



LEO FONDET
EST. 1984

ANNUAL REPORT 2015 LEO FOUNDATION

Leo Fondet, Industriparken 55, 2750 Ballerup, Denmark
CVR no. 11 62 33 36
Godkendt på bestyrelsesmødet den 31. marts 2016
Dirigent: Kristian Merse

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Presented and adopted at the Board meeting on 31 March 2016.

CVR no. 11 62 33 36



MANAGEMENT'S STATEMENT

The Board of Trustees has today considered and adopted the Annual Report of the LEO Foundation for the financial year 1 January – 31 December 2015.

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

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

31 December 2015 and of the results of the Foundation's operations for 2015.

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

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

Ballerup, 31 March 2016

BOARD OF TRUSTEES:

Lars Olsen
Chairman

Jens Bo Olesen
Vice Chairman

Ingelise Saunders

John Mehbye

Per Håkon Schmidt

Gorm M. Thamsborg

Jens Holm
Employee-elected

Jannie Kogsbøll
Employee-elected

Allan Carsten Dahl
Employee-elected

FOUNDATION INFORMATION

The LEO Foundation

LEO Fondet
Industriparken 55
2750 Ballerup
Denmark

www.leo-foundation.org

CVR no.: 11 62 33 36
Reg. office: Ballerup

Financial year: 1 January –
31 December

Board of Trustees

Lars Olsen, Chairman
Jens Bo Olesen, Vice Chairman
Ingelise Saunders
John Mehlbye
Per Håkon Schmidt
Gorm M. Thamsborg
Jens Holm
Jannie Kogsbøll
Allan Carsten Dahl

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisions-
partnerselskab

Strandvejen 44
2900 Hellerup
Denmark

FINANCIAL HIGHLIGHTS

(DKK million)	2015	2014	2013	2012	2011
Income statement					
Operating profit	-4	-4	-4	-4	-5
Income from investments in affiliates after tax	645	1,544	1,175	663	624
Financial items	1	2	2	1	0
Profit before tax	642	1,542	1,173	658	615
Net profit for the year	645	1,544	1,175	657	601
Balance sheet					
Fixed assets	25,282	24,523	23,136	21,990	21,426
Current assets	98	114	120	127	2
Total assets	25,380	24,637	23,256	22,117	21,428
Equity	25,351	24,622	23,239	22,096	21,408
Ratios					
Return on equity	3%	6%	5%	3%	3%
Solvency ratio	100%	100%	100%	100%	100%

MANAGEMENT'S REVIEW

About the LEO Foundation

The LEO Foundation is an active commercial foundation. It was established in 1984 by the former owner of LEO Pharma A/S. The LEO Foundation owns all the shares in LEO Pharma which, in the course of its more than 100-year history, has grown to be a global healthcare company dedicated to helping people achieve healthy skin.

As stated in its charter, the LEO Foundation is to retain full ownership of LEO Pharma. The LEO Foundation is independent of heirs, outside shareholders or other interests.

Our mission

The LEO Foundation's mission is to ensure the ongoing development of LEO Pharma as an independent, competitive and research-based healthcare company.

Our strategy

The LEO Foundation exercises active and ambitious ownership of LEO Pharma as part of its efforts to ensure the company's ongoing development as an independent, competitive and research-based healthcare company.

As part of this active ownership, the LEO Foundation:

- Sets the overall framework, direction and long-term performance targets for LEO Pharma
- Elects the Board of Directors of LEO Pharma
- Maintains open communication and strong collaboration with LEO Pharma's Board of Directors
- Safeguards LEO Foundation's assets in order to ensure the short- and long-term independence of LEO Pharma.

In addition, the LEO Foundation supports research within the fields of medicine, chemistry and/or pharmacy. The LEO Foundation particularly supports international dermatological research projects and activities that address issues in disease understanding, disease treatment, disease awareness and patient well-being.

The Board of Trustees

The Board of Trustees consists of nine members: six members are elected according to the charter and three are employee-elected representatives. The Board's composition serves to ensure that the LEO Foundation fulfils its objectives, as specified in the charter.

At the end of 2015, Poul Rasmussen retired as Chairman of the LEO Foundation and Chairman of LEO Pharma. Poul Rasmussen passed on his chairmanships to two successors, thereby completing a process he began several years ago to strengthen governance.

The LEO Foundation's Board of Trustees appointed Lars Olsen, former Executive Vice President of Global Sales and Marketing at LEO Pharma, as Chairman of the LEO Foundation as of 1 January 2016.

