had to look it all up on the internet [...]. We need education of doctors to pass information onto the patients."

Psoriasis patient, UK

"[The Psoriasis Academy] is a revolution, teaching communication to doctors. You have a solution to a problem that always existed."

Kristian Reich, DMSc, Professor in Dermatology, Georg-August University, Göttingen, Germany

"I don't think we're aware how cutting edge this programme is. LEO Pharma should be proud of pioneering this."

Dr Anthony Bewley, Consultant Dermatologist, Royal London Hospital, UK

making it easier to address the unspoken and difficult areas of psoriasis management on both sides of the table. The prototype is currently being tested with patients.

The overall philosophy behind the Psoriasis Academy is that patients with psoriasis are the real experts in their own condition, and that they should be partners in the care process. Therefore, the Psoriasis Academy has established a partnership with the International Federation of Psoriasis Associations (IFPA) to ensure that patients are integrated in the Psoriasis Academy's work. In another project, a work stream under the Psoriasis Academy is designing a process for measuring and validating the effect of the Psoriasis Academy's work.

“ Communication between physicians and patients is key for helping psoriasis patients. Therefore, we partnered with doctors and patient organisations like IFPA to establish the Psoriasis Academy. Physicians are trained in understanding the profile of each patient and how to communicate most effectively with them. The Psoriasis Academy shows how LEO Pharma puts the patient at the centre of everything we do. ”

— *Tine Dahlberg, Principal Professional, Stakeholder Partnership, LEO Pharma*

Taking CSR to the next level

In December 2017, we launched our Corporate Social Responsibility (CSR) Commitment 2018-2020. The purpose of the CSR commitment is to support LEO Pharma in achieving its mission, vision, corporate strategy 'Helping SARAH' as well as the following two 2020 aspirations: 'Help more than 100 million people' and 'Reach 82% or more in sustainable engagement score'.

Going forward, our ambition is to take CSR at LEO Pharma to the next level to increase the positive impact, as well as minimise the adverse impact, we have on society and the environment.

Global goals and human rights

Our CSR Commitment 2018-2020 provides a strategic and coherent framework for LEO Pharma's CSR work building on the LEO values of Integrity, Customer focus, Innovation, Passion and Adaptability.

Our commitment to respect human rights and support the UN Sustainable Development Goals is part of the overall framework for our CSR work and is integrated into relevant CSR areas. With respect to human rights, we are implementing the UN Guiding Principles on Business and Human Rights (UNGPs), including conducting human rights impact assessments.

CSR focus areas

To support the ambition of taking our CSR efforts to the next level, Right to health, Right to privacy, Mental well-being at work, Anti-corruption and Responsible supply chain management have been chosen as focus areas for 2018-2020. For the next three years, we will

work actively to achieve the KPIs set within each of these areas. Specific action plans have been developed to drive progress within the CSR focus areas, which are described in LEO Pharma's CSR Report 2017.

Other essential areas of our CSR commitment

CSR at LEO Pharma encompasses much more than these five focus areas. Animal welfare, climate change, environment and energy, people safety and people development are all essential areas of LEO Pharma's CSR commitment, and efforts within these areas are key to upholding LEO Pharma's high standards within CSR.

LEO Pharma's CSR Report 2017

Read more about the CSR Commitment 2018-2020 in LEO Pharma's CSR Report 2017, in which LEO Pharma A/S' compliance with Sections 99a and 99b of the Danish Financial Statements Act is reported. The report is available at: www.leo-pharma.com/csr-report-2017

We are committed to supporting the UN Sustainable Development Goals



THE GLOBAL GOALS
For Sustainable Development

Our 5 focus areas



Right to health



Right to privacy



Mental well-being at work



Anti-corruption



Responsible supply chain management

Other essential areas of our CSR commitment



Animal welfare



Climate change, environment and energy



People safety



People development

Extract from the Consolidated Financial Statements 2017

To view the full Consolidated Financial Statements, please download LEO Pharma's Annual Report 2017 at www.leo-pharma.com/annual-report-2017