Ingelise Saunders joined the Board of Trustees as an independent member as of 1 January 2016. Nina Sølvér Henning left the Board at the end of 2015.

Allan Carsten Dahl entered the Board as an employee-elected member after Søren Schou left in early 2015.

Governance statement

The Danish Committee on Foundation Governance has issued a set of governance recommendations effective from 1 January 2015.

The LEO Foundation supports these recommendations. A complete overview of how the LEO Foundation follows the recommendations is available on the LEO Foundation's website, where you will also find the mandatory report concerning gender representation on the Board of Trustees.

www.leo-foundation.org/governancerecommendations



Board of Trustees

In accordance with the governance recommendations issued by the Danish Committee on Foundation Governance, the LEO Foundation discloses the following information about the Board of Trustees:

	Lars Olsen	Jens Bo Olesen	Ingelise Saunders	John Mehlbye
Position	Chairman	Vice Chairman	Board member	Organic Farmer
Born	1965	1951	1949	1950
Gender	Male	Male	Female	Male
Joined the Board of Trustees	2016	2007	2016	2008
Re-elected	No	Yes	No	Yes
Term expires	2017	2017	2017	2017
The member's special skills	General management, R&D, sales and marketing	General management, sales and marketing	General management, biotech, Big Pharma sales and marketing, business development, drug development	General management, product supply
Other management positions	LEO Pharma Research Foundation, Chairman	LEO Pharma A/S, Board member LEO Pharma Research Foundation, Board member	Acesion Pharma ApS, Chairman MinervaX Aps, Chairman LEO Pharma A/S, Board member LEO Pharma Research Foundation, Board member	LEO Pharma Research Foundation, Board member Østagergaard, Board member
Appointed by authorities	No	No	No	No
Is the member considered as independent?	No	No	Yes	No

Per Håkon Schmidt	Gorm M. Thamsborg	Jens Holm	Jannie Kogsbøll	Allan Carsten Dahl
Attorney-at-Law, Partner	Consultant Doctor	Senior Manager	Process Assistant	Principal Scientist
1953	1951	1956	1962	1967
Male	Male	Male	Female	Male
2001	1999	2010	1998	2015
Yes	Yes	Yes	Yes	No
2017	2017	2018	2018	2018
Law	Medicine	Employee-elected Auditor, risk management, insurance	Employee-elected Production, processes	Employee-elected Organic process R&D, CMC development
Den 7. himmel, Chairman LEO Pharma Research Foundation, Board member	LEO Pharma Research Foundation, Board member Rigshospitalet, Doctor		LEO Pharma A/S, Board member, employee-elected Deputy Shop Steward for 3F at LEO Pharma A/S	Union of Academic Employees at LEO Pharma A/S, Chairman
No	No	No	No	No
No	No	No	No	No





PERFORMANCE AND ACTIVITIES IN 2015

Financial results – LEO Foundation

The LEO Foundation generated a net profit of DKK 645 million in 2015 compared to DKK 1,544 million in 2014. Income from investments in affiliates after tax was DKK 645 million in 2015 compared to DKK 1,544 million in 2014.

The LEO Foundation achieved a 3% return on equity (2014: 6%) and equity of DKK 25,351 million at the end of the year (2014: DKK 24,622 million). Based on these results, the LEO Foundation entered 2016 with a solvency ratio of 100% (2014: 100%).

The LEO Foundation considers the result for 2015 satisfactory. In 2016, the LEO Foundation expects operating profit to be in line with previous years.

Financial results – LEO Pharma A/S

LEO Pharma's revenue in 2015 amounted to DKK 8,457 million, an increase of DKK 484 million or 6% compared to 2014 and 0.5% in local currencies.

Total operating expenses in 2015 amounted to DKK 5,607 million (2014: DKK 5,166 million). This represents an increase in operating expenses of DKK 441 million in 2015 compared to 2014. This is mainly due to an increase in sales and distribution costs as well as in administrative costs.

LEO Pharma's operating profit decreased by DKK 67 million to DKK 695 million from DKK 762 million in 2014. Operating profit is in line with the expectations for 2015.

LEO Pharma generated a net profit of DKK 645 million in 2015 compared to DKK 1,544 million in 2014.

Operating activities generated a positive cash flow of DKK 770 million (2014: DKK 1,041 million). LEO Pharma achieved a 3% return on equity (2014: 9%) and equity of DKK 25,282 million at the end of the year (2014: DKK 24,523 million). Based on these results, LEO Pharma entered 2016 with a solvency ratio of 79% (2014: 78%).

The result for 2015 is considered satisfactory.

Our donations

The LEO Foundation supports international dermatological research projects and activities that address issues related to disease understanding, disease treatment, disease awareness and patient well-being. Typical projects and activities are international studies, scientific symposia, science-based knowledge dissemination and awareness campaigns.

In 2015, the LEO Foundation issued grants to a total of 11 projects and activities for a total of DKK 60.2 million, DKK 50.3 million of which has not received a grant letter as of 31 December 2015. The majority of grants were issued to dermatology-related projects and activities with an international scope.

One of the largest grants in 2015, DKK 6.4 million, was granted for the creation of a Global Psoriasis Atlas, which will maximise the value of epidemiological research into psoriasis by facilitating international collaboration optimised via the International League of Dermatological Societies, the International Psoriasis Council and the International Federation of Psoriasis Associations, and promote greater standardisation in study methodology.

Additional key grants include DKK 3.6 million to an exploratory study based at the University of Bath that aims to develop a physiologically-based pharmacokinetic model to predict the dermal absorption and disposition of drugs included in complex topical products.

Also worth highlighting is a grant of DKK 3 million to Young Scientists (Unge Forskere) to support their annual talent competition, which aims to bring together and develop talent among children and young people in the field of science in Denmark. Young Scientists helps build a bridge between basic and upper secondary education on the one side, and universities and industry on the other.

PROJECT PORTFOLIO OVERVIEW

(DKK million)	Grants awarded before 2015	Grants awarded in 2015	Grants awarded, total	Paid out before 2015	Paid out in 2015	Pending payments
The LEO Foundation scholarship for dermatologic research	2.2	0.0	2.2	0.6	0.0	1.6
Skin cancer awareness bus	3.0	0.0	3.0	3.0	0.0	0.0
Phenotyping itch in atopic eczema and psoriasis patients	1.6	0.0	1.6	0.3	0.3	1.0
Psoriasis and cardiovascular co-morbidity – Funding of an oversight committee	0.9	0.0	0.9	0.6	0.0	0.3
Psoriasis and cardiovascular co-morbidity – Epidemiological and experimental studies	4.2	0.0	4.2	2.1	1.3	0.8
Depletion, UV exposure and relation between ozone and skin cancer	0.2	0.0	0.2	0.2	0.0	0.0
Epidemiology of eczema disease in Denmark	2.8	0.0	2.8	1.1	1.0	0.7
Skin cancer screening	2.5	0.0	2.5	1.0	0.9	0.6
Defining the skin and blood biomarkers of pediatric atopic dermatitis	6.5	0.0	6.5	2.2	3.2	1.1
Skin cancer screening education study	4.8	1.4	6.2	2.9	2.4	0.9
Identification and characterisation of key itch mediators and receptors in human pruritic diseases	0.3	0.0	0.3	0.3	0.0	0.0
Psoriasis in children	4.5	0.0	4.5	0.0	1.0	3.5
Preventing basal cell carcinoma formation by targeting the tumor environment	0.0	2.3	2.3	0.0	0.5	1.8
The natural history of skin cancer formation – from normal skin to cancer	0.0	1.5	1.5	0.0	0.6	0.9
Classification of actinic keratosis	0.0	0.5	0.5	0.0	0.5	0.0
Young Scientists	0.0	3.0	3.0	0.0	0.0	3.0
LEO Pharma Research Foundation Award Symposium	0.4	0.9	1.3	0.4	0.3	0.6
Harmonizing outcome measures for eczema	0.0	0.3	0.3	0.0	0.3	0.0
Total – Grant letters issued	33.9	9.9	43.8	14.7	12.3	16.8
Non-published grant	0.0	40.0	40.0	0.0	0.0	40.0
Global epidemiology of psoriasis: Development of the global psoriasis atlas	0.0	6.4	6.4	0.0	0.0	6.4
Development and validation of a physiologically-based pharmacokinetic model for dermal absorption	0.0	3.6	3.6	0.0	0.0	3.6
The International Eczema Council	0.0	0.3	0.3	0.0	0.0	0.3
Total – Grant letters not issued	0.0	50.3	50.3	0.0	0.0	50.3
Total committed grants	33.9	60.2	94.1	14.7	12.3	67.1
Non-committed grants			5.9	0.0	0.0	5.9
Total grant limit 2015			100.0	14.7	12.3	73.0

For more information about the projects and activities that the LEO Foundation supports, including beneficiaries, please visit www.leo-foundation.org/grantrecipients

The LEO Foundation's grant policy can be found at www.leo-foundation.org/apply



OTHER INFORMATION

Business and financial risks

The LEO Foundation has no business or financial risks. The LEO Foundation has no bank debt. All risks regarding the LEO Foundation's affiliate, LEO Pharma, are covered by the affiliate.