Income statement

1 January – 31 December

(DKK million)	2017	2016
Revenue	10,481	9,863
Cost of sales	(2,938)	(2,720)
Gross profit	7,543	7,143
Sales and distribution costs	(4,091)	(4,098)
Research and development costs	(1,602)	(1,290)
Administrative costs	(1,111)	(1,447)
Other operating income	145	47
Other operating expenses	(32)	(17)
Operating profit	852	338
Share of profit/(loss) on investment in associate	(3)	(3)
Financial income	1,089	943
Financial expenses	(155)	(154)
Profit before tax	1,783	1,124
Tax on profit for the year	(402)	(380)
Net profit for the year	1,381	744

Statement of comprehensive income

1 January – 31 December

(DKK million)	2017	2016
Net profit for the year	1,381	744
Other comprehensive income		
Actuarial gains/(losses)	131	(214)
Tax	(48)	34
Items that will not be reclassified subsequently to the income statement	83	(180)
Exchange rate adjustments on investments in foreign subsidiaries	(64)	(108)
Deferred exchange gains/(losses) on hedging instruments designated at fair value through other comprehensive income	5	(8)
Gains/(losses) on cash flow hedges recycled to financial items	-	(4)
Other adjustments	17	(2)
Tax	(1)	(2)
Items that may be reclassified subsequently to the income statement	(43)	(124)
Other comprehensive income	40	(304)
Comprehensive income for the year	1,421	440

Balance sheet at 31 December

ASSETS

(DKK million)	2017	2016	1.1.2016
Intellectual property rights	3,992	4,527	133
Trademarks	-	-	5
Development projects	1,159	1,081	336
Software	497	389	107
Intangible assets	5,648	5,997	581
Land and buildings	691	760	824
Leasehold improvements	39	70	81
Plant and machinery	434	492	593
Other fixtures and fittings, tools and equipment	96	83	70
Assets under construction	551	406	256
Property, plant and equipment	1,811	1,811	1,824
Investment in associate	3	3	5
Other financial securities	27	10,539	11,519
Deferred tax assets	673	1,057	973
Other receivables	60	83	-
Financial assets	763	11,682	12,497
Total non-current assets	8,222	19,490	14,902
Inventories	1,719	1,730	1,663
Trade receivables	2,644	2,515	2,036
Tax receivables	656	573	1,226
Other receivables	384	182	374
Prepayments	160	81	121
Other securities	451	12,269	11,531
Cash and cash equivalents	357	144	374
Total current assets	6,371	17,494	17,325
TOTAL ASSETS	14,593	36,984	32,227

Balance sheet at 31 December

EQUITY AND LIABILITIES

(DKK million)	2017	2016	1.1.2016
Share capital	250	250	250
Foreign currency translation reserve	(172)	(108)	-
Hedging reserve	(3)	(8)	4
Retained earnings	8,202	25,041	24,481
Equity	8,277	25,175	24,735
Deferred tax liabilities	20	-	39
Retirement benefit obligations	355	780	627
Provisions	170	254	184
Credit institutions	1,006	1,569	-
Loan from the LEO Foundation	1,002	-	-
Contract liabilities	14	45	49
Other long-term liabilities	22	53	-
Total non-current liabilities	2,589	2,701	899
Provisions	673	700	425
Credit institutions	482	5,258	4,023
Trade payables	1,591	2,375	1,383
Payables to the LEO Foundation	150	61	90
Tax payables	70	138	175
Contract liabilities	30	30	21
Other payables	731	546	476
Total current liabilities	3,727	9,108	6,593
TOTAL EQUITY AND LIABILITIES	14,593	36,984	32,227

Statement of changes in equity

(DKK million)	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total
2017					
Equity at 1 January 2017	250	(108)	(8)	25,041	25,175
Net profit for the year	-	-	-	1,381	1,381
Other comprehensive income for the year	-	(64)	5	99	40
Total other comprehensive income for the year	-	(64)	5	1,480	1,421
Transactions with owners					
Dividend distributed	-	-	-	(18,319)	(18,319)
Changes in equity in 2017					
Equity at 31 December 2017	250	(172)	(3)	8,202	8,277
2016					
Equity at 1 January 2016	250	-	4	24,481	24,735
Net profit for the year	-	-	-	744	744
Other comprehensive income for the year	-	(108)	(12)	(184)	(304)
Total other comprehensive income for the year	-	(108)	(12)	560	440
Equity at 31 December 2016	250	(108)	(8)	25,041	25,175