Elements of uncertainty

The results of the LEO Foundation are affected by the results of LEO Pharma. LEO Pharma's results may be affected by further generic competition, price pressure and low interest rates.

Events after the balance sheet date

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

Corporate social responsibility

The LEO Foundation does not have a policy on Corporate Social Responsibility as the LEO Group's activities primarily reside with LEO Pharma. LEO Pharma's CSR Report can be found here: www.leo-pharma.com/csr-report-2015

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INCOME STATEMENT

(DKK million)	Note	2015	2014
Administrative costs	(1, 2)	4	4
Operating profit		-4	-4
Income from investments in affiliates after tax	(5)	645	1,544
Financial income	(3)	1	2
Profit before tax		642	1,542
Tax on profit for the year	(4)	-3	-2
Net profit for the year		645	1,544
Proposed to be distributed as follows:			
Net revaluation for the year		645	1,544
Change in grant limit		30	46
Grants for the year		10	4
Retained earnings		-40	-50
		645	1,544

BALANCE SHEET AT 31 DECEMBER

ASSETS

(DKK million)	Note	2015	2014
Investments in affiliates	(5)	25,282	24,523
Total financial fixed assets		25,282	24,523
Total fixed assets		25,282	24,523
Receivables from affiliates		90	100
Other receivables		1	0
Total receivables		91	100
Cash at bank and in hand		7	14
Total current assets		98	114
TOTAL ASSETS		25,380	24,637

EQUITY AND LIABILITIES

(DKK million)	Note	2015	2014
Foundation capital	(6)	52	52
Net revaluation, affiliates		24,713	23,954
Grant limit		56	46
Retained earnings		530	570
Total equity		25,351	24,622
Deferred tax	(7)	7	10
Other provisions		0	2
Total provisions		7	12
Payable grants		6	0
Total non-current liabilities		6	0
Payable grants		11	0
Other payables		5	3
Total current liabilities		16	3
TOTAL EQUITY AND LIABILITIES		25,380	24,637

CASH FLOW STATEMENT

(DKK million)	2015	2014
Profit before tax	642	1,542
Income from investments in affiliates after tax	-645	-1,544
Other adjustments	0	2
Change in working capital:		
Change in receivables	9	0
CASH FLOWS FROM OPERATING ACTIVITIES	6	0
Grants paid out during the year	-13	-6
CASH FLOWS FROM FINANCING ACTIVITIES	-13	-6
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS	-7	-6
Cash and cash equivalents at 1 January	14	20
Cash and cash equivalents at 31 December	7	14

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

STATEMENT OF EQUITY

(DKK million)	Foundation capital	Net revaluations	Grant limit	Retained earnings	Total
Equity at 1 January 2015	52	23,954	46	570	24,622
Profit from affiliates after tax	0	645	0	0	645
Adjustment of financial instruments	0	85	0	0	85
Exchange rate adjustment	0	46	0	0	46
Tax on changes in equity	0	-20	0	0	-20
Transferred to grant limit	0	0	40	-40	0
Grants for the year	0	0	-10	0	-10
Grants regarding previous years	0	0	-20	0	-20
Other movements	0	3	0	0	3
Equity at 31 December 2015	52	24,713	56	530	25,351

(DKK million)	Foundation capital	Net revaluations	Grant limit	Retained earnings	Total
Equity at 1 January 2014	52	22,567	0	620	23,239
Profit from affiliates after tax	0	1,544	0	0	1,544
Adjustment of financial instruments	0	-167	0	0	-167
Exchange rate adjustment	0	23	0	0	23
Tax on changes in equity	0	43	0	0	43
Transferred to grant limit	0	0	52	-52	0
Grants	0	0	-6	0	-6
Other movements	0	-56	0	2	-54
Equity at 31 December 2014	52	23,954	46	570	24,622

LEO FOUNDATION NOTES

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NOTES

Note 1 – Other external expenses

Fees to auditors appointed at the annual general meeting

In 2015, the LEO Foundation paid DKK 81 thousand for statutory audit (2014: DKK 81 thousand) and DKK 31 thousand for other services (2014: DKK 0 thousand).

(DKK million)

Note 2 – Staff expenses	2015	2014
Wages and salaries	3	3
Total	3	3
Included in:		
Administrative costs	3	3
Total	3	3
Average number of full-time employees	0	0
The Board of Trustees has received remuneration from other Group companies	1	1

Remuneration to the Board of Trustees amounted to DKK 3 million (2014: DKK 3 million) and the fee to administrator amounted to DKK 0.6 million (2014: DKK 0.3 million).

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

(DKK thousand)	Poul Rasmussen	Jens Bo Olesen	John Mehlbye	Per Håkon Schmidt	Gorm M. Thamsborg	Nina Solver Henning	Jens Holm	Jannie Kogsbøll	Allan Carsten Dahl	Søren Schou	Total
Remuneration to the Board of Trustees, LEO Fondet	600	450	300	300	300	300	300	300	250	50	3,150
Remuneration to the Board of Directors, LEO Pharma A/S	700	350	-	-	-	-	-	-	-	-	1,050

(DKK million)

Note 3 – Financial income	2015	2014
Interest income from affiliates	1	2
Total	1	2

NOTES

(DKK million)

Note 4 – Tax on profit for the year	2015	2014
Change in deferred tax	-3	-2
Total	-3	-2

(DKK million)

Note 5 – Investment in affiliates	2015	2014
Cost at 1 January	569	569
Cost at 31 December	569	569
Value adjustment at 1 January	23,954	22,567
Share of profit/loss for the year	645	1,544
Exchange rate adjustment	46	23
Adjustment of financial instruments	85	-167
Tax on changes in equity	-20	43
Other adjustments	3	-56
Value adjustment at 31 December	24,713	23,954
Carrying amount at 31 December	25,282	24,523

The LEO Foundation owns 100% of the shares in LEO Pharma A/S. The share capital in LEO Pharma A/S is DKK 250 million and the registered office is in Denmark.

Note 6 – Share capital

The nominal value of the foundation capital amounts to DKK 52 million.

(DKK million)

Note 7 – Deferred tax (net)	2015	2014
Deferred tax at 1 January	-10	-12
Deferred tax on profit/loss for the year	3	2
Deferred tax (net)	-7	-10

NOTES

Note 8 – Contingencies

The LEO Foundation has no guarantee commitments, lease obligation or pledges.

Note 9 – Related parties

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

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

The LEO Foundation has a receivable of DKK 90 million (2014: DKK 100 million) from LEO Pharma A/S, on which it receives interest. Please refer to note 3 for information regarding interest.

The LEO Foundation has no other transactions with related parties.

Note 10 – Accounting policies

The Financial Statements of the LEO Foundation for 2015 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are unchanged from last year.

Recognition and measurement

Value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and impairment losses and provisions, as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

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

tisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

The measurement currency is Danish kroner (DKK). All other currencies are regarded as foreign currencies.

Foreign currency translation

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

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

Administrative costs

Administrative costs comprise expenses incurred for management and administration.

NOTES

Note 10 – Accounting policies (continued)

Financial income and expenses

Financial income comprises interest.

Tax on profit/loss for the year

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

Investments in affiliates

Investments in affiliates are measured under the equity method. This means that the affiliates are measured in the balance sheet at the proportionate share of their net asset value. The share of the profit for the year of the affiliates is recognised in the income statement less unrealised intercompany profits.

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

Receivables

Receivables are measured at amortised cost.

Equity

The Foundation's equity consists of foundation capital, net revaluation, grant limit and retained earnings.

GRANTS

Grants paid out

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

Grants not yet paid out

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

Grant limit

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

Other payables

Other payables are measured at amortised cost.

Tax

Deferred tax is measured using the balance sheet liability method for all temporary differences between the carrying amount and tax base of assets and liabilities.

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

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

Definition of key figures

Average number of employees	Average number of full-time equivalent employees	
Return on equity	$\frac{\text{Profit before tax}}{\text{Average equity}}$	x 100
Solvency ratio	$\frac{\text{Equity}}{\text{Assets}}$	x 100

Cash flow statement

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

Cash flows from operating activities are calculated as profit for the year before extraordinary items and tax adjusted for non-cash operating items as well as changes in working capital.

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

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

Consolidated Financial Statements

In accordance with the exemption clause in section 111(3) of the Danish Financial Statements Act, no consolidated financial statements have been prepared for the LEO Foundation.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES OF LEO FONDET

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of LEO Fondet for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Foundation at 31 December 2015 and of the results of the Foundation operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

STATEMENT ON MANAGEMENT'S REVIEW

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

Hellerup, 31 March 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Kim Fücksel
State Authorised
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