Cash flow statement

1 January – 31 December

(DKK million)	2017	2016
Operating profit	852	338
Adjustment for non-cash operating items		
Amortisation, depreciation and impairment losses	1,143	1,005
Change in retirement benefit obligations	(420)	(44)
Change in provisions	(21)	326
Other adjustments	50	(239)
Change in working capital		
Change in inventories and receivables	(398)	(273)
Change in trade payables and other payables	(541)	931
Corporation tax paid	(161)	359
Interest paid	(40)	(29)
Interest received	256	287
Cash flows from operating activities	720	2,661
Investments in intangible assets	(479)	(6,115)
Investments in property, plant and equipment	(385)	(302)
Proceeds from sale of intangible assets and property, plant and equipment	45	14
Investments in other securities	-	(3,275)
Proceeds from sale of other securities	5,654	3,937
Cash flows from investing activities	4,835	(5,741)
Proceeds from raising loans	1,000	3,232
Repayment of bank debt	(5,325)	(375)
Dividends paid	(1,000)	-
Cash flows from financing activities	(5,325)	2,857
Change in cash and cash equivalents	230	(223)
Cash and cash equivalents at 1 January	144	374
Unrealised exchange gains/(losses) on cash and cash equivalents	(17)	(7)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	357	144

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

Company information

Ownership structure

LEO Pharma A/S is an ultimately owned subsidiary of the LEO Foundation, Laustrupsgade 7, 5th floor, 2100 Copenhagen Ø, Denmark.

LEO Group legal structure



LEO Pharma Group is comprised of LEO Pharma A/S and its Danish and international subsidiaries.

Remuneration Committee

The Board of Directors has established a Remuneration Committee to assist the Board of Directors in aspects related to remuneration, assessment and nomination. The Remuneration Committee meets when required but at least twice a year.

The Remuneration Committee is comprised of four members, three of whom are members of the Board of Directors and one of whom is appointed by the LEO Foundation.

The Board of Directors has elected the following board members to the Remuneration Committee:

Jukka Pertola (Chairman)
John Robert Weeks
Peder Holk Nielsen
Jesper Mailind (The LEO Foundation)

Audit Committee

The Board of Directors has established an Audit Committee to assist the Board of Directors in overseeing aspects related to financial reporting, auditing, risk management, currency and investment policies and compliance. The Audit Committee meets when required but at least four times a year.

The Audit Committee is comprised of three members, all of whom are members of the Board of Directors. The members possess the relevant qualifications as specified in the Rules of Procedure for the Audit Committee.

The Board of Directors has elected the following board members to the Audit Committee:

Patrik Olof Dahlén (Chairman)
Cristina Patricia Lage
Karin Attermann

Scientific Committee

The Board of Directors has established a Scientific Committee to assist the Board of Directors 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 is comprised of three members, all of whom are members of the Board of Directors. The Board of Directors has elected the following board members to the Scientific Committee:

Jan van de Winkel (Chairman)
Ingelise Saunders
Jesper Høiland

Board of Directors

Jukka Pertola
Chairman

Patrik Olof Dahlén
Vice Chairman

Jesper Høiland
Board member

Cristina Patricia Lage
Board member

Jan van de Winkel
Board member

Peder Holk Nielsen
Board member

John Robert Weeks
Board member

Ingelise Saunders
Board member

Jannie Kogsbøll
Employee-elected
board member

Karin Attermann
Employee-elected
board member

Lotte Hjortshøj Larsen
Employee-elected
board member



Jukka Pertola, Chairman, LEO Pharma

Global Leadership Team

Gitte P. Aabo
President & CEO

Anders Kronborg
Executive Vice President
Global Finance &
Business Services

Jørgen Damsbo Andersen
Executive Vice President
Region International

Chris Posner
Executive Vice President
Region US and President
& CEO of LEO Pharma, Inc.

Guillaume Clément
Executive Vice President
Region Europe+

Kim Kjøller
Executive Vice President
Global Research &
Development

Patrice Baudry
Senior Vice President
Global Strategic
Marketing

Mette Vestergaard
Senior Vice President
Global People &
Communications

Jim McPherson
Senior Vice President
Global Product Supply



From left: EVP Kim Kjøller, SVP Mette Vestergaard, EVP Anders Kronborg, SVP Patrice Baudry, EVP Guillaume Clément, President & CEO Gitte P. Aabo, EVP Jørgen Damsbo Andersen, SVP Jim McPherson and EVP Chris Posner.

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